

Ocolul Silvic Privat Brasov (OSP Brasov)

# Due Diligence Procedure

[Sacel FME1, Romania]

[8 November 2017, VERSION 1.0]

The company has used the NEPCon template DD-12 to create their procedures manual. The text written in red has been written by the company.

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## Introduction

The objective of this procedure is to ensure that harvesting, transport and trade of timber and timber products from **Ocolul Silvic Privat Brasov (OSP Brasov)**, **Sacel FMU1** are carried out in accordance with applicable legislation.

The assurance of legality is conducted through a risk based due diligence approach, under which legal requirements are identified and potential risks of legal non-compliance in the forest management and harvesting operations are specified and where necessary, controlled by risk mitigation actions. In addition, the process includes ensuring that required legal documentation of legal compliance is available and up to date.

## Commitment to Legal Forest Management

**Ocolul Silvic Privat Brasov (OSP Brasov)** is committed to producing legal timber meeting the requirements of national applicable legislation.

## Quality System and Management

### Assignment of Responsibilities

The responsibility for different parts of the due diligence implementation and maintenance has been divided as is outlined below.

**Table 1: Division of responsibilities**

System element	Responsible Position
Overall DDS responsible person	Cristian Pop – Forest fund engineer
Training and competency development	Cristian Pop – Forest fund engineer
Maintenance of documents and procedures	Cristian Pop – Forest fund engineer
Internal monitoring and audits	Cristian Pop – Forest fund engineer
Risk assessment	Cristian Pop – Forest fund engineer
Risk mitigation	Cristian Pop – Forest fund engineer

## Training and Competence

Training is provided to all relevant staff based on this procedure covering all applicable due diligence system requirements. This assures that staff have relevant competencies to carry out their specific tasks as required for their position as well as ensuring that all due diligence requirements are met.

Training is conducted once a year or when specific training needs arise. Where applicable new staff will be introduced to this procedure as well as other relevant material and procedures before they start work.

The date of training, list of participants and brief overview of the topics covered will be documented for all training. Training of new staff is documented by signature of the staff and the date of training on a separate staff instruction sheet.

Records and documentation of training and competence development activities shall be stored on file for a minimum of 5 years.

## Due Diligence Revision Process

The overall responsible position for due diligence system maintenance shall ensure that the due diligence system is maintained, reviewed and revised as necessary on an annual basis.

## Procedures for Maintaining Records Pertaining to Certification

To enable us to monitor the due diligence system effectively, we maintain records covering all steps and elements of the DDS assessment and mitigation. Records can be available digitally or on paper and are maintained for at least 5 years.

Annex 3 is used to provide an overview of the different documents that are kept on file.

## Information and Documents

To ensure relevant and sufficient access to information about the material placed on the market by the following information is recorded:

1. The scope of the FME including all forest management units (FMUs) included in the management scope of the FME.
2. List of sub-contractors, if applicable.
3. The type of product<sup>1</sup> as well as the common and scientific name of tree species placed on the market.
4. Records of documents required for legal management and harvesting (see Annex 4).
5. Name and address of buyers (traders/operators) to whom the FME has supplied products.

## Risk Assessment

To ensure that forest management and timber harvesting operations are carried out in accordance to applicable legislation an assessment of potential risks that legal violations take place during harvesting, transport or trade of forest products is conducted using the following steps;

1. The applicable Timber Legality Risk Assessment on the NEPCon Sourcing Hub ([www.nepcon.org/sourcinghub](http://www.nepcon.org/sourcinghub)) is used as the baseline for the risk assessment. Any risks that have been specified at a national or sub-national level are included as specified risk and are evaluated at FME level, findings recorded and any potential violations of legislation addressed through mitigating actions.
2. In addition to the Timber Legality Risk Assessment on the Online Risk Platform, a risk assessment of **Sacel FMU1** managed by **Ocolul Silvic Privat Brasov (OSP Brasov)** is conducted to capture any specific risks that may not have been identified at the national or sub-national level. The risk assessment is carried out using the table in Annex 2.

