

The Pentarch Forestry P/L (Pentarch) Controlled Wood Due Diligence System (DDS) has been developed for material supplied without a Forest Stewardship Council (FSC®) certification claim. It aims to avoid and minimise the risk of sourcing wood from 'unacceptable sources' through obtaining information, assessing associated risk and mitigating the risk if required.

The FSC standard - Requirements for Sourcing FSC® Controlled Wood (FSC-STD-40-005 V3.1) outlines the requirements for a due diligence system to enable Pentarch to avoid material from unacceptable sources.

This document provides a written summary of Pentarch's due diligence system and is publicly available on request.

1. Supply Area Description

Pentarch Forestry has developed a vertically integrated business exporting in excess of 800,000 tonnes per annum of plantation softwood and hardwood woodchips and roundwood logs from Australian ports.

It is actively involved in forestry harvesting and haulage; port logistics including marshalling, storage and stevedoring; and international marketing and shipping.

Pentarch currently 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 and hardwood suppliers 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 is sourced from plantations managed by Pentarch Forestry Services as well as from State Government agencies such as Forestry Corporation of NSW and Sustainable Timber Tasmania. Other sources include privately owned plantations managed by various forest management companies including Hume Forests, PF Olsen and Primary Securities.

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

2. Risk Assessment

Risk assessments are conducted to evaluate the risk of receiving material from unacceptable sources. It verifies non-FSC-certified material as acceptable for the purpose of producing and selling FSC Controlled Wood.

All wood inputs to Pentarch chain of custody system are required to go through a due diligence process to determine if the source and/or supply chain is from acceptable sources and whether it is low risk or unspecified risk.

The first step is to determine the risk related to the origin of the material for each controlled wood category.

All material Pentarch acquires is within Australia and to meet the requirements of the FSC CW Standard, it is mandatory to use the FSC approved Centralised National Risk Assessment for Australia (FSC-CNRA-AU V1.0) to determine the risk for each of the 5 controlled wood categories.

The second step is to conduct a risk assessment to determine if the material received by Pentarch is at risk of being mixed with other sources along the supply chain that may be considered unacceptable.

2.1 Risk of Origin

Pentarch Forestry 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 risk level 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 International have recommended that this CNRA is used for CW 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 CW categories 2 – 5. The determination of risk relevant to Pentarch’s operations is shown in the table below.

Table 1. FSC National Risk Determination for Tasmania, Victoria and New South Wales

FSC CW Category	Summarised Risk Determination
1. Legality	Low
2. Civil Rights	Low
3. HCV	Unspecified* – NSW, Tas, Vic
4. Conversion	Low – NSW, Vic; Unspecified* – Tas
5. GMOs	Low

**Unspecified risk is defined as: “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”*

2.2 Risk of Mixing in Supply Chain

Pentarch needs to determine the risk of whether material received could be mixed with other wood from unacceptable or unknown sources along the supply chain including transport, processing and storage.

Each step of the supply chain needs to be assessed to determine whether there is any risk.

Because Pentarch has a relatively simple supply chain where it sources material directly from the forest, the potential for the material to be mixed with unacceptable sources is low.

Pentarch may also source wood from sawmills, who need to also go through the risk assessment process.

If the supplier already has FSC certification, no further risk assessment is required.

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.

3. Control Measures

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

The individual actions that are implemented to mitigate risk are referred to as “control measures”. A control measure is an action Pentarch shall take in order to mitigate the risk of sourcing material from unacceptable sources.



3.1. Supply chain

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.

The following table describes each step within the process and control measures that Pentarch have put in place to avoid receiving material from unacceptable sources.

