

**A Review of the Current Policies & Practices Employed
by Timber and Timber Product Importers to Determine
the Legality of Supply**

Prepared for the

Australian Timber Importers Federation (ATIF)



By

The Timber Development Association New South Wales

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Executive Summary

The following report details activities undertaken by members of the Australian Timber Importers Federation and other timber importers in response to the Australian Government's election pledge in 2004 to work in co-operation with the timber sales industry to identify and inhibit the importation of timber that cannot be verified as being harvested from legal sources.

This project investigated the current policies and practices employed by importers to determine legality of their timber imports. Importers were also asked to identify key drivers for the development of these policies and practices.

The report outcomes are not focused on the importation of timber from any particular geographical region, rather an overview of procurement policies of companies importing timber into Australia from any region around the world.

In order to identify the legality of imported timber, a definition of illegal logging is required. For the purposes of this study illegal logging has been defined as *the harvesting of timber in ways not permitted under the laws of the country of origin*.

The study surveys fifty-eight importers of timber as well as importers of veneer and panel products such as plywood. The scope of this study did not include importers of furniture.

When surveyed, the policies of importers to ascertain the legality of timber imports fell into four distinct groups. Twenty six percent of importers surveyed have no policy, fourteen percent have an unwritten policy, thirty percent have a written internal policy and thirty percent of importers have a publicised policy.

Current practices employed by importers to determine the legality of timber varied from the most common arrangement of trust based on established long-term business relationships, to reliance on third party agents and one example of DNA tracking of product through the chain of custody.

Certification is also perceived by the market as a method of ensuring legality. The prevalent certification scheme that importers reported using is the Forest Stewardship Council (FSC). Despite certification becoming more commonly employed some importers were sceptical about the commercial reality of certification and chain of custody, with some importers reporting corruption in the chain of custody systems.

The key driver identified for the adoption of written policy and practices to determine legality was an annual survey undertaken by a major customer, Bunnings, to support their Timber and Wood Purchasing Policy. This market based driver has been very successful. Many of the timber importers nominated their reason for having a procurement policy was due to this initiative by Bunnings.

Other drivers identified included a desire by businesses to be sustainable, corporate responsibility, market demands by clients as well as activities by green groups such as Greenpeace.

In scoping a best practice approach for timber importers to determine the legality of their supply it is important to appreciate that no single approach fits all of the operations. Therefore, a generic policy that can assist all importers in focusing and determining their own importation policies and practices could be a possible solution.

In an attempt to meet the varying requirements of individual importers, a generic policy was developed by the Timber Development Association NSW in conjunction with the Australian Timber Importers Federation. The policy can be either used directly or tailored to suit the individual importers operation.

The policy adopted by the Australian Timber Importers Federation is:

“ATIF members will endeavour to source their timber and timber products from lawful, well managed forests and plantations. ATIF members recognise that the independent qualification of forests and the process chain is the most useful tool in providing assurances that the timber they deal in comes from lawful and well-managed forests, and will endeavour to encourage the adoption of processes that can verify legality through dealings with suppliers.

Evidence of a lawful forest source could be:-

- *Documentation that verifies the timber has been harvested in accordance with laws, codes of practice or other management requirements of the country of origin;*
- *Documentation that the timber meets the requirements of a forestry management system or code;*
- *Documentation that verifies compliance with a reputable forestry management or certification scheme, and is certified by a third party.”*

To further progress this work the following recommendations are made:

1. That the Australian Timber Importers Federation further develops and endorses a policy on the procurement of legal forest products.
2. That the Australian Timber Importers Federation and other companies not primarily identified as timber importers, develop in conjunction with the Australian Government Department of Agriculture, Fisheries and Forestry, self regulation mechanisms to determine legality of imported timber.
3. That the Australian Timber Importers Federation invites the Australian Government Department of Agriculture, Fisheries and Forestry, to facilitate a workshop with importers of timber products and Government representatives to jointly develop tools for self regulating the procurement of legally sourced imported timber.
4. That the Australian Timber Importers Federation requests the Australian Government Department of Agriculture, Fisheries and Forestry to work with key countries to develop recognisable and credible verification processes that suppliers may present as evidence of legality to their customers.

5. That the Australian Timber Importers Federation in conjunction with the Australian Government Department of Agriculture, Fisheries and Forestry prepares an educational resource for demonstrating the different mechanisms available to determine legality of imported timber.
6. That the Australian Timber Importers Federation work with the Australian Government Department of Agriculture, Fisheries and Forestry to develop a means to audit the practices of importers to ensure that the claims of legality that are being made can be substantiated.

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1.0 Introduction

Illegal logging and the international trade in illegally logged timber is a major problem for many timber producing countries in the developing world. It causes environmental damage, costs governments billions of dollars in lost revenue, promotes corruption, undermines the rule of law and good governance and lowers the price of wood in the importing country. It also retards sustainable development in some of the poorest countries of the world. Consumer countries contribute to these problems by importing timber and wood products without ensuring that they are legally sourced.

This project investigates the current policies and practices employed by importers to determine the legality of the timber that they import. It also seeks to identify the main drivers for importers to develop these policies and practices. The report is not focused on the importation of timber from any particular geographical region, rather it is an overview of the policies of companies importing timber from any region into Australia.

The importers responsible for the majority of imports were identified and surveyed as to their policies and practices for determining the legality of their imports. The results of this survey are given and discussed in this report. Following the analysis, results and discussion of the survey there are recommendations for a best practice approach towards ascertaining the legality of timber imports.

2.0 Background

The Australian Government made a decision to work with timber wholesalers and retailers to find ways to identify and prohibition the importation of timber that is unable to be quantified as being harvested from legal sources. Further to this the government has agreed to the first stage of a three pronged work programme to address concerns over illegal logging by:

1. Certification of domestic forest products and working with importers to source legally sourced forest products;
2. Participation in talks to progress an international response to illegal logging;
3. Working with individual countries one on one to progress this matter through capacity building (Australian Government, 2005).

This project represents work on second part of the first stage, “*working with importers to source legally sourced forest products*”. This report builds on work described in a previous report entitled, “A Scoping Study to Improve the Procurement of Lawful Tropical Hardwood Timbers (FWPRDC, 2006).” This report provided an analysis of tropical hardwood consumption in Australia, and looked briefly at current practices of Australian importers for discerning the source of their timber. At the end of the report recommendations regarding a suggested code of practice and point of sale message were made.

In a report by ITS Global in 2005 it was assessed that the most effective way to secure improvement in the forestry practices of neighbouring countries is to work

collaboratively and to use direct measures that target the causes of environmental problems. *“The government should let the market work. It should avoid giving preference to any one scheme in purchasing or financial support for development.”* This is a pertinent statement, as when considering imports where companies are dealing with regulation and policies from several different countries, and where there are frequent changes in government and associated policy changes, the importers must have a medley of dynamic strategies and tools to adapt to the changing market.

It is important to have a definition of illegal logging to work to when assessing timber importer’s business activities, and considering the development of policy. The definition used in this report is one arrived at by ITS Global in 2005: *“Illegal logging is harvesting of timber in ways not permitted under national laws.”*

Australia is a net importer of timber and timber products. In 2003 - 2004, imports of, not including paper or woodchips, were A\$1.28 billion. Exports were A\$0.39 billion (ABARE, 2005).

3.0 Identification of companies responsible for the majority of timber and timber product imported into Australia

In order to achieve a survey that provided information regarding the policies and practices of the companies importing the majority of timber imports it was necessary to determine total volumes and value of timber products imported into Australia.

The scope of the project included identifying the volume and value of the following key product lines:

- Roundwood and sawnwood timbers,
- Plywoods,
- Veneers,
- Doors,
- Windows,
- Reconstituted boards.

Importation of timber furniture and other timber products have not been included within the scope of this study, though it was recognised that the volume of imported timber from this source maybe greater than the volume of products listed above.

Three methods were used to identify companies responsible for the majority of timber and timber products imported into Australia;

- Industry associations liaison,
- Australian Customs Service records,
- Desktop search of companies.

3.1 Using industry associations to establish a list of importers responsible for the majority of timber and timber products into Australia

The first action in drawing up a list of importers was to approach the Australian Timber Importers Federation (ATIF) and ask for details of all members. ATIF is a federation of state importer's associations.

Each state association was contacted separately and their membership established with the state association chairman. These details were then consolidated into a list of importers to survey. In addition to the importers associations, particular product associations were contacted in order to determine their importing members.

The following associations were contacted:

- Australian Timber Importers Federation,
- State Associations, including
 - New South Wales Timber Importers Association (NTIA),
 - Queensland Timber Importers Exporters and Wholesalers Association (QTIEWA),
 - South Australia Timber Importers Association (STIA), and
 - Victorian Timber Importers Association (VTIA);
- Plywood Association of Australasia;
- Australian Window Association;
- Decorative Wood Veneer Association.

