

PEFC ST 2002:2013
Second Edition
Annual Audit Report

South Wood Export Ltd
30 July 2020



**AsureQuality Limited PEFC ST 2002:2013 Second Edition
Programme Audit Report**

Organization Name:	Southwood Export Ltd (SWEL)
Address:	45 Kekeno Place, Awarua, Invercargill
Type of Assessment:	Surveillance audit.
Scope of Assessment:	The purpose of this report is to document annual audit conformance of Southwood Export Ltd, hereafter referred to as SWEL. The report presents the findings of AsureQuality auditors who have evaluated organization systems and performance against chain of custody standard to meet the requirements of PEFC ST 2002:2013 Second Edition – Chain of Custody of Forest Based Products.

Assessment Standard:	PEFC ST 2002:2013 Second Edition – Chain of Custody of Forest Based Products.
-----------------------------	--

Registration Number: AQ-PEFC/CoC-100717

Conditions to be cleared by: Addis Tsehaye

Assessor: Addis Tsehaye

Date of Assessment: 30/07/2020

Report written by: Addis Tsehaye

Signature:



Date: 10/08/2020

Reviewed By: Allen Fraser

Date: 11/08/2020

Confidentiality Statement

All information obtained during this assessment will remain confidential to your organization and AsureQuality. No information will be released to any other party except with your express permission in writing. The report must not be copied in part unless with the permission of the Customer or AsureQuality

Introduction

This audit was carried out to assess the status of your management systems against the nominated standards PEFC ST 2002:2013 Second Edition. The assessment was carried out, in accordance with internationally recognised management system auditing practices against the scope stated in the report.

The assessor may have reported findings verbally, in comments to guides or in the closing meeting, for example, or formally in this report. Findings reported in this report will be identified as Non-conformances (C) or Observations (Obs). Non-conformances are elements that require corrective action to comply with the nominated standard(s) or Operator internal requirements. A timeframe for addressing non-conformances will be agreed during the audit and is shown in this report. Observations are not mandatory but are items you are urged to consider in the interest of good management practice.

The duration and scope of an assessment prevents assessors from covering all aspects of the business especially in relation to Occupational Safety and Health. The auditee remains responsible for regulatory and legal compliance of this system.

Although it is regarded as a final document the customer should review the report and comment as appropriate. Should there be a conflict relating to the contents AsureQuality is willing to discuss and amend the report providing the integrity of the findings is not compromised

Certification and/or Registration may not be granted or continued until all noted non-conformances have been appropriately addressed to the satisfaction of AsureQuality.

Summary

Executive Summary

SWEL have established a chain of custody (CoC) system that complies with all of the requirements of the PEFC Standard (PEFC ST 2002:2013). The organization operates a Due Diligence System which is based on risk management techniques to minimise the risk that material originates from controversial sources. The identification and traceability of supplier information from the forest to its weighbridge can be followed through its log docket and this meets the requirements of the standards. This reassessment raised no NCs and identified no Observations. It is the conclusion of the auditor that SWEL complies with the requirements of the standard.

General Requirements

SWEL have established a chain of custody (CoC) procedure (Exhibit 1) and other necessary procedures that comply with the requirements of the PEFC Standard (PEFC ST 2002:2013). At present the organization sources Eucalyptus log inputs from the Southland Plantation Forests Ltd (SPFL), from its own (SWEL's) forests and from Kodansha Treefarm New Zealand Limited (KTNZ) forests. All the three forests are managed by SWEL and certified under its NZS AS 4708 'Sustainable Forest Management. The organization have not sourced logs or wood chip from other suppliers.

SWEL is also accredited to the Forest Stewardship Council (FSC) for Chain of custody and the process has been in place for many years. SWEL has developed a Due

Diligence System which is based on risk management techniques to minimise the risk that material originates from the five controversial sources: (1) Illegally harvested wood; (2) Wood harvested in violation of traditional and human rights; (3) Wood from forests in which high conservation values are threatened by management activities; (4) Wood from forests being converted to plantations and non-forest use; and (5) Wood from forests in which genetically modified trees are planted. As the organization is certified against the FSC Controlled Wood Standard (FSC-STD-40-005 V2-1) it has adopted the FSC NZ Controlled Wood Risk Assessment. Hence based on its experience with the FSC system the organization has implemented the DDS for all its log inputs covered by the PEFC CoC Standard. The DDS is fully supported by its comprehensive and well-developed management system.

Identification of the material, category of material/products

SWEL identifies supplier information from its log docket as per the requirements of Sections 4.1.1 and 4.1.2. At present the log docket (Exhibit 2) contain information including the following: supplier's name, products supplied, quantity received (by volume or weight) and date of delivery. Also, the auditor confirmed that the log docket include information related to the PEFC claim such as: (a) the formal claim on the material category (percentage of certified material) and (b) the identifier of the supplier's forest management certificate or other document confirming the supplier's certified status.

The daily log tonnage received by the organization and the monthly log input summary spreadsheet identifies the material as either certified or non-certified. The log docket and invoices confirm the suppliers' certification status.

Minimum Due diligence system

As shown above, SWEL operates a Due Diligence System which is based on risk management techniques to minimise the risk that material originates from the five controversial sources (see procedure on p.7 of the DCS, Exhibit 1). The DDS is fully supported by the organization's comprehensive and well-developed management system. In its updated DDS the organization have addressed the 'General Requirements' (Section 5.1) of the Standard.

SWEL has also supplied its 'PEFC DDS – Wood Source Risk Assessment' (See Exhibit 4). This document meets the requirements outlined in Section 5.2.1 of the Standard (related to gathering information). The General Information section of the document describes who the forest owner is; the location of the forest; the forest type and species if a resource consent is required by the local Government and whether affected neighbours and stakeholders were consulted. Also, the document outlines the six (6) unacceptable conditions of sourcing defined by PEFC. The General Manager confirmed that SWEL haven't received non-PEFC certified inputs during the audit period.

