



FOREST MANAGEMENT CERTIFICATION REPORT

Public Summary Information

Project Nr.:	8365-UY
Client:	EUFORES S.A.
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Address:	PARAGUAY 1470 MONTEVIDEO
Country:	URUGUAY

Certificate Nr.	SGS-FM/COC-1941	Certificate Type:	Forest Management/Chain of Custody
Date of Issue	03 December 2004	Date of expiry:	02 December 2009

Assessment date:	20-28 September 2004		
Scope:	The management of plantation forests in the departments of Paysandu, Rio Negro, Soriano, Lavalleja and Rocha in Uruguay for the production of round logs		
Area:	58 433 ha		
Land Tenure:	Private		
Latitude/Longitude	Zona Norte	31 57 53 S	57 37 58 W
	Zona Pandule	32 18 08 S	57 17 38 W
	Zona Algorta	32 28 43 S	57 22 52 W
	Zona Tres Bocas	32 48 25 S	57 50 15 W
	Zona Palnar	33 10 38 S	57 24 32 W
	Zona Soriano	33 27 27 S	57 51 59 W
	Zona Lavalleja	34 20 11 S	55 07 39 W
	Zona Rocha	34 12 22 S	54 32 05 W
Biome:	Temperate		
Forest type:	Plantation (mostly)		
Forest composition:	Broad-leaved dominant		
Species composition:	<i>Eucalyptus globulus, grandis, dunnii, maidenii, bicostata</i> with very small areas of <i>Populus deltoides, Pinus elliottii</i> and <i>P taeda</i>		

Plantation Species	Exotic		
Annual production:	340 000 m3	Annual Allowable Cut	464 000 m3
Forest products:	Hardwood round logs and firewood		
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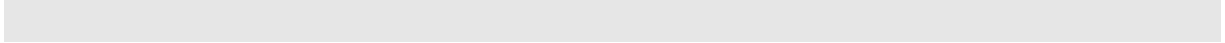
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SECTION I - PUBLIC SUMMARY REPORT

1. INTRODUCTION AND SCOPE

This report presents the results of an assessment of Eufores S.A.'s forest management operations in Uruguay carried out by SGS QUALIFOR during the period 20-28 September, 2004.

The purpose of the assessment was to evaluate the operations against the requirements of the QUALIFOR Programme, the SGS Group's forest certification programme accredited by Forest Stewardship Council.

The Assessment covered all forest management operations on the following forest areas:

Name of holding	Geographical Co-ordinates	Tenure	Forest area (ha)	Non-forest area (ha)	Total Area (ha)
Molino Petizo	32 48 25 S 57 50 15 W	Private	1 035,12	594,94	1 630,06
San Martin	32 48 25 S 57 50 15 W	Private	627,22	474,52	1 101,74
La Nona	32 48 25 S 57 50 15 W	Private	681,85	720,54	1 402,39
Mary	32 48 25 S 57 50 15 W	Private	290,78	256,32	547,1
San Pedro	31 57 53 S 57 37 58 W	Private	1 208,67	754,61	1 963,28
El Sauce	31 57 53 S 57 37 58 W	Private	473,10	267,62	740,72
Paso del Palmar	33 27 27 S 57 51 59 W	Private	334,78	287,13	662,37
El Rincon	33 27 27 S 57 51 59 W	Private	421,04	288,98	710,02
El Minero	33 27 27 S 57 51 59 W	Private	174,95	56,12	231,07
Forestala	32 18 08 S 57 17 38 W	Private	499,45	244,86	744,31
Ingral/Solito	32 48 25 S 57 50 15 W	Private	1 234,78	1 074,24	2 309,02
Sarandi	33 27 27 S 57 51 59 W	Private	696,05	511,39	1 207,44
La Cardilla	33 27 27 S 57 51 59 W	Private	120,19	402,86	523,05
Las Acacias	32 28 43 S 57 22 52 W	Private	1 299,75	1 037,69	2 337,44
Santa Maria	32 28 43 S 57 22 52 W	Private	382,84	341,47	724,31
Bequelo/Cerro Alegre	33 27 27 S 57 51 59 W	Private	942,44	465,99	1 408,43
Los Paraisos	32 28 43 S 57 22 52 W	Private	1 090,57	391,99	1 482,56

Sto. Tomas	32 28 43 S 57 22 52 W	Private	1 152,88	417,79	1 570,67
Santo Domingo	31 57 53 S 57 37 58 W	Private	4 948,07	2 373,72	7 321,79
Los Charabones	32 18 08 S 57 17 38 W	Private	953,19	486,15	1 439,34
Guayabos	32 18 08 S 57 17 38 W	Private	1 102,16	381,12	1 483,28
La Palma	32 18 08 S 57 17 38 W	Private	755,36	1 664,95	2 420,31
El Avestruz	32 18 08 S 57 17 38 W	Private	393,40	352,93	746,33
Ingral 2	32 48 25 S 57 50 15 W	Private	427,74	305,67	733,41
La Rosada	33 27 27 S 57 51 59 W	Private	274,29	314,64	588,93
Cerros Blancos	32 18 08 S 57 17 38 W	Private	1 125,04	964,42	2 089,46
Cerro Chato	31 57 53 S 57 37 58 W	Private	487,62	350,30	837,92
Las Casuarinas	32 28 43 S 57 22 52 W	Private	742,37	362,16	1 104,53
Ingral 3	32 48 25 S 57 50 15 W	Private	286,57	118,36	404,93
San Carlos	32 48 25 S 57 50 15 W	Private	308,53	370,36	578,89
El Paso	32 28 43 S 57 22 52 W	Private	161,87	119,57546,20	281,44
Los Olivos	33 27 27 S 57 51 59 W	Private	771,30	495,11	1 266,41
El Cerro	32 18 08 S 57 17 38 W	Private	498,30	284,67	782,97
La Palmita	32 28 43 S 57 22 52 W	Private	445,71	211,40	657,11
El Palmar	32 18 08 S 57 17 38 W	Private	595,51	387,37	982,88
El Boyero	33 27 27 S 57 51 59 W	Private	505,58	459,98	965,56
La Cumbre	32 28 43 S 57 22 52 W	Private	1 496,56	591,73	2 088,29
Las Malvinas	32 28 43 S 57 22 52 W	Private	410,11	576,09	986,20
El Porvenir	33 27 27 S 57 51 59 W	Private	614,44	315,01	929,45
Do Rey	33 27 27 S 57 51 59 W	Private	841,93	312,29	1 154,22
La Retirada	32 28 43 S 57 22 52 W	Private	46,88	355,88	402,76

Las Margaritas	32 48 25 S 57 50 15 W	Private	518,90	243,21	762,11
Santa Paula	34 12 22 S 54 32 05 W	Private	678,76	588,21	1 266,97
Agrocampo	34 12 22 S 54 32 05 W	Private	1 865,38	1 252,79	3 118,17
Santa Clara	34 20 11 S 55 07 39 W	Private	295,47	101,89	397,36
Carape	34 20 11 S 55 07 39 W	Private	232,36	228,60	460,96
Maramaja	34 20 11 S 55 07 39 W	Private	224,30	123,96	348,26
Curva	34 20 11 S 55 07 39 W	Private	42,71	19,77	62,48
San Francisco	34 20 11 S 55 07 39 W	Private	423,44	179,11	602,55
Espinillo	34 20 11 S 55 07 39 W	Private	91,11	50,24	141,35
Total			35 231,42	23 201,19	58 432,61

Name of holding	Forest type *	Production area (ha)	Conservation area (ha)	Forest composition*	Species composition	Average Annual Production (m3)
Molino Petizo	Plantation (mostly)	1 035,12	0	Broad-leaved dominant	Eucalyptus spp	17 597
San Martin	Plantation (mostly)	627,22	0	Broad-leaved dominant	Eucalyptus spp	10 663
La Nona	Plantation (mostly)	681,85	0	Broad-leaved dominant	Eucalyptus spp	11 591
Mary	Plantation (mostly)	290,78	0	Broad-leaved dominant	Eucalyptus spp	4 943
San Pedro	Plantation (mostly)	1 200,96	7,71	Broad-leaved dominant	Eucalyptus spp	20 416
El Sauce	Plantation (mostly)	380,89	92,21	Broad-leaved dominant	Eucalyptus spp	6 475
Paso del Palmar	Plantation (mostly)	334,78	0	Broad-leaved dominant	Eucalyptus spp	5 691
El Rincon	Plantation (mostly)	421,04	0	Broad-leaved dominant	Eucalyptus spp	7 158
El Minero	Plantation (mostly)	174,95	0	Broad-leaved dominant	Eucalyptus spp	2 974
Forestala/El Tala	Plantation (mostly)	499,45	0	Broad-leaved dominant	Eucalyptus spp	8 490
Ingral/Solito	Plantation (mostly)	1 234,78	0	Broad-leaved dominant	Eucalyptus spp	20 991
Sarandi	Plantation (mostly)	622,64	73,41	Broad-leaved dominant	Eucalyptus spp	10 585

La Cardilla	Plantation (mostly)	120,19	0	Broad-leaved dominant	Eucalyptus spp	2 043
Las Acacias	Plantation (mostly)	1 266,12	33,63	Broad-leaved dominant	Eucalyptus spp	21 524
Santa Maria	Plantation (mostly)	380,60	2,24	Broad-leaved dominant	Eucalyptus spp	6 470
Bequelo/Cerro Alegre	Plantation (mostly)	875,37	67,07	Broad-leaved dominant	Eucalyptus spp	14 881
Los Paraisos	Plantation (mostly)	1 077,65	12,92	Broad-leaved dominant	Eucalyptus spp	18 320
Sto. Tomas	Plantation (mostly)	1 134,14	18,74	Broad-leaved dominant	Eucalyptus spp	19 280
Santo Domingo	Plantation (mostly)	4 583,57	364,50	Broad-leaved dominant	Eucalyptus spp	77 921
Los Charabones	Plantation (mostly)	953,19	0	Broad-leaved dominant	Eucalyptus spp	16 204
Guayabos	Plantation (mostly)	1 098,03	4,13	Broad-leaved dominant	Eucalyptus spp	18 667
La Palma	Plantation (mostly)	755,36	0	Broad-leaved dominant	Eucalyptus spp	12 841
El Avestruz	Plantation (mostly)	393,40	0	Broad-leaved dominant	Eucalyptus spp	6 688
Ingral 2	Plantation (mostly)	427,74	0	Broad-leaved dominant	Eucalyptus spp	7 272
La Rosada	Plantation (mostly)	274,29	0	Broad-leaved dominant	Eucalyptus spp	4 663
Cerros Blancos	Plantation (mostly)	1 111,48	13,56	Broad-leaved dominant	Eucalyptus spp	18 895
Cerro Chato	Plantation (mostly)	487,62	0	Broad-leaved dominant	Eucalyptus spp	8 290
Las Casuarinas	Plantation (mostly)	742,37	0	Broad-leaved dominant	Eucalyptus spp	12 620
Ingral 3	Plantation (mostly)	286,57	0	Broad-leaved dominant	Eucalyptus spp	4 872
San Carlos	Plantation (mostly)	308,53	0	Broad-leaved dominant	Eucalyptus spp	5 245
El Paso	Plantation (mostly)	161,87	0	Broad-leaved dominant	Eucalyptus spp	2 752
Los Olivos	Plantation (mostly)	720,21	51,09	Broad-leaved dominant	Eucalyptus spp	12 244
El Cerro	Plantation (mostly)	498,30	0	Broad-leaved dominant	Eucalyptus spp	8 471
La Palmita	Plantation (mostly)	445,71	0	Broad-leaved dominant	Eucalyptus spp	7 577
El Palmar	Plantation (mostly)	595,51	0	Broad-leaved dominant	Eucalyptus spp	10 124
El Boyero	Plantation (mostly)	475,59	29,99	Broad-leaved dominant	Eucalyptus spp	8 085

La Cumbre	Plantation (mostly)	1 465,55	31,01	Broad-leaved dominant	Eucalyptus spp	24 914
Las Malvinas	Plantation (mostly)	410,11	0	Broad-leaved dominant	Eucalyptus spp	6 972
El Porvenir	Plantation (mostly)	604,89	9,55	Broad-leaved dominant	Eucalyptus spp	10 283
Do Rey	Plantation (mostly)	841,93	0	Broad-leaved dominant	Eucalyptus spp	14 313
La Retirada	Plantation (mostly)	46,88	0	Broad-leaved dominant	Eucalyptus spp	797
Las Margaritas	Plantation (mostly)	518,90	0	Broad-leaved dominant	Eucalyptus spp	8 821
Santa Paula	Plantation (mostly)	577,41	101,35	Broad-leaved dominant	Eucalyptus spp	9 816
Agrocampo	Plantation (mostly)	1 814,03	51,35	Broad-leaved dominant	Eucalyptus spp	30 839
Santa Clara	Plantation (mostly)	295,47	0	Broad-leaved dominant	Eucalyptus spp	5 023
Carape	Plantation (mostly)	232,36	0	Broad-leaved dominant	Eucalyptus spp	3 950
Maramaja	Plantation (mostly)	189,30	35,00	Broad-leaved dominant	Eucalyptus spp	3 218
Curva	Plantation (mostly)	42,71	0	Broad-leaved dominant	Eucalyptus spp	726
San Francisco	Plantation (mostly)	423,44	0	Broad-leaved dominant	Eucalyptus spp	7 198
Espinillo	Plantation (mostly)	85,92	5,19	Broad-leaved dominant	Eucalyptus spp	1 461
Total		34 226,78	1 005,00			581 855

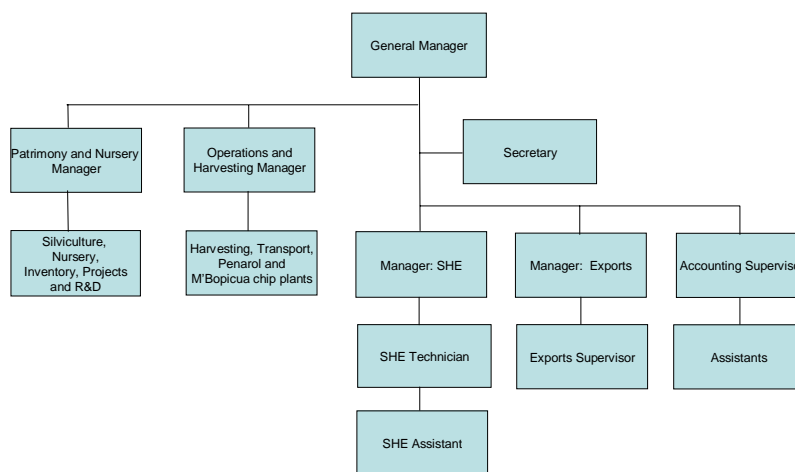
2. COMPANY BACKGROUND

Eufores S.A. is a wholly owned affiliate of the ENCE Group from Spain, who is owned by a consortium of Spanish banks (Caixa Galicia, Banco Zaragozano and Bankinter) who hold 33,76 % of the share capital. The remainder of the equity is freely traded on the Spanish Stock Exchange. The original investment in plantation forestry was partly due to the supportive regulatory framework in Uruguay and the tax incentives provided by Government. Uruguay is one of the few countries which has based its forest industry entirely on the production from commercial planted plantations. The Eufores S.A. afforestation project commenced in 1990 and at the time of the assessment the managed forest resource covered some 58 433 ha, of which 34 227 ha were afforested. The afforested area is situated mainly in the western region, with a smaller area near the Atlantic littoral. The plantations are situated in the Departments of Paysandu, Rio Negro, Soriano, Lavalleja and Rocha. The company also manages the Maserlit sawmill (production capacity 28 000 m³/annum), and the Penarol and M'Bopicua Logistical log yard centres which incorporates a chipping plant at either site and export facilities for both chips and round logs. The Penarol chipping plant has an annual capacity of 600 000 m³ and that of M'Bopicua some 800 000 m³. The company is busy with a further land acquisition program of 7 044 ha during 2004 which will result in a further 4 187 ha of plantation area added to their FMU. The purchases are not located in one particular area, but distributed over the whole existing land base of Eufores. Plans are in place to purchase a further 10 000 ha during 2005. Eufores S.A. is the owner of the following area which is not included in the scope of this assessment. This area is a mixture of open grassland and native scrub forest where facilities have been erected for the breeding of

endangered wildlife for eventual release onto company forests. This facility is well managed and was visited during the pre-assessment. No timber is produced or sourced from this area.

