

A close-up, warm-toned photograph of a wooden joint, likely a mortise and tenon or a similar structural connection. The wood is light brown with visible grain patterns. The lighting is soft and directional, highlighting the texture and the precision of the joinery. The background is blurred, focusing attention on the wood's surface and the interlocking parts of the joint.

TIMBER LINK®

AUSTRALIA | NEW ZEALAND

Sustainability
Report
2018



Timberlink is
an Australasian
sawmilling
business that
transforms
sustainably
grown plantation
pine into timber
products every
day.

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About us

Timberlink is an Australasian sawmilling business that transforms sustainably grown plantation pine into timber products every day.

Timberlink is a business that positively impacts the environment and communities across the supply chain from the forest to our customers.

Our vision is to build a more capable, higher performing, customer focussed and diversified timber products business. Our three key strategies to achieve this will be:

1. Growth and diversification
2. Competitiveness
3. Innovation and systems

Our values of openness, fairness, resilience, respect and integrity guide our behaviours every day, and whilst the Timberlink brand is young, we remain authentic and professional in all of our dealings.

Growth is key to us achieving our vision, while striving for zero harm and progressing our move to a more sustainable business in all aspects.

Sustainability is a triple bottom line consideration for Timberlink. It is crucial that we balance our environmental responsibilities, economic responsibilities and our social responsibilities. All are equally important, and none are possible without the others.

Build a more capable, higher performing, customer focussed timber products business.

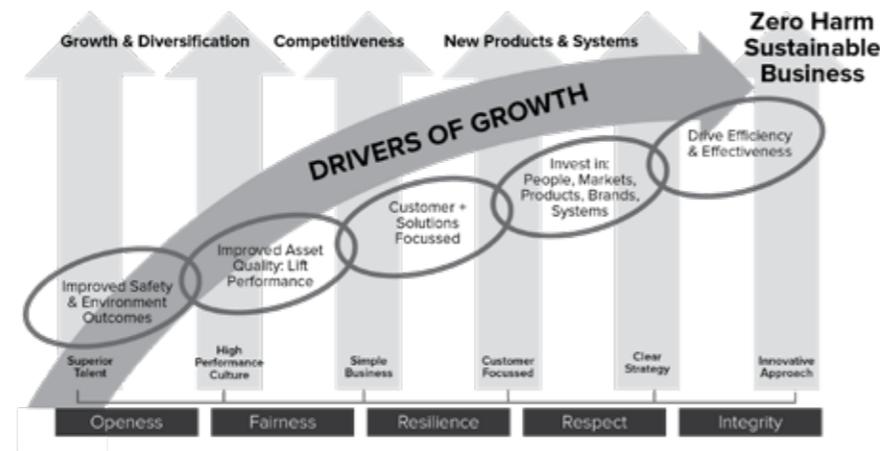
A key part of the social responsibility component is the safety of our staff. Timberlink's key goal is to get our people Home Safe to their families at the end of each day. And as part of this we will be looking for continuous improvement and focus in the following areas:

- Improved safety
- Improved environmental outcomes
- Improved asset quality and performance
- Increased customer satisfaction
- Ongoing investment in staff training

Our impact on, and contribution to the economy, especially in the regional areas where our manufacturing facilities are located, is as important as our financial performance. Our contribution includes both direct and indirect employment, research, training, the support of local suppliers, capital investment programs, payment of taxes and contributions to local community groups.

In total over 1600 direct and indirect jobs are created by Timberlink across Australia and New Zealand. We rely on these people and their families, and they rely on us. We take this responsibility seriously and that is why meeting all three criteria of the sustainability triple bottom line is so crucial, whilst ensuring that all of our staff make it home safe, every day.

Figure 1: Drivers of Growth



About New Forests

New Forests is a sustainable investment manager offering leading-edge strategies in forestry, land management, and conservation. Timberlink is wholly owned by the Australia New Zealand Forest Fund (ANZFF), which is the first of New Forests' dedicated institutional investment funds operating in the region. The ANZFF also owns plantation forests that are the primary suppliers to the Timberlink Australia mills, providing close alignment and oversight through the supply chain, seeking to create value for all stakeholders.

Founded in 2005, New Forests offers institutional investors targeted opportunities in the Asia-Pacific region and the United States and has more than AUD 5 billion in assets under management globally. The assets include sustainable timber plantations, rural land, and conservation investments related to ecosystem restoration and protection. New Forests manages more than 950,000 hectares of land and forests and is headquartered in Sydney with offices in Melbourne, San Francisco, Singapore, and New Zealand.

New Forests' investment strategies take into account a long-term view of economic and market trends and emphasise positive environmental, social, and development outcomes. You can view New Forests sustainability report on their website at www.newforests.com.au.

CEO welcome

Timberlink is in its second five-year stage of growth and development, having been created in February of 2013. During the first five years considerable focus has been placed on creating a safe, responsible and sustainable business. Capabilities have been expanded with human and business resources allocated and invested in to achieve this outcome.

A restructure of the business functions and senior leadership in July 2018 was undertaken to reflect the future direction of the business and to further build capability.

The future of Timberlink is built upon sound strategic planning, leveraging its integrated business model foundations. We are committed to creating a zero-harm culture outcome, engaging positively with our local communities and meeting our social and governance obligations while developing a sustainable business for all.



Ian Tyson

Ian Tyson
Chief Executive Officer
Timberlink Australia | New Zealand



Our 2018 achievements

The company is now in its second year of its first five-year rolling sustainability strategy deployment.

Execution of the strategy is on track at this halfway stage, and as we move into the third year of our strategy, we are increasing our focus on diversity, ethical sourcing and community. We have increased our resources in the WHSE (Workplace Health, Safety & Environment) work area with a new dedicated senior leadership position & also a new dedicated environment group manager. All of this is aimed at achieving our triple bottom line considerations through the overarching principle of Home Safe.



Sustainability performance and tracking

Sustainability score tracking on target to reach 2022 goal of an integrated sustainability corporate culture.



Our customers

Gold Sponsor of the Wood Solution mass timber program.
Silver Sponsor of the FTMA.
Launched industry first “Made of Tasmania” campaign across mass media.



Safety. Home Safe

We achieved a reduction of 11% in our lost time injury frequency rate (LTIFR).
A 42% reduction in severity rate of those injuries, and expanded our WHSE council.



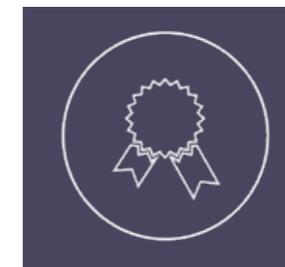
Our people

Continued upskilling and training of our staff at all sites. Two new apprentices taken on at Tarpeena



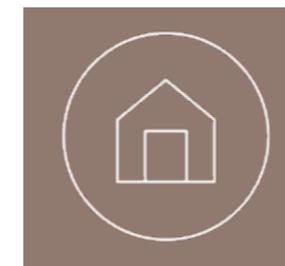
Pollution, waste and consumable minimisation

93% of the energy used to run our mills we produced from our own wood waste. Reduction in electricity consumption of 8.1%, reduction in water use by 5% and reduction in fuel consumption by 5%.



Certifications

Continued commitment as the only major softwood sawmiller in Australasia with both FSC and Responsible Wood certifications. FSC certification now extended to include delivery from our distribution centres.



Our communities

\$5,000 Christmas donation to two Georgetown charities. Creation of the “Outdoor Buddy” product, in conjunction with The Self-help Workplace in Launceston.



Compliance

No major compliance breaches at Tarpeena and Bell Bay. Bag house emissions at Bell Bay just 5% of regulatory limit. Ongoing engagement with the local community at Blenheim.