SWEL's complaints procedure (Refer to the DCS p.8, Exhibit 1) fully addresses the requirements of Section 5.4 of the standard.

SWEL has a procedure in place for implementing corrective measures for non-compliant supplies identified through its own verification programme (refer to p.2 of the DCS, Exhibit 1). Regarding any substantiated comments and complaints, the organization have addressed the requirements of Section 5.5.4.1 of the standard and the range of corrective measures as defined in Section 5.5.4.2 of the Standard. It should be noted there were no comments or complaints from stakeholders. The

organization has also identified the indicators as defined in Section 5.3.5 of the Standard (Table 1: List of indicators for “low” likelihood on origin and supply chain level (negligible risk)).

Chain of custody method

As per the requirements of Section 6.1.1 of the Standard the organization have identified the Simple Percentage method by which they have implement the CoC (See p.10 of the DCS, Exhibit 1). The organization has also presented its product group (See p.11 of the DCS, Exhibit 1). The product group specifies a group of products including logs and woodchip (both certified and other) as defined in Section 6.3.2.2 of the Standard. The product group inputs/outputs will be controlled via the ‘Daily Chip/Log Inputs’ spreadsheet input from the weighbridge (Exhibit 5) and the “Credit Account Management’ system (Exhibit 6) using a monthly claim period.

As per the requirement to Section 6.3.1.1 of the Standard the organization have defined correctly the percentage-based method of the chain of custody to be applied in its system as mixing of certified logs/woodchip with other material categories (logs/ woodchip). Also, the organization have presented inputs and outputs on the product group list correctly.

Related to Section 6.3.4.1.1 of the Standard the organization have chosen the simple percentage method to calculate the certification percentage for all the products covered by the product group for which the calculation has been made and applied the correct calculation method (see p.10 of the DCS, Exhibit 1).

Sale and communication on claimed products

SWEL have documented the requirements outlined in Sections 7.1.1, 7.1.2 and 7.1.3 as follows:

(a) In relation to Section 7.1.1, SWEL have documented in their manual, and implemented the provision of access to a copy of the chain of custody certificate to customers; and inform customers about any changes in the scope of their CoC certification;

(b) In relation to 7.1.2, SWEL have documented in their manual and identified all the documents associated with the delivery of all sold/transferred products; and document(s) including the formal claim issued to their customers; and

(c) In relation to 7.1.3, SWEL have documented in its manual and included the following in the sales invoices (see Exhibit 7):

- (a) customer identification,
- (b) supplier identification,
- (c) product(s) identification,
- (d) quantity of delivery for each product covered by the documentation,
- (e) date of delivery / delivery period / accounting period,
- (f) the formal claim on the material category (including percentage of certified material) specifically for each claimed product covered by the document, as applicable,
- (g) the identifier of the supplier’s chain of custody certificate or other document confirming the supplier’s certified status.

Minimum management system requirements

The Organization's procedure (p.2 of the DCS, Exhibit 1) defines its commitment to implement and maintain the chain of custody requirements and to fully comply with the PEFC Standard, and this commitment has not been made available publicly the organization's website (<http://www.swel.co.nz/pefc.html>). Organization has appointed Mr Graeme Manley, General Manager of SWEL to have overall responsibility and authority for the COC system management. The organization have defined the periodic management review to be carried out as per the requirements of Section 8.2.1.3 of the Standard (refer to page 2, Exhibit 1). The responsible personnel performing activities are also identified within the organization's updated procedure (refer to pages 2 and 11) as per the requirements of Section 8.2.2 of the Standard. The organization have implemented internal audit as per the requirement of Section 8.6.1 of the Standard. The internal audit record shows the audit was completed on the 1st of April 2020.

Social, Health and Safety Requirements in Chain of Custody

SWEL has a comprehensive documented Health and Safety Policy. The documents reviewed during the audit confirm the organization is fully committed to providing a safe working environment for all its employees, contractors and visitors. The Mill Operation Manager is the appointed person to call monthly H&S Management meetings. Training is provided on a regular basis and recorded. Employees are supplied with appropriate PPE and hazard IDs emergency exits are displayed on the walls within the processing lines and the Chip Stockpile Office at the Bluff Port.

Audit Finding and Required Action

The findings are identified as either Non-conformities (NC) or Observations (O). Non-conformities require actions that are considered necessary to correct omissions/deficiencies and meet the requirements of compliance standards. They are categorised as follows:

Major Actions or inactions that if not attended to urgently will lead to a total loss in confidence in the ability of the manufacturer to meet the requirements of the standards.

Major Non Conformances must not exceed 3 months.

Minor An audit finding that reveals an isolated incident of Non Conformance that has no direct impact on the integrity of the product.

Minor Non Conformance shall be closed prior to the next audit.

Observation A finding of the audit which does not constitute a non conformance, but which if not addressed may lead to a non conformance in future audits.

An expected timeframe for addressing non-conformity will have been agreed during the audit and is shown in the assessment findings table. When the non-conformity (ies) has been addressed to the satisfaction of the assessor you will be issued with a statement of compliance.

Observations do not require responses but may assist in the overall improvement of your systems.

NC or Obs	Audit Finding and Required Action	Due By	Completed Date	Auditor Signature
------------------	--	---------------	-----------------------	--------------------------

Report ends

Helping Aotearoa
shape a better food world

AsureQuality Limited
Level 1, 7a Pacific Rise, Mt Wellington 1060
Private Bag 14 946, Panmure, Auckland 1741, New Zealand

+64 9 573 8000
asurequality.com