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Networks for legal and sustainable  
forest management in Africa and Asia

Responsible timber sourcing in China  
and Southeast Asia

*A Practical Guide for Timber Processors*

August 2009



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ProForest is an independent company working with natural resource management and specialising in practical approaches to sustainability.

ProForest was a joint partner in the EU and GFTN Forest and Trade Networks for legal and sustainable forest management in Africa and Asia project.



The Global Forest & Trade Network (GFTN) is a WWF initiative designed to eliminate illegal logging and encourage responsible forest management.

WWF/GFTN was a joint partner in the EU and GFTN Forest and Trade Networks for legal and sustainable forest management in Africa and Asia project.



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# 1. Introduction

This practical guide is designed to assist companies in China and South East Asia to understand and practise responsible timber sourcing. Section 1 provides regional background information. Section 2 illustrates the factors affecting responsible purchasing. Section 3 takes you through the steps to eliminate illegal timber from your supply chains, and Section 4 summarises CoC requirements.

## ***Forest resources***

Forests cover almost one-third of the Asia-Pacific region with China and Southeast Asia housing a forested area of approximately 401 million ha<sup>1</sup>. The region as a whole experienced a net *increase* in forest area of about 1.2 million ha annually during 2000–2005. The improvement was largely the result of more than 4 million hectares of afforestation per year in China. Bhutan, India and Vietnam also increased their forest area between 2000 and 2005. However, most other countries experienced a net loss of natural forests. Southeast Asia experienced the largest decline in forest area, with an annual net loss of forests of more than 2.8 million hectares per year. The greatest forest loss occurred in Indonesia, almost 1.9 million hectares per year, followed by Myanmar, Cambodia, the Philippines, and Malaysia<sup>2</sup>.

It is critical to understand that the growth in plantations does not negate the continued loss of natural forests. Natural forests are more valuable in social, economic and environmental aspects than plantations. For instance, natural forests have higher biodiversity than plantations as they support an array of wildlife habitats and contain more plant species than plantations. Some indigenous peoples and local communities are dependent on forests for their livelihoods.

## ***Threats to natural forests***

Forest resources in this region are threatened by commercial logging (both legal and illegal), conversion to other land uses and fire. If no action is taken these forests will disappear very soon.

WWF has estimated that €10–15 billion are lost through ***illegal logging*** globally each year<sup>3</sup>. A study by WRI and other researchers found that over half the world's deforestation is concentrated in just two locations: 48% in Brazil and 13% in Indonesia. The main causes of forest loss in Indonesia, according to the report, are conversion to plantations (for both timber and agricultural crops) and high rates of illegal logging<sup>4</sup>.

***Conversion*** to timber plantations has also contributed to some deforestation. For example, the fastest rate of deforestation in Indonesia is occurring in central Sumatra's Riau province, where some 4.2 million hectares (65%) of its tropical forests

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<sup>1</sup> State of World's Forests 2007, FAO

<sup>2</sup> State of World's Forests 2007, FAO

<sup>3</sup> WWF. 2006. Failing the Forests: Europe's illegal timber trade.

<sup>4</sup> Groundbreaking Study Find the Hotspots Most Responsible for Deforestation, WRI website. July 2008.

and peat swamps have been cleared for industrial pulpwood plantations in the past 25 years<sup>5</sup>. Clearing natural forests for pulp plantations also happened in China. Asia Pulp and Paper (APP, a subsidiary of the Sinar Mas Group) cleared natural forests in Yunnan for eucalyptus plantations, claiming that the whole of Yunnan was barren land<sup>6</sup>. Conversion of tropical forest to oil palm has become a major threat to tropical rainforests in Asia. Oil palm may account for up to 16% of recent deforestation in Indonesia as well as significant areas of forest loss in Malaysia and other nearby countries<sup>7</sup>.

**Fire** is also a major threat to natural forests. The area burned in Indonesia (Sumatra and Kalimantan) in the 1997/98 fires was estimated at 9.7 million hectares of forest and non-forest land, with some 75 million people affected by smoke, haze, and the fires themselves<sup>8</sup>. Some blamed small-scale farmers, whilst others blamed activities by forest concessionaires and plantation owners as the major causes of fires. In August 2006, a Greenpeace team of investigators discovered widespread destruction of Sumatra's ancient forests, caused by fires which were threatening to burn out of control. It is believed that forest clearing for acacia pulpwood and oil palm plantations are the leading causes of the fires and also a factor in creating environmental conditions that perpetuate the problem<sup>9</sup>.

