



GLOBAL
FOREST
& TRADE
NETWORK

Keep It Legal

Best Practices for Keeping
Illegally Harvested Timber
Out of Your Supply Chain



By Frank Miller, Rodney Taylor and George White

A guide for organizations wishing to extend a program of responsible purchasing to further address difficulties arising from possible trade in “illegal” forest products.

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Frank Miller, Rodney Taylor, and George White | July 2006

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INTRODUCTION

This manual has been developed by WWF's Global Forest & Trade Network (GFTN) for use by organizations wishing to extend a program of responsible purchasing to further address difficulties arising from possible trade in "illegal" forest products. The manual has been developed to add detail to legality issues encountered by companies adopting a responsible purchasing program.

The Keep it Legal Manual is presented in five parts:

- **Introduction**—describes the purpose of this manual and its relationship to the GFTN guide to *Responsible Purchasing of Forest Products*.
- **The illegal logging problem**—describes the nature and magnitude of the illegal logging problem and the threat it poses to forests and the people and businesses that depend on them.
- **Developing policies on legal compliance**—explains the challenges involved in developing a clear, fair, and realistic policy on legal compliance.
- **Reducing the risk of trading illegal timber**—details a systematic approach to identifying and eliminating the risk of illegal wood entering your supply chain.
- **Appendices**—various practical tools that you can adapt for use in your company.

WWF has produced this manual with the intention that it should become the first point of reference for all parts of the timber supply chain seeking to establish what represents current best practice with respect to buying, processing, and selling legal timber and timber products. It consolidates the efforts of many different parties, including those companies at the forefront of efforts to avoid use of illegally harvested timber.

The manual is aimed at any medium-size or large enterprise that purchases forest products, including processors, importers, manufacturers, wholesalers, and retailers. It may also be useful to smaller enterprises.

The manual outlines the various ways in which purchasing organizations can demonstrate compliance with best practice and ultimately their own purchasing policies. It combines tried and tested mechanisms and new approaches and definitions, based upon on GFTN's extensive experience in the development of responsible purchasing programs. These approaches are designed to make the process of "keeping it legal" easier.

The principles outlined in this manual are in line with WWF Global Forest & Trade Network (GFTN) participation requirements, and the manual will support GFTN trade participants in meeting those requirements.

The *Keep It Legal* manual is a living document, so it will be regularly updated using feedback from users to provide new information about

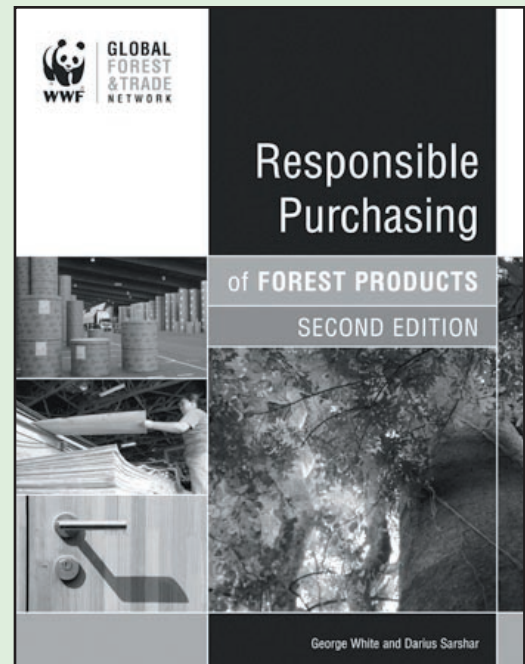
- what is happening in major exporting countries and in the critical supply regions,
- developments in supply chain management, and
- the wider global debate on the prevention of illegal logging.

WWF GFTN's *Responsible Purchasing of Forest Products*

The WWF GFTN publication *Responsible Purchasing of Forest Products* (the Responsible Purchasing Guide) sets out a step-wise approach for organizations purchasing timber and timber products. It describes how companies can systematically establish a management system that will aid them in buying timber and timber products in a responsible manner that steers them away from suppliers involved in illegal and unsustainable logging. At the same time the purchasing program supports and rewards those organizations that are sourcing product from forests progressing toward sustainable forest management. A key objective for those using the guide is the development and promotion of credible forest management certification and the purchase of timber products from certified forests.

The *Keep It Legal* manual is for purchasing companies that need to focus their efforts on tackling illegal issues before, or as a part of, progressing up the stepwise approach described in the Responsible Purchasing Guide.

GFTN recommends that an organization familiarize itself with the Responsible Purchasing Guide before beginning to use the *Keep It Legal* manual. The two documents are highly compatible, and the organization should adopt recommendations for best practice from both sources where the issues to be managed are complex.



Refer to the
**Responsible
Purchasing Guide**
for more information

Note on this symbol

This document makes references to the Responsible Purchasing Guide. Where you see this symbol it is recommended that the Guide be referred to for more detail. The Guide is available at www.panda.org/gftn.

As a supplement to this manual, GFTN will publish specific guides for major timber-producing and exporting countries. These Country Guides (www.panda.org/gftn) discuss the issues encountered in those countries in detail and offer practical guidance to organizations sourcing timber from those countries.

The principles outlined in this manual are in line with WWF Global Forest & Trade Network (GFTN) participation requirements, and the manual will support GFTN trade members in meeting those requirements. Legality is just one step on the road towards certification, and whilst it can be a major challenge in itself to achieve a measure of legality, sight should not be lost of the overall objective: responsible forest management.

The *Keep It Legal* manual is designed so that it can be used in different countries and by different parts of the supply chain. This vertical and geographic integration of approaches offers potential benefits to the whole supply chain by

- reducing duplication of effort,
- promoting the harmonization of practices within the industry, so that vendors selling to several customers can hold a single set of answers,
- clarifying what questions should be asked of suppliers to give assurance,
- suggesting traceability systems that are compatible with chain-of-custody procedures,
- outlining a risk assessment process to rate companies,
- promoting a systematic and transparent process within the supply chain.

Many organizations involved in the timber supply chain regard purchasing as their most critical commercial activity. The *Keep It Legal* manual is designed to be a “how-to” manual to support an organization’s overall responsible purchasing strategy.

THE ILLEGAL LOGGING PROBLEM

The global trade in illegally extracted timber is a multibillion-dollar industry. **Illegal logging occurs when timber is harvested, transported, processed, bought, or sold in violation or circumvention of national or sub-national laws.** Although generally portrayed as a problem in tropical forests, illegality also occurs in developed countries and economies in transition.

Negative Impacts in the Country Where Illegal Logging Takes Place

Illegal logging takes place in many countries on a small scale and has limited impact on the environment or society in general. However, in a significant number of countries, illegal logging is a major problem that poses a serious threat to forests, communities, and wildlife. The negative impacts of illegal logging include:

- encouragement of corruption and bad practices
- major revenue loss for governments
- loss of long-term income and security for forest-based communities
- degradation and clearing of forests and consequent loss of habitat for plant and animal species
- increased vulnerability to natural disasters such as erosion, river silting, landslides, flooding, and forest fires
- Loss of long-term supplies of timber, threatening both quality and quantity
- Undercutting of and unfair competition with responsible, well-managed forestry, potentially leading otherwise committed managers from legal practices to illegal ones

Illegal logging has a particularly devastating effect on biodiversity because the perpetrators often deliberately target remaining high-conservation-value forests, including protected areas, which contain the highly valuable species that have been over-exploited elsewhere.

Forest crime also affects human communities through loss of natural forest resources and sometimes through intimidation and violence. The hundreds of millions of dollars of tax revenues that are lost as a result of forest crime also have a wider social impact.

Illegal logging is part of a larger problem that includes issues of forest governance and corruption. These extend far beyond some individuals violating resource-management laws. Poor governance

and poor forest management can also lead to increased access to, and unsustainable use of, forests and an increase in activities such as illegal mining, bushmeat hunting, and unauthorised clearing for new settlements.

Forest crime also affects human communities through loss of natural forest resources and sometimes through intimidation and violence. The hundreds of millions of dollars of tax revenues that are lost as a result of forest crime also have a wider social impact.

Implications for Those Buying and Supplying Illegal Timber

Companies that buy products containing illegal timber may do so knowingly or because they have failed to exercise due diligence over their supply chains. Either way, the potential negative consequences of trading in such products include the following:

- vulnerability to NGO criticism and consequent loss of reputation
- loss of business contracts because of failure to meet the procurement policies of an end-user company or government agency. In the first case, for example, WWF GFTN trade members are required to eliminate illegally sourced timber from their supply chains; in the second case, the British government purchasing officers are required to purchase only sustainable or legal timber; see www.proforest.net/cpet
- potential prosecution for breach of trade regulations. In December 2005, EU member states adopted proposals to implement a timber import licensing scheme. Once the scheme is operational, it will allow EU customs authorities to prevent the import of timber from key exporting partner countries (recognized as voluntary partners) if the product is not accompanied by a license attesting its legality
- uncertain supply of raw material, because illegal sources are seldom sustainable

Countries Where Illegal Harvesting Takes Place

Although exact figures are difficult to obtain (given the nature of the activity), recent estimates of the scale of illegal logging in some countries are given in Table 1.