All associations supplied contact details of their member companies and an initial list was drawn up. It became clear after contacting individual companies that it would be impossible to ascertain accurate data regarding volumes of timber and timber products imported, and hence, who were the importers of the majority of timber and timber products, within a particular period of time using this method alone. Another more precise method of determining total import was required.

3.2 Using Australian Customs Service to determine total volumes and value of key product lines imported into Australia

The Australian Customs Service (ACS) charges a levy on all timber and timber products that are imported into Australia. The levy is charged on per metre cubed of product and different product codes are assigned to each product. This allows total volumes of particular products imported to be ascertained. Since 12th October 2005 the ACS has been operating the Integrated Cargo System. This is a computerised database that allows ACS to manipulate the name of the importer/owner of goods imported, product type, unit of measurement and customs value, amongst other information.

Due to this database containing confidential information the data could not be directly supplied to the Timber Development Association (TDA). ACS supplied the information to Department of Agriculture, Fisheries and Forestry (DAFF). The critical task for this project was determining that the majority of timber imports had been covered by the companies surveyed. This was achieved by TDA preparing a list of importers to survey, based on information supplied by industry associations, and sending it to DAFF for comparison with the data supplied by the ACS.

Once the proposed survey list of importers had been cross referenced with the ACS importer data, it was possible to ascertain that the importers responsible for the majority of imports within a given period had been surveyed. The given period was from 12 October 2005 when ACS implemented the Integrated Cargo System, through to 21 March 2006 when the ACS data was supplied to DAFF. Utilising the data supplied by the ACS was the most conclusive way of ascertaining the volume and value of key product lines. DAFF reported to the TDA that greater than 64 percent of timber imports within the given period had been covered by the list of importers surveyed for this project.

3.3 Conducting a desktop search to fill any gaps in importing companies

Once a list of major importers had been drawn up and cross referenced with the information supplied by the ACS, the list was assessed to determine whether or not any major importers had been omitted. DAFF were able to steer research by indicating sectors that had been underrepresented in the list of importers and further research was carried out to identify major importers that were not contacted initially.

Through the search process, it was discovered that many companies that do not primarily identify themselves as importers do, in fact, import timber. These companies carry out importation of timber and timber products to supplement their range of products sold, however they were not necessarily members of an importer association.

An important implication of the findings is that the Australian Timber Importer Federation represent companies whose main business is importing timber and don't generally contain companies that would be considered as Australian producers. Therefore any self regulation mechanism developed by timber importing companies and associations should involve companies that may not be identified as timber importers.

When the identification process was completed, fifty-eight importing companies were listed, the decision makers identified and subsequently surveyed.

RECOMMENDATION:

It is recommended that all importers of timber and wood products are involved in the development of any self regulations that may be considered, recognising that not all major importers are members of Australian Timber Importers Federation.

4.0 Surveying timber importers on their policies to minimise the supply of illegal product to Australia.

Once a list of importers responsible for the majority of timber and timber products imported into Australia was determined, a list of questions was drawn up to enable the information required for the project to be gathered. The list of basic questions asked was as follows:

- Background information on importer?
- What are the key product lines that you import?
- Does the importer have policy/practices to determine the legality of timber imported?
- If there is a policy or practice, how does the importer enforce it?
- What is the key driver for the policy and/or practice?

These questions were used as a guide to steer the interview/conversation only. A sample interview proforma is provided as Appendix A. In many cases importers were very happy to relay information regarding their activities with regards to policies and practices to determine lawful timber imports. Other importers were reticent to speak at all. It is assumed that the reticence was born from the timber importer community having come under scrutiny and pressure from the environmental non government organisations (ENGO's) in the past. The results from the survey are discussed below.

The report is a blind survey, meaning that the views and answers given to questions by the importers that were surveyed are not attributed to any individual company or individual, unless they gave permission to be quoted. Only a representative sample of publicised policies is attributed to particular importers.

4.1 Background information on importer

Each importer was asked a suite of key questions to initiate some discussion as to the relevant background of the company. Useful background information was determined as the length of time that the company has been trading, the structure of the company, and an indication of the countries from which the company imports.

The companies surveyed included companies that have been operating for over one hundred and twenty years as well as those that started up in the late nineties. The perception of sustainability issues was very different between the older and younger companies. Older companies saw the drive for legal timber as basic business practice and necessary for the long term perpetuation of business, whereas companies that have been around for a shorter period perceived that sustainability issues were more a market necessity.

The structure of the companies varied from larger companies that are part of a group to family owned businesses. Practices between such companies varied greatly, as large companies may be related to a mill that owns its own forest concession, and can therefore provide an internal chain of custody, sometimes through to processed product. Family owned businesses with a history of trade were more likely to rely on long established business relationships in the countries from which they import. These methods are detailed later in the report.

Regions and countries from which companies imported timber and timber products included Africa, South East Asia, India, Europe, Scandinavia, North America, South America, Canada, Russia and New Zealand.

A finding of the survey was that veneer importers did not import directly but imported from overseas veneer manufacturers who in turn sourced their logs externally from other countries. For example Italy is a key manufacturer of veneers, and Italian

companies import their veneer logs from around the world, before processing the logs and exporting processed veneer to Australia.

4.2 Key product lines imported

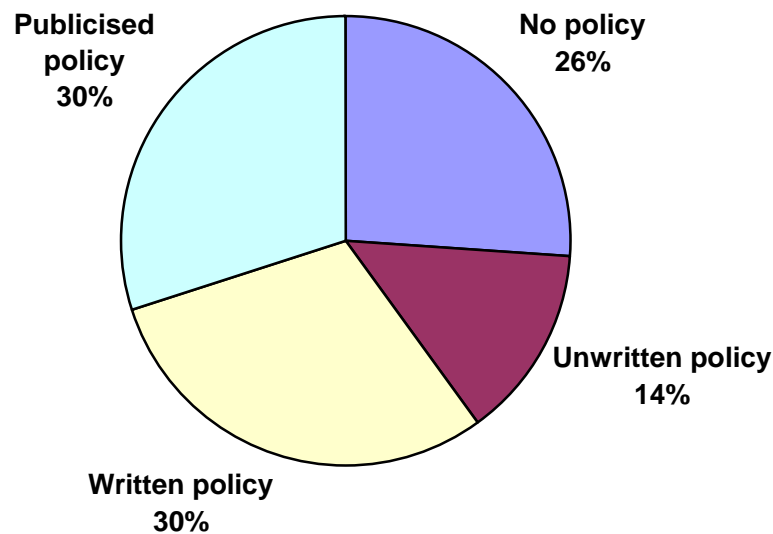
The key product lines imported were as per the project brief, and the question was asked predominantly to ensure that coverage across the product lines was being achieved. However, it also threw up interesting associations, such as companies that produce doors from pine, and predominantly import pine, also import hardwood product for mouldings on the doors. Other companies known primarily for importing pine have also diversified into the importation of hardwoods from South East Asia but do not generally acknowledge that they are associated with such activity as it may be minor in quantity.

Investigation into companies that remanufacture (window frames, moulding, etc) utilising imported timbers revealed that they generally purchased their timber from local wholesalers. Only the very large remanufactures had facilities to import timber directly.

4.3 Policies timber importers have regarding illegal logging

Policies varied a great deal from no policy to highly developed and publicised policy. The different policy criteria identified in this report are: no policy, unwritten policy, written internal policy and publicised policy. The companies were surveyed as to whether or not they had a policy and then asked to qualify the reason for their policy type or lack of. The percentage break down of policy type between companies surveyed is represented in Figure 1 below.

Figure 1: Percentage breakdown of company policy status



4.3.1 Reasons cited for having no policy regarding illegal timber.

Of the twenty-six percent of companies with no policy the following reasons were cited:

Internal chain of custody

Some companies were a member of an associated group of companies, and all their materials and components were supplied by sister companies. They have an internal chain of custody and do not feel that it is necessary to have a policy regarding illegal timber as business practice dictates that all products are from legal sources. The sister companies that supply the timbers own the concessions that are harvested.

“All our timber is supplied by associated companies; we can demonstrate an internal chain of custody if required.”

Good business practice

Another reason given for no policy was that ensuring the supply of legal timber and ensuring that good forestry practices are employed by the supplier is inherent to the business. It was felt that there was no need to write or publicise a policy. The importer takes time to visit suppliers at their mills and develop business relationships and trust, and also articulates clearly that they require that all timber is from a lawful and sustainable source to ensure the long term perpetuation of the business. In turn the importer invites the supplier over to visit their operation, in order to nurture the relationship and make the supplier appreciate the market in Australia.

“Sourcing timber from legal sources is inherent to good business practice”

“It is just good business practice”

Importing from a clearly legal source

Some importers that solely imported radiata pine from New Zealand expressed that there was no requirement to have a policy regarding legality as they appreciated that all the radiata pine imported was grown in plantations under strict guidelines produced by the New Zealand Government.

