Southern Pacific Fibre Pty Ltd (SPF): Due diligence system according to FSC-STD-40-005 (V3.0) EN. REQUIREMENTS FOR SOURCING FSC® CONTROLLED WOOD.

Introduction

Southern Pacific Fibre Pty Ltd produces Hardwood woodchips for export. Supply for SPF’s products come from a variety of plantation sources. Some are local FSC certified and some are local controlled material source. All wood sourced is plantation grown Eucalyptus globulus from Western Australia including all sub districts within these state boundaries.

Suppliers are all private wood lots supplying Controlled material included in the company's own FSC Controlled Wood Due Diligence System. For all suppliers including third party private growers, detailed records are kept of supplying blocks and these are made available to FSC auditors.

Due Diligence system

This document outlines the Due Diligence (DD) system under FSC-STD-40-005 (V3.0) EN REQUIREMENTS FOR SOURCING FSC® CONTROLLED WOOD - PART I DUE DILIGENCE SYSTEM.

The basis of the SPF Due diligence system is three elements: obtaining information, risk assessment, risk mitigation.

Obtaining information.

SPF uses a risk assessment on this supply chain as part of their program for controlled wood sources under FSC-STD-40-005 (V3.0) EN. REQUIREMENTS FOR SOURCING FSC® CONTROLLED WOOD. The risk assessment used is the FSC Australia Controlled Wood Risk Assessment Matrix (FSC-CWRA-001-AUS (V1-0)) which has already obtained information and formulated a risk assessment and has determined a low risk for four of the five controlled wood criteria in the States of Victoria and South Australia:
Illegally harvested wood, wood harvested in violation of traditional and civil rights, wood harvested from forests being converted to plantations or non-forest uses, and wood from forests in which genetically modified trees are planted are therefore LOW RISK for the purposes of the national Risk assessment and this Due diligence system.

The fifth criteria, wood harvested from forests in which high conservation values (HCV) are threatened by management activities, was found to have an unspecified risk under the current National Risk Assessment.

Under the new standard there is a category called specified risk: defined as:

“A conclusion, following a risk assessment conducted according to FSC-PRO-60-002a FSC National Risk Assessment Framework, that there is risk which cannot be determined as low that forest products from unacceptable sources may be sourced or enter the supply chain from a Specific geographic area. The nature and extent of this risk is specified for the purpose of defining efficient control measures.”
(Source: FSC-PRO-60-002a FSC National Risk Assessment Framework)

Under FSC-STD-40-005 (V3.0) EN. REQUIREMENTS FOR SOURCING FSC® CONTROLLED WOOD. When specified or unspecified risk for the source of the material or mixing in the supply chain is identified, control measures shall be implemented by the organization to mitigate the risk.

FSC-STD-40-005 (V3.0) EN 4.5 says

“Indicators and verifiers in an approved Forest Stewardship National Standard, certification body standard, or International Generic Indicators may be used for control measures where relevant.”

For the purposes of the FSC Australia the FSC Australia’s HCV framework, which is normative for both controlled wood and for the purposes of full FSC forest certification in Australia, specifies the risks and points towards appropriate control measures. Under this approach there is verification that appropriate ‘tools’ have been used to satisfy the 6 classes of HCV.

Therefore, risk mitigation is achieved by applying the guidance as control measures and monitoring the effectiveness of their implementation.

2. SPF also documents the risk of mixing material with non-eligible inputs in its supply chains during transport, processing, or storage.
Contents

1. FSC-PRO-60-002a FSC National Risk Assessment Framework including for each supply source:
   Supply location Geographic and Ecoregion. Description of the nature of the supplying forestry operations, the supply
   area(s) and respective risk designation(s);

2. Basis of the control measures and monitoring of the control measures.

   2.1 Control measures specifically for 3.2 Controls applied by each supplier to protect HCV

   2.2 Monitoring and Control Measures

      Mixing Risk Assessment.

3. Procedures for comments and complaints from stakeholders relating to the DDS.

Appendix 1 IBRA bioregions
SPF RISK ASSESSMENT OF WOOD SUPPLY
Version 4.0, Reviewed July 2016 (no change to the FSC Australia Controlled Wood Risk Assessment Matrix v1)

