

 A Brambles Company		Document Name Brambles Global Procurement Policy – Lumber Sourcing		
		Document Number G-PX-PR-011	Document Type Procedure	Business Group ✓ Pooled
Issue Date 18 March 2021	Version 1.1	Location GL	Language EN	Security Level <input type="checkbox"/> Department Only <input checked="" type="checkbox"/> Entire Business <input type="checkbox"/> Third Party Use

Brambles Global Procurement Policy Lumber Sourcing

APPROVALS

Owner:	Job Title:
Manager Approval:	Job Title:
User Manager:	Job Title:

REVISION HISTORY

Version	Description of change	Sections Affected	Release Date	Owner
-	New release	All	April 14, 2014	Denis O'Hara
1.0	Updates	All	March 26, 2019	Alessandro Caronia
1.1	Updates	1	March 18, 2021	Alessandro Caronia

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1. Description and Purpose

This policy describes the Brambles requirements which Procurement functions in all Regions must fulfill when sourcing lumber, with special focus on the sustainability of lumber sources and wood supply chain. In scope is all wood purchased by the business unit “CHEP Pallets” for the purpose of pooling wooden assets, both when this is sourced and purchased by CHEP in the form of semi-finished products (beams, boards, blocks, for repair or new production, even when sold to assembly service providers), and when this is purchased by CHEP in the form of finished products (pallets, collars, lids, etc.), according to each Regional Business Model. It covers the purchase of lumber used into new pallets and into CHEP owned and subcontracted repair service centres.

Out of scope are:

- Any lumber for MFS (manufactured for sale) business which is not part of the pooling business;
- Any trading operation;
- Any recycling business;
- Any pallet management business besides the pooling business.

The policy requires to achieve the Brambles’ 2020 Sustainability goals being:

- Source 100% of the lumber from certified sources by 2020; and
- Achieve year on year improvement toward aspirational goal of 100% Chain of Custody (CoC) certification for all lumber supply

Going past 2020, Brambles will define our new Sustainability Goals and how these will be captured by our Lumber Sourcing Strategy. Moving forward, we aim to identify opportunities to have a net positive impact as a Business. In order to do so, it is planned to define a program to explore and support Suppliers having a role in the regeneration of existing forest or afforestation of new lands.

The policy establishes the guidelines for the Global and Regional Procurement Teams on Sustainable Lumber Sourcing.

2. References

Brambles Procurement Policy for sustainable sourcing of timber is available on SharePoint. (<https://bramblesgroup.sharepoint.com/sops/Pages/Home1.aspx>)

- Global Procurement Guideline – New Supplier Approval Process
- Brambles Code of Conduct
- Global Procurement – Procedures for conducting Third-Party Due diligence

3. Definitions

Definitions are italic marked and are explained in Appendix A.

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4. Roles and Responsibilities

Role	Responsibility
Procurement Manager – Sustainability	Responsible for the lumber policy in alignment with BPLT. Specialist in the content and available to answer question of regions and liaison between Procurement and Sustainability. Will collect input for the sustainability reporting. Establishes the right tracking and meas. criteria
Regional Procurement Team	Purchases lumber for the Region and is responsible to follow the lumber policy and perform due diligence according to the policy Tracking regional performance acc. To the principles and formats established in this policy
Regional Procurement Head	Responsible for the Regional Teams and will make sure Teams are following the strategy and due diligence process.
Global Procurement VP	Responsible for the overall Procurement Strategy. Infringements of non-compliance need to be approved by Procurement VP.

Any infringement of non-compliance to this policy should be addressed and approved by Global Procurement VP.

5. Policy

The policy contains 4 major parts:

- first part provides lumber sourcing guidelines;
- the second part explains the due diligence process valid for all lumber purchases;
- the third explains the procedures required to fulfill sustainability reporting requirements; and
- the fourth defines the guidelines for the setting of metrics and targets for each Procurement Team.

5.1 Lumber Sourcing Policy

5.1.1 Supplier Policy

The Brambles Supplier Policy applies to all suppliers of lumber and pallets. Aspects of that Supplier Policy are elaborated on in this Lumber Sourcing Policy under headings such as Safety, Code of Conduct and Sustainability. A fundamental requirement is that suppliers to CHEP need to be assessed for alignment with the Supplier Policy. Procurement is responsible for assessing alignment as part of Supplier Qualification and for monitoring ongoing alignment.

5.1.2 Safety

CHEP is committed to achieving Zero Harm, meaning no injuries, no environmental damage and no human rights breaches. The Brambles Code of Conduct sets out in Schedule 7 that the CHEP policy on maintenance of a healthy and safe working environment.

Forest harvesting and milling environments have an inherent element of risk. CHEP personnel visiting supplier premises need to take particular care to ensure that they adhere to all supplier health and safety

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requirements whilst on the premises. Under no circumstances should CHEP personnel be unaccompanied during harvesting or milling site visits. CHEP personnel are required to also make their own assessment of risk at the supplier site and not expose themselves to risk outside CHEP levels of acceptability.

If a supplier's health and safety risk management is not considered to be of an acceptable standard, CHEP Procurement personnel should address this with the supplier and if appropriate action is not undertaken by the supplier, Procurement needs to consider temporary or permanent cessation of supply from that supplier.

5.1.3 Brambles Code of Conduct

The Brambles Code of Conduct provides an ethical and legal framework for all Brambles employees in the conduct of business. All procurement transactions shall be done in context of the Brambles Code of Conduct

Central to this code is the requirement for Brambles employees to be fair and above board in dealings and to avoid any conduct that can have adverse interpretation put to it. In dealing with existing or prospective suppliers, actual, potential or perceived conflicts of interest should always be avoided.