Process	Potential Risk Identified	Control Measures	Risk Level
Harvest of logs	Taking wood from areas that are not covered under the Pentarch due diligence system (DDS).	<ul style="list-style-type: none"> • Pentarch CoC systems manual & procedures • Operational plan and maps identify the specific compartment timber is harvested from. • Only plantation wood is supplied • 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.	<ul style="list-style-type: none"> • 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. • Pentarch conduct search confirming certificate is still valid 	Low
Storage and processing of logs at log yard/chipping facility	Logs not covered by DDS entering the supply chain during storage or processing.	<ul style="list-style-type: none"> • Pentarch CoC systems manual & procedures • Logs enter mill sites through the weighbridge where load source information is entered via the delivery docket (barcode) into the Enterprise Resource Planning System (ERP). • Logs are stored as per site procedures. • Only plantation material is processed. 	Low

Process	Potential Risk Identified	Control Measures	Risk Level
Haulage of chips to port (Tasmania only)	Woodchips from sources that are not covered under the DDS	<ul style="list-style-type: none"> • Pentarch CoC systems manual & procedures • A manual 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 (i.e. business unit applicable to source) • Trucks go directly from where chips have been processed at Massy Greene to the port stockpile • Truck drivers are inducted and issued with a port pass before being allowed to enter port. 	Low
Stockpile management at Burnie Chip Export Terminal (BCET)	Woodchips are directed onto wrong stockpile	<ul style="list-style-type: none"> • Pentarch CoC systems manual & procedures • Tasports have specific procedures in place to prevent product going onto incorrect stockpile • TasPorts procedures are audited by Pentarch staff 	Low
Stockpile management at Eden Chip Export Terminal (ECET)	Woodchips are directed onto wrong stockpile	<ul style="list-style-type: none"> • When chipping a particular product the operator has to choose which jetslinger it goes through onto the correct stockpile. A confirmation button must be pushed before chipping commences • This is checked by the operator using cameras to see where the chips are being directed to and confirmed by the dozer operator on the stack • Hardwood plantation and Softwood plantation have totally separate chippers, conveyors and stockpile area 	Low
Ship loading at Burnie Chip Export Terminal (BCET)	Woodchips from other stockpiles accidentally mixed	<ul style="list-style-type: none"> • Export woodchips are loaded from the one stockpile containing Pentarch product as per TasPort procedures for Burnie. • Dedicated conveyors are used to transport woodchips to the ship loader. • Pre-shipping woodchip flow path inspection is completed to check there is no mixing of non-eligible material. • A sacrificial layer of chip between native forest and plantation product is not loaded on woodchip vessel and is considered waste. Is agreed to by all parties. 	Low

Process	Potential Risk Identified	Control Measures	Risk Level
Ship loading at Eden Chip Export Terminal (ECET)	Woodchips from other stockpiles accidentally mixed	<ul style="list-style-type: none"> • Dedicated conveyors are used to transport woodchips to the ship loader and directly onto the ship. • Pre-shipping woodchip flow path inspection is completed to check there is no mixing of non-eligible material. • There are dedicated chip stockpiles for softwood plantation only and hardwood plantation only. • Clear separation between FSC CW hardwood and non-certified hardwood stockpiles • Conveyors and auger pit are inspected at product changeover to clear of all previous product loaded 	Low

3.2. Origin of material

An unspecified risk has been identified within the matrix (FSC-CWRA-001-AUS) for Controlled Wood (CW) Category 3 (Wood from forests in which high conservation values are threatened by management activities) for all Australian states and for CW Category 4 (Wood from forests being converted to plantations and non-forest use) in Tasmania only. As such, Pentarch is required to develop and implement risk mitigation controls to manage the identified risks within both of these categories.

3.2.1 High Conservation Values

As the national risk assessment has indicated that the risk for CW Category 3 (High Conservation 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.

FSC Australia has produced a Directory of Information Source which is intended to be a 'live' resource. It represents a minimum set (but not the only set) of requirements of information which have been used to assist in the identification and assessment of HCVs under the FSC Australia HCVs Evaluation Framework (Final 3.4 March 2013).

The most current version of the FSC Australia Directory of Information Sources can be found at <http://au.fsc.org/high-conservation-values.208.htm>. This is used by Pentarch in the process of identifying HCVs within operations conducted by its suppliers.