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<sup>1</sup> As classified in the Combined Nomenclature set out in Annex I to Council Regulation (EEC) No 2658/87

3. Where the risk assessment concludes that there is risk of legal non-compliance in the harvest, transport or trade of forest products, a non-conformance report shall be developed for each and mitigation actions planned and implemented as described below.

## Risk Mitigation

The process of mitigating risks builds on the results of the risk assessment and identified non-conformances.

Any non-conformances are mitigated according to the following procedures (the mitigation activities are outlined in relation to each legal category in Annex 2).

In all cases where non-conformances have been specified a mitigation action plan shall be developed based on Annex 3. The plan shall be written and approved by management.

The plan and its implementation shall be reviewed regularly by the management and at minimum every six months or where applicable when significant issues related to risk of legal non-compliance occur.

The mitigation plan shall meet the following requirements:

1. Include all risks or actual non-conformances that have been specified.
2. Describe and justify findings about control measures and their effectiveness.
3. Contain clear timelines for all control measures.
4. Identification of position(s) responsible for the mitigating actions.
5. Status of the mitigation (updated on a regular basis).
6. Additional comments or follow up required.
7. All activities shall be continuously monitored.

The risk mitigation plan document in Annex 3 is used to record and keep track of risk mitigation activities.

## Monitoring

To ensure continuous evaluation of legal compliance, a monitoring programme is implemented.

The following requirements are used to ensure regular monitoring:

1. The organisation monitors performance on an overall basis annually, by verifying that this manual is being implemented according to its objective.
2. All non-conformances and corrective actions identified are recorded and filed.
3. All non-conformances shall be addressed and corrected in accordance with timelines in the risk mitigation action plan.
4. Reports of monitoring are available to potential 3<sup>rd</sup> party auditors.

# Annex 1: Timber Flow Overview and Control Point Identification

Not included in this exercise

## Annex 2: Risk Specification, Non-Conformance Findings and Control Measures

Note: For the purpose of the exercise a risk assessment has only been produced for Sacel FMU1.

Criteria and sub criteria	Description of the criteria and sub criteria	Findings and identification of risks	Proposed risk mitigation actions
1. Legal rights to harvest		<p>Guidance: for each sub-criterion briefly describe the current situation in the FMU. Where applicable, specify the risk of non-compliance and/or actual non-compliance. Also, identify the specific relevant legal requirement.</p> <p>Include the risks specified on the relevant country page on the Online Risk Platform (<a href="http://www.nepcon.org">www.nepcon.org</a>). If risks are identified on the relevant country page, the FME shall argue why each risk does not apply to them or their operations.</p>	<p>Guidance: for each sub-criterion where risk has been specified, briefly outline what actions will be taken to mitigate the risk and note how it will be verified.</p> <p>Use control measures and verifiers on the relevant country page on the Online Risk Platform (<a href="http://www.nepcon.org">www.nepcon.org</a>).</p>
1.1 Land tenure and management rights	Not included in this exercise		
1.2 Concession licenses	Not included in this exercise		
1.3 Management and harvesting planning	Any legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities.	<p><u>For Romania in general:</u></p> <p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Low risk.</p> <p><u>For the Sacel FMU1 specifically:</u></p> <p>However, we have identified Specified risk for Sacel FMU1, for the following reason:</p> <p>A Forest Management Plan (FMP) is in place, however, during the 2009 FMP development, the inventory was not conducted properly</p>	<p>Ensure that an accurate inventory of the standing stock will be conducted during the preparation of the new management plan, mainly in the compartments/sub compartments where main cuts / final cuts are planned.</p>