Sustainability performance and tracking

This is the third Timberlink sustainability report. Our goal at the start of our formal sustainability journey was to set solid foundations by following the compliance route. The business was formally assessed against the International Finance Corporate Performance Standards for New Forests Social and Environmental Management System (SEMS) compliance and we addressed some minor, largely administrative, gaps.

In 2015, we wrote our first internal Sustainability Report setting up and using New Forests' ESG metrics. Then in 2016 we publicly released our first comprehensive Sustainability Report, which we have committed to producing annually. Last year we moved to the level of integrated sustainable strategy that went across the whole business, evolving our thinking into seeing environmental and social initiatives as catalysts for strategic and economic growth. Working with a cross-functional team of business leaders, we assessed our sustainability status at stage two to three using the 5 Stages of Sustainability model, set a five-year goal to reach stage 4 and formulated a plan to get there.



For more details our sustainability policy is available at: timberlinkaustralia.com.au/environmental-policies

This year Timberlink instituted a measurement and reporting system based on the Global Reporting Initiative's (GRI) Sustainability Reporting Standards Framework to ensure we can compare our performance to global benchmarks. Each month we assess our business sustainability performance across a range of twelve indicators, these include;

- Environmental – overall recovery, electricity usage, liquid fuel usage
- Financial – proportion of procurement from local sources
- Social – safety performance, gender mix, community complaints, community support

Scores are recorded to calculate an overall sustainability stage score. This is a key part of the monthly board report that incorporates a sustainability dashboard, covering overall progress and monitoring the status of key sustainability initiatives. Our 5-year target is to achieve the level of sustainability stage 4.

Figure 2: 5 stages of sustainability

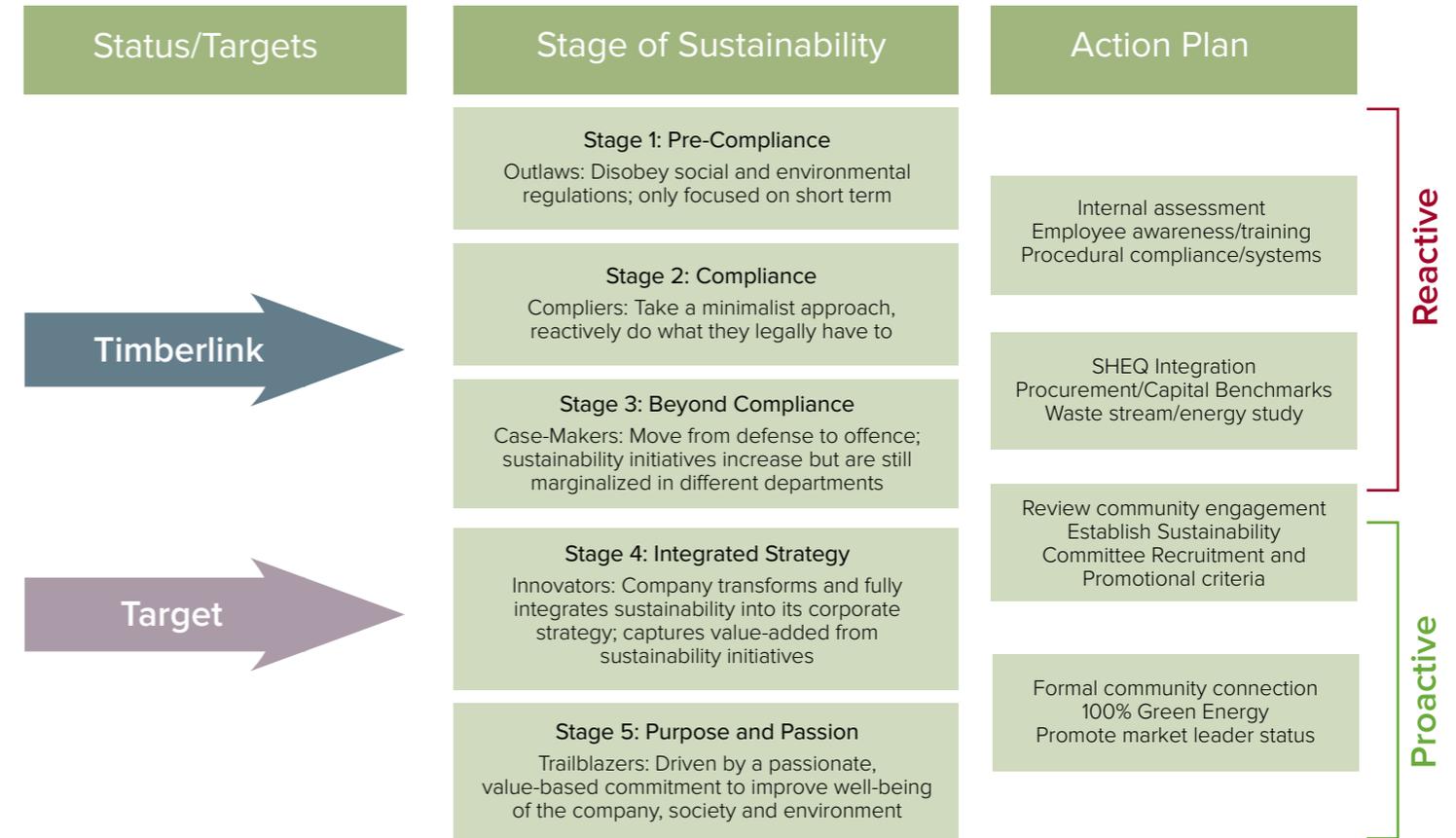


Figure 3: Sustainability Score - Stage Progress by month





Safety

Safety Approach

Every employee deserves to go Home Safe, every day. At Timberlink we energetically pursue a safety culture that has zero tolerance for any work-related injury or illness and our home safe is a driver of our safety approach.

Safety is integrated into every facet of our work. We strongly believe the safety of our people is a shared responsibility and we actively encourage all of our employees to engage with our supervisors and managers about ways to provide a safe work environment.

Specific measures and targets are included in the Executive Leadership Team's annual key performance objectives and these are followed throughout the business.

At Timberlink, we believe:

- All injuries are preventable
- We look out for our mates
- No task is worth compromising safety for
- Management is accountable for safety performance
- Safety starts with you
- Training employees to work safely is essential

By managing hazards down to their lowest level of risk and fostering a culture where “everyone looks out for everyone”, we achieve “zero harm”. This is made possible by having strong foundations in good safety and health and well-being initiatives that are actively encouraged to be discussed. Throughout this process we will encourage all employees to make our vision a core value in their everyday lives, at work and at home.

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Significant Injury Reduction

We achieved a reduction of 11% in our lost time injury frequency rate (LTIFR) along with a 42% reduction in severity rate of those injuries. Severity is calculated on shifts lost per 1,000,000 hours.

	EoFY15	EoFY16	EoFY17	EoFY18	% Movement
LTIFR	12.1	15	11.9	10.6	11%
	EoFY17	EoFY18	% Movement	Comments	
LTI Severity	36.39	21.28	42%	Shifts lost per 1,000,000 hours	



Our 2018 safety achievements

This year we continued our capital expenditure on hazard controls and improvements related to traffic and pedestrian separation and machine safe guarding.

We expanded the use of MyOSH, our integrated reporting system to cover all incidents, hazards, actions and reporting. As part of the National Heavy Vehicle laws we introduced Chain of Responsibility (CoR) audit systems to enable increased levels of compliance across all parts of our business.

We formed an Australia and New Zealand Work Health Safety and Environment Council to oversee development and delivery of policy across the business and held two in person meetings. Timberlink provided focused in-house safety training to our employees on near miss, hazard and incident reporting, this then fed into our MyOSH reporting system.

We continue to maintain a high level of regulatory compliance, by maintaining robust systems which help to identify changes pertaining to legislation, regulations, codes of practice and standards to which we must observe, implement and ensure our training and development programs captures these changes as a minimum standard. We continue to focus on:

Identifying high risk activities, hazards and quickly implementing controls to ensure the risk level is reduced while implementing processes to reduce or eliminate the activity/ hazard to the lowest possible risk.