Table 1. Country Sources of Illegally Harvested Timber

Country	American Forest & Paper Association estimates of “suspicious” timber	Other estimates of illegal logging	Source of other estimates
Eastern Europe			
Estonia		50% of production 50% of production	Taiga Rescue Network 2005 (1) Estonian Green Movement 2004 (2).
Latvia		20% of production 15–20% of production	Taiga Rescue Network 2005 (3) WWF Latvia 2003 (4).
Russia	15–20% of production 15–30% of exports	25% of exports 25–50% of exports 30% of production (one-third) 20–60% of production	World Bank 2005 (5) USDA Foreign Agricultural Service 2005 (6) House of Commons Environmental Audit Committee (UK) 2006 (7) IUCN 2005 (8)
Africa			
Cameroon	30% of production	50–65% of production	World Bank/WWF Alliance 2002 (9)
Equatorial Guinea	30% of production		
Gabon	30% of production		
Ghana	30% of production	50% of production	The Forestry Commission of Ghana 2003 (10)
Liberia	30% of production	100% of production	National Transitional Government of Liberia (NTGL) 2005 (11)

Country	American Forest & Paper Association estimates of “suspicious” timber	Other estimates of illegal logging	Source of other estimates
Asia Pacific			
China	30% of production 30-32% of export products	50% of production	USDA Foreign Agricultural Service 2005 (12)
Indonesia	60% of production 55% of plywood exports 100% of log exports	80% of production 83% of production	House of Commons Environmental Audit Committee (UK) 2006 (13) CIFOR 2004 (14)
Malaysia	5% of production 70% of log imports		
Papua New Guinea	20% of production	65% of log exports	Forest Trends 2006 (15)
Latin America			
Brazil	15% of production 15% of export products	37% of production	Imazon 2005 (16)
Ecuador		70% of production	Ecuador's Wood Industry Association 2005 (17)
Peru		70-90% of production 80% of production > 90% of exports (mahogany)	ITTO 2002 (18) The Peruvian Environmental Law Society, 2003 (19) ParksWatch 2005 (20)
<p>Note: Illegal harvesting does not just occur in developing countries. It occurs to a limited extent across Europe and North America. Good regulatory systems that are enforced, however, ensure that it is kept to a minimum. For more information on illegal logging go to www.illegal-logging.info, a Web site sponsored by the Department for International Development, U.K. Government and managed by the Royal Institute for International Affairs, Chatham House, London.</p> <p>This table is not exhaustive and is for illustrative purposes only. Countries not specifically mentioned may have levels of illegal logging which are unmeasured or not reported to date. It would be incorrect to assume that if a country is absent from this table that there is no problem.</p> <p>All estimates of “suspicious timber” from American Forest & Paper Association from: Seneca Creek Associates and Wood Resources International, 2004, <i>“Illegal” Logging and Global Wood Markets: The Competitive Impacts on the U.S. Wood Products Industry</i>.” Prepared for American Forest & Paper Association. Available from www.afandpa.org.</p> <p style="text-align: right;">(Table 1 Notes continued next page)</p>			

(Table 1 notes, continued)

(1,3) Taiga Rescue Network, 2005, *Sweden: Forest Industry—Giant with Big Timber Footprints in the Baltic Region*. p. 2. http://www.taigarecue.org/_v3/files/pdf/160.pdf.

(2) Estonian Green Movement, 2004, *Illegal forestry and Estonian timber exports*. p. 2. http://www.illegal-logging.info/papers/Illegal_Forestry_and_Estonian_Timber_Exports.pdf.

(4) WWF Latvia, 2003, *The features of illegal logging and related trade in the Baltic Sea region*. p. 5. http://www.illegal-logging.info/papers/Illegal_logging_in_Baltic_Sea_region.pdf.

(5) World Bank, 2005, *Forest Law Enforcement Governance (FLEG) in Eastern Europe and Northern Asia (ENA-FLEG)*. p. 8. http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/ref1_eng.pdf.

(6) USDA Foreign Agricultural Service GAIN Report, 2005, *Russian Federation Solid Wood Products Forestry Sector Continues to Struggle 2005*. p. 4. <http://www.fas.usda.gov/gainfiles/200511/146131434.doc>.

(7,13) House of Commons Environmental Audit Committee, 2006, *Sustainable Timber: Second Report of Session 2004–05*. p. 12. <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/607/607i.pdf>.

(8) IUCN Global Temperate and Boreal Forest Programme IUCN Office for Russia and the Commonwealth of Independent States, 2005, *The Beginning of the ENA FLEG Process in Russia: Civil Society Insights*. p. 21. http://research.yale.edu/gist/assets/pdf/tfd/logging/ENA%20FLEG/ENA%20FLEG_CivilSociety%20Insights.pdf.

(9) World Bank / WWF Alliance, 2002, *Forest Law Assessment in Selected African Countries*. p. 19. <http://www.illegal-logging.info/papers/WWFWorldBankForestLawAssessment.pdf>.

(10) The Forestry Commission of Ghana, 2003, *Keynote Address by Hon. Prof. Dominic K. Fobi—Minister for Lands & Forestry*: http://www.fcghana.com/news/ministers_speech_afleg.htm.

(11) All logging concessions in Liberia were cancelled in Feb 2006 following a report by the *Forest Concession Review Committee—Phase 3, 31 May 2005*, which had found that no individual concession holder was able to demonstrate sufficient level of legal compliance. UN Security Council sanctions were re-imposed on Liberian timber exports in December 2005: <http://www.illegal-logging.info/news.php?newsId=1257>.

(12) USDA Foreign Agricultural Service GAIN Report, 2003, *People's Republic of China Solid Wood Products Annual 2003*. P. 5. <http://www.fas.usda.gov/gainfiles/200308/145985736.pdf>.

(14) Tacconi L, Obidzinski K, Agung F, 2004. Learning Lessons to Promote Certification and Control Illegal Logging in Indonesia, Report for the WWF/TNC Alliance to Promote Forest Certification and Combat Illegal Logging in Indonesia, Centre for International Forestry Research.

(15) Forest Trends, 2006, *Logging, Legality, and Livelihoods in Papua New Guinea: Synthesis of Official Assessments of the Large Scale Logging Industry Volume I*. <http://www.forest-trends.org/documents/png/index.php>.

(16) Figure based on data from IMAZON (Amazon Institute of People and the Environment) and Brazil's environmental agency Ibama. Imazon, 2005, *Human Pressure in the Brazilian Amazon*. P. 5. <http://www.imazon.org.br/especiais/especiais.asp?id=318>.

(17) Office of the United States Trade Representative (USTR), 2005, *Interim Environmental Review of the United States-Andean Free Trade Agreement* http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Andean_FTA/asset_upload_file27_7305.pdf.

(18) ITTO, 2002, *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Peru—Report of the Diagnostic Mission*. P. 4. http://www.itto.or.jp/live/Live_Server/214/E-C35-15-EX.doc.

(19) The Peruvian Environmental Law Society, 2003, *Case Study on the Development and Implementation of Guidelines for the Control of Illegal Logging with a view to Sustainable Forest Management in Peru*.

(20) ParksWatch, 2005, *An Investigation of Illegal Mahogany Logging in Peru's Alto Purús National Park and its Surroundings*. The report confirmed nearly all of Peru's exports of Mahogany were illegal: http://www.parkswatch.org/spec_reports/logging_apnp_eng.pdf. See also Natural Resources Defense Council press release, April 2005: <http://www.nrdc.org/media/pressreleases/050414.asp>.

Many of the countries identified in Table 1 are among the world's major timber exporters. It is thus clear that large volumes of illegal timber are being harvested. Although it is becoming marginally more difficult to trade illegal timber because of various restrictions by some governments and other concerned parties, logic dictates that huge volumes of illegal timber and timber products are being traded internationally. The objective of this manual is to support trading organizations that wish to avoid buying illegal timber. It covers company policies and methods for identifying suppliers that are more likely to be supplying illegal timber.



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Key Points

- Companies trading in forest products face exposure to great risks if they ignore illegal logging issues. The problem is not confined to one or two countries, and most companies that trade in wood products will be exposed to this issue at some point.
- The issue of illegal logging is not one that can be solved simply or quickly in many cases, but as with many problems, the solution starts with recognition that the problem exists. This manual guides organizations through the complex issues and shows that with careful and dedicated management, any company can use an array of solutions to manage its trade.
- If the problem of illegal logging continues to be ignored, many of the world's most important productive and biologically diverse forests, and the people and industries that they support, will be further degraded or disappear.
- It is in everyone's interest that the forest industry and those that trade its products take an interest, take action, and "keep it legal".

DEVELOPING POLICIES ON LEGAL COMPLIANCE

Timber Purchasing Policies in General

Defining a company-wide policy with regard to timber purchasing is the first step in the process for excluding illegal timber from your supply chain. Without this first step the whole process will fail. Setting the policy has to be led by senior management. A timber purchasing policy may form a component of your company's overall purchasing policy.

There is no right, wrong, or perfect set of policies to underpin the effort to achieve more responsible sourcing of forest products. However, the policy should be aligned with SMART targets, that is, be specific, measurable, achievable, realistic, and time bound. It is also important that you consider the consequences of the policy prior to publishing it. Strong policies, for example, may have a financial cost that renders them unsustainable; weak policies may attract criticism from stakeholder groups. A workable balance must be struck.

Refer to the **Responsible Purchasing Guide** for more information

WWF GFTN's guide *Responsible Purchasing of Forest Products* (Responsible Purchasing Guide, www.panda.org/gftn) describes a well-established stepwise approach that begins with the formulation

of a purchasing policy. The stepwise approach is practical and well reasoned, and takes account of commercial realities by phasing out the purchase of forest products from potentially illegal sources.

