

ABP Due Diligence System for Sourcing FSC Controlled Wood

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1. OVERVIEW

ABP Pty Limited (ABP) purchases plantation hardwood and softwood woodchips (*Eucalyptus globulus* and *Pinus radiata*) from a variety of external third-party suppliers in Western Australia, Victoria and South Australia. Woodchips are delivered to the ABP processing facilities - the Albany Chip Terminal and the Portland Chip Terminal - or the APEC facility through an outsourcing agreement. Woodchips are either purchased under a stumpage agreement where ABP undertake the harvesting planning and coordinate harvesting operations, or via mill-door arrangements where the supplier arranges delivery to the facility.

ABP purchases controlled material from third-party sources that do not carry an associated Forest Stewardship Council (FSC) claim (FSC Mix, FSC Controlled Wood or FSC 100%). For controlled material to be mixed with FSC-certified product and/or for ABP to sell the material as FSC Controlled Wood, ABP must implement a due diligence system (DDS). A DDS is a set of procedures and processes that mitigates the risk of ABP purchasing material originating from unacceptable sources as defined by the FSC.

This manual has been designed to meet the requirements of FSC-STD-40-005 v3.1 *Requirements for Sourcing FSC Controlled Wood*. This procedure sits within the broader chain of custody framework which is detailed in the ABP procedure **Parts II and III Chain of Custody Standard for Forest Managers and Chip Facilities**.

2. DUE DILIGENCE SYSTEM

A Due Diligence System (DDS) as it relates to the FSC is a set of procedures and processes for ensuring an organisation avoids trading in wood from one or more of the categories of unacceptable sources.

FSC define unacceptable sources as controlled wood categories 1-5 as follows:

1. illegally harvested wood;
2. wood harvested in violation of traditional and human rights;
3. wood from which high conservation values are threatened by management activities;
4. wood from forests which are being converted to plantations or non-forest use; and
5. wood from which genetically modified trees are planted

There are three core components to ABP's DDS:

1. obtaining information from ABP's supply chain (Section 3).
2. assessing the risk of origin and supply mixing (Section 4).
3. mitigating identified unspecified/specified risk (Section 5).

ABP must internally audit and review its DDS on a minimum annual basis and whenever there are any significant changes to supplies that can impact upon the DDS. This process is covered in Section 6.

The quality components covering documentation, competence, records, complaints mechanism, and publicly available information is covered in Section 7.

ABP is required to grant their certification body and Accreditation Services International access to evidence of conformity with the FSC standards. This may include access to documents, records, outsourcing facilities, suppliers and sub-suppliers and supply units. Suppliers are informed of this requirement via the *Supplier Information Letter* as described in Section 3.2.

3. OBTAINING INFORMATION REGARDING SUPPLY CHAIN

3.1 Defining the Supply Chain

Wood fibre supply is organised by ABP from the following sources:

- infield woodchip material delivered directly to ACT, PCT or APEC under the harvest planning and management of ABP;
- roundwood logs under the harvest planning and management of ABP delivered to South West Fibre;
- hardwood and softwood woodchips sold directly to customers;

- softwood woodchips harvested and delivered to the PCT from various large forest managers (e.g. OneFortyOne Plantations, GTFP); and
- softwood woodchip purchased from primary processors (co-product input) delivered to the PCT.

Appendix 1 is an overview of ABP's entire supply chain.

3.2 Obtaining Supplier Information

Prior to purchasing or receiving material from a new supplier (mill-door and stumpage), ABP maintains supplier information in the **Supplier List**, as follows:

- name and address of the supplier
- details of sub-suppliers to the forest manager level
- volume of material purchased (or to be supplied)
- description of the product (e.g. woodchip, roundwood)
- species of material supplied
- purchase documentation – (retained separately)
- evidence of origin

ABP only source within Australia (they do not import material) so there is only one applicable risk assessment: *FSC-CWRA-001-AUS version 1 2009*. As ABP do not import material the country of origin is not required for each supplier.

For all mill-door sales ABP will send a **Supplier Information Letter**, which outlines ABP's and the supplier's obligations to meet the requirements of the standard. This must be completed and returned to ABP by the supplier.

The **Supplier Information Letter** outlines the responsibility of the supplier to inform ABP of any changes to their business that could have potential consequences for ABP's DDS as well as informing them of their obligation to grant access to ABP's certification body and ASI to supply units, supplier premises and documentation. Changes that could have potential consequences include sourcing material from new forest managers or processors, harvesting outside of their defined forest area, changes to the areas where material is sourced, or significant changes to their management systems.

