Market requirements for legal and sustainable timber, and the implications for Chinese suppliers

July 2010
With updates in December 2010
This report was prepared by Proforest and is based on the Timber Legality Verification Schemes joint project, in collaboration with the Chinese Academy of Forestry. Please refer to the Proforest website for details.

For this report your contact person is
Joyce Lam
E: Joyce@proforest.net

Proforest
South Suite, Frewin Chambers
Frewin Court, Oxford OX1 3HZ
United Kingdom
T: +44 (0) 1865 243439
F: +44 (0) 1865 244820
E: info@proforest.net
W: www.proforest.net

Proforest is registered in England and Wales, company number 3893149

All photos in this document, unless otherwise stated, are protected under a Creative Commons license.
TABLE OF CONTENTS

List of acronyms and abbreviations v
Summary vii
1. Introduction 1
1.1. What is legal timber? 1

2. Overview of China’s imports and exports of timber products 3
2.1. A brief summary of the current global timber and timber products trade 3
2.2. China’s imports and exports of timber products 4
2.2.1. Imports 4
2.2.2. Exports 6
2.3. Keys findings 8

3. Review of market requirements for legal timber and timber products 9
3.1. Governmental measures 9
3.1.1. Regulations 9
3.1.2. Public procurement policies in EU Member States 15
3.1.3. Public procurement policies in other countries 21
3.2. Private sector initiatives 22
3.2.1. Responsible purchasing policies of timber trade federations 22
3.2.2. Responsible purchasing policies of companies 26
3.2.3. Green building initiatives 33
3.3. Summary 35
4. Demand for legal timber from EU timber traders
   4.1. Interview results
   4.1.1. Information about the interviewed companies
   4.1.2. Methods to ensure legality and/or sustainability
   4.1.3. Awareness of the EU Timber Regulation and its potential implications
   4.2. Key findings

5. Conclusions

Annex 1 Methodology

Annex 2 Useful links and recent publications

Annex 3 Stepwise programmes
   Schemes of non-governmental organisations (NGOs)
   Global Forest and Trade Network (GFTN)
   SmartSource
   The Forest Trust

Annex 4 Questionnaire
LIST OF ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEIM</td>
<td>Spanish Timber Trade Association (Asociación Española de Importadores de Madera)</td>
</tr>
<tr>
<td>BFN</td>
<td>Federal Agency for Nature Conservation (Germany)</td>
</tr>
<tr>
<td>BREEAM</td>
<td>Building Research Establishment Environmental Assessment Method</td>
</tr>
<tr>
<td>CAF</td>
<td>Chinese Academy of Forestry</td>
</tr>
<tr>
<td>CBD</td>
<td>Convention on Biological Diversity</td>
</tr>
<tr>
<td>CoC</td>
<td>Chain of Custody</td>
</tr>
<tr>
<td>CPET</td>
<td>Central Point of Expertise on Timber (UK)</td>
</tr>
<tr>
<td>CSA</td>
<td>Canadian Standards Association</td>
</tr>
<tr>
<td>Defra</td>
<td>Department for Environment, Food and Rural Affairs (UK)</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ETTF</td>
<td>European Timber Trade Federation</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FBCIB</td>
<td>Belgian Timber Importers’ Federation (Fédération Belge du Commerce d’Importation de Bois)</td>
</tr>
<tr>
<td>FLEGT</td>
<td>Forest Law Enforcement Governance and Trade</td>
</tr>
<tr>
<td>FSC</td>
<td>Forest Stewardship Council</td>
</tr>
<tr>
<td>GBCA</td>
<td>Green Building Council Australia</td>
</tr>
<tr>
<td>GD Holz</td>
<td>German Timber Trade Federation (Gesamtverband Deutscher Holzhandel)</td>
</tr>
<tr>
<td>GFBN</td>
<td>Global Forest and Trade Network</td>
</tr>
<tr>
<td>LCB</td>
<td>French Timber Trade Federation (Le Commerce du Bois)</td>
</tr>
<tr>
<td>LEED</td>
<td>Leadership in Energy and Environmental Design</td>
</tr>
<tr>
<td>MTCS</td>
<td>Malaysian Timber Certification Scheme</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non Governmental Organisation</td>
</tr>
<tr>
<td>OLB</td>
<td>Timber Origin and Legality (Originé et Légalité des Bois)</td>
</tr>
</tbody>
</table>
PEFC | Programme for the Endorsement of Forest Certification Scheme
RIFPI | Research Institute of Forestry Policy and Information (of CAF)
RWE | Rood Wood Equivalent
SFA | State Forestry Administration (China)
SFI | Sustainable Forestry Initiative
SMEs | Small and Medium Enterprises
TFT | The Forest Trust
TLTV | Timber Legality and Traceability Verification
TPAC | Timber Procurement Assessment Committee (the Netherlands)
TTAP | Timber Trade Action Plan
UK | United Kingdom
UK TTF | United Kingdom Timber Trade Federation
US | United States
USGBC | United States Green Building Council
VLO | Verification of Legal Origin
VLC | Verification of Legal Compliance
VPA | Voluntary Partnership Agreement
vTI | Federal Research Institute for Rural Areas, Forestry and Fisheries (Johann Heinrich von Thünen Institute, Germany)
VVNH | Royal Netherlands Timber Trade Association (Vereniging van Nederlandse Houtondernemingen) Houtondernemingen
WHC | World Heritage Centre
WWF | World Wide Fund for Nature
SUMMARY

In many major timber markets, particularly in the EU and US, there is growing demand for assurance that all the wood in timber and timber products come from legal sources. There are a number of initiatives driving this change. In the EU the main driver is the Forest Law Enforcement Governance and Trade (FLEGT) Action Plan, which was launched in 2003 to tackle the problems of illegal logging and associated trade in timber and paper products. This has led to a range of measures, including both legislation and voluntary approaches, aimed at ending the trade in illegal timber. In addition, the private sector including both individual companies and timber trade federations have developed responsible purchasing policies which increase the demand for legal and sustainable timber in the EU. In the US there have also been a number of measures to promote trade in legal timber, again including both legislation and voluntary measures.

This report provides information for anyone involved in the timber trade on the emerging market requirements for legal timber and timber products, with the main focus on the EU market but also considering the US and elsewhere. We particularly included the implications for Chinese companies as China is one of the biggest timber products exporters. However, companies in other countries exporting to the EU and US markets will face similar requirements. It aims to help companies exporting to the EU and US markets understand the different requirements and evidence of compliance required by legislation, public and private procurement policies and other initiatives, allowing companies to be prepared to meet these requirements.

China's role in the global trade in timber products

China has emerged as the world's largest manufacturing country for timber products and plays an important role in the global trade in timber products.

Imports

China imports raw materials including logs, sawn timber, veneer and plywood for its timber processing industry. The estimated roundwood equivalent volume of China’s imports of wood-based products totalled 103 million m³ in 2008, compared to 74 million m³ of domestic production. In 2008, the main sources of import of logs were Russia (66%), Papua New Guinea, New Zealand and Canada. For sawn timber, the biggest volumes came from Russia (25%), US (17%) and Canada (12%). Veneer was mainly sourced from Malaysia (25%), US (15%) and Indonesia (10%) while the two main sources of plywood were Indonesia (50%) and Malaysia (30%). In summary, China sources timber from a large number of countries.

Perceptions in the main consuming markets of the risk that timber produced in these countries has been illegally harvested vary from minimal to high, with Russia, Indonesia, Papua New Guinea and many African countries among those regarded as having a high risk. Some of these countries which supply timber to Chinese manufacturers, such as Indonesia, Gabon and Cameroon, have recognised the potential threat that this market perception poses to their trade with the EU and are actual or potential VPA partner countries under the EU’s Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan.

Exports

The EU and the USA are China’s two biggest export markets. Together in 2008 they accounted for approximately half of the total export value of USD 28 billion which was supplied from China. Furniture and plywood are the main products exported to the EU and US markets.

1 VPAs are Voluntary Partnership Agreements on the timber trade between the EU and timber producing countries. This is discussed further in Box 3.4.
While there are limited publications or analyses on the timber supply flow from source countries, through manufacturing processes in China to export, many products exported to the EU and US are likely to contain imported timber.

In summary, as efforts grow to prevent trade in illegal timber in the EU and US, demonstrating that supplies of timber are legal is likely to become increasingly important for all exporters. As a major supplier to these markets, Chinese exporters are likely to face growing demands for evidence of timber legality.

**Market drivers for legal and sustainable timber**

There are different initiatives driving demand in the EU and US. Some require legality while others require sustainability. Some are legislative while others are voluntary initiatives. The result is that the range of existing and emerging requirements can appear complicated and challenging to deliver and hence it is crucial to understand what is needed in order to meet these requirements.

**Legal versus sustainable timber**

Market requirements may be for either ‘legal’ or ‘sustainable’ timber.

- Legal timber refers to timber which originates from forests where there was a legal right to harvest and where management ensured that all domestic laws relevant to forest management were being met.
- Sustainable timber means that the timber comes from a forest where, in addition to legality, account is also taken of other aspects of management including social, environmental and economic issues.

Whether the requirement is for legality or sustainability it is the **forest of origin** of the timber which is being discussed and not the legality or sustainability of the manufacturing process. This means that manufacturers and exporters are being asked to provide information about the forest the timber came from, and not about their own practices. Therefore, apart from information on the forest management, reliable supply chain control is also required. For further information on legal and sustainable timber please refer to Figure 1.1 in chapter 1.

**Different types of driver**

**Mandatory legislative requirements:** The widest reaching requirement which all timber suppliers will have to meet is set out in legislation which focuses on timber legality.

Legislation making it an offence to trade illegal timber has been in place in the US since 2008 through an amendment to the **Lacey Act**. After two years of discussion, the EU will introduce the **Timber Regulation** which will require companies to take appropriate steps to minimise the risk of illegal timber and timber products being placed on the EU market. This regulation will come into application in March 2013. These legislative measures apply to many timber and paper products exported to the US and EU, as well as domestically produced timber products placed on the market in the EU, and traded between states in the US.

---

2 An example would be a report from Forest Trends 'Russian Logs in China: the softwood commodity chain and Chinese economic development'. The authors estimated that the majority of softwood imported from Russia was used in Chinese construction industry. [http://www.forest-trends.org/documents/files/doc_102.pdf](http://www.forest-trends.org/documents/files/doc_102.pdf)
The regulatory requirements in the US and EU will affect all companies which export products to these markets, as their customers will require assurance of the legality of the timber products they purchase. For further details please see section 3.1.1.

**Public and private sector policies and initiatives:** In addition to legislation, there is a variety of other drivers such as public and private sector procurement policies and green building initiatives. All require legality, but some go beyond legality and require sustainability.

**Public procurement policies** have been adopted in some EU Member States including Belgium, Denmark, France, Germany, the Netherlands and the UK (section 3.1.2). Many require timber to be from legal sources as a minimum, with preference for sustainability.

Several private sector initiatives also require demonstration of timber legality. These include **responsible purchasing policies of timber trade federations and individual companies**. The timber trade federations (section 3.2.1) in Belgium, France, Germany, the Netherlands, Spain and the UK require members to source timber from legal sources, and many companies (section 3.2.2) such as Walmart, IKEA and DLH also require suppliers to provide legal sources, and aim towards sustainable sources.

Moreover, some public and private sector purchasing policies and green building initiatives (section 3.2.3) **require sustainability only**. This usually means that only certified timber and recycled timber is acceptable.

**Providing evidence of legality or sustainability**

There are many ways to demonstrate compliance with policies and regulations. It is essential for suppliers to understand what policies and regulations on legality and/or sustainability their customers face and the types of evidence they can use to meet these demands. Evidence should cover forest management and supply chain control. This means that suppliers have to provide proof that the timber has been harvested legally and/or sustainably, and also provide evidence that the timber used in the products was not mixed or substituted.

The most common method is forest certification. All public and private procurement policies accept forest certification schemes as evidence of sustainability. This is usually demonstrated by supplying **certified timber** of acceptable schemes with full Chain of Custody (CoC).

Many public procurement policies accept **FLEGT-licensed timber** when it is available as evidence of compliance. The UK, French and Danish policies explicitly accept FLEGT licence while the Dutch policy will accept FLEGT-licensed timber when it is available. (See section 3.1.2 for further information on public procurement policies).

Moreover, there is a range of **legality verification schemes** available on the market to provide proof of legality. Many private sector responsible purchasing policies, such as those initiated by timber trade federations and private companies, accept legality verification schemes as proof of legality. (Please see section 3.2.1. and 3.2.2 for information on responsible purchasing policies of the private sector).

In addition to independent verification, **other types of evidence** can sometimes be used to demonstrate compliance and may be acceptable by the private sector including trade federations and individual companies. For example, copies of relevant documents such as harvesting licences, concession permits and forest management plans.

To summarise, Chinese exporters are likely to face two parallel sets of demands:

- All exporters to the US and the EU are likely to be requested to provide evidence of timber legality in order to ensure that importers comply with the Lacey Act and the EU Timber Regulation.
- Some exporters, but not all, will be requested to provide evidence of timber sustainability (generally through certification). This will apply particularly to exporters whose customers supply governments in the EU, or are private sector companies with purchasing policies.
Summary of implications for Chinese suppliers

Implications of US Lacey Act and EU Timber Regulation
It is likely that buyers of Chinese timber products will seek to reduce their risk of prosecution by selecting suppliers that can provide evidence of timber origin and legal harvesting. Companies that have evidence of legally produced timber are likely to be able to retain their market access or even gain competitive advantage compared to enterprises that do not. Companies that cannot provide adequate evidence risk losing customers in these markets.

Implications of public procurement policies
All countries with public procurement policies require timber to be from legal sources, while many either prefer or require that the timber is from sustainable sources. Accordingly, while proof of legality is sufficient for some countries, for others proof of sustainability is necessary. Most countries accept certification schemes as proof of compliance for legality and sustainability. Therefore, European buyers who supply those governments which have public procurement policies are likely to request their Chinese suppliers to provide certified timber.

Implications of responsible purchasing policies of trade federations and private companies
All timber trade federations whose policies were reviewed require their members to commit themselves to sourcing timber from legal and sustainable sources, and to seek evidence of legal compliance. Many also require their members to set targets and action plans to eliminate unwanted sources and increase the portion of certified timber. This means that importers will be requiring more information on their timber purchase to ensure legality or sustainability.

Similarly, many private companies require legal timber as a minimum, and require suppliers to make progress towards certification. This means that companies with purchasing policies will be asking their Chinese suppliers about timber sources such as the country of origin and documentation to demonstrate legality. Suppliers are usually given a certain period of time to comply with the policy if they are unable to do it immediately, provided that they have an action plan. However, if suppliers show no progress they may be rejected. It should be noted that many companies have a higher requirement on products made with tropical hardwoods, this means that in many cases, only certified timber is acceptable.

Implications of green building initiatives
The green building initiatives in the US (LEED) and Australia (GBCA) only give credits to certified timber, while the UK green building initiative (BREEAM) awards higher points to certified timber than legally verified timber. Therefore, companies supplying to building projects seeking these awards will require Chinese suppliers to provide certified timber products. It should be noted that BREEAM is now mandatory for companies for new-build homes in the UK.

What did the trade say?
Interviews with EU timber traders which purchase timber products from China were carried out between November and December 2009 in order to gather information on their experiences of buying products from China. Specifically, the aim was to understand whether they asked for documented proof of legality or sustainability, their experiences in getting relevant documents, their awareness of the Timber Regulation in the EU and the potential implications of this Regulation.

Interview results indicated that the purchase of Chinese products decreased somewhat in 2009, but is expected to increase again in the future. The demand for Chinese plywood is increasing but European buyers also need these products to be accompanied by evidence of legality. Several stated that they will have to consider switching to other suppliers if these credentials cannot be demonstrated. Approximately 60% of interviewees currently request proof of legality or sustainability for products from China. The large majority (over 80%) of the interviewees are aware of the Timber Regulation in the EU. They confirmed that in order to meet this requirement, traders will be asking for more information in terms of proof of legality of timber products, either through an independent third party approach (i.e. forest certification or legality verification) or documents to demonstrate legality (e.g. harvesting licence). If Chinese suppliers are unable

3 Note that at the time of interview the EU Timber Regulation was still under discussion and it was called Due Diligence Regulation.
to provide proof of legality there may be pressure to seek alternative sources where evidence of legality is available.