The scope of the policy may vary from one organization to the next, for example, through the inclusion or exclusion of forest products that are intended for resale only, sold under "own brand" or "store brand" only, procured for service use and not for resale (for example, copier paper), or used within the fabric of buildings (for example, wooden doors or floors in new offices or factories). Best practice dictates that the scope of your policy be set to apply to the business's area of largest impact; for example, if you are a retailer, you could focus on the products you sell before your copier paper. You can also change the scope of your policy over time; for example by starting with a focus on traded products and later expanding the scope to include paper, furniture and building materials for your own use.

Your policy should also include references to

- periodic review of the policy and its associated targets (possibly as part of a larger environmental or "corporate social responsibility" reporting agenda),
- communication of the policy and its associated targets to key audiences.

The policy and any associated documents should be the responsibility of senior management within your organization and should have the same level of endorsement as any other of your organization's policies.

Appendix 5 contains model policies for forest product purchasing that can be adapted for use by your organization. Examples of company and government policies for forest product purchasing can be found on the web at: http://www.forestandtradeasia.org/guidance2/Asia_Pacific/English/2/387/54.

Policy on Legal Compliance—Defining the Problem

The starting point for a specific policy on legality is to clearly identify the problem that it is meant to address. The content of the policy, and procedures created to support it, should ultimately target the problem identified by your organization.

Most organizations aspire to full legal compliance on the part of all actors involved in the supply and manufacture of the products they purchase. However, you may need some prioritization to focus your resources on preventing or avoiding the kinds of illegal activities that are of highest concern to your staff, customers, shareholders, financiers, and other stakeholders.

Of the many possible legal compliance problems, **illegal logging, related trade, and corruption** are the focus of this manual. WWF defines these as occurring *when timber is harvested or traded in violation of relevant national or sub-national laws or where access to forest resources or trade in forest products is authorized through corrupt practices*. This generic definition of the problem has three key elements:

- **Illegal harvesting.** Timber cut or removed without the required license or in breach of a harvesting license or law. This includes timber that is stolen.

- **Illegal trading.** Timber, or a product containing timber, bought, sold, exported, or imported and processed in breach of the laws, including laws implemented under the Convention on International Trade in Endangered Species.
- **Corruption.** Authorization to harvest or trade logs or timber products is secured through corrupt application of laws or administrative procedures.

Table 2 provides examples of how other organizations have defined the illegal logging problem. The variety of definitions is an indication of the complexity of the issue. The tipping point at which activities become illegal tends to be a reflection of the philosophy of the organization concerned, combined with any specific geographical considerations.

Table 2. Other Definitions of Illegal Logging

Organization	Definition	Reference
American Forest Products Association	Theft of timber or logs; cutting in parks, reserves or similar areas; and cutting where government approvals are obtained by corrupt practices.	American Forest & Paper Association (AF&PA) 2004. (1)
European Commission	Harvesting timber in violation of national laws is illegal. Illegal harvesting may include not only using harvesting practices that contravene the regulations but also using corrupt means to gain harvesting rights, extraction without permissions or from protected areas, cutting protected species or extracting timber in excess of agreed limits. Beyond harvesting, illegal practices may also extend to transport infringement, illegal processing and export, nonpayment of taxes or charges, and misdeclaration to customs.	European Commission 2004. (2)
Greenpeace	<p>Illegal logging takes place when timber is harvested, processed, transported, bought or sold in violation of national laws. Laws can be violated at many different stages of the supply chain and can include:</p> <ul style="list-style-type: none"> ■ Obtaining concessions illegally (for example, via corruption and bribery) ■ Cutting protected tree species or extracting trees from a protected area ■ Taking out more trees and more undersized and oversized trees than is permitted or trees outside an agreed area ■ Illegal processing and export ■ Fraudulent declaration to customs of the amount of timber being exported ■ Nonpayment or underpayment of taxes ■ Use of fraudulent documents to smuggle timber internationally. 	Greenpeace 2005) (3)
Malaysian Timber Council	<p>In Peninsular Malaysia, three categories are used to classify forest offences. Category 1 covers offences involving logging without license, logging outside licensed area and unauthorized construction of infrastructure and forest roads. Category 2 covers encroachment of forest reserves for agricultural activities and settlement. Category 3 covers other forest offences that involve felling of unmarked trees, cutting trees below the cutting limit, unlicensed workers, contractors with no valid sub-license, unregistered machinery plus other breaches of rules and regulations committed within and outside the forest reserve.</p>	Malaysian Timber Council 2004. (4)

(Table 2 continued next page)

Table 2. (continued) Other Definitions of Illegal Logging

Organization	Definition	Reference
Supreme Court Decision in Russia	<p>An illegal forest felling operation (cutting) is</p> <ul style="list-style-type: none"> ■ cutting of trees, bushes and lianas without a harvesting license or authority, ■ cutting with a harvesting license or authority issued with abuse of the existing cutting-practice rules, ■ cutting carried out at the wrong site, beyond a site's borders or exceeding the set quantities ■ cutting of species or of trees, bushes and lianas that are not covered by the harvesting licence or authority, ■ cutting before and after the logging period fixed in the harvesting licence or authority, ■ cutting trees, bushes and lianas that are forbidden by Resolution No. 155 of the Government of the Russian Federation June 1, 1998, ■ cutting after the announcement of a temporary prohibition, restriction or complete discontinuation of forest user activities or the right to use a forest area. 	Resolution No.14, Russian Federation Supreme Court 1998 (The definition is related to the application of Article 260 of the Criminal Code of the Russian Federation). (5)
World Business Council on Sustainable Development	<ul style="list-style-type: none"> ■ Sourcing of illegal wood takes place when unprocessed wood is procured in the absence of the seller's legal right to sell or harvest. ■ Illegal logging takes place when timber is harvested in violation of relevant forestry and environmental laws and regulations. ■ Illegal forest products trade involves the procurement, processing, distribution and marketing of products made from wood that has been obtained by illegal sourcing or illegal harvesting and/or are not in compliance with relevant national and international trade laws. 	WWF/WBCSD Joint Statement on Illegal Logging 2005. (6)
<p>(1) 'Illegal Logging and Global Wood Markets: The Competitive Impacts on the US Wood Products Industry. Commissioned by American Forest and Paper Association. Prepared by Seneca Creek Associates. November 2004.</p> <p>(2) Briefing Note Number 03. FLEGT Briefing Notes, European Commission, April 2004.</p> <p>(3) Lawless: How Europe's Borders Remain Open to Trade in Illegal Timber (Greenpeace Fact File, October 2005) http://www.greenpeace.org/raw/content/international/press/reports/lawless-illegal-timber.pdf.</p> <p>(4) Malaysian Timber Council, www.mtc.com.my</p> <p>(5) Resolution No. 14, Russian Federation Supreme Court from November 5, 1998 (The definition is related to the application of Article 260 of the Criminal Code of the Russian Federation).</p> <p>(6) WWF/WBCSD Joint Statement on Illegal Logging for The Forest Dialogue (March 2005) http://www.wbcsd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=13627</p>		

Defining Your Response to the Problem

In defining the scope of its purchasing policy, your organization will need to balance the range of legal compliance issues of concern to stakeholders with the need to contain auditing costs. A comprehensive approach to determining the legality of forest products could cover many issues beyond forestry (for example, adherence to laws relating to taxes, labour, health, corporations,

transport, customs, pollution or money laundering); many ingredients besides wood (finishes, other materials, packaging), and many phases of production (harvesting, hauling, milling, shipping, manufacturing, trading, and end use). In addition, a full approach could address the procedures leading up to the grant of a timber permit, including adherence to planning laws, impact assessment requirements, tendering procedures, contractual "fairness" provisions, and absence of any suspicion of corruption or collusion.

Your policies need to prioritize the legal compliance problems to be addressed; for example, is the focus on illegal logging or does it also include labour and pollution laws in factories further along the supply chain? The following approaches can be used to find this balance:

- Limit the scope of inquiry to offences that relate to forest management. For example, you could focus your inquiry on legal compliance during harvesting, transport, and trade in the source country, and only investigate activity in intermediate countries so far as they relate to “laundering” or traceability of the origins of the timber.
- Concentrate routine inquiries on what can be readily verified (for example, existence of a valid permit to harvest in the area where the timber was sourced), while investigating forms of illegality that are harder to pinpoint (for example, fraudulent transfer-pricing schemes) if and when a suspicion is raised.
- Use a stepwise approach that starts with simple checklists and becomes more complex as experience and confidence are gained.

A key role of your policy on illegal logging is to establish the framework upon which a culture of legal purchasing can be built. A good policy will precisely define the issues that it seeks to address and will identify what is and what is not acceptable to your organisation. The policy should clearly convey the values of your organization and show how these values will be upheld.

Although pervasive corruption is a major cause of poor forest governance, this manual focuses on illegal logging and related trade. Experience has shown that both illegal harvesting and related trade can be addressed directly through responsible purchasing, whereas pervasive corruption is a broader problem that generally requires a different set of responses. (For mechanisms to address corruption, go to Transparency International Web site at www.transparency.org/policy_and_research/ach.)

Defining “Legal” Timber

To direct your organization’s purchasing away from the products of illegal logging and in favour of legal operators, you will need to define what you mean by “legal” or acceptable sources. That definition should exclude products or activities that fall within the scope of the problem defined in your policy. The scope of concern may be broad, and thus be difficult to comply with, or narrow, and run the risk of not addressing key issues. A balance between these extremes needs to be struck.