<table>
<thead>
<tr>
<th>Certificate holder:</th>
<th>SPF Resources Pty Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certification Body (CB):</td>
<td>SCS Global Services</td>
</tr>
<tr>
<td>FSC CW Certificate Code:</td>
<td>SCS-COC-005667</td>
</tr>
<tr>
<td>Date of CB Approval:</td>
<td>Pending approval – subject to audit.</td>
</tr>
<tr>
<td>Date of risk assessment:</td>
<td>FSC Australia Controlled Wood Risk Assessment MATRIX FSC-CWRA-001-AUS Version 1-0, July 8, 2009</td>
</tr>
<tr>
<td>Address of CB:</td>
<td>2000 Powell Street, Suite 600 Emeryville, CA 94608 Tel: +1.510.452.8000 <a href="http://www.SCSglobalservices.com">www.SCSglobalservices.com</a></td>
</tr>
<tr>
<td>Certificate holder address:</td>
<td></td>
</tr>
</tbody>
</table>

**SUMMARY:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Summarized risk determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legality</td>
<td>LOW</td>
</tr>
<tr>
<td>Civil rights</td>
<td>LOW</td>
</tr>
<tr>
<td>HCV</td>
<td>UNSPECIFIED</td>
</tr>
<tr>
<td>Conversion</td>
<td>LOW for Vic, NSW, QLD, WA, SA, UNSPECIFIED for NT, Tas</td>
</tr>
<tr>
<td>GMOs</td>
<td>LOW</td>
</tr>
</tbody>
</table>

**Illegally Harvested Wood**
The district of origin may be considered low risk in relation to illegal harvesting when all the following indicators related to forest governance are present:

**Findings and Resources**
The district of origin is confirmed by Fiber Source Profile Report.

**Risk Level**

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SOUTHERN PACIFIC FIBRE PTY LTD Due diligence system according to FSC-STD-40-005 (V3.0) EN. REQUIREMENTS FOR SOURCING FSC® CONTROLLED WOOD. 2017/18
<table>
<thead>
<tr>
<th>Requirement</th>
<th>Findings and Resources</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Evidence of enforcement of logging related laws in the district.</td>
<td>Approved by “FSC National and Regional Risk Assessments and guidance”.</td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>1.3 There is little or no evidence or reporting of illegal harvesting in the district of origin.</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>Wood harvested in violation of traditional or civil rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The district of origin may be considered low risk in relation to the violation of traditional, civil and collective rights when all the following indicators are present:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 There is no UN Security Council ban on timber exports from the country concerned.</td>
<td>Approved by “FSC National and Regional Risk Assessments and guidance”.</td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>2.2 The country or district is not designated a source of conflict timber (E.g USAID Type 1 conflict timber).</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>2.3 There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
<tr>
<td>2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the district</td>
<td></td>
<td>☑️ Low Risk</td>
</tr>
</tbody>
</table>
2.5 There is evidence of no violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.

<table>
<thead>
<tr>
<th>Wood harvested from forest in which high conservation values are threatened by management activities</th>
<th>Findings and Resources</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>The district of origin may be considered low risk in relation to high conservation values if: indicator 3.1 is met; or b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the district of origin by non-compliance with 3.1.</td>
<td>All Ecoregions in Australia have HCV. <a href="http://au.fsc.org/download.fsc-australia-controlled-wood-risk-assessment-matrix.67.htm">http://au.fsc.org/download.fsc-australia-controlled-wood-risk-assessment-matrix.67.htm</a></td>
<td><img src="https://www.southernpacificfibre.com/low-risk-icon.png" alt="Low Risk" /> Unspecified Risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten ecoregionally significant high conservation values.</th>
<th>Findings and Resources</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.</td>
<td>Not confirmed. Annex 3 verification is required.</td>
<td><img src="https://www.southernpacificfibre.com/low-risk-icon.png" alt="Low Risk" /> Unspecified Risk</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</th>
<th>Findings and Resources</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>The district of origin may be considered low risk in relation to conversion of forest to plantations or non-forest uses when the following indicator is present: [Note: the change from plantations to other land uses is not considered as conversion].</td>
<td>Western Australia is approved by “FSC National and Regional Risk Assessments and guidance”. <a href="http://au.fsc.org/download.fsc-australia-controlled-wood-risk-assessment-matrix.67.htm">http://au.fsc.org/download.fsc-australia-controlled-wood-risk-assessment-matrix.67.htm</a></td>
<td><img src="https://www.southernpacificfibre.com/low-risk-icon.png" alt="Low Risk" /> Unspecified Risk</td>
</tr>
</tbody>
</table>
### Wood from forests in which genetically modified trees are planted

5. The district of origin may be considered low risk in relation to wood from genetically modified trees when one of the following indicators is complied with:

<table>
<thead>
<tr>
<th>Findings and Resources</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Licenses are required for commercial use of genetically modified trees and there are no licenses for commercial use OR</td>
<td></td>
</tr>
<tr>
<td>c) It is forbidden to use genetically modified trees commercially in the country concerned.</td>
<td></td>
</tr>
</tbody>
</table>


2 Basis of the control measures and monitoring of the control measures

The basis of the control measures.