### ***Role of processing countries***

In addition to the rich forest resources, China and Southeast Asia is also one of the major manufacturing regions for timber and paper products. China has transformed itself into the world's largest manufacturing country for timber products and plays an important role in global trade in timber products. Between 1997 and 2006, the volume of manufactured timber product exports, mainly plywood and furniture, increased more than eight-fold from 5.1 to 43 million cubic metres RWE pa<sup>10</sup>. Vietnam is also an important country for garden furniture production. Exports of garden furniture grew by more than 49% to US\$1.9 billion in 2007, making Vietnam one of the World's largest exporters. According to the Vietnam Timber and Forest Product Association (Vietfores) Vietnam exports garden furniture to more than 80 foreign markets; the US being the major export destination with trade worth over \$3 billion annually.

Processing countries like China and Vietnam have an essential role to play in promoting responsible forestry – both domestically and outwith their borders. They both import a substantial amount of timber from countries where there is a high concern over illegality, such as Indonesia and Russia. This is reflected by many NGO

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<sup>5</sup> WWF (2008) Deforestation, Forest Degradation, Biodiversity Loss, CO<sub>2</sub> Emissions in Riau, Sumatra, Indonesia. WWF Indonesia

<sup>6</sup> <http://www.greenpeace.org/china/en/campaigns/forests/app-illegal-logging-in-yunnan>

<sup>7</sup> Fitzherbert, E.B., *et al.* (2008) How will oil palm expansion affect biodiversity? *Trends in Ecology & Evolution* 23, 538-545

<sup>8</sup> The underlying causes and impacts of fires in Southeast Asia final report. <http://www.cifor.cgiar.org/fire/pdf/pdf45.pdf>

<sup>9</sup> <http://www.greenpeace.org/seasia/en/press/releases/forest-fires-rage-again-in-ind>

<sup>10</sup> Forest Products Trade between Russia and China: Potential Production, Processing, Consumption and Trade Scenarios. S. Northway and G. Bull. July 2007

reports. For example, In March 2008 EIA showed that some Vietnamese companies were using logs imported from Laos, which is a contravention of law as the government has banned the export of logs and sawn timber<sup>11</sup>. Substantial quantities of timber products from processing countries are targeted for export markets. The export destinations include sensitive markets such as the EU where there is high level of awareness and concerns regarding illegality and unsustainable forest management. They play an important role in these supply and demand links.

## 2. Factors affecting responsible sourcing

This section aims to provide an understanding of the factors affecting responsible sourcing. Some of them are external factors which can be beyond the control of individual companies. Others are internal factors which companies can address if they want to act responsibly.

### **What is responsible sourcing?**

Responsible sourcing means taking responsibility to understand your own supply: knowing the origin of your product and ceasing to buy from unacceptable sources. A responsible purchasing program for forest products should aim to improve the environmental and social performance of the supply base by ending the purchase of products that contain timber from illegal or controversial sources and by continuously increasing the proportion of forest products purchased that contain timber from credibly certified forests.

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<sup>11</sup> EIA report Borderlines is available at: <http://www.eia-international.org/cgi/reports/reports.cgi?t=template&a=160>