The HCV Evaluation Framework 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.

Under the FSC CW Standard it is mandatory to use stakeholder consultation and expert opinion to justify the adequacy of the control measures that Pentarch has put in place.

Summary of Control Measures

Control Measure	Desired Outcome
HCV 1 - Forest areas containing globally, nationally and regionally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia)	
Source plantation timber only. Any native forest within plantation footprint to be excluded from activities	No identified HCV forest will be harvested. All wood purchased in accordance with due diligence process
Source product from forest operations that have occurred in an area that has been subject to an approved operational plan e.g. certified forest practices plan (Tas), harvest plan (NSW, timber harvesting plan (Vic)	The plan will identify any areas containing HCV1 forests and operations will be able to avoid these areas
Review of databases such as: <ul style="list-style-type: none"> the NSW Office of Environment and Heritage Bionet database, the Victorian Naturekit map-based application, the Tasmanian FPA Biodiversity Values database (BVD), to determine the possible existence of HCVs	Suppliers are identifying special values consistent with HCVs in operations plan or equivalent (i.e. Forest Practice Plan, Operational harvest plan)
HCV systems audit	Suppliers have systems in place for identification and protection of species of high significance
Consult with experts	Confirm a lack of species concentration within the supply area
Field audit to verify that species protected under the above are not harvested and HCVs have been avoided	Confirm that harvesting does not take place where species concentrations are likely to occur Confirms in the field that HCVs have been identified and there is a strong system of protection e.g. exclusion zones
During operations, if HCVs are discovered they are then protected	Suppliers have prescriptions in place in operational plans. Staff and contractors are trained to know when to stop operations to avoid HCVs
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.	
Source plantation timber only	No identified HCV forest will be harvested. All wood purchased in accordance with due diligence process
Consult with experts	Confirms that no large landscape level forests occur within suppliers' management areas
Check that no wood supply units located on the mainland or within Tasmania are within declared IFLs. (http://intactforests.org/data.ifl.html).	There is no sourcing of plantation timber from intact forest landscapes
HCV systems audit	Suppliers have systems in place for identification and protection of Intact Forest Landscapes (if any have been identified)

Control Measure	Desired Outcome
Check databases to identify whether any formal (public or private) reserves are adjacent to operational area. e.g. Tasmania's 'The List' reserve layers as part of development of FPP	Suppliers are identifying landscape values consistent with HCVs in operations plan or equivalent (i.e. FPP)
HCV 3 - Forest areas that are in or contain rare, threatened or endangered ecosystems.	
Source plantation timber only	No identified HCV forest will be harvested. All wood purchased in accordance with due diligence process
Consult with experts	Confirms the protection of endangered ecosystems within the supply area and that forest management practices implemented do not threaten these HCVs
HCV systems audit	Confirm suppliers Forest Management Plans include a review of endangered ecosystems and relevant measures have been put in place to avoid these forest areas
Pre-harvest assessment	For activities that Pentarch develop plans for, HCVs are identified and relevant prescriptions are put in place to avoid those areas
HCV field audits	Verification that any recorded locations of HCVs are marked out and are protected from activities
Staff training	Staff and contractors are trained to know when to stop operations to avoid HCVs During operations, if HCVs are discovered they are then protected Suppliers have prescriptions in place in operational plans.
HCV 4 - Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment. Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment.	
Consult stakeholders as per section 6 of Pentarch DDS	Incorporation of stakeholder advice and feedback in the protection of identified HCVs. Maintain good stakeholder relations.
HCV systems audit	Compliance to relevant state forest practices codes for soil & water protection measures
Field audit to verify location of buffer & exclusion zones	Confirm supplier has put relevant exclusion zones in place. No evidence of reduced soil & water quality sighted
HCV 5 - Forest areas fundamental to meeting basic needs of local communities (water, food, firewood, shelter, income) with no readily available alternative.	
Consult stakeholders as per section 6 of Pentarch DDS	Provides confirmation that consent has been given by locals who may depend on the forest area for basic needs. This is very unlikely in Australia