Continuing to ensure hazard elimination or reduction in our forward planning process and use this to design and invest in equipment and processes that will continue to take out high risks in our business.

Providing support to minimise the impact of injury and illness through the proactive support and management of meaningful programs for those on restricted duties or returning to work. This process is focussed on ensuring we minimise the impact on employees.

Provide training and support programs that increase the capabilities of all our employees in the area of health and safety.

Regularly review systems and processes to ensure any regulatory changes are implemented and clearly communicated to all employees and contractors.



Work, Health, Safety and Environment (WHSE) Council

This year we embedded our Workplace Health, Safety and Environment Council to cover all parts of our business including our CEO and Executive Lead Team, our Operations and Facility Management and Workplace Health, Safety and Environment Practitioners. A key area of further development this past year was the formal incorporation of the environment into the council's charter. The council met monthly via conference call with one face to face meeting. Membership consists of Executive Lead Team, Site Management and the Safety & Environmental Team.

The primary purpose is to provide safety leadership along with governance for compliance and company policy in the WHSE.

A mix of leading and lagging indicators are reviewed to analyse the success and opportunities of our programs and systems.

Manufacturing sites' Health, Safety & Environment (HSE) Committees

There are active HSE committees across our business, including the one mentioned previously. Site-based HSE committees provide an additional communication and planning channel to enable employees and management to work together on identifying improvements in employee engagement, safety culture, safety systems and to review and deploy lessons arising from incidents.

Site-based committees provide an additional communication & planning channel to enable employees and management to work together on identifying improvements.



Safety leadership interaction training

Our leadership development and cultural change program continues to cascade through the business with its inclusion of area and shift supervisor levels during 2018. The two-day hands-on program facilitated by SHERPA leadership gives our leaders knowledge and skills to effectively have meaningful interactions with team members on the shop floor. The interactions have resulted in a lift in shop floor communications resulting in increased hazard identification, reporting and control.

This training has now been delivered to 180 leaders in our business with our philosophy being that everyone can be a safety leader.

As an example of safety leadership interactions, senior leaders including the executive management team have been involved in many shop floor communications. Our leaders regularly visit our facilities and always make time to tour sites and interact with as many team members as possible. Conversations range from general housekeeping programs to hazard identification and risk assessment and controls. During a visit to the Tarpeena Sawmill it was observed that the way in which a forklift was being operated by one of our team could be made safer. The leader that observed the operation of the forklift had a conversation regarding forklifts driving around cleat cradles that were stored in the alleyway creating a hazard. The discussion assessed the options and agreed on a solution to store the cleats in another safer location, reducing the amount of forklift movements and storage of stillage in the traffic area. As a result, the process has been improved to remove the long-term storage of stillage and to reduce the number of forklift movements resulting in reduced traffic and pedestrian interaction and increased efficiency.

Everyone home safe, everyday.

Safety is integrated into every facet of our work.

Benchmarking against other leading companies

At Timberlink we are always looking to use the best practise, so we sent employees to visit two external metal manufacturing facilities with the objective of benchmarking and identifying opportunities for improvement in all aspects of safety manufacturing. Items of discussion included leadership, engagement and workplace safety. Many opportunities were identified and shared at a WHSE Council meeting.





Pollution, waste and consumable minimisation

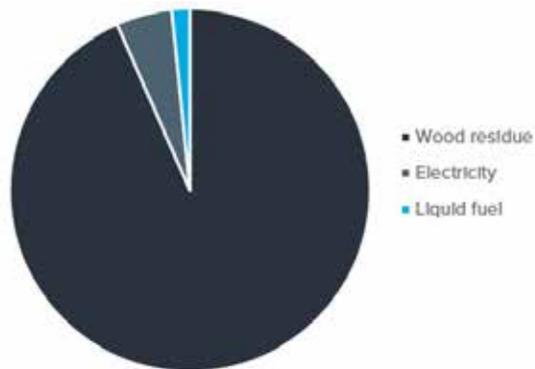
Energy

To be a truly sustainable timber company you must use as much of the natural log resource as possible, and this is something we do at Timberlink. 93% of the energy we use in our mills is heat used in our kilns to dry our timber and we make all of this heat energy from our own wood fibre by-product, with surplus by-product available for sale. We then generate the energy in biomass fired heat plants which are run on our by-products like sawdust, shavings and offcuts.

Despite being run on a renewable resource, we are still working on reducing the energy consumption of our kilns. We operate contraflow kilns (CFKs); two small ones at Blenheim and a large one at Tarpeena. Each of these has reduced the energy we use drying timber by more than 30%, relative to drying in traditional batch kilns. Timberlink plans to construct a new contraflow kiln at our Bell Bay mill in 2019 which is expected to deliver the same reduction in energy consumption.

The specific energy consumption of the overall process at Tarpeena and Bell Bay is shown in Figure 4.

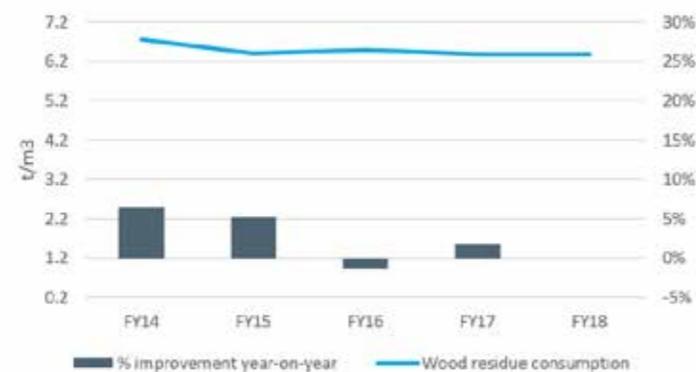
Figure 4: Energy sources, FY18



Wood residue

Wood residue consumption at our Australian mills has been trending down over the past five-years, both due to improved efficiency and operation of our heat plants. Higher volumes are now being processed using the same heat plants. This higher volume is enabled by the contraflow kilns at Tarpeena and Blenheim. The CFKs also create a much more even energy demand and this stability improves the overall heat plant operation and efficiency.

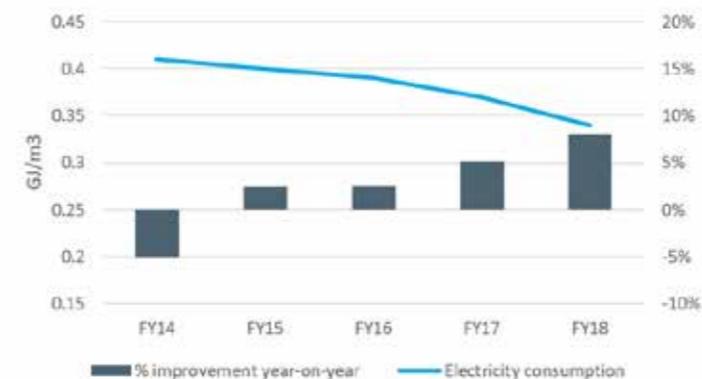
Figure 5: Wood residue consumption and % Improvement per cubic metre of finished product



Electricity

In our mills, electricity is mostly utilised for motive applications, such as motors to drive saws and kiln fans. Specific electricity consumption averaged across both of our Australian mills is shown below. Efficiency improvements and higher volumes processed continue to drive down specific electricity consumption.

Figure 6: Electricity consumption and % Improvement per cubic metre of finished product



Liquid fuel

Liquid fuels used at the sawmills principally consists of diesel for mobile plant such as forklifts and loaders. In addition, Tarpeena uses LPG co-fired through two of the three heat plants as part of the start-up procedure.