WWF GFTN has developed a two-tiered approach to defining and verifying legal compliance (*see Table 3 below*). This approach may be used by companies that would like to join a Forest & Trade Network or may be adapted by companies or procurement agencies that prefer to remain outside GFTN.

Table 3. Known Licensed Source and Verified Legal Timber

Basic legal compliance check	Known licensed source <ul style="list-style-type: none">■ The purchaser knows where the timber was grown and can identify the harvesting entity.■ The harvesting entity has a legal right to harvest (has a harvesting permit and authorization from the forest owner).■ The chain of custody is unbroken.
Full legal compliance check	Verified legal timber <ul style="list-style-type: none">■ Timber was legally harvested.■ Charges were paid.■ Timber was legally traded (including compliance with CITES laws; see Appendix 3).■ Third-party audit of legal compliance was conducted and chain of custody verified.■ Equates to compliance with FSC Principles 1.1 and 1.2 plus checking the legality of importing and exporting.

In defining the legality of a timber source, the basic category is “known licensed source”. Verifying that the timber in a product is from a *known licensed source* involves checking that the timber originated from a forest management unit in which the harvesting entity had a legal right to harvest. It requires the purchaser to (a) know the geographic source of the timber, and (b) confirm that the harvesting entity had a legal right to harvest. It does not involve verifying that the timber in a product was actually harvested and traded legally. For example, the timber may have been cut in breach of the permit conditions, royalties may not have been paid, or the timber may have been exported illegally. It also does not involve third-party verification of the chain of custody.

Verifying that the timber in a product is from a known licensed source involves checking that the timber originated from a forest management unit in which the harvesting entity had a legal right to harvest.

The second category, requiring a higher level of scrutiny, is described as “verified legal timber”. The category requires the purchaser to obtain proof that, in addition to having a legal right to harvest, the harvesting entity complied with the law when harvesting the timber and that the timber was legally exported or imported. The category also requires a higher degree of scrutiny over the chain of custody. WWF recommends that purchasers undertake this higher level of compliance checking where there is a high risk of illegal timber entering their supply chain. Forest management certification systems that require independent chain-of-custody audits can also provide this level of assurance on legal compliance (see Table 4).

The categories of sources and the supporting definitions (see Appendix 6) have been carefully developed to reduce the potential for users to make misleading claims. For example, if you know that timber comes from a licensed operator, you can legitimately claim that the timber came from a known licensed source; however, you would not necessarily have the evidence to claim that the timber was legally harvested. Making this claim would require further investigation of the circumstances in which the timber was harvested in order to exclude the possibility that the licensed operator cut the logs in contravention of the law (for example, by cutting outside the concession boundary or in excess of the allowable cut).

Another example of a definition of legal timber can be found in the UK government’s timber procurement policy (see www.proforest.net/cpet/documents). That policy defines “legal timber and timber derived products” as those that originate from a forest where the following requirements are met:

- The forest owner/manager holds legal use rights to the forest.
- Both the forest management organization and any contractors comply with local and national laws, including those relevant to forest management, the environment, labor and welfare, and health and safety.
- All relevant royalties and taxes are paid.

Defining a Breach of the Law

In applying your policy, another set of challenges lies in determining what constitutes an illegal act and interpreting global definitions within the context of the legal system of a given producer country. These challenges include the following:

- **Unclear line between a significant offence and a minor transgression.** For example, how many instances of improper road construction are permitted before a concession holder strays beyond poor harvesting practices into the realm of illegal logging?
- **Overly prescriptive regulations.** For example, should a forest manager be penalized for adapting practices to fit the local ecosystem of a given forest, while technically breaching a poorly conceived regulation?
- **Conflicts with laws from other sectors and levels of government or with administrative procedures.** For example, is it illegal to harvest timber according to a timber permit issued by the central forestry authority if that permit conflicts with the land-use planning policy of the local government?
- **Conflicts between unwritten customary law and formal laws.** For example, is it illegal for a community with usufruct rights that derive from traditional law to harvest timber in a logging concession that fails to recognize these rights?

In many jurisdictions, rationalization and clarification of such issues are clearly needed to enable effective law enforcement. However, where laws are unclear, best practice for purchasing organizations, suppliers and auditors is to note the flaws in the relevant laws and state clearly the basis on which verification has been assessed, including, where possible, the rationale for the interpretation by the verifier.

WWF is preparing a series of *Keep It Legal Country Guides* (www.panda.org/gftn) to explain how an individual country's forest sector laws and policy frameworks operate. WWF intends to prepare these guides for key countries with a significant illegal logging problem or high incidence of trade in timber products resulting from illegal logging. The guides will help purchasers navigate the forest sector regulatory systems of countries of interest and tailor their legal verification systems to the circumstances of the country.

In some countries, local processes are addressing the above challenges. For example, the Indonesian Ecolabeling Institute (LEI) is leading a multistakeholder effort to develop a timber legality standard. The standard is intended for use as a yardstick against which auditors and other stakeholders can assess whether a forest operation is operating legally. The standard is designed to help stakeholders navigate a complex body of 900 or so laws, regulations, and decrees that govern forestry in Indonesia by identifying a manageable number of clearly defined criteria. Within that body of laws are many conflicting or ambiguous provisions and uncertainties that result from the absence of implementing regulations and functioning systems to support high-level decrees.

In other countries, standards, criteria, and checklists relating to legal compliance may have been developed for forest certification purposes. These can serve as useful reference points to interpret the forestry law of a given country.

The key safeguard against associating with unjust but legal outcomes in a supplying country is to position your company's policy within the broader context of corporate social responsibility.

Addressing Bad or Unfair Laws

Illegality in the timber extraction business is often a symptom of deeper underlying problems. A narrow focus on illegal activities may perpetuate inequities and corrupt resource allocation processes. Forest laws, or decisions made in purported application of the law, often reinforce unfair relationships or disregard customary forest rights. Arguably, such laws need to be reformed before their enforcement can properly serve the public interest. The following are some examples of laws that may have undesirable results:

- The law extinguishes traditional rights; for example, where logging concessions or protected areas are created without recognition of traditional rights over the forest resource.

- The law is bad for the forest; for example, outdated silvicultural prescriptions required by regulation may do more harm than good to the forest resource.
- Punishment is severe; for example, in Indonesia some officials have proposed introducing the death penalty for illegal loggers.
- The application of the concession allocation system is corrupt; for example, legal permits are handed out to cronies and bribe payers. This could mean that those holding “legal” rights to harvest have gained their permits through corrupt administration of the law.
- The perpetrators of “illegal logging” are poor and the logging is low impact; for example, “bicycle logging” by local communities.

The key safeguard against associating with unjust but legal outcomes in a supplying country is to position your company's policy within the broader context of corporate social responsibility. Similarly, efforts to avoid the products of illegal logging should be embedded within a broader goal of promoting sustainable forestry. Legal compliance is best seen as a factor that contributes to sustainable forest management rather than as the end game. The WWF GFTN Responsible Purchasing Guide deals with this by positioning legality as one step along the way toward achieving environmentally sound, socially beneficial, and economically viable production and purchasing of forest products.

Another safeguard is to have an explicit policy on disputed or controversial decisions by officials, for example, alleged corrupt or improper allocation of forestry concessions. This would allow for the reality that many developing countries lack effective administrative law mechanisms such as complaints procedures; tribunals to review official decisions, including the allocation of permits, freedom-of-information provisions, and independent watchdog institutions such as an ombudsman. Where such systems are weak or absent, aggrieved parties cannot easily challenge official decisions made improperly or at odds with legal requirements. Your purchasing policy could include a proviso, for example, that if your organization is made aware of a significant dispute over the process by which the forest manager secured the permit, it will inquire into the status of the dispute and not regard the forest as a legal source until the dispute is resolved.

Refer to the
**Responsible
Purchasing guide**
for more information

Another issue to consider when formulating a policy is that illegal logging problems are greatest in countries where forest governance is poor. In such countries the task of strengthening governance and building local regulatory capacity will take time, even where there is the political will to improve. In the transition phase, purchasers can contribute significantly to improved governance by awarding contracts to legitimate enterprises that are attempting to do a good job under difficult conditions. This helps keep the ‘good’ operators engaged. It is a more positive way forward than boycotting all business in the country. Such contracts, however, must encourage constant improvement, and contracts with organizations that fail to take positive steps should not be renewed. The stepwise approach to responsible purchasing advocated by WWF GFTN allows flexibility for your company, encouraging your business to stay engaged and to drive reform in the places where the problems are greatest.



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Developing Operational Procedures

To meet your policy requirements, you will need to develop operational procedures that underpin your purchasing policy. These written instructions prescribe what individuals with specific jobs need to do to meet the policy requirements. The next chapter of this manual provides guidance on how to implement your policy and ensure legal compliance within your supply chain. You will need to adapt the suggested steps to the circumstances of your company and describe those steps in your operational procedures.

Key Points

- Preparing a timber purchasing policy and making it known to your suppliers and stakeholders is vital. This policy must be approved by senior management.
- Clearly defining the problem of illegal logging and related trade will help you focus on the subset of legal compliance issues that are of highest concern to your stakeholders.
- Although there are other definitions for legal timber, WWF recognizes “known licensed source” and “verified legal timber” and has developed supporting definitions to reduce the potential for users to make misleading claims.
- Not all forest laws are good; some are bad, unfair, or corruptly administered. Thus, purchasers cannot simply focus on legality to be seen externally as credible. Legality should be addressed as one strand of the broader concept of responsible forestry and timber purchasing.