Procurement personnel are responsible for familiarisation with the Brambles Code of Conduct and for communicating the Supplier Policy set out in the Code and the corresponding compliance terms and conditions to suppliers. Communication of the Supplier Policy and the compliance terms and conditions forms part of the supplier onboarding process.

5.1.4 Obligations for CHEP Suppliers

Specific requirements of CHEP suppliers warranting mention in this Lumber Sourcing Policy are:

- Keep CHEP information confidential;
- Maintain accurate business records and report accurately;
- Comply with competition laws and other applicable laws and regulations;
- Not offer, pay or receive bribes, kickbacks or other forms of illicit payments or engage in corrupt practices;
- Not offer gifts, favours or entertainment or anything else (other than of modest value defined as less than EU75 or equivalent in any currency) that is against the law or in violation of Brambles' Gifts and Hospitality Policy;
- Not employing or making use of individuals under the age of 15, under the age of 18 in hazardous positions, or under the legal employment age, whichever is more stringent, directly or through subcontractors, and not tolerating suppliers who do;
- Comply with the applicable wage and hour laws and regulations; and
- Not use forced labour, including prison labour, indentured labour, bonded labour, military labour, slave labour, and any form of human trafficking in its own operations and those of its suppliers operate a safe and healthy work environment for all workers (whether full-time, part-time, temporary or contract labourers). Should Procurement become aware of circumstances not fulfilling these commitments, appropriate action will be taken to address the matter with the supplier or alternatively, other sourcing options will be pursued.

5.1.5 Managing Supplier Relationships

Linked to CHEP work on Global Lumber Strategy is the management of the supply base at Business, Regional & Global levels. Active management of supply relationships is essential to ensure achievement of objectives relating to:

- Continuity of lumber & pallet availability to meet market driven new pallet demand volatility;
- Adherence to quality standards; and

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- Price fluctuations.

Key elements of CHEPs supply relationship strategy are:

- Long term relationships with key suppliers;
- Sharing demand forecasts and setting ordering arrangements that support suppliers in efficient and effective management of their supply chains and milling/manufacturing facility operation;
- Periodic and transparent price review mechanisms and processes;
- Periodic Supply Relationship Meetings and site visits; and
- Quality management processes at both the supplier and CHEP facilities.

5.1.6 Supplier Qualification

CHEP Global Procurement has established a standard operating procedure addressing Qualification of Suppliers. Warranting specific mention in relation to lumber supplier qualification, CHEP will not seek to source forest products from:

- Forests or forest product suppliers where CHEP is not confident that the supplier is complying with all relevant national legislation relating to the trade in forest products;
- High-conservation-value forests where these are recognized nationally or regionally, unless these forests are progressing towards credible forest certification in a transparent and timely manner;
- Protected areas, parks or similar areas where harvesting operations are not complementary to responsible forest management;
- Forests which are in areas of armed conflict or civil unrest where there is a direct relationship between the forest products trade and the funding of such conflicts;
- To ensure these goals are achieved CHEP will:
 - Qualify and monitor suppliers of lumber; and
 - Monitor and report on the level of compliance against this policy.

5.1.7 Supplier Approval Phase

CHEP is committed to positively impact local communities and industries, and to achieve an improvement of the environments we operate in, through the support to the implementation of Sustainable Forest Management and Chain of Custody systems.

As in diverse Regions there are different levels of implementation of SFM and CoC, we are conscious that onboarding new wood Suppliers could require an interim phase where we will accept the purchase of uncertified materials, provided that none of the following requirements is breached:

- The Source is complying with local, national or international legislation, related to the following areas:
 - Forestry operations & harvesting, including conversion of forest to other use;
 - Management of areas with designated high environmental and cultural values;
 - Protected and endangered species;
 - Adequate anti-bribery and anti-corruption policies, procedures and controls;
 - Compliance with human rights, health and labour issues relating to forest industry workers;
 - Indigenous people’s property, tenure and use rights;
 - Payment of taxes and royalties;

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- The Source is not utilising genetically modified organisms;
- The Source is not converting forest to other vegetation type, including conversion of primary forest to forest plantations;
- The source forest is not a High Conservation Value;
- The source forest is not in an armed conflict zone.

Additionally, the following steps must be completed:

- We have a documented ongoing certification process (letter from Certification Body, including a reasonable timeline and preliminary audit report if available);
- We complete a:
 - detailed due diligence;
 - detailed flow chart of the wood supply chain (from forest owner to CHEP), this for each uncertified log Supplier.

Under the above requirements, and documented acknowledgment on timeline and volumes by the Global Procurement VP, Regional Procurement Team will source the materials and support the Supplier to the final approval.

These flows of materials will be considered as “non-established” and reported in a separate template for the scope of the Brambles Sustainable Lumber Sourcing Reporting.

All documents and evidence referred to these specific under-approval cases will be maintained by the Regional Procurement Team and made available for internal and external auditing requests.

5.1.8 Brambles Due Diligence Policy

Brambles has launched an enterprise-wide, risk-based due diligence programme, which screens all suppliers, including all lumber or timber suppliers, for compliance-related risks, including sanctions, money laundering, bribery and corruption, human rights and environmental risks (“Compliance Due Diligence”). The due diligence described in this Policy supplements this Compliance Due Diligence. It does not replace or supersede it.