The suppliers are all contracted for harvesting of hardwood trees. As part of an annual supplier approval process SPF will review suppliers for compliance to certain contract requirements. This includes things like OHS, business insurance but now also includes a review of their control of HCV measured against the FSC Australia HCV evaluation framework. For private suppliers, SPF will carry out some of these control measures themselves.

Ongoing monitoring of the control measures.

SPF will monitor and verify that the control measures are undertaken in harvest planning and harvest operations. SPF will regularly visit harvest coups and will monitor the control measures during those visits e.g. checking harvest records, harvest QA records, Harvest Diaries.

A record of these visits and the checks made will be kept by SPF as evidence of these control measures.

2.1 Control measures for private (non-certified suppliers) and harvest contractors.

The controlled materials are sourced from Eucalyptus Globulus Labill from private plantations or farm forestry plantations grown in Forest management lots up to 1000 Ha.

Private plantations are considered Small Low Intensity Managed Forests (SLIMF).

If plantations have been established shire approval is needed for the establishment.

In the case of wood harvest on behalf of private growers there is a grower questionnaire that establishes to the best of the private growers knowledge about the presence of HCVs on their land.

In addition, publicly available information is interrogated to determine the presence or absence of HCV e.g. http://naturemap.dec.wa.gov.au/default.aspx, and https://www0.landgate.wa.gov.au/property-reports/single-address-report/property-interest-reports

Any findings of HCV are recorded on maps and form part of the Harvest plans.

HCV 1. Forest areas containing habitat for national or state-listed threatened species or species of high significance.
In general, these are small plantations in and around farmed land with little or no native bush or habitat areas so the presence of Rare Threatened or Endangered (RTE) is unlikely. However, the following steps are taken:

The owner is asked if they know of any known sites with RTE species.
- Non-planted areas are shown on a site map.
- Publicly available maps and overlays are interrogated for the presence of RTE species.
- In the event that there are significant populations of RTE advice is sought on their management.
- The Non-planted areas including native bush integral or adjacent to the FMU are not disturbed during harvest (NB the protection of bush is mandatory in WA and any clearing e.g. for safety etc. is heavily regulated).

HCV 2. Forest areas containing large landscape level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance.

In general, these are small plantations in and around farmed land. There are no large landscape level forest considerations for these FMU.

HCV 3 Forest areas that are in or contain rare, threatened or endangered ecosystems.

The same actions as for HCV 1:
The owner is asked if they know of any known sites with RTE ecosystems.
Non-planted areas are shown on a site map.
Publicly available maps and overlays are interrogated for the presence of RTE ecosystems.
In the event that there are significant RTE ecosystems advice is sought on their management.
The Non-planted areas including native bush integral or adjacent to the FMU are not disturbed during harvest (NB the protection of bush is mandatory in WA and any clearing e.g. for safety etc. is heavily regulated).

HCV 4. Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment.

There is an onsite analysis pre harvest to identify issue, this leads to control measures e.g:
- Riparian zones are excluded from disturbance during harvest.
- Creek lines are kept free of activity or debris.
- For erosion control roading is maintained and drainage is maintained.
- Stream crossing is only at designated points.
- In wet periods there is no harvesting in heavy or steep land.
HCV 5. Forest areas fundamental to meeting basic needs of local communities (water, food, firewood, shelter, income) with no readily available alternative.

NOTE: These are not applicable in this situation ie. This is private land, no one relies on these forests for fire wood or shelter.

HCV 6. Forest areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)

For post Colonial heritage sites. If the land has been recently established then a record of shire approval should also show a cultural heritage check. If sites or artifacts are found during activities the appropriate authority is alerted and their instructions followed. (Note this is mandatory in WA for Aboriginal sites).

2.2 Monitoring the control measures

Annually SPF meets with the contractors to ensure that they still understand the documented procedures for the preservation of HCV.

For each active harvesting site SPF will visit routinely to check on works and during these checks will document checks made of compliance to the documented procedures for the preservation of high conservation values. When non-compliance is found that we raise with the contractors and a corrective action sought.

Mixing Risk Assessment

<table>
<thead>
<tr>
<th>Step</th>
<th>Hazard Identification</th>
<th>Risk Evaluation and justification</th>
<th>Control Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvest</td>
<td>Taking wood from blocks that are not covered under the Due Diligence system.</td>
<td>Low Risk Only contracted wood is taken. All contracted wood from all suppliers are covered under the Due diligence system</td>
<td>The delivery note system ensures that wood is fully traceable to a coup of origin and that these coups are covered by the DDS. No other wood is taken unless it is contracted and has gone through the DDS.</td>
</tr>
<tr>
<td>Delivery</td>
<td>mixing with</td>
<td>low risk</td>
<td>There is no co-mingling of delivered wood</td>
</tr>
</tbody>
</table>
3. Procedures for comments and complaints from stakeholders relating to the DDS.