Forest Name	Location	Total Area (ha)	Reason for exclusion
Wildlife Breeding Facility	M'Bopicua	2 214,7	No forests or trees on the property which is being managed commercially

The following organisation chart depicts the structure for Eufores S.A. :



Eufores employed the following number of employees and contractors as at 30 August 2004.

Operation	Own employees	Contractors	Contractor Employees
Forests	99	144	560
M'Bopicua	2	2	25
Penarol	2	1	26
Total	103	147	611

Own employees are only used in a Head Office and supervisory capacity at plantation or plant level. All operational work is undertaken by contractors.

The Eufores Forest Project was formally implemented in 1992, although afforestation started already in 1990. The first round pulp logs were exported by Eufores from Uruguay and Argentina in 1995 from the Penarol Logistics centre near Montevideo. The M'Bopicua farm was acquired in 1997 in the Rio Negro province and in 1999 Terminal Logistica M'Bopicua S.A.(TLM) was formed; currently Eufores is its only shareholder. TLM consists of a chipping plant with an 800 000 m³ / year capacity and a continuous wharf for handling exports. It is the first private port in Uruguay and is designed to handle forest products such as chips and round logs. Construction started in December 2001 and it was officially inaugurated on 10 November 2003. During 2000, more farms were purchased in the western regions to expand the plantation base and afforestation was also started in the eastern region. The Maserlit sawmill was acquired in 2001 and was significantly re-engineered. Construction of a chipping plant at Penarol Logistics Centre started in 2002 and the

first shipment of chips took place in July 2003. Maserlit also commenced with the export of sawn boards in this year.

Euforos has the following main strategic objectives:

1. The correct management of the plantations and the use of the land in a sustainable manner.
2. Produce wood annually in the quantity and quality necessary to satisfy the demand of the factories of the group and other customers.
3. Increase productivity by means of genetic and silvicultural improvements.
4. Appropriate maintenance of genetic diversity.
5. Improve the occupational health and safety environment.
6. Improve the effectiveness of supplying benefits to the community.

3. FOREST MANAGEMENT SYSTEM

3.1 Bio-physical setting

Most of the lands on which the FMUs are situated have a flat to gently undulating topography in the western areas, with a more hilly landscape found in the eastern areas. The soils are generally deep sandy soils, often underlain by a more clayey B-horizon. However, the sandy A-horizon can be as shallow as 20 cm. Organic matter content is low and varies normally between 1-2 %. The clay B-horizon, and the occurrence of duplex soils, give rise to frequent drainage problems. The clayey B-horizon which impedes drainage is the reason that deep ripping is often required to improve drainage and prevent water-logging. Rainfall varies between about 1 100-1 300 mm per year and is evenly distributed throughout the year with minor peaks in spring and autumn. The natural vegetation in these areas consist mostly of low scrub ranch lands interspersed with rivers or streams in the drainage basins which are often flanked by native forest with a low canopy. All the land now under plantations was previously ranch lands used for cattle grazing. This land management form resulted in open low scrub vegetation on much of these areas and is perceived by many to be the natural climax vegetation of these areas. Grazing by cattle is thus seen as an integral part of the natural processes and ecology of natural vegetation, either scrub lands or native forests.

3.2 History of use

Plantations have changed the land use pattern in Uruguay significantly in those areas where it has taken place. Land previously used for ranching has been converted with the associated conflicts inherent in any change in land use on such a scale. Although off-site effects are included in the general impacts matrix, no monitoring of off-site effects have been done, mainly because no apparent off-site effects have become evident up to now. Although some evidence of invasive species such as *Melia azederach*, *Tricanthos* and *Ligustrum* were seen, the spp being used for afforestation do not become invasive problem plants outside their original plantings and no natural regeneration of these were observed. Water is not currently considered a limiting factor in this environment and no information is available on the possible effects of afforestation on water resources. If international trends are to be repeated here, it is very likely that this situation will change over time with water becoming a finite resource on which many conflicting demands will be placed. This is likely to impact on the role of commercial plantations in Uruguay and pro-active work in this regard appears warranted. Social issues resolve around employment expectations of rural communities which are mostly not fully satisfied as well as the perceived negative impacts of afforestation, although there is in general a lack of public concern with environmental issues in Uruguay.

3.3 Planning process

Forest Management Plans are available for all plantations. These documents are mandatory in Uruguay to qualify for tax and afforestation incentives. The descriptions contained in these plans

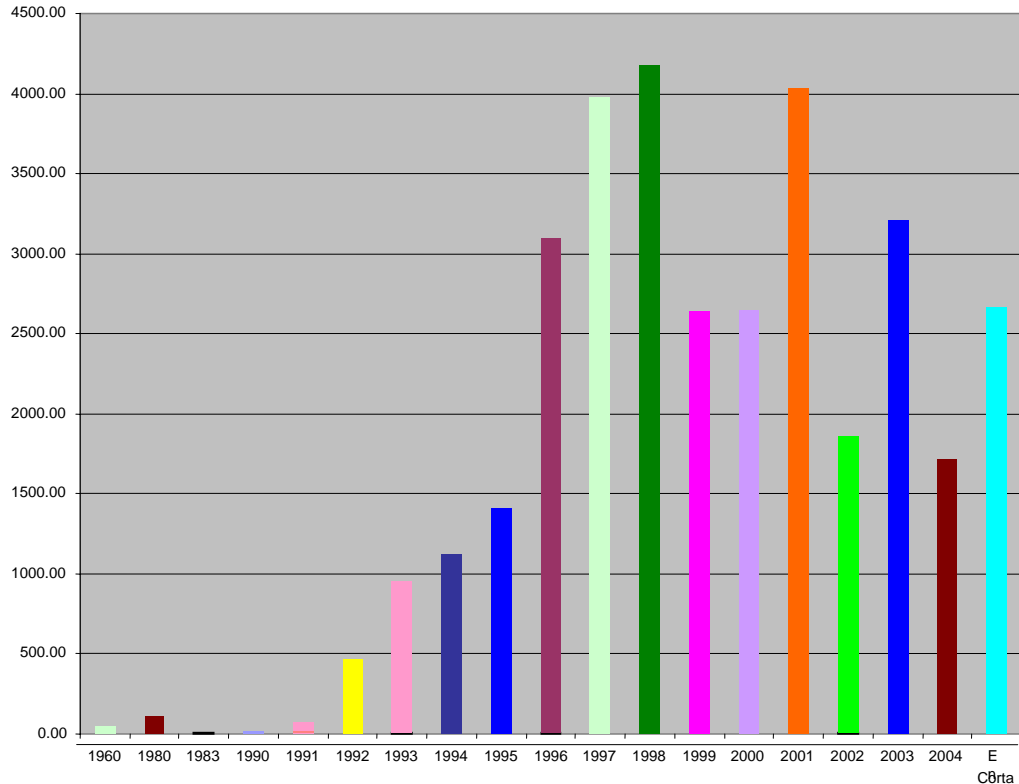
show information on issues such as ownership, planning, legal framework, forest resources, monitoring and land use. The company has developed its own more comprehensive planning system which covers:

1. Land Purchases Plan
2. Wood Purchases Plan
3. Silviculture Plans
4. Nursery Production and Outside Purchases Plan
5. Management of Natural Areas Plan
6. Harvesting Plan
7. Transport Plan
8. Export Plan

All these Plans include the comparisons of actual versus predicted performances. The consolidated budget for the whole company includes the operating budgets to execute the above Plans, the human resources costs, general expenditures, taxes, provision for SHE expenditures and provision for eventualities and legal fees. Progress on the Plans is formally evaluated every three months and the budget is updated. Long term strategic, annual and detailed operational harvest plans are available. However, the detailed operational harvest plans are still in the early stages of development with planning done on a fairly small scale. They provide general information on the site, maps, spp, areas, predicted volumes, roads, infrastructure, extraction routes, schedule of felling areas and specify the machinery to be used. Planning is in reality done more on a basis of scheduling the felling sequence of a number of compartments as one mega operation, and planning the bigger picture in terms of landing zones and road requirements. The R&D and Planning departments work together on some aspects of forestry planning e.g. to determine the zonification of plantations, R&D provides information on the soils to the Planning department. This zonification is important as it forms the key determinant in deciding which species to plant and what fertilizer to use. A system of monthly meetings of managers is used to continuously assess company performance and to communicate any changes in procedures to operational staff.

3.4 Harvest and regeneration

Seedlings or clonal cuttings raised in the Celestino Mutis nursery near Fray Bentos are used exclusively. An inspection for potential ant damage is done prior to planting and Fipronil is applied if required. Site preparation is done mechanically via shallow ploughing to 30 cm or deep ripping to 80 cm depending on the soil conditions. Planting is done either manually on a 2,2 m x 3,4 m espacement resulting in a stand density of 1 336 sph. Plants are fertilized at planting normally with superphosphate or potassiumnitrate. Blanking is done within a maximum period of 45 days after planting. No thinning or pruning is done as the management objective is the production of short rotation pulp logs only. After clear-felling, all *E.gobulus* stands are replanted to ensure the best possible genetic material is used and also because *E.globulus* does not coppice as well. *E.maidenii* however, is allowed to coppice and the coppice shoots are reduced at age 2 years to obtain an acceptable stocking rate. Yield regulation is done using inventory figures, growth curves and past actual volume yields. Timber inventories are done at age three years and then every year thereafter until clear-felling. Growth curves are used to determine the optimum age for clear-felling which is 7-11 years, depending on the species and the site. Every compartment is classified according to its site characteristics and the cutting age for each is separately determined. The age-class distribution of compartments is then used to calculate the allowable annual cut without over-felling the resource. A pre-harvest herbicide application of Glyphosate is done to control undergrowth and weeds prior to harvesting. Clear-felling is largely mechanised with wheeled harvester-debarker-forwarder combinations; or chainsaw felling-debarker-forwarding with tractor-trailer-crane units. The wheeled forwarders extract the logs from in-field to a depot from where the longhaul transport takes the logs to the processing plant. All operations are carried out by contractors with permanent Eufores staff restricted to the Head Office and in supervisory capacity in-field. An age class distribution graph for the forest areas is given below:



3.5 Monitoring processes

A comprehensive monitoring plan is available dated 16.9.04 setting out all the indicators of all the activities which are monitored e.g. legal compliance, fire protection, PPE, first aid, safety of equipment, transport of staff, management of waste, handling and storage of chemicals, number of accidents, soil monitoring, total hectares of native forests, potability of drinking water, mortality % of seedlings planted and various production and cost parameters. The frequency and procedures for monitoring is defined and the SHE co-ordinator for each area is responsible for ensuring that monitoring is actually implemented. Monitoring is carried out mainly in regards to health, safety and certain environmental aspects (e.g. handling of chemicals) included in OHSAS and ISO procedures. Little monitoring is conducted as regards environmental and social conditions and impacts (except for the fauna surveys at Santo Domingo). Actual monitoring activities have started only very recently for many indicators.

4. SOCIO-ECONOMIC AND ENVIRONMENTAL CONTEXT

4.1 Social aspects

Within a Latin American context, Uruguay has been acknowledged for its higher social development than the rest of the countries due to its social and economic development, social welfare policies and democratic tradition. The “social welfare state” that was promoted in the country during the first decades of the 20th Century and the political system – of representative democracy, except for some particular periods – fostered a society with relatively high levels of social integration and low inequalities, compared to other countries in Latin America.

During recent years, there has been an increase in poverty in the country, which, according to the latest available data, is affecting 31 per cent of the population and leads to a strong social deterioration. This can be perceived outside the capital city in urban, sub-urban and rural areas as well as in the forestry areas.

During the last 5 years, the increase in children's poverty has increased at an alarming rate: according to several analyses, on average, 50 per cent of the children under the age of 5, and 40 per cent between the age of 6 and 14 are under the poverty datum line established by the Economic Commission for Latin America and the Caribbean (ECLAC). The highest increase in poverty in recent years was registered on the North and West side of the country (where most of Eufores properties are located) due to employment issues (such as unemployment and the increase of informal jobs), a reduction of salaries and a generalised economic deterioration.

Both the studies carried out by ECLAC and the Human Development Index (HDI) for Uruguay elaborated by the United Nations Development Programme (UNDP) highlight the increasing cultural, social and economic fragmentation that is taking place in the country and which has worsened since the mid-90s with an emphasis on the increase of child and youth poverty. Studies indicate that a social exclusion process is going on with the following trends: a high rate in the increase of poverty concentrated on children and youths; family disintegration, cultural marginality; social segregation rules that are becoming more radical; an increase in juvenile conflicts and violence; confrontation between formal vs. informal society.

Forestry activities are developed in areas that usually offer few job opportunities, both in rural areas and in urban and sub-urban areas. Because there is a great need for jobs, local communities view forestry developments positively and consider it as a potential supplier of employment. Eufores' forestry activities are developed in regions which are usually oriented towards extensive livestock ranching (for the production of meat and wool) on natural grasslands, an activity which employs a very low numbers of people. In contrast, forestry is seen as a potential employment supplier for a higher number of people. Other agricultural activities (wheat, barley, maize, sorghum, soy, fruit and vegetables and cattle for milk production on artificial grasslands) are carried out on a smaller scale and have little effect on the generation of employment in these regions. Forestry is therefore regarded as a fundamental activity with respect to the generation of employment both in the plantations and in the industrial sector.

Regarding migrations, the distinctive feature is the movement (mainly of youngsters) from rural areas and small towns to larger cities and particularly Montevideo in the search of job opportunities and, in fewer cases (for those who reach higher educational levels) in order to carry out tertiary studies which can only be done in the capital city. Only eight per cent of the Uruguayan population live in rural areas. Montevideo has half of the national population (one million and a half people live in this city out of the three million that inhabit the country). Within Eufores' areas of influence, there have not been recent movement of peoples; people from these areas (rural areas and small towns) have been living with their families here for a number of generations and they have been working in activities related to cattle grazing or the crops mentioned above with high rates of unemployment. Although the unemployment rate affects around 13.3 per cent of the country's population, analysts say that these levels could be higher. The minimum legal monthly salary is 1,310 pesos uruguayos (US\$50), which is in fact lower than actual salaries. There is neither an official estimation of minimum salaries in the region nor in the country. It is estimated that a monthly income of 3,000 pesos uruguayos (US\$100) is a low salary considering a 8 hour working day.

The infant mortality rate (from 0 to 5 years old) is around 14.8 per thousand.

4.2 Environmental aspects

There have been no major environmental incidents in Uruguay and this may have an influence on the relative lack of public concerns with environmental issues.

Since ratification of the Ramsar Convention in 1984 a series of measures were defined for conservation of wetland ecosystems in Uruguay. Among them was the identification of special areas to be protected, namely:

- Wetlands around fresh water lagoons in the eastern region ("Bañados del Este")
- Wetlands along rivers ("Bañados de Farrapos")

The Farrapos wetlands are located in Rio Negro Department between the towns of Tres Bocas and San Javier. They belong to the Ministry of Housing, Territorial Management and Environment (MVOTMA) and will be part of the National Protected Areas System (defined by law 17.234). The watershed covers 44 000 ha, of which 7 900 ha are wetlands. Flora and fauna surveys, identification of soil units and social and demographic studies were carried out by the MVOTMA in

cooperation with the School of Sciences of the University of the Republic as a basis for the development of the management plan. The plan has been outlined but not yet been approved by the MVOTMA authorities, and no actions are taking place at the moment. Eufores plantations near Tres Bocas (La Nona, Mary and Molino Petizo) are within the area of influence of the Farrapos Wetlands although not physically inside the actual wetlands.

The main equivalent project carried out in the south-eastern areas is Probides, a program for the study of the biodiversity of the Eastern wetlands. It started in 1991 and was implemented by the MVOTMA, the University of the Republic and the Municipality of Rocha Department with support from GEF until 2000. A large range of environmental, social and legal studies were carried out and several general and sectoral plans were developed. However there are no comprehensive management implemented yet. Many publications and dissemination material were produced as a result of this project. Many of the Eufores and other companies' plantations are located within the area of influence of Probides.

Boar populations (exotic) started to grow significantly in the 90's, moving from native forests to plantations. Populations in the western area are apparently stable. Populations of *Axis* deer (exotic) and foxes have also increased as a result of forestry. Their potential effects have not been adequately assessed. Pigeons have long been a problem in agricultural lands. The problem has increased as a consequence of forestry given that 2-3 year old plantations are suitable environments for nesting.