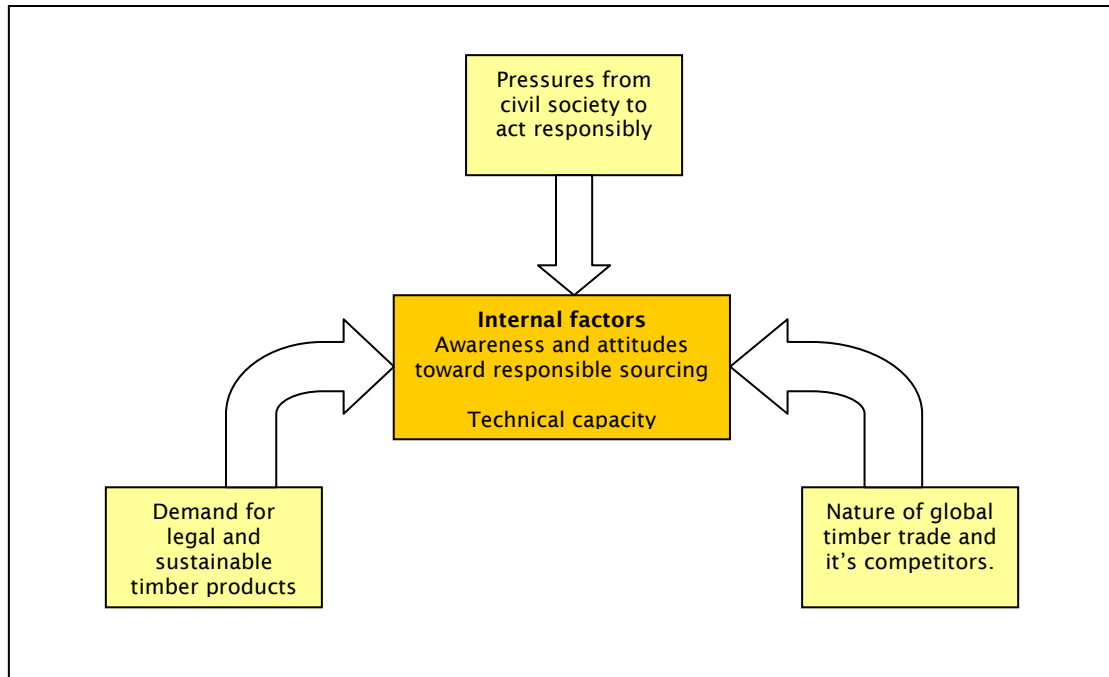


Figure 1 Factors affecting responsible sourcing

## 2.1. Pressure from civil society

Since the early 1990s, NGO campaigns in Europe and North America have been highlighting the extent of forest destruction and the subsequent negative impacts to the environment and local communities. Companies selling timber and paper products from tropical countries were identified as agents in forest degradation. These companies were perceived as carrying high levels of environmental risk.

In response to media and NGO pressures, companies realised that they need to act responsibly in order to protect their brand and reputation. The first step was to understand their supply chains, and to ensure that they did not buy illegal timber. They developed and implemented responsible purchasing policies to ensure that they are buying legal and sustainable timber. Pressure from NGOs and media led them to understand their impacts on forests as a result of their business. This has led to a shift towards increased trading in certified products, as part of a CSR (Corporate Social Responsibility) drive to become more responsible and ethical overall.

In South East Asia, the situation is a bit different. Even though many NGOs (both international and local) are active in the region, they did not get the same attention from the media and the general public as in the west. So companies in South East Asia generally feel less pressure to concern themselves with environmental issues. In addition, the concept of CSR is unknown to many Asian companies. Even where they have heard about it, they would not consider this is important as their main business goal is to make profit. Being social and environmentally responsible means more spending, which does not fit with their corporate cultures. As a result, many companies in Asia do not think about if the timber they used comes from legal or certified sources. Nevertheless, some companies have started to act responsibly. For

example, the founding members of China FTN reported that the motivation to join FTN was that they have the responsibilities to address environmental issues.

## ***2.2. Demand for certified products***

Certification is a market-based instrument which aims to improve communication and provide incentives for both producers and consumers to move towards a more responsible use of forests. There is an increasing willingness amongst consumers to pay the extra costs of responsibly produced products<sup>12</sup>. Demand for certified products from 'sensitive' markets including Europe and North America create incentives to source timber responsibly. Therefore, some timber and paper products manufacturers in Asia have had to source timber from legal and sustainable sources in order to maintain their market share. Other companies are proactive in getting certified as they see the potential benefits of securing new markets where there are strong demands for certified products. In Vietnam, strong influence from European buyers has been a motivating factor for all four member companies to join the Vietnam FTN.

However, the emergence of non-sensitive export markets in the Middle East, and domestic markets in many Asian countries provide alternative purchasers for those who are not interested in supplying legal and sustainable timber products.

