1. **Purpose**

As processors of domestically grown raw logs, there is a requirement to undergo a due diligence system to deter the use of illegal forest products. For further detail see, *Illegal logging Prohibition Act 2012 and Illegal Logging Prohibition Regulation 2012*.

The Pentarch Controlled Wood Due Diligence System (DDS) for material supplied without a claim aims to avoid the risk of sourcing wood from ‘unacceptable sources’ through obtaining information, assessing associated risk and mitigating the risk if required.

The Australian Controlled Wood Risk Assessment Matrix has determined and classified the associated risk with each of the five categories of unacceptable sources. These sources are:

1. Illegally harvested wood
2. Wood harvested in violation of traditional and human rights
3. Wood harvested from forests in which high conservation values are threatened by management activities
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses
5. from forests in which genetically modified trees are planted

The due diligence system has been developed to meet the requirements of the FSC-STD-40-005 (V3.1) Requirements for Sourcing FSC® Controlled Wood.

2. **Objectives of the Due Diligence System**

- Provide customers assurance of the legality of the forest products from suppliers
- Provide a system to avoid the risk of sourcing material from unacceptable sources
- Provide a framework for managing and mitigating risk
- Create a system for dialogue with stakeholders, providing positive outcomes for all affected parties.

3. **Supply Area Description**

Pentarch operates in multiple states of Australia, including Victoria, Tasmania and New South Wales and this Controlled Wood Due Diligence System (DDS) applies to plantation softwood (*Pinus radiata*) and hardwood suppliers (*Eucalyptus nitens* and *E. globulus*) in all of these states. While the organisation has its export and wood processing facilities based in Tasmania and New South Wales, the DDS is extended to the state of Victoria to cover the catchment area of all suppliers.

Wood from suppliers in Tasmania is delivered into one of three sites: Bell Bay, Burnie and Heybridge. Bell Bay and Heybridge are roundwood log storage yards and export log facilities. Burnie is the Tasmanian administrative centre and primarily a woodchipping facility but does have capacity to hold export logs if required. The Burnie facility also chips wood on behalf of other customers which is not part of this due diligence system.

For New South Wales, a roundwood log storage and export yard and wood chip export facility is located near Eden in southern NSW.

Maps showing the indicative supply area for both Tasmania and Mainland can be provided upon request.
4. Procedure

4.1. Obtaining information about Wood Supply

Each of the suppliers is required to provide sufficient information to ensure that a comprehensive and continuing due diligence assessment can be undertaken. Records of information supplied as well as all internal assessments, are maintained and are made available to FSC auditors.

Before material can enter the supply chain, and be purchased or supplied, a process confirming ownership, legality, and risk assessment to ensure the possibility of sourcing material from unacceptable sources is avoided, is undertaken.

Purchase documentation is supplied via a delivery docket and includes the date, time, source of product, quantity and type of product. This is captured electronically via the weighbridge system and reconciled on a daily basis.

Information including supplier details, species supplied, certification status and material category of the supplied product can be found within the Pentarch Supplier Register.

All material received by Pentarch has Australia as its country of origin.

4.1.1 Supply Chain

Processes are followed to ensure all material is correctly identified and segregated throughout the supply chain. Mixing of material with non-eligible material along the supply chain will not be accepted.

Control measures to manage and minimise the risk of sourcing material from unacceptable sources include:

- Log Delivery Dockets, Sales Dockets and Invoices
- DVONS (Daily Valid Operations Number Sheet)/Schedule of Expected Deliveries from Suppliers (Active Compartment List)
- Supplier Internal audits

4.2 Origin of Material - Risk Assessment

Pentarch Forest Products undertakes a risk assessment on suppliers with guidance from the FSC Australia Controlled Wood Risk Assessment Matrix (FSC-CWRA-001-AUS) and Centralised National Risk Assessment for Australia (FSC-CNRA-AU V1-0 EN – draft 08/05/2017).

The national risk assessment matrix has determined the levels for each category of wood from unacceptable sources within each state of Australia. The Centralised National Risk Assessment for Australia (FSC-CNRA-AU V1-0 EN) is still incomplete, however on their website, FSC Org have recommended that this CNRA is used for Category 1 only and the “Old NRA for Australia” (FSC-CWRA-001-AUS Version 1-0 FSC Australia Controlled Wood Risk Assessment Matrix) be used for categories 2 – 5. The ones relevant to Pentarch’s operations are shown in the table below.
Table 2. FSC National Risk Determination for Tasmania, Victoria and New South Wales

<table>
<thead>
<tr>
<th>Category</th>
<th>Summarised Risk Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Legality</td>
<td>Low</td>
</tr>
<tr>
<td>2. Civil Rights</td>
<td>Low</td>
</tr>
<tr>
<td>3. HCV</td>
<td>Unspecified – NSW, Tas, Vic</td>
</tr>
<tr>
<td>4. Conversion</td>
<td>Low – NSW, Vic; Unspecified – Tas</td>
</tr>
<tr>
<td>5. GMOs</td>
<td>Low</td>
</tr>
</tbody>
</table>

4.2.1 Unspecified risk

Where ‘Low Risk’ cannot be established through the FSC National Risk Assessment, the risk is declared ‘Unspecified Risk or Specified Risk’.