Control Measure	Desired Outcome
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).	
Consult stakeholders as per section 6 of Pentarch DDS	Confirms the forest manager has involved stakeholders and there is agreement on management prescriptions
HCV systems & audit	Compliance by suppliers to relevant state forest practices codes for cultural heritage protection measures
Field audit to verify location of buffer & exclusion zones	Confirm supplier has put relevant exclusion zones in place. No evidence of reduced soil & water quality sighted

3.2.2 Conversion of Forests

For CW 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. Control measures are summarised below

Control Measure	Desired Outcome
FSC Category Risk 4 – Avoid wood harvested from forests being converted to plantations or non-forest use	
Softwood and hardwood material is sourced from established plantations.	Only accept plantation timber Native forest/vegetation is not impacted.
Field assessment	Confirm supplier is not involved in conversion of native forest
Stakeholder consultation	Provide evidence that suppliers are not engaged in forest conversion.
Written agreements with suppliers	Commitment that material supplied is not sourced from land that has been converted into plantation from native forest

4. Complaints Procedure

Where complaints are received and/or issues are identified, these will be considered and investigated by Pentarch and actioned.

When making a complaint, stakeholders should include as much information as possible regarding its nature so that Pentarch can adequately assess and respond appropriately. Section 4.2 of the Pentarch Complaints procedure (FP COC PROC 01) indicates the process that will be followed should a complaint regarding its due diligence system be received. This procedure is available upon request.

If there are any concerns or questions regarding Pentarch's due diligence system please contact:

Erica Hansen, Certification Manager
Ph: 0264960225 Mob: 0428961332
Email: certification@pentarch.com.au

5. Stakeholder Consultation

Pentarch will be commencing stakeholder consultation relating to control measures that the Company has in place to avoid receiving wood from forests that may contain high conservation values (controlled wood category 3) in early December 2018.

This involves identifying relevant stakeholders and inviting them to complete a questionnaire. The consultation relates to the forest management activities of its suppliers for 2019. Stakeholders have 6 weeks to respond, with the closing date for comments being 16th January 2019.

All stakeholders that respond will be given replies to their correspondence and if there are any comments, how these may be taken into consideration. This will occur once the consultation process has been completed.

Comments will help Pentarch determine whether material sourced from its suppliers can be used as controlled material or sold with the FSC Controlled Wood claim.

6. Expert Engagement

Pentarch engaged EcoTas P/L in Tasmania and Local Environmental Solutions P/L in NSW to provide expert opinion on the adequacy of its control measures for Controlled Wood Category 3 – High Conservation Values (Tas & NSW) and Category 4 - Conversion (Tas only).

Mark Wapstra is a senior Scientist with EcoTas and has been providing advice to other forestry companies in Tasmania regarding risk mitigation control measures

Jim Shields of Local Environmental Solutions P/L (LES) holds a PhD in wildlife management and brings more than 30 years of experience to the ecological consulting profession. He was recently involved with FSC Controlled Wood audits with Vic Forests.

Pentarch has taken on board all suggestions and recommendations provided by these experts to clarify and enhance its due diligence system. These consultants will be further engaged to provide advice on the whether the changes made were consistent with their recommendations.

7. Summary of Supplier Verification Audits

Pentarch has conducted nine verification audits on suppliers who do not hold an existing and current FSC certificate. This was done to quantify whether the material being supplied can be considered to be controlled wood under the standard.

Of these audits there was only one issue identified as an opportunity for improvement. It was considered that although there were no HCV forests threatened by forest activities, one of the suppliers could have conducted a more detailed search for potential flora and fauna within the area. Corrective action was that the supplier has revised its procedures to take into account further consideration of these values. This will be verified at the next audit.