Figure 7: Liquid fuel consumption and % Improvement per cubic metre finished product



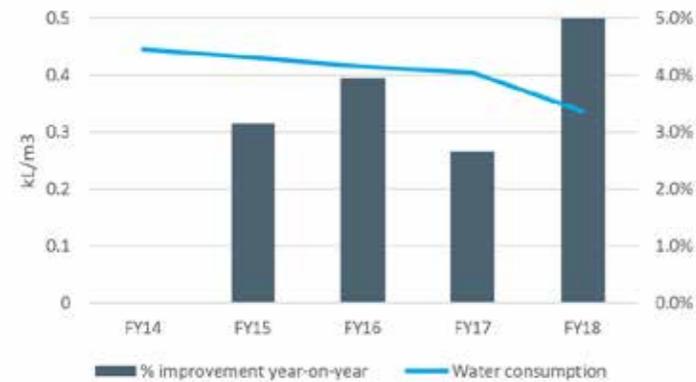
Emissions to air

All three of our sawmills run biomass fired heat plants providing thermal energy to dry our timber. Emissions to air are regulated by local environmental authorities and our heat plants are regularly tested by external bodies to ensure they are complying with regulations. We run continuous improvement programs at all three of our mills to optimise fuel mixing and a stable combustion process. These programs have reduced emissions over time.

Water

Water consumption in our Australian mills is shown below. Consumption has continued to decrease due to a range of measures, including drying a higher proportion of timber in Tarpeena's contraflow kiln, which doesn't require water sprays or generation of steam to condition the wood.

Figure 8: Water consumption and % Improvement per cubic metre finished product



Bell Bay, Tasmania

Bell Bay's biomass boiler is able to produce consistently low emissions as it operates a fabric baghouse emissions scrubbing unit. A sensitive particulate measurement instrument was installed in the heat plant exhaust stack to continually monitor emissions and provide early warning of damage to filter bags or other equipment. The baghouse occasionally is switched into bypass mode to protect it in instances such as abnormal furnace conditions. These occasions are typically very short, of a few minutes duration only, and are captured in both our incident management system as well as the particulate measurement system. In the case of any baghouse damage requiring rectification, EPA approval to operate without the baghouse is required. This happened once in the first half of the year; for the month incorporating this event, the particulate monitor indicated that emissions were well below the compliance threshold. There were no further events after substantial rectification works were completed and significant operational changes made at Christmas shutdown. In normal operation the baghouse particulate discharge rate is less than 5% of the regulatory limit imposed.

Bell Bay – a reduction of 78.7mg/m³ was achieved in average particulate discharge from the boiler with the ongoing operation of the baghouse

An external audit was conducted by EPA Tasmania, Timberlink was clear with no non-compliances

No major reportable environmental incidents to the EPA



Bell Bay, Tasmania

Blenheim, Marlborough

As mentioned in last year's report, when we purchased our Blenheim mill it had a dust abatement notice on the site due to wood dust escaping when shavings were transported from a planer to a fuel hopper. The baghouse that removes dust from the airstreams transporting wood fibre was lost to fire in the prior year and was replaced with a new improved unit this financial year. Other improvements were made to the shavings transport and storage systems to further reduce dust emissions.

Static dust test sampling points are continuing to be regularly monitored and an additional two points were installed. The results demonstrate the effectiveness of improved dust control measures around site. Annual testing of the heat plant stacks showed significant improvement compared to the previous year and the static dust levels were comfortably within the consented limit.

Commissioning of a new baghouse has significantly improved dust emissions.

Water truck being utilised to mitigate fugitive dust emissions during warmer months.

Camera installed to monitor smoke emissions from the boiler.

Four community complaints received regarding noise, odour and smoke.



Blenheim, Marlborough

Tarpeena, South Australia

The Environment Protection Authority (EPA) in South Australia released a new Air Quality Policy for application in mid-2018. Timberlink made significant submissions to the preparation of this policy. It takes a risk-based approach to regulating air emissions, with human health impact the primary concern. Limits are placed on the ground level concentration (GLC) of contaminants, irrespective of their source. These can be estimated by airshed modelling.

We followed this approach, with an external body performing independent testing of our emissions to air from the three heatplants operating at Tarpeena. The effect of the stack emissions on ground level concentrations of pollutants was then modelled by the consultant using approved software and background levels provided by the EPA. The pollutant of most interest is particulates of very small size, less than 2.5 microns, known as PM2.5. The modelling demonstrated that at the measured heatplant output levels, ground level concentrations of PM2.5 were well beneath the limits imposed by the EPA. Further modelling demonstrated that substantially higher emissions were required before ground level concentrations approached the limits. On the basis of this work, the EPA determined that the site's operations are compliant with the Air Quality Policy 2016 with ground-level concentrations of particulates well below limits set by the EPA, and the majority of those particulate levels being due to background levels, meaning the source is in the majority not from our heatplants.

The continuous improvement program conducted on our heatplant operations has been found over several tests to significantly reduce the pollutants released into the atmosphere.

Air modelling assessment has confirmed the sites heat plants are compliant with the 2016 Air Quality Policy by 25% for particulates under worst case conditions.

No reportable environmental incidents to the EPA.

Effluent and waste

Both of our Australian mills deal with the majority of stormwater and wastes it may contain such as small amounts of oils and greases via on-site controls like oil mops and settling pond systems. The Blenheim mill has no surface water discharge, with all stormwater going to groundwater via soakage pits as is common practice in the region. Soakage pits near hydrocarbon sources, such as our mechanical workshop, are equipped with interceptors to remove any oil or grease that may enter the pit. This year we significantly upgraded our soakage pits.

The trade waste is disposed of via agreement with appropriate authorities and vendors in all three jurisdictions.

All mills actively monitor groundwater contamination via bores, principally to ensure that previous and/or current timber treatment plant operations are not resulting in contamination, particularly from metals.

Bell Bay also monitors water quality in its multi-stage settling pond system.

Bell Bay and Tarpeena collect cardboard waste for recycling and boiler ash from both sites is utilised for soil remediation.

Plastic use

We purchase all of our plastic wrap from Pakaflex, who are an Australian owned and operated environmentally conscious manufacturer.

Pakaflex aims to help companies triple bottom line responsibilities and to help them meet their national packaging covenant responsibilities. As most of the plastics we use at Timberlink are products that are used for packaging, re-use is generally difficult, so we are mostly focused on reducing use and recycling.

There are no processors capable of recycling any of this in Australia currently and it is becoming increasingly difficult to process this overseas. Timberlink is far from alone in this problem and is working hard to ensure as much as possible is recycled in the interim.



Project – Timberlink’s Melbourne distribution centre energy usage improvement

In FY18, a review of current electrical usage was undertaken at our Melbourne warehouse and office which involved understanding average usage over a 24-hour period in blocks of 8 hours.

Current annual energy usage in lighting was 151 MWh. With conversion to LED lighting, the estimated annual energy usage reduced to 82 MWh.

This project involved the replacement of:

- 174 Metal Halide Hi Bays to LED lights
- 94 Fluro Lights (Office)
- 13 Surface mounted lights (Office)
- 4 Batten type lights (Office)

The type of LED lights used has ensured the current lighting quality is not be compromised. All works were completed by A Grade Electricians. All products have a minimum 5-year warranty.

