13 June 2006

The Registrar of Trade Marks  
IP Australia  
PO Box 200  
WODEN ACT 2606

Dear Registrar

Certification Trade Mark Application No 968242

The Australian Competition and Consumer Commission (the ACCC), in accordance with the provisions of the Trade Marks Act 1995, has completed its final assessment of Certification Trade Mark (CTM) No.968242.

A certificate detailing the ACCC's assessment is attached, as well as a certified copy of the rules. The applicant has been notified.

If you have any queries on this matter, please contact me on 02 6243 1049.

Yours sincerely

[Signature]

Isabelle Arnaud  
Director, Adjudication
Final Assessment of Certification Trade Mark Application 968242 lodged

The Australian Competition and Consumer Commission (the ACCC), in accordance with the requirements of the Trade Marks Act 1995, has completed its Final Assessment of the above Certification Trade Mark (CTM) application.

The ACCC's Final Assessment is that it is satisfied that:

(a) the approved certifiers are competent to certify the goods in respect of which the CTM is to be registered;

(b) the rules governing the use of the CTM would not be to the detriment of the public; and

(c) the rules governing the use of the CTM are satisfactory having regard to the principles relating to restrictive trade practices set out in Part IV of the Trade Practices Act 1974 (the Act); the principles relating to unconscionable conduct set out in Part IVA of the Act; and the principles relating to unfair practices, product safety and product information set out in Part V of the Act.

Signed.................................................. (Commissioner)

Date..............................................
Certification Rules

for the

Disclosure Code for
Afforestation Managed Investment
Schemes

Issue 5
30 March 2006
Certification Rules
for the
Australian Forest Growers’
Disclosure Code for Afforestation Managed Investment Schemes

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1. General

1.1 Introduction

Australian Forest Growers (AFG) operates a voluntary, independent, third-party product certification program designed to give investors confidence that offer documents for forestry investment schemes operating within the Corporations Act 2001 are in accordance with the defined standards of the Disclosure Code for Afforestation Managed Investment Schemes. These rules govern the operation of the Certification Scheme for the Disclosure Code for Afforestation Managed Investment Schemes.

1.2 Revisions record

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1.3 Objectives of the Code

- To support regulatory compliance by assisting transparency and full disclosure in offer documents of the information investors require to make an informed assessment of investment opportunities in the afforestation managed investment industry.
- To promote the provision of consistent and quality data in offer documents to enable investment opportunities to be compared.
- To develop investor confidence in afforestation managed investment schemes through more effective disclosure of information in offer documents.

1.4 Scope of the Code

The AFG Disclosure Code for Afforestation Managed Investment Schemes ("the Code") applies to afforestation managed investment companies required under the Corporations Act 2001 to issue an offer document.

The Code takes as given a company’s compliance with all applicable laws, and it documents the legal obligation of a Responsible Entity under the Corporations Act 2001. The Code requires companies to demonstrate that they have satisfied a series of criteria as to disclosure in their offer documents. Compliance with the Code is not a warranty of the commercial viability of the project.

It is a Code relating to the disclosure of all information necessary for a potential investor and his or her professional adviser/s to make an informed decision about the project. The Code is voluntary and is implemented by companies that choose to become signatories to the Code and therefore to be bound by the Code.

This scheme is available for offer documents issued after 1 July 2003.

The Code is NOT a code of forestry practice.
1.5 Standards applicable within the Code

Companies that are members of AFG are eligible to apply for Certification of their offer documents, and if successful, will become signatories to the Code and be bound by the Code. Implementation of the Code is consistent with a number of corporate and industry objectives, including:

- due diligence;
- regulatory compliance;
- corporate social responsibility;
- sound corporate governance;
- continuous improvement;
- consistent and comparable disclosure;
- industry best practice;
- access to financial markets;
- investor confidence; and
- sustainable forest management.

The Code encompasses Federal and State-based instruments in order to achieve consistency and certainty at a national level, to avoid duplication of effort, and to reduce confusion within the industry and the investment community. For example, the Code requires satisfaction of Commonwealth environmental and heritage legislation, mandatory State codes of forest practice and Local Government approvals processes, and recommends compliance with voluntary national instruments such as the Australian Forestry Standard (www.forestrystandard.org.au).

The Code encourages the use of standard terms and measures so that investors are able to compare and evaluate one investment opportunity in relation to another.

1.6 Structure of the Certification Scheme

1.6.1 Definitions

(Note: The definitions apply to these Certification Rules. In addition, words and expressions defined in the Glossary in the Disclosure Code for Afforestation Managed Investment Schemes shall, unless the context otherwise requires, have the same meanings when used herein.)

Certification Scheme Owner is the organisation administering the Certification Scheme, and is currently, Australian Forest Growers (AFG), a not-for-profit national association representing the interests of private forestry in Australia.

The Certification Scheme means the mechanism and procedures for administering the Code and the certification process in accordance with these Certification Rules.

The Company is the party responsible for ensuring that its offer documents meet the Code standards for disclosure. (Reference to "Responsible Entity", "member company" and "companies" has the same defined meaning as company)

Certification Rules means these Rules contained in this document as at 26 November 2004, and includes subsequent amendments made from time to time and as agreed and recorded in Minutes of the meeting of AFG.

Accrediting Body for the Certification Scheme is JAS-ANZ, the Joint Accreditation System of Australia and New Zealand. JAS-ANZ has approved the Certification Scheme against international criteria set for bodies operating certification schemes.

Code Compliance Register means a Register, maintained by the Code Administration Panel, which shows those companies that have passed Certification, have become signatories to the Code and thus agreed to be bound by the Code.
Certification Application Package means the Code, the Certification Rules, the application form and a list of Certification Bodies.

Certification means the inspection of new or resubmitted offer documents after 1 July 2003 by the Certification Body and the verification that the offer document complies with the Code. ("Certify" has the same corresponding meaning)

Certification Body is an independent auditor, accredited by JAS-ANZ to certify offer documents in accordance with the Certification Rules, whose name is published on the JAS-ANZ website "http://www.jas-anz.com.au" as being available to be an inspector for this Certification Scheme, and shall be those parties licensed by AFG from time to time. "Certification Bodies" has the same corresponding meaning).

The Code is the AFG Disclosure Code for Afforestation Managed Investment Schemes, the standard upon which the Certification is based and includes amendments made from time to time.

The products being certified are offer documents of companies offering investments under the Corporations Act 2001.

The offer documents covered by the Code are prospectus and product disclosure statement documents, but not 'excluded offer documents'.

The standard against which the products are certified is the AFG Disclosure Code for Afforestation Managed Investment Schemes.

The Mediator is an independent neutral third party, trained and skilled in bringing parties together to resolve problems through dialogue and negotiation. Based on advice from the Law Society, AFG will maintain a list of competent Mediators in each State and Territory available to mediate, and, if necessary, travel to mediation.

Code Administration Panel is an AFG-delegated body, comprising the AFG President (or his or her nominee) and Chief Executive, and one or more industry representatives elected by the AFG National Council, with responsibilities for managing the Certification Scheme, including licensing the Certification Body's to approve the use of the Code Compliance Logo by companies successful in Certification.

Code Compliance Logo is the logo displayed at 1.6.5, to be registered as a trade mark for use in this Certification Scheme.

Investors' Short Guide means the Investors' Short Guide to Afforestation Investment, published to make information available to investors about this Certification Scheme. The Investors' Short Guide is available on the AFG web site and in hard copy from AFG, and through the finance and investment industry.

1.6.2 Participating parties' responsibilities

JAS-ANZ is responsible for the policies and administration under which the Certification Scheme operates. JAS-ANZ will approve the Certification Scheme, its Certification Rules and the Code Compliance Logo, and the accredited Certification Bodies who will be eligible to participate, and will ensure that the Certification Scheme Owner and Certification Bodies discharge their responsibilities.

AFG is responsible for the administration of this Certification Scheme, preparing and maintaining the Certification Rules as approved by JAS-ANZ, maintaining the Code and subsequent versions of the Code (including the associated Investors' Short Guide), disseminating information about the Certification Scheme, providing AFG member companies with Application Packages to enter the Certification Scheme, and setting up a Code Administration Panel.
Management of the Certification Scheme is overseen by the AFG-delegated body, the Code Administration Panel, responsible for the Scheme procedures, including:

(i) maintaining the Code Compliance Register;
(ii) deciding issues of interpretation during assessment of the company’s offer document by the Certification Body;
(iii) making arrangements for mediation, where necessary;
(iv) preparing an annual review of industry performance against the Code;
(v) revising the Code as required every three years.

The Code Administration Panel will be objective and impartial, and maintain confidentiality regarding its decisions.

The Certification Body shall be accredited by JAS-ANZ and maintain its accreditation in order to be eligible to Certify offer documents within this Scheme. The Certification Body is responsible for examining the company’s offer documents in accordance with the Certification Rules, for compliance with the Code and, where an offer document meets the criteria of the Code, approving the use of the Code Compliance Logo, licensed from AFG. If the offer document does not meet the requirements of the Code, the Certification Body will issue a report on non-compliance and discuss any major non-compliance with the company in the interests of resolving it and proceeding to possible Certification. The Certification Body shall indemnify AFG and JAS-ANZ in accordance with Clause 7 of the Licence Deed.