Stakeholder List

<u>Interest</u>	<u>Group</u>	<u>Stakeholder Name</u>	<u>Town</u>	<u>State</u>
Economic	Forest Manager/ Certificate Holder	Forico	Kings Meadows	Tas
Economic	Forest Manager	AKS Forest Solutions	Prospect	Tas
Economic	Forest Manager/ Certificate Holder	PF Olsen	Melbourne	VIC
Economic	Forest manager	Tas Land & Forests	Devonport	Tas
Economic	Forest owner	Primary Securities	Bombala	NSW
Economic	Forest owner	RMS Timberlands Australia	Launceston	Tas
Economic	Forest owner	Snowy Mountains Forests	Bombala	NSW
Economic	Forest owner	Sustainable Timber Tasmania	Hobart	Tas
Economic	State Forest Agency	Forestry Corporation of NSW (Monaro)	Bombala	NSW
Environment	Govt agency	Dept of Environment, Land & Water & Planning	Orbost	VIC
Environment	Govt agency	NSW Environmental Protection Authority	Queanbeyan	NSW
Environment	Govt agency	NSW Local Land Services	Forbes	NSW
Environment	Govt agency	NSW NPWS	Bombala	NSW
Environment	Local Community	Environment East Gippsland	Orbost	VIC
Environment	Local Community	Potoroo Palace	Wolumla	NSW
Environment	NGO	Tasmanian Conservation Trust	Hobart	Tas
Environment	NGO	Wilderness Society	Hobart	Tas
Other	FSC certified CB	Global-Mark	North Ryde	NSW
Other	FSC Expert	Environmental Consulting Options Tasmania	Lenah Valley	Tas
Other	FSC Expert	Local Environmental Solutions	Tura Beach	NSW
Other	FSC Rep	FSC Australia	Carlton	VIC
Other	Govt agency	Crown Land Services	Hobart	Tas
Other	Govt agency	NSW Dept of Industry - Plantation Assessment Unit	Moss Vale	NSW
Other	Research Institution	CSIRO - Land & Water	Townsville	Qld
Other	Research Institution	Forest & Wood Products Assoc (FWPA)	Melbourne	VIC
Other	State Forest Agency	VicForests	Orbost	VIC
Social	Forest Industry Rep	Forest Industry Association of Tasmania	Hobart	Tas
Social	Forest Industry Rep	Institute of Foresters	Macquarie	ACT
Social	Forest Industry Rep	Timber NSW	Enmore	NSW
Social	Forest Industry Rep	VAFI	Melbourne	VIC
Social	Forest workers	South East Timber Association	Eden	NSW
Social	Govt agency	Aboriginal Heritage Tasmania	Hobart	Tas
Social	Govt agency	Rural Fire Service NSW	Bega	NSW
Social	Indigenous	Eden Local Aboriginal Land Council/Two-fold Aboriginal Corporation	Eden	NSW
Social	Indigenous	Gunaikurnai Land & Waters Aboriginal Corporation	Kalimna West	VIC

<u>Interest</u>	<u>Group</u>	<u>Stakeholder Name</u>	<u>Town</u>	<u>State</u>
Social	Local Community	Australian Conservation Hunters Association	Kiah	NSW
Social	Local Community	Australian Forest Growers	Bruce	ACT
Social	Local Community	Bega Valley Shire Council	Bega	NSW
Social	Local Community	Burnie City Council	Burnie	Tas
Social	Local Community	Central Coast Council	Ulverstone	Tas
Social	Local Community	Circular Head Council	Smithton	Tas
Social	Local Community	East Gippsland Shire Council	Bairnsdale	VIC
Social	Local Community	Eden Chamber of Commerce	Eden	NSW
Social	Local Community	Orbost Chamber of Commerce	Orbost	VIC
Social	Local Community	Private Forests Tasmania	Hobart	Tas
Social	Local Community	Snowy Monaro Regional Council	Cooma	NSW
Social	Local Community	Waratah/Wynyard Council	Wynyard	Tas
Social	Local Community	Brueckner Leech Consulting	Margate	Tas
Social	Union	CFMEU	Melbourne	VIC