4.3 Regulations

Forestry Laws / Regulations

Forestry Law (Nº 15.939 / 1987) and Regulations of Forestry Law (e.g. Decrees Nº 452/88; 931/88; 247/89; 333/90; 24/93; 22/93; 188/02)

Environmental Laws / Regulations

General Environmental Protection Law
Law Nº 17.283 / 2000

Environmental Impact Assessment Law (Nº 16.466 / 1994) and Regulations for Environmental Impact Assessment (Decree Nº 435/94)

Water Code (Law Nº 15.859 / 1978) and regulations.

National Natural Protected Areas System Law (Nº 17.234 / 2000) (Regulation Decree not yet approved)

Conservation of Agricultural Soils and Surface Water Law (Nº 15.239 / 1981)

5. LOCAL STANDARDS AND KEY LEGISLATION

The SGS Group's forest management certification Qualifor main assessment checklist AD 63 had been adapted and used as the national Uruguyan checklist in previous FSC Forest Management assessments in Uruguay and hence this same national Uruguyan AD 63 checklist was used in this main assessment. The following documents were referred to as part of the local standards for the assessment:

- Relevant national legislation, i.e. environmental, forestry, labour, health and safety legislation (some of which are listed in 4.3 above).

6. THE ASSESSMENT

6.1 Schedule

The Assessment was preceded by a pre-assessment by SGS QUALIFOR during 21-23 July 2004. This examined the management systems and identified any gaps that might preclude certification. Information gathered was used to plan the main assessment. Key stakeholders were identified.

The main assessment was carried out during the period 20-28 September 2004. A detailed itinerary is shown in Appendix I of the full report.

6.2 Team

- Lead Assessor and Team Leader: Has a M Sc in Forestry/Nature Conservation, 33 years experience in forestry, involved with the FSC process since 1995, speaks English and Afrikaans.
- Local Specialist: Has an Agriculture degree majoring in Forestry, 13 years experience in forestry with the planning office of a Government Forestry Department, speaks Spanish, Italian, English and Portuguese.
- Local Specialist: Has a Bachelor degree in Social Science, 10 years experience in social studies, and has been involved as social specialist on FSC audits since 2000.
- Two trainee auditors accompanied the assessment for training purposes.

Curricula vitae are provided in Appendix III of the full report.

6.3 Peer Reviewers:

Carolina Sans Dobe and Luis Ernesto Petrini Ramos, independent specialists have been selected to review this report.

- Peer Reviewer 1 has a Agronomic engineer, with forestry orientation , 20 years experience in forestry or related field (protect areas, environmental impact, natural resources in Uruguay, and currently works in academia (Universidad de la República Oriental del Uruguay), the forest industry (Metsä-Botnia), an environmental organisation (Ministerio de Ordenamiento Territorial y Medio Ambiente, OEA, Unidad de Desarrollo sostenible y Medio Ambiente, etc)
- Peer Reviewer 2 has a Agronomic engineer, with forestry orientation 30 years experience in forestry nationally and internationally (Uruguay and Argentina), and currently works in academia (Universidad de la República Oriental del Uruguay), and the forest industry (Iberpapel, Fanapel, Celulosa Argentina, etc).

6.4 Process

The Main Assessment was conducted in the steps outlined below.

6.5 Preparation

A checklist was prepared by adapting the QUALIFOR generic forest management checklist and it was used as the national Uruguyan checklist in previous FSC Forest Management assessments in Uruguay. Hence this same national Uruguyan AD 63 checklist was used in this main assessment.

6.6 Stakeholder notification

A wide range of stakeholders were contacted to inform them of the planned assessment and ask for their views on relevant forest management issues, These included environmental interest groups, local government agencies and forestry authorities, forest user groups, and workers' unions (see Appendix V of full report).

6.7 Opening meeting

An opening meeting was held at the company offices in Montevideo. The scope of the assessment was explained and schedules were determined (see Appendix II of full report for attendance sheets).

6.8 Document review

A review of the main forest management documentation was conducted to evaluate the adequacy of coverage of the QUALIFOR Programme requirements. This involved examination of policies, management plans, systems, procedures, instructions and controls.

6.9 Field assessments

Field assessments aimed to determine how closely activities in the field complied with documented management systems and QUALIFOR Programme requirements. Interviews with staff, operators and contractors were conducted to determine their familiarity with and their application of policies, procedures and practices that are relevant to their activities. A carefully selected sample of sites was visited to evaluate whether practices met the required performance levels.

6.10 Stakeholder interviews

Meetings or telephone interviews were held with stakeholders as determined by the responses to notification letters. These aimed to clarify any issues raised and the company's responses to them.

6.11 Summing up and closing meeting

At the conclusion of the field assessment, findings were presented to company management at a closing meeting. Any areas of non-conformance with the QUALIFOR Programme were raised as one of two types of Corrective Action Request (CAR):

- a) Major CARs - **which must be addressed and re-assessed before certification can proceed**
- b) Minor CARs - **which do not preclude certification, but must be addressed within an agreed time frame, and will be checked at the first surveillance visit**

6.12 Sampling

The following forest areas were visited during the assessment – refer also appendix –**Record of site visits**:

The plantation area of Eufores is split into eight forestry zones. Five of these zones were visited during this main assessment i.e. Rocha, Soriano, Tres Bocas, Algorta and Pandule.

Field sites visited during the assessment were as follows:

Site Name	Description	Ongoing	Completed	Other
Agrocampo	Native forests along Sardinilla Paloma			X
Agrocampo	Gravel pit on road to native forests			X
Agrocampo	Unplanted rocky hill with look-out			X
Agrocampo	Waste handling facilities at stores	X		
Agrocampo	Chemical store	X		
Celistino Mutis nursery	R&D department			X
Celistino Mutis nursery	Chemical store	X		
Sarandi	Harvesting in compts 27 & 32	X		
Sarandi	Planting in compt 71	X		
Sarandi	Native forests			X
Sarandi	El Boyero contractor village			X
El Boyero contractor village, La Nona	Chemical store	X		
Molino Petizo	Chemical store	X		
Molino Petizo	Petrero Pinus, weed control	X		
Molino Petizo	Natural vegetation area used for cattle grazing			X

Site Name	Description	Ongoing	Completed	Other
La Nona	Gravel pit			X
La Nona	Potrero Tucutucu, ant damage in young globulus			X
La Palma	Potrero 12, planting	X		
La Palma	Potrero 7, ant control	X		
Las Acacias	Potrero 3, harvesting	X		
Las Acacias	Kitchen facilities for contractors	X		

7. ASSESSMENT RESULTS

Detailed assessment findings are included in the full report. For each QUALIFOR requirement, these show the related findings, and any observations or corrective actions raised. The main issues are discussed below.

7.1 Findings related to the general QUALIFOR Programme

- **PRINCIPLE 1: Compliance with law and FSC Principles**

1.1 *Respect for national and local laws and administrative requirements*

A comprehensive legal register exist of all relevant laws. Some 140 laws and regulations exist which are applicable to the Eufores operation, and which are administered by eleven Ministries, Municipalities and the Social Security Bank. Eufores has contracted the law firm Olivera & Delpiazzo to track the legislation and keep it updated on a quarterly basis. Three lists of laws were witnessed which are kept under the headings Safety, Environmental and General. Examples of the more important legislation are listed below:

1. Forestry Law (N° 15.939 / 1987) and Regulations of Forestry Law (e.g. Decrees N° 452/88; 931/88; 247/89; 333/90; 188/02; 22/93; 24/93;
2. Conservation of Agricultural Soils and Surface Water Law (N° 15.239 / 1981).
3. General Environmental Protection Law, Law N° 17.283 / 2000
4. Environmental Impact Assessment Law (N° 16.466 / 1994) and Regulations for Environmental Impact Assessment (Decree N° 435/94)
5. Water Code (Law N° 15.859 / 1978) and regulations.
6. National Natural Protected Areas System Law (N° 17.234 / 2000) (Regulation Decree not yet approved)

A comprehensive system of general Procedural Documents and Specific Work Instructions exist which give detailed guidelines, including steps necessary to ensure compliance with legal requirements, on how all facets of the work is to be executed, varying from fertilizing, weed control and harvesting to Chain of Custody procedures. The Manager:SHE communicates all new legal developments either in writing or via meetings to all employees and contractors. Procedure documents and Work Instructions are used to control field activities and ensure legal compliance. An internal audit system is in place to monitor amongst others compliance with legal requirements. Contractor checklists also make provision for checking that contractors comply with legal requirements. In case of identifying an infringement, an "inspection report" is prepared for the detected infringement. There is a 1-month time period allowed to comply with the infringed regulation. Upon revision of the inspection reports, an infringement regarding the filing at the Contractors Register of the Ministry of Labour and Social Security was found. (Decree 372/99). The company will rectify this. Evidence was seen of inspection reports e.g. on 5 September 2004 of the Algorta zone where three positives and one non conformance were identified. The non conformance related to non compliance with decree 372/99 in terms of inadequate fire extinguishers and other safety measures. A letter of response from the Algorta supervisor Andres Trinidad was seen which describes the actions and due dates to address all the non conformances identified. Field staff was given one month to resolve all the issues. Evidence was also seen of an internal audit report of 14 September 2004 of an inspection on Santa Domingo which listed three non conformances regarding contractors, staff and harvesting. The non

conformances involved the use of obsolete documentation and insufficient cab protection on the harvesting equipment. Evidence was seen of 10 internal reports done during 2004, at a rate of about one per month. Evidence was found of non compliance with legal requirements. Plantings of *Eucalyptus* plantations on Sarandi were in some instances as close as 7m from the edge of native forests, which is in contravention of the legal requirement of 20m in terms of Law no 15.939 regulation 188/02. Similarly road widths and / or firebreaks in terms of these same regulations were not always complied with e.g. in Potrero Pinus and Petrero Tucutucu on Molino Petizo where roads were as narrow as 8m as opposed to the required 12m of actual road surface width. "Adjacent safety areas" could not be found either. **Minor CAR 01 was raised.** Some of the employees and / or contractors did not have a clear idea of, for example, Decree 188/02 of Forestry Law (it refers to the width of firebreaks). It was found that the majority of the consulted contracted personnel in the field are not aware of the national legislations regarding their rights. **Minor CAR 02 was raised.**

1.2 Payment of legally prescribed fees, royalties, taxes and other charges

Budgetary provision were made for the following items in 2003 and in 2004 and payments were made as follows in 2003:

Social tax	\$ 147 495
Land tax	\$ 11 980
Accident insurance	\$ 15 599
Agricultural tax	\$ 42 332

Social taxes were separately budgeted for in 2004, but the other fees are not separately budgeted for, but are allowed for under general provisions. Eufores is exempted from paying taxes on its goods (municipal) as part of the incentives established in the law for forestry promotion.

1.3 Respect for provisions of international agreements

Uruguay is a signatory to ILO, CITES and the Convention on Biodiversity and the company indicated respect for the provisions of these international agreements. Eufores work procedures instruct the Human Resources department to not employ anyone younger than 18 years of age in terms of ILO requirements. The records of all Eufores staff were inspected and no one was found to be under the age of 18 years. Supervisors also ask for the ID cards of the employees of contractors to confirm their ages and to ensure that no one under the age of 18 years is employed.

1.4 Conflicts between laws and regulations, and the FSC P&C

There is conflict in terms of article 4 of decree 372/99 which states that an employer is not responsible for the conditions of service of subcontractors, and the FSC view that an employer is responsible for everyone working for or on behalf of the company. Eufores's official view is that everyone working on their premises must be treated the same. **Observation 01 was raised** to ensure that this situation is monitored.

1.5 Protection of forests from illegal activities

Eufores's forests are on fenced private land and as no public access is allowed, trespassing is the only illegal activity of any note, and even this is not significant. The potential exists for illegal felling of native forests, illegal hunting and fishing but it is not perceived to be a threat of any serious consequence at this stage. No hunting at all is allowed on company land due to the increase fire risk and littering which is associated with such an activity. All forests have signs forbidding any hunting. The police are called in the event of any illegal activity. The supervisor of each area controls all activities on an estate. They live on the estate and know the situation and all the local people and act as the effective guardian of the estate. These supervisors actively patrol their areas over weekends and are equipped with vehicles for this purpose.

1.6 Demonstration of a long-term commitment to the FSC P&C

A publicly available brochure was seen on the company's policy statement, which includes a commitment to adhere to the FSC Principles. This document was signed by the General Manager. It is distributed to all company notice boards, contractors and also appears on the company web site. The policy statement was first compiled in October 2002. This was reviewed in 2003 and found to be still acceptable. A further revision in August 2004 resulted in the latest version. A full revision is thus done once per year, together with a full management review of all systems and procedures. A significant proportion of the employees and contractors (see 7.3) interviewed at various working sites (harvesting, silviculture, nursery, maintenance) showed a low level of knowledge and awareness of their rights and of the FSC Principles and Criteria. **This was combined into Minor CAR 02 which was raised under 1.1.**

- **PRINCIPLE 2 Tenure and use rights and responsibilities**

2.1 Demonstration of land tenure and forest use rights

All company land is in private ownership, being formally registered at a notary with full title deeds available. The list of ownership titles was reviewed. These title deeds are being kept by the Eufores attorneys.

2.2 Local communities' legal or customary tenure or use rights

The indigenous Amerindian people of Uruguay are practically extinct and no evidence could be found that any of their communities were displaced or were in dispute with the company on issues of forest management, or any other issue. Some inhabitants of mixed descent have started to trace their origins and it is possible that in the future some form of organization for people with some indigenous background may be formed. Public opinion studies have been undertaken which assess impacts in a very general way. Eufores has recently started with a social impact evaluation procedure for all new undertakings which is a far more comprehensive approach. They started with this in the Guichon area, but it has not been applied in the other operating zones yet. Although no customary rights exist, the practice of apiculture is prohibited by the company. Local communities perceive this to be a waste of a natural resource, but nevertheless comply with the decision of the company. The fire risk associated with this activity is seen as to be unacceptable in a forestry environment.

2.3 Disputes over tenure claims and use rights

There are no disputes over land utilisation rights. Procedure no 7 of the internal and external company communication provides for the lodging of complaints and /or requests with an internal and external resolution process. Provision is made for formal written complaints and requests as well as those made in an informal manner. There is a register of current disputes and the company is committed to settle them. In the case of the Penarol chip plant, neighbours registered complaints due to dust and noise problems at this industrial plant. In both cases the company is going through a process with a professional team in order to find solutions to these problems with the agreement of the neighbours. Regarding the dust problem, negotiations have been entered into with the city council to tar the road in question. In the mean time the company is using a tractor with a water sprinkler to reduce the extend of the dust problem. **Observation 12 was raised.**

- **PRINCIPLE 3 Indigenous peoples' rights**

3.1 Indigenous peoples' control of forest management

No evidence could be found of tenure or resource rights of indigenous people being affected by company activities. Due to the Uruguayan history and current demographic patterns there are no apparent indigenous people with legal or customary tenure or use rights on company property.

3.2 Maintenance of indigenous peoples' resources or tenure rights

Not applicable.

3.3 Protection of sites of special cultural, ecological, economic or religious significance to indigenous peoples

The company was not aware of sites of special cultural, ecological, economic and religious significance to indigenous people, but has also not yet undertaken a survey to investigate their possible existence. Should an organization of people with an indigenous background be formed, it

is likely that they will claim protection of old Indian cemetery sites and the company should become pro-active in this regard, especially since there is evidence that such sites may indeed be present on company land. The company indicated a willingness to undertake such a survey. The Santa Domingo forest has been identified as an area with special environmental and cultural significance by identifying it as a HCVF and the presence of the unique palmeras communities. Santa Domingo is not open to the public though. No especially significant historical or cultural sites have been identified elsewhere in the company, although there are apparently cemetery sites on Las Acacias which the company has not identified on maps or consulted about with local stakeholders. There are no specific instructions for employees and contractors regarding special sites. During the main assessment a report was received stating that a contractor of Eufores, Pandelco, has a depot and maintenance site for machinery "on a cemetery" in Paso La Cruz, at Las Acacias. The contractor explained that the machinery on that site did not belong to the Eufores contractor, but to another forestry contractor who was not working for Eufores. **Observation 2 was raised** to ensure this situation is monitored and that the identification of sites of cultural and historical significance receives attention.

3.4 Compensation of indigenous peoples for the application of their traditional knowledge

Not applicable.