ABP must verify the authenticity of the supplied information through their risk mitigation measures.

3.3 Evidence of the origin

ABP maintains the following documentation to verify the origin of material:

- proof of purchase from the supply unit of origin;
- wood supply contracts with third parties;
- unique identity code / traceability Operation Numbers created for planned plantation harvest operations;
- transport and delivery documentation / dockets;
- RCTI / invoicing system;
- ABP CLMS system captures data with respect to each delivery received at each processing facility and reconciled;

ABP verifies the authenticity of transport / delivery documentation daily with data obtained from the weighbridges with all the information validated and reconciled. Other documentation is verified through the risk mitigation measures described in Section 5.

4. RISK ASSESSMENT

There are two types of risk assessment required. Firstly, the risk of material coming from unacceptable sources (controlled wood categories) in terms of the origin must be assessed using one of the four FSC-described types of risk assessment. The order of risk assessment type in terms of preference for use includes a National Risk

Assessment (old or new), Centralised Risk Assessment, Extended Risk Assessment, and Company Risk Assessment.

The second risk assessment assesses the risk of material mixing with unacceptable sources during transport, processing and storage and must be assessed by the organisation for their supply chain. Risk control measures are required where there is unspecified risk for any of the controlled wood categories, or there is a risk of mixing controlled material with ineligible sources in the supply chain.

4.1 FSC Risk Assessment on the Origin

ABP is required to use the results of approved National or Centralised National Risk Assessments and align their DDS within 6 months of approval of a new NRA or CNRAs. A new NRA or CNRA classifies controlled wood categories as either low risk or specified risk. Australia is still operating under an 'old NRA' and is permitted to do so until December 2018. The 'old NRA' identifies low risk and unspecified risk for each controlled wood category for a defined area. The results of this old NRA are as follows:

For Western Australia, South Australia and Victoria, the Australian NRA identified 'low risk' for controlled wood categories:

- 1- Illegally harvested wood (this will change to 'specified risk' from 1st January 2018 under the draft CNRA)
- 2- Areas where traditional and civil rights are being violated.
- 4- Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest use.
- 5- Wood from forests in which genetically modified trees were planted.

And unspecified risk for category:

- 3- Wood harvested from forests in which high conservation values (HCVs) are threatened by management activities.

Wherever there is identified unspecified risk, the organisation must implement risk mitigation measures. Material cannot be accepted until the minimum control measures are implemented. Refer to Section 5.

4.2 FSC Risk Assessment for Mixing

ABP are required to assess the risk of non-eligible inputs entering their supply chain during transport, processing or storage. The following table illustrates the process in the supply chains, current or inherent risk mitigation measures, level of risk, additional controls for potential risk, residual risk level, and evidence to demonstrate compliance.

Process	Current Risk Mitigation Measures	Risk	Additional Risk Mitigation	Residual Risk	Evidence
Transport of softwood woodchip directly from forest (OFO, GTFP)	<ul style="list-style-type: none"> • All woodchip loads are transported directly from the forest. • Every harvest operation is authorised by ABP through the notification or issuance of a Licence or Operation Number (depending on region) this identifies the origin. 	LOW	Field verification audits at supply unit confirm required documentation.	LOW	Delivery documentation with required information. Field verification audit reports.
Transport/ storage of woodchip to Portland Chip Terminal / Albany Chip Terminal	<ul style="list-style-type: none"> • Material transported directly from forest with transport documentation. • FSC certified facilities. • Only accept FSC certified material or controlled material through ABP's DDS. 	Potential (if facility accepts non-certified material outside of	Training of port managers in chain of custody procedures.	LOW	Transport documentation. Training records. CLMS data records origin.

Process	Current Risk Mitigation Measures	Risk	Additional Risk Mitigation	Residual Risk	Evidence
directly from forest		ABP's DDS)			
Transport/storage of woodchip to APEC	<ul style="list-style-type: none"> FSC certified facility Operate under outsourcing agreement with ABP. 	Potential (if facility's FSC certificate expires or is suspended)	Biannual certificate validation to ensure facilities have a current FSC certificate.	LOW	Certificate validation records.
Processing/purchase of co-product material from non-certified suppliers (e.g. Whiteheads)	<ul style="list-style-type: none"> Only processing single species plantation product (Radiata Pine) 	High (if unable to determine origin of material)	<i>Supplier Information Letters</i> Maintain <i>Supplier List</i> to origin of material and forest manager level Supply premises audits	LOW	Returned <i>Supplier Information letters</i> <i>Supplier List</i> <i>Supplier Premises Audit</i> reports