The Company must be a member of AFG and is responsible for developing offer documents that comply with the Code. The Company must submit the documents with the appropriate application form and relevant fees to the Certification Body for Certification.

The Mediator must be qualified and experienced in mediation, and able to mediate between the Company and the Certification Body. AFG will maintain a list of competent mediators Australia-wide and based on Law Society recommendations.

The Code Certification Scheme Flow Chart (at Appendix 1) shows the structure of the Certification Scheme, relationships between the participating parties, and the flow of activity from original application towards final endorsement of a product on the Compliance Register.

1.6.3 Certification Body competencies

The standard for Certification Body competencies is described below.

Personal attributes

Certification Bodies for this Certification Scheme should be ethical, open-minded, diplomatic, decisive and self-reliant. Certification Bodies shall be independent and not be a related body corporate, as defined under the Corporations Act 2001, of either AFG or JAS-ANZ.

Knowledge, understanding and skills

a) Audit principles, procedures, and examine and conduct techniques

To enable the Certification Body to apply those qualities to audits of offer documents and ensure that the audits are conducted in a consistent and systematic manner, a Certification Body should be able to:

- apply audit principles, procedures and techniques;
- collect information through reviewing documents;
- prioritise and focus on matters of significance;
- plan and organise work effectively;
- conduct the audit within the agreed time schedule;
- prepare audit reports;
- maintain confidentiality and security of information; and
- communicate effectively.

b) **Laws, regulations and other requirements applicable to the plantation managed investment schemes sector**

To enable the Certification Body to work within, and be aware of, the disclosure requirements that apply to the offer document being audited, a Certification Body should have knowledge of:
- relevant national, state and local laws and regulations; and
- other requirements, such as regulatory policy statements that affect the disclosure requirements in offer documents.

c) **Reference documents and their relationship to offer documents of the plantation managed investment schemes sector**

To enable the Certification Body to comprehend the scope of the audit and apply audit criteria, it must be able to:
- recognise differences between, and priority of, reference documents;
- understand the relevance of reference documents to requirements in offer documents;
- evaluate the content of offer documents against the requirements of the Code; and
- understand the relative importance of various Code requirements.

d) **Offer documents of the plantation managed investment schemes sector**

To enable the Certification Body to comprehend the distinctive context of the plantation investment sector in which the audit is being conducted, it must be able to understand and have knowledge of:
- sector-specific terminology;
- technical characteristics of production, harvesting, markets, as well as compliance requirements and taxation; and
- sector-specific regulation, practices and information.

**Education and work experience**

Certification Bodies should have the following education, work experience, auditor training and audit experience:

a) an education sufficient to acquire the knowledge and skills described above;

b) work experience that contributes to the above knowledge and skills. This work experience should be in a technical, managerial or professional position involving the exercise of judgment, problem solving, and communication with other managerial and professional personnel, peers, customers and/or other stakeholders; and

c) auditor training and audit experience that contributes to the development of the knowledge and skills described above.

**1.6.4 Offer document endorsement**

Companies seeking endorsement of an offer document will apply directly to the Certification Body using the nominated application form and paying the nominated fees for AFG and the Certification Body. The Certification Body will examine the document and assess it against the requirements of the Code and in accordance with the Certification Rules.

Where the offer document is fully compliant, subject to the issuing of an ATO Product Ruling (where sought), the Certification Body will authorise the company to use the Code Compliance
Logo (which includes the allocated compliance number) on its offer documents. Following endorsement of an offer document, a company must ensure that any supplementary and replacement documents also comply with the provisions of the Code.

See Clause 4 for more detailed information on the Certification process.

1.6.5 Code Compliance logo

The Code Compliance Logo (Trade Mark pending) verifies that the offer document submitted to and approved by the Certification Body is certified as complying with the Code and that the company displaying the Code Compliance Logo is recorded on the Code Compliance Register.

The Code Compliance Logo will be accompanied by an individual compliance number for each offer document. Certified supplementary and replacement documents will receive a similar number (including S or R with the number).

An offer document complying with the Code may display the Code Compliance Logo on the cover. Use of the Code Compliance Logo may be approved for other related promotional material with the prior written consent of the Certification Body.

2. Administration of the Certification Scheme

2.1 Confidentiality

AFG will ensure the confidentiality of the information obtained in the course of Certification under the Certification Scheme activities at all levels of the organisation, and ensure that any external Mediators also maintain confidentiality of this information.

JAS-ANZ and Certification Bodies must ensure the confidentiality of all information obtained in the course of Certification under the Certification Scheme within their own organisations, and must ensure that their employees and any agents or contractors acting on their behalf maintain such confidentiality of information.

2.2 Code changes

The Code will be reviewed after the first year of operation, and thereafter every three years. AFG will bring together an advisory body (derived from the representation of the original Steering Committee) to review the Code. Revisions to the Code will be based on the Certification Bodies’ and AFG’s experience of the administration of the Code, feedback from the industry, views expressed by members of the advisory body, and any changes that affect the regulatory environment for managed timber investment companies.

AFG will give due notice of any changes in the Code and in its requirements for Certification, before deciding on the precise form and effective date of the changes.

Updating will always be prospective, except where changes of any relevant legislation occur mid-stream or apply retrospectively. Following decisions on the revised Code, and publication
of the revised provisions and the effective date of the changes, the Certification Scheme will be amended to reflect the revised Code from that date.

From time to time it may also be necessary, following decisions of the Code Administration Panel or as a result of mediation, to review the Code to take account of previous mediation outcomes and issue an interim amendment.

2.3 Compliance check
Certification Bodies accredited by JAS-ANZ shall:

a) maintain all necessary accreditation as required by JAS-ANZ;

b) make all necessary arrangements for the conduct of the Certification including co-operation with companies to rectify minor or major non-compliance;

c) examine each company’s offer document for compliance with the Code; and

d) as a delegated responsibility from AFG, approve the use of the Code Compliance Logo.

2.4 Code Compliance Register
A Code Compliance Register will be maintained by the Code Administration Panel and be displayed on the AFG web site. The Company granted Certification for an offer document will sign a certification agreement with the Certification Body on the use of the Code Compliance Logo, thus becoming a signatory to the Code, and the company and its product will be entered in the Code Compliance Register.

The Certification Body will on Certification advise AFG. AFG will then provide the company with the Code Compliance Logo displaying the compliance number.

Signatories may refer to Code compliance in corporate promotional material.

Companies and their products entered in the Code Compliance Register will also be recorded on the JAS-ANZ web site.

2.5 Fees
Fees paid by the companies participating in the Certification Scheme will depend upon the complexity of the compliance cycle.

Fees due to the Certification Body will be determined by agreement between the Certification Body and the applicant company.

Basic AFG fees will be:

- application to enter the Certification Scheme $250.00 excluding GST
- use of the Code Compliance Logo $1,000.00 excluding GST

No AFG fees will apply to supplementary offer documents. Replacement offer documents will, however, be treated as new applications for the purposes of charging AFG fees.

If an application is withdrawn from the certification process, AFG will charge the application fee only. The Code Compliance logo fee will only apply when an offer document is certified.

Where substantially similar offer documents are issued with separate Product Rulings, AFG will consider them as separate products, and fees will apply to each product.

Fees to AFG will also apply should it be necessary for the Code Administration Panel to meet for a decision on an interpretation of an offer document. If it is necessary to hold a mediation, fees will also apply.

Certification Bodies will invoice companies directly for all fees due.
2.6 Timing of arrangements
Companies may seek endorsement for any offer document lodged with ASIC after 1 July 2003. Offer documents current at that time will not be deemed to fail to comply with the Code.

3. What managed timber investment companies must do to qualify for Certification

3.1 Prequalification requirements
To qualify for Certification, a company managing an afforestation scheme under the Corporations Act 2001 must be a member of AFG.
Where applicable, Certification will also depend upon the Australian Taxation Office (ATO) issuing a Product Ruling for the offer document. (It is expected that a company seeking a Product Ruling will submit its offer document for Certification at about the same time as it submits its Product Ruling application.)

3.2 Submission of offer document
The Certification Application Package is available for companies seeking endorsement of offer documents through the AFG web site, www.afg.asn.au, or direct from AFG by request, or from Certification Bodies at their discretion.
Companies seeking endorsement of an offer document under the Code may submit an offer document together with the completed application form to any one of the Certification Bodies participating in the Certification Scheme.