The waste improvement project also provided the following benefits:

- Reduced Carbon Emissions
- Reduction in electricity usage for warehouse lighting of approx. 57%
- Upgrade of infrastructure
- Reduction in ongoing maintenance



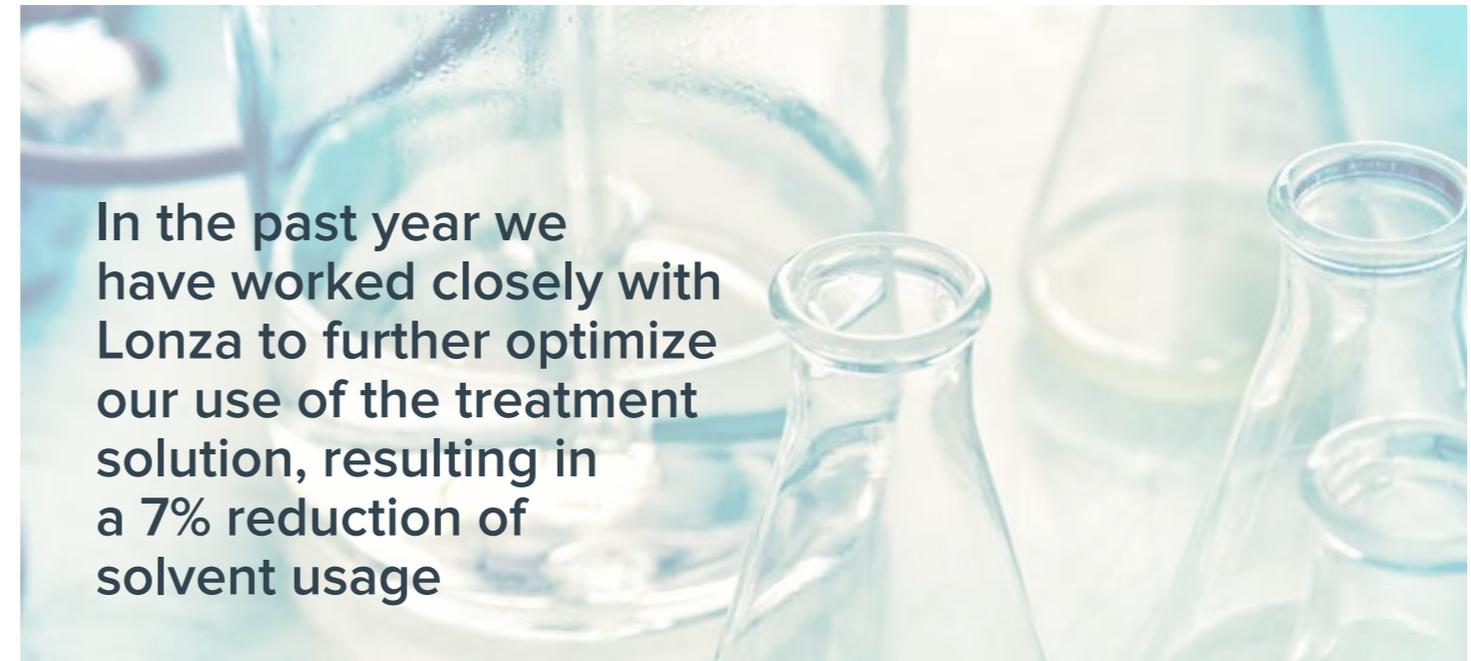
LOSP treatment usage

Plantation radiata pine is a truly sustainable building material. It's a fully renewable resource that sequesters carbon and has a very long life within a building envelope. However, when timber is used outside it is susceptible to fungal and insect attack.

To ensure timber can still be used outside instead of potentially more harmful materials such as concrete or steel, it is Infused with a safe, durability-enhancing additive. This additive can enable the use of sustainable timber to be extended to exposed outdoor applications. Our Timberlink Green product was the first solvent-based preservative treated wood in the world to utilise revolutionary low-odour technology, developed in partnership with our supplier Lonza. This enables a more pleasant customer experience, and the low-odour solvent has an improved safety profile compared to the already-safe standard formulation.

We are always looking for ways to maximise resource utilisation, and in the past year we worked closely with Lonza to further optimise our use of the treatment solution. We continue to achieve our internally-set benchmarks for preservative retention, in excess of Australian Standards requirements. We have increased the concentration of the working solution and tuned our operational parameters to continue achieving the required penetration at significantly lower solution uptakes.

The outcome of this work was to decrease our solvent usage by over 7% whilst providing our customers with product having the same durability, straightness and visual appeal for which Timberlink Green is well known in the market.





Our communities

At Timberlink we want to be intrinsically part of the local communities that we operate in, and that's why we support local community groups, sporting groups and charities.

Our employees and their families rely on us and we rely on them, that's why we're so proud to give back. Here are just a few highlights from our mills.

Bell Bay

This year we gave two Georgetown charities, Neighbourhood House and the Georgetown Hub, a very special Christmas present with \$2,500 going to them each to help families get ready for Christmas. The donation went towards presents, food and bills at this important time of the year for families. Our staff were touched as the check was met with tears from the charity workers who received it.

The Outdoor Buddy

As part of our efforts to connect with the local community we engaged in a project with the Self-Help Workplace in Launceston. The Self-Help Workplace has been helping those with a disability find employment for over 30 years. Former Bell Bay mill manager Phil Moir now volunteers for the workshop and we got in touch with him for this special project. Timberlink sent some Tasmanian pine to the shop and one of the workers, Robert Crawford made 30 of these fantastic Outdoor Buddies for us to give away. Perfect for use outside with some wine, cheese, crackers and friends, the Outdoor Buddies are great symbol of our link to the Tasmanian community.



Robert Crawford making the Timberlink Outdoor Buddy

Tarpeena

Penola High School

The Penola High School in Mt Gambier was advertising for wood products donations as part of their wood work program. Tarpeena site manager Roy Dias and his team at the mill were only too happy to help, so we contacted them and offered some timber to the students. They made some great models and we just love to see young people using timber and being interested in wood.

24 Hour Lemon Race



Nissan Skyline running through some final checks before the race

Our staff at the Tarpeena mill in SA gathered for a different type of motor sport event last year.

The 24 hours of Lemons is a charity event and our team raised funds for the Garvan Institute, researching prostate and breast cancer.

Our Tarpeena facility manager, Roy Dias was proud to support our electrical supervisor, Ashley Heerewyn and his team with a donation for the great cause.

The 24 Hours of Lemons is a motorsport event where the rules require a budget of \$999 for the vehicle purchase. The race was held at Winton Raceway a couple of hours up the Hume from Melbourne. The team's car was a Nissan Skyline and although that sounds fast, it was quite the opposite! The team finished 22nd out of 27 teams and a great day was had by all.

Supporting the local economy

Our support goes beyond just sponsorship however, in Bell Bay the mill generates over \$150m for the local Georgetown economy, and Timberlink incredibly employs around 3% of the town's population.

The town of Tarpeena has a population of 402 and the mill employs 207 people. Here we reached out to support several local groups such as the Penola High School, the Mt Gambier RSL and the Garvan Institute.

In Blenheim we employ 86 people in a town of just over 30,000. Our investment of \$10m in the mill since our takeover in 2015 was the first major capital investments at the mill in many years.



Our customers

Timberlink is committed to supporting our customers grow their businesses, now and in the long-term. That is why we are a Gold sponsor of the Wood Solutions Mass Timber Program and a Silver Sponsor of the FTMA. It is also why we have become the only softwood timber manufacturer to run a mass media campaign anywhere in the country. It is because we're looking at ways to help drive demand for our customers to help contribute to their long-term sustainability.

The Wood Solutions Mass Timber Program is aimed at educating and equipping developers, builders, architects and engineers with knowledge to build mid-rise apartments and offices using timber. The buildings which can be anywhere from 3 – 12 stories, use new technological advances to safely use environmentally friendly plantation timber rather than carbon producing concrete and steel. For our customers it is forecast that this program will result in a dramatic shift in the Australian building industry over the coming years, increasing demand for timber products.

The program has culminated in the construction of a prototype high rise mass timber building at Homes Glen Tafe in Melbourne. Not only does this site demonstrate what is achievable with Mass Timber Construction it also provides a vision to a sustainable timber construction industry for this generation and those that come after us.

Our frame and truss manufactures are a key part of our business. That is why we are a Silver sponsor of the Frame and Truss Manufacturers Association (FTMA). Amongst other things the organisation promotes and educates safe work practises, particularly for small and medium sized businesses. We are committed to ensuring that the sector continues to grow, and flourish.