**Conclusion**

This report aims to help companies exporting to the EU and US markets, especially Chinese suppliers understand the different market requirements for legal and sustainable timber and timber products and what they mean in practice. This will be an important step in meeting customer demands to comply with EU and US regulations and policies. Chinese suppliers will need to understand the risks of illegal timber in their supply chains and to start requesting information on legality from both their domestic and overseas suppliers.
1. INTRODUCTION

This report aims to inform Chinese government, manufacturers, exporters and traders about existing and emerging market requirements for legal timber and timber products, with a particular focus on the EU market. The intent is to provide an overview of different regulations, policies and other initiatives within the EU as a basis for Chinese companies to respond to these emerging requirements for timber products.

This study was carried out through a combination of a desk study of existing legislation and policies and interviews with timber traders and importers of Chinese products in selected EU countries to collect information on likely future trends. It also provides an overview of China’s imports and exports of timber products drawn from trade data. The methodology can be found in Annex 1. This report is presented into the following sections:

Section 1: Background information, aims and overview of the report.

Section 2: Overview of China’s imports and exports of timber products. This section examines the extent of Chinese imports of timber from countries which buyers in key consumer markets perceive have a high risk of illegal timber production. It also identifies and describes the policies of countries where trade and market conditions require legal and sustainable timber.

Section 3: Review of market requirements for legal timber and timber products. This section reviews the requirements and evidence of compliance in terms of legality and sustainability for timber and timber products. It also includes the implications of different policies for Chinese suppliers.

Section 4: Interviews with European timber traders. This section aims to inform Chinese suppliers about European buyers’ expectations and requirements and the key issues and challenges faced by those buyers in terms of demonstrating legality from Chinese suppliers.

Section 5: Conclusion.

1.1. What is legal timber?

Before reviewing the different market requirements for legal and/or sustainable timber, it is important to be clear on what legal or sustainable timber means. Legality or sustainability of timber refers to legal or sustainable forest management where the timber originated. There are two components to legal or sustainable timber:

- **Forest management** – is the forest where the timber was harvested being managed legally or sustainably?
- **Supply chain control** – what controls are in place to ensure that the timber really is from a legal or sustainable source and has not been mixed with or substituted by other material?
Legal forest management

Legal forest management refers to legal management of the forest, i.e. meeting domestic laws relevant to forest management. It usually refers to the following aspects:

- **Legal right to harvest**
- **Compliance with legislation related to forest management, environment, labour and welfare, health and safety**
- **Compliance with legislation related to relevant taxes and royalties**
- **Respect for tenure or use rights to land and resources that may be affected by timber harvest rights**
- **Compliance with requirements for trade and export procedures**

It should be noted that some organisations differentiate two steps to legal forest management:

- **Verification of Legal Origin (VLO)** verifies that timber comes from a known and licensed source that the entity that carried out the harvest had a documented legal right to do so.
- **Verification of Legal Compliance (VLC)** expands upon the basic component of VLO by verifying that timber harvesting and other relevant management activities in the forest where it was harvested complied with all applicable and relevant laws and regulations.

Sustainable forest management

Sustainable forest management includes aspects of forest management that cover legal compliance but also takes other aspects that exceed legal compliance, including economic, social and environmental aspects of forest management, into account. There is no universally agreed definition of sustainability; however, it usually covers the following areas:

- **Environment**: conservation of biodiversity, minimisation of impacts on the environment such as soil and water conservation
- **Social**: respect of traditional and customary tenure and use rights, safeguard basic labour rights and health and safety of forest workers
- **Economic**: contributions to local economy

Progress towards sustainability refers to the stage where a forest is legally managed but its management has taken agreed steps towards achieving sustainable forest management. This is needed because there is often a gap between current management level and sustainable forest management and it is important to give suppliers a certain period of time to achieve sustainability.

Supply chain control

Apart from information on forest management, reliable supply chain control is also required to link timber products with the management of their forest of origin. This is because there are often several stages between the forest and the final product, which may allow mixing or substitution of timber from that forest with other unknown – and possibly illegal – raw materials. Therefore, it is necessary to know in each stage of the supply chain what controls are in place to prevent the timber from the source being mixed with or substituted for other material. For example, this can be done by implementing an internal system for timber traceability.

---

**Figure 1.1**

<table>
<thead>
<tr>
<th>Forest Management</th>
<th>Supply Chain Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Forest Management" /></td>
<td><img src="image2" alt="Supply Chain Control" /></td>
</tr>
</tbody>
</table>

Is the forest managed legally?  Are the controls in place to ensure that the timber is from legal forest and hasn’t been mixed with or substituted by other material?
2. OVERVIEW OF CHINA’S IMPORTS AND EXPORTS OF TIMBER PRODUCTS

This section provides an overview of China’s imports and exports of wood-based products, providing the context for the review. Analysing imports can help understand the extent of Chinese purchases of timber from countries where there is a high risk of illegal timber production. An examination of export markets can also help to identify and describe countries where trade and market requirements favour legal and sustainable timber. The section starts with a synopsis of the biggest importers and exporters in the world (in terms of roundwood equivalent volume), followed by China’s imports and exports of timber products.

2.1. A brief summary of the current global timber and timber products trade

Imports

In term of log imports, China has replaced the EU since 2005 as the top importer with 30 million m³ of logs imported in 2008. Imports of logs by the EU have decreased steadily since 2005, from 27 million m³ to 18 million m³ in 2008. The volume of logs imported by other countries is substantially smaller than that of China and the EU. Japan, South Korea, India and Canada are the other top importers of logs, accounting for 6 million m³, 5 million m³, 4 million m³ and 3 million m³ respectively in 2008. Imports of logs by Canada have remained more or less stable, with 4 million m³ per year between 2000 and 2007. On the contrary, the import of logs by Japan has decreased, from 16 million m³ in 2000 to 6 million m³ in 2008.

The USA and the EU were the two largest importers of sawn timber in 2008, accounting for 55 million m³ RWE and 23 million m³ RWE (Round Wood Equivalent) respectively. The USA and the EU were also the two biggest importers of sawn timber from 2000 to 2008, although import volumes by both USA and EU have decreased. Import of sawn timber by the US has dropped since 2005, from 108 million m³ RWE to 55 million m³ RWE in 2008. The import of sawn timber by the EU remained relatively stable, with the largest volume of sawn timber imports in 2004 and 2005, which accounted for 31 million m³ RWE each year. China and Japan are the third and fourth importers of sawn timber, each importing 13 million m³ RWE in 2008. Japan’s import of sawn timber steadily decreased in 2007, while China’s import of sawn timber has increased since 2001.

The USA and the EU were also the top two importers of wood-based panels, accounting for 17 million m³ RWE and 16 million m³ RWE respectively in 2008. The quantity imported by the USA has been decreasing since 2005, from 37 million m³ RWE. The third largest importer of wood-based panels is Japan, which imported 10 million m³ RWE in 2008, having imported around 13 million m³ RWE annually between 2000 and 2006.

The USA and the EU were also the two biggest importers of wooden furniture. The quantity imported by the USA increased between 2001 and 2006, from 11 million m³ RWE to 17 million m³ RWE but had declined to 14 million m³ RWE by 2008. The quantity imported by the EU increased between 2001 and 2007, from 3 million m³ RWE to 8 million m³ RWE. China supplied most of the increase in the furniture imported by the EU and the USA.

Exports

Russia has for many years and, by a substantial margin, been the top exporter of logs. The volume exported by Russia increased between 2000 and 2006, from 42 million m³ to 60 million m³. By 2008 the volume had decreased to 45 million m³, due at least partly to the increased export tax on logs. The other top exporters of logs in 2008 included New Zealand and the USA (both 7 million m³), EU, Malaysia, Uruguay and Canada (all 4 million m³).

Canada dominated in sawn timber exports, which accounted for 61 million m³ RWE in 2008. The quantity exported from Canada increased from 69 million m³ RWE between 2000 and 2005. The USA was the destination for most of those exports. The second largest exporter of sawn timber was Russia; its export volume increased from 17 million m³ RWE in 2000 to 25 million m³ RWE in 2008, having remained stable since the middle of the decade. Russia was the third largest exporter of sawn timber. The export volume from Russia more than doubled, from 11 million m³ RWE in 2000 to 28 million m³ RWE in 2008.

Exports of wood-based panels were dominated by Asian countries with China as the leading exporter since 2005. China’s export of wood-based panels increased very rapidly between 2000 and 2008, from 2 million m³ RWE to 22 million m³ RWE. Malaysia exported 15 million m³ RWE in 2008, the quantity having increased from

---

4 Statistic data was kindly provided by independent consultant James Hewitt who compiled this data from various sources including China Customs.
12 million m$^3$ in 2000. Indonesia was the third largest exporter of wood-based panels for most of the decade although the quantity which it exported fell from 16 million m$^3$ RWE to 7 million m$^3$ RWE between 2000 and 2008. Canada was the second largest exporter for most of the decade but its exports fell from 18 million m$^3$ RWE in 2004 to 6 million m$^3$ in 2008.

China dominates the export of wooden furniture, exporting 15 million m$^3$ RWE in 2008 compared to 4 million m$^3$ RWE in 2000. The EU is the second largest exporter of wooden furniture, and the quantity which it exported increased from 4 million m$^3$ RWE in 2000 to 5 million m$^3$ RWE in 2008. Vietnam and Malaysia were the other top furniture exporters in 2008, supplying 3 m$^3$ RWE and 2 m$^3$ RWE respectively.

2.2. China’s imports and exports of timber products

2.2.1. Imports

China is one of the biggest importers of timber and paper products globally. Chinese imports over the last 9 years have increased substantially in RWE volume, going from 63 million m$^3$ in 2000 to 103 million m$^3$ in 2008. This trend is mirrored by the total market value, which has gone from USD 10 billion to USD 19 billion within the same period. The increase in imports was mainly due to the logging ban in the Yangtze and Yellow River catchments as a result of severe flooding in 1998 and China’s rapidly increasing exports.

Imports by products

Major imports included logs (30 million m$^3$ RWE), sawn wood (13 million m$^3$ RWE), pulp (43 million RWE) and paper (13 million m$^3$ RWE) in 2008. Pulp, paper and logs have the highest market values and represented USD 7, 4 and 5 billion, respectively, in 2008.
Imports by countries
In 2008, the major sources of imports by volume were Russia (28 million m³), Canada (13 million m³), USA (9.3 million m³), Indonesia (7.6 million m³) and the EU (6.2 million m³). Since 2006 imports from Latin America (Brazil, Chile) have been increasing together with New Zealand, which have been in the top 10 supplying countries since 2007. Over the same period imports from the EU have been decreasing. In terms of import value, the top most significant countries are Russia (USD 3.9 billion), the USA (USD 2.1 billion), the EU (USD 2.0 billion) and Canada (USD 1.9 billion). The EU and USA account for a greater proportion of the total import value than of the total RWE volume - reflecting differences in the type, quality and species of the products supplied.

In terms of imports by product types in 2008, the top 3 source countries for logs are Russia (19 million m³), Papua New Guinea (2.2 million m³) and New Zealand (1.9 million m³). For sawn timber, the top 3 source countries are Russia (3.6 million m³), the USA (1.9 million m³) and Canada (2.1 million m³). For plywood, the top 3 source countries are Indonesia (0.31 million m³ RWE), Malaysia (0.25 million m³ RWE) and Japan (0.03 million m³ RWE).

It should be noted that China also imports from a number of tropical countries in smaller but nevertheless very significant volume. These countries include the Solomon Islands (1.2 million m³ RWE), Gabon (1.1 million m³ RWE), Congo Brazzaville (0.4 million m³ RWE), Equatorial Guinea (0.26 million m³ RWE), Cameroon (0.25 million m³ RWE), Mozambique (0.23 million m³ RWE) and Myanmar (0.68 million m³ RWE). China imports a much larger share of these countries’ exports of logs (and also those of a number of other countries perceived as high risk) than any other importing country does.

Trends in worldwide imports to China between 2000 and 2008 (volume)
Country | Log exports to China (million cubic metres) | Timber sector export to China (million cubic metres) | Total exports (million cubic metres) | Total exports (million cubic metres)
--- | --- | --- | --- | ---
Cameroon | 0.2 | 0.25 | 1.6 (16%) | 
Central African Republic | 0.03 | 0.04 | 0.14 (29%) | 
Congo Brazzaville | 0.39 | 0.41 | 0.75 (55%) | 
DR Congo | 0.02 | 0.03 | 0.26 (11%) | 
Gabon | 1.08 | 1.13 | 2.44 (46%) | 
Indonesia* | NIL | 0.8 | 11 (7%) | 
Malaysia | 0.7 | 1.6 | 28.4 (6%) | 

*Note that Indonesia exported 7.1 million cubic metres (RWE) of total 10.8 in paper sector (pulpwood, pulp logs, wood chips and sawmill residues) to China in 2008.

Import data confirm that China sources timber from both high risk and low risk countries. There are significant volumes from countries where buyers in consumer countries consider there to be a high risk of illegal logging1 (such as Russia, Indonesia and Papua New Guinea). Table 2.1 shows the volumes of exports to China of timber products from countries which have concluded or are in the process of negotiating Voluntary Partnership Agreements with the EU under the FLEGT Action Plan. China also sources from a number of countries considered to be low risk such as EU member states, the US, New Zealand and Canada.

2.2.2. Exports

Timber products exports have skyrocketed for the last 9 years, going from 18 million m³ RWE in 2000 to 68 million m³ RWE in 2008. The market value followed the same pattern, going from USD 5 billion to USD 28 billion within the same period.

Exports by products

Major export product groups in 2008 included paper (21 million m³ RWE), plywood (16 million m³ RWE) and furniture (6 million m³ RWE). In terms of export value, furniture contributes the most, with a market value of USD 11 million, compared to paper (USD 7.7 million) and plywood (USD 3.4 million). All 3 products show a slight decline in volume exported but export values are still increasing.

Exports by countries

Chinese exports of wood-based products have increased mainly due to an increase in exports to the USA and the EU. During the period 2000-2008 exports went from 3.4 million m³ to 16 million m³ to the USA and from 1.5 million m³ to 12 million m³ to the EU. The corresponding export values increased from USD 1.4 billion to USD 8.1 billion to the USA and from USD 0.6 billion to USD 5.5 billion from the EU. Exports to other countries such as Japan or Hong Kong also increased, but less rapidly.

The USA (16 million m³ or 23%) and the EU (12 million m³ or 17%) remain the two major export markets in 2008. Other destinations included Japan (5.6 million m³) and Hong Kong (4.6 million m³) – but some of this will subsequently have been re-exported to other destinations.

---

1 Publicly available reports from NGOs such as Greenpeace, Forest Trends and the Environmental Investigation Agency (EIA) suggest that there is high risk of illegal logging in countries such as Russia, Indonesia and Papua New Guinea. These reports are highly influential in forming timber market perceptions of risk in consuming countries.
Figure 2.3
China’s exports of wood-based products (by product)

Figure 2.4
Trends in China’s exports of wood-based products between 2000 and 2008 (export value)
The increase in exports to the EU between 2000 and 2008 was mainly due to a large increase of exports to the UK – RWE volume from 0.4 million m³ to 3.3 million m³, and export value from USD 0.1 billion to USD 1.5 billion. Other countries such as Germany, France, Italy, Spain, Belgium and the Netherlands have also shown a significant increase, both in volume and export value.

Over the past 3 years (2006-2008), those seven countries accounted for most of China’s exports of wood-based products (primarily plywood, furniture and paper) to the EU.

2.3. Keys findings

Key points to be drawn from China’s imports and exports of timber products include:

- China’s imports over the last 9 years have increased dramatically. China sources timber from countries perceived as both high risk and low risk in consumer markets. Russia is an important trading partner, though regarded as a high risk supplier, providing a great proportion of logs and sawn timber to China. China also sources logs and sawn timber from Canada and New Zealand, which are regarded as low risk suppliers.

- Among the high risk countries, there are some important suppliers including Russia, Indonesia, Papua New Guinea, Solomon Islands, Burma and the Congo Basin.

- Some high risk supplying countries are actual and potential VPA partner countries. These include Indonesia, Gabon, Cameroon and Congo Brazzaville. This implies that once VPAs are signed and the licensing schemes are operational, FLEG-licences issued by these countries (if they cover all exports⁶) should be sufficient to provide proof that the timber they export to the EU is legal (provided that there is full supply chain control from the point of import into China to the point of export).