5. RISK MITIGATION / CONTROL MEASURES

Due to the 'unspecified risk' designation for controlled wood category 3, risk mitigation measures must be implemented. There are two mandatory control measures ABP must use for unspecified risk for category 3. This includes the use of an "expert" to confirm the adequacy of control measures (Section 5.2) and stakeholder consultation (Section 5.4). In addition, when developing control measures, ABP must use FSC approved guidance documents developed for the country, which for Australia is the *HCV Evaluation Framework*. This has been consulted when developing the control measures: **HCV Assessment Template for Controlled Wood** and **HCV Systems and Field Supply Unit Audit Form**. In addition the HCV utilises the HCV categories as defined in the [High Conservation Value Forest Toolkit](#)

There are control measures that are implicit in the operation. For example, ABP only source from plantations so HCVs are not being directly harvested. There are however other management activities that could potentially impact on HCVs that are contained in the property boundary (usually within the remnant native vegetation) that need to be assessed. The types of activities that could present a risk depend on the specific HCV that is to be protected, however, generally the following are examples of threatening processes in a plantation context:

- lack of fire prevention strategies (including machinery malignance, firefighting resources);
- poor soil management practices that increases sedimentation run off;
- poor machinery and vehicle hygiene practices (spreading weeds and dieback);
- poorly planned harvesting operations;
- mechanical damage to HCVs;
- vehicle or machinery access through HCVs; and
- not taking sufficient measures to prevent illegal harvesting of HCVs (such as fire wood cutting).

A summary of the control measure and desired outcome is summarised in Section 5.5. The risk mitigation measures for mixing are stated in Section 4.2 and described further in Section 5.

5.1 HCV Assessments, Timber Harvest Plans and QA Assessments for ABP harvesting operations

ABP enter into stumpage sales that supply the Albany Chip Terminal, and from time to time, the Portland Chip Terminal. In these instances, ABP undertake all the harvest planning, operations and supervision. Part of the harvest planning process is to complete a HCV assessment for the property using the template **HCV Assessment Template for Controlled Wood**. The Environment Manager is responsible for completing the assessment. The assessment is kept on file and relevant information transferred to the **Timber Harvest Plan**. Monitoring of forest

operations is undertaken using a **QA Harvesting Inspection Form**, which checks that no HCVs are being harmed by management activities.

5.2 Expert Opinion

ABP are required to use an expert to ensure the adequacy of control measures to mitigate unspecified risk for category 3. ABP have approached Paul Koch from Greening Australia who meets the minimum expert qualification requirements in accordance with Annex C of FSC-STD-40-005 v3.1.

Paul was provided with the following documentation:

- ABP's DDS procedure (this document)
- *HCV Assessment Template for Controlled Wood*
- *HCV Systems and Field Audit of the Supply unit.*

The general findings from the expert review include:

The "ABP Due Diligence System for Sourcing FSC Controlled Wood" document was found to be generally adequate for the intended purpose, with only one minor adjustment to wording suggested.

The review of the HCV identification process identified some deficiencies in the ability for ABP to identify specific values under HCV1 and HCV 3 (eg. rare, threatened, or endemic species and threatened ecological communities), and more specifically, to then link them to harvesting activities that may negatively impact these species. The listed control measures are valid but found to be too generic to adequately address the requirements of threatened species which may be identified on 3rd party native forests. Details and recommendations are provided below in Section 5.

The processes for identifying all other HCVs (2, 4, 5 and 6) are considered sufficient from an environmental perspective.

The "HCV Systems and Field Supply Unit Audit Form" should be updated in line with the recommendations relating to HCV 1 and 3 identification and control measures.

The "Field Audit of Supplier Premises" form is considered sufficient for intended purpose.

5.3 Field audits for mill-door suppliers

ABP has developed field audits as a control measure and includes audits of the supply unit (plantation level) and audits of a supplier premises as a risk mitigation for mixing with unidentified sources.

The objectives of **field audits at the Supply Unit** is to confirm:

- HCVs (or equivalent e.g. Special Biological Diversity Values) have been adequately identified;
- HCVs are not being threatened or harmed by management activities; and
- the adequacy, relevance and effectiveness of ABP's DDS.

