

<<ADDRESS BLOCK>>

23 August 2021

Dear <<GREETING>>,

## <<NAME>> Forest Investment Forest Enterprises' Harvest Management Services and Fee

### Forest Enterprises' Capability

Forest Enterprises has over 35,000 hectares of forest land under management and manages the harvest for over 1 million tonnes of logs annually. Forest Enterprises is one of the largest forestry businesses in Gisborne and the Wairarapa. The harvesting team is led by CEO & Forestry Director Bert Hughes, Gisborne Regional Manager Dan Fraser and Southern North Island Regional Manager Malte Coulmann. Together, they have 65 years of harvesting experience.

### Our Harvest Fees

Forest Enterprises' Harvest Management Fee for our Managed Investment Schemes is \$3 per tonne of logs harvested, plus 2.5% of the 'Net to the Forest Owner' after the payment of logging and cartage costs.

Included in our fee are the following services:

- a) Monitoring health & safety obligations
- b) Monitoring environmental compliance and resource consent conditions
- c) Management and supervision for the construction of road and skid sites
- d) Management and supervision of harvesting and cartage
- e) Accounting and harvest reporting
- f) Timber supply chain management
- g) Negotiation with customers
- h) Invoicing and collecting from customers

### Independent Assessment of Fee

Forest Enterprises' Harvest Management Fee has remained unchanged for many years. We instructed independent forestry consultants Forme Consulting Group Limited to assess our fee compared to market, and this report follows on the next page.

Forme Consulting Group's letter of 10 May 2021 states, *"In our professional opinion, the Forest Enterprises harvest and marketing fee specified is within industry norms for the range of services offered"*.

Regards,



**Graeme Tindall**  
Managed Investments Director

May 10<sup>th</sup> 2021



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Dear Sir,

**Re: Forest Enterprises Limited – Harvest and Marketing Management Fees 2021**

We have been asked to benchmark Forest Enterprises Harvest and Marketing management fees against other harvest and marketing management fees observed in the market.

Forest Enterprises fees are \$3.00 per tonne of logs harvested, plus 2.5% of the 'Net to the Forest Owner' after payment of logging and cartage costs. Services provided for this fee include harvest management and supervision, health and safety and environmental compliance and reporting, roading design and construction supervision, supply chain management and cartage requirements, administration, and accounts.

We have benchmarked this fee against other harvesting and marketing fees observed in the market over the last 24-month period. Fee mechanisms observed range from a fixed management fee per tonne to harvest the forest - \$/tonne, to a flat percentage of net revenue sales; or a combination of these two mechanisms.

A sample of the range of fees recently observed is provided in the table below.

Forest company	Observed Industry Harvesting & Marketing Fees	Forest Enterprises Ltd Harvest and Marketing Fee
Independent Sample 1 – 2021*	\$5.35/tonne	\$3.00/tonne + 2.5% of net log revenue
Independent Sample 2 – 2021**	\$4.61/tonne	
Independent Sample 3 - 2021	\$3.40/tonne	
Independent Sample 4 - 2020	\$3.58/tonne	
Independent Sample 5 - 2020	\$3.75/tonne	
Independent Sample 6 - 2020	5% net revenue	
Independent Sample 7 - 2019	\$3.50/tonne + 3% of net revenue	
<b>Industry Norms</b>	<b>Range from \$3.00-\$5.00/tonne + 3%-4% of net revenue.</b>	

\*Investment forest estate > 15,000ha; \*\*Large forest estate > 20,000ha.

NB: All sampled harvesting services fees for volumes <100,000m<sup>3</sup>, and commensurate services

Direct comparison of fees is subjective as it is very dependent on range of services offered including extent of marketing services.

In our professional opinion, the Forest Enterprises harvest and marketing fee specified is within industry norms for the range of services offered.

**FORME CONSULTING GROUP LTD**  
Kevin Reardon, Director  
NZIF Registered Forestry Consultant