REDUCING THE RISK OF TRADING IN ILLEGAL TIMBER

The simplest way to avoid trading illegal timber is to buy and sell only certified timber. For the majority of businesses involved in the timber sector, particularly those trading in tropical hardwoods, this is not an option because only relatively small volumes are currently being sold. This manual therefore focuses on the approaches to legal compliance for the trade in non-certified timber.

Legal timber (that is not certified) is traded internationally every day of the year. For timber originating in countries with well-functioning regulatory systems, the risk of trading in illegal timber is relatively low and stringent legal compliance auditing is not warranted. However, if the country of origin of the timber is uncertain, or the timber is known to come from a country with weak regulatory systems, the risk of trading in illegal timber is high. Addressing this risk requires commitment and vision by all those involved in the supply chain.

Timber legality can be viewed as a product quality issue. When you ask your suppliers to provide legal timber, you are requesting timber with a new quality: legality. If timber lacks proof of legality, it lacks the quality that you require. Timber can be attributed the quality, or status, of legality only in its forest of origin. It can maintain that legal quality only if it remains unmixed and is not diluted by illegal timber as it travels down the supply chain. Its legal quality can also be devalued by other illegal activities connected with its passage down the supply chain.

Timber legality can be viewed as a product quality issue. When you ask your suppliers to provide legal timber, you are requesting timber with a new quality: legality. If timber lacks proof of legality, it lacks the quality that you require.

Two basic questions should always be at the back of your mind:

“Is the source legal?”

Where was the forest of origin? Was the quality of the forest management such that all timber coming from this forest had the right ‘legal’ quality?

“How did it get here?”

Was the quality and traceability of the supply chain such that no illegal timber was introduced and the legal quality was not subsequently diluted?

Certified Timber— the Least-Risk Option

The simplest way to answer the two questions is to buy timber that has been independently certified as coming from well-managed forests. Forest management certification schemes answer the question, “Is the source legal?”. Practically all forest certification standards require independent verifiers to confirm that the forest management is legal. Chain-of-custody certificates answer the question, “How did it get here?”. If purchasers can buy certified timber, the risk of trading in illegal timber will be minimal, or at least greatly reduced. Table 4 summarizes the various schemes’ ability to verify legality.

Table 4. Certification Schemes and Verification of Legal Compliance

Certification scheme	Checks legal right to harvest	Achieves traceability through a chain-of-custody system	Allows percentage claims	Requires exclusion of uncertified material (from potentially illegal or unwanted sources)	Verification of system for controlling uncertified material	Value as a form of legal verification
Forest Stewardship Council (FSC)	Yes	Yes	Yes	Yes	Yes—Controlled Timber Standard	High—no extra legality related checks required.
Programme for the Endorsement of Forest Certification Schemes (PEFC)—General	Yes	Yes	Yes	Varies	No	High for 100% certified—no extra legality-related checks required. Verification needed for noncertified percentage
PEFC—United Kingdom	Yes	Yes	Yes	Yes	No	
PEFC—Germany	Yes	Yes	Yes	Yes	No	
PEFC—Sweden	Yes	Yes	Yes	Yes	No	
PEFC—Finland	Yes	Yes	Yes	No	No	
Canadian Standards Association (CSA)	Yes	Yes	Yes	Yes	No	
Cerflor (Brazil)	Yes	Yes	Yes	No	No	
Malaysian Timber Certification Council (MTCC)	Yes	No	Yes	No	No	

Table 4. (continued) Certification Schemes and Verification of Legal Compliance

Certification scheme	Checks legal right to harvest	Achieves traceability through a chain-of-custody system	Allows percentage claims	Requires exclusion of uncertified material (from potentially illegal or unwanted sources)	Verification of system for controlling uncertified material	Value as a form of legal verification
Sustainable Forestry Initiative (SFI)	Yes	No	Yes	Yes	No	Chain of custody system required*
Lembaga Ecolabel Indonesia (LEI)	Yes	No	Yes	No	No	
Certfor (Chile)	Yes	No	Yes	Yes	No	
Pan-African Forest Certification Scheme (PAFC)	Yes	No	No	No	No	
<p>Sources: Compiled from UK Central Point of Expertise on Timber Procurement's (CPET) Web site (www.proforest.net/cpet); Forest Certification Resource Centre—Certification Comparison Matrix (www.certifiedwoodsearch.org/matrix/matrix.asp); World Bank/WWF Alliance, Reports from the ProForest Field Test of the Questionnaire to Assess the Comprehensiveness of Certification Systems/Schemes (http://lnweb18.worldbank.org/ESSD/envext.nsf/80ByDocName/WBWWFForestAlliance).</p> <p>*Certification schemes and associated chain-of-custody systems constantly evolve in terms of their requirements. This table is believed to be correct at the time of publication. Please check with each certification system for new developments to ensure ongoing accuracy.</p>						

All forest management certification schemes examined for preparation of this manual require compliance with relevant forest legislation. Some also provide a relatively high degree of assurance that the material covered by their chain-of-custody system is legal. The situation is made more complex, however, by “percentage claims”. Percentage claims are permitted when it is accepted that it is impractical to demand that 100% of a product be certified. This is commonly the case for products in which wood raw materials from many forest sources are mixed during manufacture (for example, paper or plywood). In such cases, authorities responsible for governance of the various sustainable management standards acknowledge that some mixing with non-certified material is inevitable. Percentages are normally set, with some material coming from certified sources and the remainder coming from non-audited sources. Though many of the certification programs specify that illegal timber must be excluded from that non-audited percentage, only the FSC requires that the non-certified percentage be audited against their Controlled Wood Standard; however, the precise way this will operate is still under discussion and peer review (see www.fsc.org/en/work_in_progress/other_docs). The Controlled Wood Standard seeks to provide a framework by which non-FSC-certified timber (which will be mixed with FSC-certified timber when making percentage-based claims) can be assessed for legality.

Several certifying bodies (organizations that certify forest management against the standards listed in the table above) are also considering creating certification or verification programs to assess legality alone (i.e. excluding the non-legal aspects of the applicable standard).

Uncertified Timber— Reducing the Risk

Most forests, particularly tropical forests, are not certified and the bulk of timber products traded internationally remain uncertified. Thus other approaches are needed to reduce risk in trading in illegal timber from non-certified forests.

In an ideal world, as a purchasing organization, you would state that you did not want any illegal timber or timber products in your business’s supply chain; you would then pass this specification to your suppliers and they would follow it. The outcome would be the delivery of legal timber and timber products.

However, suppliers in countries where significant volumes of illegal timber and timber products are traded often find delivering timber with legal verification too difficult. These suppliers often have little incentive to invest in legal verification systems. Their timber may be legal, but proving it takes significant extra effort and cost and therefore is not done.

Suppliers can find it difficult to comply with the most basic requests for proof of legality for a range of reasons, such as the following:

- The national regulatory authorities lack the capacity to implement the regulatory system or provide proof of implementation.
- The regulatory system, even when properly implemented, is too loose or confusing to guarantee legality.
- The supplier is unable to fully comprehend what is required by the timber purchasing policy that you have supplied.
- The supplier does not have the management systems or ability to supply the appropriate objective evidence or documents that prove legality.

Compliance with your purchasing policy requirements may take the supplier considerable time and effort, particularly when non-compliance and illegal practice, rather than good forest management, may be the rule.

Compliance with your purchasing policy requirements may take the supplier considerable time and effort, particularly when non-compliance and illegal practice, rather than good forest management, may be the rule.

In recognition of these realities, this section describes a four-step system to reduce the risk of having noncertified timber that has been illegally harvested or traded enter your supply chain. The methodology is based on a range of practical experiences gained by traders, trade associations, and WWF GFTN participants. It provides a systematic approach to evaluating the suppliers in your supply chains, including an assessment of the level of risk associated with each supplier and then, based on that information, the level or degree of legality verification needed. In addition, the methodology provides guidance on how to ensure that the timber arrives at the location you control without being substituted or diluted with illegal timber.

STEP 1—RISK RATE SUPPLIERS

Because simple, objective evidence demonstrating legality is rarely available from countries with the highest levels of illegal harvesting, your organisation will need to identify which suppliers are most likely to be able to comply with your company's aims and which are least likely; that is, which suppliers present the lowest risk of supplying illegal timber and which suppliers present the highest risk.

Your organization will need to develop systems for assessing and rating risk (*risk rating*). Risk rating allows you to do the following:

- systematically identify the suppliers most likely to be trading illegal timber
- develop future purchasing strategies based on the risk rating of suppliers
- show suppliers what actions they could take that would help them reduce their risk rating
- monitor the progress of suppliers over time as they work toward being able to supply legal timber, that is, continual improvement

Risk rating is used to assess the likelihood that a given non-certified product from a given supplier contains illegally sourced timber. (If the timber or timber products you are purchasing have a chain-of-custody certificate, they do not need to be rated.) Rating suppliers based on this risk considers a range of information from various sources, some of which is available in the public domain and some that is provided by the suppliers themselves.