4. Certification process

4.1 Examination by the Certification Body
By no later than ten working days after receiving the application from the Company, the Certification Body will complete a report that informs the company of the outcome of the assessment. The Certification Body will advise of one of the following:

1. that, subject to the issue of a Product Ruling by the ATO (where it has been sought), the offer document complies fully with the Code and is approved; or
2. that, subject to the issue of an ATO product ruling (where it is sought), the offer document complies with the Code except for minor non-compliances. The Certification Body’s decision to certify may or may not require minor amendments to the offer document by the company; or
3. that, the offer document does not comply with the Code and is to be discussed further with the company or, in the case of interpretative issues, referred to the Code Administration Panel, and its decision on any interpretive matters will be final.

4.2 Reports
The Certification Body’s report will be based on the application form prepared by the company, providing assessment of the offer document section by section, including (if applicable) any areas of non-compliance, and whether these are minor or major, or issues of interpretation.
4.3  Pass

Endorsement of an offer document will be accompanied by certification agreement between the Company and Certification Body (as delegated by the Code Administration Panel), outlining the terms and conditions of use of the Code Compliance Logo.

The Certification Body will advise APG of offer documents that comply fully with the Code and are approved for Certification. APG will then enter the company’s name in the Code Compliance Register. Certification is subject to all Certification fees being fully paid.

Minor non-compliance

Minor non-compliances are instances where the Certification Body assesses that the requirements are substantially addressed in the offer documents or the non-compliant components are isolated and do not affect the overall compliance of the offer document with the Code.

Where the Certification Body assesses that the non-compliance is minor, this judgment will be based on the relative importance of the non-compliance. The Certification Body may then recommend the offer document for Certification either with no further change or subject to changes being made.

4.4  Failure to pass

Major non-compliance

Where the Certification Body assesses that the offer document has not yet complied, and non-compliance is major, the report will indicate the need for discussions between the company and the Certification Body.

Other changes may also be sought by ATO or ASIC in the course of their own scrutiny of documents, and, where known, these changes will be part of the negotiation.

If the company and the Certification Body agree on revisions needed for the document to comply with the Code, the offer document may be resubmitted with these changes to the Certification Body. Every attempt will be made to negotiate the issues needing resolution for compliance to be achieved.

In all cases of non-compliance (see below for issues of interpretation), further avenues are available to resolve disagreement between the parties and these are:

(i) the Certification Body’s complaint process (see 5 below), and
(ii) mediation with all parties concerned (see 6 below).

Issues of interpretation

Where the non-compliance relates to areas of interpretation in the Code or the offer documents, the Code Administration Panel has responsibility to decide the issue and relay their decision to the Certification Body and the company. The decision of the Code Administration Panel regarding matters going to the interpretation of the Code will be final. It is possible also that such a decision could influence or inform a revision of the Code.

Withdrawal of application for Certification

Although every attempt will be made to resolve issues of non-compliance, an avenue will be available for the company to withdraw its offer document.
4.5 Supplementary or replacement offer documents

Supplementary or replacement offer documents, issued in response to changes requested by ASIC or another regulator or changing circumstances, will follow the same course as the original document. Where ASIC or another a regulatory body makes an interim stop order on an offer document Certified by the Certification Body during April to June when marketing is intense, and the company reissues the offer document with ASIC's or the regulator’s required changes, subject to a declaration from the company that no other area of the offer document has been changed, the Certification Body will within 24 hours provide Certification for the supplementary or replacement document with no further formal application required.

5. Complaints Process

In the situation where there has been major non-compliance that has not been resolved by further meetings between the Certification Body and the company, the Certification Body will activate a complaints process.

Certification Bodies have a complaints process available. Complaints processes vary with different certifiers, and information is available directly from the Certification Bodies.

If the company does not agree with the certification body’s handling of the complaint, or they believe that it is not in accordance with the certification body’s published complaints process, the company may complaint to JAS-ANZ, who will in turn complete a review of the complaint and the manner in which the certification body has dealt with it. Nonconformities can be raised as a result of the review, if the certification body has not dealt with the complaint appropriately. See JAS-ANZ Procedure 12 – Complaints, and JAS-ANZ Procedure 9 – Appeals for further information of this process. These are available on the JAS-ANZ website at www.jas-anz.com.au.

6. Mediation process

If necessary to do so, AFG will co-ordinate mediation in the situation where the Certification Body has advised that the offer document has not yet complied, and the major non-compliance has not been resolved by meetings between the Certification Body and the company nor the Certification Body’s complaints process.

The mediation will be arranged in the State that the company chooses and will be attended by the Mediator, the Certification Body and the company. AFG may also attend the mediation.

6.1 Mediation

The parties involved will agree on a mediator from a list maintained by AFG for this Certification Scheme. All attempts will be made to mediate the issues needing resolution for compliance to be achieved. It may be necessary to adjourn mediation if a unique solution has been arrived at that needs to be considered by the Code Administration Panel. It is possible also that such a solution could influence or inform a revision of the Code.

If the outcome of mediation is a resolution that the Certification Body agrees corrects the non-compliance, the offer document will be reviewed by the Certification Body for a report on compliance and approval of the offer document for Certification.

6.2 Documentation

The Mediator will issue the Certification Body, the applicant, and the Code Administration Panel with a report. AFG will manage records in relation to the mediation in such a way as to ensure the integrity of the process and the confidentiality of the information.
7. **Sanctions**

7.1 *Breaches of the Code*

Offer documents displaying the Code Compliance Logo without having received endorsement and authorisation will be in breach of the Code. Any direct or indirect holding out of an offer document as being endorsed, when it is not, will be in breach of the Code.

7.2 **Sanctions**

Where an offer document is issued in breach of the Code, the company will lose signatory status and be removed from the Code Compliance Register, losing the right to use the Code Compliance Logo on all current products.

Upon suspension or cancellation of certification, a company must discontinue its use of the Code Compliance Logo and all advertising matter that contains any representation of the Code Compliance Logo and return any offer documents as required by the Certification Body. A company using the Code Compliance Logo without approval from the Certification Body will be reported to ASIC.

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**Contact information:**

Disclosure Code Administrator  
Australian Forest Growers  
PO Box 318  
DEAKIN WEST ACT 2600

Tel: 02 6162 9000 Fax: 02 6285 3855

Email: national.office@afg.asn.au  

Web page: www.afg.asn.au
Disclosure Code for Afforestation Managed Investment Schemes

Issue 2 - December 2004
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The new Disclosure Code for Afforestation Managed Investment Schemes and its companion Investors’ Guide to Afforestation Investment are the modern successors to a series of similar codes and guides Australian Forest Growers produced between the 1970s and 1995. Substantial changes in Corporations Law and Tax Law in the late 1990s made new documents essential. This time, AFG gratefully accepted a substantial grant from the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF) to produce new and expanded documents, and to develop for the first time an independent certification process accredited by JAS-ANZ.

An important underlying objective has always been to demonstrate to government and regulators the managed investment plantation industry’s integrity and willingness to adopt a transparent and effective system of self-regulation. Pursuit of that objective was aided this time by the involvement of ASIC and the ATO on the steering committee that oversaw the development of the documents.

AFG is grateful to those agencies for their guidance, and to all the other steering committee members – the Association of Consulting Foresters of Australia, the Department of Agriculture, Fisheries and Forestry, the Financial Planning Association, and four companies from AFG’s special branch, Treefarm Investment Managers Australia (TIMA).

The project had a long gestation period, mostly because of a series of changes in the regulatory environment, which had to be accommodated in the Code. Wide consultation also took place – in the initial drafting, at several consulting, growers meetings around Australia, at an industry workshop held at Parliament House in Canberra, and through a public discussion period. AFG thanks all who contributed during those stages – representatives of the MLS plantation companies, numerous professional investors, licensed dealers, financial advisers, accountants, research houses, government agencies, the Law Society, JAS-ANZ, other members of AFG, and, of course, the steering committee.

Finally, AFG acknowledges the tireless work done by the project consultant, Di DeBove, of Tiara Lira Environmental Consulting in Sydney, and Sylvia Scolaro from BRM and by Aske Meckman from JAS-ANZ, to bring the project to fruition.

Complementary production of the Disclosure Code, to guide MLS plantation companies when preparing their offer documents, and the Investors’ Guide, to guide investors and advisers when evaluating those same offer documents, contributes to higher standards of disclosure and of investor protection simultaneously. AFG is proud to offer this service to the managed investment plantation sector.

David Goddles
National President
Australian Forest Growers

The new Disclosure Code for Afforestation Managed Investment Schemes and its companion Investors’ Guide to Afforestation Investment are the outputs of a project to raise and maintain high standards in the way essential information is presented to investors in managed plantation investments. These documents have been developed at the initiative of Australian Forest Growers, and the Australian Government and its agencies are very pleased to have been able to provide financial assistance and advisory support for this project.

The Government recognises the managed investment plantation sector as an important part of Australia’s forest and timber industries. Growers in managed investment schemes have financed more than 70 per cent of the half million hectares of new plantations established since the Plantations 2020 Vision strategy was launched in September 1997.

I expect such investment to continue to build the resource to support more plantation-based industries that will benefit not only regional communities but the whole nation.