- **PRINCIPLE 4 Community relations and workers rights**

4.1 Employment, training, and other services for local communities

A Director of Eufores has taken responsibility for managing all social aspects and setting policy on related issues. The company policy and procedures in this regard is set out in Procedure no 7 of the Internal and External Company Communication. It provides amongst others for consultation with local communities as well as a mechanism for settling grievances. The document was however, not available at the Agrocampo office and appears not be implemented in the field yet. Members of the local community are in theory to be given preference when employing workers, but no formal policy in this regard exists. In practice examples were also found of personnel from the east of the country working for contractors operating in the western areas and vice versa e.g. some employees of the subcontractor Alvaro Silva working for the contractor Pandelco on Las Acacias fell in this category; as well as employees of subcontractor Miguel Estevez on Sarandi. Similar examples were found on Agrocampo and Santa Paula. However, Eufores explained that although the subcontractors were themselves sometimes from different areas, their workers are mostly local people. **Observation 13 was raised.** Training courses were given to community chainsaw operators in Cerro Colorado. The company also co-financed courses run by the Ministry of Labour and Social Security, the Forestry Training Committee and by CINTERFOR. Eufores also runs non compulsory training courses for contractors which does not reach all contractors, as subcontractors are not included in this training. Training initiatives have also been developed for the local population with special reference to shitake mushroom production on logs supplied by the company. Eufores and another company have entered into an agreement with the Primary Schools Authority to undertake a project to promote education on forests and the environment to 4th and 5th year students in rural and urban areas. This programme included visits to nurseries and plantations. There is a record of support by the company to various local initiatives and events. Eufores support numerous sport clubs in the areas where it operates by sponsoring equipment and sporting events. It also contributes to the cultural activities in these areas by sponsoring plays, concerts, art exhibitions and choirs. Much of this support appears to be reactive as a result of requests. Although records of contributions are kept, and the company has a procedure for a proactive plan regarding community involvement, such a plan has not yet been applied at local community level. Local communities do make requests to the company for various forms of assistance or contributions, and in that sense play a role in the identification of services provided by the company. However, there appears not be any pro-active strategy and planning regarding this from the company's side. **Observation 14 was raised.**

4.2 Compliance with health and safety regulations

Relevant information regarding the laws on occupational health and safety are kept updated (especially the decree 372/99) but it is not available to all contractors and subcontractors. It was found for instance that the subcontractor Alvaro Silva working for the contractor Pandelco at Las Acacias did not know the occupational regulations. Their PPE were not in a correct state with worn out chainsaw trousers and hand gloves, and no hearing protection for chainsaw operators. The

workers of subcontractor Miguel Estevez were doing planting work without wearing boots, but wearing only shoes and gloves in a bad state. Among these workers a lack of training was found in the majority of cases. Plans are apparently in place to provide training. This should be monitored during the next surveillance. The company has a formal Health and Safety programme and has obtained OHSAS 18001 certification in June 2003, indicating a responsible and progressive attitude towards the health and safety of its employees. However, not all the required personal protective equipment are issued and worn where necessary or are not always in an acceptable condition. Evidence were found of workers with no social benefits, no medical cover, no PPE, inaccurate work sheets being kept, worker transport vehicle without communication equipment, first aid equipment or seat belts, and no sanitation facilities provided. Facilities at the worker village of El Boyero are of inferior standard. An all encompassing **Minor CAR 03 was raised**. Workers of subcontractor Alvaro Silva, who work for contractor Pandelco on Las Acacias, do not always have PPE and state that they are being charged for these PPE. Pandelco confirmed that chainsaw trousers are charged to the operators which work out to about 5 working days to pay for such trousers. The Ministry of Labour and Social Security confirmed that it was illegal to charge workers for safety materials, as per decree 372/99. An all encompassing **Minor CAR 01 was raised** to also include this aspect. The company should establish controls to ensure occupational health and safety regulations are implemented by contractors and subcontractors. The company is ISO 14000 and OHSAS certified and hence dangerous areas and hazardous substances are generally adequately identified. However, exceptions were found e.g. a container with no label on it was found in the chemical store at El Boyero village on Sarandi, as well as in the chemical store at Molino Petizo. **Minor CAR 11 was raised**.

4.3 Workers' rights to organise and negotiate with employers

Workers are free to join a union of their choice. Currently only 20 of the 107 permanent workers belong to SOIMA, which is the Forestry Union affiliated to the national PIT/CNT union. Workers negotiate individually their conditions of service with the company. During the assessment the president of the newly formed workers union reported that he perceives the union is being discriminated against. He feels personally victimised and also stated that two union members did not receive compensation at the old log yard at Fray Bentos which was paid to other workers. The company feels that adequate consultation took place and that the matter was fairly resolved. Other than a letter dated 11 February 2004 to recognize the labour union SOIMA, no further records were available of meetings between the workers and the company or of collective agreements to establish wages or other kinds of service conditions of workers. The impression is created that union-company negotiations are relatively new to both sides and that both sides should learn to approach these matters more constructively in the interest of both workers and the company.

Observation 15 was raised.

4.4 Social impact evaluations and consultation

Local communities and stakeholders have been identified but not fully. Telephone numbers and addresses are in many cases incorrect and not updated. The list dealing with national non governmental organisations dealing with environmental matters is not complete. **Minor CAR 14 was raised**. The assessment of social impacts is a procedure which has recently been implemented in the company. The first implementation is taking place at La Palma in the Guichon area. Minutes exist of meetings held on issues raised by stakeholders. Although a procedure document is available on how social impact studies are to be executed, the first actual assessment is only now in the process of being done in the La Palma area. The company is sensitive to the needs and opinions of local people; and e.g. undertakes opinion surveys about plantations. Local NGOs are also contacted and information shared with them. However, the company appears to react to issues which crop up and then enters into discussions. No pro-active stakeholder consultation forums exist for the areas in the vicinity of their plantations. Consultation with affected people is maintained but pro-active communication is only starting to be implemented. **See Observation 14**. This situation should be monitored during future surveillances. Until now consultation has been general and carried out by external public opinion research teams. Community requests are being received and the company has started to document these.

4.5 Resolution of grievances and settlement of compensation claims

Procedure no 7 of Internal and External Company Communication provides for mechanisms for resolving grievances with workers. As a last resort grievances are resolved by the head of Human Resources. Mechanisms are established to resolve grievances or complaints regarding losses or damages to property, health or rights of the local population as a result of forestry operations.

Complaints and potential conflicts are treated in a way which promotes consensus solutions, and eventual third party mediation if necessary. The adoption of corrective and preventative actions is planned but little actual implementation has yet taken place. No evidence of the implementation of Procedure no 7 could be found in-field at Agrocampo, Sarandi and La Palma. **Observation 16 was raised.**

- **PRINCIPLE 5 Benefits from the forest**

- 5.1 ***Economic viability taking full environmental, social, and operational costs into account***

The company is run on sound financial and management principles with comprehensive management information systems (POA) to monitor performance. The company is financially sound and has made an acceptable return every year over the last five years with a published profit of \$1,8 million for the year ending 31 December 2003. Sufficient provision is made in the budget for social and environmental expenditures. An amount of \$272 000 has been provided for social costs on the 2004 budget. No well motivated case for funding from the SHE department has yet been turned down. The company has provided \$21 million on the 2004 budget for capital investments, with \$13 million and \$ 12 million targeted provisionally for 2005 and 2006 respectively. This indicates a commitment to the long term sustainability of the company.

- 5.2 ***Optimal use and local processing of forest products***

Eufores has one sawmill and two chipping plants with sufficient design capacity to process the company's entire round log production. Some hardwood round logs have been exported in the past, although the majority of logs are converted into chips and a smaller volume into sawn boards before exporting. Feasibility studies are underway to erect a pulp mill which will require the full production from the FMU and will result in no unprocessed products being exported. Little effort has been made to develop non timber products or markets. The most important non timber activity is the grazing by cattle of company land which has been extensively applied on virtually all company land. This is regulated with neighbouring farmers through formal contracts. Cattle grazing constitutes about one percent of the total revenue of Eufores and is an important part of their weed control in all stands over about 18 months of age. The company is engaged in negotiations about the possible establishment of an essential oil extracting enterprise. Public use of company land for outdoor recreation activities is not allowed at this stage. **Minor CAR 04 was raised**, see also 5.4.

- 5.3 ***Waste minimisation and avoidance of damage to forest resources***

Harvesting is largely mechanised with wheeled harvester-debarker-forwarder combinations; or chainsaw felling-debarker-forwarding with tractor-trailer-crane units. In chainsaw operations, two assistants with poles ensure that all trees are felled in the correct direction. Trees are topped at 5 cm top end diameter and felling itself allows for a maximum stump height of 10 cm. Trees are debranched either manually or mechanically and cut into 2,4 m lengths and stacked into heaps along the rows. These bundles are then collected by either wheeled forwarders or tractor-trailer-crane combinations. Round log in general are transported within one month to the processing plants which is in line with generally accepted practices in the industry. This is well before any deterioration can affect the quality of logs. Due to the well organised, mostly mechanised systems, as well as small tree sizes, very little damage is done to either the trees being felled or the rest of the stand. Only branches, leaves, bark and treetops are left after harvesting. Firewood is intensively collected after the main harvest is removed, resulting in clean compartments with low levels of waste. Procedures have recently been compiled and implemented to determine the full extent of waste generated after harvesting operations. Detailed modelling work was done to determine the amount of waste bark after operations. The m3 of bark waste generated was determined for each of the plantations where harvesting took place in 2003 and 2004 and was classified per species. Bark waste was found to vary between 14-26 % of the total round log volume. These figures compare well with the Uruguayan industry norms of 25 % in *E.maidenii* (actual in Eufores is 26%) and 15 % in *E.globulus* (actual 17%). The company has also recently started determining the full extend of waste generated after harvesting. This is done by sampling 100 trees per compartment, gathering all the waste generated by these trees, and weighing all this waste. Work done in Potrero 3 on Las Acacias gave total waste figures of 54 wet tonnes/ha at 900

sph or 60 kg/tree. The R&D department has identified alternative uses of the wastes of the forest as a research area which they are investigating.

5.4 Forest management and the local economy

The forests are managed almost exclusively for the production of hardwood round logs, with firewood and grazing by cattle as minor products. **Minor CAR 04 was raised.** The company is engaged in negotiations about the possible establishment of an essential oil extracting enterprise. Public use of company land for outdoor recreation activities is not allowed at this stage. Most of the forest workers are recruited from the local communities, thus leveraging the positive effects of the plantations. Similarly preference is given to local suppliers when goods have to be purchased for the FMU. A group of honey producers from Algorta has approached the company and were given a piece of land on which they operate their honey business. Some of the honey is produced from the *Eucalyptus* flowers on company land. The company has also through an agreement with a Japanese NGO arranged for training of 30 local people near Fray Bentos in the production of mushrooms grown on logs. The logs are supplied by the company.

5.5 Maintenance of the value of forest services and resources

A matrix has been developed to describe the impact of all activities on environmental variables. This matrix describes the impact of activities such as nursery, felling, forwarding, silviculture, exports and office activities on environmental factors such as soils and water. It describes the frequency, reversibility, intensity and overall significance of impacts. Instructions are in place which prohibit work with machinery on rainy days to reduce the impact of compaction on soils. Spraying with chemicals on windy days is not allowed and evidence of compliance with this instruction was seen on Molino Petizo where spraying with glyphosate commenced only when the wind speed dropped sufficiently for this operation to proceed safely. A schedule is available which provides guidance to field staff under what conditions machinery may move into compartments in terms of rain, wind, state of the soil and roads. The plantations are private property and are managed as such with no public access for e.g. recreation. The only recreation/education services being provided are at M'Bopicuá wildlife breeding station and historical/cultural site. This facility is used to breed endangered spp for eventual release back onto company land; and is also a major education facility for environmental awareness amongst school children. This is a well run facility for which Eufores deserves credit. However, the company decided to not include this facility in the scope of the audit. The value of their land for grazing by livestock as a form of multiple land-use is widely recognised by the company. Virtually all estates have agreements with neighbouring farmers for this practice which is of considerable benefit to both the farmers and Eufores. The farmers obtain sizeable additional grazing areas, whilst Eufores get both additional revenue and an environmentally friendly form of weed control in all compartments older than about 18 months of age. Electric fencing is used to control the grazing so that young stands are not damaged, although some damage was observed on Agrocampo. Due to the perceived abundance of this resource, water is not viewed as a complicating factor in Uruguayan forestry. Water consumption near cities is measured e.g. at the nursery near Fray Bentos, but not in the rural areas where the more significant impact on water resources can be expected. No work is being done on water flow, water quality, and subsurface flows. Although there is currently no perceived problem, these elements have been found to be affected by eucalypt afforestation elsewhere in the world and cognisance should be taken of those results under local conditions as well. An expert has been contracted to produce a report on the impact of forests on water quality only. A document dated 13 September 2004 sets out a proposal to undertake such a study. It is expected that the study will be completed in two months and it is planned to repeat the study once per rotation – this will be done as part of their monitoring program. No work has yet been done on the impact of forest operations on the full hydrological cycle. **Minor CAR 05 was raised.**

5.6 Harvest levels

The Continuous Inventory department is responsible for calculating the allowable annual cut. Yield regulation is done using inventory figures, growth curves and past actual volume yields. Timber inventories are done at age three years and then every year thereafter until clear-felling. Growth curves are used to determine the optimum age for clear-felling which was found to be 7-11 years, depending on the species and the site. Every compartment is classified according to its site

characteristics and the cutting age for each is separately determined. The age-class distribution of compartments is then used to calculate the allowable annual cut without over-felling the resource. The age-class distribution itself indicates a reasonable distribution of age classes with which it should not be difficult to even out the annual cut. Volume predictions are rechecked every year and predictions corrected as necessary. Actual harvest volumes are recorded per compartment and compared with the predicted volumes. The difference between actual and predicted volumes is never more than 5 %. This ratio, coupled to the purposely undercutting of volumes at this stage, ensures that there is currently no risk of over-felling or jeopardising the sustainability principle. The company calculated its allowable annual cut for the next 10 years as about 464 000 m³, whilst the actual harvest in 2003 was only 340 000 m³. They purposely undercut at this stage to save volumes for the pulp mill which the company plans to construct. MAI is said to be currently 16-18 m³/ha/year (however, saleable product yield may be lower) but the company hopes to increase this to 25 over time.

- **PRINCIPLE 6 Environmental impact**

6.1 Environmental impacts assessment

The most important environmental impacts are those on soils and water, either through direct physical impact such as soil erosion and siltation, or through contamination via pollution by e.g. chemical spillage. A matrix has been developed with a list of all potential impacts identified by the company (positive or negative) and their degree of significance, but there is little evidence that this has resulted in the actual practical application of EIA procedures. **Observation 6 was raised.** In terms of the ISO 14001 system formal procedures are available to address some of these impacts e.g. waste disposal and emergency response procedures on how to handle accidental chemical spillages are in place. It appears though that the more “natural environmental” factors such as potential spread of exotic spp, soil erosion, siltation of streams, impact on biodiversity, etc have not been adequately assessed. Operating procedures for Safety and Health issues are in general well developed and implemented, but Environmental issues need more attention e.g. although provision is made for EIA's before operations, these are not carried out in practice; resulting in for instance the opening of gravel pits without any rehabilitation plans. There appears to be insufficient appreciation of the importance of EIA procedures in such a sensitive area as plantation forestry and little effort goes into its practical application e.g. excavation of gravel pits for road construction seems to be either haphazard or not well managed such as on Agrocampo and Molino Petizo. An extremely detailed EIA was seen on road and gravel pit construction on Algorta. It is a very commendable exercise but is perhaps too detailed and of a level which one can not expect to be maintained for each and every situation in a practical forestry environment. In terms of ISO 14000 type activities, planning is of a good standard and all the necessary procedures and instructions are in place, for instance the planning regarding the management of waste is comprehensive. However, although the impact on e.g. biodiversity has been investigated via a Management Plan for Natural Areas dated 3 September 2004 this can only be seen as a first attempt to address this subject in Eufores. For instance conservation management plans for rare, threatened and endangered species need to be developed for all zones.