5.1.9 Speak Up Policy

The Brambles Code of Conduct includes a Speaking Up Policy. Suppliers who may feel pressured to violate the law, this Lumber Sourcing Policy or the Brambles Code of Conduct are strongly encouraged to immediately contact either:

- local CHEP Procurement Manager/Director, or
- Brambles or CHEP contact persons listed in the Speak Up Policy
- Mr. Fernando Martinez, CHEP VP Global Procurement:
 - Phone +34 915578654
 - Mobile +34 628077817
 - Email Fernando.Martinez@chep.com
- The Speak Up hotline at www.brambles.ethicspoint.com, which provides a list of country or region-specific local or toll-free telephone numbers or a link to the available online reporting system

5.1.10 Specification

Care is required to ensure new suppliers of lumber have a full understanding of Brambles specification and quality requirements.

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All Products in scope have a specification with the sole intention to secure quality and durability of the products. During Approval phase (see 5.1.7), the products and service sourced will be verified according to all applicable materials and processes specifications, in collaboration with Quality Assurance and Product Engineering Functions.

Key matters to address with lumber suppliers in this regard are:

- The Global Lumber Specification;
- Applicable Product Engineering Approved Pallet Specification document (non-confidential elements only);
- Applicable Product Engineering supplied Approved Species Schedule for each specific pallet (select information from this document can be shared with the supplier on a need to know basis, however the full document is confidential);
- Where assembled pallets are being supplied, there is generally a Product Engineering approved Manufacturing Specification for the pallet;
- Quality assurance processes to be adhered to by the supplier and agreed processes for handling defective lumber, including components outside dimensional tolerances; and
- It is not allowed to share the list of approved species to any supplier since this is considered knowledge that provides Brambles competitive advantage.

Any change to Product Specification documentation requires prior approval in writing from CHEP Product Engineering and this may necessitate materials and/or pallet testing by or under Product Engineering supervision. The CHEP Product Development & Governance Review Process maintained by Product Engineering is the system through which Procurement and other functions request Product Engineering assistance. It is the Specification Change Request (SCR) process that needs to be followed for any changes to wooden pallets to be approved.

Special care is required to ensure we only buy approved species from approved suppliers. Changes in the mechanical properties of the lumber have significant impact on the total pallet cost. Consult Product Engineering in case of doubts on compliance to our technical specifications.

5.1.11 Chemical/Wood Treatments

Wood treatment is strictly prohibited unless approved in writing by Brambles Legal and Product Engineering or unless specified in the specifications. This includes, but is not limited to, any industry and/or government approved chemicals and methods for the prevention of stain, mould, or fungus, or preservation of any kind.

All purchases are subject to random compliance checks. Non-compliant purchases shall be blocked, and the supplier informed, and products are to be removed as soon as possible from the delivery location at the supplier's cost. CHEP reserves the right to visit or have its agent(s) visit raw material suppliers for the purpose of quality inspections and chemical treatment analysis.

5.1.12 Sustainability

Brambles is committed to source lumber from sustainable sources. Brambles' order of preference for sourcing of lumber is:

1. Procure lumber with full CoC certificate:
 - CoC Certification can be FSC, PEFC or SFI;
 - Certification can only be claimed in case there is a formal valid CoC certification received by Brambles and if transaction is completed with certified lumber (Claim and license number should be mentioned on invoice/delivery note) for more information see appendix B;

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- The objective is to enable Brambles to state that lumber purchased by Brambles for pooled pallets has been chain of custody certified. Brambles’ chain of custody certification preference does not require individual Brambles sites to be certified;
2. In the event FSC, PEFC, or SFI COC is not available, procure the lumber from Certified Sources (Forest certification). The Brambles Procurement team shall undertake actions to be able to confirm lumber is forest sourced and demonstrate the certification of the source.
 3. Where timber is procured without CoC certificate and not from Certified Sources, the Brambles Procurement team shall undertake detailed due diligence to minimise and manage risk(s) such as assuring that:
 - Procured timber does not come from illegally harvested forest resources;
 - Procured timber is not categorized as coming from Controversial Sources;
 - Procured timber does comply to our sustainability 2020 requirements;
 4. New suppliers of strategic importance without COC Certification will be given a grace period of 6 months to become fully COC Certified with FSC, PEFC or SFI and must comply to the Due Diligence requirements until full certification is achieved (See Sections 5.1.7 and 5.2).

Moving forward past 2020, Brambles will look to having a net positive impact on UN Sustainable Development Goals 13 and 15. In order to achieve this, a new criteria for the assessment of existing and new Suppliers will be implemented. This will be related to the participation of Suppliers to documented forest regeneration and afforestation projects.

The International Union for Conservation of Nature (IUCN) rating of the endangerment status of species is used by Brambles as primary guide to sustainability risk associated with tree species and ecosystems.

More information regarding certification can be found in Annex B.

5.2 Due Diligence in Lumber Sourcing

Brambles’ Due Diligence (DD) Guideline considers PEFC guidance about DD and tailors it to the Brambles’ needs. PEFC has set out a minimum Due Diligence System taking into account several governmental actions. The intention is to undertake investigation to assure that lumber purchased was not in conflict with the Brambles’ Lumber Policy. Only timber that meets Brambles DD requirements can be purchased.

Brambles Procurement shall undertake due diligence for all lumber purchasing in scope, with a higher level of DD for sources which are considered as high risk or which not CoC certified (FSC, PEFC or SFI) or which are not Certified sourced.

The regional Procurement team is responsible for determining what is the required level of due diligence for each lumber source. Regional Procurement leaders are responsible for ensuring that Regional Procurement Team received sufficient guidance and has undertaken the appropriate level of investigation and has maintained sufficient documentation to support the conclusions reached. All documents will be stored by the regional procurement departments. The regional Procurement leaders will provide written confirmation that all Due Diligence requirements have been met.

Each due diligence process exists out of 3 steps:

- Gathering information;
- Risk assessment; and
- Management of significant risk suppliers.