Our Made of Tasmania campaign is lighting up the air waves in Tasmania, helping to educate a generation about plantation timber. We've run ads on TV, Newspapers, Online and outdoor media. We've launched a new Tas focused website, madeoftasmania.com.au and hosted a launch event for stakeholders in Launceston Tasmania.

The Made of Tasmania campaign will help to solidify the brand and its products positively in the mind of Tasmanians. The campaign will over time help to inspire more Tasmanian's to get out there and renovate their homes using local products.

Our customers, like us are passionate about delivering a sustainable building industry and we will continue to strive to invest in new sustainable solutions for timber to be used now and in the future.

Our customers, like us are passionate about delivering a sustainable building industry.





Engaging with our stakeholders

Timberlink operates its business with the involvement, support and interaction of a range of stakeholders. These include our employees, customers, suppliers, the local communities we operate in, government regulators, financiers and investors. We engage with the stakeholders who influence or are influenced by our business, consulting with them to understand their concerns and expectations and using the feedback to help shape our business strategy and plans.

In any engagement with stakeholders we will be ensuring that they understand our zero harm – sustainable growth philosophy. We will make it clear that we will never jeopardise the safety of our workers, our local communities or the future of the business for any short-term goal.

We have a variety of approaches to engaging with our stakeholders. In Australia and New Zealand we have developed a formal customer survey process to improve customer experience. The Voice of the Customer is an annual quarterly customer survey of our distribution channel partners with the feedback being used to drive change through the business.

We have formal mechanisms to engage with our employees and at our manufacturing sites we work with the local community through community development programs.

Through our participation in industry associations such as AFPA, FWPA and the FTMA and various timber industry associations, we stay connected with industry-wide issues and contribute to their resolution. We often rely on these organisations to represent Timberlink’s interests to relevant government authorities when a collective response is required. Our interactions with government regulators keep us engaged in the regulatory process.

We have open lines of communication with our investor community enabling us to gather feedback on our activities and monitor issues important to them.

To increase the accessibility of information regarding our activities, we place a high priority on responding to feedback, questions or concerns and provide information on our company websites.

Stakeholder Group	Engagement Approach	Frequency
Timberlink Board	Reporting Meetings Strategic planning Business planning	Monthly Quarterly Annual Annual
Investors	Site visits & meetings Sustainability reporting Strategic plan New Forests Investor meetings & conferences	Every 2 years Annual Annual Annual
Financiers	One-on-one meetings Covenant requirements reporting Financial reporting	Ongoing Annual Annual
Employees	Employee survey Staff performance reviews Town hall site meetings Timberlink Leadership Group conference LinksLetters newsletter Site safety committees Tool box talks	Annual Bi-annual Regularly Bi-annual 3 issues p.a. Monthly Daily
Customers	Customer satisfaction survey Customer relationship management & engagement Company website news Company external newsletter Mill visits Social media	Annual Regularly Ongoing 3 issues p.a. On request Weekly
Suppliers	Key supplier reviews Supplier relationship management Supplier audits	Annual Ongoing Initial & then as needed
Non-government organisations	Industry group forums & associations meetings	Regularly
Media	Media releases Interviews Site visits	Regularly
Local Communities	Community relations activities	Regularly
Regulators	Site visits & inspections License requirements reporting Meeting	Several times p.a. Annual Regularly
Government	Site visits Meetings	On request as needed



Our people

Timberlink values its people as its greatest asset. Our focus is on training and developing our staff, allowing them to upskill as the level of technological knowledge required to run equipment advances.

We believe it is critical to have a balanced and diverse workplace to achieve the best possible results, and whilst we acknowledge that this can be a challenge in the area's and the segment that we are in, we strive hard to achieve the best balance possible.

Emerging Leaders

Timberlink has been embarking on a program to identify high potential employees within our business to be selected to participate in our Emerging Leaders Program. Feeding into this program is a review of employee performance and identifying the future potential of our employees. The outcome of this review will be a solid link and identified career paths into our succession planning.

Timberlink is exploring apprenticeship opportunities at all sites and is pursuing traineeship/internship opportunities at its Blenheim sawmill to attract local talent to the mill.

Timberlink Leadership Group (TLG)

Now in its fourth year, our Timberlink Leadership Group (TLG) continues to work on initiatives that support our 5-year strategic plan. The group meets formally twice a year to work on key strategic plans for the business. Outside of the formal meetings, project committees meet separately to continue to the work of this group.

People, Performance and Culture (PPC)

Over the last 12 months, the structure of the People, Performance and Culture (PPC) team has been refined to meet the changing strategic needs of the business. A Talent Acquisition Partner has been employed to review our existing recruitment strategies and develop systems that will facilitate the building of a solid talent database over time. Our recently appointed Learning & Development Manager is finalising our Emerging Leaders Program as well as redefining our internal suite of professional development and compliance programs.

We continue to review our internal communications to ensure that everyone is informed and aware of Timberlink's major initiatives and activities. We are in the process of aligning all communication methods to ensure consistency across the business.

We have a workforce that comprises a majority of full-time employees, however we also employ part-time employees to meet the changing needs of our employees due to family commitments and transition to retirement plans. At times we also engage casual or contact labour to meet peak workloads.

Over the last 12 months, the PPC team have conducted lunch 'n' learn sessions at all sites on topics such as workplace behaviours, attendance management and performance review planning process. These sessions were well received at the sites and will continue to form part of PPC's annual calendar.

An Enterprise Agreement was successfully endorsed at our site in Bell Bay, Tasmania. Negotiations for our Enterprise Agreement at our Tarpeena mill commenced in Q2 of 2018.

Our people - Future growth

Tarpeena

There are currently 207 full time equivalent employees permanently employed at the Timberlink Tarpeena site. Future forecasts determine that the level of employment at the site will be unchanged in the near future. Whilst the planned project at the Tarpeena site will result in increased efficiencies, it will not result in any decrease in jobs.

During construction, the project is estimated to utilise approximately 12 contracting companies in the areas of civil, structural, electrical and mechanical engineering. It is further estimated that these companies will utilise approximately 120 people to varying degrees over the two years of the project.

The years of service for Tarpeena employees are as follows:

Years of Service	% of Tarpeena Employees
0 - 5	28%
6 - 10	19%
11 - 15	22%
16 - 20	5%
21 - 25	6%
26 - 30	8%
30+	12%

Given the ageing population of the workforce and the number of employees with a long tenure at the site, it is likely that there will be increased recruitment in the local community over the coming years.

The aim of the people plan for Tarpeena is to:

1. Deepen technical capability of its people in line with industry advancements and capital investment
2. Develop a pipeline of leadership talent to drive the organisation into the future.

As the site invests in more advanced technology, Timberlink is transitioning the skills of its Tarpeena workers from labour-based tasks to technology-focused competencies. Investment in this area includes training and development in instrumentation and programable logic controllers, achieved primarily through overseas Original Equipment Manufacturers (OEMs). Production operators will receive additional OEM operator training on new equipment and enhance technical, diagnostic, problem solving and optimisation skills. It is critical that our workforce is at the forefront of safety so investment in safety and compliance training, utilising local training providers, will underpin the increase in technical proficiency.

Regionally based employees

We continue to be a significant employer in the region that we operate in. Around 87% of our positions are in regional areas of Australia and New Zealand.

Location	% of Employees
Adelaide, SA	1%
Launceston, TAS	1%
Sydney, NSW	1%
Perth, WA	2%
Knoxfield, VIC	8%
Blenheim, NZ	15%
Bell Bay, TAS	34%
Tarpeena, SA	38%

We will continue to invest in learning and development opportunities for our existing employees. The availability of developmental opportunities will also attract employees to our regional sites.