6.2 Protection of rare, threatened and endangered species

Although inventories of native spp of some areas have been compiled, it appears as if rare, threatened and endangered spp did not get sufficient attention (other than for Santa Domingo and M'Bopicua for which better information is available). Conflicting information was provided on rare, threatened and endangered (RTE) spp with first an incorrect list and then a list of 15 spp which was simply downloaded from the IUCN web site and which contained only reptiles, birds and mammals, but no plant species. Verbal confirmation was given by the company biologist that all these spp occur on company land. Two species of birds of these 15 are Endangered i.e. the capuchino pecho blanco, *Sporophila palustris*, and the cardinal amarillo, *Gubernatrix cristata*; with the rest Vulnerable, Near Threatened or Data Deficient. No further information was available on these spp e.g. their population status, specific risk factors, general ecology and specific conservation measures. **Minor CAR 12 was raised.** In the case of the palm tree (*Butia yatay*) communities (endangered sp), which are present at Santo Domingo, a more in depth survey was conducted (1998 and 2002) and some management recommendations were issued. The most intensive surveys (all vertebrates except fish) have taken place at Santo Domingo between 1996 and 2002, with special attention paid to rare, threatened and endangered species. Some bird species were identified for the first time in Uruguay. Assessments of the flora of native forests and wetlands have been mainly descriptive. In general terms it is observed that the fauna has been

better studied than the flora in the two areas above. Two training sessions on Ecology and Management of Native Forests are planned for October 2004. The one course will be more general and the other a more technical course. The 13 spp identified as RTE are apparently easy to recognise with six of them being bred at M'Bopicua for release onto company land. Maps are available for all estates showing the categories of all non commercially planted areas, which in most instances would be either patches of native forests next to rivers/streams or hilly outcrops which are not suitable for plantations. Large estates like Molino Petizo (1 280 ha) and La Palma (3 400 ha) made no provision for the identification of conservation zones despite there being clearly natural areas on these estates which warrants some form of protection. In terms of company procedure documents the person in charge of an area or function has parameters and indicators in terms of which he must monitor the effectiveness of management. For instance a register is being kept of all environmental accidents such as chemical spills. The company is well developed in Safety and Health monitoring but much development is still required in the environmental field e.g. the water quality of water used for irrigation at the nursery is monitored but not that of the water quality of streams and rivers originating on, or flowing through company land. **See also Minor CAR 05.** The company produced a report "Management Plan for Natural Areas" dated 3 September 2004 which describes the current status of these natural areas and which will be repeated every three years. This report is seen as also being the monitoring tool for these areas. The success of conservation measures at Santa Domingo is evaluated by doing counts of active breeding nests of birds. The success of these measures is seen in for instance in the increase of breeding storks *Ciconia maguary* from one active breeding nest four years ago to 15 active breeding nests now in 2004. The results of these monitoring activities are published in internal reports and is also publicised in more general brochures produced for use by the public at large. This form of active conservation monitoring is mostly restricted to Santa Domingo only and the general report referred to above is the only form of "monitoring" of natural areas.

6.3 Maintenance of ecological functions and values

Environmental studies in the vicinity of Euforos plantations have been carried out at a national level. As an example studies were done on the Bañados de Farrapos (wetlands) in the vicinity of La Nonna, Molino Petizo and Mary and of the Biosphere Reserve of Bañados del Este (wetlands) in the vicinity of Agrocampo and Santa Paula. At the company level a Management Plan for Natural Areas dated 3 September 2004 has been compiled which identifies some conservation areas such as HCVF, describe all steps to be taken to ensure legal compliance, and prescribe actions to implement sound environmental management. Management planning was done for some of the more important natural areas e.g. on Santa Domingo, M'Bopicua and native forests on all estates. Maps are available for all estates showing the location of these areas. On Santa Domingo the natural area is divided into four categories viz. native forests, palm tree communities, wetlands and lagoons. The native forests are again classified into various forest types i.e.

1. Riverine or gallery forests
2. 'Monte Serrano' (Hill forests)
3. 'Monte de parque' (Park forests)
4. Palm tree forests

The plants and fauna of each zone are described with information on the available knowledge of the population dynamics and research that had been done. The objectives for these areas are conservation and habitat protection, and research. Management activities are defined as:

- No infrastructure building is allowed.
- Felling native forests is to be avoided.
- Extraction of flowers is forbidden.
- Introducing exotic fauna and flora is forbidden.
- Cattle raising activities are to be controlled.
- Phytosanitary products are forbidden.
- Understorey and forest floor controls (e.g. cattle grazing and use of herbicides) are only allowed as long as they are part of a specific programme previously agreed and authorized by the supervisor.
- Hunting is forbidden

This plan resulted in the following operational requirements being identified:

- a) The necessary staff shall be available for all maintenance operations.

- b) The staff shall be adequately trained for all activities.
- c) There shall be a procedure manual.
- d) A development and management plan of the site shall be annually revised.
- e) The corresponding authorities should be contacted in order to inform them about the activities that are carried out and in case any problem may arise.
- f) A fire control system is to be in place.

Monitoring is prescribed to be undertaken every three years. Degraded native forest areas exist on e.g. Santa Domingo and are nominally protected, but little evidence is seen of active restoration work, with the possible exception of some limited work on the palm trees. These palmeras are protected and their conservation is based on allowing natural processes to continue. The practice of grazing by cattle of the native forests will be allowed under controlled conditions i.e. by stipulating the carrying capacities which may be used. The grazing and physical activities of cattle must have an influence on natural regeneration and succession. This is a controversial subject, but appears to be generally accepted in Uruguayan land-use practices and has professional support amongst experts. **Minor CAR 06 was raised.**

6.4 Protection of representative samples of existing ecosystems

Maps produced from both Landsat imagery and aerial photography are available for all estates showing the categories of all non commercially planted areas, which in most instances would be either patches of native forests next to rivers/streams or hilly outcrops which are not suitable for plantations. The main ecosystems on Eufores properties are:

1. Commercial *Eucalyptus* plantations: Plantations are planted on the better soils and gentler slopes. Soils tend to be quite deep and fertile. The original vegetation was mostly low growing ranch lands.
2. Native forests– mostly in association with streams or rivers. Native forests are relatively rare in Uruguay and are strictly protected in law. Their position in the landscape indicate that they play an important role in stabilising river banks, preventing soil erosion and, importantly, also act as natural corridors along which many species can move in an otherwise treeless environment.
3. Rocky hills with low scrub vegetation: These outcrops represent a refuge for plant and animal species which would otherwise have been deprived of their habitat as a result of the afforestation of the lower lying areas. Their soils are generally shallower than the lower areas on which afforestation took place.
4. Wetlands and riparian zones without forests: Limited in extend with a unique flora and birdlife associated with it.
5. Lagoons/rivers: Largely restricted to Santa Domingo with species not found elsewhere on Eufores land.

Large estates like Molino Petizo (1 280 ha) and La Palma (3 400 ha) made no provision for the identification of conservation zones despite there being clearly natural areas on these estates which warrants some form of protection. On the other hand rocky hills are identified on maps not to be planted such as on Agrocampo, but no management prescriptions are drawn up for these areas. **Minor CAR 07 was raised.**

6.5 Protection against damage to soils, residual forest and water resources during operations

Written guidelines are available dated 8 September 2004 in terms of which guidelines are given to minimise the impact of machinery on soils e.g. rutting deeper than 15cm is unacceptable - with however no length definition attached, which makes the instruction somewhat impractical. A schedule is available which provides guidance to field staff under what conditions various types of machinery may move into compartments in terms of rain, wind, state of the soil and roads. Instructions are in place which prohibit work with machinery on rainy days to reduce the impact of compaction on soils. Erosion gullies were in evidence next to plantation roads on Agrocampo. Control measures were haphazardly applied. No EIA has been done or rehabilitation measures implemented for the gravel pits on Agrocampo and La Nona. Insufficient use is made of contour ridging with many ripping/ridging lines vertically down the contours. Even allowing for the need for water drainage, these ridges should be contoured sufficiently to reduce water velocity and thus potential erosion. **Minor CAR 08 was raised.** Spraying with chemicals on windy days is not allowed and evidence of compliance with this instruction was seen on Molino Petizo where

spraying with glyphosate commenced only when the wind speed dropped sufficiently for this operation to proceed safely. The silviculture and harvesting supervisors jointly inspect a compartment after harvesting is completed and complete the post harvest audit form "acta de reconocimiento final". Application of the post harvest audit was inspected at Potrero 3 on Las Acacias – the form was properly completed with notes made about firewood and dead wood left in the compartment. However, the form does not make provision to check that road drains have been opened again to prevent erosion. **Observation 08 was raised.** Both these supervisors have to sign the form for acceptance. The spread of invasive plants is not a problem in Eufores and the company does not have a policy on it. Unwanted weeds are controlled chemically during the first two years after planting and further control is then achieved through grazing with cattle. Experiments are under way to use sheep in order to reduce the use of chemicals to only the first year after planting. This biological weed control approach works well and most compartments seen were relatively weed free with almost no signs of any spreading of exotics from the plantation areas. An integrated fire control system is in place ranging from fire danger indicators, lookout towers, fire fighting equipment, training, and fire breaks. The effectiveness of the system is demonstrated by the fact that only 100 ha have been lost to fire out of 34 000 ha over an eight year period. Exceptions were found at the fire look-out tower on Agrocampo which were in a very poor condition with no protection for the worker, no seating and no sanitation. Its effectiveness could also be significantly enhanced by giving it some elevation. The fire danger indicator at the entrance to Santa Maria was also inefficient with the indicator arm coloured black; making it very difficult to see which risk category is being indicated. **Observation 11 was raised.** However, these appeared to be exceptions to the general pattern.

6.6 Chemical pest management

Detailed prescriptions are available for all aspects of weed control operations from the application of pre-emergents, manual application, tractor-mounted spraying operations to pre-harvest weeding. Dedicated stores for the storage and handling of only hazardous chemicals are available and are generally well managed in terms of ISO 14000 procedures. However, a container with no label on it was found in the chemical store at El Boyero village on Sarandi, as well as in the chemical store at Molino Petizo. **Minor CAR 11 was raised.** Detailed instructions are available on the procedures to be followed in the event of accidental spillages of chemicals. Prescriptions are displayed in chemical stores on how to handle emergency situations. Adequate warning signs were visible and sawdust was available to handle accidental spillages. All storage facilities had adequate bunding walls to contain any serious spillage volumes. The company is ISO 14000 certified and has audited procedures in place to ensure that the correct equipment, PPE, training and compliance with legal requirements are in place for the use of chemicals. Hazardous chemicals and fertilizers are stored in separate facilities. Chemical stores were inspected on Agrocampo, El Boyero village and Molino Petizo. Stock records were checked in these stores and found to reconcile with the actual stock. The only discrepancies discovered were two containers without labels in the stores at El Boyero and Molino Petizo. A full list of all chemicals used by the company is available and they also produced a document comparing the chemicals which they use to the standards/thresholds set by FSC. In this process they identified eight chemicals which are not allowed and immediately stopped the use of seven of them. The remaining one is GOAL which is used as a pre-emergence herbicide and which is seen as vital to the company's operational activities. The use of GOAL will be reduced and Harnass used instead. **Minor CAR 09 was raised.** Two other chemicals are still being used by the company over which uncertainty exist as to their FSC status viz. Arbosan and Fluramin, both of which are used in ant control operations. The ant control chemical Arbosan will be phased out over the next year. They are changing their application methodology to use less chemical and to change to the use of Fipronil instead, which is in pellet form and also less toxic than Arbosan. **Clarity on the use of all three chemicals must be obtained quickly. Observation 05 was raised.** The following herbicides and pesticides were used by the company during 2004: glyphosate, Agil 100, GOAL, Acetoclor, MCPA, 2.4D/Amina, No-drift, Dusilan, Agral 90, Arbosan and Blitz. The ant control team in potrero 7 on La Palma were found to work without protective hand gloves when applying Formidor, although gloves were issued to them. They were also not given any specific training for the work they were engaged in. **Minor CAR 10 was raised.** Glyphosate is the main chemical being used in plantations for weed control. Stock and issuing records are being kept of all chemicals and the information is now being collated on a per hectare basis to determine progress in reducing the rate of chemical usage over time. These records show e.g. that the use of the most important herbicide in terms of volumes used (glyphosate) has dropped from 2,1 l/ha in 2002 to 1,8 l/ha in 2003 and to 1,3 l/ha during 2004. The R&D department of Eufores has started a project, in collaboration with

the University of the Republic (UDELAR), to find ways of reducing the use and promoting the correct use of chemicals by the company.

6.7 Use and disposal of chemicals, containers, liquid and solid non-organic wastes

Procedures are documented and facilities are available for the collection, disposal and recycling where possible of all classes of waste such as plastics, paper, metals, lubricants, empty chemical containers. A flow chart is available which indicates the disposal procedure for each class of waste. Evidence of labelled waste containers was seen on all plantations visited during the assessment, also including the sites where contractors were working as well as their accommodation areas. Safe disposal procedures have been defined for all classes of waste e.g. certain containers can not be returned for recycling. These are rinsed, punctured and then buried in deep holes in positions with minimal potential for leaching of residues. Where possible, procedures are in place to recycle as much as possible of their waste, e.g. oils and tyres are returned to suppliers for recycling. All inorganic wastes are identified and separately collected on plantations for further disposal. In terms of its ISO 14000 certification status the company is well organised to manage its whole waste disposal process in a professional manner.

6.8 Use of biological control agents and genetically modified organisms

Anaphes nitens are bred in modern facilities for use as biological control agent of the *Gonipterus* beetle on *E globulus*. This approach is supported by Prof Mike Wingfield, an international leading scientist in the field of forest pest and diseases. The release of biological control agents and their required quarantine measures are prescribed in law. There is a law governing all Mercosur countries that obliges them to impose quarantine measures when biological control agents are introduced. However, *Anaphes nitens* was released in 1940 before the law was in effect. There are currently no legal restrictions on the breeding of *Anaphes nitens*. The biological control of *Gonipterus* is carefully monitored. Three plots in each forestry zone is visited each month and details recorded on forms such as egg counts, number of various instar classes and the specific area of the host tree which is attacked. Similar monthly forms are completed to monitor the parasitism rate of *Gonipterus* eggs. The report for the period 1 March-1 July 2004 was inspected, showing attack intensity figures of *Gonipterus*, egg density and parasitism levels amongst others. Quarterly reports are produced as well as an annual summary. The company does not use any genetically modified organisms.

6.9 The use of exotic species

The exotic spp being used have a proven track record in Uruguay specifically and over the whole of the forest plantation areas of South America in general. The company has extensively investigated the best provenances to use in its planting program and has decided on using only *E.globulus* seed sourced from Jeeralang in Victoria, Australia. Extensive records on this are available in the R&D department. Eufores has laid out 18 trials to evaluate the 50 clones which they targeted for commercial production. They have currently two clones in production and plan to expand this to about 8-10 clones. Besides the obvious habitat destruction associated with any commercial afforestation scheme, the main environmental effect of *Eucalyptus* is known to be its heavy use of ground water. Since water is not currently a limiting factor in Uruguay this is apparently not of immediate concern. However, the international experience is such that pro-active research and management of its potential impacts need to be investigated. The exotic spp being used are not known to be aggressive invader spp and no native spp are readily available for commercial application. In many areas of the plantations there is an invasion of woody exotic species (*Melia azederach*, *Piracantha coccinea*, *Fraxinus excelsius*, *Ulex europaeus*) although no evidence was seen of natural regeneration of the commercial spp being planted which escaped onto adjoining areas.

6.10 Forest conversion to plantations or non-forest land uses

No conversions of forests to plantations or non-forest land use on company land have occurred since 1994.

PRINCIPLE 7 Management plan

7.1 Management plan requirements

Eufores has the following main strategic objectives:

1. The correct management of the plantations and the use of the land in a sustainable way.

2. Produce wood in the quality and quantity necessary to satisfy the demands of the factories of the group and other customers.
3. Increase productivity by means of genetic and silvicultural improvements.
4. Appropriate maintenance of the genetic diversity of its growing stock.
5. Improve the Safety and Occupational Health environment.
6. Improve the effectiveness of the supply of benefits to communities.