## ***2.3. Nature of timber supply chains***

A third external factor affecting the uptake of responsible sourcing is the nature of timber supply chains. Timber supply chains are made up of forest management elements and traceability elements. Forest management elements relate to the timber source, which usually refers to legality and/or sustainability of forest management. Traceability refers to the manufacturing stages in the chain - sawmill, manufacturers, traders, importers and agents - and the transportation between them.

Timber supply chains are usually complicated as they tend to involve several different companies and are often global in nature. A real life example is a Chinese furniture manufacturer who purchases sawn timber from Brazil, oak veneer from Germany and MDF from Jiangsu. It manufactures the furniture in Shanghai and then exports it to several countries in the US and Europe. This means that if the Chinese manufacturer wants to source legal or certified timber, it has to request its Brazilian sawn timber supplier, German oak veneer factory, and Chinese MDF manufacturer to supply that. Then all these suppliers have to request their raw materials suppliers and forest owners to provide legal and certified timber. A company can change its purchasing policy overnight, but the effects of the changes can take a long time to materialise, especially in the forest.

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<sup>12</sup> The Forest Certification Handbook, Upton, C and Bass, S. (1996).

The nature of timber supply chain sometimes makes it difficult for a company to act responsibly as everyone in the supply chain has to work together. A company cannot succeed in implementing the policy if none of its suppliers are, in turn, committed to sourcing responsibly. In South East Asia, the low level of awareness and understanding of responsible sourcing throughout the supply chain (see 2.4 below) makes it even more difficult for a company to act responsibly.

## ***2.4. Awareness and understanding of responsible sourcing***

In general, awareness and understanding of responsible sourcing in Asia is relatively low. The majority of companies have no idea of what responsible sourcing actually means. For instance, at the time of joining China FTN, none of the companies understood the concept and requirements of responsible timber sourcing. They all source timber from overseas including Russia, Southeast Asia, Africa and South America, but had no idea of exactly where the timber came from. They did not request information on forest source from their suppliers as this is not a common practice in China (or other Asian countries). The lack of awareness and understanding of responsible sourcing is a barrier for many companies; even if they want to act responsibly, they may find difficulties in convincing their suppliers to source timber from known licensed and credibly certified sources and to provide relevant evidence.

## ***2.5. Technical capacity***

An important enabling condition for implementing a responsible purchasing policy is technical capacity. Many North American and European companies have designated staff or even department to work on this. They are professionally trained and have the technical knowledge necessary to implement responsible timber sourcing, such as understanding supply chain issues and CoC requirements.

However, there is a general lack of technical capacity within many Asian companies to implement a responsible sourcing policy. Very often, there is no designated staff to work on this issue. Responsibility for implementation usually falls under the remit of purchasing or quality control department. Purchasing staff are certainly essential in implementing the policy, as they need to ask suppliers to provide evidence of forest origin, in order to ensure that they are not buying illegal timber. However, many purchasing staff do not have knowledge of questions to ask, or what evidence is sufficient. There is a misconception that as long as the suppliers provide export documents, then the timber products must be legal. Lack of technical capacity within the company undermines the good intention of being a responsible company.

## 3. Steps in implementing responsible sourcing

### 3.1. Policy development

The first step in implementing responsible sourcing is to develop a policy. A policy should be SMART, that is - Specific, Measurable, Achievable, Realistic and Time-bound. Typical policy contents usually include an overall statement of corporate responsibility. This is the long-term goal that the company would like to achieve. For example, a company's long term goal is to buy timber products from certified sources or post-consumer materials.

In addition, the policy should cover exclusion of unacceptable sources - within a realistic time-frame. WWF recommends that purchasing organisations regard timber as unacceptable<sup>13</sup> if the following conditions exist:

- 1) The source forest is known to or suspected of containing high conservation values, except where the forest is certified or in progress to certification under a credible certification system, or the forest manager can otherwise demonstrate that the forest and surrounding landscape is managed to ensure that those values are maintained.
- 2) The source forest is being converted from natural forest to a plantation or other land use, unless the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.
- 3) The timber was illegally harvested or traded.
- 4) The timber was traded in a way that drives violent armed conflict or threatens national or regional stability (i.e. what is commonly called conflict timber).
- 5) The harvesting or processing entity, or a related political or military regime, is violating human rights.
- 6) The timber is from genetically modified trees.
- 7) The source forest is unknown.

