Public Summary of Associated Kiln Drying (AKD) Softwood Pty Ltd Due Diligence System - 2016

AKD are required to provide to their certification body a written summary of their due diligence system (DDS) with the following information:

**Description of Supply Area:** AKD have sourced wood from South Australia and Victoria only. The relevant bioregions for 2016 include Naracoorte Coastal Plains, Southern Volcanic Plain, South Eastern Highlands, South East Coastal Plain, and Victorian Midlands.

**Risk Designation:** LOW risk for South Australia and Victoria for controlled wood categories 1, 2, 4, 5 and UNSPECIFIED risk for category 3 where high conservation values are threatened by management activities.

**Applicable Risk Assessment:** Australia has one risk assessment referred to as an ‘old’ National Risk Assessment FSC-CWRA-001-AUS v1 2009. This is available through the FSC Australia website.

**AKD Risk Assessment** – AKD are required to undertake a risk assessment to assess the risk of material being mixed with unacceptable sources (controlled wood categories) in the supply chains during transport, processing and storage. Table 1 illustrates this risk assessment for suppliers and sub-suppliers.

Table 1- Mixing risk assessment

<table>
<thead>
<tr>
<th>Process</th>
<th>Risk</th>
<th>Risk Mitigation Measures</th>
<th>Evidence</th>
</tr>
</thead>
</table>
| Transport of logs directly from forest (AKD, GTFP, OFO) | LOW  | • All roundwood loads delivered to Colac are transported directly from the forest and hauled to the AKD Mill.  
• Every harvest operation is authorised by AKD through the notification or issuance of a Harvest Operation Number (or equivalent). This identifies the contractors, the plantation, and the certification status.  
• Field verification audits at supply unit. | Delivery Dockets with required information. Field verification audit reports. |
| Entry to the AKD Mills                        | LOW  | • Trucks can only enter the Colac and Irrewarra Mill via the weighbridge.  
• Upon entry to the weighbridge, the truck driver must enter details into the weighbridge computer, including the Harvest Operation Number (or equivalent). | Delivery Dockets with required information. Cross checking weighbridge data with hard copies. |
| Processing and storage at the AKD mills       | LOW  | • Only processing single plantation species.  
• Producing sawn timber-species easily identified.  
• Site controls and weighbridge procedures. | Weighbridge procedure. |
Transport to Schiedl Mill (CHH, OFO)

| LOW | Logs are delivered directly from the forest and are supplied with delivery dockets/e-dockets. | E-dockets |

Processing and storage at Schiedl

| LOW | Only processing single plantation species. Producing sawn timber-species easily identified. Site controls and weighbridge procedures. Field verification audit of supplier premises undertaken by AKD. | Field verification audit of supplier premises. |

Transport from Schiedl to AKD

| LOW | Under the control of AKD. All loads accompanied by transport documents. | Transport documentation. Invoices. |

Transport of material between AKD and outsourcing facility

| LOW | Under the control of AKD. Accompanied by dispatch documentation. | Dispatch documentation. |

Processing and storage at outsourcing facilities

| LOW | Packs remain together. Packs are checked and tracked into outsourcing facility and back into AKD. | Timbersmart tracking. |

Procedure for Filing Complaints: complaints regarding AKD’s due diligence can be made to Neil Harris – AKD’s Resource Manager at Neil.Harris@akd.com.au. Stakeholders shall include as much information regarding the nature of the complaint so that AKD is able to assess and respond. All complaints are handled according to AKD’s Complaints Handling Procedure, which is available upon request and provided to a complainant as a matter of course.

Control Measures: As South Australia and Victoria have unspecified risk for controlled wood category 3, AKD must implement risk mitigation measures. Table 2 is a summary of the control measures by risk assessment indicator.

Table 2 Risk Controls for Category 3-High Conservation Values are threatened by management activities.