For plantation investment to continue to be competitive and attractive, investors must have confidence in the managed timber investments industry, in the projects, and in the management companies. Industry initiatives such as AFG’s Disclosure Code and Investors’ Guide help to build and maintain that confidence, and complement the investor protection provided by the disclosure and compliance requirements of the Australian Securities and Investments Commission and the product rulings program of the Australian Taxation Office.

Industry codes such as the AFG Disclosure Code are becoming increasingly important in a regulatory and business climate that is paying ever-greater attention to corporate governance and industry transparency.

I congratulate Australian Forest Growers and its special branch, Treefarm Investment Managers Australia, for their initiative and their commitment to strong self-regulation. I encourage all managed investment plantation companies to seek and obtain independent certification of their offer documents under the Disclosure Code, and I urge potential investors to use the Investors’ Guide to help them better evaluate the information provided in the company offer documents.

Senator the Hon Ian Macdonald
Minister for Fisheries, Forestry and Conservation

This publication has been produced with financial assistance from the Natural Heritage Trust and the Australian Government Department of Agriculture, Fisheries and Forestry.
Part 1  Background


The Code takes as given a company’s compliance with all applicable laws, and sets out the legal obligation of a Responsible Entity* under the Corporations Act to provide in an offer document the information that potential investors and their professional advisers reasonably require to make an informed assessment about an investment scheme.

NOTE: The ‘offer documents’ covered by the Code are ‘prospectus’ and ‘product disclosure statement’, but not ‘excluded offer document’.

To assist Responsible Entities, the Code provides a checklist of actions that will support regulatory compliance and industry transparency.

Following extensive consultation, the Code addresses key elements of investor confidence and the information needs of the finance and investment sectors. Widespread voluntary adoption of the Code by Managed Investment Scheme (MIS) plantation companies should reduce the need for prescriptive government regulation in the future.

The Code is consistent with a number of corporate and industry objectives, including:

* due diligence;
* regulatory compliance;
* corporate social responsibility;
* sound corporate governance;
* continuous improvement;
* consistent and comparable disclosure;
* industry best practice;
* access to financial markets;
* investor confidence; and
* sustainable forest management.

The Code encompasses Federal and State-based instruments to achieve consistency and certainty at a national level, to avoid duplication of effort, and to reduce confusion in the industry and investment community. For example, the Code requires satisfaction of Commonwealth environmental and heritage laws, mandatory State codes of forest practice, and Local Government approvals, and recommends compliance with voluntary national instruments such as the Australian Forestry Standard.

The Code encourages the use of standard terms and measures to help investors compare and evaluate one investment opportunity in relation to another.

Implementation of the Code is supported by the Investors’ Guide to Afforestation Investment (the Guide). The Guide helps investors and the community to understand and evaluate afforestation projects offered by way of an offer document. Answers to the questions in the Guide should give investors and their advisers the information they would reasonably require to make an informed assessment of an afforestation investment project.

DISCLAIMER: This Code provides guidance on what should be DISCLOSED in the offer document for an afforestation managed investment scheme. Any statements made in respect of the legal, statutory or regulatory requirements for an offer document are NOT to be interpreted as legal advice or representations about the current state of the law and should not be relied upon. The Code is to be used as a guide only, and it is the responsibility of any party intending to provide an offer document to obtain their own independent legal and financial advice and make their own enquiries in regard to any of their obligations. The Code offers no opinion about the merits of a specific afforestation project. The Code is NOT a code of forestry practice.

* NOTE: Words and phrases in bold italics within the text are defined in Part 4, Glossary of Terms and Acronyms.
Part 1  Background

**Objects of the Code**

To support regulatory compliance by assisting transparency and full disclosure in offer documents of the information investors require to make an informed assessment of investment opportunities in the afforestation managed investment industry.

To promote the provision of consistent and quality data in offer documents to enable investment opportunities to be compared.

To develop investor confidence in afforestation managed investment schemes through more effective disclosure of information in offer documents.

**Scope of the Code**

The Code applies to afforestation managed investment companies required under The Corporations Act to issue an offer document.

The Code requires companies to demonstrate that they have satisfied a series of guidelines as to disclosure in their offer documents. Compliance with the Code is not a warranty of the project.

The Code is voluntary and is implemented by companies that choose to become signatories to it.

Provisions of the Code are subject to all applicable Commonwealth, State and Territory Law and rights and obligations under Common Law as currently known and applied.

**Administration of the Code**

Details of the administration of the Code (including forms, fees, detailed procedures, timing, breaches, mediation, etc) are contained in the Certification Rules, which can be found in the 'Code' pages on the Australian Forest Growers (AFG) website (www.afg.asn.au).

Highlights are summarised below.

**Signatories to the Code**

Companies that are members of Australian Forest Growers (AFG) may become signatories to the Code.

Signatory status applies to companies that have received AFG Code endorsement of a current offer document issued after 1 July 2003. (Offer documents issued before that date cannot be submitted for Code endorsement. Similarly, offer documents that are current at that time will not be deemed to fail to comply with the Code.)

AN EXCEPTION is allowed for 2003-04 only, to allow for the transition to the new Financial Services Reform (FSR) regime. A company that before 1 July 2003 issued a Product Disclosure Statement (which, under FSR, has an indefinite life), may submit that PDS, and support it with a supplementary PDS issued after 1 July 2003, such that the two documents can be assessed as one for compliance with the Code.

Companies submitting an offer document for a compliance check are required to use the nominated application form and pay the nominated fees to the JAS-ANZ certifying body (see below) and to AFG for use of the Code compliance logo.

After 1 July 2003, signatories must issue only offer documents that comply with the provisions of the Code. This includes supplementary and replacement documents.

A Code Compliance Register can be found in the 'Code' pages on the AFG website.

**Code Administration Panel**

Administration of the Code is overseen by a Code Administration Panel, an AFG-delegated body comprising an AFG secretariat and nominated industry representatives.

The Panel is responsible for:

* maintaining the Code Compliance Register;
* deciding issues of interpretation raised by the accredited certifying body;
* making arrangements for mediation, where necessary;
* monitoring the use of the AFG Code compliance logo;
* annually reviewing industry performance against the Code; and
* updating of the Code every three years.
Part 1  Background

Endorsement of offer documents

[For a detailed explanation, refer to the Certification Rules on the AFG website.]

Under the oversight of the AFG Code Administration Panel, companies seeking endorsement of an offer document under the Code (the proponents) may submit a draft offer document directly to a JAS-ANZ-accredited certifier at any time, with the application form and accompanying fee. The certifier will assess the offer document against the Code and, within ten working days, issue a report to the proponent.

The certifier will assess whether the offer document complies fully with the Code, and whether there is any non-compliance. Non-compliance will be addressed directly between the proponent and the certifier. Questions of interpretation will be referred to the Code Administration Panel.

When a document complies with the Code, subject to the issuing of an Australian Taxation Office (ATO) product ruling where it has been sought, the certifying body will authorise the use of the AFG Code compliance logo and number.

The company granted certification for an offer document will sign an agreement with the certifying body on the use of the Code compliance logo, and the company and its product will be entered on the Code Compliance Register.

An endorsed offer document may display the AFG Code compliance logo on the document cover. Use of the logo may be approved for other promotional material. Signatories may refer to Code compliance in corporate promotional material.

Following endorsement of an offer document, companies must ensure that any supplementary or replacement documents also comply with the Code.

If the proponent disputes the result of the certifier’s assessment, the Code Administration Panel will arrange to refer the matter to an independent mediator for resolution.

Failure to attain AFG endorsement of a previous offer document does not preclude the proponent submitting subsequent offer documents for certification.

Breach of the Code

Offer documents displaying an AFG Code compliance logo without AFG endorsement will be in breach of the Code.

Any direct or indirect holding out of an offer document as being AFG-endorsed when it is not will be in breach of the Code.

Sanctions

Where an offer document is issued in breach of the Code, the proponent will lose signatory status and be removed from the AFG Code Compliance Registers, losing the right to use the compliance logo on all products.

A company using the Code compliance logo without approval will be reported to ASIC for having made misleading statements.
Part 2  The Code

Words and phrases that appear in bold italics in the body of the Code are defined in Part 4, Glossary of Terms and Acronyms.

1. Formal Requirements

A number of legal requirements must be met by managed investment companies. In addition, compliance with some non-regulatory actions would demonstrate due diligence and recommended best practice.

1.1 Statutory requirements

The Corporations Act requires provision of the information that Growsers and their advisers should reasonably require in order to make an informed assessment about an afforestation Managed Investment Scheme, including the ability to compare a range of products. In fulfilling these obligations, the offer document should contain the information listed below.

a) Scheme entity ...
   - relevant details of the scheme including the scheme name;
   - Australian Registered Scheme Number/s (ARSN/s);
   - confirmation that the Responsible Entity is the holder of a relevant securities dealer’s licence or an Australian Financial Services Licence (AFSL);
   - the Scheme Constitution by reference, or a summary of the main terms of the Scheme Constitution, or both (See Schedule 1, Scheme Constitution); and
   - a summary of the objectives of the Compliance Plan. (See Schedule 2, Compliance Plan.)

b) Taxation ...
   - either (i) a summary of the tax treatment of the scheme, with reference to the Product Ruling, if a product ruling has been sought; or (ii) a detailed description of the tax treatment of the scheme, if a product ruling has not been sought or is not required (as in a unit trust);
   - the Product Ruling number and date of issue (if a product ruling is sought);
   - means of access to a copy of the Product Ruling in full (eg in hard copy or from the ATO or company websites); and

   NOTE: Product rulings deal with the law at the time of issue. Future tax changes may affect the operation of the law and, in particular, the tax deductions that are allowable.