		<p>in the field and some discrepancies exist between timber volume in the field and the harvesting allowed in the FMP. The Annual Allowable Cut (AAC) was not updated during the preparation of the FMP.</p> <p>In case of the principal cuttings, mainly at final cuts, there is a risk that the total volume measured in the forest will not fit in the harvesting allowed in the FMP.</p> <p><b>Conclusion: Risks have been identified.</b></p>	<p>Participation in the field with the planning company representative to check the inventory in the compartments/sub compartments where main cuts / final cuts are planned.</p> <p>Implementing monitoring system in the forest for calibration of the annual growth from the forest management plan.</p> <p>Training of staff for: accurate measurement during inventory, monitoring the annual growth.</p>
4 Harvesting permits	<p>Legislation regulating the issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. It includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits.</p>	<p><u>For Romania in general:</u></p> <p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Specified risk.</p> <p>The risks identified are:</p> <ul style="list-style-type: none"> <li>- Risk of harvesting without the relevant permit, including harvested in areas outside of those for which permits do exist</li> <li>- Risk of harvesting permits being issued for areas outside the boundaries of the relevant property</li> <li>- Risk of harvesting permits for "accidental cuts" being illegally issued to mask illegal logging</li> </ul> <p><u>For the Sacel FMU1 specifically:</u></p> <p>As part of the risk assessment process review of permits and interview with neighbours to the FMU were conducted.</p>	



		<p>The interview with neighbours showed that no harvesting has taken place on their property. Furthermore, it is possible to link all timber to the applicable coupe within the forest. We have no reason to suspect that harvesting outside the allowed area has been undertaken by our staff.</p> <p>All permits for accidental cuts for the last 2 years have been reviewed. We do not exceed the average level of accidental cuts for Romania and we can justify the cuts. Please see the permits for accidental cuts in <i>exhibit 9 (this exhibit is not included in the exercise)</i>.</p> <p><b>Conclusion: LOW RISK</b></p>	
<b>2. Taxes and fees</b>			
2.1 Payment of royalties and harvesting fees	Legislation covering payment of all legally required forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue often combined with bribery of officials in charge of controlling the classification.	<p><u>For Romania in general:</u></p> <p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Specified risk.</p> <p>The risk identified is:</p> <ul style="list-style-type: none"> <li>- Risk of non-payment of private toll roads.</li> </ul> <p><u>For the Sacel FMU1 specifically:</u></p> <p>The toll roads have been paid. Receipts for payment are kept since 2014.</p> <p>Owners of the toll roads are known and we are often in communication. There are no outstanding issues.</p> <p><b>Conclusion: LOW RISK</b></p>	
2.2 Value added taxes and other sales taxes	Legislation covering different types of sales taxes which apply to the material being sold, including selling material as growing forest (standing stock sales).	<p>VAT is not applicable for the products sold.</p> <p><b>NOT APPLICABLE</b></p>	
<b>3. Timber harvesting activities</b>			
3.1 Timber harvesting regulations	Any legal requirements for harvesting techniques and technology including selective cutting, shelter wood regenerations, clear felling, transport of	<p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Specified risk.</p> <p>The risk identified is:</p>	