<table>
<thead>
<tr>
<th>Risk Assessment indicator</th>
<th>Control Measure in Place</th>
<th>Desired Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>1. AKD only sources plantation radiata pine. 2. HCV Systems Audit to determine measures in place to identify and protect HCV 1. 3. HCV Assessments. 4. Field Audits of Supply Units. 5. Harvest Plans. 6. Harvesting Checklists.</td>
<td>AKD only accept radiata pine – an exotic planted species. The supplier has a good system for identifying and protecting HCV 1. HCV Assessments provide confidence in the identification of HCV 1 at the SU level. Field audits confirm identification of HCV 1 in-field and strong system of protection (e.g. machinery/vehicle exclusion from HCV areas; no refuelling close to native.</td>
</tr>
<tr>
<td>3.2</td>
<td>1. AKD only sources plantation radiata pine which have been established on cleared agricultural land.</td>
<td>Forest management for pine plantations does not cause fragmentation of large landscape forests.</td>
</tr>
</tbody>
</table>
| 3.3 | 1. AKD only sources plantation radiata pine.  
2. HCV Systems Audit to determine measures in place to identify and protect HCV 3.  
3. HCV Assessments.  
4. Field Audits of Supply Units.  
5. Harvest Plans.  
6. Harvesting Checklists. | AKD only accept radiata pine – an exotic planted species established on already cleared land.  
The supplier has a good system for identifying and protecting HCV 3.  
HCV Assessments provide confidence in the identification of HCV 3 at the SU level.  
Field audits confirm identification of HCV 3 in-field and a strong system of protection (e.g. machinery/vehicle exclusion from HCV areas; no refuelling close to native vegetation; no damage to retained native vegetation).  
All operations have a Harvest Plan which identify HCV 3 and measures to protect these ecosystems.  
Harvesting inspections identify non-compliances in a timely manner. |
| 3.4 | 1. HCV Systems Audit to determine measures in place to identify and protect HCV 4.  
2. HCV Assessments.  
3. Field Audits of Supply Units.  
6. Harvesting Checklists. | The supplier has a good system for identifying and protecting HCV 4.  
HCV Assessments provide confidence in the identification of HCV 4 at the SU level.  
Field audits confirm identification of HCV 4 in-field and a strong system of protection (e.g. buffers, designated crossings, machine hygiene procedures).  
All operations have a Harvest Plan which identify HCV 4 and measures to protect these ecosystems.  
Harvesting inspections identify non-compliances in a timely manner. |
| 3.5 | 1. AKD only source from areas that are established on already cleared land.  
2. AKD only source from plantations  
3. Stakeholder communication. | Stakeholder consultation confirms that consent has been given by locals who depend on the forest area for basic needs.  
This is very unlikely to occur in Australia. |
| 3.6 | 1. HCV Systems Audit to determine measures in place to identify and | HCV Assessments provide confidence in the identification of HCV 6 at the SU level. |
Stakeholder Consultation: AKD is currently undertaking stakeholder consultation in relation to controlled wood category 3. This involved identifying relevant stakeholders and inviting them to complete a questionnaire. The consultation relates to the forest management activities of its suppliers for 2016/2017. Stakeholders have 6 weeks to respond. AKD will provide a public summary of the results and provide feedback to participating stakeholders on how their comments were considered.

Expert Engagement: AKD has engaged Sue Harris, AKD’s environment consultant. Sue’s qualifications include a Bachelor Forest Science and over 30 years’ experience in environmental and forest science roles. Sue has been asked to provide her opinion on the adequacy of the control measures that AKD is implementing to mitigate the risk of sourcing material from category 3. This process is still in progress.

Verification Audits: AKD have undertaken 5 field verification audits and 1 supplier premises audit in 2016. The table below summarises the more significant issues identified and the corrective action/s implemented:

<table>
<thead>
<tr>
<th>Issue identified</th>
<th>Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no specific roading procedures and no specifications provided to roading contractors outside of verbal instruction. This presents a risk that roading is not done in accordance with legal requirements.</td>
<td>Forest Manager to develop a roading procedure by December 2016. Undertake training for relevant contractors by January 2017.</td>
</tr>
<tr>
<td>The forest manager has not listed the district of origin (bioregion) in their system against each plantation.</td>
<td>Forest manager to create plantation listing together with corresponding origin.</td>
</tr>
<tr>
<td>The forest manager’s Forest Management Plan provides details of endangered species, communities and habitats under national and South Australian legislation but has not included Victorian listings.</td>
<td>Forest Manager to update their Forest Management Plan.</td>
</tr>
</tbody>
</table>