- During each of the last few years, the EU and the USA, together accounted for approximately 40% of China’s exports of wood-based products (by both RWE volume and export value). Those two destinations seek to exclude illegal timber and, increasingly, unsustainable wood-based products from their markets. Consequently, their large share of the market for China’s exports of wood-based products is particularly significant. If Chinese suppliers wish to continue trading with these markets, they will have to ensure that their timber comes from legal sources.

---

⁶ Ghana, the Republic of Congo and Cameroon, the three countries which had concluded VPAs, intend that FLEG licences will be required for all their wood product exports to all countries.
3. REVIEW OF MARKET REQUIREMENTS FOR LEGAL TIMBER AND TIMBER PRODUCTS

In this section, we examine the current and potential future drivers of demand for legal timber and timber products. These are divided into:

- Legislative requirements
- Private and public sector policy and initiatives

While the main focus is on the EU market, requirements relevant to the US market are also included as this is equally important to Chinese suppliers, considering the US is the biggest destination for Chinese timber exports.

In terms of analysis, we focused on the following aspects for each of the sectoral policies/regulations:

- Policy or regulation features
- Requirements
- Evidence of compliance

Table 3.1 below summarises the regulations and policies which were under review.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Types</th>
<th>Policies or regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Regulations</td>
<td>US Lacey Act, EU Timber Regulation</td>
</tr>
<tr>
<td></td>
<td>Public procurement policies</td>
<td>Belgium, Denmark, France, Germany, the Netherlands, the UK</td>
</tr>
<tr>
<td>Private sector</td>
<td>Responsible purchasing policies/ code of conduct of timber trade federations/associations</td>
<td>UK Timber Trade Federation (UK TTF), Royal Netherlands Timber Trade Federation (VNH), French Timber Trade Association (LCB), Belgian Timber Importers Federation (FBCIB), German Timber Trade Federation (GD Holz), Spanish Timber Importers Association (AEIM)</td>
</tr>
<tr>
<td></td>
<td>Private companies' individual responsible purchasing policies</td>
<td>B&amp;Q, IKEA, Home Depot, Wal-Mart, Danzer, DLH</td>
</tr>
<tr>
<td></td>
<td>Green building initiatives</td>
<td>UK BREEAM (BRE Environmental Assessment Method), LEED (Leadership in Energy and Environmental Design) of US Green Building Council (USGBC), Green Star of Green Building Council Australia (GBCA)</td>
</tr>
</tbody>
</table>
In October 2008, the European Commission (EC) proposed a draft regulation aimed at minimising the risk of placing illegal timber and timber products on the EU market. After 2 years of discussion, the European Parliament voted to outlaw illegal timber or products made from such wood on the 7th July 2010.

There will be an implementation period of 27 months after its adoption, which allows companies affected to adapt and for Member States’ governments to establish required control mechanisms, such as sanctions and fines. The Regulation will be applicable from March 2013.

The Timber Regulation will apply to all timber and timber products listed in the Annex of the Regulation imported into any EU Member State or domestically produced in the EU. However, printed materials will be exempted for 5 years. The regulation will require operator that first place timber on the EU market (i.e. ‘first placers’) to implement a due diligence system, while an internal trader in the supply chain are required to provide basic information on its supplier and its buyer to enable the traceability of timber and timber products. This regulation applies to timber grown both within and outside the EU, e.g. a timber importer in France trading plywood from China, or a small forest owner selling logs to a local sawmill in Finland. It is not a border control measure.

Requirements
The regulation states that ‘the placing on the market of illegally harvested timber or timber products derived from such timber shall be prohibited. Operators shall exercise due diligence when placing timber or timber products on the market. To that end, they shall use a framework of procedures and measures, hereinafter referred to as a ‘due diligence system’.”
“Illegally harvested” means harvested in contravention of the application legislation in the country of harvest. “Applicable legislation” means the legislation in force in the country of harvest covering the following matters:

- Rights to harvest timber within legally gazetted boundaries
- Payments for harvest rights and timber including duties related to timber harvesting
- Timber harvesting, including environmental and forest legislation including forest management and biodiversity conservation, where directly related to timber harvesting
- Third parties’ legal rights concerning use and tenure that is affected by timber harvesting; and
- Trade and customs legislation, in so far as the forest sector is concerned

The Regulation includes details on what a Due Diligence System should look like and how it should operate, which include the following elements:

a) Access to the following information concerning the operator’s supply of timber or timber products placed on the market:

- Description, including the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name;
- Country of harvest, and where applicable:
  i. Sub-national region where the timber was harvested; and
  ii. Concession of harvest
- Quantity (expressed in volume, weight or number of units)
- Name and address of the supplier to the operator
- Name and address of the internal trader to whom the timber and timber products have been supplied;
- Documents or other information indicating compliance of those timber and timber products with the applicable legislation

b) Risk assessment procedures enabling the operator to evaluate the risk of illegally harvested timber or timber products, take into account of the following aspects:

- Assurance of compliance with applicable legislation, which may include certification or other third party verification
- Prevalence of illegal harvesting of species
- Prevalence of illegal logging in country or region, including armed conflict
- Sanctions imposed by the UN Security Council or the Council of the EU on timber imports or exports
- Complexity of the supply chain

c) Risk mitigation procedures which consist of a set of measures and procedures that are adequate and proportionate to minimise effectively that risk and which may include requiring additional information or documents and/or requiring third party verification.

‘The legislation specifically notes that FLEGT licenses and CITES certificates are acceptable proof of legality.’

The legalisation specifically notes that FLEGT- licenses and CITES certificates are acceptable proof of legality. The Timber Regulation does not pre-approve particular legality verification or forest certification scheme that will meet the requirements, though it mentions that ‘assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation’. Because the due diligence system will require operators to assess risk, voluntary schemes which verify legal compliance are likely to reduce risk as they cover applicable laws on right to harvest, payments for harvest rights and other duties, forest management and environmental legislation, third parties’ legal rights, trade and customs legislation. However, subsidiary implementing regulations may further specify criteria for acceptable schemes.

Penalties
In general (although there are exceptions) individual EU member states set their own penalties for non-compliance with EU-wide legislation. Typically EU legislation requires member states to set penalties in their own legislatures which are “effective, proportionate and dissuasive”. Penalties may include:

a) Fines proportionate to the environmental damage, the value of the timber or timber products concerned and the tax losses and economic detriment resulting from the infringement, and the fines for repeated serious infringements shall be gradually increased
b) seizure of the timber and timber products concerned
c) immediate suspension of authorisation to trade

US Lacey Act
Features
The amendment to the Lacey Act was introduced in May 2008, after the US Congress passed a law banning commerce in illegally sourced plants and their products, including all timber and timber products. It is mandatory for all operators in the US. There are two components to a violation of the Lacey Act. Firstly, a plant must have been taken, harvested, possessed, transported, sold or exported in violation of an underlying law in any foreign country or in the US. Secondly, a person or company may not ‘import, export, transport, sell, receive, acquire, or purchase’ such an illegally-sourced plant between US states or in foreign commerce.

Requirements
In addition to the above prohibitions, the Lacey Act requires importers to provide a basic declaration to accompany every shipment of timber and timber products. The declaration must contain:

- The scientific name of any species used;
- The country of harvest;
- The quantity and measure;
- The value.

All products apart from paper and furniture products were subject to the declaration requirement from 2009. Paper and furniture products are required to provide declaration as of April 2010.

The Lacey Act does not subscribe to or approve any certification or legality schemes. A company is not required to match any one standard of forest certification or legality verification. Companies have to exercise due diligence, termed “due care” under the Lacey Act, to eliminate illegal wood from the supply chains. It is entirely up to the private sector to comply as it sees fit. Cases that are prosecuted are likely to provide precedents as to what sort of legality assurance is acceptable evidence of due care.

Penalties
Lacey Act civil and criminal penalties vary according to how much the company or individual knew about the crime, as well as the value of the good in question. The penalties are described below:

- ‘Knowingly’ engaged in prohibited conduct:
  a) Trade in illegal sourced wood: Criminal offence fine (up to USD 500,000 for corporation, USD 250,000 for individual or twice maximum gain/loss from transaction). Possible prison sentence of up to five years. Forfeiture of goods;
  b) False import declaration: Criminal felony fine as above or civil penalty up to USD 10,000. Possible prison sentence of up to five years. Forfeiture of goods.

- ‘Unknowingly’ engaged in prohibited conduct but did not exercise due care:
  c) Trade in illegally sourced wood: Criminal misdemeanour penalty (up to USD 200,000 for corporation, USD 100,000 for individual or twice maximum gain/loss from transaction). Possible prison for up to one year. Or Civil penalty fine up to USD 10,000. Forfeiture of goods;
  d) False import declaration: Civil penalty fine of USD 250. Possible forfeiture of goods.

- ‘Unknowingly’ engaged in prohibited conduct but exercised due care:
  e) Trade in illegally sourced wood: forfeiture of goods;
  f) False import declaration: Civil penalty fine of USD 250. Possible forfeiture of goods.

---

8 Adapted from EIA briefing: http://www.greenpressinitiative.org/documents/LaceyActFAQ.pdf
Therefore, it will become increasingly important for importers to demonstrate that they requested and received adequate evidence of legality so that they will be deemed to have exercised ‘due care’ and thus are not liable to criminal prosecution.

It will become increasingly important for importers to demonstrate that they requested and received adequate evidence of legality so that they will be deemed to have exercised ‘due care’ and thus are not liable to criminal prosecution.

**Box 3.1 First case of Lacey Act enforcement**

On November 17, 2009, the Federal agents from the U.S. Fish and Wildlife Service executed a search warrant on Gibson Guitars of Nashville, Tennessee, marking the first major enforcement action of the Lacey Act against an importer of wood products since it was amended in 2008. Gibson Guitars was allegedly using illegally harvested rosewood and mahogany from Madagascar. No one from the company was arrested during the raid but agents seized boxes of guitars, wood, computers, and boxes of files.

Since 1996, Gibson Guitars has held a FSC Chain of Custody (CoC) certificate, sourcing certified timber such as that from community forests in Guatemala and Honduras. Notwithstanding the FSC certification program, published reports allege that certain wood in Gibson’s factory was illegally harvested from Madagascar and shipped to the United States through Germany.

### Regulation

<table>
<thead>
<tr>
<th>Requirement</th>
<th>EU Timber Regulation⁹</th>
<th>Lacey Act</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>When is it introduced?</strong></td>
<td>It was passed into law in May 2008.</td>
<td>The first draft was submitted by the EC in October 2008. The Regulation entered into force on 2nd December 2010, and will be applicable on 3rd March 2013.</td>
</tr>
<tr>
<td><strong>Who needs to follow the regulation?</strong></td>
<td>Any company in the timber supply chain, e.g. importers, agents, manufacturers, retailers.</td>
<td>All operators who place timber and timber products on the EU market for the first time. Internal traders are also subject to the regulation.</td>
</tr>
</tbody>
</table>
| **Requirements**             | Importers to provide basic declaration to accompany every shipment of timber and timber products. The declaration must contain:  
  - The scientific name of any species used  
  - The country of harvest  
  - The quantity and measure  
  - The value  
  - Evidence of 'due care' is not requested by legislation but significantly reduces penalties so it is likely to be demanded by buyers. | Operators are required to minimise the risk of illegal timber in the market by implementing a due diligence system. The due diligence system should provide access to the following information:  
  - Description of tree species, trade name and type of product  
  - Country of harvest of timber  
  - Quantity  
  - Name and address of the supplier  
  - Name and address of the trader  
  - Documents or other information to indicate compliance  
  Operators will need to use this information to assess the risk that a supply of timber has been illegally harvested and where the risk is “non-negligible” take action to mitigate the risk. |
| **Penalties**                | Civil and criminal penalties vary according to how much the company or individual knew about the crime, as well as the value of the goods in question. | The Regulation requires each EU member state to impose penalties which are “effective, proportionate and dissuasive”. |

---

Box 3.2 Implications of legislation for Chinese exporters

The legislation in both the EU and the US will apply to all timber and wood-based products whether they are from domestic forests or imported. In both cases importers will need information on the timber products they import and, though the legislation is not identical, in practice the information is likely to be similar and will include:

a. Information on what is being imported (quantity, species, country of harvest etc);

b. Evidence of legality of the timber to show due diligence/ due care

For the EU regulation, a FLEGT-licence has been explicitly identified as adequate proof of legality.

To reduce the risk of penalties, it is likely that buyers of Chinese timber products will favour suppliers that can provide evidence of timber origin and legal harvesting. Enterprises that have evidence of legally produced timber are likely to be able to retain their market access or even gain a competitive advantage compared to enterprises that do not. Enterprises that cannot provide adequate evidence risk losing customers in these markets.

3.1.2. Public procurement policies in EU Member States

A Communication on ‘Public Procurement for a Better Environment’ published by the EU in July 2008 provides guidance on how to reduce the impact caused by public sector consumption and to use Green Public Procurement (GPP) to stimulate innovation in environmental technologies, products and services. The Communication identified 10 priority sectors for GPP of which four contain timber as an important component: 1) construction; 2) energy (including forest biomass); 3) paper and printing services and 4) furniture. It recommends that Member States stipulate that all wood or wood products are sourced from legally harvested forests as minimum technical specification. However, it should be noted that it is voluntary for Member States to decide whether to introduce public procurement policies, and subject to rules to permit fair competition, they may set their own criteria concerning the environmental attributes of products covered.

Public procurement accounts for between 15% and 25% of all timber products purchased in most EU Member States. Several Member States have developed public procurement policies for timber and timber products. These countries are Belgium, Denmark, France, Germany, the Netherlands and the UK (other European countries, for example Spain, are also now in the process of developing a policy). An ad hoc working group on public procurement on wood and wood-based products has recently developed guidance for incorporating sustainability goals of the EU and its Member States in public procurement policies10.

This section compares policy features, requirements and evidence of compliance in public procurement policies in 6 Member States, who currently have such policies in place.

Policy features

The Danish policy was first initiated through a Parliament Decision in 2001. In 2003, guidelines on public purchase of tropical timber were issued. These were updated in February 2006 when the policy was extended to cover timber from all origins. Temporary guidance on the purchase of legal timber was issued in September 2006, and draft criteria for legal and sustainable timber went out for consultation in mid 2007, and are pending finalisation. In May 2010 new revised guidelines were published. The policy covers both wood and paper products. The timber procurement policy is voluntary for both central and local governments.

In France, the procurement policy was adopted as part of the National Strategy for Sustainable Development, issued in June 2003. Initially relevant to tropical timber only, it was expanded in 2005 to cover all timber. It covers both wood and paper products. It is mandatory

---

10 For details please visit: http://ec.europa.eu/agriculture/fore/publi/index_en.htm
for national departments and agencies and local authorities are encouraged to refer to it.

Belgium: On 18th November 2005, the federal council of ministers approved the federal circular letter P&O/DO/2 regarding the federal government procurement policy aimed at promoting the use of timber and timber products from sustainably managed forests. It has been implemented since the 18th March 2006. The procurement policy only covers wood products. Paper products are covered in another circular. The policy is mandatory for federal public services and institutions. Green procurement guidelines are provided to local government.

In Germany, the Federal Government declared in its coalition agreement of 11th November 2005 that it supports the certification of sustainably managed forests and will continue to use only wood from certified forests in its procurement measures. In January 2007, the federal Government issued a Joint Instruction on the procurement of wood products. The policy is valid for 4 years, at which point it will be reviewed. The policy covers rough, semi-finished and finished products. For composite products, the policy applies only if virgin timber is the most significant component. The policy does not cover paper or paper products. The policy is mandatory for Federal Administration.

The Dutch timber procurement policy was originally initiated by the Government (Government position on Tropical Timber) in 1992. The current timber policy was announced on 18th June 2004. In 2010 all timber procured by central government should come from sustainable sources and if not available, at least come from legal sources. This policy applies to both wood and paper products, and is mandatory for public institutions at national level.