Field audits of the Supply Unit are undertaken by the Environment Manager (or their nominee) and shall be guided by the form **HCV Systems and Field Audit of the Supply unit.**

The objectives of a **field audit of a processing facility** is to confirm:

- only declared suppliers are delivering to the facility;
- on-site controls (e.g. weighbridge procedures);
- control measures to prevent mixing; and
- the adequacy, relevance and effectiveness of ABP's DDS.

Field audits of a suppliers' premises are undertaken by the Environment Manager (or their nominee) and shall be guided by the form **Field Audit of a Supplier Premises.**

Nominees shall have sufficient skill as attained through education and/or experience to adequately undertake field audits.

5.4 Stakeholder Consultation

Stakeholder consultation is a mandatory control measure for unspecified risk for category 3. Stakeholder consultation can also be used to demonstrate the relevance, effectiveness and adequacy of the DDS.

Stakeholder consultation must follow the requirements of Annex B in FSC-STD-40-005 V3.1. Stakeholder consultation is used to confirm that HCVs are not threatened by suppliers' management activities for the specified origin. The consultation process is as follows:

- a) ABP must identify interested and affected stakeholders in relation to the forest management activities from the defined origin.
- b) Identified stakeholders shall be notified to participate in the consultation process at least 6 weeks prior to the management activity (plantation harvesting). FSC Australia must also be notified.
- c) ABP shall provide each identified stakeholder with an email containing a letter. The letter contains the methods for identification of HCVs and the proposed control measures ABP is implementing.
- d) Within 60 days after the end of the consultation period, ABP shall respond to all stakeholders who participated in the consultation process to explain how their comments were considered, even if the comments are considered positive.
- e) ABP shall retain records of the consultation process.
- f) ABP shall prepare a summary of the consultation process, which includes:
 - a. the areas for which the stakeholder consultation has been conducted;
 - b. a summary of stakeholders contacted;
 - c. a summary of comments received. Note: comments can only be published with prior consent from the stakeholder and names shall remain anonymous;
 - d. a description of how ABP has taken comments into account;
 - e. ABP's justification for concluding that the material sourced from these areas can be used as controlled material and sold with a FSC Controlled Wood claim; and
 - f. include this in the public summary required in Section 7.2.

5.5 Summary of Control Measures

Risk Assessment Indicator	Control Measure in Place	Desired Outcome
3.1	ABP only source controlled material from already established plantations.	ABP only accepts controlled plantation material.
	ABP 'approval process' of suppliers and issuance of a unique Operations Number for each new plantation,	Only approved suppliers enter processing facilities.
	HCV assessments, Timber Harvest Plan, and QA Assessments (stumpage sales)	All ABP third-party harvesting operations identify and protect HCV 1 from threatening processes.
	Systems and Field Audits of Supply Units – mill door suppliers	Random field compliance audits by an appropriately trained ABP Representative confirm no HCVs harmed during management activities.
	Stakeholder consultation.	Stakeholders confirm the adequacy of controls.
	Expert opinion.	Expert opinion confirms the adequacy of controls.
3.2	ABP only sources controlled plantation material.	Forest management for plantations does not cause fragmentation, undue disturbance to, or

Risk Assessment Indicator	Control Measure in Place	Desired Outcome
		net loss of native vegetation within large landscape forests.
3.3	ABP only sources controlled material from established plantations.	ABP only accepts controlled plantation material.
	HCV assessments, Timber Harvest Plan, and QA Assessments (stumpage sales)	All ABP third-party harvesting operations identify and protect HCV 3 from threatening processes.
	Systems and Field Audits of Supply Units – mill door suppliers	Random field compliance audits by an appropriately trained ABP Representative confirm no HCV 3 is harmed during management activities.
	Stakeholder consultation.	Stakeholders confirm the adequacy of controls.
	Expert Opinion.	Expert opinion confirms the adequacy of controls.
3.4	ABP only sources controlled material from established plantations.	ABP only accepts controlled plantation material.
	Field Audits of Supply Units.	Field compliance audits confirm no HCVs harmed during management activities.
	Stakeholder consultation.	Stakeholders confirm the adequacy of controls.
	Expert Opinion.	Expert opinion confirms the adequacy of controls.
3.5	ABP only source controlled wood from plantations.	Stakeholder consultation confirms that consent has been given by locals who depend on the forest area for basic needs.
	Stakeholder communication.	NOTE: This is very unlikely to occur in Australia as plantations are established on freehold land.
3.6	HCV assessments, Timber Harvest Plan, and QA Assessments (stumpage sales).	All ABP third-party harvesting operations identify and protect HCV 6 from threatening processes.
	Systems and Field Audits of Supply Units.	Field compliance audits confirm no HCV 6 has been harmed during management activities.
	Stakeholder communication.	Stakeholders confirm the adequacy of controls to protect sites and objects of cultural significance. Specifically, Aboriginal Heritage Tasmania manages the Aboriginal Heritage Register system of using the Aboriginal Heritage Property Search website.