“New Zealand regulation and legislation dictates legality”

A similar reason was given by those importing Western Red Cedar from Canada. The importers were aware of the illegal logging issues from around the world and perceived that it did not affect their business. They were confident that Canadian Standards governed the logging practices of their suppliers, and that these standards covered legality and sustainability. In this way they felt that there was no need for a policy as issues of legality and sustainability were being dealt with at the supply end.

The plantation concept extends to South America as well, when importers buy plantation timbers from a supplier they do not feel it is necessary to have a policy as their timber is sourced from a purposely planted resource.

“There is no need for a policy as our timber is sourced from plantations.”

Dealing with reputable manufacturers

Often in the veneer industry there is a complicated chain of custody which can span several countries. Architectural veneers are sourced from all over the world, with some veneers being produced in the species of origin country. In regions such as West Africa where there is little governance and infrastructure, importers rely heavily on developed relationships just to trade. These developed relationships are also relied upon to ensure that the veneer logs are sourced from legal concessions. This represents a case where once again importers feel that it is not appropriate to have a policy, rather there is an understanding tied into a developed business relationship that the logs will be sourced from legal concessions.

“The veneer industry, dealing with reputable manufacturers”

4.3.2 Reasons cited for having an unwritten policy

Fourteen percent of companies have an unwritten policy for the following reasons:

A verbal understanding was adequate

Some importers operate a system whereby the policy is spread around the company as a verbal understanding. They appreciate the issues surrounding illegal logging, but can not articulate a policy that will express their intentions and business practice or do not know how to develop a policy regarding illegal logging. These importers are usually the ones making best efforts to source timber from legal sources, and often have developed mechanisms to do so but do not outwardly advertise their practices.

One importer stated that he would be very pleased to incorporate a policy that had been developed and condoned by ATIF.

“We have an unwritten policy, and would be very pleased to develop something more tangible.”

“Don’t have a written policy but can demonstrate legality of our product if necessary.”

Policy inherent in business practice

Several importers state that they have no written policy rather they believe that the issue of illegal logging is dealt with through their inherent business ethics. Importers can be quoted in saying that they believe that it is unethical to trade timber with some South East Asian countries, and therefore they do not. Another importer expressed a similar view in that they would not deal with some South East Asian countries as being sure of legal product is too difficult. If there is uncertainty they felt that it was not possible to conduct business.

“Our policy is inherent to our business ethics.”

No resources or experience

There are several importers with this attitude. They would like to see the industry pull together and develop an overarching policy. This may be due to lack of resources or the problem of free riders. There is also a case of an importer using their state association to help develop a response to a letter/survey sent out by Greenpeace when Greenpeace were developing a guide that rated timber suppliers, like the “Good Wood

Guide” (Rainforest Information Centre). Often small companies do not have the resources or experiences to deal with external pressures like those from environmental NGO’s and turn to their associations for support. In recognition of this the association network might be the most appropriate framework within which to develop a timber imports policy.

“We have an unwritten policy, but we would like to develop an industry wide stance.”

4.3.3 Reasons cited for having a written internal policy

Thirty percent of companies surveyed had a written internal policy. A written internal policy is one that is circulated internally.

Large company

The vast majority of these companies are large and have offices in several states. A number of these companies have an employee in one of the state offices responsible for environmental issues, of which illegal logging is identified as one. The policy statement is developed at one office and circulated around the others for implementation.

Market demand

Most internal policy development was instigated by a market force, namely the customer stipulating that they required demonstration that the supplied product is from a lawful source. This will be discussed later when practices to demonstrate legal timber are discussed.

A written internal policy can take the form of a particular business practice, such as the importer stipulating to suppliers that all imported product must be accompanied by documentation proving that the product is from a legal source. This was common amongst these importers and as discussed was usually a policy developed in response to the market.

4.3.4 Reasons cited for having publicised policies

Thirty percent of importers surveyed had a publicised publicly available policy. As with internal written policies, many of these were developed in response to market forces dictated by customers, and as such reflect the customer’s demands almost outright.

Most companies with an environmental policy covered illegal timber as an issue within their environmental policy.

A sample of such complete policies is given below:

Pacific Wood Products Pty Ltd

“Our international supplies are from FCS (Forest Stewardship Council) certified timber suppliers. It is of utmost importance for us to import timbers from accredited timber industry suppliers whom comply with all environmental policies (Pacific Wood Products, 2006)

Tasman KB Pty Ltd

“Tasman KB, an importer and wholesaler of timber products, is committed to the principles of ecologically sustainable development. The major aspect of our business that impacts on ESD is the purchase and distribution of timber products. For this reason, we expect our suppliers to show that they have sourced their wood and timber products from well-managed and legally operating forests.

Ideally, to prove this, we require our suppliers to provide independent certification of the source of the wood and the chain of custody from its source, through processing to Tasman KB. Satisfactory forms of certification include the Australian Forestry Standard, the Pan European Certification Scheme or the Forest Stewardship Council Scheme.

Suppliers who manage their forests and timber processing plants to the International Standard, ISO 14001 and who can prove the chain of custody to Tasman KB will also meet these requirements.

Timber products that do not meet these standards of certification will continue to be purchased in the medium term, only if the supplier can show evidence that they have been sourced from well managed and legally operating forests.

To ensure that sufficient progress is made to satisfy our Environmental Policy, we require our suppliers to provide annual information on timber product sourcing as part of our trading terms arrangements.

Random audits may be conducted to monitor adherence to our Environmental Policy (Tasman KB, 2005).”

Stegbar Pty Ltd

“As an Australian leader in the manufacture of timber windows and doors, Stegbar has a responsibility to ensure that we are environmentally astute about the timber we use and the way in which it is harvested, and are diligent in ensuring that we do not support environmentally unsound practices.

Stegbar only uses one type of timber for our windows and doors - Western Red Cedar. This is because it has a natural resistance to fungus and pests, it has a natural strength and durability in all weather conditions, is easily worked and fashioned into windows and doors, and it has a beautiful rich grain. Western Red Cedar is a fast growing softwood and occurs naturally in the forests of the northern United States of America and on the west coast of Canada in the region known as British Columbia. Stegbar's primary supplier of Western Red Cedar is a Canadian company called Weyerhaeuser.

Stegbar is committed to purchasing our cedar from this source, and absorbing the significant cost impact of freight, as we are totally against the less than environmentally friendly practices used in various parts of South East Asia. While this does impact on our selling price to the market, we believe that it is justified and socially responsible of us to do this (Stegbar, 2006)”

Fethers Veneer & Co Trading Pty Ltd

“Fethers Veneer understands the importance of environmentally sound business practices. We live in a world where consumers often wish to evaluate the environmental implications of their purchasing decisions. Specifically in the timber industry, the key question when choosing a timber species and source is whether the material in question is from a sustainably managed forest. With our vast range of veneer options we now also offer a practical and verifiable assessment of the sustainability of each of the veneer species we offer (Fethers, 2006).”

Extracts of examples other policies are given below.

Finewood Ventech Pty Ltd

“The company will not trade in any species on the endangered species list... (Finewood Ventech, 2006).”

Wrights Forest Products Pty Ltd

“Wrights Forest Products actively monitors the impact of its activities on our environment. We recognise our social responsibility to maintain and improve the diversity and sustainability of our environment. Part of our core values includes the development of high quality sustainable and renewable wood products for commercial markets. We only source products from supplying mills that maintain Program for the Endorsement of Forestry Certification Schemes (PEFC) and do not trade in any endangered or unsustainable timber product (Wrights, 2006).”

Britton Timbers Australia

“Britton Timbers strive to buy only from sustainably managed forests. The predominant scheme that we rely on is FSC. (Britton Timber, 2006).”

This is only a sample of companies with published policies. Some of these policies are well developed and relatively long. It is usual that the illegal logging issue is associated with a broader environmental policy and included in the policy statement.

4.4 Discussion

Whilst nearly three-quarters of the importers interviewed had some sort of environmental policy, only thirty percent had their policy as a publicly available document. Additionally, procurement of legally sourced timber is treated inconsistently within these policies. The industry would benefit from having a consistent approach across the industry so that there is a level playing field and responsible importers are not undercut by free-riders.

4.4.1 Australian Timber Importers Federation – Adopted Policy

In a previous report (FWPRDC 2006) a policy statement was developed with ATIF. The policy statement focused on the issue of illegal logging in recognition of the fact that in order to reach the end state of sustainable forestry, it is first necessary to ensure legal forestry.

The policy adopted by the ATIF is:

“ATIF members will endeavour to source their timber and timber products from lawful, well managed forests and plantations. ATIF members recognise that the independent qualification of forests and the process chain is the most useful tool in providing assurances that the timber they deal in comes from lawful and well-managed forests, and will endeavour to encourage the adoption of processes that can verify legality through dealings with suppliers.