The policy should also include a scope, i.e. what aspects are covered in the policy. The scope of policy differs from one organisation to another. For example, some organisations only include own-brand products, others may include all products for sale. The policy may extend to products used internally (e.g. furniture or paper used within the organisation). It is suggested that the policy should be flexible and can be expanded over time.

Policy should reflect what the organisation aims to achieve in the long term. It should include specific targets so as to measure and monitor performance (both for suppliers and the organisation as a whole). Targets should be SMART, based on

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<sup>13</sup> The list of unacceptable sources are adapted from Responsible Purchasing Guide 2<sup>nd</sup> edition

existing level of performance and should include a timeframe. Below is an example of targets for a responsible purchaser in the Responsible Purchasing Guide 2<sup>nd</sup> Edition (p.38)

Proportion of forest products in supply chain				
Category	Baseline data	Year 1 target	Year 2 target	Year 3 target
Unknown/Unwanted	45%	0%	0%	0%
Step 1: Known sources	25%	20%	5%	0%
Step 2: Known licensed sources	25%	50%	35%	10%
Step 3: Sources in progress to certification	5%	15%	30%	40%
Step 4: Credibly certified sources/Recycled	0%	15%	30%	50%

## 3.2. Engagement with suppliers

One of the important aspects of implementing a responsible sourcing policy is to understand your suppliers' sourcing and their supply chains. It is necessary to engage adequately with suppliers because your purchasing policy is dependent on the delivery of your suppliers. In addition, you also need to engage your suppliers to obtain the required evidence relating to product source, and develop action plans for suppliers to improve their timber sourcing.

### 3.2.1. Communications and training

Before collecting information on timber sources from suppliers, it is necessary to communicate adequately and provide basic training for them. This does not need to be a long and formal training, but can be done through informal discussion and briefing sessions. The objectives of the training are usually to:

- Introduce the policy requirements and what these mean in practice
- Provide sufficient background on the types of acceptable documentary evidence to demonstrate forest sources
- Explain categories of forest sources i.e. unknown or unwanted source, known source, known licensed source, progressing towards certification, and credibly certified
- Introduce action plans with timeframe to improve timber sourcing

Clear communication is essential from the start, as it will improve efficiency and delivery of the policy.

### **3.2.2. Collection of information**

Once the suppliers understand the policy requirements, the next step is to gather information on forest origins and supply chains. A supplier questionnaire is the most commonly used method to collect information from suppliers. Design and focus of a questionnaire will vary, but it should include the following aspects:

- Confirm basic information on raw material, this includes timber species and forest source.
- Clarify traceability to point of sale, this means:
  - Identification of all the actors in the chain
  - At each stage in the chain what controls are in place to prevent the timber from the source forest being mixed with or substituted for other material
- Identify issues relating to legality and/or sustainability
- Sufficient evidence is provided to verify the claims

The questionnaire should be filled in by the supplier before an order is placed. A company should use the information from the questionnaires and documentary evidence provided by suppliers to determine whether they meet the policy requirements, or have the potential to do so in the future. For details on how to use the information, please refer to section 3.2 risk assessment.

Another method is to carry out supplier visit to collect sourcing information and verify the internal system. It is a more efficient way to collect baseline information but it is more expensive. It is also a useful way to examine if the supplier has any traceability system in place.

Many companies use a combination of questionnaire and site visit to gather the information they need. For instance, a company send a questionnaire to a supplier and follows this up with a visit to fill in any information gaps and to verify legality of timber coming from high risk sources.

### **3.3. Risk assessment**

Many companies mistakenly think that once you have received completed questionnaires and evidence from your suppliers, the job is done. But this is not the case - the next important stage is to carry out risk assessment based on the information submitted by suppliers. In general, there are two types of risk assessment:

- Risk assessment based on supplier' performance
- Risk assessment based on individual product

Supplier-based assessments provide a measure of the overall performance of your supplier on responsible sourcing. It provides an indicator of the supplier's overall environmental performance and their potential to supply timber that is in compliance

with the policy. However, it does not necessarily provide assurance relating to any specific product. In order to get a more accurate risk rating, it is recommended to use product-based risk assessment. So in some cases, your suppliers may supply you both high risk and low risk products.

