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## **Contract proposal for conducting controlled wood risk assessments and verification procedures to meet FSC Standard 40 005 Annex 3.**

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### **1. Introduction**

The Client is seeking to source FSC controlled wood from their suppliers. This requires a verification audit of the supplier and stakeholder engagement on that process. The requirements and process for this is laid out in FSC-STD-40-005 (V2-1) EN Standard for company evaluation of controlled wood.

This proposal is to provide The Client with a review of their risk assessment, an audit of suppliers and a stakeholder consultation process to meet the requirements of the FSC standard.

It will aim to go further and offer a completed procedure for The Client staff to follow in subsequent years. The proposal will also offer training so that The Client can self-manage the process in the future without the need for external contractors and can add new suppliers as they become available.

### **2. The Issues**

#### The standard

FSC- STD-40-005 (V2-1) EN Standard for company evaluation of controlled wood is a standard designed for use by FSC chain of custody certificate holders. It allows the certificate holder to trade controlled wood and to bring controlled wood into their process to mix with FSC pure sources.

There are several process requirements in the standard:

- A system must be in place for assessing controlled wood sources against the 5 controlled wood criteria.
- Those carrying out the assessment must have adequate experience or training.
- An initial and ongoing verification audit régime. With a defined sampling rate for forest units of similar management or in similar 'districts' supported by a rationale for that sampling rate.
- Records in place to demonstrate the robustness of the risk assessment and the audit of FMUs to the certifier.
- A disputes process.
- A demonstration that stakeholders have been consulted about the risk assessments and the verification procedures.

### The scope

Unlike full FSC certification the controlled wood supply can be from a certain part of a forest enterprise. In this case, mainly Pinus spp supplied from plantations forests.

### The system

There is a requirement in the standard for systems elements to be in place. A documented procedure would satisfy these systems requirements. This can be done as part of the reporting stage of this proposal.

### Training

The standard states that:

“Verification shall be conducted by personnel who have sufficient expertise and knowledge to be able to fulfil inspection in accordance with the outline given below”.

Therefore in order for The Client staff to conduct the written procedure in the future they need to have adequate training.

As part of this proposal The Client should nominate staff to accompany the process and some of the verification audits so that they can claim training to conduct the process themselves in the future. This does not involve any additional cost other than The Client staff time.

### The risk assessment and verification

If there is a national controlled wood risk assessment. Some of the controlled wood categories may already be low risk, but some also may be given an unspecified risk.

This means that The Client only needs to complete a risk assessment and verification audits on those categories that are unspecified risk. There is also a need to verify the system for physically separating controlled and uncontrolled wood from the FMU to the (The Client) Mill door.

In the case of areas of unspecified risk the national initiative may have published a guide on how that risk is to be dealt with. This is termed 'specified risk'. If specified risk is published it is a key document since any process published by a national initiative, even if it is only in draft form, must be taken into consideration in the process.

### The company sampling plan of FMUs

The standard states;

"The company shall classify the FMUs as sets of 'similar' units for the purpose of sampling. The sets shall be selected to minimize variability within each set. "Similarity" in the contents of this standard is meant in terms of:

- a) forest type (e.g. natural forest, plantation),
- b) geographical location (district)
- c) size of operation (e.g. SLIMF)"

"... For each set of 'similar' FMUs the company shall select at least 0.8 times the square root of the number of units for evaluation per annum".

### **A sampling plan based on the number of FMUs**

Number of FMUs in a unit	Inspection sample
1	1
2-7	2
8-11	3
12-24	3
25-39	4
40-44	5
45-56	5

If the Client gets trees from both public and private forests it makes it difficult to predict the sample size and the time needed for verification audits. This will

be determined on a case by case basis.

The indicative cost of the process is outlined below.

### 3. Indicative investment costs.

<b>Task</b>	<b>Action</b>	<b>Responsibility</b>	<b>Chargeable time</b>
<b>Prepare for and conduct the risk assessment and verification process</b>	Review the existing risk assessment for adequacy and suggest improvements to better meets the requirements of FSC STD 40 004 Annex 2	Pinnacle Quality	0.5 days
1	Meet with suppliers to conduct a review of their HCV approach for plantation operations.  Review the process of segregating Controlled wood sources to Mill door.	Pinnacle Quality desk audit with The Client (personnel in training) and suppliers	1 day including onsite and preparation time.
2.	Decide on the number of Plantation FMUs and native forestry FMUs for audit and verification purposes.	The Client , suppliers and Pinnacle Quality	Part of the same day.

3.	Audit a representative sample of controlled wood FMUs per the sampling plan to verify the risk assessment findings and to verify segregation of controlled wood.	Pinnacle Quality field audit with The Client (personnel in training).	Depending on the audit frequency and location. An assumption of 5-6 FMUs per day  The number of days is anticipated to be a minimum of 2 days depending on the sample size determined by step 2
4.	Documenting and reporting on the risk assessment and verification audits of FMUs. Write up procedures used, write a draft disputes	Pinnacle Quality	2 days
	Development of a stakeholders engagement process for controlled wood	Pinnacle Quality and The Client	Part of the same 2 days
5.	Publish the risk assessment and seek stakeholder comments e.g. via the national initiative web site and the Client's own stakeholder list. Respond to stakeholders.	The Client	There is an option for The Client to sub contract this to Pinnacle Quality.  The time line for this stakeholder consultation process is at least 45 days.
TRAVEL Time		Pinnacle Quality	1day (charged at 50%)

Pinnacle Quality will charge an hourly rate of A\$180 per hour ex GST but this will capped at a maximum of A\$1500 ex GST per day to avoid time over runs e.g. on days with excessive out of business hours travel. Travel time is charged at 50% of the daily rate.

Travel and accommodation will be additional expenses charged at cost and must be agreed with the Client before being undertaken.

Mileage will be charged at 68c ex GST per km.  
All other incidental expenses will be at cost.

All time and expenses will be charged on the last day of the calendar month with payment on 14 day terms.

#### **4 Outcome**

At the end of this process The Client will have a controlled wood system that is ready for audit. They will also have trained staff who can self manage the process in house in the future and add other suppliers of controlled wood using the same process.