Forest Management Plans are available for all plantations. These documents are mandatory in Uruguay to qualify for tax exemptions and afforestation incentives. The descriptions contained in these plans show information on issues such as ownership, planning, legal framework, forest resources, monitoring and land use. The company has developed its own more comprehensive planning system which covers:

1. Land Purchases Plan
2. Wood Purchases Plan
3. Silviculture Plans
4. Nursery Production and Outside Purchases Plan
5. Management of Natural Areas Plan
6. Harvesting Plan
7. Transport Plan
8. Export Plan

All these Plans include the comparisons of actual versus predicted performances. The consolidated budget for the whole company includes the operating budgets to execute the above Plans, the Human resources costs, general expenditures, taxes, provision for SHE expenditures and provision for eventualities and legal fees. Progress on the Plans is formally evaluated every three months and the budget is updated. The R&D and Planning departments work together on some aspects of forestry planning e.g. to determine the zonification of plantations, R&D provides information on the soils to the Planning department. This zonification is important as it forms the key determinant in deciding which specie to plant and what fertilizer to use. Procedures PE-12 and PE-06 describe the silvicultural system. Seedlings or clonal cuttings raised in the Eufores nursery near Fray Bentos are used exclusively. An inspection for potential ant damage is done prior to planting and Fipronil is applied if required. Site preparation is done mechanically via deep ripping to 80 cm. Planting is done manually on a 2,2 m x 3,4 m espacement resulting in a stand density of 1 336 sph. Plants are fertilized at planting normally with superphosphate or potassiumnitrate. Blanking is done within a maximum period of 45 days after planting. No thinning or pruning is done. After clear-felling all *E.gobulus* stands are replanted to ensure the best possible genetic material is used and also because *E.globulus* does not coppice as well. *E.maidenii* however, is allowed to coppice and the coppice shoots are reduced at age 2 years to obtain an acceptable stocking rate. Harvesting techniques and equipment are described in the 72 page FSC Manual and in procedure document PE-07. These documents cover aspects such as planning, felling, forwarding, loading, transport and purchasing of wood. Two main harvesting systems are in use;

1. Felling, debranching and bucking by harvester, mechanical debarking and extraction with forwarders
2. Felling, debranching, bucking with chainsaw, mechanical debarking and forwarding with tractor-trailer-crane units.

Both systems forward the logs to road side from where it is transported with heavy rigs to the processing plants. Three harvesting operations were witnessed on Sarandi and Las Acacias. Both were well run operations, operating six days/week on 8-9 hour shifts/day. Long term strategic, annual and detailed operational harvest plans are available. However, the detailed operational harvest plans are still in the early stages of development with planning done on a fairly large (1:35 000) scale. The harvesting plan for Las Acacias for 2004 was seen which provided general information on the site, maps, spp, areas, predicted volumes, roads, risks, infrastructure, extraction routes, schedule of felling areas and specify the machinery to be used. Planning is in reality more done on a basis of scheduling the felling sequence of a number of compartments as one mega operation, and planning the bigger picture in terms of landing zones and road requirements. Some sensitive management zones are indicated but in-field this was seen to be on a scale with little meaning for operators actually working in the compartments. The average clear-felling area is about 213 ha to be felled over a 5 month period. In all three the harvest operations visited on Sarandi and Las Acacias no evidence could be found of detailed written operational

planning on a compartment basis on such a scale that felling direction and sensitive management zones are clearly defined for field operators. However, it was stated that this planning is done by the Eufores supervisor and contractor who personally inspects a compartment beforehand and decide on these issues – it is not done in writing or on maps. The execution of the actual operations show that sufficient thought is given to planning and the end results are well executed operations with low levels of waste. **Observation 17 was raised.** The company has a comprehensive GIS system using Arcinfo software with which it can generate most types of maps required. There are maps available which include land ownership, forested compartments (Potrero) and non forested areas, all infrastructure, fire breaks, rocky zones, neighbours and areas with native forest. About 55 % of the estates in the eastern region is afforested and 65 % of that in the western region. It is clear that, although the technical aspects of mapping is good, little thinking has gone into the conservation needs and classification of the non afforested areas; other than those of native forests. Extensive unplanted riparian zones and rocky hilly areas exist on most plantations which should receive some form of conservation status. A list of 5 spp was initially produced of RTE spp which transpired not to be RTE spp. A further list of RTE spp was produced which was obtained from the IUCN web site. There are 101 endangered spp in Uruguay of which 15 occurs on Eufores land. Two species of birds of these 15 are Endangered i.e. the capuchino pecho blanco, *Sporophila palustris*, and the cardinal amarillo, *Gubernatrix cristata*; with the rest Vulnerable, Near Threatened or Data Deficient. No further information was available on these spp e.g. their population status, specific risk factors, general ecology and specific conservation measures. The company claims that it is not a major player in terms of the conservation of any of these spp due to their distribution and habitat requirements. However, it is clear that the fauna has been better studied than the flora and that little if any attempt has been made to produce a coherent management plan for each of these RTE spp on company land. An all encompassing **Minor CAR 12 was raised.** A large number of other work instructions exist which prescribe the work procedures to be followed e.g. for activities such as road, gravel pit and water furrow construction IT-322 has been compiled.

7.2 Management plan revision

Management plans are reviewed every month against progress on an annual basis and adapted if necessary. The General Manager is overall responsible for these revisions but each operational manager is responsible for the actual planning in his/her department. The Eufores Board is ultimately responsible for the overall integration of planning. The inventory data from the Continuous Inventory department are incorporated into these revisions as they become available. The company puts emphasis on innovativeness and encourages new ideas. The R&D department is pursuing 11 new lines of investigation in collaboration with their main R&D centre in Spain. It is applying clonal technologies to produce the most suitable cuttings for afforestation and is doing this in a modern well run nursery. In general the company is well aware of the latest thinking on how a modern forestry company should integrate its operations into a holistic approach to running and optimizing all of its resources. Work procedures and Instructions are seen as adaptable documents by the company and are regularly adapted to allow for changing circumstances e.g. the need for FSC and ISO 14000 certification arose as a result of heightened environmental awareness. Pressure also comes from employees and contractors to adapt to changing circumstances e.g. contractors asked for training in Safety and Health due to the increased importance of these subjects. There was a big culture change in the company towards continuous improvement. The fact that all procedures and instructions are now in writing is of considerable benefit to ensure consistent and easy changes to them as and when these may be required. However, in the application of environmental management little progress has been made to move beyond the old style of preparing inventories and some basic mapping. A more scientific approach is required to understand the ecology of the systems that are being managed, and to ensure that sound management prescriptions are drawn up and actually implemented. Some steps have been taken in this direction by the compilation of the "Management Plan for Natural Areas". It remains now to be seen how this plan is implemented and refined over time.

7.3 Training and supervision of forest workers

The Manager : SHE has been appointed as the responsible person for all training related to SHE, and the Human Resources department is responsible for all other training. An annual Plan of Training for Safety and Environment is compiled for all levels of employees which is linked to the training plan for the whole ENCE Group. This programme was put in place as part of the OHSAS and ISO certification process. However, training programmes regarding FSC P&C have not been

defined. During and at the end of training courses the course presenters use evaluation techniques and formal tests to evaluate the effectiveness of the course and the knowledge gained during each course. Internal audits and normal management inspections using in-field checklists are used to assess the effectiveness of all training that was undertaken in terms of knowledge and application. Supervisors have all had either technical or graduate training as foresters and are adequately equipped for their tasks. A number of contractors were interviewed and it was found that all of those from whom it could be expected had a good knowledge about their work procedures, production targets, actual production, safety measures and the essential elements of the FSC. Contractors are invited to attend relevant courses in the Training Plan. Although attendance is not compulsory, they usually attend such courses.

7.4 Public availability of the management plan elements

A public summary of the management plan is available via the company website.

- **PRINCIPLE 8 Monitoring and assessment**

8.1 Frequency, intensity and consistency of monitoring

A comprehensive monitoring plan is available setting out all the indicators of all the activities which are monitored. The frequency and procedures for monitoring is defined for e.g. legal compliance, fire protection, PPE, first aid, safety of equipment, transport of staff, management of waste, handling and storage of chemicals and soil monitoring. The Manager : SHE has been appointed as the responsible person to ensure that the monitoring program is implemented. She is assisted in practice by the various SHE representatives in the field. Procedures are available for many of the indicators, especially in the safety and health areas. The actual monitoring reports contain information on the procedures followed and is considered sufficient evidence of what procedures were followed in those cases where procedural documents as such do not exist. Actual monitoring activities have started only very recently for many indicators. Monitoring is carried out mainly in regards to health, safety and certain environmental aspects (e.g. handling of chemicals) included in OHSAS and ISO procedures. Little monitoring is conducted as regards environmental and social conditions and impacts. **Observation 17 was raised.** Various monitoring records were, however, witnessed e.g. the R&D department has a comprehensive system with full documentation on the monitoring of pest and diseases; and various fauna surveys were conducted at Santo Domingo. The nursery has also a monitoring system on the water quality and quantity being pumped from the Yaguarete chico river for their irrigation needs. This monitoring started in 2002 and records the chemical attributes, pH, turbidity, total dissolved solids, etc. Procedures and checklists are available to monitor performance of contractors. The performance requirements of contractors are set out in their contracts. Internal and external auditors are also used to monitor contractors. An annual plan for internal audits was witnessed which covered all areas from administration, exports and inventories to silviculture setting out responsible staff members and time schedules. In addition monthly meetings are held with contractors to discuss their performance. Supervisors are also on site every day to control the work of contractors. Evidence was seen of how non conformances are dealt with e.g. non conformance report no 352 dated 6/03 showed that employees of contractor Carmelo Martinez were not using PPE when handling chemicals. Corrective action was taken and took the form of a note to the contractor instructing him to use the correct PPE. Evidence of two e-mails in this regard was seen. As this action did not lead to the situation being rectified, a formal CAR on form no 303 dated 3 July 2003 on the internal audit system was raised. The corrective action taken in this instance was that the contractor's contract was cancelled. Local management also decided to supply PPE to those employees of contractors which were considered to have inadequate PPE at company expense. Another example is the monitoring of the water quality used at the nursery. As a result of this monitoring, certain deficiencies were detected, resulting in iron being included in the fertilizing program. Should this not have been done, plant growth in the nursery would have been negatively affected. More examples of corrective actions were available. This and many other examples typify the serious approach which the company follow towards Safety and Health issues.

8.2 Research and data collection for monitoring

Yields of all timber products are captured and recorded in the management information system. A full stand inventory is done at 3 years of age and then every year until clear-felling. This is based on a comprehensive system of Permanent Sampling Plots (PSP) with one PSP for every 12,5 ha. The normal dbh and height measurements are taken, as well as measurements on forest health

and mortalities. An annual report on Inventories is produced. The R&D department also maintains a system of PSPs to monitor the growth of various clones which they are evaluating. Some of the measurements being taken at these PSPs include dbh, height, sanitary status, cracks on stem, dominance status of crown, soil description and soil analysis. Data on the productivity of forest stands exhibit large variations. The official MAI figure is 16, whilst an actual yield figure of 10 was found in potrero 3 on Las Acacias. The accuracy levels of inventories should be investigated as sustainable yield calculations may be influenced. **Observation 07 was raised.** No evidence was available of EIA's being carried out prior to harvesting, but the company made a commitment to commence with this before each new harvesting activity starts. A form has been designed to be completed by both silvicultural and harvesting supervisors before operations commence in a particular area. This is still in the early stages of implementation and should be monitored at the next surveillance. This statement holds true for road and gravel pit construction activities as well. An extremely detailed EIA was witnessed on road and gravel pit construction on Algorta. It is a very commendable exercise but is an isolated case and perhaps too detailed and of a level which one can not expect to be maintained for each and every situation in a practical forestry environment. In general one can state that there is a commitment to undertake meaningful monitoring, but this is at the moment not well co-ordinated and focused. The company needs to define and consistently implement a system which will provide it with meaningful and practical information which it can use to manage and mitigate the impacts which its activities have on the environment. **Observation 06 was raised.** Eufores operates a comprehensive IT system to monitor costs, productivity and other management information. Data on costs, productivity and efficiency are recorded and detailed figures are available for management purposes. The integrated software system captures all information on line at all operating sites. Data as recent as 30 minutes old were available on the system, which is very impressive.

8.3 Chain of custody

Logs are not individually marked as certified but each load leaving the plantation is accompanied by a numbered delivery note the "remito de salida de monte". These delivery notes specify amongst others the forest of origin, potrero number, date, destinations, certified or not, species, truck number, log bundle number, dimensions of load and m3. A documented Chain of Custody Procedures Document PE-05 backed by a computer program is available describing the procedures to identify and maintain the traceability of all logs leaving the forests so that the next point in the logistics chain can determine the origin of all logs. The end point for the chain of custody would be the first point where the logs on a truck are handled again, which would in practically all cases be the relevant Eufores processing plant where the logs are taken for processing as chips, sawing or export as round logs.

8.4 Incorporation of monitoring results into the management plan

Strategic sessions are held twice per year with the head of the ENCE research division in Spain. These sessions continue for two weeks and are very detailed discussions on progress with existing research and are also used to formulate ideas for practical application. This is done in practice by the preparation of a "Best Practices Code for Management of Globulus in Eufores". The document addresses such subjects as site-species matching, tilling practices, afforestation and regeneration techniques, stocking densities, sensitive soils, plant quality and planting prescriptions. These best practices and also the inventory data from the Continuous Inventory department are incorporated into the revision of management plans as they become available. Very comprehensive research reports are produced on a variety of subjects. One example witnessed was a more than 460 pg document on "Strategy on Genetics". Various other examples were available such as on investigations on how to improve the rooting percentage of *E.globulus*, fertilizing trials to correct Boron deficiencies, pruning trials and reports on site-species matching.

8.5 Publicly available summary of monitoring

The formal monitoring program was only recently initiated and comprehensive reporting has not yet been undertaken. **Minor CAR 15 was raised.**

- **PRINCIPLE 9 High Conservation Value Forests**

- 9.1 **Assessment to determine high conservation value attributes**

Identification and general description of native forests (including palm tree communities) have been carried out until recently at all sites only as a requirement for application for benefits under the Forestry Law. The company used an expert, Ana Cassadori, to assess the FMU and identify HCVPs. All the natural areas on Santa Domingo, i.e. the Palmeras, native forests and wetlands were identified as HCVP in this process. Her findings were that the appropriate attributes for the HCVPs on Eufores land are that they have regionally significant concentrations of biodiversity values and that they constitute threatened and endangered ecosystems. This is documented in the "Management Plan for Natural Areas".

- 9.2 **Consultation process**

The company made use of the services of acknowledged experts in this field to do these assessments viz. environmentalist Ana Cassadori and botanical expert Daniel Bayce. These experts also compiled the "Management of Natural Areas" document which should be viewed as a first attempt to describe the full extend of natural areas on Eufores land and to start the process of defining meaningful management prescriptions for them.

- 9.3 **Measures to maintain and enhance high conservation value attributes**

A Management Plan for Natural Areas dated 3 September 2004 has been compiled which identifies some conservation areas such as HCVP, describe all steps to be taken to ensure legal compliance, and prescribe actions to implement sound environmental management. Management planning was done for some of the more important natural areas e.g. on Santa Domingo, M'Bopicua and native forests on all estates. See 6.3 for further information on the plan. The Management of Natural Areas Plan without its lengthy annexures is being used as the plan summary. All existing information on this subject is therefore captured in the plan summary.

- 9.4 **Monitoring to assess effectiveness**

Monitoring is prescribed to be undertaken every three years of the HCVP but it is not clear what is meant with monitoring. At this stage the only monitoring being undertaken is that of various fauna surveys on Santa Domingo and M'Bopicua, such as the counts of breeding nests of conspicuous bird species. A more inclusive approach to monitoring the full ecological spectrum is envisaged in the current management plan. The company has appointed a full-time biologist to monitor and manage the biological side of its resources. It also operates the M'Bopicuá wildlife breeding station and historical/cultural site. This facility is used to breed endangered spp for eventual release back onto company land; and is also a major education facility for environmental awareness amongst school children. Some re-introductions have already been made e.g. coatí *Nasua nasua* was released onto Santa Domingo, and the restoration of a wetland at Santo Domingo was initiated.

- **PRINCIPLE 10 Plantation**

- 10.1 **Statement of objectives in the management plan**

Eufores has the following main strategic objectives:

1. The correct management of the plantations and the use of the land in a sustainable way.
2. Produce wood in the quality and quantity necessary to satisfy the demands of the factories of the group and other customers.
3. Increase productivity by means of genetic and silvicultural improvements.
4. Appropriate maintenance of the genetic diversity of its growing stock.
5. Improve the Safety and Occupational Health environment.
6. Improve the effectiveness of the supply of benefits to communities.

Operating procedures are formulated to give practical expression to the higher level management objectives e.g. a pro-active communication plan dated 1 September 2004 is available to implement the social aspects of the objectives, and includes an attempt to pro-actively share information with stakeholders about for instance the company stance on hunting on its land. The more forestry oriented procedures emphasize again the importance which the company attaches to the sustainability principle.