In the UK, a voluntary guidance (a Green Guide for Buyers) advising government departments to purchase timber from sustainable sources was issued in 1996. In July 2000, a binding policy on timber procurement which required all government departments and their agencies to actively seek to buy timber products from legal and sustainable sources was announced. Guidance notes were issued in 2003, 2004 and 2005. A policy change was announced in March 2007, and took effect in April 2009 requiring all supplies to be legal and sustainable, or FLEGT-licensed. The policy covers both wood and paper products. It is mandatory for central government departments, executive agencies and non-departmental bodies and local authorities are encouraged to adopt it.

<table>
<thead>
<tr>
<th>Country</th>
<th>Products covered</th>
<th>Level of obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Wood products only.</td>
<td>Mandatory for federal public services and institutions. Green procurement guidelines are provided to local government.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Wood and paper products.</td>
<td>Voluntary for both central and local governments.</td>
</tr>
<tr>
<td>France</td>
<td>Wood and paper products.</td>
<td>Mandatory for national departments and agencies. Local authorities are encouraged to refer to it.</td>
</tr>
<tr>
<td>Germany</td>
<td>Rough, semi-finished and finished products. For composite products, the policy applies only if virgin timber is the most significant component.</td>
<td>Mandatory for Federal Administration.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Wood and paper products.</td>
<td>Mandatory for public institutions at national level.</td>
</tr>
<tr>
<td>UK</td>
<td>Wood and paper products.</td>
<td>Mandatory for central government departments, executive agencies and non-departmental bodies. Local authorities are encouraged to adopt it.</td>
</tr>
</tbody>
</table>

Table 3.3
Summary of policy features in public procurement policies
Requirements

**Denmark:** timber from legal sources is the minimum requirement, and sustainable timber is preferred. The Danish government has developed its own set of criteria on legality and sustainability in its public procurement policy. The current structure and content of the Danish criteria (currently in draft form) closely follow the UK definitions of both legality and sustainability.

The minimum requirement for the **German** government is sustainability, as defined by certification schemes. The PEFC and FSC standards are used as a benchmark for legality and sustainability. The German government has developed procedural requirements (standard-setting process, certification and accreditation) and requirements for the evidence of sustainability (content of the standard). However, these documents are for internal use only.

**Netherlands:** All national government institutions are required to purchase from verifiably sustainable sources if possible, with the view to progress to 100% sustainable in 2010. If sustainable timber is not available, legally produced timber is acceptable. The Dutch procurement criteria for timber were finalised in October 2008. It covers the following five areas: 1) legislation and regulation; 2) social aspects; 3) ecological aspects; 4) economic aspects; 5) management aspects. The Timber Procurement Assessment Committee (TPAC) was established to assess the compliance of forest certification systems with the Dutch timber procurement criteria. The assessment of schemes is currently ongoing. Guidance on assessing other types of evidence was published in March 2010.

For the **French** government, the minimum requirement is legal and sustainable sources. Paper and packaging should be recycled. The French government has no defined criteria for legality, though compliance with CITES is required. The French approach relies on verification of legality or sustainability by an independent third party scheme.

The minimum requirement in the **Belgian** public procurement policy is sustainability. The Belgian government developed 11 criteria on sustainable forest management. A review of the procurement policy including the criteria was carried out in 2008. As a result of this review, the Belgian federal government had been working on a common set of criteria at national level, which are similar to the UK and the Danish criteria. Public consultation on revised criteria was finalised by the end of September 2009. Subsequently, the criteria have been finalised.

As of April 2009, timber from legal and sustainable or FLEG-licensed sources is the minimum requirement in the **UK** timber procurement policy. The definitions of legality and sustainability were developed by the government Department for Environment Food and Rural Affairs (Defra), together with their Central Point of Expertise on Timber (CPET), operated by Proforest. Social aspects were previously omitted in the UK’s definition of sustainability but the government has announced that additional social criterion would be included in the definition of sustainability. As of 1st April 2010, all government contracts for timber products include social criteria as contract conditions.

---

**Various different EU member states have their own timber procurement policies. As yet there is no overall formal EU coordination.**

Photo source: Tristam Sparks

---

11 For further information please visit: http://www.tpac.smk.nl/nl/s518/c410-TPAC-home
12 For further information please visit: http://www.cpet.org.uk
13 For details please see the CPET announcement: http://www.proforest.net/cpet/activities-and-news/news%20stories/announcement-sustainability-definition-now-includes-social-criteria
Evidence of compliance

Certified products
All of the government procurement policies accept certified products from forest certification schemes as a means to demonstrating compliance with the policy requirements. However, there are differences in two aspects:

- Whether the government carried out assessments of certification schemes;
- Which schemes are acceptable.

The Belgian government accepts certification schemes as a way to demonstrate compliance with the government requirements. No formal assessment of schemes was carried out. The Federal Council on Sustainable Development recommended that FSC and PEFC Belgium meet all the criteria, while some PEFC national schemes do not fully meet the criteria, particularly on social aspects. The Expert Committee was set up to evaluate which PEFC national schemes meet the requirements. The members of the Expert Committee could not reach consensus which resulted in a Positive List 1 and a Positive List 2 for PEFC national schemes. In 2008, the Belgian government commissioned a study to evaluate the procurement policy and the results showed that it is neither suitable nor practical to differentiate between PEFC national schemes. A new set of criteria have been developed and assessment of certification schemes will be carried out. In the meantime, FSC and PEFC are acceptable.

Only the UK government has carried out a comprehensive assessment of certification schemes (also known as Category A evidence). Initial assessment and re-assessment of certification schemes was carried out in 2004, 2005, 2006, 2008 and 2010. The current results show that FSC and PEFC provide acceptable assurance of sustainability.

Box 3.3 What is forest certification?
Forest certification is a process of verifying that a forest management meets the requirements of a defined standard. When combined with a certified chain of custody (CoC) from forest to the final product, it enables the identification of products from well-managed forests. CoC is a verifiable system of traceability for certified timber or other material at each stage through which it passes from the forest to the final product and provides assurance at each stage of the supply chain that the material being sold is derived from certified forests.

There are several certification schemes available. Each scheme has its own standard. There are some differences between the standards and between the schemes’ accreditation, certification, and standard-setting requirements. The two global schemes are the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification Schemes (PEFC). The PEFC is an umbrella scheme which endorses national schemes such as the Sustainable Forestry Initiative (SFI), Canadian Standards Association (CSA), and Australian Forestry Standard (AFS).

It should be noted that a company with a CoC certificate does not mean that all the products it sells are certified. Many companies with a CoC certificate sell both certified and non-certified products. It is therefore important to check that products supplied by a company holding a CoC certificate are themselves actually covered by that certificate.
The **Danish government** uses certification schemes as a way to demonstrate compliance with the government requirements. The Danish government published new revised guidelines on public procurement of legal and sustainable timber in May 2010, which replaced the previous guide published in 2003. The new guidelines consider timber from FSC and/or PEFC certified forests as well as other forests managed according to corresponding standards as legal and sustainable timber.

The **French government** relies on verification of legality and sustainability by an independent third party. This approach has been defined as including certification schemes. No assessment of evidence is undertaken by the Government.

In **Germany**, FSC and PEFC certificates are accepted as proof of sustainable forest management. Though there has been no public evaluation of forest certification schemes, the policy allows that if deficiencies in the FSC and PEFC systems become known, an evaluation will be undertaken by the Federal Research Institute for Rural Areas Forestry and Fisheries (vTI) and the Federal Agency for Nature Conservation (BfN). If the shortcomings are confirmed, they will allow up to 12 months for improvement. If the shortcomings are not corrected within this time period, the respective scheme will be excluded.

The **Dutch government** has established the Timber Procurement Assessment Committee (TPAC) to assess compliance of certification schemes with the Dutch procurement criteria. TPAC also gathers information on the functioning of the scheme in practice, for example, through its online stakeholder forum. The TPAC has assessed FSC International, PEFC Germany, PEFC Finland (FFCS), PEFC Sweden, PEFC Belgium, PEFC Austria and PEFC International, and all are found to have complied with the Dutch timber procurement criteria. TPAC has also completed assessment of the Malaysian Timber Certification Scheme (MTCS) and pending decision of whether it meets the Dutch procurement criteria (as of June 2010).

**Other types of evidence**

EU rules require that governments in member states accept evidence of compliance with requirements for legality and sustainability other than that provided by named certification schemes.

In **Belgium**, other types of evidence are also accepted, as long as they meet the Belgian criteria, though no guidance has been produced.

In the **UK**, Category B evidence (other types of evidence) is accepted as equivalent to certification schemes. A Framework for Assessing Category B evidence was published in June 2006, and included checklists which suppliers must be able to complete (supply chain, legality and where applicable, sustainability). The assessment of Category B evidence is determined on a case-by-case basis, depending on the level of risk involved.

In **Denmark**, other types of evidence are considered, similar to the UK Category B evidence. However, it is not clear how it will be assessed. The new guidelines also recommend other tools for verifying legal timber, currently TlTv (SGS), vlC (Smartwood) and upcoming FLEGT- licenses.

The **French government** accepts a range of other types of evidence, including evidence such as a legality licence (anticipating the FLEGT-licences), an independent verification of a supplier’s declaration, attestation of a forest management plan, or verification of compliance with a code of practice, and existing custom documents to qualify legal/ sustainable products when entering the EU market.

Other evidence will be accepted (including certificates of other schemes) by the **German government**, provided the bidder is able to demonstrate that forest management was consistent with the FSC or PEFC standards. Evaluation of other evidence will be undertaken at the expense of the bidder, by the vTI and the BfN.

In the **Netherlands**, other types of proof will be considered for sustainability, though no requirements have been finalised. For legality, other equivalent evidence is accepted, as outlined in the UK’s Framework for evaluating Category B evidence.
FLEGT-licensed timber

Box 3.4 Forest Law Enforcement Governance and Trade (FLEGT) and Voluntary Partnership Agreement (VPA)

The EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, adopted in 2003, sets out a programme of actions that forms the EU’s response to the problem of illegal logging and trade in associated timber products. Voluntary Partnership Agreements (VPAs) form the centrepiece of the FLEGT Action Plan. A VPA is a legally binding agreement between the EU and a Partner Country by which the EU and a timber-producing country (Partner Country) undertake to work together to support the aims of the FLEGT Action Plan and to implement a timber licensing scheme. To enable this, a new European Regulation on the implementation of the FLEGT licensing scheme was adopted in 2005. A Partner Country is committed to develop credible legal and administrative structures and technical systems to verify that timber is produced in accordance with national laws.

An important part of each VPA will be the establishment of a licensing scheme to ensure that only timber products that have been produced in accordance with the national legislation of the exporting country are imported into the EU. Under the licensing scheme, only licensed timber products exported from the Partner Country to the EU will be accepted. However, trade in timber products from non-partner countries will not be affected. The licensing scheme is required cover only a limited range of solid wood products (i.e. logs, sawnwood, veneers and plywood). However, where it is beneficial for a Partner Country, a VPA may include any other product categories.

The first VPA was signed in November 2009 with Ghana and VPA negotiations have been concluded with Congo Brazzaville and Cameroon.14 It is expected that the FLEGT-licensed timber from Ghana will be available by the end of 2012. Other countries including Indonesia, Malaysia, Gabon, Central African Republic, the Democratic Republic of Congo and Liberia are currently in various states of negotiation.

For further information visit: http://www.euflegt.efi.int/ or http://ec.europa.eu/environment/forests/flegt.htm

The acceptability of FLEGT-licensed timber in public procurement policies varies depending on the minimum requirements. The minimum requirements for both the German and Belgian procurement policies are for sustainable timber, hence FLEGT, which is regarded as legal only, is not considered under the current policies.

The UK and the French policies have specific reference to FLEGT. The UK government has formally announced that FLEGT-licensed sources will be accepted as equivalent of sustainable until 2015. The French government also accepts legality licence including FLEGT as a proof of legality.

Though the Dutch government does not have any explicit reference to FLEGT-licences in its current policy, it also accepts FLEGT-licensed timber as meeting its legality requirements.

The new revised guidelines for Danish procurement policy mentioned that FLEGT-licensed timber will be accepted as verifying legal timber.

The German policy will be reviewed in 2011, the technical support advises to accept FLEGT-licensed timber, though in the meantime FLEGT-licensed timber will not be considered as meeting the requirements.

The Belgian policy is currently under review and the government is seeking ways to provide market incentives for FLEGT-licensed timber.

As illustrated above, there are differences and similarities in terms of the minimum requirements and evidence of compliance. These are summarised in table 3.4.

14 Ghana, the Republic of Congo and Cameroon, the three countries which had concluded VPAs, intend that FLEGT licences will be required for all their wood product exports to all countries.
Table 3.4
Summary of minimum requirements and evidence of compliance in public procurement policies

<table>
<thead>
<tr>
<th>Countries</th>
<th>Minimum requirements</th>
<th>Which schemes are acceptable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Sustainable sources</td>
<td>FSC, PEFC certified timber as proof of sustainability. Seeking ways to provide market incentives for FLEGT-licensed timber.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Legal sources is the minimum recommended requirement, and sustainable timber should be preferred</td>
<td>FSC and PEFC as proof of sustainability; currently TLTV (SGS), VLC (Smartwood) and upcoming FLEGT-licenses are proof of legality.</td>
</tr>
<tr>
<td>France</td>
<td>Legal and sustainable sources</td>
<td>Any certification schemes; FLEGt-licensed as proof of legality.</td>
</tr>
<tr>
<td>Germany</td>
<td>Sustainable sources</td>
<td>FSC, PEFC, other schemes may be acceptable if they meet the requirements. FLEGT-licensed timber will not be considered meeting the requirements in the meantime.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Starting in 2010 sustainable source and if sustainable timber is not available, legal source</td>
<td>FSC International, PEFC International, PEFC Belgium, PEFC Germany, PEFC Finland (FFCS), PEFC Sweden and PEFC Austria. Other schemes. The assessment of MTCS has completed and is pending decision to whether it meets the Dutch procurement criteria.</td>
</tr>
<tr>
<td>UK</td>
<td>Legal and sustainable or FLEGT-licensed</td>
<td>FSC and PEFC; FLEGT-licences as equivalent as legal and sustainable.</td>
</tr>
</tbody>
</table>

3.1.3. Public procurement policies in other countries

A number of non-EU countries have also developed responsible purchasing policies including Switzerland, Norway, Japan, Australia and New Zealand.

The voluntary guidance of the Swiss government only considers tenders that use wood and wood products from sustainably managed forests and accepts FSC and PEFC certification schemes, while the Norwegian government has announced that no tropical timber could be used in a building itself or in the materials used during the building period. Other products including copy paper, envelopes, other printed material and office furniture that is recycled and meets relevant eco-label requirements should be preferred.

The Australian government published green purchasing guidelines which encourage the use of locally produced recycled materials or where these are not available, sustainably produced materials. Products considered sustainable include those originating from a certified source e.g. the Australian Forestry Standard or FSC or alternatively from a Regional Forest Agreement area in Australia.

The New Zealand government introduced its procurement policy in December 2006 and requires suppliers to demonstrate legality as a minimum. It accepts a range of evidence including certification schemes, legality verification schemes and stepwise programmes.

The Japanese government introduced a policy in 2006. The minimum requirement is legality, and the Japanese government accepts the following certification schemes as evidence of compliance: Sustainable Green Ecosystem Council (local scheme), CSA, FSC, LEI, MTCS, PEFC and SFI. Other evidence is also accepted such as legality verification, e.g. Indonesia’s BRIK and SKSHH documentation, SGS’s TLTV and export declarations; code of conduct of wood industry associations and own procedures set up by individual companies which are not members of wood industry associations.
Box 3.5 Implications of public procurement policies for Chinese exporters

All of the countries (both EU and non-EU) with public procurement policies require timber to be from legal sources, while many either prefer or require that the timber is from sustainable sources.

Therefore, while proof of legality is sufficient for some countries, for others proof of sustainability is necessary. Most countries requiring sustainability require certification or equivalent. However, two of them, the UK and France, explicitly accept FLEGT-licences as adequate. Though not explicitly mentioned in the Dutch and Danish procurement policies, both governments will also accept FLEGT-licences when available.

Buyers who supply government contracts need to factor relevant procurement policy criteria into their buying decisions and some apply these criteria to all their purchases. They are likely to require evidence that supplies meet the applicable government procurement guidelines. This will create demands that Chinese suppliers provide information about their own supplies including evidence of sustainable and legal forest management and supply chain control.