Appendix C and D provide guidelines to perform the due diligence process. The due diligence checklist (appendix C) is to be completed for each lumber source. The annual confirmation is only required in case of

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significant risk scenarios. In case of questions, the Procurement Manager - Sustainability will be able to provide more detailed information.

5.2.1 Gathering Information

- Commercial details of the business supplying lumber to Brambles
- Information on the supply source and supply chain through each chain step back to the forest
- Species information including common and scientific names and IUNC endangerment status
- Information on the certification status of forest resources, source mills and lumber supplied to Brambles
- Information on other forms of third-party evidence supporting Brambles DD views on the acceptability of the lumber source (e.g. Govt logging permits, Transit permits, Forestry authorisations, National accreditation schemes, permits to export, Independent audit reports etc.)

5.2.2 Risk Assessment

All timber sources need to be assessed using the risk assessment model below taking into account the origin and the supply chain.

- Supply chain: Refers to whether there is a risk of controversial lumber entering the supply chain.
- Origin: Refers to whether there is risk of controversial lumber at the origin level.

High	Likelihood on supply chain level	Significant Risk	Significant Risk
		Negligible Risk	Significant Risk
Low		Likelihood on origin level	
		Low	High

In case a lumber purchase meets one of following indicators, the purchase is considered as coming from a Significant Risk Supplier:

- CPI index of the country of the company or country of the lumber origin is 60 or less;
- Transition period is required to change CPI from 50 to 60;
- FY18: CPI index of 55 – FY19: CPI index of 60;
- Lumber is sourced from a country or a company residing in a country, which is listed as a HSBC high risk (see appendix F);
- All lumber purchases that are coming from uncertified sources;
- Lumber sourced with CoC or forest certification coming from a high-risk country;
- All situations where lumber purchases go together with possible uncertainties or doubts. Examples are:
 - Country of origin has a prevalence or armed conflict;

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- Country of origin has a low level of forest governance and law enforcement;
- Potential use of controversial sources in the country, source or supply chain;
- Evidence of illegal activity by a company in the Supply Chain;
- Use of intermediaries giving rise to limited transparency in the supply chain; and
- Tree species are not known or are unclear.

As from January 2017 onwards, Brambles cannot approve timber suppliers if they would deliver uncertified sourced lumber unless approved by Brambles CPO.

5.2.3 Management of Significant Risk Supplies

Brambles will perform a risk analysis (as described above) considering how the lumber was purchased (CoC, Certified sources or uncertified) and this for all purchases. A due diligence checklist to be used for this assessment can be found in Appendix C.

In case of negligible risk scenarios, procurement will undertake following actions:

- In addition to Compliance Due Diligence, perform basic due diligence under this Policy; and
- Check at least yearly the validity of the certification on the website of either FSC, PEFC or SFI for all necessary purchases.

In case of high-risk scenarios, Brambles is obligated to manage or minimize the risks (see 5.1.5.) sufficiently to allow Brambles to consider the situation as Negligible Risk. The Procurement team will undertake following actions:

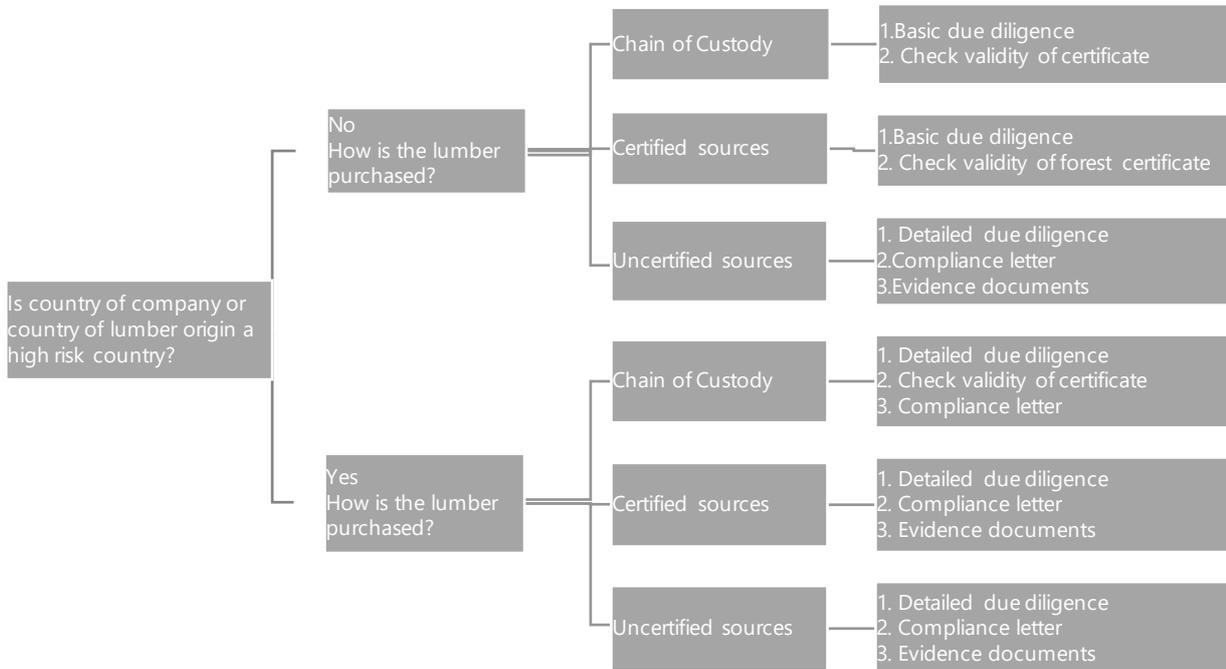
- In addition to Compliance Due Diligence, perform detailed due diligence (appendix C for checklist);
 - Understand Supply Chain from beginning to end;
- Request Supplier Acknowledgement by asking the supplier to perform a yearly update of the Lumber Sustainability Compliance letter (Appendix D);
- In case lumber is purchased with CoC certification, Check at least yearly the validity of the certification on the website of either FSC, PEFC or SFI for all necessary purchases;
- In case lumber is purchased with certified sources or under due diligence, request at least 2 documents of proof provided by a trustworthy third party (government, certification body, etc.). Examples of documents are:
 - Certification body and certification auditor reports and authorisation;
 - Government harvesting permits;
 - Enquiries of government forestry or environmental departments/bodies;
 - In case external documents are not available, the procurement team shall request additional information;
 - Forest ownership documentation;
 - Log receipt records and/or Government harvesting permits;
 - Log transport/cartage permits issued by Government;
 - Government forestry body invoices and log supply summaries;
 - Mill input and output records;
 - IUCN publications of the endangerment status of species supplied;