Employee distribution by age

Age	Blenheim	Tarpeena	Bell Bay	Rest of Business	Total Business
Up to 30	18%	17%	25%	5%	18%
31 - 50	39%	46%	55%	57%	50%
51 & Over	43%	37%	20%	38%	37%

Wellbeing program

Timberlink has developed a wellbeing program for the business that will commence in Q2 of 2018-2019. The focus of the program is to support our people with their nutritional health and mental health and will take into account demographic considerations for our people as well as ensuring community engagement and involvement.

Diversity and inclusion program

We are developing a Diversity & Inclusion Program within our business. We are highly committed to diversity and inclusion within our business which is the foundation for a strong, supportive and positive culture. Timberlink values each individual's differences, skills and perspective that they bring to the business.

An inclusive culture is one Timberlink strives for, where everyone feels respected, valued and empowered to contribute.

The business will set measurable objectives for achieving diversity in representation at all levels of the business. Our workplace will benefit from higher employee engagement, improved performance and retention of talent with the introduction of our Diversity & Inclusion Program.



Certification

Dual certification

Timberlink is proud to be the only major Australasian softwood sawmilling company to hold dual environmental certification from both Responsible Wood and the FSC®. We are committed to the legal, ethical and sustainable sourcing of timber and strongly supporting the forestry certification schemes that provide key assurances to consumers. These certification schemes are key in the global fight against climate change and Timberlink is delighted to be able to support them.

Forest Stewardship Council® (FSC)



Timberlink Australia can now supply FSC certified wood products via our distribution centres as well as through our mill direct service. Timberlink has held an FSC Chain of Custody and Controlled Wood Certificate for production and distribution of wood chips (FSC Mix, Controlled Wood) at our Australian mills since 18 June 2013.

This was updated in FY17 to cover Australian production of all solid wood products and all by product, this includes sawdust, shavings, boiler ash as well as reject logs. In FY18 we expanded the scope of this certification to include Kalangadoo treatment facility and all our distribution centres. This means that we can supply FSC certified wood products via our distribution centres as well as mill direct. We changed certification body to Global-Mark, certificate number GMP-COC-100872, GMP-CW-100872, FSC-C117015.

The majority of log supply to the Australian mills is FSC certified from forests owned by New Forests administered investment trusts.

Timberlink New Zealand holds FSC Chain of Custody and Controlled Wood Certificate (RA-COC-006687, RA-CW-006687, FSC-C115860) for production and distribution of solid wood products and woodchip.

Responsible Wood (RW)



Responsible Wood (RW) / Australian Forestry Standard (AFS) and Programme for the Endorsement of Forest Certification (PEFC).

Both of our Australian mills hold Responsible Wood (RW) Chain of Custody certification for both solid wood products and by-products (including woodchip).

In FY18 we consolidated certifications to a single multisite certificate with Global-Mark, certificate 100872. RW holds mutual recognition status with the international PEFC system, enabling Timberlink to market RW certified products to the domestic market and PEFC certified products internationally.

In 2018 the name Responsible Wood replaced the Australian Forestry Standard (AFS).

International Phytosanitary Scheme (ISPM15)

Both Australian mills are certified producers of heat-treated wood packaging compliant to the Australian Wood Packaging Certification Scheme (AWPCS) which in turn is compliant with the international phytosanitary scheme ISPM15. This certification is vital for production of products to be utilised as exported packaging. Blenheim mill is similarly certified to ISPM15.





Environmental compliance

Tarpeena mill

Our Tarpeena mill had no notifiable events or complaints during this year with the EPA.

As discussed earlier, the EPA has accepted that the site is compliant with the 2016 Air Quality Policy.

46 environmental hazard and incident reports were raised by staff in production areas, with none carrying significant risk. These were generally minor spills or potential environmental hazards that were rectified with no adverse impact. A high level of reporting is taken as a proactive leading indicator for our environmental management.

- Air modelling assessment has confirmed the sites heat plants are compliant with the 2016 Air Quality Policy by 25% for particulates under worst case conditions.
- No reportable environmental incidents to the EPA.

Bell Bay mill

Bell Bay passed its on-site EPA audit of all its license conditions with 100% compliance. We were commended on our performance.

Bell Bay had a number of “reportable” incidents, none of which resulted in material environmental harm. Reportable incidents are not considered as infractions. License conditions and testing requirements are substantially more comprehensive in Tasmania than in other jurisdictions. The incidents were:

- One instance of running the boiler with the baghouse on bypass for several days with EPA approval
- Two instances of a chainsaw being used outside permitted hours (this is acceptable if the EPA is notified)

- Exceedances of the investigation threshold for manganese and nitrogen in groundwater – likely due to factors external to the site.
- External audit conducted by EPA Tasmania, no non-compliances with Environmental Protection Notice (EPN) sighted.
- No reportable environmental incidents to the EPA 68 internal reports were also raised during this period, many driven from internal assessments and proactive inspections being completed.

Blenheim mill

The Blenheim sawmill operated under multiple resource consents during the year and all monitoring and reporting requirements have been met.

Our Blenheim mill complied with all applicable resource consents for the period. However, the mill operates in a sensitive area as it is very close to urban properties. We understand the importance of having a good relationship with our neighbours, they are a critical element of our social licence to operate, so we host regular meetings with our neighbors to share business updates and discuss any emerging issues.

There were 32 internal reports raised through proactive hazard reporting on the site, driven by environmental awareness training and raising the importance profile of environmentally sound practices. Improvements made to site significantly reduced the incidence of nuisance smoke emission from the site boiler

- Site is continuing to conduct regular community meetings.

The community has provided feedback in the most recent meeting that the noise and light pollution from the site have improved significantly.



Logistics & supplier sustainability

At Timberlink we are always looking for ways to reduce both overall freight transportation and ghost loads whilst maintaining the outstanding level of service that our customers expect. We offer both mill direct delivery services and distribution centre services, so this is a challenge but one that we eagerly take on.

We do not have a view on our specific overall emissions from transport yet, though this is something we are striving to measure in the future. What we do know is that on average around 1kg of CO2 is emitted for every 10ks driven in standard semi-trailer load and we are committed to reducing these emissions where possible.

We reduced the amount of emissions per ton of haulage from transport this year with two main initiatives. From the mill we used larger freight on average this year, thus lowering the number of loads needed. We also increased the percentage of overall deliveries coming from mill direct, thus lowering double handling.

If a standard semi-trailer is 100% of carbon emissions per 1000 tons transported, our supply chain from the mills created 88.4% of those emissions in FY17 and this dropped to 88.0% in FY18. We achieved this by shifting a higher percentage of our loads into larger vehicles to take advantage of the efficiency.

During FY18 95.3% of our loads were carried by NHVR National Heavy Vehicle Regulation mass managed accredited carriers. To be an accredited carrier you have to meet certain criteria in terms of capability such as having quality systems and processes to maximise payload efficiency.

FY18 our percentage of ghost tonnes from Tarpeena took a step backwards from FY17 0.53% to FY18 1.22%.

FY18 our percentage of delivery direct from mill to customer increased as shown in the graph below. This also contributed to the reduction in emissions per 1000 tons transported and helped to lower our costs.





Our 2023 sustainability target

Sustainability strategy

Timberlink has a deep commitment to sustainability. This commitment is codified in our Sustainability policy. For us, sustainability is a triple-bottom-line consideration, balancing social, environmental and economic dimensions.

This approach is viewed as critical to successful and responsible operation of our business in the long term. By its very nature in providing truly renewable products to Australia's building industry from regional processing assets, Timberlink has a strong sustainability focus.