### **3.3.1. Evaluation of sources**

#### **Country-level risk**

In order to evaluate whether the timber originates from high or low risk countries, it is necessary to obtain information on the forest origin. Aspects of country level risk that should be considered as part of the risk rating include the extent of illegality and the reliability of official documentation. Estimated figures on illegal logging in different countries are available from NGOs, research institutes and official documentation. The Corruption Perception Index (CPI) of Transparency International (TI) is also a useful indicator. If a country has a low score in CPI, this implies that official documentation may not be reliable.

For forests located in low risk countries, tracing back to district level is acceptable. For forests located in high risk countries, the forest management unit should be identified.

#### **Timber species**

It is also worth considering including timber species as contributor to risk ratings. An obvious indicator for this purpose is where species are listed under CITES regulations. It is possible to extend this to other categorisations of species such as those listed as Critically Endangered (CR), Endangered (EN) and Vulnerable (VU) in IUCN Redlist.

### **3.3.2. Evaluation of supply chain controls**

It will be necessary to guarantee that there is a secure chain of custody from the forest source through different manufacturing processes to your factory. For example, there is certainty that legally harvested timber was not mixed with or substituted for any other unwanted timber by your supplier. If the supply chain is long, it is more difficult to ensure full traceability. It is suggested to shorten and simplify the supply chains, for example, by buying directly from forest sources or sawmills rather than agents. You should start investigating if your direct suppliers have a system in place to ensure traceability. This can be done by site visit to your suppliers. If the supplier does not already have a chain of custody control system that enables this, clauses should be included in supply contracts that specify only timber from known sources is delivered to you (as a minimum requirement).

### **3.3.3. Categorisation of sources**

Once you get all the necessary information on the supply chains, you can classify each product or supplier according to the following five categories:

Category	Description
Unknown and unwanted	Unknown source means they can be traced back to the forest origins. For example: Documentation has not been provided that identifies the source location, the source entity, and each intermediary in the supply chain.  Unwanted source may be traceable back to the forest origin, however, the source does not comply with the policy requirements and there is no remedy for this situation. For example: The timber is conflict timber (i.e., it was traded in a way that drives violent armed conflict or threatens national or regional stability).
Known	The purchaser knows where the forest material was grown and can identify the harvesting entity. As far as the purchaser is aware, the source is not <i>unwanted</i> , as described in the purchasing organisation's policy.
Known licensed	The purchaser knows where the timber was grown and can identify the harvesting entity. The timber originates from an entity that has a legal right to harvest timber in the forest management unit where the timber was grown.
Progressing toward certification	The source is a <i>known licensed source</i> . The source entity has made a public commitment to achieve <i>credible certification</i> of the source FMU.
Credibility certified/ recycled	The source forest is certified as well managed under a <i>credible forest certification system</i> .

**Table 2 Description of source categories (Please refer to Responsible Purchasing Guide 2<sup>nd</sup> edition for details)**

Some suppliers will not be able to prove the origins of their sources or any control over the chain of custody. The default classification of these suppliers is unknown or unwanted. Appropriate actions should be taken against suppliers who are supplying unknown or unwanted sources. For example, if the supplier does not show any commitment or progress in eliminating unknown sources, you should seriously consider whether to continue purchasing from them.

### ***3.4. Follow up with suppliers***

Categorisation of sources by product or supplier allows a company to prioritise action plans with 'high risk' suppliers, and also identify opportunities to achieve certification. Follow up with suppliers includes two activities: development of action plans, and reporting and monitoring of suppliers' performance.

#### **3.4.1. Action plans**

The development of an action plan with each supplier should be based on existing supply chain information. It should prioritise eliminating unwanted and unknown sources. It should also include targets and a timeframe for suppliers to improve their timber sourcing. It is also necessary to consider the types of verification required; the higher the risk, the greater the level of credibility and independence needed. Therefore for high risk sources, second party or even third party verification is required.

### 3.4.2. Reporting and monitoring of suppliers' performance

Reporting and monitoring of suppliers progress against targets is essential in order to measure performance over time. The purpose is to objectively verify that they are meeting the targets set, and if they cannot subsequent actions should be taken. It is also necessary to understand the reasons for failing to implement the action plans. If a supplier only pays lip service and makes no effort in improving timber sourcing, then a company should impose punishment or even consider delisting this supplier. In the case where a supplier has made effort but failed to improve due to technical or human resource issue, then the company might consider a more constructive approach to deal with the issue.