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- Enquiries of forest owners;
- Procurement on-site inspections and discussions – Detailed procedures and site visit notes and accompanying documentation are gathered and maintained; and
- Third party review and independently sourced evidence may be deemed necessary by Brambles.

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5.2.4 Due Diligence Work-flow – actions to take



5.3 Procedures for Sustainable Lumber Sourcing

The procurement team (with guidance of the procurement manager – sustainability) need to fulfill certain procedures and reports to provide the annual lumber sustainability reporting. This reporting is required for the Brambles sustainability report.

5.3.1 Due Diligence Process

Due Diligence needs to be undertaken for all lumber purchases in scope. The documents should be available in case external parties (KPMG, governmental instances...) ask about the procedures followed, and specific work done.

5.3.2 Reporting

Yearly, all procurement regions will be requested to report about lumber purchases in scope. Each region shall be asked to report following items

- Volumes;
- Information about lumber purchases (species and origin);
- How lumber has been purchased (CoC, Forest Certification or Due Diligence); and
- Overall sustainability summary.

Further, each region will be asked to write a yearly due diligence memorandum. The memorandum provides an overview of the due diligence work undertaken and provides a conclusion on lumber purchasing compliance with the policy.

Memorandum and reporting will be collected before the end of each fiscal year and will be audited by KPMG. The regional Procurement leader shall sign off the memorandum and check accuracy of the content. KPMG will review data and select some regions to investigate more in detail. As part of this process, they would be able to ask more information and documents. The procurement manager – sustainability can anticipate on this process by asking specific questions to the regions. Audited reports will be used to create the Brambles sustainability report.

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If required, the procurement manager- sustainability can ask for a half-yearly update about lumber purchases and if required even a quarterly update about certain purchases.

5.4 Guidelines for Targets Setting

5.4.1 Metrics

At the end of each fiscal year, the Procurement Manager – Sustainability, completes and shares with Regional Procurement Teams and VP Global Procurement a report with Regional Performances, including:

- Country (where available) Certified Sources and CoC %;
- Improvements vs previous Fiscal Year;
- Highlights (i.e.: specific Suppliers issues, action plans updates...); and
- Proposed Global target for next Fiscal Year.

The company commitment is 100% Certified Sources and the gradual increase year after year of the CoC%. The targets should be consistent with this directive in all the geographies.

5.4.2 Targets

Based on the performance of each Region, VP Global Procurement and Regional Procurement Teams will develop an action plan and define a performance target for each relevant Procurement Team member. These targets will be:

- Specific (i.e. related to a Region/Country/Supplier CS and CoC performance...);
- Measurable (i.e. volumes purchased from a specific CoC Supplier, CoC %, % CoC Suppliers);
- Actionable (i.e. it should be realistically defined according to the timing of Certification roadmaps or in line with yearly budget);
- Relevant (it shall have a sensible impact on the overall Regional performance and must be related to CS and/or CoC volumes); and
- Time-bound (it should be achievable within the closure of the related FY, or at least split into mid-term milestones).

6. Appendix

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6.1 APPENDIX A: Definitions

Chain of Custody (CoC)	Qualification of timber sourced from Certified Forest Resources through the defined point in the supply chain. It demonstrates that each step of the supply chain is closely monitored through independent auditing to ensure that unsustainable sources are excluded
Certified Sources	Forest Certification
Controversial sources	<p>Forestry certification schemes consider controversial sources of lumber as those where forest management activities are:</p> <ol style="list-style-type: none"> Not complying with local, national or international legislation, in particular related to the following areas: <ul style="list-style-type: none"> Forestry operations & harvesting, including conversion of forest to other use; Management of areas with designated high environmental and cultural values; Protected and endangered species; Health and labour issues relating to forest workers; Indigenous peoples property, tenure and use rights; and Payment of taxes and royalties. Utilising genetically modified organisms Converting forest to other vegetation type, including conversion of primary forest to forest plantations
CPI index	Corruption Perception Index http://www.transparency.org/research/cpi/overview
CPO	Chief Procurement Officer
Due Diligence for lumber purchases	The process to undertake reasonable investigation in order to have reasonable grounds to believe that the lumber purchased is not in conflict with the sourcing policy. Reasonable investigation should be viewed as being what a prudent organisation would do in the circumstances to obtain knowledge considered important to form a view that the policy is complied with
Forest certification	The qualification of a particular forest. It is a process to demonstrate sustainable forest management (SFM) and assures that forests are managed in line with environmental, social and economic requirements
FSC	Forest Stewardship Council – Organisation defining the qualification of timber sourced from Certified Forest Resources
PEFC	Programme for the Endorsement of Forest Certification schemes – Organisation defining the qualification of timber sourced from Certified Forest Resources
SFI	Sustainable Forestry Initiative – Organisation for defining the qualification of timber taking into account the unique land ownership structure of forests in NA; endorsed by PEFC

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Uncertified sources All Lumber purchased from sources which is not delivered with CoC certification (either FSC or PEFC) or which is delivered without proper evidence of Forest Certification is considered as Uncertified Sourced Lumber

6.1 APPENDIX B: Timber certifications

The objective is to progressively move to a position where all lumber purchases in scope comes from certified forest resources and carries CoC Certification. It is not the objective to claim that all wooden pool pallets are made from certified timber. Considering the life nature of the pallet pool this is not possible.