As defined by the FSC National Risk Assessment Framework (FSC-PRO-60-002a V1-0 EN), specified risk is;

“a conclusion, following a risk assessment, that there is a certain risk that material 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”.

Following the requirements of this definition, where specified or unspecified risks for the source of the material or mixing in the supply chain are identified, Pentarch will implement control measures to mitigate the risk.

4.3. Origin of Material – Risk Mitigation

As the national risk assessment has indicated that the risk for Category 3 (High Conversation Values) is unspecified, Pentarch must assess and mitigate these risks where required to ensure High Conservation Values (HCVs) are not threatened through management activities or operations, for all suppliers, in each state.

The Australian FSC HCVs Evaluation Framework (Final 3.4 March 2013) identifies and provides guidance on six (6) classes of different high conservation values. The framework specifies risks and points towards appropriate control measures for each of the six (6) classes of high conservation values. Pentarch’s DDS highlights the identified risks and control measures for addressing these values.

For Category 4 - Wood from forests being converted to plantations and non-forest use, the risk determined by the national risk assessment is low for all states except for Tasmania, which is determined as unspecified. Appendices A & B reflect the risks identified addressing category (4) and the control measures to mitigate potential risks.

5. Risk of Mixing Material with Non-Eligible Inputs

Carrying out risk assessments on all suppliers, and mitigating the risks where required, provides a method to minimise and manage the risk of sourcing material from unacceptable sources along the supply chain. This includes managing and avoiding the risks of mixing wood with unacceptable sources during handling, transportation and delivery from specific suppliers.
Generic controls that prevent mixing material with non-eligible inputs include:

- If wood material is supplied from the supplier to Pentarch that previously carried FSC claims (but was not supplied with any FSC claims), and there is no evidence of mixing with non-eligible material, this material can be accepted as controlled material input. Field verification to confirm HCV protection is not required in this instance.
- Wood is primarily supplied forest-direct to the organisation. This significantly limits the potential for mixing material with non-eligible inputs.
- A delivery docket is supplied with each delivery of wood to the organisation. The delivery docket contains information that enables the delivery to be traced to the operation number, forest coupe, supplier, harvester and haulage contractor. Information from the delivery docket is recorded in the automated electronic weighbridge system for each weighbridge transaction. The load delivery is recorded against the specific operation number. All delivery transactions are checked daily by administration and reconciled monthly.
- If wood is received from other sources such as residue woodchips from a sawmill, there is potentially a higher risk of mixing with non-eligible wood inputs. Subsequently this material supply is subjected to an annual inspection at the supplier’s premise to verify the origin of the wood and to assess the risk of mixing material with non-eligible inputs).
- If the supply carries no previous FSC claims, Pentarch shall gather information and evidence necessary to assess the origin of the material and associated risk mitigation measures employed to confirm the supply does not threaten HCV.