Public procurement accounts for between 15% and 25% of all timber products purchased in most EU Member States. Public procurement policies certainly increase the demand for legal and sustainable timber.

3.2. Private sector initiatives

3.2.1. Responsible purchasing policies of timber trade federations

We reviewed the responsible purchasing timber policies or codes of conduct for 6 timber trade federations and associations in Europe which have developed such policies for their members. The reason for selecting these 6 countries is that they are the top importers of products from China. Italy is also one of the top countries, but the Italian federation is still in the process of developing a policy hence it is not included in this review.

Belgian Timber Importers’ Federation

The responsible purchasing policy of the Belgian Timber Importers’ Federation (Fédération Belge du Commerce d’Importation de Bois - FBCIB) was fully operational by the end of 2005. It covers all timber products and is voluntary for members.

FBCIB members who sign up for the responsible purchasing policy have to ‘seek evidence of compliance from suppliers that they are operating in accordance with laws and regulation of the producing country. In this connection a formal written declaration that the timber is legally produced will be requested from the suppliers.’ Suppliers are also requested to provide the contact details of the designated supervisory authority. Members also have to comply with CITES regulations and have to support credible timber certification schemes such as FSC, CSA, PEFC, SFI and MTCC.

FBCIB members accept forest certification schemes such as FSC, CSA, PEFC, SFI and MTCC. They also accept third party verified legal timber and supplier declarations on legality.
Box 3.6 What is timber legality verification scheme?

A number of certification bodies have developed their schemes in verifying legality of forest management and supply chain control. These legality schemes have two focuses in terms of legality audits: verification of legal origin (VLO) and verification of legal compliance (VLC).

VLO focuses on demonstrating that timber and timber products derive from a legal source and are legally owned at all points in the supply chain.

VLC focuses on demonstrating that timber is managed in accordance with forest legislation and other relevant specific laws.

Most legality verification schemes include CoC control to ensure that only verified legal timber can enter into the supply chain.

French Timber Trade Federation

The commitment to responsible purchasing of timber in the French Timber Trade Federation (Le Commerce du Bois – LCB) is detailed in its Environmental Charter. It was announced in June 2006 and was implemented in 2007 on a voluntary basis. However, the Board of Directors has voted for the Charter to become compulsory in September 2009. The first audit of members was to be finalized by the end of 2010.

Legality is the minimum requirement in the Environmental Charter of LCB. According to the charter, members request a certificate of legality from suppliers. Members are also encouraged to gradually increase supplies of products with a certificate of sustainable forest management, or evidence for moving towards certification as an alternative. Legality is defined as respecting the international and national regulations and standards.

LCB members accept the following types of evidence:

- Legality verification schemes: OLB, Smartwood, TLTV/COC, TFT.
- All forest certification schemes: FSC, PEFC, FFCS, CSA, SFI, ATFS, AFS, CERFLOR, CERTFOR, Keurhout, MTCC, LEI.
- Governmental attestation.

German Timber Trade Federation

The Code of Conduct of the German Timber Trade Federation (Gesamtverband Deutscher Holzhandel – GD Holz) was introduced in May 2006 and was amended in June 2009. It is mandatory for all members to sign up to the Code of Conduct.

The GD Holz Code of Conduct commits members to support trade in legal and sustainable timber. Members should consider CITES and respect embargo recommendations of the EU and UN. Members should also exclude trade in illegal timber by getting clarification that round logs and sawn timber have been harvested in compliance with the legal requirements of the country of origin; motivating suppliers of panel products to provide proof of legality. In addition, members should support SFM by giving preference to certified products avoiding trade in endangered species and supporting certification.

GD Holz does not specify which certification schemes are acceptable. Proof of legality is also not specific, though it mentions timber originating from countries with a Voluntary Partnership Agreement (VPA) with the EU.
Netherlands Timber Trade Federation

The Royal Netherlands Timber Trade Association (Vereniging Van Nederlandse Houtondememingen - VVNH) established the Code of Conduct in 2003, and was finally endorsed by all members in 2004. It is mandatory for all VVNH members. Members are committed to steadily increasing the volumes of certified timber, and other products traceable to the forest source. The primary objectives include reaching 100% traceable and 75% originating from demonstrable sustainable sources in 2009. The new policy for 2010-2015 will be released shortly which includes targets of 100%, 50% and 85% of sustainable sources for softwood import, hardwood and plywood respectively.

In endorsing the VVNH code of conduct, members undertake to market legal timber only, and preferably to market only timber that originates from sustainably managed forests. The VVNH established the Keurhout system in 1996 to check and approve different certification schemes. In recent years, Keurhout also focused on systems for verifying legality. Keurhout has developed its own set of criteria for legality and sustainability that it uses to assess legality verification schemes and forest certification schemes.

VVNH members accept FSC and PEFC certificates as proof of sustainability and FSC controlled wood standard, SGS Timber Legality and Traceability Verification (TlTv) as proof of legality.

UK Timber Trade Federation

The UK Timber Trade Federation (UK TTF) introduced the Responsible Purchasing Policy (RPP) to assist members with the implementation of the Environmental Code of Practice in the TTF Code of Conduct, which was introduced in 2003 and amended in 2008. In June 2008, the TTF made it obligatory for all member companies to sign up for the RPP. By January 2009, all members had to officially sign up to the new rule, and prepare for the first annual assessment in early 2010.

The UK TTF Code of Conduct states that ‘members are committed to sourcing their timber and timber products from legal and well-managed forests’. The RPP is a risk assessment tool which helps members to objectively assess the risk of illegal products entering the supply chain from their suppliers. It is also a stepwise process that requires continuous improvement to increase the portion of certified products.

Members send a questionnaire to their suppliers regarding their timber sources. Suppliers have to provide an approximate annual quantity for all products supplied and their certification or verified legal status. For products that are not certified or legally verified, they have to provide information on the country of origin, forest location (region or concession), whether they are harvested from natural forests or plantation or from converted land, any management plan in place and documents to provide legality. Members have to rate the risk of uncertified products into low, medium and high and include a target to lower the risk. Members are audited independently.

Spanish Timber Trade Association

The responsible purchasing requirements of the Spanish Timber Trade Association (Asociación Española de Importadores de Madera - AEIM) were approved by the Association’s General Assembly on the 11th of March 2005 in Madrid and took effect immediately. It is mandatory for all members, either importing companies or agents.

The minimum requirement of AEIM is legality, which is defined as complying with the laws from countries of origin as well as Spanish importing laws, and international conventions such as CITES, World Heritage Center (WHC) and the Convention on Biological Diversity (CBD). If possible, sustainability should be achieved. It is also recommended to members to seek certification to ensure sustainable forest management.

AEIM members should specify legal timber in the contracts drawn up with the suppliers. It is required from the suppliers in the country of origin to provide information on a management plan, an ownership licence, a harvesting licence, transport documents, etc. It is also recommended (but not compulsory) to seek certification and Chain of Custody.
For suppliers whose products are certified or legally verified, UK TTF members accept:

- Certification schemes as evidence of compliance: CSA, FSC, MTCS, PEFC and SFI.
- Legality verification schemes such as EU FLEGT licences, SGS Legal Timber Validation, OLB.
- Stepwise programmes including: TTAP, Smartstep, GFTN

For non-certified products, there is a guidance note referring to documents to prove legality and origin. These include legally required transport and shipping documents, proof of purchase from the forest of origin, maps/records showing the harvested area, concession and felling licences, official records confirming the payment of royalties and other fees. Regional reports showing compliance with local laws would also be acceptable.

<table>
<thead>
<tr>
<th>Federations</th>
<th>Level of obligation</th>
<th>Requirements</th>
<th>Evidence of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBCIB (Belgium)</td>
<td>Voluntary</td>
<td>Seek evidence of compliance from suppliers that they are operating in accordance with laws and regulation of the producing country. Comply with CITES regulations. Support credible timber certification schemes.</td>
<td>Third party verified legal timber and supplier declarations on legality.</td>
</tr>
<tr>
<td>LCB (France)</td>
<td>Mandatory</td>
<td>Request a certificate of legality from suppliers. Members are also encouraged to gradually increase supplies of products with a certificate of sustainable forest management, or evidence for moving towards certification as an alternative.</td>
<td>Certification schemes, legality verification schemes and governmental attestation.</td>
</tr>
<tr>
<td>AEIM (Spain)</td>
<td>Mandatory</td>
<td>Members should require legality of timber. Members are recommended to seek certification and Chain of Custody.</td>
<td>Contracts with suppliers should specify legal timber. This includes information on a management plan, an ownership licence, a harvesting licence and transport documents.</td>
</tr>
<tr>
<td>GD Holz (Germany)</td>
<td>Mandatory</td>
<td>Members to support trade in legal and sustainable timber. Members should consider CITES, respect embargo recommendations of EU and UN.</td>
<td>Certification schemes and legality verification schemes; timber from VPA countries.</td>
</tr>
<tr>
<td>VVNH (Netherlands)</td>
<td>Mandatory</td>
<td>Members undertake to market legal timber only, and preferably to market only timber that originates from sustainably managed forests.</td>
<td>FSC and PEFC certificates as proof of sustainability; FSC controlled wood standard, SGS Timber Legality and Traceability Verification (TLTV) as proof of legality.</td>
</tr>
<tr>
<td>UK TTF</td>
<td>Mandatory</td>
<td>Members are committed to sourcing their timber and timber products from legal and well-managed forests’</td>
<td>Certification schemes, legality verification schemes, stepwise programme, other types of documents on legality such as maps/records showing the harvested area, concession and felling licences</td>
</tr>
</tbody>
</table>
It is worth noting that the European Timber Trade Federation (ETTF) is currently developing a code of conduct specifically for Chinese plywood. It contains technical aspects such as CE marking and types of glue used in plywood. It also includes the requirements of legal timber, which closely follow the requirements of the EU Timber Regulation. In early 2010, plywood importers from the UK, Netherlands and Belgium held a meeting with the ETTF to discuss these new requirements for Chinese plywood.

### Box 3.7 Implications of responsible purchasing policies of trade federations/associations for Chinese exporters

All the timber trade federations whose policies were reviewed require their members to commit to sourcing timber from legal and sustainable sources, and seek evidence of legal compliance. Many also require their members to set targets and action plans to eliminate unwanted sources and increase the portion of certified timber. This means that importers will be requiring more information on their timber purchases to ensure legality and/or sustainability. Members of the trade federations will be asking suppliers to provide information related to the timber sources, for example, on country of origin, forest location (region or concession), harvesting/felling licences, management plan, etc.

Members of the trade federations will be asking suppliers to provide information related to the timber sources, for example, on country of origin, forest location (region or concession), harvesting/felling licences, management plan, etc. These companies are the market leaders in the industry and some of the biggest companies in the world. For example, Wal-Mart is the third largest company in the world, with revenues of over USD 400 billion. HSBC and Home Depot also rank at 21 and 90 respectively. These responsible purchasing policies are imposed on suppliers as a condition for doing business. Suppliers for these companies have to follow the policy requirements. Some companies use contract conditions to make the policies legally-binding on their suppliers. The HSBC policy is applicable to clients in the forest and forest products sector receiving financial services from HSBC.

### B&Q


The minimum requirements of the B&Q timber policy are either certified or recycled materials. The B&Q timber buying policy is to ensure that all the timber,
timber-containing and paper products used and sold come from forests that are credibly certified as well-managed, with full Chain of Custody, or from recycled materials.

Under some circumstances (with the permission of the Social Responsibility Team), B&Q accepts products made from timber sources that are progressing towards certification, but only when there is an independently verifiable action plan being implemented to move towards certification. To qualify, the sources and their supply chain must:

- Have a Memorandum of Understanding (MOU) with the The Forest Trust; or
- Have an approved SmartWood SmartStep action plan and written contract to progress to FSC.

B&Q is also monitoring the progress of the WWF GFTn process in this regard. If this process proves to be suitable, B&Q will, as a minimum, accept suppliers which can provide evidence that they are members of WWF GFTn, have signed agreements with an FSC accredited certifier to achieve FSC certification of the forest source and must prove that an independently verified full chain of custody is in place.

B&Q accepts the following evidence as compliance with the policy:

- FSC certified sources will be accepted with full Chain of Custody,
- PEFC certified Sources of non-tropical species will be accepted with full Chain of Custody under the following exceptions:
- PEFC certified sources of European wood are acceptable when supported with full Chain of Custody and confirmation from the vendor that all material used originated in Europe.
- Other sources of PEFC certified wood will only be accepted when supported with full Chain of Custody AND evidence of independent assurance that the sources comply with the requirements of the FSC controlled wood standard.

Products which are made from pre- or post-consumer waste recycled must have 3rd party independent verification to prove material is recycled waste.

**Danzer**

Danzer’s policy was introduced at the end of 2004 and covers timber and timber products.

The minimum requirement of Danzer is timber from known and legal sources. Known source is defined as known origin up to source forest (traceability); legal source is defined as the right to harvest forest sources and legal trading/manufacturing. This rule applies to sourcing in Europe, North America and Africa. The ultimate goal is wood from well-managed forests.

Danzer works proactively with suppliers in medium to high risk source countries, including several African countries. Danzer procures from a number of forestry companies in West and Central Africa; also from importers of this region. They apply their “Procurement Rules Africa” to reduce the risk that illegal or unwanted sources enter into the supply chain:

- Preliminary assessment of suppliers - ‘Quick check’: based on minimum documentation of legal right to harvest, knowledge of suppliers and ‘Declaration of legality’;
- Extend risk assessment of supplier based on questionnaire in order to reduce high risk suppliers;
- Visits and audits of suppliers.

In addition, Danzer aims to increase the amount of third party verified legal timber and timber certified for sustainable forest management, as an ultimate proof of legality / sustainability.

Timber sourced from North America is considered as low risk of illegality. Certification is widespread hence certified products are preferred. In Europe, Danzer applies two implementation approaches based on a risk assessment of each country of harvest.

The first approach refers to their main sourcing countries. These are countries with good forest legislation and sustainability tradition (e.g. France and Germany). Certification to PEFC or FSC is widespread there. It can be sourced at a low risk.

The second approach refers to eastern sourcing countries like Ukraine or Russia where there are gaps between legislation and enforcement of the forest law. More detailed checks concerning legality are required.
Danzer requests documentation on the legal origin of timber:

**Right to harvest:**
- Forest concession permit (forest management unit – FMU) by a temporary or permanent convention or harvesting permit;
- Small map of the forest concession (FMU) or harvesting permit;
- Annual allowable cutting (AAC) permit or logging permit;

Danzer focuses on forest concession permits and logging permits as these documents cannot be obtained without first being in possession of other legal documents.

Field visits and audits are carried out, where other legal documentation, chain of custody and all requirements to prove the legal right to harvest are checked.

**Export / purchase (documentation to be provided upon each purchase (at export)):**
- Invoice;
- Bill of lading (for export only);
- Certificate of Origin & Phytosanitary control certificate, if applicable;
- Proof that all export taxes have been paid and that the timber has been legally exported (D6, Customs declaration, certificate of inspection by SGS if applicable);
- CITES permits in case of species in appendices II or III of CITES (Afrormosia - Pericopsis elata).

In addition, Danzer prefers third party schemes:
- Independent legality verification scheme such as TLTV or OLB is accepted.
- Forest certification as proof of compliance (FSC and PEFC).

DLH

DLH’s first environment policy was introduced in 1991 and since then the policy has been updated a number of times. The latest update was in 2008 and a new version is expected in 2010. It applies to all wood and wood products sold by DLH, including logs, sawn timber and finished products such as flooring and decking.

All DLH suppliers must commit to comply with DLH’s environmental policies. DLH implements a Good Supplier Program (GSP) to collect and evaluate information on the timber origin of all direct suppliers. Signing up to GSP is a qualification for being a supplier to DLH.

GSP was first launched in 2002, starting with a number of African countries. Since then, the GSP has been revised several times and today it covers all tropical countries, Russia, Ukraine, Belarus and China. DLH aims to achieve 100% known source in the future. The target for 2009 is 90% known source. As of 2008, 87% of the source came from known origin.

This means that suppliers have to provide information on the forest source to the level of forest of harvest. Suppliers who cannot provide this information will be phased out. DLH does not accept plywood from China made from tropical timber unless it is FSC certified.