1. Chain of Custody certification

This is the qualification of timber sourced from Certified Forest Resources through to the defined point in the supply chain. Certification is lead globally by two independent non-government organisations focused on promotion of sustainable forest management through forest certification and labelling of forest-based products. Documented systems and procedures are required to be established to control the flow of logs in each part of the supply chain. Both organisations are separate and distinct. Brambles is not having a preference for one these certification schemes.

- Programme for the Endorsement of Forest Certification schemes (PEFC):

PEFC is working from a bottom up approach. PEFC starts with existing regulations, laws and norms and uses these to develop their standard. PEFC operates as an umbrella body that endorses national forest certification schemes likes for example SFI, AFS, MTCC, CERTFOR, ... These national schemes are only endorsed for a certain period.

<http://www.pefc.org/>

- Forest Stewardship Council (FSC):

FSC is working from a top down approach whereby it creates his own rules and standards.

<http://www.fsc.org/>

Suppliers carrying a CoC certification will be yearly audited by a third-party auditor. Suppliers will inform customers about their certification by using scheme certification logos and claims of certifications.

Important remarks:

- CoC certification cannot be achieved with timber sourced from uncertified forests. Preservation of CoC is only possible if each member of the supply chain purchase and sells with CoC claim;
- CoC certification doesn't need to be used for every purchase/Sell transaction. A company having a CoC certification can also do business with non-certified products; and
- Timber purchased from a certified supplier with a CoC claim does not guarantee the physical piece of timber really comes from a sustainable forest. The process is similar to the process of buying green electricity.

1.1 How to claim CoC?

Certification can only be claimed in case there is a formal CoC certification available which is valid and if transaction is completed according to CoC rules. This means that for each transaction the company should make clear on the delivery note/invoice that the purchase/sell is done with CoC products. Therefore, they need to mention their CoC license code on all documents and the CoC claim used. Further, it needs to be clear which products are sold with certification.

The Key reason for the claim information and CoC number to be included on the invoice is that invoices are accounting records which are used by CoC certified as evidence.

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CHEP suppliers sometimes have technical difficulty in recording the required COC Certification information on documentation. This situation is anticipated by FSC and they provide guidance on how this is handled. If suppliers are new or have temporary technical difficulty in adding COC numbers or other information to the invoice and delivery docs, the FSC certifier may issue a “corrective action”. The issue should be corrected within a defined term, depending on the severity of non-conformity addressed by a “corrective action”. This could be three months for Major NC (up to six months in exceptional cases approved by Certification Body), or 12 months for Minor NC. If corrective actions are not cleared within six months, they will be escalated and may result in certification being revoked.

In such cases, CHEP will accept (up to maximum of three months) off invoice/delivery docket support for the CoC claim. The off invoice/delivery docket support required is:

- Covering letter, on supplier letterhead, from senior supplier executive explaining the position and providing information on volume covered by COC Certification and particulars of the COC Certification;
- Attached to the letter, schedule of invoices, showing dates, volumes and delivery locations of the COC Certified product;
- Attached to the letter, copy of the current COC Certification applicable to product supplied; and
- Discussion/explanation of the reason why the number cannot be included on the invoice, steps being undertaken to rectify the issue and time when the number can be included.

1.2 CoC in practice – CoC claims

CoC is largely about inventory control. Companies will use a claim used provides information about the lumber purchased/sold. There are different ways to calculate the claims depending on the nature of the supply chain and the mix of raw material inputs. In general, Claims are calculated using the Percentage system or the Volume Credit system. Each certification scheme has set out his own rules for calculating the % used in the claims. Examples below explain the difference between both systems.

- Percentage system:
If 90% of all input timber at the supplier is certified sources, the supplier declares that 90% of all deliveries to all customers are from certified sources. In general, the supplier will calculate the average % to be used.
- Volume credit system:
If in a year a supplier sells 10,000m³ timber and 90% is coming from certified sources, the supplier is allowed to sell a total of 9,000m³ as CoC Mix Credit, without physically tracking the 9,000m³. This is possible as long as total quantity declared as CoC Mix Credit to its customers does not exceed 9,000m³ in a year.

Brambles is having a small preference for the volume credit system since by this system the % of the claim will be higher. The remaining part of the timber purchased without claim should always come from non-controversial sources. This is important for the company to receive its CoC Certification.

1.3 How to search a certification

FSC and PEFC require that a CoC Certified Organisation checks Certification Status of each Supplier through their respective websites. The information available is the license code of the company and the validity of the certification. It is important to know that the certification of the company is still valid in order to claim the lumber purchased as CoC. Local certification scheme personnel can provide considerable information and guidance on certification under their scheme and for Brambles’ specific circumstances.