Evidence of a lawful forest source could be:-

- *Documentation that verifies the timber has been harvested in accordance with laws, codes of practice or other management requirements of the country of origin;*
- *Documentation that the timber meets the requirements of a forestry management system or code;*
- *Documentation that verifies compliance with a reputable forestry management or certification scheme, and is certified by a third party.”*

5.0 Current practices employed by timber importers to determine the legality of supply

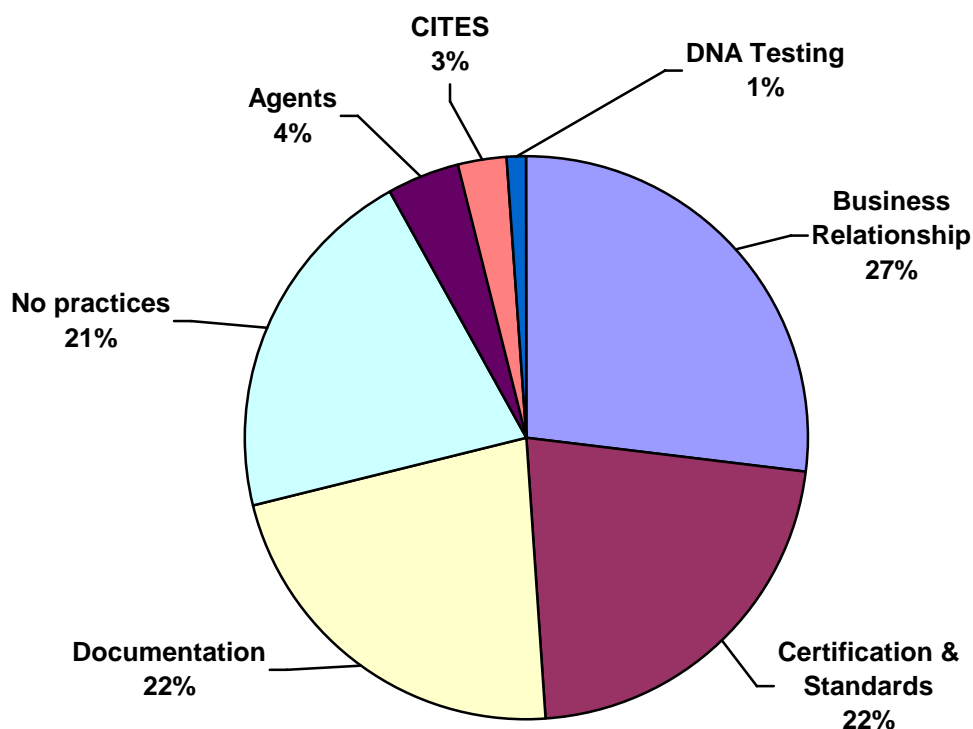
A practice to determine the legality of supply is any method that may be employed to verify the legality of timber being offered by a supplier and may range from requesting documentation proving ownership/rights to a concession through to the use of physical methods to track logs.

Importers are faced with the fact that illegal logging is occurs in some countries from which Australia sources timber and have to consider this in their purchasing strategies.

The key point is that there are few reliable mechanisms being used to accurately measure the volumes of illegal timber being supplied to markets and therefore all the information regarding volumes of illegal timber is based on estimates as by nature illegal products aren't normally identified.

The survey found that there are many different methods currently used by importers to determine the legality of their supply. The different practices identified in this report are: no practices, reliance on established business relationships, certification, DNA testing, use of agents, requesting documentation and using the CITES list. The percentage break down of practice type between companies surveyed is represented in Figure 2 below.

Figure 2: Practices employed to demonstrate legal supply



5.1 No practices

Unsurprisingly, most of the twenty-six percent of companies that had no policy did not think it necessary to implement practices to determine the legality of the source of the imported timber. As noted above, many of these companies sourced timber from plantations in New Zealand, Canada or, in one case, South America.

5.2 Reliance on established business relationships

Twenty-seven percent of importers surveyed reported that they relied on established business relationships to determine the legality of their supply. These importers have developed relationships over a period of years with suppliers and have made efforts in the past to seek verification from suppliers that the timber they import is from a legal source. The mechanism is completely informal and there is no way of verifying whether or not the imported timber is from a legal source.

One prominent importer commented on the importance of relationships and relationship building.

“Importers rely on established relationships developed over 10 - 20 years. It is often assumed that if an exporter has a concession of their own that the resource is legal and often it is assumed that the forest from which the timber is sourced is managed in a sustainable manner.

“Where possible and where there are developed relationships importers have visited sawmills in South East Asia to assess the operation. One of the criteria

that are assessed is whether the resource entering the mill is from a lawful source. This is impossible to monitor, and often the judgement is made on the strength of developed relationships and understandings.”

“Where there are contracts, a term on the contract specifies that timbers are to be sourced from a sustainably managed forest; but, as discussed, this is difficult to monitor.”

“Importers are more wary of those suppliers that do not have their own sawmills, as this usually indicates that the logs are coming from an undetermined source. This usually applies to "New Players". There needs to be some mechanism/protocol that importers can use to determine the legality of product from New Players.”

“There is a lot of emphasis placed on word of mouth, existing relationships and established networks when considering the legality of the resource.”

“There is much confidence from importers that the Malaysian government are ensuring that the Malaysian Forests are being managed in a sustainable manner, and that the majority of the timber is sourced from legally logged forest.”

“I am not aware of an industry representative body in Indonesia similar to the Malaysian Timber Certification Council that would be useful to start ensuring legal timber supply from Indonesia.”

Further to the above even the best intentions of the supplier may be thwarted, as many of the logs received into the mill are delivered by traders who barge or float logs over long distances, and there is no proven method of determining the source. The above represents a general comment made by many surveyed. Some more individual perspectives and descriptions of business relationships as a method to determine legality are listed below:

“We are dealing with reputable manufacturers with whom we have developed trust based relationships, without which we would not even be able to trade in West Africa”

“We visit our suppliers on an annual basis to ensure that good forestry practices are being employed. We also invite the suppliers to visit our operation in Australia so that they understand our market.”

“We will not deal with any supplier who has previously demonstrated bad practice.”

“We use relationships developed over a twenty year period to determine legality. If something doesn't seem right then we ask questions. We also visit our suppliers on an annual basis to keep up relationships.”

“We visit Malaysia regularly and try to establish to the best of our ability that the source of timber is a legal source.”

“Our mechanism to establish legality is personal relationships with suppliers.”

“Our mechanisms are based on relationship building, and we are aware that the source of supply is more assured from developed nations. We get offers all the time of product over the internet, but we are aware that it could be from a dubious source.”

“We have developed strong business partnerships with a large group of customers and suppliers over the years. Their loyalty and support set us apart in the wholesale arena.”

“We only purchase from reputable suppliers”

“We make our suppliers aware of the endangered species list. We will only deal with reputable veneer manufacturers overseas that are working towards improved environmental performance.”

“We only buy from a small cross section of trusted importers, we have a preferred suppliers list.”

Business relationships and trust are valued highly in terms of determining legality of timber. Many importers site the following influences on business decisions: relationship building over time, personal relationships, loyalty, trust and demonstrated performance over time. These importers interact with a core of suppliers with whom relationships have been developed.

5.3 Certification and standards as a means to determine legality

Twenty-two percent of importers are employing certification schemes and standards to determine legality for some of their timber purchases.

The use of certification has been developing in the world's forest industries since the early 1990s, particularly in response to the increasing interest of industry, the community and policy-makers in sustainability issues. Forestry certification identifies wood products as coming from forests which are managed sustainably and under specific environmental, economic and social standards, and also ensures legality. Some key facts:-

- Certification is much more than a self-justified marketing claim. Rigorous, independent assessment by third-party auditors must be carried out before forest managers can claim that they are certified, and these assessments are subject to scrutiny.
- Certification schemes allow manufacturers and ultimately consumers to discriminate in their purchasing habits using reliable information about forest management sustainability.
- They provide an extra incentive for forest managers to place a greater emphasis on their sustainability credentials.
- Achieving certification is a voluntary option for forest managers.
- Certification schemes typically require forest management practices which are significantly more stringent than regulations and laws.

5.3.1 Summary of forest management certification schemes being used by Australian timber importers

There are a variety of forest management certification schemes in operation throughout the world. Each scheme constitutes a different certification 'brand name'. Forest management certification brands are sponsored by a number of national and international organisations, and producers may choose to seek multiple certifications. The major schemes are set out below.

- **Programme for the Endorsement of Forest Certification (PEFC)**

The PEFC has the largest coverage of forests worldwide at 126.8 million hectares. It was created as an umbrella organisation for nationally-based certification schemes within Europe before extending its application to nations outside Europe, and has 30 members internationally.