   Where tax laws change by an Act of Parliament, those changes will take precedence over the application of a product ruling, and to that extent the product ruling will be superseded from the date of the new law coming into force.

   Where this occurs, the Responsible Entity may be required to seek an addendum to the product ruling and issue a supplementary offer document.

   An offer document must contain a statement in accordance with the terms of issue of the product ruling that the product ruling is not an endorsement of the scheme, and rules only on the claimed tax benefits and not the commercial viability of the investment.

   - confirmation of compliance with the non-commercial loss provisions of the Tax Law (if the project structure requires it).

   NOTE: The non-commercial loss provisions of the Tax Law require the exercise of the Commissioner’s discretion for a loss to be allowed in the year it is incurred, unless one of four statutory threshold tests (income, profit, real property or other assets) has been satisfied as per Tax Ruling TR 2001/14. The allowance can only be granted via a product ruling or a Private Binding Ruling.
Part 2  The Code

c) State Codes of Forest Practice (where mandatory) ...
   * the means by which the projects will comply with the relevant State Code of Forest Practice or equivalent, which prescribes rules and guidance about the management of plantation forestry in the respective State or Territory.

   NOTE: In some States, compliance with the code of forest practice is mandatory.

1.2 Non-regulatory Instruments
Compliance with various non-regulatory instruments may be regarded as due diligence and recommended best practice. Where appropriate, the offer document should acknowledge existing compliance or certification, or intention to comply or seek certification, with any non-regulatory instruments that are relevant to the Responsible Entity. The acknowledgement should note whether compliance is by self-declaration or by independent third-party certification.

Examples include:
   * State Codes of Forest Practice (in States where codes are voluntary);
   * national and international standards, such as:
     - ISO 14001 or ISO 9001/02
     - Australian Forestry Standard, or Forest Stewardship Council
     - Australian Forest Valuation Standard
     - Australian Risk Management Standard;
   * AFG Disclosure Code for Afforestation Managed Investment Schemes (ie, this code).
(Compliance will be acknowledged by affixing the Code compliance logo to the offer document, and by entry in the AFG Code Compliance Register)

2. Company Profile
The offer document should describe a company profile, under at least the following two headings:

a) Corporate entity
   Establish the identity of the Responsible Entity and its business credentials, viz:
   * corporate structure;
   * Board of Directors and key personnel (qualifications and experience);
   * experience in establishing and operating managed investment schemes;
   * company access to professional consultants and research organisations;
   * where relevant, company performance with respect to past projects; and
   * demonstration of the company's commitment to and understanding of the afforestation investment industry.

b) Financial profile
Demonstrate that the Responsible Entity has sufficient financial backing to support the managed investment scheme, viz:
   * company assets and liabilities as set out in the most recent audited accounts; and

   NOTE: The offer document should advise of the availability, FREE OF CHARGE, of a copy of the audited accounts of the Responsible Entity.
   * availability of sufficient funds to enable the project to succeed.

3. The Managed Investment Scheme
The offer document should define the investment in a managed investment scheme, and provide details of the scheme on offer, including potential risks and benefits.

a) How the scheme works
Provide sufficient information in 'plain English' to enable a Grower to understand how the scheme works. (See Schedule 3, Description of the Managed Investment Scheme.)
b) Nature of the Grower's interest

Describe the Grower's interest in the scheme. (See Schedule 3, Description of the Managed Investment Scheme.)

c) Land tenure

Provide all necessary information relevant to protecting the Grower's security in the land. (See Schedule 3, Description of the Managed Investment Scheme.)

d) Risks and risk management

Describe the general and specific risks associated with the project and their likely consequences, and an explanation of how these risks will be managed and minimised. (See Schedule 3, Description of the Managed Investment Scheme.)

e) Financial structure

Provide financial information about the terms and conditions of the offer, the costs over the life of the scheme, and financial returns. (See Schedule 4, Growers' Costs and Returns.)

f) Fees and benefits

In compliance with the Corporations Act, disclose any fees or benefits the company has agreed to pay to others for the formation and promotion of the managed investment scheme.

4. Forestry Operations

The offer document should provide a comprehensive description of the whole chain of forestry operations - establish, manage, harvest and market - that are the purpose of the project.

a) Physical attributes

Provide a detailed description of the physical attributes of the managed investment scheme as verified by the Independent Forester. (See Schedule 5, Independent Forester's Report.)

b) Verification

To meet the requirements of the Corporations Act for the provision of an independent expert's report, provide a copy of the Independent Forester's Report either in full or by reference.

5. Products and Markets

The offer document should contain information about marketing issues, including a summary of a broad marketing strategy for the wood products that is consistent with Schedule 6, Products and Markets.

6. Corporate Governance

This Code acknowledges that corporate governance and public accountability are matters of increasing importance to the community, financial institutions and governments, to which companies are encouraged to pay due regard.

The Financial Services Reform Act 2001 requires offer documents to state: "the extent to which labour standards, environmental, social and ethical considerations are taken into account in the selection, retention or realisation of the investment."

Ensure the offer document also contains information about:

- company policy on social and environmental governance (for example, how any potentially adverse environmental or social/community impacts will be minimised and managed), indicators of company performance with regard to applicable mandatory standards, and adherence to internal policies and standards;
- the auditor of the scheme/s and compliance plan/s, and the nature and timing of inspections;
- Quality Assurance and certification;
- engagement with stakeholders and the community (e.g., the Tasmanian Good Neighbour Charter);
- mediation and dispute resolution; and
- the nature and level of reporting to Growers. (See Schedule 7, Grower Reporting.)

7. Technical Data

The offer document should use technical data that is relevant and reliable, and not inconsistent with the defined terms, measures, methodologies and monitoring procedures contained in this Code and its Schedules. (See Glossary of Terms and Acronyms.)
Part 3  Schedules of the Code

Schedules detailing actions under the Code are presented in the form of checklists. The Schedules provide guidance to companies in the preparation of an offer document.

Schedules

Schedule 1: Scheme Constitution

Schedule 2: Compliance Plan

Schedule 3: Description of the Managed Investment Scheme

Schedule 4: Growers' Costs and Returns

Schedule 5: Independent Forester's Report

Schedule 6: Products and Markets

Schedule 7: Grower Reporting
Part 3  Schedules of the Code

Schedule 1

**Scheme Constitution**

*The Scheme Constitution sets out the rules of the managed investment scheme and is legally binding on Growers and the Responsible Entity.*

A summary of the Scheme Constitution for the offer document should include the following:

- the cost to the Grower of an interest in the scheme;
- dealing with investments and with scheme property (as defined by the Constitution);
- dealing with complaints;
- rights of Responsible Entity to be indemnified for liabilities;
- rights of Responsible Entity to borrow or raise money;
- rights of Responsible Entity to be paid fees;
- rights of Growers to transfer, withdraw or assign their interests;
- procedures for transfer, withdrawal or assignment of interests;
- winding up the scheme;
- voting and management rights of Growers; and
- procedure for the removal of the Responsible Entity.

*The offer document must also contain a statement that copies of the Constitution are available to any Grower FREE OF CHARGE, either on the company website or in hard copy on request.*

Schedule 2

**Compliance Plan**

*The Compliance Plan describes how the Responsible Entity will operate within the Law and the Scheme Constitution.*

*Compliance Plans should be developed with reference to ASIC Policy Statement PS 132, Managed Investments Compliance Plans, and Australian Standard Compliance Programs AS 3806-1998.*

*Information provided in an offer document should include the following:*

- details of the Compliance Committee or Board that administers the Compliance Plan;
- regularity of Compliance Committee meetings;
- broad functions of the Compliance Committee;
- details of the auditor of the Compliance Plan;
- regularity of audits; and
- the system for the reporting of breaches under the Compliance Plan.

*An offer document must also contain a statement that copies of the Compliance Plan are available to any Grower, FREE OF CHARGE, either on the company website or in hard copy on request.*
Part 3  Schedules of the Code

Schedule 3

Description of the Managed Investment Scheme

An offer document must comply with section 1013D of the Corporations Act. It should include sufficient information to enable a prospective Grower to understand the scheme, and should provide important information related to the following areas, including at least …

How the scheme works

Information about actions to be undertaken by the Responsible Entity:

- determination of attributes of land to be secured;
- determination of how land is to be secured;
- identification and acquisition of land;
- issuing of the offer document (and the date of issue);
- acceptance of Grower applications;
- preparation of land, and planting of trees;
- management and maintenance of trees; and
- harvesting and marketing of trees.