Understanding each suppliers' progress helps an organisation keep track on it's overall progress in responsible purchasing. Results of monitoring should be fed back for management review and policy revision if needed.

## 4. Implementation of chain of custody

### 4.1. Introduction

An important aspect of responsible sourcing is the implementation of a chain of custody system for timber traceability within your own company. FTN Trade Participants are required to implement a CoC system within one year of membership. Whilst this involves changes in management systems and increased costs, several China FTN members companies have pointed out the following benefits

- Increased efficiency
- Better organisation
- Improved health and safety

### 4.2. Basic concepts of Chain of Custody certification

All companies will operate some elements of a CoC system, but some may not segregate wood material by source/ supplier. To meet GFTN requirements, the segregation of known/known licensed/certified material from material of unknown origin is particularly important.

#### **A CoC misconception**

*"I purchased certified products from a certificate holder, and the products are packed, so I do not need to apply for CoC."*

This is not correct, but many people have this misconception about CoC. The fact is, anyone taking legal possession of the product, or anyone breaking bulk, re-packing or physically changing the product, is required to have a CoC system in place.

CoC is required for two main purposes:

- Tracing material within an organisation - through working procedures and processing records. These include control of sourcing, production process, dispatch and sales and making claims.
- Tracing material between organisations - through controlling purchases and sales.

It is useful to think of a chain of custody built up of a series of stages: each stage is responsible for ensuring it is able to trace material while in its possession. In general, CoC covers the following areas:

- Wood sourcing – information on sources of wood (country, number of suppliers, whether they are certified and how many)
- Goods inwards – there is a system or procedure to check raw materials on receipt and if different sources are segregated while they are stored.
- Production – there is a mechanism to control production (i.e. segregation for unknown and known/legal/certified sources)
- Sales and dispatch – invoices carry the information that relate to the product themselves
- Record keeping – i.e. records of volume of material purchased from legal sources and products produced.
- Training – staff understand their specific responsibilities and necessary training is provided

See a summary of CoC requirements in diagram 3 below.