Each national certification scheme within the PEFC group maintains its own standards, although they are based on a European regional initiative (called the 'Helsinki Process') which arose from the 1992 Rio Earth Summit. PEFC confers one common label on all its recognised standards. The Malaysian Timber Certification Scheme is a member of the PEFC, but as yet their scheme is not accredited. The Australian Forest Standard has gained mutual recognition with PEFC.

- **The Forest Stewardship Council (FSC)**

The FSC currently covers about 65.5 million hectares of forest worldwide. Australia is not a large holder of FSC certification other than some small private plantations. Generally it is considered that the FSC did not represent all stakeholders proportionately, and that Green groups had the controlling majority. FSC membership is widespread and there are Asian members in Australia, Indonesia, Hong Kong, China, Philippines, Vietnam, and Papua New Guinea. There are very few FSC certified Forests in the Asian region. There are some FSC certified timbers coming into Australia, but currently the volume is small.

- **Other Certification Schemes**

As well as the main schemes described above there are many smaller groups such as the Malaysian Timber Certification Council (MTCC), Canadian Standards Association (CAN CSA/Z809) and the Sustainable Forestry Initiative Program (SFI) of North America.

There has been an initiative by an Australian timber company, The Woodage, to encourage certification schemes in Papua New Guinea, by subsidising the set up of an FSC scheme, that provides certification and Chain of Custody to themselves and then on to the purchaser. They have achieved this through providing funds to an organisation called FORCERT, who operate in PNG to set up the certification. This initial subsidy then ensures The Woodage with a certified supply of timber that they can supply to market (Personal communication, Jan 2006, Will Mussett, The Woodage).

The majority of importers are aware of certification schemes and some are using these as a means to determine legality. However there is an appreciation that the cost of

certain certified timbers is greater and a perception that the market will not currently sustain more expensive like for like product.

The following comments were made about certification schemes from the survey.

“We import Malaysian Meranti and Durian, and we specify that all timber imported from Malaysia must be certified by MTCC. We do appreciate that some of our suppliers are working towards MTCC and we support that.”

“We have an unwritten policy that we will only use timber from a legitimate source. There is no need for us to verify the source of timber, as it all comes from associated companies, however we are developing an FSC chain of custody and will soon be able to supply FSC certified product to the market.”

“Currently, of the product we import, approximately forty percent is from certified sources. A little further down the track we will have more accurate data on this, and we are trying to increase the percentage of our certified product.”

“FSC is a system that the Canadians are not thrilled with, as it measures developed world practices against third world practices where social implications are accounted for and concessions made with regard to forestry practices. The Canadians view this as inequitable and therefore are unwilling to subscribe to FSC in favour of Canadian Forestry standards.”

“There is no demand for certified veneers. They are available and we can supply them on request. However they are more expensive and the market will not sustain a more expensive like for like product.”

“All purchase orders state that we will only purchase timber from lawful and sustainable sources. FSC certification is preferred and suppliers that are not certified are encouraged to do so. We recognise that it takes up to two years to become certified.”

“We import Baltic Pine from Finland. All the timber that we import is PEFC certified, although we are not allowed to advertise or market that fact as we are not PEFC certified ourselves. We do plan to become a PEFC certified supplier.”

“We predominantly rely on FSC. We find it easy to source FSC from America, Europe and New Zealand, but from South East Asian countries we demand letters and documents from different governments stating that the timber is from a legal source....We are dedicated to FSC as we believe that it will offer a market edge in the future.”

“We wrote to all our suppliers informing them of our environmental policy and that we wished to pursue environmental outcomes in our purchasing. We specified a preference for certified timbers, and we currently rely on MTCC and FSC to establish legality and sustainability.”

There is also some scepticism regarding certification, as one veneer importer reported that when he asked for certified product, he was told that the veneer was already in the store, but he would have to wait for certification until the logs arrived. The importer was implying that the marking would just be transferred to the product when the FSC certified logs arrived. It was also reported that due to the youth of certification schemes the quality of logs was not available for value added product yet.

Other importers don't see a need for certification as they viewed that a standard can be relied upon to cover legality and sustainability issues. Cited by two respondents was the Canada's National Sustainable Forest Management system (cited as CSA) as well as Environmental Management System ISO 14001.

A small number of importers see sustainability as a driver in the Australian market, and are predicting that certified product will give them a market edge in the future.

RECOMMENDATION:

It is recommended that in order to encourage the uptake of practices to determine legality of timber, an educational resource should be prepared and delivered to importers by the Australian Timber Importers Federation in conjunction with Department of Agriculture, Fisheries and Forestry.

5.4 DNA testing

One company surveyed, Simmonds Lumber Pty Ltd, has been developing DNA testing as a mechanism to determine the legality of their timber supply. The following is an account of a conversation with Paul Elsmore regarding the development of DNA testing.

“Simmonds have pioneered DNA testing in conjunction with Certisource, a UK based company with an office in Singapore. We feel that it is the only sure way to verify that a log has come from a legal source. DNA testing allows a log or any timber product to be matched to a stump. We have developed a third party verification system to compliment the DNA testing process that will ensure full chain of custody. The system will be fully open to scrutiny from all stakeholders.

The DNA testing is being pioneered in Indonesia, as we believe that this is the main area of concern. Even to be able to verify that fifty percent of product coming from Indonesia was legal would be fantastic. The first DNA tested product is due to come out of Indonesia in Aug/Sept (Personal Communication, Paul Elsmore, Feb 2006).”

Certisource advertise a practical business approach to combat illegal logging, which is what Simmonds Lumber Pty Ltd has subscribed to.

DNA testing offers an alternative to manually tagging logs and tracing them through computer or paper based systems. There have been major advances in the capacity to use the inbuilt unique properties of DNA within the timber to support the determination of identity and origin. The level of knowledge being accumulated at an academic level is increasing all the time with institutes across the world investing

resources in identifying a number of the building blocks for different species and identifying unique markers relating to geographical areas.

DNA is the least corruptible form of tag or labelling system, but the process relies on a database of DNA from geographical regions that will take time to develop (FWPRDC, 2006).

5.5 Agents as a means of determining legality of timber

Four percent of importers cited that they use agents as a third party, not only to supply timber, but also to provide verification and assurance that the timber is from a legal source.

“We employ an agent in Singapore to source our product. The agent has an operation whereby they have ten employees on the ground in South East Asia sourcing product. We rely on their assurances that the timber is from a legal source.”

Other importers cited that they were wary of any timber sourced through agents as agents could not verify the source of the product, and that their quality was inconsistent. Such a view is articulated below.

“The Company recognizes that not all, in fact very few, foreign timber suppliers are vertically integrated enterprises that take wood in sequential production from log to finished product. It recognizes that markets exist in which intermediate products, such as logs, green timber, veneers etc. are traded. It also recognizes the impossibility of tracking each and every one of the multiple pieces of wood that emanate from each and every log in the production process. Accordingly the Company buys as little as possible through agents whose sources remain anonymous within the free market environment.”

Another key role for an agent is that of taking the risk out of travelling to insecure places.

“We buy Indonesian product through an agent in Singapore, as we are no longer happy to travel to Indonesia.”

“We buy through agents, and make best efforts to ensure that they appreciate our requirements, and that they know we have a preference for FSC certified timber.”

Importers report that the role of the agent seems to be growing, as importers stated that they are less willing to travel to the source country of their timber due to perceived danger. There is also a perception that agents take the onus of responsibility for the supply of legal timber. In essence the agent is another link in the supply chain, and could potentially be an accumulation point for the sourcing of legal timber due to their increased buying power. Australian importers can affect the behaviour of the agents by specifying demonstrably legal timber from the agents, and also including agents on a preferred supplier list.

5.6 Requesting documentation from suppliers

Almost a quarter of the importers (twenty-three percent) cited that they request documentation from their suppliers demonstrating that the timber is from a sustainable source.

“We implement our policy by requesting that the supplier produce documentation verifying that the timber is from a legitimate source. This is easier to achieve when dealing with European suppliers, and timber often comes with appropriate documentation verifying the source without request.”

“The Company makes a point with relationship suppliers of enquiring into and reviewing the forestry licences or concessions under which they operate. It takes comfort from any respectable certification in relation to sustainable forest management and other codes of conduct that a supplier can provide as to the legitimacy of the licence or concession, the term for which it is to remain current, and the species mix to which it applies.”

Many of the importers request documentation from their suppliers in response to the Bunnings’ Timber and Wood Purchasing Policy and Wood Survey. However, there is a perception amongst importers that in many cases this is a pointless exercise, as often documentation is meaningless and could be forged, especially with timbers originating in South East Asia.

RECOMMENDATION:

That the Australian Timber Importers Federation requests the Australian Government work with South East Asian Countries to help them develop recognisable documentation that suppliers may present as evidence of legality. Concurrently timber importers should be made aware of what the correct documentation is for timber exports from particular countries.