The nature of the Grower’s interest

Documentation of the following:

- size of allotment;
- minimum number of allotments, if applicable;
- minimum subscription for project to proceed, if applicable;
- nature of agreement to be entered into by the Responsible Entity and the Grower;
- what the Grower owns or has an interest in (eg, whether that includes coppice regrowth, carbon credits or the benefit of any other environmental services);
- what can be transferred or sold and the means for doing so; and
- expected duration of project.

Land tenure

Information about:

- any encumbrances on the land that may affect the rights of Growers;
- the relationship between the Landholder, the Responsible Entity and the Grower; and
- any other information that is relevant to the Grower’s security in the land.

NOTE: The relevant licence condition requires the offer document to state:
- the extent to which land has already been secured at the date of the offer document;
- the steps proposed for securing any further interest in land;
- the risk that the land may not be secured within nine months after the interest in the scheme is issued; and
- that, if the necessary land has not been secured within the nine months limit, the Grower may request and must receive a refund of the amount invested.

Physical attributes

(See Schedule 5, Independent Forester’s Report.)

Risks and risk management

Documentation showing:

- description of all significant known and anticipated risks associated with the project (biophysical, market/trade, government policy change, etc), distinguishing between risks common to most agricultural projects, risks specific to the project on offer, and risks outside the control of the Responsible Entity;
- where feasible, a discussion of the likelihood and consequences of the risk event occurring; and
- description of systems in place and actions to be taken to prevent, minimise and manage the risks that are within the control of the Responsible Entity, including how unexpected expenditure will be paid for.

Part 3  Schedules of the Code

Schedule 4

Growers' Costs and Returns

The Corporations Act requires an offer document to contain all the information that investors and advisers would reasonably require to make an informed assessment of the offer of interests.

Growers' fees: Grower expenditure over the life of the project

The offer document should set out total project fees for an investment unit clearly in one place. To enable comparison among projects, fees should also be expressed consistently - for example, on the basis of either per investment unit, per hectare, or per cubic metre of timber grown. All expenditure should be accounted for, either as a dollar value or as a percentage of harvest proceeds.

The offer document should specify the services covered by each fee, such as:

- establishment fee;
- ongoing management and maintenance fee;
- harvest fee;
- rent or licence fees; and
- any other relevant fees, including insurance.

The offer document should specify how GST is dealt with in all relevant fees, and, where costs are subject to indexation, the method of calculating increases.

Where finance is offered as part of the scheme, the offer document should include, or make reference to, an explanation of the terms and conditions of the finance (ie, the life of the loan, interest rate and prepayment conditions, how much of the loan goes to the scheme and when).

Growers' returns and the use of financial forecasts

The offer document should provide some indication of potential returns to Growers from the project, or some means by which Growers and their professional advisers can estimate potential returns.

NOTE: Presenting this information has become problematic since the release by ASIC of Policy Statement PS 170: Prospective Financial Information in September 2002. PS 170 explains the grounds on which ASIC may accept prospective financial information (forecasts) for periods longer than two years. These grounds may include provision of one or more independent reports by industry experts with appropriate qualifications and experience.

Where a Responsible Entity decides to issue an offer document that does not include forecasts, the company is still required by law to address the prospects of the project in the offer document. This could include the disclosure of general information and assumptions in relation to expected income.

NOTE: This might be done by, for example, expressing returns in present day prices, and/or offering professional advisers a web-based or CD-based calculator, supported by ranges of possible values to use in the calculator.

Where a Responsible Entity decides that its offer document should forecast potential financial returns per investment unit, then in order to facilitate comparisons with alternative investments, the forecast returns should be stated on a per hectare or per cubic metre basis, and should include a calculation of the pre-tax Internal Rate of Return (IRR).

CAUTIONARY NOTE: ASIC interpretation and application of PS 170

Takes literally, PS 170 does not prevent the use of long-range financial forecasts in offer documents. However, it is not possible to be definitive. ASIC's application of the policy in 2002 and 2003, combined with discussions between ASIC and AFG's special branch, Treecare Investment Managers Australia, indicate that at this time, ASIC appears to have difficulty accepting that anyone can substantiate having reasonable grounds for financial forecasts beyond two years.
Part 3  Schedules of the Code

Schedule 5  Independent Forester's Report

The Corporations Act requires an offer document to contain all the information that investors and advisers would reasonably require to make an informed assessment of the offer of interests.

This information would normally include reports from one or more independent experts. Past practice has been for the independent forestry expert to report on forest management, harvesting and marketing, and this Schedule has been written on that basis. However, a trend is emerging for offer documents to present separate reports from appropriately qualified independent experts. Subsequent versions of this Code may contain amendments to accommodate this trend.

A report from an independent forestry expert should include explanations under at least the headings listed below.

Verification of independent forester's expertise ...

- qualifications and experience of the forester that is relevant to the matters addressed in the independent forester's report, demonstrated by:
  - professional forestry and/or other accredited qualifications and work experience; and/or
  - full membership of the Association of Consulting Foresters Australia; and/or
  - accreditation by the Institute of Foresters of Australia as a Registered Professional Forester, with registration specifying the areas of expertise covering matters addressed in the report.

Relationship with the proponent ...

- any relationship (including any financial interest) between the proponent and the independent forester; and
- any other role of the independent forester in the project.

Suitability of the selected species ...

- identity of the selected species;
- suitability of the species with respect to region, site, products and markets;
- estimated growth rate, and the basis for its estimation (including the results of any provenance and other trials held in the region or similar climatic zone);
- genetic resource and its qualities;
- other relevant research findings; and
- identified end uses.

Land selection ...

- the principles and criteria applied in the process of selecting the land to be planted; and
- the methodology to be used to verify compliance with the land selection criteria.

NOTE: Land selection criteria for plantations could include:

- slope;
- soil depth, texture and other characteristics;
- drainage;
- previous land use;
- range and distribution of annual rainfall;
- irrigation water allocations and availability, if relevant to the project;
- location, particularly in relation to distance to market;
- road quality and access.
Part 3  Schedules of the Code

Forest management operations ...
* a description of the proposed forest establishment and management operations required to achieve the nominated growth rate over the proposed rotation; and
* a general description of the proposed maintenance and monitoring program.

NOTE: A description of forest management operations could include:
- target seedling survival rate, and any infill program to achieve the required stocking density;
- site preparation method(s);
- planting method(s) and spacings;
- weed and pest management;
- fertilising regime;
- tending program (such as pruning);
- protection from fire, pests, disease, extreme climate events;
- road and firebreak construction and maintenance;
- monitoring (health, nutrition, pests, disease, growth, etc).

Processing and logistics ...
* proposed harvesting and processing options;
* regional infrastructure or proposed infrastructure;
* roads quality and access; and
* accessibility to mills and/or ports.

NOTE: This information could also be presented in a separate report from an independent expert in plantation harvesting and/or processing.

Market outlook and product potential ...
* product potential (eg, chip, poles, structural timbers, decorative timbers, veneer, etc);
* potential domestic and export markets (both final crop and thinnings if any);
* comments on estimates of yields, returns and product prices, such as stumpage and FOB, including on any sensitivity analysis provided; and
* rotation length with respect to markets.

NOTE: This information could also be presented in a separate report from an independent marketing expert.

NOTE: Any forecasts of project returns must comply with ASIC Policy Statement PS 170: Prospective financial information referred to in Schedule 4 of this Code, and should take account of the Cautionary Note.

Managerial capability (infrastructure, technology and systems) ...
* capacity of the Responsible Entity and its contracted managers to carry out project operations and works in line with internal and external time constraints and to successfully complete the project;
* infrastructure, technology and systems to carry out project operations; and
* technical competence of project management team.

Manager’s long-term establishment program/plans ...
* long-term program/plans in the region.

Ongoing role of the Independent Forester ...
* what ongoing role, if any, the Independent Forester will have in the project; and
* where the Independent Forester has an ongoing role, the method and arrangements for regular reporting to the Growers on plantation condition and maintenance, as described in the Constitution or offer document. (See also Schedule 7.)
Part 3  Schedules of the Code

Schedule 6  Products and Markets

The offer document should provide information about the following (which may alternatively be provided in the Independent Forester's Report):

• a broad marketing strategy for the project's forest produce. If it is relevant to the project, the strategy should include options that enable the company to respond to changing markets for the primary product (e.g. from pulplogs to sawlogs), showing the impact of change on costs and returns (assumptions behind marketing options should be provided);

NOTE: The marketing strategy should also include an analysis of secondary products and product alternatives, where they are being considered as part of the project, e.g., chip, poles, structural timbers, decorative timbers, veneer, and environmental credits, including carbon.

• issues that affect marketing of the produce;

• how Growers will be updated on marketing trends and changes to the marketing plan;

• probable domestic and export markets (both final crop and thinnings if any) and degree of certainty; and

• where relevant, current returns and product prices, such as stumpage and/or FOB (identifying variables).