Risk rating consists of the following activities:

- requesting suppliers to complete and return questionnaires
- analyzing the returned questionnaires using scenario tables
- feedback to suppliers and monitoring for continuous improvement
- data management

Requesting suppliers to complete and return questionnaires

The first step in the risk rating process is to send questionnaires to your suppliers. A model questionnaire that can be adapted for use in your organization is set out in Appendix 1.

Suppliers need encouragement in order to complete questionnaires. Below are some strategies, based on practical experience that can help get the questionnaires completed and returned.

- **Contact suppliers well in advance** of them receiving the questionnaires to explain the commercial reasons for asking them to complete a questionnaire. This can be done by e-mail and should be backed up by a phone call.

- **Mail out the questionnaire with an accompanying letter** explaining why you need this information and what the information will be used for. Emphasize that all commercial information they provide will remain completely confidential and will not be shared with anyone else, whether buyer or supplier.
- **Allow 2 to 3 months for a supplier to complete the questionnaire** from the time that they receive it. It tends not to be a priority; also, the supplier may need time to gather the appropriate documentation. You will need to be prepared to answer questions and concerns that suppliers raise regarding the questionnaire.
- **Provide a deadline date for completion**, stating clearly that if they fail to return a completed questionnaire, they will be rated automatically as a high-risk supplier. You may need to contact some suppliers just before the deadline to remind them what they need to do; you also may need to extend the deadline by a few days for some.
- **Emphasize that the supplier needs to provide appropriate objective evidence** to support all self-declarations. This is still an inexact science. What constitutes objective evidence to support the answers to the range of questions will vary significantly from one country to another. WWF is in the process of preparing *Keep It Legal Country Guides* (www.panda.org/gftn) for major timber exporting countries. Use these guides (where available) to identify the appropriate objective evidence.
- **Make sure that the mill or manufacturer is answering the questions** or supplying the appropriate information when the organization you have sent the questionnaire to is merely acting as an intermediary for a mill or manufacturer. Some intermediaries get concerned about confidentiality. If you deal with this type of organization, you may need to reassure them that you are not excluding them from the supply chain but merely want answers to questions: Where did it come from? How did it get here?
- **Ensure that all forest sources for each product are identified**, if known. Although you may be asking a single supplier about a single product, if you purchase significant quantities, or different components of composite products, these may come from more than one source forest, and even more than one country. One of the sources may be legal and the other not, making an entire product line effectively illegal. Traceability is critical in such cases.

If a supplier is based in a country from which high volumes of illegal timber are exported and that supplier is unable to provide objective evidence demonstrating legality, then the risk that the timber is illegal is high.

Analyzing the returned questionnaires using scenario tables

The returned questionnaires now need to be systematically analyzed so that suppliers can be rated between high risk and low risk. The risk of illegal timber being traded along a supply chain can be broken down into three broad elements.

- 1. Country of origin of the timber.** There are risks associated with the geographical source of the supply. Table 1, at the beginning of this manual, sets out estimated percentages of illegal timber from a range of countries. If a supplier is based in a country from which high volumes of illegal timber are exported and that supplier is unable to provide objective evidence demonstrating legality, then the risk that the timber is illegal is high. The Keep It Legal manual's risk-rating approach takes this into account. The scenario tables in Appendix 2 indicate the type of regulatory infrastructure that is most likely to encourage trading in both legal and illegal timber. Ratings for some countries are suggested, based on estimated rates of illegal logging or "suspicious" sources in those countries.
- 2. Supplier company's attitude.** The way a supplier operates with regard to a range of issues, such as its own general purchasing policies, how it relates to stakeholders, and its attitude toward local communities, has been shown to be strongly linked to that company's attitude to buying and supplying illegal timber. The questionnaire asks a number of questions in this respect.
- 3. Supply chain complexity.** The way a supplier sources timber from its own suppliers is key to the risk of it trading in illegal timber or timber products. The questionnaire requests various types of objective evidence to assess whether sufficient supporting documentation has been gathered.

You can analyze these three elements using scenario tables (see Appendix 2). The analysis uses three different scenario tables, which relate to different sections of the questionnaire.

Although indexes tend to be difficult to justify in purely scientific terms, they provide a systematic means for analyzing questionnaires. For example, the UK Timber Trade Federation, which used scenario tables for field trials (using a very similar approach), showed that the tables were effective and the results were independently repeatable.

In an ideal world it would be possible to calculate a risk rating for each product that you purchase; that is, each product in your inventory that carries a unique product code would have an individual risk rating. In reality this may not prove cost-efficient because of the difficulty of gathering any meaningful information on a product-by-product basis. Experience has shown that a more practical approach may be to group products into product categories, such as redwood moldings from company X, rather than rate each individual molding (with all their different dimensions) supplied by company X.

Any supplier that has not returned a questionnaire within the specified deadline is automatically classified as a high risk. The assumption is that the supplier was either unable or unwilling to supply the required information or too badly organized to do it.

The importance of receiving the supplier's objective evidence to support the questionnaire answers cannot be overemphasized. Examples of objective evidence can be found in the *Keep It Legal Country Guides*. A completed questionnaire without objective evidence is just a self-declaration. Experience suggests that self-declarations without supporting evidence cannot be relied on.

Feedback to suppliers and monitoring for continuous improvement

The analysis of the questionnaire to reach a supplier rating has the added advantage of identifying weaknesses in the supplier's responses. It is then possible to give suppliers feedback, explaining how their score was derived and the types of actions needed to reduce the score. It is therefore possible to provide practical advice (without necessarily being specific or an expert) on how they can reduce their risk rating, an additional benefit to the supplier for completing the questionnaire. The types of actions that will move suppliers from the high risk to the low risk category are discussed later in this section.

Some suppliers may rate as high risk in terms of supplying illegal timber in the initial assessment but they may strive to improve by changing their practices so that on subsequent assessments their risk-rating score improves. Others' ratings may change very little over time. It is important to maintain records that demonstrate how suppliers have improved their performance and processes over time. Experience suggests that suppliers who are unwilling to make adjustments to comply with a buyer's purchasing policy requirements are potentially also those more likely to trade in illegal timber. Over time you may wish to stop trading with these suppliers and replace them with companies that seek to support your commitments.

Data Management

Managing the whole process of supplier assessment involves sending out the questionnaires, following up with suppliers to get them to respond, capturing their responses and the associated objective evidence, analyzing the returns, and then reporting the results to all relevant parties. This process can be demanding in terms of management time. You will need an electronic database system and/or well-organized manual filing system to maintain the process.

Two sources provide help with this task. WWF GFTN has developed a software package for FTN member companies that allows the tracking of their sources and enables simplified reporting to the FTN manager and to internal audiences (the software is available from national FTN managers). Track Record (www.trackrecordglobal.com) offers an Internet-based means for supplier assessment. They currently undertake this role for members of the UK Timber Trade Federation that are signatories to their responsible purchasing policy. Track Record charges its clients on the basis of the number of suppliers assessed.

The need for verification depends on the risk of illegality of the timber and timber products you are buying. The higher the risk that your supplier is trading in illegal timber, the more intense the verification processes required for you to keep your supply chain legal.

STEP 2—SELECT A VERIFICATION APPROACH

Having identified the level of risk of your suppliers, you should now consider the level and degree of verification or due diligence that you need to undertake. The need for verification depends on the risk of illegality of the timber and timber products you are buying. The higher the risk that your supplier is trading in illegal timber, the more intense the verification processes required for you to keep your supply chain legal.

WWF GFTN has developed two levels of legality verification (see *Defining “Legal” Timber in Section 3*). For a company using these categories, suppliers that fall into the low-risk category (based on the risk-rating assessment) can be verified using the *known licensed source* approach. High-risk sources require a much greater level of scrutiny, as defined under the *verified legal timber* approach (see *definitions in Appendix 6*).

Known Licensed Source

The category *known licensed source* involves checking that the timber in a product originates from a forest management unit in which the harvesting entity had a legal right to harvest. For this category, WWF GFTN recommends that purchasers conduct sufficient due diligence inquiries and require a level of verification from their suppliers that results in the following conditions:

- The timber can be traced along an unbroken supply chain from the supplier back to the source entity.
- Each delivery of wood-based products to your supplier (from their upstream supplier) is supported by documentation that identifies the source forest management unit and source entity and each intermediary in the supply chain.
- The supplier has documentation demonstrating the source entity’s legal right to harvest.
- The supplier (and/or its suppliers) has systems in place that periodically check the authenticity of the documentation and integrity of the supply chain.
- If the purchaser is made aware of any dispute over the source entity’s legal right to harvest, the purchaser should inquire into the status of the dispute. An entity’s claimed right to harvest should not be regarded as having been verified if legal proceedings are in progress concerning the dispute

Verified Legal Timber

The *verified legal timber* category requires the purchaser to obtain proof not only that the harvesting entity had a legal right to harvest, but also that the entity complied with the law when harvesting the timber in question and that it was legally traded. It also requires a higher degree of scrutiny over the traceability of the timber.

For this category, WWF GFTN recommends that purchasers require the following level of verification for each product line:

- A third-party auditor has confirmed that the timber in the product line was legally harvested and legally traded and that all harvesting charges were duly paid.
- A third-party auditor has confirmed the integrity of the traceability documentation and control points. In other words, an independent inspection organization has stated, following an inspection of the supply chain, that no illegal timber is getting into the supply chain.

A number of organizations are beginning to offer third-party verification of legal compliance and traceability, the precise scope of which differs from case to case. Verification may be restricted to compliance with harvesting regulations, for example, or may be much broader, including other legal requirements such as those pertaining to health and safety laws. Contact your local GFTN branch for advice on organizations offering this type of service in your area.