1.4 Site certification

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To achieve the COC certification of lumber has a preference for, it is not necessary to have all sites and third-party repair/manufacturing sites certified. Brambles only needs to ensure all inwards lumber (repair and new pallet) flows are certified. That is, the lumber comes from certified forests and the lumber carries COC certification through to the point where pallets are repaired or new pallets are manufactured, unless the pallet manufacturer is sourcing their own COC certified lumber and selling the pallet to CHEP, in which case the pallets need to be COC certified at the point of sale to CHEP. Some examples provide clarity:

- A pallet manufacturer sources their own COC certified lumber and sells pallets to Brambles. The pallet manufacturer requires COC certification of the pallets sold to Brambles;
- A pallet manufacturer uses Brambles supplied COC certified lumber to manufacture pallets for Brambles on a fee for service basis. The pallet manufacturer does not require COC certification of the pallet sold to Brambles; and
- A third-party repairs Brambles' pool pallet on a fee for service basis using COC certified lumber either sourced by the third party or by Brambles. The third-party pallet repairer does not require COC certification because they are supplying CHEP with a service and not selling Brambles a pallet.

2. Forest Certification

Forest certification is the qualification of a specific forest. Forest certification is a process to demonstrate sustainable forest management (SFM).

SFM can be defined as optimizing the tangible and intangible social and economic benefits which forests can provide a community, with the goals of maintaining the functional basis of forested land, biodiversity and the options available for future generations. Three core values:

- Maintaining ecological processes within the forest;
- Maintaining biodiversity; and
- Optimising environmental, economic and social benefits.

SFM is supported by development and implementation of codes of practice for harvesting, replanting and environmental management systems.

To achieve Forest Certification the forest owner/manager must establish and maintain a forest management regime that meets the criteria and guidelines (indicators) set down by the relevant certification scheme and that regime must pass audit by an accredited scheme auditor.

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6.3 APPENDIX C: Brambles; Lumber Sourcing Due Diligence Checklist

Brambles Region	
Brambles Business	
Supplier Name	
Supplier Mill Location	
Name of Brambles Officer Completing	
Date Completed	

Question	Answer/Comments
1. Has the supplier been approved during current Fiscal Year? Yes → Please make sure that the Global Approval process and due diligence has been respected and that you have discussed following topics with the supplier: <ul style="list-style-type: none"> - Brambles Procurement policy - Brambles Code of Conduct and Zero Harm Charter - Controversial sources and CoC certification No → Skip to question 3	
2. Has the sustainability view of Brambles been discussed with the supplier? Did you discuss the certification of forest source or CoC certification and did you explain the meaning of Controversial sources?	

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Question		Answer/Comments
3.	<p>In which country is the supplier located?</p> <p>Please check the CPI of the country, in case this is 60 or lower, consider the supplier as a high-risk supplier.</p>	
4.	<p>What is the country of the origin of the lumber?</p> <p>Please check the CPI of the country, in case this is 60 or lower, consider the supplier as a high-risk supplier.</p>	
5.	<p>What is the timber species delivered?</p>	
6.	<p>Has the supplier (and/or the mills) been visited? Provide location names and dates. Please save the minutes of your meetings.</p>	
7.	<p>How will Brambles consider the lumber purchase? (CoC certification, forest certification, uncertified forest source)</p> <p>CoC certification under FSC → go to question 8</p> <p>CoC certification under PEFC → go to question 8</p> <p>Forest Certification → Skip to question 12</p> <p>Uncertified Forest Source → Skip to question 18</p>	
CoC Certification		
8.	<p>Will Brambles be able to claim the lumber as CoC certified?</p> <p>Yes → Go to question 9</p> <p>No → Skip to question 12</p>	
9.	<p>What is the claim used?</p>	

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Question		Answer/Comments
10.	What is the end date of the certification and did you check the validity?	
11.	Is the lumber purchase considered as high risk? No → Please make sure that you store all documents and that in case of import, you have the correct permits available. Yes → Skip to question 21	
Forest Certification		
12.	What forest(s) has the log supply been sources from?	
13.	Are the forests certified and if so, what certification scheme is used?	
14.	Does the certification scheme meet the Brambles policy requirements?	
15.	What evidence has been obtained of the forest source and certification status? How are you comfortable that the lumber has come from the forest source stated?	
16.	Why is the supplier not adopting CoC certification and what is inhibiting this?	
17.	Is the lumber purchase considered as high risk? No → Please make sure that you store all documents and that in case of import, you have the correct permits available. Yes → Skip to question 21	

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Uncertified Forest Sources	
18.	Is this a strategic supplier which we want to use in long-term supplier relationship? If not, can we stop using this supplier?
19.	What forest(s) has the log supply been sourced from?
20.	What is known regarding the sustainability of this forest source?
High risk factors	
21.	Is the supply chain from forest to Brambles via this supplier understood and acceptable in terms of transparency?
22.	How has Brambles satisfied itself that this forest source is being legally harvested? Please provide documented evidence
23.	Are there any concerns in relation to one of following aspects? What did you do to resolve the issue? <ul style="list-style-type: none"> • Sustainability • Legal aspects • Ethics • Health and Safety (also human rights, labour employment)
24.	Did the supplier update the annual lumber/Pallet supplier confirmation and provide it to Brambles?

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6.4 APPENDIX D: Lumber Sustainability Compliance Letter

(Note: This letter of acknowledgement and confirmation is to be obtained annually from all pooled pallet business lumber and wood pallet suppliers who sell direct to Brambles. The letter is to be obtained prior to Procurement completion of the Regional Procurement Lumber Sourcing Due Diligence Memorandum and submission of annual lumber sustainability reporting by Regions)

Letterhead: On Supplier Letterhead

Addressee: Addressed to Regional Procurement Lead

Signatory: A senior executive from the supplier, with authority to commit the supplier. Show name and title.

Date

Dear.....

Lumber Sustainability Compliance Letter

Period of Cover of this Letter: From.....(day/month/year)To.....(day/month/year)

On behalf of..... (full registered name of supplier corporation including trading name) I confirm receipt and understanding of the Brambles Code of Conduct and Zero Harm Charter and their applicability to our relationship with Brambles and the Brambles Group. These documents have been explained to our company by Brambles Procurement.