Schedule 7  Grower Reporting

Grower confidence requires regular reporting on the scheme in progress. The Responsible Entity is encouraged to use a comprehensive approach to reporting, including Internet updating, news reports, photographs etc.

In the offer document, the Responsible Entity should undertake to issue at least one Growers' Report per year, which should include reference to the following:

• implementation of the arrangements as set out in the product ruling;

• compliance with any relevant changes to the tax law subsequent to the issuing of the product ruling;

• any changes to the market that could impact on product marketing;

• any changes to the fees (See Schedule 4, Growers' Costs and Returns.); and

• audit and report on the plantation(s), especially with respect to:
  - general state of plantation;
  - measurements of growth, when appropriate;
  - pests or disease;
  - maintenance requirements;
  - general management practices; and
  - impacts of fire.

NOTE: These plantation reports may be done by the company's in-house forestry manager or by an independent forester.
Part 4  Glossary of terms and acronyms

Offer documents should be written in ‘plain English’ that is readily understood and unambiguous.

This glossary gives the meaning of technical terms that regularly appear in managed timber investment offer documents. Such words need to be consistent in meaning to avoid confusion in the investment community and to facilitate comparison of alternative afforestation managed investment schemes.

AAEB 1037
Australian Accounting Standards Board document relating to the treatment of self generating and regenerating assets such as plantations and vineyards.

Accredited forester
A professional forester who is a full member of the Association of Consulting Foresters of Australia and/or accredited in this field as a Registered Professional Forester with the Institute of Foresters of Australia.

Advisory Services Guide
A Guide that all licensed advisers and their authorised representatives must give clients, explaining their rights when dealing with an adviser, including the services offered, the method of remuneration for the adviser and what to do in the case of a complaint.

Afforestation
The establishment of a forest, usually by planting. (Reafforestation has a similar meaning).

AFG
Australian Forest Growers, the national association representing and promoting the interests of private forestry.

Allotment
A measured area of the total plantation (timberlot, woodlot, etc).

Appearance grade
A grade of timber, the major value of which is in its appearance as distinguished from its structural values e.g. decorative panels.

ARSN
Australian Registered Scheme Number, issued by ASIC for all registered schemes.

AFSL
Australian Financial Services Licence (issued under the Financial Services Reform Act 2001), required to be held by all financial service providers.

ASIC
Australian Securities and Investments Commission.

Assumptions
Best estimate assumptions
Assumptions as to future events that management expects to take place and the actions management expects to take as of the date the information is prepared. The legal test is that the assumption must be objectively reasonable. That is, persons other than the issuer must view the assumption as reasonable.

Hypothetical assumptions
Assumptions as to future events and management actions that are not necessarily expected to take place. For example, forward looking information may be disclosed that illustrates the possible consequences of different actions and events occurring (e.g. the ‘what if’ scenario).

Material assumptions
Those assumptions that are an important element of a forecast.

Reasonable assumptions
Best estimate assumptions that have a reasonable basis at Law. That is, persons other than the issuer must view the assumption as reasonable.

ATO
Australian Taxation Office

Authorised representative
A person authorised by a licensee to provide financial services on behalf of that licensee. The seller of interests in an afforestation scheme should be an authorised representative.

Basal area
A measure of plantation growth defined as the area of the stem cross-section taken at breast height (1.3 metres above ‘ground level’) of all the trees growing in an area. Usually estimated and usually expressed as square metres per hectare.

Biodiversity
The variety of all life forms; the different plants, animals and micro-organisms, the genes they contain, and the ecosystems they are part of.

Biodiversity can be considered at three levels: ecosystem diversity, species diversity and genetic diversity.
Part 4  Glossary of terms and acronyms

Bio-energy
Energy produced from biological sources such as wood chips.

Breast height
Refers to the usual point of measurement of standing tree diameter, i.e. 1.3m above the ground level on the uphill side of the tree.

Butt log
The log directly above the stump. The biggest diameter log and usually having the greatest unit value of all the logs in the tree.

Carbon credits
Plantations have a capacity to sequester (store) carbon and therefore assist in the overall strategy to reduce atmospheric carbon levels. This may lead to the development of a system of carbon credits (carbon offsets), which may become a tradeable commodity in the market place and increase the profitability of a forestry project.

Carbon trading
The concept whereby emitters of carbon can offset emissions by investing in processes that store carbon. The currency of the trade is the carbon credit.

Chips
Wood in the form of small pieces and generated either by chipping whole logs or as a by-product of the manufacture of sawn timber and plywood. Used in the manufacture of pulp and paper and various composite panel products such as medium density fibreboard, particle board and hardboard.

CIF
Cost Insurance Freight, refers to the price of delivered material at the port of discharge.

Clearfell
The final cutting down or harvesting of the trees from a forest or plantation.

Clearfelling
The practice of felling all the trees in a given area.

Clearwood
Wood showing no (or negligible) defects caused by knots, resin pockets or mechanical damage and usually displaying straight and even grain patterns.

Clone
A group of individual organisms each having identical genetic characteristics. Hence in the case of trees, nearly identical growth and production characteristics. Produced by cuttings, tissue culture or other tissue or cell multiplication method.

Compartment
A contiguous area within a forest defined and recorded on a map and noticeable boundary markers, used as the basic unit of forest management. It usually contains stands of trees.

Compliance plan
(See Scheme Compliance Plan.)

Conservation
The management of human use of the biosphere so that it may yield the greatest sustainable benefit to present generations, while maintaining its potential to meet the needs and aspirations of future generations.

Copice (noun)
Stems shooting from a stump or trunk of a tree.

Copice (verb)
The act of cutting tree stems so they produce stems to form the next crop.

Cubic metre (m³)
The usual measure of timber volume in Australia.

Current Annual Increment (CAI)
Current Annual Increment refers to the rate at which a forest grows in a particular year usually expressed in cubic metres per hectare.

Cutting
A piece of plant material produced vegetatively by taking a cutting and treating it to produce roots so that it can be planted out. (See seeding.)

DBH
Diameter at breast height, a term used to describe tree diameter measurement taken at the standard height of 1.3m above ‘ground level’. Usually measured and expressed as an over bark measurement (DBHOB).

Deep ripping
A technique in which land is prepared for planting by ‘ploughing’ with a tine (or sturdy prong) attached to a bulldozer.
Discount Rate
The rate at which bills of exchange such as Treasury Notes are discounted (sold). The discount rate often refers to the rate at which central banks will buy paper from financial institutions.

Ecological sustainability
The maintenance of plants, animals and other values such that their existing and potential diversity, adaptability and inter-relationships are unimpaired.

Ecologically sustainable development (ESD)
The use, conservation and enhancement of the community's resources so that the total quality of life, both now and in the future, is secured.

Establishment fees
Fees paid by the Grower to the Responsible Entity to establish the forest under the scheme.

Eutrophication
The build up of nutrients, e.g. from run-off containing fertilisers, which can lead to excessive growth of weeds, algae, etc in waterways.

Expected rotation
The expected period to grow a tree crop to the point where the crop could be harvested commercially.

Expenditure
Maintenance expenditure
Expenditure made after establishment and up until the trees are ready for harvest.

Harvest expenditure
Expenditure on harvesting, which may include costs associated with felling, hauling to roadside, loading, transport to mill, and supervision.

Unexpected expenditure
Expenditure that cannot be foreseen, e.g costs associated with the outbreak of disease or damage from extreme weather.

FOB
Free On Board, refers to the price of a product on board ship without service charges such as insurance.

Forecast
Prospective information based on best estimate assumptions (see above).

Forest practices code
Guidelines and standards used in planning forest operations to ensure environmental protection and safe working environments.

Forestry right
As defined in various State legislation – a legal right over land to plant, tend and harvest a crop of trees on that land, together with any ancillary rights (eg constructing and using roads, tracks, culverts, buildings, etc).

Framing timber
Grades of sawn timber suitable for structural purposes in building and for other load bearing applications. Appearance is not a prime consideration and accordingly, subject to adequate or specified strength and stiffness, 'framing timber' may show knots and other grain imperfections.

Grower
An investor who contracts with a Responsible Entity through an offer document to obtain rights to scheme benefits.

Growth Rate
The amount of timber grown in terms of wood volume per hectare per annum, usually expressed as MAL

Hardwood
Timber from broad-leaved trees, irrespective of physical hardness.

Hardwood plantations
Plantations of hardwood species.

Harvest fees
Fees paid by the Grower to the Responsible Entity for harvesting. This may include costs associated with felling, hauling to roadside, loading, transport to mill, and supervision.

Harvesting
Removal of commercially saleable trees. Includes felling, forwarding to loading point, loading and transportation.

Haulage distance
The distance that logs, timber etc are transported from one point to another, e.g. from forest to sawmill.

Hectare
A standard unit of area of 10,000 square metres (2.471 acres), equivalent to 100 metres x 100 metres.