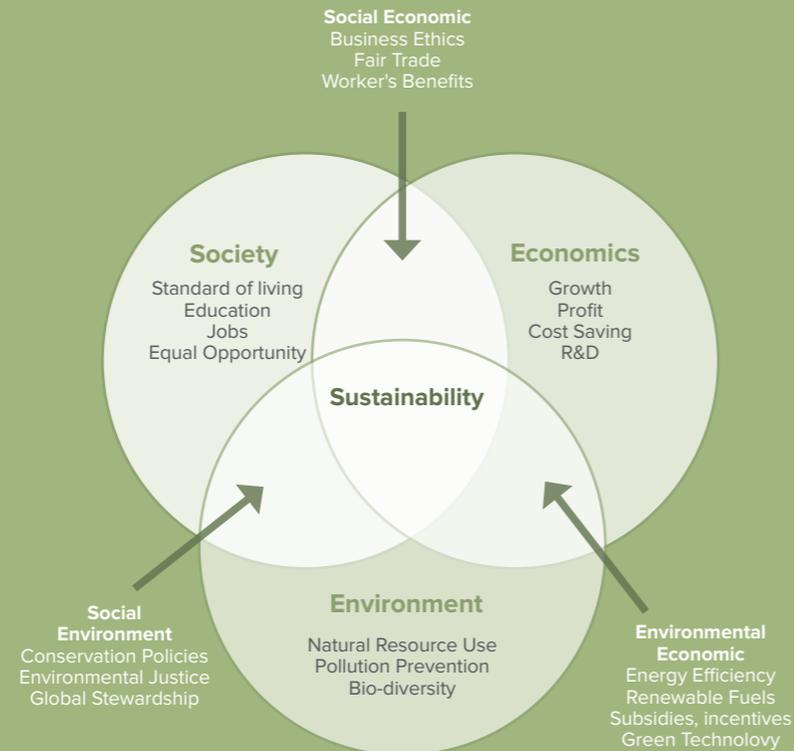
This is carried through to strong environmental awareness throughout the business and a commitment to continual improvement in sustainability performance.

At the start of our journey, sustainability was driven by compliance. Our business was formally assessed for compliance against the International Finance Corporate Performance Standards for New Forests SEMS compliance. From this point, we have evolved our development in sustainability, with the release of our first broadly targeted Sustainability Report for FY2016, and annual reporting against New Forests' ESG metrics.

This year we released our second publicly available Sustainability Report. We also initiated a reporting system which consolidates performance across key metrics into an overall score.

Key aspects of sustainability

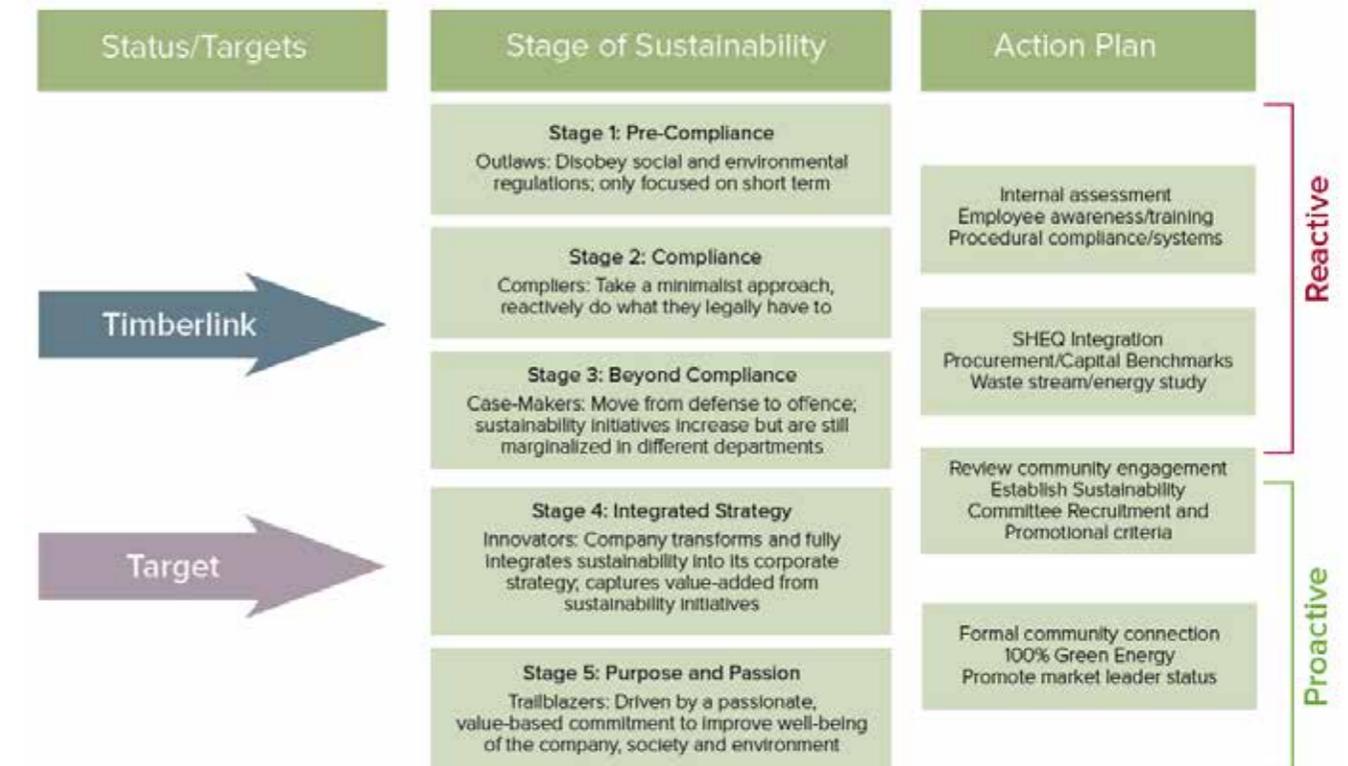
Key aspects of sustainability across the three bottom lines are illustrated in the model below. This was used as a reference point for development of our sustainability strategy including selection of appropriate indicators for monthly tracking.



Journey to sustainability

Models of the stages of sustainability generally describe five stages from “pre-compliance” through to “Purpose and passion”. Last year we assessed our performance and set a target to achieve stage 4 in FY23. Our performance to this target is tracked monthly via our reporting system.

In relation to leadership assessment and the commitment curve, our business is well placed to strive for stage 4. Our sustainable business leadership and aspirations are aligned to our leadership profile, meaning we have the capacity and the capability to attain stage 4 results.



Pathway to our sustainability goal

We will be using the ingrained sustainability that you find in plantation timber as the basis for our philosophy to ensure that we reach the desired level of integrated strategy as in the figure above. To determine what specific actions the business must take to reach stage 4 and achieve the transformation to full integration of sustainability into our corporate strategy, Timberlink will be capturing sustainability initiatives from the GRI G4 (Global Reporting Initiative Sustainability Reporting Guidelines). Any aspects which are not applicable (as per the original analysis against ICPS) have been excluded from measurement, as are measurements that are already tightly managed functionally (economic performance for example).

Forward actions by financial year

FY19

Investigate engagement with economic steering committees in operational regions

Complete Annual Environmental Reports for each operational site

Sponsorship committees to consider sustainability in supporting initiatives – including community engagement

Build framework for evaluating sustainability performance of key suppliers and integrate into measurement system

Investigate framework to evaluate carbon impact and appropriate targets

FY20

Develop a sustainability committee, building on the current cross-company Environmental Management Group to include other functions (PPC, Sales, Supply Chain etc)

Include sustainability considerations in future leader development programme

FY21-23

Engage local communities, suppliers and other stakeholders in sustainability outcomes

Review product packaging materials with a view to sustainable outcomes

Sustainability Committee reviews progress on path to Stage 4 by FY22, with a view to renew and execute plan

Formalise carbon reduction targets and create a plan to achieve goals



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Contact for Further Information

Trevor Innes
General Manager Technical and Environment
Timberlink Australia Pty Ltd
trevor.innes@timberlinkaustralia.com.au



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