	timber from felling site and seasonal limitations etc. This typically includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.	<ul style="list-style-type: none"> <li>- Risk of violating harvesting requirements as a consequence of harvest certificates being issued without verification that harvesting contractors possess the prescribed equipment, machinery and adequately trained staff</li> </ul> <p><u>For the Sacel FMU1 specifically:</u></p> <p>[This has been intentionally left blank for workshop participants to fill in during Session 2 of the exercise, please fill out the table in the exercise handout]</p>	
3.2 Protected sites and species	<b>Not included in this exercise</b>		
3.3 Environmental requirements	Covers legislation related to environmental impact assessment in connection with harvesting, acceptable level for soil damage, establishment of buffer zones (e.g. along water courses, open areas, breeding sites), maintenance of retention trees on felling site, sessional limitation of harvesting time, and environmental requirements for forest machineries.	<p><u>For Romania in general:</u></p> <p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Specified risk.</p> <p>The risks identified are:</p> <ul style="list-style-type: none"> <li>- Risk of breach of environmental requirements, including but not limited to:</li> <li>- Harvesting without the required environmental approval/permit being in place</li> <li>- Violation of the environmental legislations stipulated as condition of an environmental authorization</li> <li>- Environmental authorisations issued post-harvesting</li> <li>- Environmental authorisations issued without consultation of the relevant conservation authorities</li> </ul> <p><u>For the Sacel FMU1 specifically:</u></p> <p>As part of the risk assessment process a forest audit was conducted. The audit revealed the following issues in the forest: We have identified risks referring to skidding trails and water protection. During harvesting, by using wrong skidding trails by the contractors, the water course changes its route and the water flows on the skidding trail instead of the water bed. Skidding on water streams, this affect the water quality downstream, affecting the health of fish. The machinery oil leakage is also entering in the water in case of using old machinery.</p>	

		<b>Conclusion: Risks have been identified.</b>	
3.4 Health and safety	Not included in this exercise		
3.5 Legal employment	Not included in this exercise		
4. Third parties' rights			
	Not included in this exercise	Not applicable for Romania	
5. Trade and transport			
5.1 Classification of species, quantities, qualities	Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce/avoid payment of legality prescribed taxes and fees.	<p><u>For Romania in general:</u></p> <p>Timber legality Risk Assessment for Romania on <a href="https://www.nepcon.org/sourcinghub">https://www.nepcon.org/sourcinghub</a> = Specified risk.</p> <p>The risks identified are:</p> <ul style="list-style-type: none"> <li>- Risk of inaccurate classification of timber origin</li> <li>- Risk that volume is under-estimated in the field</li> <li>- Risk of incorrect information on the origin and volume of timber along the supply chain due to a lack of verification between Volume Estimation Documents (VED) and actual harvesting results</li> </ul> <p><u>For the Sacel FMU1 specifically:</u></p> <p>We have identified cases when after harvesting, the timber volume is bigger than the volume from Volume Estimation Documents (VED).</p> <p><b>Conclusion: Risks have been identified.</b></p>	
5.2 Trade and transport	Not included in the exercise		
5.3 Offshore trading and transfer pricing	Not included in the exercise		
5.4 Custom regulations	Not included in the exercise		
5.5 CITES	Not included in the exercise		

## Annex 3: Risk Mitigation Action Plan Template

The table below contains a sample checklist to be used in managing specified risks.

[Guide: this template shall be filled in for each non-compliance or specified risk and may be included in a separate report or file]

Specific risk/non-conformance:	<p>1.3. During the development of the Forest Management Plan (FMP) in 2009, the inventory was not conducted properly in the field and some discrepancies exist between timber volume in the field and the harvesting allowed in the FMP. The Annual Allowable Cut (AAC) was not updated during the preparation of the FMP.</p> <p>In case of the principal cuttings, mainly at final cuts, there is a risk that the total volume measured in the forest will not fit in the harvesting allowed in the FMP.</p>
Responsible:	Production manager / District chief
Date of evaluation:	13 October 2017
Timeline for completion:	2019: The end of development of the new forest management plan (valid for 2019 / 2029)
Control Measures to be taken:	<p>Ensure that an accurate inventory of standing stock will be conducted during the preparation of the new management plan, mainly in the compartments/sub compartments where main cuts / final cuts are planned.</p> <p>Participation in the field with the planning company representative to check the inventory in the compartments/sub compartments where main cuts / final cuts are planned.</p> <p>Implementing monitoring system in the forest for calibration of the annual growth from the forest management plan.</p> <p>Training of staff for: accurate measurement during inventory, monitoring the annual growth.</p>
Status of actions:	To be initiated
Follow up:	Follow up during development of the inventory development
Date for next evaluation:	