This procedure is used for stakeholder consultations and instances when comments or complaints from Stakeholders. Formal stakeholder consultations will take place when the DDS is first set up and after that only whenever a risk designation of control measure changes. Comments and complaints may occur at any time.

3.1 Stakeholder identification: SPF identified affected and interested stakeholders in relation to the forest management activities of their suppliers and the identified risk, including the stakeholder groups listed below (see section 4.7).

3.2 Stakeholder notification: Identified stakeholders will be invited to participate in the consultation at least six (6) weeks prior to the change to the DDS or related control measures that is the subject of the consultation. SPF Pty Ltd shall employ effective means to inform stakeholders, using culturally appropriate consultation techniques FSC Australia will be involved in the consultation both as a stakeholder and as a conduit to invite stakeholder comments via the FSC Australia web page.

3.3 Stakeholder engagement techniques:
Techniques to reach out to stakeholders may include Face to face meetings, personal contacts by phone, email, or letter, notice published in the national and/or local press and on relevant websites (e.g., FSC Australia), local radio announcements, or local customary notice boards.

3.4 Stakeholder consultation
All identified stakeholders are provided access to information that is relevant to the consulted issue no later than six (6) weeks prior to the change to the DDS that is the subject of the consultation. SPF Pty Ltd only excludes information that is considered confidential. In such cases a justification for the confidential nature of the information is presented to the FSC certification. If there is a requirement to publish the comments stakeholders will be asked to provide their consent to the publication of their comments.

3.5 Stakeholder feedback
Within sixty (60) days after the end of the consultation period, SPF Pty Ltd will respond to all stakeholders who participated in the consultation process, to explain how their comments were taken into account.

3.6 Consultation records:
SPF Pty Ltd maintains records of the consultation process, including a list of stakeholders consulted and their comments, and evidence that the consultation was carried out in line with the requirements of this standard.

3.7 Content of the report
SPF will prepare a report of the consultation process, which includes:
- The areas for which the stakeholder consultation has been conducted (e.g. geo-reference data, state, province, supply unit);
- A list of the stakeholders groups invited by SPF Pty Ltd to participate in the consultation;
- A summary of the stakeholder comments received. These will not normally be published but if they are comments are only be published with prior consent from the consulted stakeholder and not associated with stakeholder names;
- A description of how SPF Pty Ltd has taken stakeholder comments into Account;
- The organization’s justification for concluding that the material sourced from these areas can be used as controlled material or sold with the FSC Controlled Wood claim of the certification process, according to Section 6 of the controlled wood standard.

3.8 Stakeholders groups
Groups or individuals representing the interests listed below, that are relevant and according to identified risk, will be identified and added to a stakeholder database and notified during the consultation process. Each group specified may be represented by an unlimited number of representatives, subject to balanced consideration of the input received during the consultation. The list is not comprehensive and any other stakeholder groups relevant to the certification process may be identified, added to the stakeholder database and notified.

Economic interests:
- Forest owners and/or managers of large, medium and small forests, and high,
- medium, and low-intensity managed forests;
- Forest contractors (including loggers);
- Representatives of forest workers and forest industries;
- Certificate holders.

Social interests
- NGOs involved or with an interest in social aspects of forest management and
- other related operations;
- Forest workers;
- International, national and local trade/labour unions;
- Representatives of local communities involved or with an interest in forest management, including those relevant for HCVs 5 and 6;
- Representatives of Indigenous Peoples and/or traditional peoples (if present
- and/or holding rights), including those relevant for HCVs 5 and 6;
- Representatives of recreational interests.

Environmental interests
- NGOs involved or with an interest in the environmental aspects of forest management. Consultation should target the following areas of interest and expertise:
  - Biological diversity
  - Water and soil
  - HCVs 1-4
  - Local communities and Indigenous Peoples’ representatives (HCVs 5 and 6).

- 3.4 FSC-accredited certification bodies active in the country
- 3.5 National and state forest agencies
- 3.6 Experts with expertise in controlled wood categories
- 3.7 Research institutions and universities
- 3.8 FSC Australia
Appendix 1  IBRA bioregions

The map depicts the Interim Biogeographic Regionalisation for Australia (IBRA) version 7. IBRA regions represent a landscape-based approach to classifying the land surface, including altitude, geology, climate, and vegetation types. This regionalisation involves a complex analysis of biophysical data sets to describe these regions. IBRA regions are used across Australia.