### 5.1. Control Measure by Process

<table>
<thead>
<tr>
<th>Risk Assessment Step</th>
<th>Hazard Identified</th>
<th>Risk Control Measures</th>
<th>Risk Level</th>
</tr>
</thead>
</table>
| Harvest of logs      | Taking wood from blocks that are not covered under the Pentarch Due Diligence System (DDS). | • Pentarch CoC Systems Manual & procedures  
• Harvest Plan and maps identify the specific compartment timber is harvested from.  
• Only plantation wood is supplied under this CW system  
• Supplier audits completed to check control measures are implemented. | Low |
| Transport of logs to Log Yard/Chipping Facility | Logs not covered by DDS entering the supply chain during loading and transport. | • Pentarch CoC Systems Manual & procedures  
• Source code is used to trace each load to the forest compartment of origin.  
• A manual or e-docket is completed for all loads.  
• Logs are transported directly from forest to log yard or chipping facility.  
• Third party chip suppliers having FSC Chain of Custody certification provide Pentarch with a copy of their FSC CoC certificate. | Low |
<p>| Storage and processing of logs at Log Yard/Chipping Facility | Logs not covered by DDS entering the supply chain during storage or processing. | • Pentarch CoC Systems Manual &amp; procedures | Low |</p>
<table>
<thead>
<tr>
<th>Risk Assessment Step</th>
<th>Hazard Identified</th>
<th>Risk Control Measures</th>
<th>Risk Level</th>
</tr>
</thead>
</table>
| Haulage of chips to Port where applicable | Woodchips from sources that are not covered under the Due Diligence System. | • Logs enter mill sites through the weighbridge where load source information is entered.  
• Logs are stored as per site procedures.  
• Only plantation material is processed.  
• Pentarch CoC Systems Manual & procedures  
• A docket is used for each load of woodchips. Loads of woodchips can be traced to place of origin to determine material input eligibility  
• This includes the chip source location. | Low       |
| Receipt of woodchip Stockpile management at Burnie | Woodchips are directed onto wrong stockpile | • Pentarch CoC Systems Manual & procedures  
• Truck drivers are inducted and issued with a port pass before being allowed to enter port.  
• Tasports have specific procedures in place to avoid product going onto incorrect stockpile | Low       |
| Ship loading | Woodchips from other stockpiles accidentally mixed | • Export woodchips are loaded from the stockpile containing Pentarch product as per TasPort procedures.  
• Dedicated conveyors are used to transport the woodchip to the ship loader.  
• Pre-shipping woodchip flow path inspection is completed and ensures there is no mixing of non-eligible material.  
• A sacrificial layer of chip between stockpiles is not loaded on woodchip vessel and is considered waste. | Low       |

6. Stakeholder Input & Complaints

Stakeholder notification and engagement is an important component of the due diligence process. Formal stakeholder consultations will take place when the DDS is first set up and subsequently only whenever a risk designation of control measure changes.

6.1. Stakeholder identification

Pentarch has an extensive stakeholder list including representatives of social and employment concerns, government agencies, forest management units, recreational forest users, local harvest operators, experts (including ecologists), non-government organisations (NGO) and local indigenous representatives. These stakeholders are selected based on their interest and involvement in the harvesting and plantation management activities, and, their geographical location relevant to the sourcing areas. Annex B of the FSC-STD-40-005 V3-1 provides a list of the types of stakeholders that should be targeted and Pentarch has a list in place based on this information.
Affected stakeholders are engaged during the process of establishing the plantation, general management of the plantation, and during the process of establishing the plan for timber harvest. Affected stakeholders generally include; neighbouring property owners, road users (private and council), recreational forest users and those with indigenous interests.

Expert consultation from government agencies and biodiversity specialists will be initiated when identifying the potential for management activities to impact on HCVs.

Where complaints are received and/or issues are identified, these will be considered and investigated by Pentarch and actioned. The Complaints procedure indicates the process that will be followed should a complaint regarding its due diligence system be received.

6.2. Stakeholder notification

Interested Stakeholders are consulted during a set period allocated to public comment. All documents required for effective consultation will be made available on the FSC Australia Website during this period. Maps outlining the supply areas will be made available upon request. Interested stakeholders will be provided a minimum of 6 weeks’ notice to provide comment prior to the company’s external assessment of the effectiveness of its risk assessment and control measures.

If there is a requirement to publish the comments stakeholders will be asked to provide their consent to the publication of their comments.

6.3. Stakeholder engagement techniques

Initial consultation is via email to provide stakeholders with initial information. Depending on the responses, follow-up will occur with those that have taken an interest via either face to face meetings, personal contacts by phone, email, or letter. Information will also be available on the Pentarch website.

6.4. Stakeholder feedback

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

6.5. Consultation records

Records of the consultation process are maintained, including a list of stakeholders consulted and their comments, and evidence that the consultation was carried out in line with the requirements of the FSC-STD 40-005 V3-1 Standard.

6.6. Content of the report

A report will be prepared once the consultation process is completed, which will include:

- The areas for which the stakeholder consultation has been conducted (e.g. state, supply unit);
- A list of the stakeholders groups that were invited to participate in the consultation;
- A summary of the stakeholder comments received. Comments will only be published with prior consent from the consulted stakeholder and not associated with stakeholder names;
- A description of how the stakeholders’ comments have been taken into account;
e) The organisation’s justification for concluding 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.

7. Competence, Documentation & Records

Pentarch has utilised internal expertise, information obtained from government agency websites and contacts, and supplier provided information in developing control measures.

Qualifications of relevant staff conducting assessments is available upon request.

Records including supplier risk assessments and consultation responses will be kept for at least 5 years.

8. Contact Information

If there are any concerns or questions regarding this summary please contact:

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Email: notices@pentarch.com.au