STEP 3—MAKE FURTHER INQUIRIES WHERE NEEDED

Once you have assessed the risk associated with a given product range from a given supplier and decided what kind of verification process is required, the next step involves implementing that process and, over time, progressively eliminating sources that are unable to provide the verification required. One key strategy will be to make follow-up inquiries with suppliers that have provided weak responses to the questionnaire. Suppliers rated through the questionnaire assessment as being high risk are likely to have not provided any or enough supporting evidence; thus the questionnaire, if returned, will be largely a self-declaration. You will need to either ask the supplier to provide more evidence or investigate the timber source directly.

Gathering information from the upstream parts of the supply chain is frequently difficult. Traders are concerned about issues such as confidentiality, particularly if they occupy a “middle-man” position in the supply chain. They are concerned that the objective evidence will reveal the identity of their supplier and that you may begin trading directly with the upstream end of the supply chain. Also, suppliers occupying an intermediary role may have great difficulty getting the information from those upstream from them, particularly if they only buy a relatively small percentage of their supplier’s total production; that is, they have limited leverage. Sometimes the objective evidence you require just does not exist.

Below are some common issues that arise when suppliers are asked questions regarding their sourcing of forest products, along with suggestions on how to deal with them.

- **Supplier didn’t provide enough information**—Major gaps in data make it difficult to make any form of assessment. Talk to the supplier and find out why it cannot or did not provide the data requested. If the supplier does not have the technical expertise, ask that it request its own suppliers to furnish the missing data and to collate these data for you. Agree on a date by which the data will be provided.
- **Supplier misunderstood a question**—Make contact with the supplier and explain why you are asking the question and what sort of answer you require.
- **Supplier refuses to complete the questionnaire**—The supplier may refuse to complete questionnaires or provide data. Lack of resources is a common excuse, as is “company policy.” Explain to the supplier that your requests are valid and that you routinely make this request of all your suppliers. Small suppliers may have genuine concerns about committing time and resources to providing data; in such circumstances agree that the data can be provided in small segments over an agreed-upon period of time. Suppliers that continue to avoid supplying data should be given an ultimatum, after which they should be removed from the supply chain. This is a last resort, however, and the intervention of senior management on both sides may be useful to maintain a dialogue and to avoid this.
- **Concerns over confidentiality**—In some industries and in some countries it is common to experience concerns over the confidentiality of supply chain data. This can be overcome in a number of ways, ranging from giving the supplier verbal assurance that the data are used for environmental and quality control purposes and will not be used in a commercial context, through to giving the supplier a signed confidentiality agreement. The provision of data may have to be made in a manner that furnishes the required information without revealing the names of commercial intermediaries or processors. However, full disclosure is preferred and may come in time as part of an action plan.
- **Supplier “does not feel responsible”**—Some suppliers do not feel obliged to respond to requests for supply chain data. Arguments can vary, from a position of “being too small to have any effect” to “it is none of your business.” Suppliers in this situation should be given an opportunity to reflect on their position. Experience has shown that companies with little regard for their customers’ expectations and requirements usually fail. If a supplier cannot change its opinions and recognize your point of view, it should have no place in your supply chain.
- **Supplier cannot provide evidence of legality**—Depending on your supplier’s place within the supply chain, obtaining such proofs may prove difficult. Those supply chain elements furthest removed from the forests or primary processors will experience the greatest difficulty in obtaining the required documentation. You have several options to address this difficulty:
 - Give the supplier more time to obtain the documents required.

- Encourage the supplier to source forest products in less controversial areas.
- Encourage the supplier to seek independent certification for its forest products.
- Encourage the supplier to obtain a third-party legal verification audit.

STEP 4—IMPROVE TRACEABILITY AND VERIFY LEGALITY

Working with suppliers to improve traceability

Certified timber is tracked using inspected and verified chain-of-custody systems that enable you to easily answer the question, How did it get here? Timber and timber products that supposedly originate from a certified forest but are not accompanied by a current and credible chain-of-custody certificate cannot be regarded as certified because the chain-of-custody has been broken and illegal product may have become mixed with the certified product. Chain-of-custody certificates apply only to timber and timber products from a certified forest. If a product comes from a verified legal forest, traceability is just as critical.

A key component of ensuring that timber is kept legal once it leaves the forest and enters the supply chain is to prevent illegal timber mixing with it. If legal timber and illegal timber are mixed, the whole product line can be “tainted.” Once timber has left the forest, its legal quality can only be recognized if it can be shown to have come from that forest; in other words, traceability. Without traceability, verification of the legality of forest management is largely a waste of time.

The supply chain, or as some prefer to call it *the demand chain*, must have a dependable level of integrity. An efficient way of achieving this is to encourage suppliers to develop a system for tracing all timber and timber products from their own suppliers. If you take the demand chain view, traceability should start at the downstream end of the chain and steadily be applied back upstream toward the forest. Traceability implemented in this manner will have a strong commercial orientation with a greater likelihood for successful implementation, with each business that forms a step along the demand chain benefiting.

Logs, timber, and processed timber goods start their journey in the source forest and are then processed by primary and possibly secondary processing industries, exported, possibly transshipped, and imported. All this may happen before the goods finally fall under your organization’s control. Although it is critical to identify the source forest, it is also critical to make sure that the timber from that source forest is what you receive, rather than illegal timber that has infiltrated into the supply chain en route.

The traceability of the supply chain is vital for ensuring that you receive goods containing legal timber and that there is no “laundering” of illegal timber. In practical terms, it can be expensive and, in some cases, physically impossible to track timber down highly complex or fragmented supply chains. In developing countries, complex supply chains will always be more likely to support the laundering of illegal timber.

A key component of ensuring that timber is kept legal once it leaves the forest and enters the supply chain is to prevent illegal timber mixing with it. If legal timber and illegal timber are mixed, the whole product line can be “tainted.”

The risk-rating system takes into consideration the potential for dilution of the supply chain by illegal timber. In high-risk situations that have a history of laundering timber—mixing legal and illegal timber to yield “legal” timber—the best option to ensure a clean supply chain is by tracking the timber from the source forest to the physical location where it comes under your organization’s control. Without such tracking or traceability in their supply chains, your suppliers will be unable to meet your verification requirements for a *verified legal* or known licensed source or any other verification approach, such as those described below.

Traceability can be achieved through various combinations of paper- and technology-based tracking systems. In many countries where the trade in illegal timber is a problem, elaborate official paper-based systems have been implemented to theoretically track the movement of timber from the forest to the point of export. This has included the use of unique government certificates or permits covering the transportation and movement of timber in general. These documents are often linked with national forest legislation, and in many cases it is illegal to transport timber without the necessary specific official permission accompanying the timber or timber products.

However, such systems can easily break down in countries where the regulatory capacity is weak because of a lack of resources or because of corruption, where the forest areas to be regulated are huge, or where the government has no means to manage data centrally. To make matters worse, modern printing technologies have made it relatively simple to corrupt paper-based systems with virtually indistinguishable false or forged paperwork.

Nevertheless, paper-based documentation is still the mainstay of traceability systems and is likely to be so for some time. A good understanding of the system that produces documentation, and familiarity with the “look and feel” of relevant documentation, will provide a measure of confidence and some safeguard. To assist with this, WWF is producing a series of *Keep It Legal Country Guides*, for use in conjunction with this manual, that describe how these paper-based systems operate in reality and their strengths and weaknesses.

The feasibility of tracking timber has increased significantly as Internet-related technologies and services have become more effective, cheaper, and more accessible. Unreliable paperwork combined with scribed or painted identifiers on the end of logs are starting to be replaced by bar-coded tags and radio frequency identification devices (RFIDs) with the data capture carried out with handheld PCs. This enables the tree-related information to be scanned electronically and uploaded from the handheld PC directly onto the Internet, and from there it is stored in dedicated database systems. These modern technologies provide the opportunity to link individual standing trees in the forest with the logs produced from them in a much more secure manner than was possible in the past. These approaches rely on the standing trees in the forest being tagged and then the data on its position and main parameters (height, species, and diameter) all being captured on a database. The systems are made secure by using uniquely identifiable tags that are linked to the key tree measurements and resultant log metrics through a record on the database.

Many of the business benefits have yet to be fully realized. Currently, log and timber tracking is principally seen as a system of control that is used by government and verification organizations rather than as a business tool.

Any supply (or demand) chain has a number of critical control points along its length. *Critical control points* are locations at which the timber undergoes basic changes, for example, where the trees are felled, where the logs are loaded onto a log lorry, and where the logs enter the sawmill. The Internet enables information from these critical control points along the supply chain to be aggregated in a single online database, no matter how remote the geographic locations of the critical control points are or what companies are involved. To manage all or part of a supply chain efficiently, you need information on how the product is moving along the supply chain. An Internet-driven system of the

type described helps those collecting the information to benefit directly from their efforts as they receive reports containing key management metrics that are compiled and made available the instant any new “flow” information arrives at the database.

In an ideal world, in countries where the risk of illegality is high, the timber or timber product would all be tracked from the standing tree in the forest to the point where it enters your warehouse or comes under your organization’s control. The reality is that, currently, little tracking of the types described is taking place. It is a new approach and is being adopted only by the more innovative and forward-looking operators.