5.7 Using the Convention on International Trade in Endangered Species (CITES) Wild Flora and Fauna list

A few importers reported that they will not trade in endangered species, and consult the CITES list as a way of verifying this.

“We monitor the sites list to ensure that we are not pursuing trade in any endangered species. We have been caught with timber on the water before, which was banned before it crossed the wharf. There are however ways around the importation of endangered species, and we know of practices whereby Brazilian Mahogany has been relabelled Peruvian Mahogany, for example.”

“The Company also recognizes and respects conventions and agreements that transcend national sovereignty; and accordingly observes bans that exist on trading in species such as those listed in CITES.”

The CITES list will only ensure that the trade in a particular species is legal rather than verifying that the source from which it came is legal.

5.8 Discussion

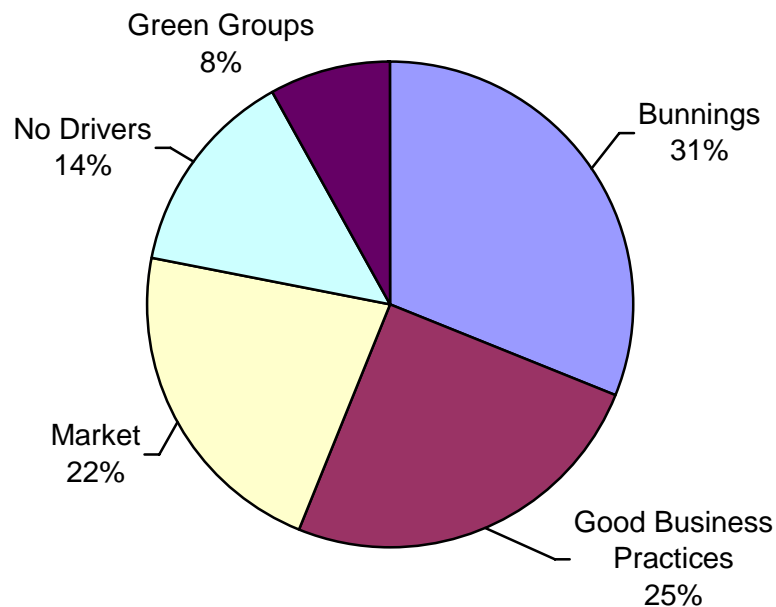
There are a number of practices that importers employ to determine legality. However, there appears to be some confusion about what is acceptable or credible. While certification is acceptable to some customers, some importers themselves do not think they are credible due to experiences with the provision of false documentation.

Importers have to operate in a dynamic system, where a practice that is acceptable today is not acceptable tomorrow. A verifiable system that is acceptable to all stakeholders is in the long-term interest of the timber and timber product importation industry. Whatever system is used documentation needs to be systematically verified using credible third parties to minimise incidence of fraud.

6.0 Key Drivers for the development of policy and/or use of a mechanism to determine legality of timber

All importers surveyed were asked what the key driver was for establishing practices to determine the legality of timber and timber products they purchased from import. Figure 3 summaries the break-up of each driver.

Figure 3: Drivers for policy and practices



6.1 No drivers

Fourteen percent of importers surveyed reported said that there were no reasons for them to implement policies or practices. The companies mainly imported timber and timber products from plantations in New Zealand or Canada.

6.2 Good business practice

A quarter of importers referred to implementing measures to determine legality of timber imports as just good business practice. Some companies also identified a key

driver as good corporate social responsibility. One importer cited an example of problems they had with a supplier a couple of years ago which associated their company with bad practice. The importer subsequently halted their trade with that supplier until it could be established that they had improved their practices.

A couple of companies reported instances of green groups attacking the parent company and they being implicated by association, which effected their reputation.

One respondent replied that it was a moral question while other companies reported a desire to continue in business for many years:

“It is good business practice. Any company that is not aware of the resource issues will not have a resource in years to come.”

“I have a family run business that I want to be sustainable into the future.”

“We believe that we have an industry obligation to look after the world’s rain forests, and wish to interact with that objective as much as possible.”

“We had a problem with a couple of years ago. This effected supply of product and associated us with bad practice, which was bad for business. The key driver for us is good corporate social responsibility and general good business practice.”

6.3 Market - customers and specifiers

Twenty two percent of importers cited the market as driving policy and practice. Some said that this would give them a market edge. A couple of companies cited a market opportunity in supplying FSC certified products to the Australian market.

Other importers cited general customer environmental demands, while a few specifically mentioned architects specifying sustainable products as a key driver. The need to identify chain of custody to procure work on government projects was cited by one importer.

“Economics! To win projects we have to be able to provide chain of custody details and certified timbers. This is often the case with government projects.”

“Architects are beginning to become concerned with associated issues like air quality and volatile organic compounds. It is leading them to explore other associated issues and we are responding to the market.”

6.4 Bunnings

The predominant driver nominated by thirty-one percent of importers was the Bunnings’ Timber and Wood Purchasing Policy and Wood Product Survey (reproduced in Appendix B). Bunnings have developed a timber and wood purchasing policy that requires suppliers to fill out an annual survey as part of their trading terms. A letter is sent out to suppliers annually of which there is an extract below.

“Bunnings are committed to ensuring that the wood in all products sold in our stores is obtained from sustainable and legally operated forests. To achieve

this we rely on you, our supplier, to complete our annual wood products survey and provide us with information on all timber or wood containing products you supply to Bunnings. Your completion of this survey is part of our trading terms (Bunnings, 2005)."

The letter goes on to explain that Bunnings have a target of achieving full chain of custody by 2007. The stipulation that in order to trade with Bunnings the supplier must fill in the survey is the ultimate market based instrument which appears to be having an effect.

The following reasons were given by companies surveyed:

"The Bunnings survey"

"Bunnings require that Malay timber is MTCC certified as a minimum."

"Environmental conscience – and responding to the environmental conscience of customers; the Bunnings survey."

"The Australian market is driven by price, unlike the European market which can be driven by other factors. The key driver for our policy was the Bunnings survey."

6.5 Green groups

A final key driver identified by eight percent of importers was the activities by green groups, particularly Greenpeace.

"Greenpeace wanted to rate all merchants in a book that could be seen by specifiers and architects, we wanted a good rating in that book as a market tool."

"We are now on the Greenpeace preferred list of suppliers, and we have also joined Greenpeace."

"The key driver for developing the chain of custody has been Green Groups attacking our parent company, and we were implicated by association. This was bad for business."

6.6 Discussion

More than half of the importers cited demand from customers as being the key driver for implementing policies and/or practices to determine legality of their timber and timber products. Bunnings activities in this area are the single largest factor identified.

A number of importers discussed a combination of factors that are influencing their decisions on this issue. Corporate responsibility, market opportunity, increasing certification and customer preference were all cited by one importer:

"Good corporate governance. We also believe that we are early adopters and predict that certification will be compulsory in the future. Also specifiers often express a preference for sustainability."

While the majority of business surveyed cited some driver, a significant proportion said that there was no need for policies or practices as they imported from countries from which there was little or no illegal logging.

There are obviously increasing demands from the market to demonstrate procurement from legal sources. The challenge for the industry is to meet these demands in such a way that is credible yet does not result in unnecessary increases in cost.

7.0 Conclusion

The timber industry is a market driven industry and therefore industry will supply what the market demands. There is evidence that the market is beginning to demand that timber be verified as originating from a lawful source and that environmental issues are being considered in specification and purchasing policies. A key driver of this has been the Bunnings' Timber and Wood Purchasing Policy and Wood Product Survey.

There is also evidence that some importers have recognised this and that early adopters are developing policies to ensure and demonstrate the legality of supply. By outwardly demonstrating a policy in a market based approach, ATIF members and all importers can affect the supply of lawful timber into Australia.

However, any policy, written or unwritten, internal or public must be backed up by practices which support it and which can be verified by trustworthy parties. The Australian Government will need to work with key countries to develop recognisable and credible documentation that suppliers may present as evidence of legality to their customers.

In scoping a best practice approach for timber importers to determine the legality of their supply it is important to appreciate that no single practice will fit all operations. However the Australian Timber Importers Federation should further develop and commit to a policy that their members can adopt to display a commitment to purchasing only legally sourced forest products. Such a policy has been discussed in the report "A Scoping Study to Improve the Procurement of Lawful Tropical Hardwood Timbers" (FWPRDC 2006), was developed by the Timber Development Association NSW in conjunction with ATIF and has been reaffirmed during the course of this project.

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Appendix B

BUNNINGS WOOD PRODUCT SURVEY - 2005

(SUPPLIER GENERAL INFORMATION AND GUIDANCE NOTES)

Introduction

Bunnings conducts an annual wood product survey, with the purpose of determining that all timber products supplied to Bunnings, are obtained from sustainably managed, legal forest operations.