**DLH:** The GSP is based on self declaration from suppliers. However, DLH encourages their suppliers to obtain full verification of legality from an independent third party or to aim for full certification in accordance with an internationally recognised certification scheme.

DLH accepts legality verification schemes such as VLO, VLC, TLTV, OLB and forest certification schemes such as FSC and PEFC. For tropical countries FSC certification is the preferred certification scheme.
The Home Depot


The minimum requirement of The Home Depot policy is legal: ‘The Home Depot expects its vendors and their suppliers of wood and wood products to maintain compliance with laws and regulations pertaining to their operations and the products they manufacture.’

In addition, the Home Depot will:

- Give preference to the purchase of wood and wood products originating from certified well managed forests wherever feasible;
- Eliminate the purchase of wood and wood products from endangered regions around the world;
- Practice and promote the efficient and responsible use of wood and wood products;
- Promote and support the development and use of alternative environmental products.

The Home Depot is committed to not purchasing wood products made from the 40 trees species listed by the World Conservation Monitoring Centre as potentially endangered species, unless the supplier provides the export permit.

The Home Depot accepts timber from legal sources but it does not specify the types of acceptable evidence of legality. The Home Depot will also give preference to certified products which are under the Forest Stewardship Council (FSC): ‘The Home Depot recognizes the Forest Stewardship Council (FSC) as a not-for-profit membership organization that advances forest stewardship through certification of forest management practices and marketplace labelling of certified forest products.’

HSBC

The HSBC Forest Land and Forest Products Sector Guidelines were first published in 2004. They were reviewed and revised in 2008. The HSBC policy is applicable for providing financial services to clients in the forests and forest products sector, including forestry operations, timber products, pulp and papers manufacturers around the world and plantations (timber, oil palm, soy and rubber).

HSBC requires clients to obtain independent certification proving that their timber operations and/or supplies of timber products are legal and sustainable. The HSBC standard is based on the FSC’s Principles and Criteria and their commitment to the Equator Principles, which provides assurance of legality and sustainability.

For legality, HSBC requires logging and harvesting activities to respect permits, quotas, concession areas, local laws on taxation and corruption, protected species (including CITES species), the legal rights of communities and areas defined as High Conservation Value Forest (HCVF). HSBC will not finance the conversion of HCVF to plantations and only considers low impact operations in HCVF.

For sustainability, HSBC requires forest operations to minimise harm to ecosystems, maintain forest productivity, ensure forest ecosystem health and vitality, safeguard the traditional or customary rights of forest-dwelling communities (including protection of the rights of indigenous peoples, maintenance of community relations, benefits for local communities, protection of workers’ rights and mechanism for dispute resolution), and reflect balanced participation of economic, environmental and social interests.

HSBC will not finance the manufacture of pulp and paper where raw material supplies of wood are not certified in accordance to the policy.

HSBC accepts FSC certification as this is the standard in which the HSBC standard is based on. Other certification schemes may also be acceptable, depending on the extent to which a scheme meets HSBC’s standard. Clients are considered fully compliant with the policy when their activities are 70% certified as sustainable and there is evidence that the remainder is legal, in line with best practice certification procedures. HSBC also supports ‘near compliant’ clients who are in the process of achieving compliance with the policy. For example, clients are progressing towards certification or providing assurance of legality before achieving sustainability. HSBC has exited a number of relationships who have failed to meet the standards under the Forest Land and Forest Products Policy.
IKEA

IKEA's latest position on forestry was issued in February 2009 and covers products that contain solid wood, veneer, plywood and layer glued wood.

IKEA preferred sources must be verified as coming from certified forests with Chain of Custody (CoC) certification. Currently, FSC is the only certification scheme recognized by IKEA. By the end of 2012, IKEA aims to have 35% of all wood raw materials from IKEA preferred sources.

Until all IKEA suppliers can source certified timber, every supplier of IKEA products must comply with IKEA minimum forestry requirements. IKEA requires that wood in their products must NOT:

- Come from forests that have been illegally harvested
- Come from forestry operations engaged in forest related social conflicts
- Be harvested in uncertified intact natural forests or high conservation value forests
- Be harvested from natural tropical and sub-tropical forests converted to plantations
- Be from known genetically modified (GM) tree plantations

IKEA suppliers regularly report the origin, volume and species of all wood used in IKEA products. This information and a risk assessment are used to select a number of wood supply chains for closer evaluation. IKEA forestry specialists audit the suppliers’ and sub-suppliers’ wood supply from the factory all the way back to the forest of origin. Rainforest Alliance Smart Wood Program, a third-party auditor, complements the IKEA auditing system by conducting a limited number of wood supply chain audits.

Walmart

The Wood Purchasing Policy of Walmart was developed in September 2008, after joining the Forest and Trade Network (FTN) in the US in July 2008. The policy covers both paper and wood products.

Suppliers to Walmart must ensure their wood source is known, legal, documentable and in compliance with all applicable laws. Preference will be given to furniture suppliers using sustainable wood from Walmart’s recognized Forest Certification Programs: FSC, SFI, PEFC, CSA. Walmart is committed to eliminate all unwanted wood from the supply chain by 2013 which includes:

- Wood from unknown sources;
- Wood from High Conservation Value Forests;
- Wood sources that result in conversion of natural forests to plantation or other land use with no net social and environmental benefit;
- Wood traded in a way that drives violent armed conflict;
- Wood harvested or processed in violation of human rights.

In terms of evidence of compliance, certification from FSC, SFI, PEFC & CSA are preferred by Walmart. Documentary proof of legality is also accepted. However, it does not specify the types of acceptable documents on verifying legality.
<table>
<thead>
<tr>
<th>Companies</th>
<th>Product scope</th>
<th>Requirements</th>
<th>Evidence of compliance</th>
</tr>
</thead>
</table>
| B&Q              | Wood and paper products| All the timber, timber-containing and paper products used and sold come from forests that are credibly certified as well-managed with full Chain of Custody, or from recycled materials. | FSC certificate  
PEFC certificate of non-tropical timber  
Recycled materials with third party verification                                |
| Danzer           | Wood products          | Minimum requirement is timber from known and legal sources. Known source is defined as known origin up to source forest (traceability); legal source is defined as the right to harvest forest sources and legal trading/manufacturing. The ultimate goal is wood from well-managed forests. | Documents on legal origin of timber including forest concession permit, logging permit  
Legality verification schemes such as TLTV and OLB  
Forest certification schemes such as FSC and PEFC                                |
| DLH              | Wood products          | DLH implements a Good Supplier Program (GSP) to collect and evaluate information on the timber origin of all direct suppliers. Signing up to GSP is a qualification for being a supplier to DLH. | Documents showing legal origin  
Legality verification schemes such as VLO, VLC, TLTV, OLB  
Forest certification schemes such as FSC and PEFC                                |
| The Home Depot   | Wood products          | Wood and wood products to maintain compliance with laws, committed to eliminate unwanted sources, give preference to certified products. Do not purchase wood products made from the 40 trees species listed by the World Conservation Monitoring Centre as potentially endangered species. | Accepts timber from legal sources but it does not specify the types of acceptable evidence of legality. Certified products are accepted especially FSC. |
| HSBC             | Forest and forest products sector | Requires clients to obtain independent certification that their timber operations and/or their supplies of timber products are legal and sustainable. | FSC certification; Other certification schemes may also be acceptable, depending on the extent to which a scheme meets the HSBC standard. |
Companies | Product scope | Requirements | Evidence of compliance |
--- | --- | --- | --- |
IKEA | Products that contain solid wood, veneer, plywood and layer glued wood | IKEA requires that wood in their products must NOT:  
• Come from forests that have been illegally harvested  
• Come from forestry operations engaged in forest related social conflicts  
• Be harvested in uncertified intact natural forests or high conservation value forests  
• Be harvested from natural tropical and sub-tropical forests converted to plantations  
• Be from known genetically modified (GM) tree plantations | FSC is the only certification scheme recognized by IKEA  
Document the origin, volume and species of the wood. Some suppliers will be selected for third party verification based on the result of risk assessment. |
Walmart | Paper and wood products | Wood source is known, legal, documentable and in compliance with all applicable law. Preference will be given to furniture suppliers using sustainable wood. Committed to eliminating unwanted sources by 2013. | Certification from FSC, SFI, PEFC & CSA are preferred. Documentary proof of legality is also accepted. |

Box 3.8 Implications of private sector policies for Chinese exporters

While many private sector policies accept legal timber as a minimum, most require progress towards certification. This is particularly the case for products made with tropical hardwoods which are perceived as particularly high risk. B&Q especially has a very strict timber policy which only accepts certified or recycled materials. Therefore, while proof of legality is useful, for many Chinese exporters, it may not be adequate for their customers who are requiring proof of sustainability (i.e. certification).

Companies will be asking their Chinese suppliers about timber sources such as the country of origin and documentation to demonstrate legality. Suppliers are usually given a certain period of time to comply with the policy if they are unable to do it immediately, provided that they have an action plan. However, if suppliers show no progress they may be rejected.

It should be noted that these companies represent market leaders in responsible policies, but other companies are expected to follow as regulations become tougher (the US Lacey Act, the EU Timber Regulation.) Trade interviews with European companies also confirmed that companies will implement responsible purchasing policies and/or subscribe to the responsible purchasing policies of timber trade federations in order to meet legislation requirements (see section 4 for details).
While many private sector policies accept legal timber as a minimum, most require progress towards certification.

3.2.3. Green building initiatives

Green building initiatives were established as guidelines that address many of the negative environmental, human health, and financial impacts of construction and occupancy of a building. A green building project involves an integrated design process where environmental, social, and economic issues are considered collectively to address a number of designs and construction elements. Green building initiatives take into account different aspects of building construction, such as raw material, energy efficiency and water. Many of these green building initiatives award credits for the use of certified or recycled timber products.

BREEAM Code for Sustainable Homes

The BREEAM Code for Sustainable Homes is an environmental assessment method in the UK, based on EcoHomes©, which aims to rate and certify the performance of new homes. It is a national standard used in the design and construction that encourages continuous improvement in sustainable home building. It was launched in December 2006 and became operational in England in April 2007. The Code rating has been mandatory for newly built homes since 1st May 2008. The programme awards rated certificates that assess a wide range of standards on energy and carbon emissions, water, materials, surface water run-off, waste, pollution, health and well-being, management and ecology. The range of products covered includes timber.

There are currently 3 categories in BREEAM assessing the use of sustainable timber. One of them is responsible sourcing of materials (6 credits). The actual allocation of points in BREEAM for responsible sourcing requires a complex calculation based on the volume of responsibly sourced product used in each separate building element, in combination with the quality of the evidence provided. The scores available for different forms of forest certification and legality verification are adapted directly from the CPET assessment of the UK Government public procurement policy. Three points are awarded for FSC and PEFC schemes, and 2 points are awarded to other certification schemes. Other legality schemes including legality verification or stepwise programmes can be awarded 1.5 points.

At present it is not explicit that all timber used in rated projects must be derived from a verified legal source. However, in order to achieve any credits for responsible sourcing, there is a minimum requirement that timber be accompanied by a signed declaration from the supplier stating that the product is legally sourced and not a CITES listed species.

Green Building Council Australia (GBCA)

The Green Building Council Australia (GBCA) was established in 2002. It is a national, not-for-profit organisation committed to developing a sustainable property industry for Australia by encouraging the adoption of green building practices. GBCA developed Green Star in 2003, which is a comprehensive, national, voluntary environmental rating system that evaluates the environmental design and achievements of buildings. The Green Star rating tool includes several categories such as materials, energy and water. It awards points for achievements of specific credits in each rating category. Timber products are included in the category for materials. Green Star is a voluntary scheme.

Green Star rating awards point for certified timber and reused and post-consumer recycled timber used in buildings. The ‘Timber’ credit has just been revised and will come into effect on 1st January 2010. It contains ‘Essential criteria’ and ‘Significant criteria’. Essential criteria focus on legality and ‘Significant criteria’ were released for further consultation in early 2010 with the aim of being implemented in July 2010. The GBCA’s Significant Criteria for forest certification will focus on best practices in forest management. The GBCA has developed an Assessment Framework for Forest Certification Schemes. This framework enables the
GBCA to assess forest certification schemes against Green Star’s 15 criteria, which address governance and transparency of forest certification schemes, the content and rigour of the standards that they operate.

The GBCA recognises certified timber and recycled timber in Green Star rating. FSC International and PEFC comply with the Essential Criteria. One point will be awarded in the revised Timber credit where all timber in the building and construction work is certified by a PEFC or FSC International accredited forest certification body; or is from a reused source; or is sourced from a combination of both (meeting the Essential criteria). In future, two points will be available where at least 95% (by cost) of all timber is certified by a forest certification scheme that meets both the GBCA’s ‘Essential’ and ‘Significant’ criteria for forest certification; or is from a reused source; or is sourced from a combination of both.

**US Green Building Council (USGBC)**

The U.S. Green Building Council (USGBC) is a Non Profit Organisation founded in 1993. LEED (Leadership in Energy and Environmental Design) is a green building certification system, providing third-party verification that a building project was designed and built matching LEED criteria. LEED is a voluntary scheme.

USGBC applies the LEED verification system and its checklist to certify that projects are awarded points in several categories. There is one category in the LEED checklist which requires the use of certified timber.

LEED awards 1 point for using certified timber products. Timber is part of the section on materials and resources, which accounts for maximum 14 points. This 1 point is out of maximum 110 points, spread over 7 categories. In terms of the overall scheme, the use of certified timber is insignificant. A project can get gold standard with 39-51 points, and platinum with 52-69 points with the use of certified timber. This means that a point is earned if at least 50% of the wood-based materials are Forest Stewardship Council certified. However, USGBC has recently introduced the Forest Certification Benchmark which could open the door to other certification scheme such as SFI. The decision on this was to be voted by USGBC members at the end of 2010. In December 2010, USGBC announced the Forest Certification Benchmark did not pass the member ballot process.

### Table 3.7 Summary of green building initiatives

<table>
<thead>
<tr>
<th>Building initiatives</th>
<th>Level of obligation</th>
<th>Requirements</th>
<th>Evidence of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>BREEAM</td>
<td>Mandatory for new homes being built</td>
<td>Awards 3 points with certified timber; 1.5 points for other schemes</td>
<td>Forest certification schemes: FSC and PEFC, equivalent to UK Government procurement policy Other schemes such as MTCS, SGS, TFT, SmartWood</td>
</tr>
<tr>
<td>Green Star</td>
<td>Voluntary</td>
<td>Awards points with certified timber and reused and post-consumer recycled timber</td>
<td>Forest certification schemes but require assessment by GBCA</td>
</tr>
<tr>
<td>LEED</td>
<td>Voluntary</td>
<td>Awards points with certified timber</td>
<td>FSC certified timber is acceptable. SFI certified timber is also accepted if USGBC members vote for it in early 2010.</td>
</tr>
</tbody>
</table>
### 3.3. Summary

This section summarises the different requirements and evidence of compliance required by different regulations, policies and initiatives, particularly using a table and flow diagram to help readers understand the requirements. In summary, there are two parallel levels of requirements:

1. **Mandatory legislative requirements**: The widest reaching requirement which all timber suppliers will have to meet are those set out in legislation where the focus is on timber legality. This includes the US Lacey Act and the EU Timber Regulation in the EU. These legislative measures require companies to demonstrate legality of timber, and apply to any timber products exported to the US and EU markets. The new regulatory requirements in the US and EU will affect all companies who export products to these markets, as their US and EU customers will be requiring information on the legality of timber in order to fulfil the legislative requirements.

2. **Public and private sector policies and initiatives**: In addition to legislation, there is a variety of other drivers such as public and private sector procurement policies and green building initiatives. All require legality, but some go beyond legality and require sustainability. These policies apply to companies whose customers have implemented such policies, or supply to governments who have a public procurement policy.

Many public procurement policies in some EU Member States, including Denmark and France, require timber to be from legal sources as a minimum, with preference to sustainability. Other Member States including Belgium, Germany, the Netherlands and UK require sustainability as a minimum requirement.

Several private sector initiatives require demonstration of timber legality. These include responsible purchasing policies of timber trade federations and individual companies. The timber trade federations in Belgium, France, Germany, the Netherlands, Spain and the UK require members to source timber from legal sources, and many companies such as Wal-Mart and IKEA also require suppliers to provide legal sources, and aim towards sustainable sources.