Independent forestry expert
An expert/professional forester who does not hold an equity or financial interest in the Responsible Entity or any of its associated entities. (See further requirements in Schedule 5.)
Part 4  Glossary of terms and acronyms

Internal rate of return
A calculation used to compare expected financial returns from alternative projects. The IRR is the rate of return from a project that equates the discounted future cash flows with the initial outlay, i.e. when net present value is zero.

Investment unit
The unit of plantation that the Grower purchases. For example, a one hectare woodlot, or a one-third hectare woodlot, or 300 cubic metres of wood produced at harvest irrespective of area.

Investor
Same meaning as Grower.

ISO
International Organisation for Standardisation (translated from French).

JAS-ANZ
Joint Accreditation System for Australia and New Zealand.

MAI
Mean Annual Increment, refers to the average growth rate of a forest to a point in time, usually expressed in cubic metres per hectare per annum over n years. Because the age/growth relationship is not linear, half the growth will not be achieved at half the age.

Maintenance fees
Fees paid by the Grower to the Responsible Entity towards expenditure on the scheme after establishment and up until the trees are ready for harvest.

Managed Investment Scheme
A Managed Investment Scheme is an investment project under the Corporations Act that has the following features:
* contributors acquire rights to benefits of the scheme;
* contributions are pooled or used together;
* members do not have day to day control.

Medium Density Fibreboard (MDF)
Board manufactured from wood fibre. It is used in a wide range of applications in construction and furniture.

Mill door sale
Sale of logs or woodchips delivered to a processing site. The agreed sale price includes stumpage, road tolls and the cost of harvesting and delivery.

Mounding
A technique used in the preparation of land for planting whereby soil is pushed up to form a mound.

Multiple use
Forest management which combines a number of uses, usually in a single stand or on the same general site, but not necessarily at the same time.

National Forest Policy Statement
The statement signed by all governments of Australia in 1992. It outlines a strategy for the ecologically sustainable management of forests.

Natural regeneration
Trees or tree seedlings that have naturally regrown from seed deposited by other trees, or by other vegetative means such as suckering or coppicing.

Net Present Value
The net value of all forecast future cash flows of a project discounted back to present dollars using a predetermined minimum desired rate of return for the project.

Occlusion
The process in a tree stem whereby new healthy tissue grows over and covers stem wounds, branch stubs, etc. This process may also enclose small bark or resin pockets associated with the wound and known as occlusion defects.

Offer document
Includes 'prospectus' and 'product disclosure statement'.

Peeler log
A log suitable for the production of veneers by rotary peeling in a lathe.

Plantation
A stand composed primarily of trees established by planting or artificial seeding.

Plantation forestry
The practice of establishing and managing forests using planted trees. Note that some species, including blue gums, may be regenerated by coppicing.

Plywood
A flat panel made up of a number of thin sheets ('veneers') of wood in which the direction of each layer ('ply') is at right angles to the one under it. The sheets are joined under pressure by a bonding agent.
Glossary of terms and acronyms

Private Binding Ruling
A Private Binding Ruling sets out the Taxation Commissioner’s opinion on how tax law applies to the rule who sought the ruling in respect of the facts described in their ruling application. The Private Binding Ruling can be relied upon only by the identified rulee and by no other parties.

Product Ruling
The Product Ruling system is explained in the Australian Taxation Office’s Product Ruling PR1999/95.

A Product Ruling provides potential investors certainty by confirming the tax benefits that are available, provided the arrangement is carried out in accordance with information provided to the ATO by the applicant and described in the ‘Arrangement’ part of the Product Ruling.

The Product Ruling provides no assurance that the product is commercially viable, the charges reasonable or the projected returns will be achieved.

Product Rulings are prospective only and include a specified date on which they are withdrawn or cease to have effect.

‘Product’ refers to an arrangement in which a number of taxpayers individually enter into the same transactions with a common entity or a group of entities. It may be a Managed Investment Scheme.

Product rulings are subject to changes in the Tax Law.

Projections
Prospective information based on hypothetical assumptions (see above) or a mixture of best estimate and hypothetical assumptions.

Project Manager
The person responsible for the day to day management of the scheme.

If this function is outsourced by the Responsible Entity, the Responsible Entity retains responsibility to the investors for the actions of the Project Manager.

Proponent
Responsible Entity lodging an offer document with AFG for a Code compliance check.

Provenance
The place where seed originates, normally used for seed from natural forests. Due to genetic adaptation to their distinctly different natural sites, seed of different provenances of the same species can differ markedly in growth rates when planted together at one site.

Provenance trial
An experimental planting of seedlings or cuttings of trees from different provenances to compare growth rates. Provenance trials are normally designed to give results that are statistically reliable.

Pruning
The removal of branches usually with hand held equipment (e.g. shears or saws) while the tree is still growing to eliminate or prevent the formation of knots and deformation of the grain in the wood subsequently grown. A strategy to grow ‘clearwood’.

Pulpwood
Logs which are grown to produce pulp, not sawn timber.

QA
Quality Assurance.

Relevant Industry issues
Issues relating to the supply, demand, and prices of the type of timber being grown over the life of a project.

Remnant forest
A patch of natural forest that still has all or some of the characteristics of the original forest.

Responsible Entity
Defined under the Corporations Act as the company named in ASIC’s record of a scheme’s registration as the Responsible Entity (RE). The RE (also known as the Single Responsible Entity) replaced the two tier system of manager and trustee that existed prior to 30 June, 1998. The RE is responsible to the Investor for:
• all aspects of the scheme’s operations;
• preparation of the prospectus or product disclosure statement;
• receiving investors’ money;
• managing that money; and
• paying any distribution to investors.

Rotation
The period (in years) in which a tree or stand grows from planting through to clear felling.

Sawlogs
Logs suitable for processing into sawn timber. Straightness, diameter, and size of knots are major considerations.
**Part 4**

**Glossary of terms and acronyms**

**Seedling**
Small plant grown from seed.
(See Cutting)

**Sensitivity analysis**
Analysis of the effect that changes to a range of key variables have on the return from an investment e.g. prices, potential market options, growth rates, transport costs and subscription levels.

**Scheme Compliance Plan**
The Scheme Compliance Plan describes how the Responsible Entity will operate within the Law and the Scheme Constitution.

**Scheme Constitution**
The Scheme Constitution sets out the rules of the Managed Investment Scheme.

**Silviculture**
The tending of forest crops based on the knowledge of forest science; including the management of all aspects of the establishment, composition and growth of forests (excludes harvesting and subsequent operations).

**Softwood**
Timber of coniferous trees, irrespective of physical hardness.

**Species trial**
An experimental planting of seedlings or cuttings of trees of different species to compare growth rates. Species trials are normally designed to give results that are statistically reliable.

**Stand**
A block of trees (usually, but not necessarily, contiguous) of similar age and, species.

**Stocking**
The density of trees (usually given as a number per hectare).

**Stumpage**
The price paid to the grower for the saleable wood in a tree – after the costs of harvesting, etc have been deducted.

**Sustainable yield**
The annual yield of merchantable forest produce that may be taken from a forest whilst sustaining the long-term productive capacity of the forest.

**Tending**
A collective term for silvicultural operations that are directly applied to the growing tree, e.g. fire protection is not usually referred to as 'tending', whereas pruning and thinning are.

**Thinning (verb)**
The selective removal of some of the trees from a plantation or forest so that the remaining trees have a greater opportunity to grow. When this is done for the first time, it is referred to as the 'first thinning' and subsequently as the 'second thinning', etc.

**Thinnings (noun)**
Logs produced from thinning operations.

**Veneer**
A thin slice or peeling of wood, which is used to make panel products.

**Vision 2020**
The national plantations strategy, known as Plantations for Australia: The 2020 Vision, supported in partnership by the Commonwealth Government, all State and Territory Governments, and the forest industry's three national representative bodies - Australian Plantation Product and Paper Industry Council, Australian Forest Growers, and National Association of Forest Industries. The Vision includes a nominal target of a trebling of the national plantation estate by the year 2020 to around 3 million hectares.

**Woodlot**
A measured area of the total plantation.
Australian Forest Growers

Australian Forest Growers (AFG), formed in 1969, is the national association representing and promoting private forestry and commercial tree-growing interests in Australia. AFG members grow trees for timber and other products and benefits, on small and large holdings, on farms, in plantations, and in private native forests. Members include farmers and foresters, urban dwellers with rural land, small block holders, plantation investors and investment companies, researchers, consultants, tree and equipment suppliers, industrial forestry companies, and tree enthusiasts.

Treefarm Investment Managers Australia

Treefarm Investment Managers Australia (TIMA) is a special self-funded branch of AFG representing the interests of managed investment plantation companies and their many thousands of small-scale growers. TIMA's main focus is national plantations policy and the provisions of Corporations Law and Tax Law that govern the managed investments sector.

Contact for both AFG and TIMA

PO Box 318, Deakin West ACT 2600
Phone: (02) 6216 2900 Fax: (02) 6285 3855
Email: national.office@afg.asn.au and tima@afg.asn.au
Web: www.afg.asn.au