6. INTERNAL AUDIT AND REVIEW

6.1 Internal Audit

ABP is required to internally audit the DDS at least annually to ensure it is being implemented correctly. ABP shall use an experienced auditor to undertake the audit. The audit must document the date/s, scope, staff, and details of any issues. Field audits and supplier premises audits can be used to ensure effectiveness of the DDS.

If the audit reveals the DDS is ineffective, the issue must be corrected within 12 months. If the ineffectiveness could lead to unacceptable sources entering the supply chain, then the supplier must be suspended from further supply until the issues are rectified.

Internal audits must be scheduled in the **Audit Schedule** with the auditor name and audit scope.

6.2 Management Review

Following the internal audit, management shall undertake a thorough review of the DDS to ensure it is relevant, adequate and effective at avoiding unacceptable sources. This is to occur at least annually and at any time there is a significant change that could impact the DDS, including a change to:

- suppliers;
- supply areas;
- control measures; and
- risk assessment.

The review shall be undertaken by the Environment Manager and other management representatives. The review can use the following means to verify effectiveness, relevance, and adequacy:

- onsite / field verification (or results of);
- document verification and review;
- stakeholder consultation and interview.

Ongoing control measures implemented under Section 5 can be used for the review. The conclusions of the review shall be used to revise the DDS. If there is identified ineffectiveness, changes shall be implemented depending on the identified deficiency. Examples may include more frequent field verifications, changes to supplier approval processes, changes to the risk assessment, including different stakeholders in consultation, engaging a different expert etc.

7. QUALITY MANAGEMENT

7.1 Competence, procedures and records

The management representative that has overall responsibility for the compliance with applicable requirements of the FSC Controlled Wood standard is the Environmental Manager.

The Environmental Manager shall undergo initial training provided by an external consultant and will then train relevant staff to ensure they can carry out their responsibilities to achieve compliance with applicable requirements.

Records relevant to implementing this procedure (and chain of custody) must be maintained for a period of five years.

7.2 Public Information

ABP is required to provide their certification body with a written summary of its DDS. The required information is contained in the document **Public Summary of ABP's Due Diligence System**.

7.3 Complaints and Disputes Process

ABP has developed a complaints and disputes process as part of its **CoC** process.

ABP shall ensure that substantiated concerns provided by third parties relating to supplier compliance and legal requirements and other aspects of controversial sources are promptly investigated and, if validated, result in (re) assessment of the risks associated with the relevant supplies. "Substantiated" concerns means that the third party has provided objective evidence (e.g. documents or pictures) and / or statements reliably attributed to someone independent of the third party.

In instances of substantiated concerns, material originally excluded from the risk assessment shall undergo a risk assessment to satisfy the CoC requirements.

Complaints must be received in writing and should be supported by evidence in order to substantiate the complaint. Upon receipt of a complaint, the ABP Stakeholder Engagement Procedures will be applied, and specifically will:

- acknowledge receipt of the complaint to the complainant as soon as practicable and advise the complainant of the process;
- gather and verify all necessary information to evaluate and validate the complaint and make decision on the complaint;
- formally communicate the decision on the complaint and of the complaint handling process to the complainant; and
- ensure that any appropriate corrective and preventative actions are taken.