A few other public and private sector purchasing policies and green building initiatives that require sustainability only. This usually means that only certified timber and recycled timber is acceptable.

**Summary of implications for Chinese suppliers**

Chinese exporters are likely to face two parallel demands:

- All exporters to the US and the EU are likely to be requested to provide evidence of timber legality in order to ensure that importers comply with legislation and avoid risk of prosecution.
- Some exporters, but not all, will be requested to provide evidence of timber sustainability (generally through certification). This will apply particularly to exporters whose customers supply governments in the EU, or are private sector companies with purchasing policies.

In order to fulfil the legal obligation and responsible purchasing policies for the public and private sectors, US and EU companies will be asking their suppliers to provide evidence of timber legality. NGO initiatives such as the Global Forest and Trade Network (GFTN) of WWF, The Forest Trust (TFT), and SmartStep of Rainforest Alliance provide technical assistance to companies in sourcing timber from legal and sustainable sources. For details on these NGO initiatives please refer to Annex 3.
Chinese suppliers can refer to table 3.8 and flow diagram 3.1 to check whether they need to provide proof of legality or sustainability, and what kind of proof they need to provide in order to meet the requirements.

In general it will be easier to determine the origin of domestically produced timber than imported timber. For both sources, Chinese suppliers can use forest certification, legality verification schemes or stepwise programmes to help them minimise the risk of illegal timber entering their supply chains. However, smaller companies may not have the human and financial resources to use these tools and are likely to need additional help to meet market demands.

Photo source: Jo Ann Deasy
Proforest
Market requirements for legal and sustainable timber, and the implications for Chinese suppliers

Evidence of compliance

<table>
<thead>
<tr>
<th>Evidence of compliance</th>
<th>Proof of legality</th>
<th>Proof of sustainability – forest certification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Other types of evidence</td>
<td>Legality verification schemes</td>
</tr>
<tr>
<td>Mandatory legislative measures requiring legality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Lacey Act</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>EU Timber Regulation</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Public and private sector policies and initiatives require legality and above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgian public procurement policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Danish public procurement policy</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Dutch public procurement policy</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>French public procurement policy</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>German public procurement policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK public procurement policy</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Belgian timber importers’ federation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>French timber trade federation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Netherland Timber Trade Federation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Spanish Timber Trade Association</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>German Timber Trade Federation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>UK Timber Trade Federation</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>B&amp;Q</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Danzer</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>DLH</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>IKEA</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Home Depot</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>HSBC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walmart</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>UK BREEAM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US LEED</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GBC Green Star</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key:
- ✔ explicitly mentioned
- ○ Implicitly accepted, provided that the evidence meet the government’s criteria
- ◆ Note that only the German Timber Trade Federation explicitly mentions timber from VPA countries
- ■ Note that neither the Lacey Act nor Timber Regulation prescribes a particular legality or certification scheme that will meet the requirements, with the exception that FLEGT-licensed timber is explicitly mentioned under the EU Timber Regulation.

Table 3.8
Summary of evidence of compliance from different initiatives
Do your clients have any policies which require legality or sustainability of timber and timber products?

START

Do your clients require legality because they supply to the governments which require legality as a minimum? (section 3.1.2)

Do you supply to EU and US markets?

It is very likely that you do not have to provide any proof of legality. Market requirements are changing constantly, it is suggested to keep abreast of the new requirements

Then you have to meet the requirements of US Lacey Act and the EU Timber Regulation in the EU (section 3.1.1)

This means providing information on timber including quantity, species and country of harvest, and evidence of legality of timber

Your certified products can meet the requirements

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?

Then you have to provide alternative evidence which meets the governments’ criteria, such as FLEGT-licensed timber (when it is available) with full supply chain control, or third party timber legality verification schemes such as TLTV, VLC

Your certified products can meet the requirements

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?

You have to provide alternative evidence. This includes a range of evidence such as logging permit, forest management plans, third party timber legality verification schemes

Your certified products will not be accepted

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?

Then your products will not be accepted

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?

Then you have to provide evidence of sustainability that meets the governments’ criteria

Do you clients require sustainability because they supply to governments which require sustainability as a minimum requirement? (section 3.1.2)

Do your clients have responsible purchasing policies which require legalit and move towards sustainability? (section 3.2.2)

Do your clients subscribe to the responsible purchasing policies of timber trade federations in the EU? (section 3.2.1)

Do your clients have responsible purchasing policies which require sustainability as a minimum? (section 3.2.2)

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?

Do your clients have any policies which require legality or sustainability of timber and timber products?

Are you Chain of Custody (CoC) certificate holder under FSC or PEFC?
4. DEMAND FOR LEGAL TIMBER FROM EU TIMBER TRADERS

Within the EU, the top 7 timber products buyers from China are: UK, Germany, Netherlands, France, Belgium, Italy and Spain. Products purchased by these countries are mainly plywood, flooring and furniture (paper products are not included in this study). Proforest worked with the timber trade federations/associations of 5 of these countries (except Italy and Spain) to contact their members and gather information about their experience in buying products from China. In particular they were asked whether they requested documentary proof, their difficulties in getting relevant documents, their awareness of the Timber Regulation in the EU, and the potential implications of this Regulation. The rationale of choosing these trade associations is that their members represent 60-80% of timber being imported into the countries.18

Altogether 33 responses were received (either via phone interviews or completed questionnaire) from 6 countries with the exception of Spain. The questionnaire which was used to gather information can be found in Annex 4.

The results of the interviews are presented in this section. Information gathered from interviews aims to inform Chinese suppliers about the current situation with respect to the buyers’ expectations and requirements. At the same time, it highlights the key issues and challenges faced by European buyers in terms of demonstrating the legality of products from Chinese suppliers.

4.1. Interview results

This section presents the results of interviews in three main areas:

Section 4.1.1: Information about the interviewed companies: this includes what types of products they purchase, the volumes, their future forecast of purchase and whether they subscribe to the responsible purchasing policies of timber trade federations in their country.

Section 4.1.2: Methods to ensure legality and/or sustainability of timber products: this includes methods used by interviewed companies to ensure legality and/or sustainability, the reasons for requesting proof of legality, types of documentation requested, and whether their Chinese suppliers were able to provide the required documentation.

Section 4.1.3: Awareness of the EU Timber Regulation:19 this includes whether the companies were aware of the Regulation and if they would be able to meet the requirements of the Regulation, as well as the potential implications of the Regulation.

---

19 Note that at the time of interview the EU Timber Regulation was called the Due Diligence Regulation and was still under discussion.
4.1.1. Information about the interviewed companies

**Products:** The majority of the interviewed companies purchase plywood from China, followed by flooring, and other panel products. Other products include veneer, MDF, furniture and other products such as doors and joinery products.

The **volumes** purchased by these 34 companies varied. A few companies purchased a few hundred cubic metres of plywood in 2008, with the smallest volume being 375 cubic metres.

The biggest importer purchased 140,000 cubic metres of timber products from China in 2008; most of which was plywood, with small volumes of MDF and blockboard. The majority of companies purchased a few thousand (from 1,000 to 8,500) cubic metres of products from China. The rest purchased volumes of over 10,000 cubic metres (from 15,000 to 39,000).

The majority of the companies experienced a decrease of volumes purchased from China in 2009, mainly due to the economic downturn. For example, one company which purchased 15,000 cubic metres of plywood in 2008 saw a decrease to 3,000 cubic metres in 2009. But the volumes purchased by some companies remained static in 2009.

As for the **future trends**, many companies expect an increase of volumes from China, especially on certified plywood. A company commented that any increase in trend would take place when suppliers are able to supply products with quality and environmental assurance, such as through certification. Another company commented that if the suppliers do not have Chain of Custody (CoC) in place, they might stop buying from China.

In terms of **wood origin** of products from China, it is split almost equally between harvested in China and harvested in other countries. For wood produced locally in China, species included poplar, paulownia, eucalyptus and oak. The countries of origin of imported wood varied, and these included Russia (e.g. birch, pine), Germany, France, New Zealand, US, Malaysia, Indonesia, Papua New Guinea, Gabon and Cameroon. Some companies do not know where the timber comes from.

In terms of subscription to responsible purchasing policies, 57% of companies subscribe to the responsible purchasing policies, or Code of Conduct of the timber trade federations/ associations of their own countries. This is probably due to the fact that members of the trade federations in France, Germany, Netherlands, Spain and the UK are required to subscribe to the responsible purchasing policies or Code of Conduct. The policy of the Belgian Timber Importers’ Federation is voluntary while the Italian timber trade federation is still in the process of developing a policy. 28% of the companies also have developed their own responsible purchasing policies. Only 15% of the companies interviewed do not have any policy in place.

4.1.2. Methods to ensure legality and/or sustainability

Methods to ensure legality and/or sustainability were split evenly, with 29% of companies using a list of ‘approved suppliers’ who can supply legal and sustainable timber. Another 27% stated that they asked suppliers to provide documented proof or legality and/or sustainability before a contract is signed or a purchase order is placed. 22% of the interviewees use contract condition to ensure suppliers’ compliance. The rest of the companies use other methods to ensure legal and/or sustainable timber is being supplied. These included:

- Operating a risk assessment system to assess the quality of documentary evidence supplied;
- Purchasing of FSC and PEFC certified products;
- Engaging with suppliers on a regular basis to know the timber origin; and
- Relying on agents to verify legality of manufacturers.

A few companies did not request proof of legality from suppliers (see further details below on the reasons why they did not request proof from suppliers).
Approximately 60% of the companies requested proof of legality and/or sustainability for products from China. The reasons for requesting legality and/or sustainability included:

- To satisfy the requirements of some customers;
- To ensure compliance with company’s timber policy;
- To ensure conformance with the Responsible Purchasing Policy (RPP) of the UK TTF, requirements of the Code of Conduct of the German GD Holz;
- To purchase certified plywood because the legality/sustainability of uncertified plywood from China is doubtful;
- Sustainability is the future;
- To protect the environment.

The rest of the companies do not request proof from Chinese suppliers. Some of them purchase products via agents and delegate responsibility for obtaining proof to their agents. The reasons for those companies who do not request proof of legality and/or sustainability from China are:

- Only purchase small volumes;
- Poplar is sourced locally and is a fast growing species;
- Do not buy tropical timber species so less risky;
- Chinese legislation seems to be sufficient to ensure legality, the only risk could be oak from Ukraine and Russia;
- Reliable proof of legality for species such as poplar, eucalyptus, paulownia does not exist in China.
A company which purchases plywood made from Chinese poplar and eucalyptus commented that it would be very helpful to find a way to verify that the timber comes from legal sources.

In terms of the types of documentation proof requested from suppliers, the majority of companies asked for CoC certificate and certificate of origin (both 22%). This was followed by certificate of legality verification scheme (18%). Approximately 13% of companies asked for other types of evidence, including:

- Participation in stepwise programmes to achieve certification;
- Statement of legality by Chinese authority;
- List of documents of legality in different countries provided by the Netherlands Timber Trade Federation;
- List of documents according to the Code of Conduct of German trade federation GD Holz.

Approximately half of the interviewees commented that their suppliers were unable to provide them with the required documentary evidence. The main difficulty is that their suppliers are unable to provide documented proof which meets their requirements (35%). One company mentioned that their suppliers understand why they need proof of legality for hardwood from Gabon, but they do not understand why they need it for poplar which was grown locally. This was followed by suppliers that did not understand their requirements (31%) and evidence was rejected (19%). Other problems included:

- Difficulties in verifying if documentation supplied is relevant and valid;
- Difficulties in communicating with suppliers;
- Suppliers do not want to disclose information on the wood origin as they are afraid that companies will cut them out and go to the source directly;
- Suppliers do not even know where the logs/veneer come from because they were purchased from timber market.

4.1.3. Awareness of the EU Timber Regulation and its potential implications

The large majority (over 80%) of the companies interviewed are aware of the Timber Regulation in the EU. In terms of the potential implications of this regulation, 23% of the companies would request suppliers to provide forest certification or legality verification proof, followed by 21% of companies that would request suppliers to submit documents to demonstrate legality, such as a harvesting licence. 16% of interviewees believed that there would be no change to their business because they already perform a system of due diligence to assess risk of illegality. Another 16% of interviewees commented that they would stop purchasing from China, followed by 12%

Difficulties in getting documents to prove legality from Chinese suppliers

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers are unable to provide documentation proof which meets our requirements</td>
<td>35%</td>
</tr>
<tr>
<td>Suppliers do not understand our requirements</td>
<td>31%</td>
</tr>
<tr>
<td>Evidence from suppliers being rejected</td>
<td>19%</td>
</tr>
<tr>
<td>Others</td>
<td>15%</td>
</tr>
</tbody>
</table>
If Chinese plywood producers wish to continue to supply the EU market, they will have to be able to comply with EU legislation.

of companies who would switch to low risk sources. A company commented that their customers will look for the best level of certification for affordable prices. Legality will be a minimum requirement and if they can get better (certification) they will opt for that. An interviewee commented that ultimately if Chinese plywood producers wish to continue to supply the EU market, they will have to be able to comply with EU legislation.

Over 60% of companies are confident that they will be able to meet the requirements of the EU Timber Regulation. 20% of the companies do not think they will meet the requirements at present, but they are also in the process of implementing a system so they believe that in the future they will be able to meet the requirements.

### Potential implications of the EU Timber Regulation

- **9% Others**
- **3% Don’t know**
- **12% Switch to low risk**
- **15% Stop buying from China as suppliers are unable to provide proof of legality**
- **24% Request suppliers to provide forest certification/legality verification proof**
- **21% Request suppliers to submit documents to demonstrate legality e.g harvesting licence**
- **16% No change**

### How do you meet the requirements of the EU Timber Regulation

- **9% Our company only requests certified and/or verified legal products**
- **3% Others**
- **23% Our company has already implemented a responsible purchasing policy**
- **44% Our company has already subscribed to the responsible purchasing policy of the timber trade federation**
- **21% Our company has already put in place a risk assessment system**
Companies believe that they can meet the requirements of the EU Timber Regulation because they have already subscribed to the responsible purchasing policy of the timber trade federation (45%), have developed their own responsible purchasing policy (23%) and have already put in place a due diligence or a risk management system to assess the risk of illegal timber entering their supply chains (21%). Nevertheless, one company commented that they do not have the level of audit that would comply at present, even though they are signed up to the Responsible Purchasing Policy (RPP) of the UK TTF. Other companies who are purchasing certified products from China are also confident that they can meet the requirements. One interviewee commented that if they do not import from China then they would be able to meet the requirements.

It was also commented that due to the size of the Chinese market and the number of people operating in the timber business, it is difficult for the exporters to obtain verifiable documentation from all sources. One company stated that it hopes China can change fast in term of environmental concerns and follow international trends.

### 4.2. Key findings

Based on the results of trade interviews, it is concluded that:

- Purchases of Chinese products decreased in 2009, but are expected to increase again in the future.
- Demand for Chinese plywood is increasing but European buyers also expect these products to meet environmental credentials (i.e. legal or sustainable timber) or would consider switching to other supplies if these credentials cannot be demonstrated.
- There will be increased requirements in terms of proof of legality of timber products, either through independent third party approach (i.e. forest certification or legality verification) or documents to demonstrate legality (e.g. harvesting licence).
- If Chinese suppliers are unable to provide proof of legality, their customers may consider no longer buying from China and switch to suppliers with a low risk of illegality.
5. CONCLUSIONS

This report clearly shows that there are increasing requirements and demand for legal and sustainable timber in the EU and US markets, which account for 40% of China's total exports. Regulations, public and private sector procurement policies and green building initiatives are the driving forces for legal and sustainable timber. Amongst these different requirements, the most important ones are those required by laws, notably the EU Timber Regulation and the US Lacey Act. There are some differences in the details of what are required in these two regulations, but the implications for Chinese suppliers are the same; that they have to exercise due care or due diligence to reduce the risk of trading in illegal timber. These legislative measures require companies to demonstrate legality of timber, and apply to any timber products exported to the US and EU markets. Note that legal timber refers to timber which is harvested in accordance with the applicable legislation in the country of harvest.

The new regulatory requirements in the US and EU will affect all companies which export products to these markets, as their US and EU customers will be requiring information on the legality of timber in order to fulfil the legislative requirements and avoid the risk of prosecution. It is important that Chinese suppliers start understanding the risks of illegality in their supply chains and timber sourcing, and request information on legality from both their domestic and overseas suppliers.