10.2 *Plantation design and layout*

Natural lines such as rivers, wetlands, soil formations, drainage lines and hills are considered in the layout of plantations. By and large plantation design and layout appear to be done with some sensitivity towards natural features, although it is compromised by the very nature of commercial plantation management. The design and layout of plantation blocks make provision for wildlife corridors, usually close to rivers and streams, where about 20 m are left unplanted on both sides of these rivers. Wildlife such as wild boars and rheas are known to make use of these areas. The Water Code and Forestry Law are taken into account when plantation planning is done, but it can be complicated by the geography. Native trees are always protected and left in place. Normally about 5-10 m are left open if it is only a few trees which are involved, but more space is allowed if a substantial number of trees are involved. However, there appears to be a lack of understanding and support for the concept of wildlife corridors amongst at least some employees; general awareness levels of ecological principles and conservation ethics can be improved. Most streams are bordered by native forest. Since the Forestry Law prescribes a minimum distance of 20 m between native forest and plantations, the maintenance of streamside buffer zones should be ensured if legal compliance is enforced. Unfortunately evidence was found of non compliance with legal requirements. Plantings of *Eucalyptus* plantations on Sarandi were in some instances as close as 7m from the edge of native forests. **See Minor CAR 01.**

10.3 *Diversity in composition*

Eucalyptus globulus, grandis, dunnii, maidenii, bicostata with very small areas of *Populus deltoides, Pinus elliotii* and *P taeda* are being used. About 90% of the area is planted to *E globulus*. The size of blocks of the same age may be quite large in places and more thought should be given to biodiversity issues when doing plantation layout. No maximum clear-cut size has yet been identified. **Minor CAR 13 was raised.** The normal age-class and compartment size and shape variation associated with plantation forestry is found. Rotation period for *Eucalyptus* vary between 7-11 years depending on the site and species.

10.4 *Species selection*

The exotic spp being used have a proven track record in Uruguay specifically and over the whole of the forest plantation areas of South America in general. Eufores has laid out 18 trials to evaluate the 50 clones which they targeted for commercial production. They have currently two clones in production and plan to expand this to 8-10 clones. The company is committed to the use of *E.globulus* because that is the species which its market in Spain prefers. This has resulted in some off-site planting of *E.globulus* e.g. on areas of Molino Petizo where the species is clearly not well adapted to the specific site conditions. **Observation 20 was raised.** Uruguay has always had relatively few native forests and in general terms the native species have a low growth rate and have not been used in commercial plantations. However, no definitive research on this subject has been undertaken. **Observation 21 was raised.**

10.5 *Restoration of natural forest*

About 55 % of the estates in the eastern region are afforested and 65 % of that in the western region. There are therefore substantial areas of company land which are not planted to plantations and which should be considered for conservation management. It is clear that, although the technical aspects of mapping and plantation planning is good, insufficient thought has gone into the conservation needs and classification of the non afforested areas; other than those of native forests. Extensive unplanted riparian zones and rocky hilly areas exist on most plantations which should receive some form of conservation management. **See Minor CAR 07.** In contrast wherever native forests occur, they are identified as such on plantation maps and afforded conservation status. The "Management Plan for Natural Areas" identifies all areas on the FMU which should be subjected to some form of conservation management and all native forests are protected from felling by the Forestry Law. Degraded native forests and the palm tree areas on Santo Domingo have similarly been set aside for conservation. Although first phase planning therefore appears to be in place, there is not yet evidence of practical and on-going implementation of conservation measures. Plantation maps clearly identify all land-use types on each estate and there should be no uncertainty about which areas are to be planted or not. No irregularities in this regard were identified.

10.6 Impacts on soil and water

The company has a soil specialist who is responsible for the soil mapping of all estates. This is done by firstly classifying the areas into broad land types using aerial photographs, which are then refined by field augering on a landscape basis to define boundaries of soil forms more accurately and to obtain more information on soil attributes. With the exception of about 3 000 ha in the east, which were already planted at the time of purchase, all estates of Eufores have been soil mapped. These soil maps are mostly used by R&D and the Planning department for the placing of research trials and for site-species matching. Meetings are also held with the silviculture supervisors to give them advice on e.g. drainage or frost risk problems. The soil map information is converted to a zonification map to simplify use by field staff, with different silvicultural recommendations for each zone. No recommendations are made in regards to issues relating to harvesting such as sensitive soils. New land purchases are also evaluated by the soil specialist and where they are degraded specific recommendations are made in terms of e.g. not planting certain areas or deep ripping in compacted areas. Harvesting in wet weather is the main management factor which may impact on soils. However, no work is undertaken during rainy weather which eliminates a significant risk factor. Some limited rutting marks were observed in the Algorta area, but not anything of major concern. Staff from the University of the Republic have been contracted to undertake research on the impact of harvesting operations on soil compaction and erosion. The results of this research will be used to lessen the impact of machinery on operations. Written guidelines are available dated 8 September 2004 in terms of which guidelines are given to minimise the impact of machinery on soils e.g. rutting deeper than 15cm is unacceptable. A schedule is available which provides guidance to field staff under what conditions machinery may move into compartments in terms of rain, wind, state of the soil and roads. Instructions are in place which prohibit work with machinery on rainy days to reduce the impact of compaction on soils. New land purchases are evaluated by the soil specialist and where they are degraded specific recommendations are made in terms of e.g. not planting certain areas or deep ripping to 80 cm in compacted areas as opposed to the traditional preparation technique of shallow ploughing to 30 cm. Plantation residues are left in-field such as the bark from debarking operations and harvesting equipment move over these debris to reduce their impact on soil compaction. Extraction routes are adapted should degradation become evident. Evidence were also seen on Agrocampo of rocks, logs and other natural materials being placed along erosion gulleys and at the exits of road culverts to slow the velocity of water and combat soil erosion. The company plans to repeat their soil surveys every rotation to determine trends and monitor remedial actions. The main water bodies such as rivers, streams and dams are identified on plantation maps. Due to the relative abundance of the resource, water is not considered as a fragile resource and no work on it is being undertaken at this stage. Changes in the availability of water resources are likely to occur, but there are not yet enough data to determine how this may impact on the forest industry. Studies are being conducted at the national level in cooperation between the Forestry Office and the University of the Republic. No work is being done on the impact of forest operations on water flow, water quality, and subsurface flows. Although there is currently no perceived problem, these elements have been found to be affected by eucalypt afforestation elsewhere in the world and cognisance should be taken of those results under local conditions as well. **See Minor CAR 05.** An expert has been contracted to produce a report on the impact of forests on water quality only. A document dated 13 September 2004 sets out a proposal to undertake such a study. It is expected that the study will be completed in two months and it is planned to repeat the study once per rotation – this will be done as part of the monitoring program. The role and significance of the hydrological cycle in the ecology of the FMU and the larger landscape has not yet been investigated.

10.7 Pests and diseases

Procedure Document is available describing the process to be followed when a forest health problem is suspected. One co-ordinator per forestry zone has been trained to identify diseases which affect trees – both insect and fungal pathogens were covered in the training. A forest health survey is done annually by an outside specialist and a report produced. Specialists in this field are available for consultation from the University of the Republic. Good silviculture, a regular monthly monitoring programme and biological control are elements of the integrated pest management programme. Pest and diseases are monitored by the internal R&D department of the company. This is done through the monthly visits to plantations to monitor the egg counts of *Gonipterus* beetles as a measure of the success of the biological control programme on this insect. *Anaphes nitens* is being used as a biological control agent against this defoliator. The main measures to prevent a pest and disease outbreak are to ensure sound silvicultural practices are followed e.g. no off-site plantings. The use of clones will also allow better disease control measures in future,

although in this regard the use of only two clones are a distinct disadvantage. **Observation 09 was raised.** The company, however, is planning to increase the number of clones to between 8-10 in the next 5 years. An inspection for potential ant damage is done prior to planting. A system is used where ant activity is located using a team of workers moving through a stand and then treating only the active nest areas discovered. The company is moving away from the use of Arbosan and Fluramin and the ant control operation witnessed on La Palma was using the less toxic Fipronil instead which is applied in pellet form down holes directly into the ant nests. No broadcast use of pesticides for ant control is being used. Non chemical ant control options have not yet been investigated. **Observation 10 was raised.** *Gonipterus* and ants are currently the only two pests of consequence. Fungal problems are all secondary such as stem rot *Inocutis jamaicensis*. A fungal specialist from the university is used to identify any fungal problem and assist with treatment recommendations. Good site-species matching is considered to be the most appropriate strategy to counter forest health problems. A Procedure Document is available describing all aspects of preventing, detecting and combating forest fires and the Regulatory Decree 188/02 of Forestry Law 15.939 is being complied with. An integrated fire control system is in place ranging from fire danger indicators, lookout towers, communications, fire fighting equipment, training, and fire breaks to the actual fire fighting procedures. Procedures are in place to regularly audit the preparedness of the organisation for a fire emergency. A form has been designed against which all the various aspects are controlled. Practical fire drills are also held on a random basis - fire drills and training have been carried out jointly with the fire brigade. This fire training lasted for two days; theoretical concepts were given on the first day and on the second one the practical fire drill took place. The effectiveness of the system is demonstrated by the fact that only 100 ha have been lost to fire out of 34 000 ha over an eight year period. Exceptions were found at the fire look-out tower on Agrocampo which were in a very poor condition with no protection for the worker, no seating and no sanitation. Its effectiveness could also be significantly enhanced by giving it some elevation. The fire danger indicator at the entrance to Santa Maria was also inefficient with the indicator arm coloured black; making it very difficult to see which risk category is being indicated. However, these appeared to be exceptions to the general pattern. **Observation 11 was raised.**

10.8 Monitoring of impacts, species testing and tenure rights

Plantations have changed the land use pattern in Uruguay significantly in those areas where it has taken place. Land previously used for ranching has been converted with the associated conflicts inherent in any change in land use on such a scale. Although off-site effects are included in the general impacts matrix, no monitoring of off-site effects have been done, mainly because no apparent off-site effects have become evident up to now. Although some evidence of invasive species such as *Melia azederach*, *Gleditsia tricanthos*, *Piracantha coccinea*, *Lonicera japónica* and *Ligustrum lucidum* were seen, the main spp being used for afforestation do not become invasive problem plants outside their original plantings and no natural regeneration of these were observed. Water is not currently considered a limiting factor in this environment and no information is available on the possible effects of afforestation on water resources. All land is held through private title deeds and was purchased from the previous owners who similarly held title to the land. All land purchases represent commercial transactions based on a willing buyer and willing seller principle. No evidence could be found of tenure or resource rights of indigenous people being affected by company activities. Due to the Uruguayan history and current demographic patterns there are no apparent indigenous people with legal or customary tenure or use rights on company property.

10.9 Plantations established in areas converted from natural forests after November 1994

No conversion of native forests to plantations or non-forest land occurred since 1994 on company land.

7.2 Recommended sampling strategy and leads for surveillances

Since five of the eight forestry zones were visited during the main assessment, it is recommended that the three not visited now, be evaluated during the first surveillance visit i.e. zones Norte, Lavalleja and Palnar. However, logistics in terms of traveling times may make this difficult. A compromise will be to visit Norte, Palnar and Sorriano, which has the advantage that it will facilitate the closing out of some Minor CARs raised during the main assessment.

The following observations were made during this assessment which should be taken into consideration when planning the first surveillance visit:

OBSERVATION NO	FSC P&C	DESCRIPTION
01	1.4.1	There is conflict in terms of article 4 of decree 372/99 which that an employer is not responsible for the conditions of service of subcontractors and the FSC view that an employer is responsible for everyone working for or on behalf of him. Eufores's official view is that everyone working on their premises must be treated the same. This observation is therefore raised to ensure that this situation is monitored.
02	3.3.1	No effort has been made to identify sites of cultural, historical and religious significance, whilst evidence exist of at least one graveyard site on La Palma. During the main assessment a report was received stating that a contractor of Eufores, Pandelco, has a depot and maintenance site for machinery "on a cemetery" in Paso La Cruz, at Las Acacias. The contractor explained that the machinery on that site did not belong to the Eufores contractor, but to another forestry contractor who was not working for Eufores.
03	4.2.6	The first aid kit at the harvesting team on potrero 27 on Sarandi did not have a list of contents to ensure effective use thereof.
04	4.2.2	The training of first aiders of the contractor Cosefor on Sarandi consisted of reading a first aid manual only-this is considered insufficient training.
05	6.6.1	The pesticides Fluramin (Myrex-S), Arbosan and Fipronil are being used in ant control operations. There is uncertainty regarding their FSC status and this must be resolved.
06	8.2.4 6.1.1	Although work procedures are in pace, no actual EIA for harvesting operations has yet been produced. This must be monitored.
07	8.2.5	Data on the productivity of forest stands exhibit large variations. The official MAI figure is 16, whilst an actual yield figure of 10 was found in potrero 3 on Las Acacias. The accuracy levels of inventories should be investigated as sustainable yield calculations may be influenced.
08	6.5.2 10.6.4	The post harvest form does not make provision for checking that all road drains have been opened to prevent erosion problems.
09	10.7.3	The use of two clones only represents a significant risk to the financial sustainability of the company. The company has plans in place to increase this number, and this must be monitored.
10	10.7.3	Non chemical control options for the control of ants have not been investigated.
11	10.7.5	The fire look-out tower on Agrocampo was in a very poor condition with no protection for the worker, no seating and no sanitation. Its effectiveness could also be significantly enhanced by giving it some elevation. The fire danger indicator at the entrance to Santa Maria was also inefficient with the indicator arm coloured black; making it very difficult to see which risk category is being indicated.
12	2.3.3	Neighbours of the Penarol chip plant registered complaints due to dust and noise problems at this industrial plant. In both cases the company is going through a process with a professional team in order to find solutions to these problems. Regarding the

		dust problem, negotiations have been entered into with the city council to tar the road in question. In the mean time the company is using a tractor with a water sprinkler to reduce the extend of the dust problem. To be monitored for effective resolution.
13	4.1.2	Members of the local community are in theory to be given preference when employing workers, but no formal policy in this regard exists. In practice examples were also found of personnel from the east of the country working for contractors operating in the western areas and vice versa e.g. some employees of the subcontractor Alvaro Silva working for the contractor Pandelco on Las Acacias fell in this category; as well as employees of subcontractor Miguel Estevez on Sarandi. Similar examples were found on Agrocampo and Santa Paula. However, Eufores explained that although the subcontractors were themselves sometimes from different areas, their workers are mostly local people. The company should clearly spell out its policy and its application in this regard.
14	4.1.5	Although the company has a procedure for a proactive plan regarding community involvement, such a plan has not yet been applied at local community level. There appears in practice not to be any pro-active strategy and planning regarding this from the company's side.
15	4.3.3	During the assessment the president of the newly formed workers union reported that he perceives the union is being discriminated against. He feels personally victimised and also stated that two union members did not receive compensation at the old log yard at Fray Bentos which was paid to other workers. The company feels that adequate consultation took place and that the matter was fairly resolved. Other than a letter dated 11 February 2004 to recognize the labour union SOIMA, no further records were available of meetings between the workers and the company or of collective agreements to establish wages or other kinds of service conditions of workers. The impression is created that union-company negotiations are relatively new to both sides and that both sides should learn to approach these matters more constructively in the interest of both workers and the company.
16	4.5.1	The adoption of corrective and preventative actions for complaints and potential conflicts is planned, but little actual implementation has yet taken place. No evidence of the implementation of Company Procedure no 7 on the resolution of grievances could be found in-field at Agrocampo, Sarandi and La Palma.
17	7.1.8	Detailed operational harvest plans are still in the early stages of development with planning done on a fairly large (1:35 000) scale. The harvesting plan for Las Acacias for 2004 was seen which provided general information on the site, maps, spp, areas, predicted volumes, roads, risks, infrastructure, extraction routes, schedule of felling areas and specify the machinery to be used. Planning is in reality more done on a basis of scheduling the felling sequence of a number of compartments as one mega operation, and planning the bigger picture in terms of landing zones and road requirements. Some sensitive management zones are indicated but in-field this was seen to be on a scale with little meaning for operators actually working in the compartments. In all three the harvest operations visited on Sarandi and Las Acacias no evidence could be found of detailed written operational planning on a compartment basis on such a

		scale that felling direction and sensitive management zones are clearly defined for field operators.
18	8.1.2	Although a monitoring procedure has been documented, little actual monitoring of environmental aspects have been undertaken on a regular basis.
19	10.2.2	There appears to be a lack of understanding and support for the concept of wildlife corridors amongst at least some employees; general awareness levels of ecological principles and conservation ethics can be improved.
20	10.4.1	The company is committed to the use of <i>E.globulus</i> because that is the species which its market in Spain prefers. This has resulted in some off-site planting of <i>E.globulus</i> e.g. on areas of Molino Petizo where the species is clearly not well adapted to the specific site conditions.
21	10.4.2	Uruguay has always had relatively few native forests and in general terms the native species have a low growth rate and have not been used in commercial plantations. However, no definitive research on this subject has been undertaken.