In relation to the sale of timber and/or timber products (i.e., pallets) to Brambles, I confirm the following:

1. Where timber is sold to Brambles with Chain of Custody Certification, that certification is supported by current certification authority from FSC or a PEFC endorsed scheme and the percentage or physical segregation method has been effectively applied to ensure certification claims on timber sold are valid.
2. Where timber is sold to Brambles without Chain of Custody Certification, our company confirms that none of the timber sold comes from what could be classified as Controversial Sources, as per the PEFC definition in Annexure 1 below.
3. Where timber is sold to Brambles without Chain of Custody Certification, our company confirms that we have, by means of site visits, observation, enquiry and document review, ensured that we have reasonable knowledge of the source of logs and the supply chain from the forest source to us. We also confirm that we are satisfied there is no Controversial Source risk to Brambles based on our knowledge of that supply chain.
4. I confirm that Brambles personnel have been provided full access to our supply chain (sites, people and processes), appropriate personnel have responded truthfully to Brambles enquires and documents have been made available when asked for.
5. I confirm that timber sold to Brambles is not coming from an IUCN red listed species or ecosystem. In case statement is not correct, I will provide Brambles with the necessary document to proof that timber is legally harvested with respect of local regulations.
6. Below is a summary of the sustainability status of timber sold to Brambles for the period covered by this confirmation letter. This data is supported by invoice lists if required.

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Sold By (Name of mill or pallet manufacturing facility)	Sold To (BxB Business purchasing the timber or pallets)	Form of Product (Timber or Pallets)	Volume CoC Certified (m3)	Volume Not Certified (m3)	Total Volume Sold (m3) to BRAMBLES

Yours faithfully

Name

Position

Annexure 1

Controversial Source timber:

Controversial Sources is defined as forest management activities that are:

- a) Not complying with local, national or international legislation, related to the following areas:
 - a. Forestry operations & harvesting, including conversion of forest to other use;
 - b. Management of areas with designated high environmental and cultural values;
 - c. Protected and endangered species;
 - d. Human rights, health and labour issues relating to forest industry workers;
 - e. Indigenous people’s property, tenure and use rights; and/or
 - f. Payment of taxes and royalties;
- b) Utilising genetically modified organisms; and/or
- c) Converting forest to other vegetation type, including conversion of primary forest to forest plantations.

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6.5 APPENDIX E: Regional Procurement Lumber Sourcing Due Diligence Memorandum

(Prepared... Month/Year...)

(Note: as part of CHEP annual pooled pallet timber purchased sustainability reporting, each Region submits its timber purchased data summary, overall sustainability summary and memorandum confirming work undertaken and conclusions reached in relation to sustainable lumber sourcing. Below is guidance in relation to preparation of the due diligence memorandum.)

The form and content of the memorandum should be tailored to the specific circumstances of the Business; however, the elements identified below need to be clearly addressed in the memorandum)

1. General Information

CHEPname of Business or Region

Due Diligence in Lumber Sourcing FY

2. Report to Brambles Global Procurement

Prepared By	
Date	
Endorsed by Regional Procurement Lead	
Date	

This memorandum provides an overview of the due diligence work undertaken on sustainability of pooled pallet lumber and new pallets purchased. The memorandum provides a conclusion on lumber purchasing compliance with the CHEP Global Procurement Guideline – Due Diligence in Lumber Sourcing and the CHEP Global Lumber Sourcing Policy.

The memorandum covers all lumber purchased for pooled pallet application and as such includes repair lumber and lumber in the form of new pallets.

(The headings from 3 to 14 are a listing of matters to be addressed in the Memorandum)

3. CHEP/BXB Personnel Involved in Lumber Sourcing

4. Outline of Procurement’s System of Control Over Lumber Purchasing

5. High Level Lumber Purchased View for the Year

Number of Suppliers	
Forestry Source Countries	
COC Certified m3	
Certified Source m3	
Uncertified Source m3	
Equivalent Certified Source m3	
Total Purchased m3	
Number of Species	
Endangered Species m3	

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12. Reasoned Conclusion Regarding CHEP Exposure to Controversial Sources Lumber

13. Listing of Opportunities for COC Certification Improvement (Opportunity & Action in Progress)

14. Action Taken to Address Prior Year Brambles Sustainability Review Recommendations & Action Items

The table below will be provided to CHEP Regions with the first two columns completed. Columns 3 and 4 are for completion by Regional Procurement personnel. The table may best be included as an annexure to this Memorandum.

Area for Attention	Recommendation	Action Taken	Comments (if applicable)

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6.6 Appendix F: HSBC HR Countries List

HSBC High Risk Countries	LATAM	AIME	APAC	Europe
Bolivia	X			
Brazil	X			
Cambodia			X	
Cameroon		X		
Central African Republic		X		
China			X	
Colombia	X			
Cote d'Ivoire		X		
Democratic Republic of Congo		X		
Ecuador	X			
Equatorial Guinea		X		
Estonia				X
Gabon		X		
Ghana		X		
Guatemala	X			
Guyana	X			
Honduras	X			
India		X		
Indonesia			X	
Laos			X	
Latvia				X
Liberia		X		
Lithuania				X
Madagascar		X		
Malaysia			X	
Mexico	X			
Mozambique		X		
Myanmar			X	
Nicaragua	X			
Panama	X			
Papua New Guinea			X	
Peru	X			
Republic of Congo		X		
Russia				X
Solomon Islands			X	
Thailand			X	
Uganda		X		
Vietnam			X	