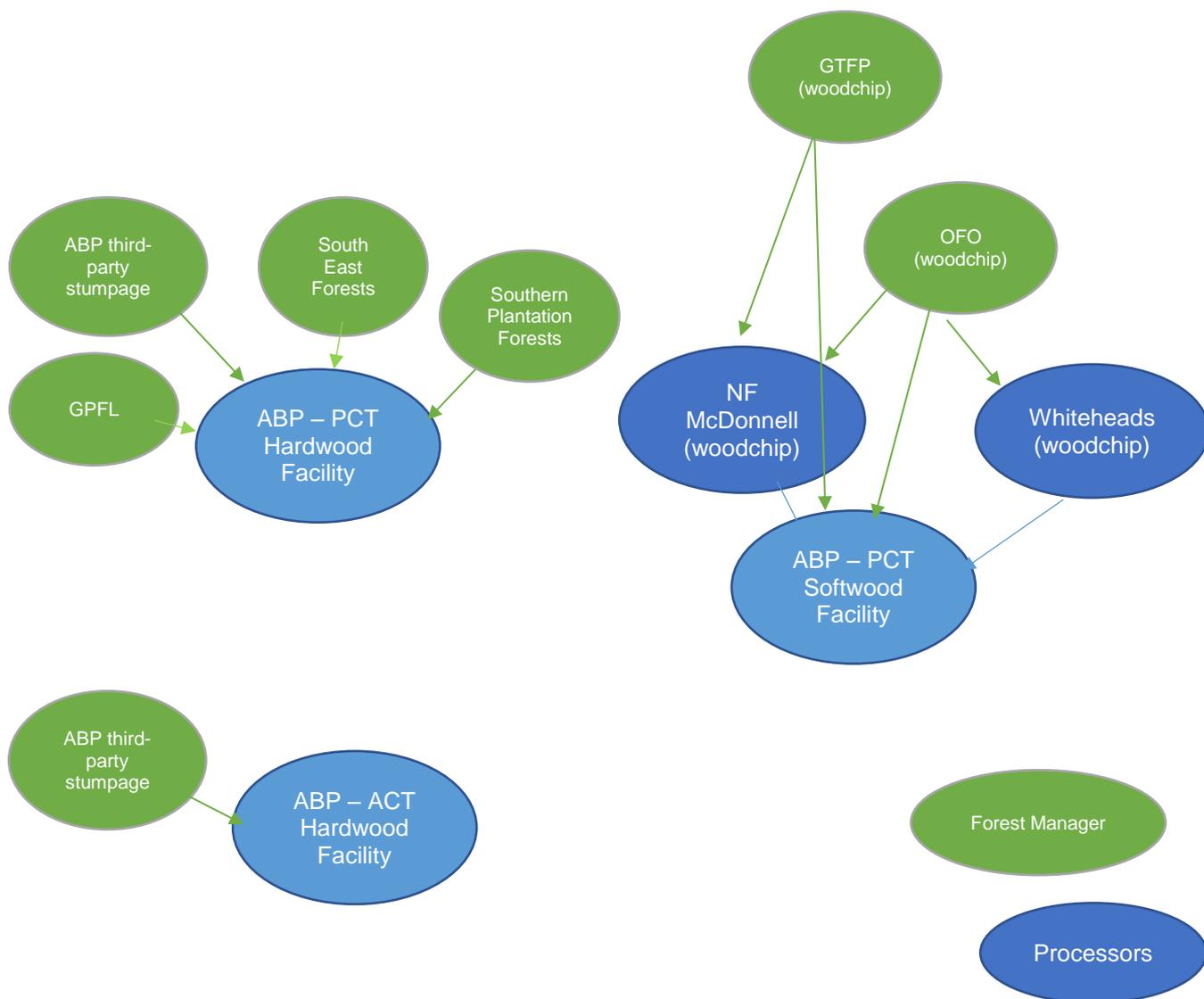
ABP must show evidence of dealing with complaints relating to wood supply. In particular:

- Complaints relating to wood supplies and the CoC process must be documented and recorded into the ABP Management System Incident Reporting database. The evidence provided by the complainant must be assessed within 2 weeks of the complaint.
- Where required, an incident investigation will be undertaken within 2 months of receipt of the complaint (field verification of cases in which evidence is considered relevant or substantiated).
- Prior to being included back on the **Suppliers List**, evidence from suppliers must be provided, reviewed and retained (where applicable) illustrating compliance with FSC Controlled Wood requirements through field audit.
- If suppliers are found in breach of the FSC Controlled Wood requirements, evidence must be retained that the supplies and supplier is excluded from the **Suppliers List**. At this point, products will be suspended from the supplier until risk mitigation measures have been implemented.
- Details of all complaints received and actions taken will be maintained and recorded into the ABP Management System Incident Report database.
- The complainant and the Certification Body must be notified when the complaint is considered to be successfully addressed and closed (within 3 months).

ABP must inform the FSC National Office and the Certification Body (through the Environment Manager) when there is a non-compliance with FSC Controlled Wood in areas considered as low risk.

If there are frequent non-compliances with the FSC Controlled Wood requirements in areas considered low / negligible risk, ABP must review the risk assessment.

8. APPENDIX I – ABP NON-CERTIFIED SUPPLY CHAIN



9. APPENDIX II – DDS REVISION HISTORY

Approved Date	Version Number	Person reviewing	Main changes made
	1.0	External consultant	First publication