Issues raised by Stakeholders

The following points have contributed to observations and resulting actions taken by the company should be followed up at the next surveillance visit:

Issue Raised by Communities and Neighbours	Response
<p>a) Some workers of contractor companies have entered neighbouring private land and caused problems in the local communities.</p> <p>b) A neighbour of the company at Agrocampo complained about the fact that he was not allowed to hunt wild boars on company land which cause damage to his livestock.</p>	<p>a) Eufores contacted the specific contractor and it undertook to address the situation and to re-establish relationships with the local community. This appears to be an operational issue which should be solved at that level.</p> <p>b) The company responded by allowing the hunting of wild boars under company supervision where damages can be proven. The complaint has been adequately addressed.</p>

Issue Raised by NGO's	Response
<p>The Director of the Latin American Centre of Social Ecology in Montevideo had a general background of Eufores and had no specific problem with the company. He was concerned about the replacing of native grasslands with exotic plantations. He supports the first 9 Principles of FSC but believes that the 10th Principle could fool the consumer. On balance he supports certification. He is not aware of any social problems associated with Eufores, but believes there could be general problem with the service conditions of subcontractors.</p> <p>A group of NGOs, (Redes, Amigos de la Tierra, among others) are strongly against forest certification in Uruguay because they disagree with the forestry model as a whole since, in their opinion, it exceeds the country's natural resources and alters the environment. Furthermore, they affirm that there exists</p>	<p>Eufores planted its forests in accordance with the Forestry Law and Environmental Assessment legislation. They state that plantations approved by the Dirección Foresta and planted on forest sites and with the species that are allowed by the forest law, don't need an EIA. The parliamentary discussion during the process of approval of the law shows that the aim of the legislators was to use the lands that were degraded by bad agricultural practices. This is encapsulated in Title 1 Article 5 of the Forestry Law 15.939. The decree 452/988 and the decree 296/994 prescribes the areas and soil groups where forestry plantations should be established (Art. 2nd). The C.O.N.E.A.T. soil classification is an official soil survey that includes the whole country, and this was</p>

<p>semi-slave labour in the forest plantations of the North of the country and they are strict about “not certifying what can’t be certified.” These NGOs have the most radical opinions about the issue, they have experts on the subject but they do not grant interviews within the framework of a certification process because they totally reject it. In addition, they believe that the expression “public consultation” is confusing since their names would be included as if they had been consulted but in fact “their opinion does not appear in any place.” Thus, they did not agree to have an interview even without including the term “public consultation”.</p>	<p>performed by soil experts. This information is available with details, for each land unit (padron) and there are detailed maps of the whole country. Regarding the conditions of its workforce; Eufores operates under the requirements of OHSAS and has OHSAS certification; and it also comply with all national legislation in this regard. Both Eufores and contractors` contractors are systematically audited to ensure compliance. Eufores plantations are not in the northern part of Uruguay, but on the Littoral and Atlantic Areas.</p> <p>The assessment team believes that Eufores is operating in good faith and that its actions show that it is serious when addressing environmental and labour issues. However, notice is taken of the concerns raised and these aspects will be monitored during surveillance visits.</p>
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Issue Raised by Government	Response
<p>The National Director of the Environment Office of MVOTMA has in general a good impression of Eufores – stating that they are trying to do things correctly. His department recently approved two projects of Eufores- the port at M’Bopicua and a pulp mill. Eufores must still produce an environmental management plan before construction of the pulp mill can commence. At a forestry industry level, not necessarily with Eufores, he is not completely impressed with the EIAs which preceded afforestation projects-he perceives them as superficial and not addressing all the environmental issues e.g. he believed that forestry was promoted in areas where it was not the most appropriate option.</p>	<p>The pulpmill project belongs to Celulosas de M’Bopicuá ; the only link that exists between Eufores and Celulosas de M’Bopicuá is the shareholder, but the entities are different companies.</p> <p>See also the response under issues raised by NGOs above. This kind of ill-feeling exists worldwide between plantation foresters and environmentalists; and one’s reaction depends on which side of the fence you sit yourself. On balance it is believed that Eufores is doing quite a bit to address environmental issues constructively, but the negative effects of plantation forestry cannot be ignored as well. This is precisely where FSC certification and adherence to the P&C can do a lot to mitigate some of these effects.</p>

Issue Raised by Others	Response
<p>According to the Director of the School of Social Sciences at the University of the Republic Eufores has a good relationship with society, trying to consider all expectations of society. He perceives the main positive impacts to be on employment, and the main negative impacts as on the environment such as noise, dust emissions and pollution associated with their planned pulp mill. A study on these aspects is in progress. Employment expectations are not fully satisfied. There have been no major environmental incidents in Uruguay and this may have an influence on the relative lack of public concerns with environmental issues.</p>	<p>The project Eufores has with the School of Social Sciences is linked with the chipmill that is situated in Montevideo, in an urban area, and that is the reason why they are talking of dust and noise. The same happens with employment expectations; this survey was undertaken in Montevideo, near the chipmill. Nevertheless, Eufores has a Social Responsibility Policy that attempts to address its relationship with society in a positive way.</p>

7.3 Issues raised by Peer Reviewers

This report was reviewed by two independent peer reviewers. The following points were raised.

Issue Raised by Peer Reviewer 1	Response
<p>1. Some contradictions as well as a not very in-depth analysis of controversial issues (such as water, biodiversity, labour relations) are observed.</p> <p>2. Impacts: to the landscape; cultural impact; to basins; to logging transportation; nourishment recycling. Greater analysis of: invader plants, invader fauna, harvesting systems impact; waste management. Species selection: adaptation; clones; harvesting age.</p> <p>3. The abusive use of herbicides (glyphosate) alters the occurrence of natural vegetation and invader weeds begin to predominate.</p> <p>4. A rotation performed before 10-11 years is considered inadequate. A high percentage of living timber is extracted causing a pillage of nutrients on the soil. Furthermore, the quality of the timber is lower in young trees. It is even worse if, as it has been mentioned, the waste derived from harvest is extracted. What about sustainable production?</p> <p>5. If at the time of harvesting, we use highly mechanised systems, imported from other countries, aren't we frustrating the society's expectations? - Which is the "country" balance of this investment based on imported seeds, fertilisers, tools, herbicides, tractors, fuel, chainsaw, harvesters, lorries? - It is not the same to use a harvester in the country where it was created with a proper infrastructure and workers' wages of US\$ 10 per hour than using them in Uruguay which is totally dependant on services and the workers' wages are lower than US\$ 1 per hour.</p> <p>6. A greater analysis about the relationship with workers is needed. Do service enterprises, contractors, subcontractors, sub-subcontractors, etc work exclusively for this company? Is it a form of "marchandage"? How much does the worker actually receive from the interesting fares obtained by contractors?</p>	<p>1. This report is the result of an audit on the company's activities and does not pretend to be an analysis of any of the many subject fields covered during such an audit. In particular instances the lack of current understanding has been pointed out e.g. it was suggested that the company undertakes a full investigation into the effect which afforestation is having on the hydrological cycle.</p> <p>2. On a comparative international level it is not believed that invader spp are a major concern in this instance. Little if any evidence was seen of the commercial spp being used for afforestation becoming invader spp in adjoining areas. The spp being used are recognised spp in commercial forestry in South America; although it is admitted that site-species selection can be improved upon in some areas. The heavy emphasis on <i>E.globulus</i> due to the market requirements only, was pointed out to the company.</p> <p>3. Glyphosate is a recognised acceptable herbicide throughout the world, not only in the forestry industry. The beneficial effect which weed control has on the growth of the tree crop is well documented. The alternative is either manual control, which is not practical or economical; or control through grazing by livestock – an area in which Eufores has taken some innovative steps.</p> <p>4. A rotation length of 10 -11 years is well within the accepted range internationally for short rotation <i>Eucalyptus</i> crops. In fact in many areas rotations of as low as 6 – 8 years are routinely used. Growing conditions obviously play an important role in determining what length is feasible. Not all the waste is extracted – the bark is left in-field and the branches and leaves are also left behind.</p> <p>5. This is really an economical question bedded in a social environment. One would find the shareholders of the company expect the most efficient systems to be used; whilst local stakeholders would want to see the highest benefits for local society. The reality will probably never satisfy both sides simultaneously.</p> <p>6. This is a valid comment and in future surveillances this aspect will need to be pursued in more depth.</p>

Issue Raised by Peer Reviewer 2	Response
Although the major issues have been included in the report and certification is recommendable, the	It is admitted that the current plan on the table is a first version and will need considerable

suggestions for the management plan of natural forest areas do not reflect the true scope of a management plan.

refinement over time. However, at least we now have a plan which can be improved upon. Some of the CARs raised (06 and 07) also indicate that this point is recognised during the assessment.

8. STRENGTHS AND WEAKNESSES

8.1 Strengths

The following particular strengths were highlighted:

- Commercial forestry operations in general are well executed and are in line with best practices at an international level.
- Considerable commitment is shown at senior level in the company by the volume of work that was done in a short space of time to prepare the company for FSC certification.

8.2 Weaknesses

Fifteen Minor Corrective Action Requests (CARs) and no Major Corrective Action Requests (MCARs) were raised. These are detailed in the attached addendum - Record of CARs)

9. CERTIFICATION RECOMMENDATION

There being no Major Corrective Action Requests, the assessment team recommends certification of Eufores S.A.'s forest management of their forests in the Departments of Paysandu, Rio Negro, Soriano, Lavalleja and Rocha.

The outstanding Minor Corrective Action Requests do not preclude certification, but Eufores is required to take the agreed actions before 1 April 2005. These will be verified by SGS QUALIFOR at the first surveillance to be carried out about 6 months from the date of the issuance of the certificate. If satisfactory actions have been taken the CARs will be 'closed out'; otherwise Minor CARs will be raised to Major CARs.

END OF PUBLIC SUMMARY



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Date: **15 July 2003**

RECORD OF CARS

Project Nr: **8365-UY**

Company Name: **EUFORES S.A.**

CAR #	FSC P&C	CAR DETAIL					
		Date Recorded>		Due Date>		Date Closed>	
01	1.1.6		04/09/28		yy/mm/dd		yy/mm/dd
		Non-Conformance:					
		There is evidence of non-compliance with legal requirements.					
		Objective Evidence:					
		Plantings of commercial plantations on Sarandi were in some instances as close as 7 m from the edge of native forests, which is in contravention of the legal requirement of 20 m in terms of Law no 15.939 regulation no 188/02. Similarly road widths in terms of these regulations were not always complied with e.g. in Petrero Pinus and Petrero Tucutucu on Molino Petizo. Chainsaw trousers are charged to the operators which is in contravention of decree 372/99.					
Close-out evidence:							
02	1.6.2 1.1.3		04/09/28		yy/mm/dd		yy/mm/dd
		Non-Conformance:					
		Workers, contractors and subcontractors are not consistently aware of workers rights, national legislation and of the FSC Principles and Criteria.					
		Objective Evidence:					
		A significant proportion of the workers interviewed at various working sites (harvesting, silviculture, nursery, maintenance) showed a low level of knowledge and awareness of their rights, the impact of national legislation and of the FSC Principles and Criteria.					
Close-out evidence:							
03	4.2.2		04/09/28		yy/mm/dd		yy/mm/dd
		Non-Conformance:					
		Operating procedures regarding occupational health and safety are not consistently implemented.					

CAR #	FSC P&C	CAR DETAIL					
		Objective Evidence:					
		Some field supervisors are not consistently taking the management of social aspects seriously. Evidence were found of workers with no social benefits, no medical cover, no PPE, inaccurate work sheets being kept, worker transport vehicle without communication equipment, first aid equipment or seat belts, and no sanitation facilities provided. Facilities at the worker village of El Boyero are of inferior standard.					
		Close-out evidence:					
04	5.4.1 5.5.1	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		Limited efforts are made to recognize the multiple uses of the forests and to manage the forest to obtain more than one product.					
		Objective Evidence:					
		The forests are managed almost exclusively for the production of round logs, with grazing by livestock and firewood as minor products. The provision for public access to scenic or natural areas is not recognised or encouraged.					
		Close-out evidence:					
05	5.5.2 10.6.5	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		The potential impact of forest management operations on the hydrological cycle has not been analysed and described.					
		Objective Evidence:					
		Although a proposal has been drafted to investigate the water quality aspects, no work has yet been done to investigate the potential impact of Eucalyptus afforestation on the full hydrological cycle, especially in the light of documented international concerns in this regard.					
		Close-out evidence:					
06	6.3.2	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		A proper program for the restoration of ecological functions in degraded native forests, such as promoting forest regeneration and succession, has not been implemented.					
		Objective Evidence:					
		Little evidence was seen of any restoration work other than the identification of native forest and following a hands-off approach. The grazing by cattle of native forests is continued, despite their inherent negative effects on natural regeneration. This is a controversial subject, but appears to be generally accepted in Uruguyan land-use practices and has professional support.					
		Close-out evidence:					

CAR #	FSC P&C	CAR DETAIL					
07	6.4.2 6.2.2	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
Non-Conformance:							
Representative areas of the natural ecosystems are inadequately recorded on maps and appropriate management measures are not prescribed.							
Objective Evidence:							
No areas have been identified for conservation on Molino Petizo, an estate of 1 280 ha with at least 150 ha of natural vegetation. Similarly have no areas been identified on La Palma, an estate of 3 400 ha, where amongst others, palm tree communities occur. Rocky hills on e.g. Agrocampo have been identified not to be planted, but no management prescriptions are available.							
Close-out evidence:							
08	6.5.1	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
Non-Conformance:							
All forest operations which may cause damages to the environment are not identified, and acceptable written guidelines are not defined and implemented.							
Objective Evidence:							
Erosion gullies were in evidence next to plantation roads on Agrocampo. Control measures were haphazardly applied. No EIA has been done or rehabilitation measures implemented for the gravel pits on Agrocampo and La Nona. Insufficient use is made of contour ridging with many ripping/ridging lines vertically down the contours. Even allowing for the need for water drainage, these ridges should be contoured sufficiently to reduce water velocity and thus potential erosion.							
Close-out evidence:							
09	6.6.1	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
Non-Conformance:							
A prohibited chemical is being used.							
Objective Evidence:							
The prohibited chemical GOAL is being used as a pre-emergence herbicide to control weed growth at planting.							
Close-out evidence:							
10	6.6.4	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
Non-Conformance:							
The use of personal protective equipment when handling hazardous chemicals are not consistently enforced.							

CAR #	FSC P&C	CAR DETAIL					
		Objective Evidence:					
		The ant control team in potrero 7 on La Palma were found to work without protective hand gloves when applying Formidor, although gloves were issued to them. They were also not given any specific training for the work they were engaged in.					
		Close-out evidence:					
11	6.6.5 4.2.4	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		Procedures are not consistently enforced for the storage of chemicals.					
		Objective Evidence:					
		A container with no label on it was found in the chemical store at El Boyero village on Sarandi, as well as in the chemical store at Molino Petizo.					
		Close-out evidence:					
12	7.1.6	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		Plans for the identification and protection of rare, threatened and endangered species are inadequate.					
		Objective Evidence:					
		Inconsistent information was provided on the identification of rare, threatened and endangered species and a coherent conservation management plan for each RTE specie is lacking.					
		Close-out evidence:					
13	10.3.2	Date Recorded>	04/09/28	Due Date>	yy/mm/dd	Date Closed>	yy/mm/dd
		Non-Conformance:					
		Maximum clear-cut size is not defined.					
		Objective Evidence:					
		Although this was identified during the pre-assessment as a shortfall, no maximum clear-cut size has yet been identified.					
		Close-out evidence:					



SGS QUALIFOR
(Associated Documents)

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Date: **20 May 2003**

SITE VISIT RECORD

Project Nr:	8365-UY	Company Name:	EUFORES S.A.			
Site Name	Main Assessment	Surveillance 01	Surveillance 02	Surveillance 03	Surveillance 04	
	04/09/20-28	Insert date (yy/mm/dd)	Insert date (yy/mm/dd)	Insert date (yy/mm/dd)	Insert date (yy/mm/dd)	
Zone Rocha (Agrocampo)	X					
Zone Soriano (Sarandi)	X					
Zone Tres Bocas (Molino Petizo)	X					
Zone Tres Bocas (La Nona)	X					
Zone Pandule (La Palma)	X					
Zone Algorta (Las Acacias)	X					

* Insert + where applicable