European timber traders expect Chinese products to meet the requirements to demonstrate legality of timber sources; if this cannot be achieved they would consider switching to other suppliers.

Chinese suppliers can use existing tools such as forest certification or legality verification schemes to help them minimise the risk of legal timber entering into their supply chains. However, there is still a relatively small supply of timber from certified or legally verified forests, especially from countries which are considered by buyers to have a high risk of illegal logging. In this regard it is easier to check the origin of domestically produced timber but it is more difficult to know where imported timber comes from. Small and medium size companies may not have the human and financial resources or capacity to use these existing tools.
ANNEX 1 METHODOLOGY

This report aims to inform Chinese stakeholders on the market requirements for legal timber and timber products, with focus on the EU market. This report draws on various resources including interviews and publicly available information.

Statistical data in section 2, China’s imports and exports of timber products, was kindly provided by independent consultant James Hewitt, who compiled this from China Customs. Proforest then used the trade data to carry out analysis and provide an overview of China’s timber products trade, which provides context for the review.

Section 3 on the review of market requirements for legal timber and timber products was mainly based on publicly available information and existing research, including websites and publications. In order to ensure accuracy and incorporate any recent developments or updates on the policies or initiatives, contacts were made with representatives in governments, companies and trade associations for inputs and comments.

Section 4 on trade interviews presents the results of semi-structured interviews, which were carried out with timber traders in the following countries: Belgium, France, Germany, Italy, the Netherlands and the UK. The reason for choosing these countries was that they are the top buyers of timber products from China. Contact details of these traders were obtained from relevant timber trade federations/associations in respective countries with the exception of Italian companies. Interviews with Italian companies were conducted by a Proforest subcontractor who has contacts in the Italian timber trade. Interviews were conducted by phone based on the questionnaire. Some questionnaires were completed and returned by companies themselves.
ANNEX 2 USEFUL LINKS AND RECENT PUBLICATIONS

Useful links:
Central Point of Expertise on Timber: http://www.cpet.org.uk


Forest Stewardship Council: http://www.fsc.org

Global Forest and Trade Network (GFTN): http://gftn.panda.org/

Illegal logging website hosted by Chatham House: http://illegal-logging.info


Programme for the Endorsement of Forest Certification Schemes: http://www.pefc.org

SmartSource: http://www.rainforest-alliance.org/forestry.cfm?id=smartsource

The Forest Trust (TFT): http://www.tropicalforesttrust.com/


Timber Trade Action Plan: http://www.timbertradeactionplan.info/

UK Timber Trade Federation (UK TTF): http://www.ttf.co.uk

Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC) of SmartWood: http://www.rainforest-alliance.org/forestry.cfm?id=legal_verification

Recent publications:
EU market conditions for ‘verified legal’ and ‘verified legal and sustainable’ wood products, Rupert Oliver, Forest Industries Intelligence, 2009: http://www.illegal-logging.info/item_single.php?it_id=842&it=document


Developments and progress in timber procurement policies as tools to promote sustainable management of tropical forests, Markku Simula, January 2010: http://www.illegal-logging.info/item_single.php?it_id=867&it=document
ANNEX 3 STEPWISE PROGRAMMES

Schemes of non-governmental organisations (NGOs)

Schemes of non-governmental organisations (NGOs) such as the Global Forest and Trade Network (GFTN), SmartSource and TFT are programmes or tools designed to help the trade meet changing market requirements. These stepwise programmes are designed to help companies to clean up their supply chain and achieve certification. This means that companies who participate in these stepwise programmes may still source unwanted or unknown timber, with a timeframe and action plans to eliminate such sources.

All participants of these different stepwise programmes have to produce annual reports on their progress in terms of eliminating unwanted sources, demonstrating legality of timber products and increasing the proportion of certified products. Members/participants have to achieve their targets within the agreed timeframe. All of these stepwise programmes are voluntary. However, once a participation agreement or contract is signed, requirements are mandatory.

Global Forest and Trade Network (GFTN)

The Global Forest and Trade Network (GFTN) was founded in 1991 as WWF’s initiative to eliminate illegal logging from the global timber market. The GFTN stepwise programme is available and accessible to all agents throughout the timber trade, from forest managers to retailers and end-users, and therefore covers all types of timber and timber products. It has two membership categories: forest participant (forest owners and managers) and trade participant (processors, manufacturers, traders, specifiers and end-users of forest products).

All participants of GFTN are required to undergo baseline appraisal before signing a participation agreement. Trade participants20 are also required to:

- Commit to responsible sourcing;
- Eliminate timber from unwanted sources within 5 years;
- Implement a responsible purchasing action plan;
- Commit to certification of chain of custody, with 1 facility certified within 1 year of becoming a participant and all other facilities within 5 years; and
- Report data from forest products purchased.
- Trade participants need to produce a public policy statement expressing their commitment to responsible purchasing of forest products.

According to the GFTN, the environmental status of timber sources are categorised into:

- Known source documentation is provided that identifies the source locations, the source entities and each intermediary in the supply chain;
- Known licensed source documentation demonstrating the source entities’ legal right to harvest;
- Progress toward certification; and
- Certified or recycled materials.

GFTN members refer to their ‘Keep it Legal’ (KIL) manual for guidance on legal documentation. GFTN participants also aim to achieve ‘credible forest certification’ which also includes FSC certification. GFTN refers to the criteria of credible certification schemes set under the WWF/World Bank Alliance ‘Forest Certification Assessment Guide’, published in July 2006.

SmartSource

SmartSource was developed in 2005 by the Rainforest Alliance (RA). RA also runs SmartWood, which is an independent third party certification body accredited by the FSC. SmartSource helps clients to prepare for such auditing throughout their supply chain. SmartSource is a partnership rather than a membership programme and therefore does not have membership categories. It is available to any companies in the timber and paper industries.

Participants of the SmartSource programme are required to:

- Designate a liaison with the Rainforest Alliance;
- Inform staff and contractors of the processes being carried out to ensure cooperation and company-wide support;
- Commit to certification of chain of custody, with 1 facility certified within 1 year of becoming a participant and all other facilities within 5 years; and
- Report data from forest products purchased.
- Trade participants need to produce a public policy statement expressing their commitment to responsible purchasing of forest products.

20 As this report focuses on market requirements for legal timber, requirements on forest participants are not covered.
Commit to specific annual targets set together with the SmartSource programme and verify movements towards them;
Gather information on the client’s supply chain; and
Submit all relevant documentation that will enable SmartSource to understand the client’s objectives and image.

A preliminary sourcing review is carried out by SmartSource to assess the current supply chain and its level of legality and certification. SmartSource helps companies achieve FSC Chain of Custody certification through a one- to five-year management plan.

SmartSource helps clients to carry out verification of suppliers’ claims regarding the legal origin of forest products and of a company’s progress in reaching its stated sustainability goals. The ultimate goal of the SmartSource programme is to achieve FSC certification.

The Forest Trust

The Forest Trust (TFT, formally known as the Tropical Forest Trust), is a non-profit international organisation established in 1999 which aims to promote sustainable forest management to its member companies. TFT stepwise programme is accessible to any companies in the timber industry and has 3 membership categories: buying members (retailers and end-users); supplying members (any organisation between the forest and the retailers); supporting members (business not directly related to the timber trade but still supporting sustainable forest management).

In order to be a Supplying or Buying Member of TFT, a business must:

- Demonstrate commitment to TFT’s Mission and Objectives;
- Inform TFT about its wood products, and relevant supply chains;
- Facilitate TFT access to its supplying factories to design and monitor Wood Control Systems;
- Make an investment in the TFT programme that is appropriate to the scale of its wood requirements and that is sufficient to support a credible programme to meet them;
- Commit to an agreed payment schedule which includes an initial advance on becoming a TFT member;
- Commit to excluding all potentially illegal timber from its supply chains within a specific and credible period;
- Nominate a Liaison Officer as the contact point between TFT and the member;
- Implement all TFT Board approved procedures; and
- Report annually to TFT on progress towards TFT’s Mission and Objectives.

TFT requires the legal right to harvest as the minimum requirement for programme participants’ forest management units. TFT’s Supplying and Buying members need to exclude all potentially illegal timber from supply chains by implementing their own internal monitoring system (1st party). Members can only use the TFT trademark until approval from TFT. This means that only products that have been manufactured under TFT’s Wood Control System (WCS) which is closely monitored by the TFT Secretariat personnel are allowed to use the TFT trademark. The ultimate goal of TFT is to achieve FSC certification.
ANNEX 4 QUESTIONNAIRE

October 2009
The Research Institute of Forestry Policy and Information (RIFPI) of the Chinese Academy of Forestry (CAF) is working on a ‘Timber Legality Verification Scheme’ project funded by Defra and DFID of the UK governments and the State Forestry Administration (SFA) of China. The objective of this project is to provide recommendations to the Chinese Government on the establishment of a practical timber legality verification scheme which suits the forest products trade in China, thereby promoting the legally produced timber products in international trade. Proforest has been commissioned by RIFPI to collaborate on this project.

One of the activities of the Timber Legality Verification Scheme project is to examine the current and future demands and requirements of timber products export destinations on legal forest products, in particular the requirements of the EU market. The analysis will be carried out through a combination of desk study and structured interview:

- Desk study: Provide an overview of various requirements on legality and sustainability including regulations (Lacey Act, proposed Due Diligence Regulation), public procurement policies, private sector policy covering both timber trade federations and private companies, and NGO initiatives such as TFT, GFTN.
- Interview: companies of the timber trade federations in the EU who purchase timber products from China. Currently the following member states are the major importers of Chinese timber products: UK, Germany, Netherlands, France, Belgium, Italy and Spain. We collaborate with the timber trade federations in these 6 countries who kindly provided us with contact details of their members.

This simple questionnaire is produced in order to collect information from individual companies on their purchase of Chinese timber products such as types, volume and number of suppliers. It also aims to collect information related to documentary proof of legality, their awareness of the proposed Due Diligence Regulation in the EU and its implications on business.

This questionnaire takes about 10-15 minutes to finish. We will be in touch within the next two weeks and talk through the questions with you. However, should you prefer to complete the questionnaire yourself please return it to Joyce Lam at Proforest via email (joyce@proforest.net) before 4th December 2009.
### Contact Details

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Country</th>
<th>Tel Number</th>
<th>Email address</th>
<th>Member of timber trade federation/ GFTN?</th>
<th>CoC certificate Holder?</th>
<th>Date of interview</th>
</tr>
</thead>
</table>

### Questions related to timber products import from China

1. **Does your company import/ buy timber products from China? If so, what types of products do you buy?**

<table>
<thead>
<tr>
<th>Plywood</th>
<th>Furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veneer</td>
<td>Flooring</td>
</tr>
<tr>
<td>MDF</td>
<td>Paper</td>
</tr>
<tr>
<td>Other panel products</td>
<td>Other products, please specify</td>
</tr>
</tbody>
</table>

2. **What was the total volume of import/purchase of these products from China in 2008? Has it decreased compared to previous years (especially before the economic downturn)? Is there a trend of decreasing/ increasing the volume in the next few years?**

3a. **Do you import timber directly from China or do you purchase from an agent in the country/Europe?**

   | Import directly from China (please go to Question 3b) |
   | Purchase from agent in the country/Europe |

3b. **If you are buying directly from China, how many suppliers do you have in China?**
### 4. Where is/are the wood origin(s) of your products purchased from China?

<table>
<thead>
<tr>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>The wood was harvested in China</td>
</tr>
<tr>
<td>The wood was harvested in a third country and exported to China for processing. Please provide the country name:</td>
</tr>
<tr>
<td>Don’t know</td>
</tr>
</tbody>
</table>

### 5. Are any of the products you purchased from China certified (FSC, PEFC others)? If yes, please provide details.

- [ ] Yes
- [ ] No

### 6. Does your company have a responsible purchasing policy? And does your company subscribe to a responsible purchasing policy of the timber trade federation/association in your country?

<table>
<thead>
<tr>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have our own responsible purchasing policy</td>
</tr>
<tr>
<td>We subscribe to a responsible purchasing policy of the timber trade federation</td>
</tr>
<tr>
<td>None of the above</td>
</tr>
</tbody>
</table>

### 7. How do you ensure legal and/or sustainable timber is being supplied?

<table>
<thead>
<tr>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a list of ‘approved suppliers’ who can supply legal and sustainable timber</td>
</tr>
<tr>
<td>We use contract condition to ensure suppliers’ compliance</td>
</tr>
<tr>
<td>Suppliers have to provide documentation proof of legality/ sustainability before a contract is signed or a purchase order is placed.</td>
</tr>
<tr>
<td>Others, please provide details</td>
</tr>
</tbody>
</table>

### 8a. Do you request proof of legality/ sustainability for products from China? What are the reasons for requesting/ not requesting legality/sustainability?

<table>
<thead>
<tr>
<th>Option</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

Please provide your reasons:
### 8b. What types of documentary proof do you request?

<table>
<thead>
<tr>
<th>Proof Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chain of Custody (CoC) certificate of forest certification scheme</td>
</tr>
<tr>
<td>Chain of Custody (CoC) certificate of legality verification scheme</td>
</tr>
<tr>
<td>Harvesting license</td>
</tr>
<tr>
<td>Transport document</td>
</tr>
<tr>
<td>Certificate of origin</td>
</tr>
<tr>
<td>Custom declaration</td>
</tr>
<tr>
<td>Others, please provide details</td>
</tr>
</tbody>
</table>

### 9a. Are your suppliers able to provide you with the required documentary proof?

| Yes | No (please go to Question 9b) |

### 9b. What are the difficulties in getting relevant documents related to legality for products coming from China?

<table>
<thead>
<tr>
<th>Difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers do not understand our requirements</td>
</tr>
<tr>
<td>Suppliers are unable to provide documentary proof which meets our requirements</td>
</tr>
<tr>
<td>Evidence from suppliers being rejected</td>
</tr>
<tr>
<td>Others, please provide details</td>
</tr>
</tbody>
</table>

### 10a. Have you heard of the proposed Due Diligence Regulation\(^\text{21}\) in the EU?

| Yes | No |

### 10b. What do you think are the potential implications of the proposed Due Diligence Regulation on your business?

<table>
<thead>
<tr>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switch to low risk sources</td>
</tr>
<tr>
<td>Stop buying from China as suppliers are unable to provide proof of legality</td>
</tr>
<tr>
<td>Request suppliers provide forest certification/legality verification proof</td>
</tr>
<tr>
<td>Request suppliers submit documents to demonstrate legality e.g. harvesting licence</td>
</tr>
<tr>
<td>No change</td>
</tr>
<tr>
<td>Others, please provide details</td>
</tr>
<tr>
<td>Don’t know</td>
</tr>
</tbody>
</table>

---

\(^\text{21}\) Proposal for a regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market
11. Do you think your company can demonstrate compliance with the proposed Due Diligence Regulation in the EU? Why?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>please provide details</td>
</tr>
<tr>
<td>No</td>
<td>please provide details</td>
</tr>
<tr>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

12. What kind of system will you put in place/ or have you already put in place to meet the requirements of the proposed Due Diligence Regulation? Please choose between 12a and 12b according to your company’s own situation:

12a For companies who have already put a system in place:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has already implemented a responsible purchasing policy</td>
<td></td>
</tr>
<tr>
<td>Our company has already subscribed to the responsible purchasing policy of the timber trade federation</td>
<td></td>
</tr>
<tr>
<td>Our company has already put a risk assessment system in place</td>
<td></td>
</tr>
<tr>
<td>Our company only requests certified and/or verified legal products</td>
<td></td>
</tr>
<tr>
<td>Others, please provide details</td>
<td></td>
</tr>
</tbody>
</table>

12b For companies who will put a system in place:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company will develop and implement a responsible purchasing policy</td>
<td></td>
</tr>
<tr>
<td>Our company will subscribe to the responsible purchasing policy of the timber trade federation</td>
<td></td>
</tr>
<tr>
<td>Our company will put a risk assessment system in place</td>
<td></td>
</tr>
<tr>
<td>Our company will only request certified/ legally verified products</td>
<td></td>
</tr>
<tr>
<td>Others, please provide details:</td>
<td></td>
</tr>
</tbody>
</table>

Don’t know

Thank you very much for filling in the questionnaire