**Benefits of getting CoC certified: experience from China FTN members:**

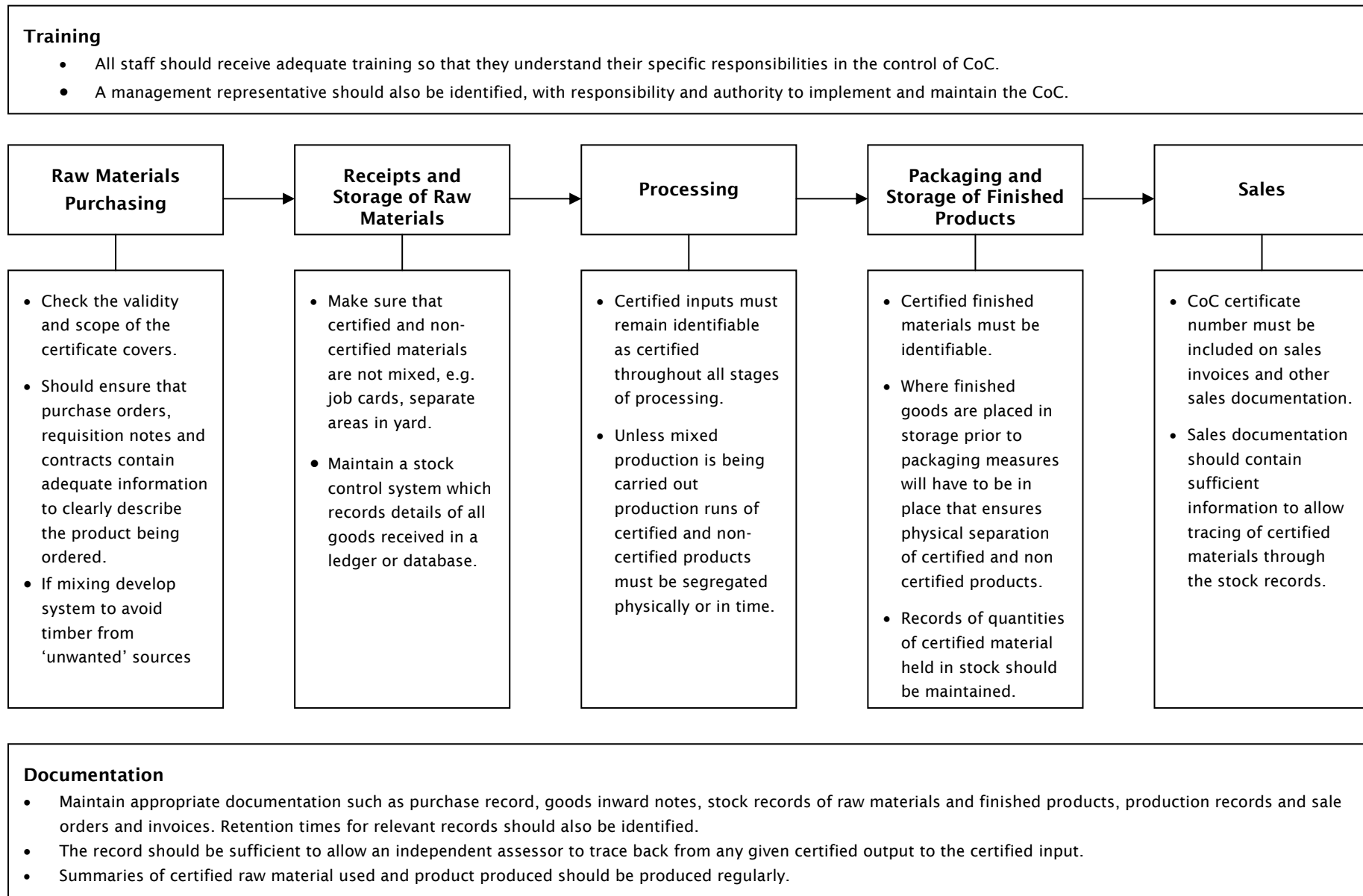
None of the founding members of China FTN had a functional CoC system when they first joined the network in 2005. A common problem was that they did not segregate raw materials in their timber yards, so it was impossible to trace the forest sources. But after implementation, they commented upon the business efficiency benefits of having a CoC system in place.

**Yingbin** spent about one year for the preparation of CoC and they were awarded the certificate in December 2006. They expressed that CoC *improved their internal management system*. In the beginning the workers did not adapt to the system but now they think it is beneficial as the warehouse is *more organised* and thus is easier for them to find raw materials. In addition, *health and safety of the workers has improved* as a result of CoC audits, after the auditor observed that some workers did not wear protective gear.

**A&W** first addressed CoC because they believed that CoC helps *improve internal*

***management systems***, which is beneficial to the company. In addition, CoC procedures have also ***helped purchasing staff to understand the procedures of buying FSC certified materials***, such as specifying FSC certified products in purchase orders. They achieved CoC in March 2006 for the production of pure massaranduba flooring.

## Diagram 3 Summary of CoC Requirements



## 5. Summary

Companies who implement 'responsible sourcing' should realise that it is an ongoing process, requiring commitment from the top down and both human and financial resources to make it happen. It can be difficult to get things started as timber supply chains usually consist of several players - so everyone in the supply chain has to work together. Understanding your supply base is the key to making this happen; it is essential to engage with your suppliers on an ongoing basis, and to build a strong relationship with them.

In addition, you need to set SMART targets for your responsible purchasing policy, so that you and your team know what you are aiming for. Your targets should be realistic and time-bound, and should take a stepwise approach to reaching your ultimate goal. The responsible purchasing programme should also include monitoring of supplier performance, so that the company can evaluate its performance against targets, and take follow-up actions with those suppliers who fail to meet the policy.

Last but not least, it is important to implement Chain of Custody systems in both your own and suppliers' facilities. A CoC system allows you to trace timber from raw material inputs through different production processes to packaging and sales. This ensures that legal/ certified raw materials are not mixed with or substituted for unwanted materials. Moreover, experiences show that companies who implement CoC systems have benefit from increased efficiency, better organisation and improved health and safety.