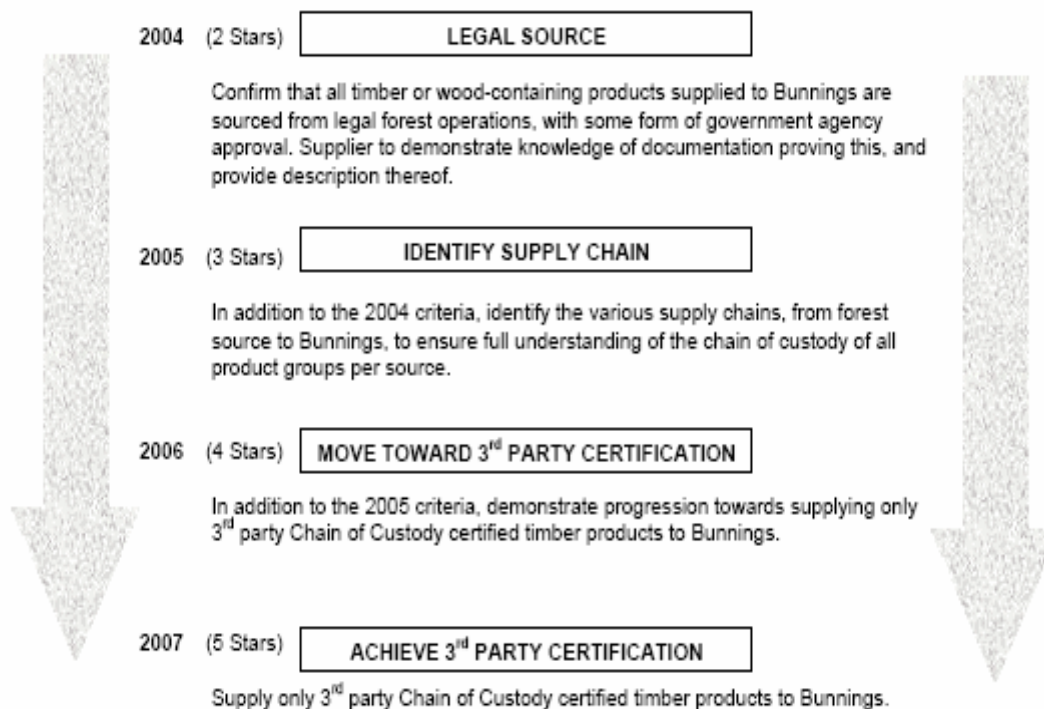
These guidance notes have been prepared to assist you in completing the survey.

Included in these guidance notes is a summary of the survey progression below, and:

- A master reference of the information you are required to provide by product category type. (Annex A)
- An example survey with hint points identified for the various sections. (Annex B)
- Survey completion guidance notes - The hint points explained. (Annex C)
- An example supply chain illustration. (Annex D)
- A list of useful websites of global forest information and certification schemes. (Annex E)

If you require further assistance in completing this survey, please contact Lawrence Threat on (03) 8831 9802, or e-mail lthreat@bunnings.com.au

Survey progression (Benchmarks)



Annex A

Information required by Product Category Type

Product Type	← PROVIDE THIS INFORMATION →					Explanations
	Identify Country of origin (Forest)	Identify Species	Identify forest type	Identify Legal framework (authorizing government agency) OR 3rd party certification	Identify Supply chain	
* Sawdust, Bark Chips, Bamboo, Seagrass, Packing, Crates, Pallets, Potting Soil, Mulch	No	No	No	No	No	* If you only supply these types of products, then you are not required to complete the balance of the survey
* Recycled products	If known	Yes	No	No	No	* These are wholly post-consumer products.
Waste products / offcuts	Yes	Yes	* No	* No	* No	* You may be requested to complete these, depending on the nature of the product.
<u>Privately Owned</u> Rubberwood Plantation	Yes	Yes	Yes (Plantation)	* No	Yes	* You may be requested to obtain further information, depending on the country of origin.
Other <u>Privately Owned</u> Plantation timber	Yes	Yes	Yes (Plantation)	* No	Yes	* You may be requested to obtain further information, depending on the nature of the product.
State owned Australian / New Zealand PINE plantations. (All other state plantations - see "any other products")	Yes (Australia / New Zealand)	Yes (Pine)	Yes (Plantation)	* Yes	Yes	* If you chose not to identify Legal framework, provide a statutory declaration that these products are from Australia / New Zealand Pine Plantations.
MDF, Veneers, Ply's and products made from wood chips (eg particle board)	Yes	Yes	Yes	Yes	* Yes	* If COC exists, detail at least from COC holder to Bunnings
Ramin	Yes	Yes	Yes (Natural)	Yes - <u>ALSO</u> provide copy of <u>current</u> CITES	* Yes	* At least from CITES holder to Bunnings)
Meranti - Whole timber, non-manufactured products	Yes	Yes	Yes (Natural)	Yes - provide <u>ESC</u> 3rd party COC details	* Yes	* At least from COC holder to Bunnings
Any other products	Yes	Yes	Yes	Yes	* Yes	* If COC exists, detail at least from COC holder to Bunnings

Annex C

Survey completion guidance notes.

1. The information you provide in the survey is treated as **Confidential**, and will be used for determining the status of the products supplied, in relation to our procurement policy.
2. The Supplier details box contains information that will assist us in contacting the correct person in the event that we have any queries, and is also your signed declaration that the information provided is correct.

Supplier Name – Your company name.

Supplier Contact - The person responsible for preparing the information provided in the survey (Eg owner, director, sales manager), and the person to whom queries can be directed.

E-Mail is the preferred method of communication. If possible, please provide an e-mail address for the contact person.

The survey needs to be signed and returned by 30 September 2005. This is your declaration of the particulars of the products you supply to Bunnings, and forms part of your trading terms with Bunnings.

Please note: If you purchase products from suppliers who have also been surveyed by Bunnings, you are still required to complete the survey, and return this to us. If you refer to these suppliers as your sources, you must either obtain the supply chain information from them, or provide us with a declaration that the products supplied to you (and on to Bunnings), are the same products supplied directly to Bunnings. We may require you to supply a statutory declaration, or some other such legal document to support this claim.

3. Please circle appropriate answer. If NO, please complete the supplier details and return the survey. (It is important that the survey is returned, even if you do not supply timber products to Bunnings). If YES, please answer the next question.
4. For the purposes of this year's survey, products containing Sawdust (eg in potting soil), Bark chips, Bamboo, Seagrass, or crates / wooden packaging are not considered as timber.

If you supply timber / wood products that do not fall into this category, then you are required to complete the rest of the survey.

Please note that MDF, Veneers, ply's and products made from wood chips (eg particle board) are considered as timber, and you are required to complete the rest of the survey.

Please circle appropriate answer. If YES, please complete the supplier details and return the survey. If NO, please complete the rest of the survey.

5. It is expected that documentation exists somewhere within the supply chain, that proves the timber is sourced from LEGAL forest operations.

(This may not be applicable to certain product types eg Recycled / Waste products – see other information)

It is important that you, our supplier have knowledge of the existence of such documentation, and the nature of this. (Document type, Document numbers, Issuing agency, who issued to, relevant dates etc.)

Please circle appropriate answer and complete the balance of the survey.

6. It is important to return the survey with your details completed, even if you no longer supply timber products to Bunnings. This will enable us to deactivate you from future surveys. If in future you supply other products that do contain timber, you will be required to complete a survey.
7. This is a broad description for the group of products supplied.

Note that a new line is needed for each group of products for each UNIQUE supply chain. (See examples and information sheets further on). It is possible that you supply multiple product groups from different supply chains (Even if the forest source is the same). If any link in the supply chain is different, then a new product group must be identified.

8. Please supply a list of finelines (if applicable) that fall in the product groups. This may be attached on a separate sheet if necessary, and referenced to the product group. If preferable, you may use a new line for each product / fineline. If you do not have finelines list "Not applicable".
9. This is the country of origin of the timber itself (Country where the forest exists), and does not necessarily relate to the country that the product was manufactured in or imported from.
10. The species of timber relates to either the botanical name, or the common name. Broad descriptions of "hardwood" or "softwood" are not sufficient.
11. The type of forest is either plantation, natural forest or regenerated (regrowth).
12. This section deals with the "proof" that the goods supplied are from legal, sustainably managed sources. Please supply details of the documentation in question (issuing agency, document numbers, dates, to whom issued etc.). **Where possible please supply copies of the documentation.**

It is recognized that wholly RECYCLED products may not have the same level of documentation available as other products. For this reason, state, "RECYCLED". We may request you to confirm this by way of a statutory declaration, or some other such legal document. You are still required to identify the species of timber, and if known, the country of origin.

For PRIVATELY OWNED plantations (including private Rubberwood plantations), state "PRIVATELY OWNED Plantation. We may request you to confirm this by way of a statutory declaration, or some other such legal document. You are still required to indicate the supply chain structure, the species of timber and the country of origin for these products.

For STATE OWNED PINE PLANTATIONS IN AUSTRALIA / NEW ZEALAND, you must either supply proof of legal sourcing (see methods below for "all other products"), or you may confirm that the timbers fall into this category by way of a statutory declaration, or some other such legal document. You are still required to provide the supply chain information. Note that this option is only available for 2005. For 2006 / 2007, we will require you to prove legal sourcing through the methods stated below.

For WASTE PRODUCTS / OFF CUTS, state as such. We may request you to confirm this by way of a statutory declaration, or some other such legal document. You are still required to identify the species of timber, and the country of origin. Dependant on the nature of the products, we may still require that you to identify the supply chain and prove legal sourcing.

For ALL OTHER PRODUCTS, Legal sourcing can be grouped into 2 categories:

- A legal framework exists that controls the timber industry and authorizes the logging. This would be in the form of a government agency (Eg Forest Bureau, Department of Forestry etc). This information can be obtained from querying the supply chain. Details of this type of authorization are acceptable for 2005 and 2006.

(Note that generally, industry based certification such as that from an industry board is not acceptable, nor are fumigation certificates. These do not indicate legal sourcing. "Certificates of origin" and shipping documents are also not sufficient. They are often relative to the country of export of a final product, but do not indicate where the timber initially originated. They also don't provide proof that the timber was obtained legally). Self-certification in the form of supplier letters are not acceptable.

- Legal sourcing can be proven by a 3rd party certification scheme such as FSC, MTOC, PEFC, AFS, SFI etc. The schemes certify that the forest is sustainably managed, and certify subsequent links within the supply chain with CHAIN OF CUSTODY (COC). This mechanism allows full traceability of the product, from forest source to end-user. If this level of certification exists, we require the name of the certification scheme, together with the document number and expiry date.

FOR 2007, we require that you only supply COC products to Bunnings. The Chain of custody must exist with yourselves, or with your immediate suppliers. At present (2005/2006) the COC may exist more than one link away from yourselves, but in these circumstances we require you to identify the remaining links, and confirm that the products supplied are covered by this certification.

Note that for RAMIN products, you are required to provide a copy of the current CITES certificate, in addition to proving legal sourcing by either method listed above.

For non-manufactured (whole stick timber, mouldings etc.) MERANTI products, the only acceptable form of certification is FSC Chain-of-Custody.

13. The forest source is a reference to a specific forest, reserve or concession area. This could be the actual forest name (if known) and region. It is used to identify a specific forest, to enable an understanding of the supply chain. (The region must be identified but a letter or number may be used if forest name is unknown)
14. The supply chain consists of all links from the forest to Bunnings. The various links can be "de-identified" by a number or letter, if this information is deemed commercially sensitive. However, we will conduct random audits, in which case it may be required that you disclose certain details, in order for us to confirm the accuracy of the information. In the case of Chain of Custody certification, it will be required that you disclose the certifying scheme and certificate numbers.
15. In this example, the last link in the supply chain (prior to your company) holds a Chain of Custody certification. This will be the requirement for 2007, and all products supplied to Bunnings will need to be covered Chain-of-Custody certification. Provided this chain of custody covers the products supplied, it is not necessary to identify the prior links in the supply chain. We do however need to know the country of origin of timber and Forest source.
16. In this example, an intermediate link holds a Chain of Custody certification. For 2005 this is acceptable provided you confirm that the products supplied to Bunnings are covered by this COC, and detail the remaining supply chain structure.

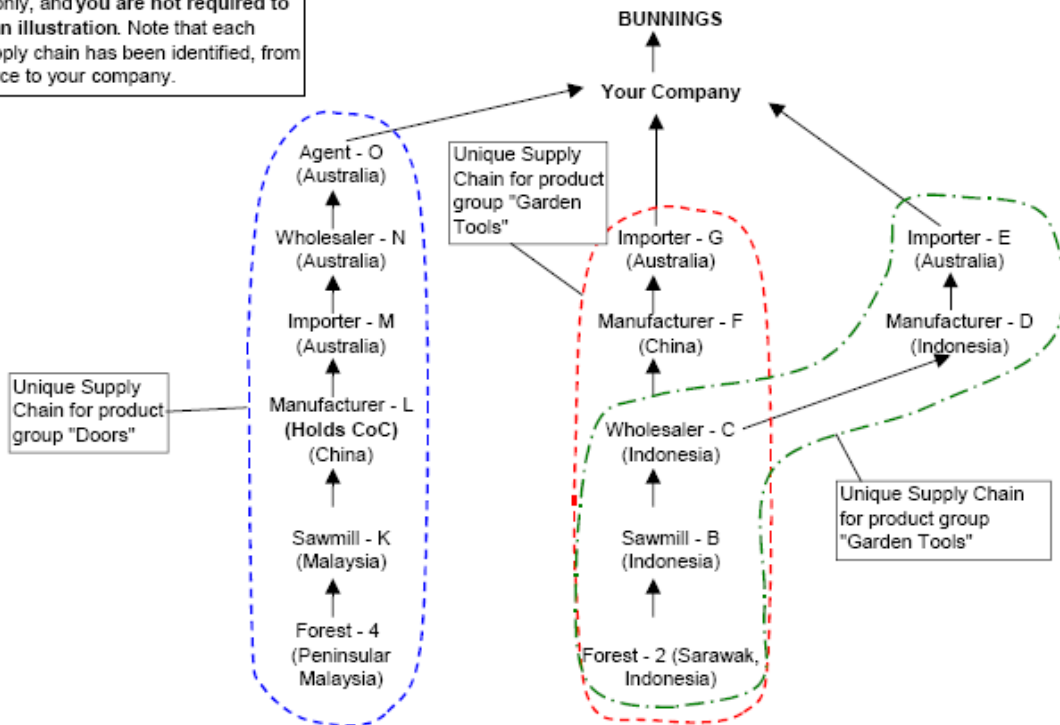
For 2006, the requirement is that you progress towards having the last link in the chain (prior to your company) certified.

For 2007 it will be required that last link prior to your company holds a COC (In this example Supplier P)
17. If your company holds a Chain-of-Custody certification from a 3rd party accreditation scheme such as the FSC, AFS, PEFC etc, please provide details.
18. The survey must be returned by 30 September 2005 (electronically preferred), and forms part of your trading terms agreement with Bunnings. We suggest that you keep copies of these documents, as we may need to query information.

Annex D

Example Supply Chain Illustration

Note: This illustration is for information purposes only, and you are not required to produce an illustration. Note that each unique supply chain has been identified, from forest source to your company.



Annex E

Useful Websites

<u>Website</u>	<u>Comments</u>
www.tropicalforesttrust.com	Tropical Forest Trust. (TFT) The TFT offers opportunities to companies to invest in ethical wood supply chains, by linking it's Producing, Supplying and Buying members, with the purpose of securing FSC certified tropical hardwoods.
www.forestrystandard.org.au	The Australian Forestry Standard (AFS) Australia's first forest management certification standard. The AFS certification scheme has recently achieved mutual recognition with the PEFC.
www.fsc.org	Forest Stewardship Council (FSC) A global forest certification scheme promoted by Greenpeace that has certified approximately 50 million hectares of forests in 57 countries.
www.mtcc.com.my	Malaysian Timber Certification Council (MTCC) A certification scheme for Malaysian timbers, that has certified approximately 4.7 million hectares of forests.
www.pefc.org	Program for Endorsement of Forest Certification Schemes (PEFC) An umbrella organization for the assessment and mutual recognition of forest certification schemes, with over 30 members schemes including the AFS.
www.lei.or.id	Indonesian Ecolabelling Institute A scheme for certification of timber products in Indonesia
www.aboutsfi.org	Sustainable Forestry Initiative (SFI) The SFI program is a system of principles, objectives and performance measures developed for the North American forestry industry for the protection of wildlife, plants, soil and water quality. There are currently over 136 million acres of forestland in North America enrolled in the SFI program.
www.urs.com.au	URS Corporation An Environmental and Engineering consulting firm
www.certificationwatch.org	Forest Certification Watch Information on Global forest developments and certification schemes.
www.smartwood.org	Smartwood Certification Scheme An FSC accredited forest certifier, and a member of the Rain Forest Alliance
www.rainforest-alliance.org	Rain Forest Alliance An alliance of Companies, cooperatives and landowners, that participate in programs to meet rigorous standards that conserve biodiversity and provide sustainable livelihoods.
www.greenpeace.org.au	Greenpeace An international organization aimed at ensuring sustainable environments for future generations.
www.panda.org	World Wildlife Fund (WWF) An international foundation aimed at conservation.
www.forestandtradeasia.org	Global Forest Trade Network Information about forest certification and responsible wood sourcing in the Asia Pacific region.