Tracking, if appropriately implemented, should help a business operate more efficiently. Information from tracking can be useful for

- forest managers, in terms of monitoring the volumes being harvested from each location,
- mill owners, in terms of knowing what logs or timber products are coming out of the forest and when they may arrive at the mill,
- the regulatory authorities, in terms of being able to verify the legal right of a specific forest operation to transport timber and for estimation of revenues to be collected,
- independent auditors wishing to audit legality.

Many of the business benefits have yet to be fully realized. Currently, log and timber tracking is principally seen as a system of control that is used by government and verification organizations rather than as a business tool. Once these systems are more widely implemented and understood, it is likely their full value will be better appreciated.

(For a more detailed review of timber tracking and chain-of-custody systems, see Dykstra et al, 2003, *Technologies for Wood Tracking—Verifying and Monitoring the Chain of Custody and Legal Compliance in the Timber Industry*,” available online at http://www.forestandtradeasia.org/files/Wood_Tracking_Report.pdf.)

A promising recent technological advance is the use of DNA fingerprinting to prove the source and traceability of timber. Each individual tree has a unique genetic code (DNA) and code variations between individuals can be modeled to predict codes across a given geographical area. The primary use is to verify source by matching the DNA from samples taken from individual stumps in a source concession with the DNA from associated logs at a processing mill. The second, and possibly more powerful, method amalgamates the DNA data gathered from individual testing into a genetic database covering a geographical area.

The database allows samples taken from anywhere to be compared with known spatial DNA variations in order to pinpoint actual source to a geographical range. Certisource Timber has tested this technology in Southeast Asia and is currently able to undertake DNA matching for Merbau, Teak, Nyato, Mersawa and Matoa species.

Some companies that provide log and timber tracking services include:

Certisource Timber—www.certisource.net

SGS—www.sgs.com

TracElite—www.tracelite.com

Track Record—www.trackrecordglobal.com

Other organizations offer similar services.

Strategies for verifying legality—Low-risk suppliers

Low-risk suppliers are those that are unlikely to supply illegal timber. The level of objective evidence supplied for the risk-rating process should already have been significant. Little more needs to be requested of these suppliers other than to ask them to complete a new risk-rating questionnaire each year or when you plan to purchase a new product category from them. However, you should ask them to inform you if their own upstream supply chain is altered significantly, and have them complete a new questionnaire. In the longer term, suppliers in the low-risk category need to be encouraged to work toward sourcing all their timber from credibly certified forest sources.

Low-risk suppliers should supply the following documents as evidence that the timber in their products originates from known licensed sources:

- A copy of the license, lease, or other document with an official boundary map showing that the company has the right to harvest timber from the area in question
- Evidence of full traceability up and down the supply chain

Strategies for verifying legality—High-risk suppliers

Suppliers will fall into the high risk category because they did not supply sufficient reassurances or objective evidence to prove that they could remove illegal timber from their supply chain. The range and types of objective evidence that suppliers can provide vary greatly from one country to another. A series of *Keep it Legal Country Guides* is being developed to complement this manual. The country guides cover the key issues for specific countries and the types of evidence you need from the forest and

timber sector in that country. In addition, Appendix 7 (Country Legal Documentation Lists) presents a more general view of documentary requirements for timber from different countries, mainly for trade in round logs.

In many cases, official government documentation alone is insufficient to guarantee legality, because the whole regulatory infrastructure is corrupt and ineffective. In such circumstances, even “official letters” on government department letterheads (such as Certificates of Origin and so forth) claiming the legality of a shipment should be treated with the utmost suspicion. You will need to seek additional reassurances.

A supplier warranty is a written commitment from your supplier that it will supply you with products in accordance with the warranty. This will form a part of the commercial contract with your supplier.

For suppliers and product lines rated as high risk in an initial assessment, you can adopt various strategies to ensure that risk is mitigated to a lesser or greater extent.

Supplier warranties

If a supplier is not willing to provide you with transparent information about its own suppliers, a way forward might be to obtain a supplier warranty from them. A supplier warranty is a written commitment from your supplier that it will supply you with products in accordance with the warranty. This will form a part of the commercial contract with your supplier.

You can ask the supplier to warrant that the products supplied will comply with your definition of legal timber. Your contract can specify the consequences of the supplier breaching the warranty, including termination of the contract for cause and consequent rights to damages. Genuine suppliers will develop their own Keep it Legal systems to ensure that they comply with this warranty and to keep you as a customer.

A less committed supplier might sign the warranty but run a calculated risk that any illegal timber entering their supply chain will go undetected by you or others. Because the promise they make is not checked by an independent organization, the level of risk you would be taking on by relying only on a supplier warranty is relatively high. But it is a step in the right direction and you may be able to claim damages if you find out from a third party that the supplier’s products contain illegal timber.

Second-party audits

It is entirely possible that you will meet resistance from your supplier with regard to providing information on the business that supplies them. One likely reason for this reluctance is that they will fear that you want to eliminate them from the supply chain. If you are unable to persuade suppliers to provide this information, there are alternative solutions. You can engage an independent organization or second party to gather the appropriate information under strict confidentiality guidelines. This will prevent the revealing of any information that would identify an element of the supply chain. This is a more costly option, but it could prove cost-effective in the long run if it allows you to identify your forest sources and demonstrate that the timber you are using was legally harvested. This information can be used to target markets such as the public procurement sectors in some Western European countries that are now asking for this level of assurance about their timber purchases. Some of the organizations that undertake second-party audits include:

Global Forestry Services—www.gfsinc.biz

ProForest—www.proforest.org

Tropical Forest Trust—www.tropicalforesttrust.com

Other organizations offer similar services.

Legality and third-party audits

Third-party audits are recommended by WWF GFTN for high-risk suppliers and are a key element of the verification requirements for the verified-legal timber classification. The third-party auditor must check both legal compliance in the forest and the integrity of the chain of custody to ensure against mixing with illegal timber.

Several independent verification organizations now offer legal verification services and third-party audits. These companies generally claim that their service is the only truly independent one because they avoid conflicts of interest by either not undertaking any consultancy work or, if they do, by keeping the work entirely functionally separate from their auditing work. To provide additional rigor to their auditing role, many such inspection bodies employ accreditation bodies that inspect them to make sure their independence is not compromised and that their work is of a consistently high standard. Organizations offering a form of legal verification include

Bureau Veritas—www.bureauveritas.com

Certisource Timber—www.certisource.net

Rainforest Alliance—www.rainforest-alliance.org

SGS—www.sgs.com

Soil Association—www.soilassociation.org/forestry

Other organizations offer similar services. Such organizations are commonly more expensive to employ than the second-party operators because of the increased accreditation overheads they have to support.

Issues with audits

Second- and third-party audits are regarded as the best means of determining the legality of a supplier. However, there are issues to consider concerning the level of assurance provided. Auditors are only on site for the duration of the audit, maybe only two or three days. Many observers ask what happens when the auditors are not present, particularly with respect to high-risk suppliers. Evidence suggests that some suppliers put on a special “show” for auditors and then revert to normal practice as soon as the auditors have left the premises.

Your local trade body will probably be able to suggest a certification body with appropriate skills in the timber sector. It is also wise to ask for recommendations from NGOs, including WWF’s Forest & Trade Networks.

Key Points in Reducing Risk

- The first step in reducing risk of illegally sourced timber entering your supply chain is to perform an assessment to rate the level of risk your suppliers represent.
- This is achieved by having suppliers fill out questionnaires, analyzing responses using scenario tables, and assigning suppliers a numeric index of scores that rate them as high or low risk.
- On the basis of a supplier’s risk rating, different levels of verification actions can be selected. High-risk suppliers need independent assessments of legality.
- Traceability of all timber products is key to ensuring that legal and illegal timber and timber products do not get mixed together in the supply chain.
- There are both paper-based (most popular) and technology-based traceability systems available.

APPENDIX 1 Model Questionnaires

The questionnaire below provides a template for purchasers to use with their suppliers to establish traceability. The example given shows a completed questionnaire for a limited number of products supplied. It includes some notes to the purchaser and some notes to the supplier. It is suggested that the purchaser develop and enhance the notes section to ensure that as much information is provided as possible.

[COMPANY NAME] SUPPLIER QUESTIONNAIRE

Guidance on completing this questionnaire

The survey consists of 5 key parts [with particular sections only to be completed by suppliers trading timber and timber products (Part D and E) and alternative sections for suppliers only trading paper products (Part F and G)]:

- Part A** identifies some company-level information and only needs to be completed once for each company.
- Part B** asks questions about your company's forest products purchasing policy, and like Part A, it only needs to be completed once by your company.
- Part C** asks for detailed information about the forest sources used in the products that your company supplies, or wishes to supply. Please answer all questions in the format provided. This will help us evaluate the source of the wood used in these products, as well as the balance between recycled and virgin material used.
- Part D** [FOR TIMBER AND TIMBER PRODUCT SUPPLIERS ONLY] allows you to group together the sources identified in Part C and to indicate the volume of material supplied in a calendar year and only needs to be completed once.
- Part E** [FOR TIMBER AND TIMBER PRODUCT SUPPLIERS ONLY] enables you to identify which of these groupings is used in each individual product supplied and only needs to be completed once.
- Part F** [FOR PAPER PRODUCT SUPPLIERS ONLY] allows you to group together the sources identified in Part C and to indicate the volume of material supplied in a calendar year and only needs to be completed once.
- Part G** [FOR PAPER PRODUCT SUPPLIERS ONLY] enables you to identify which of these product groupings is used in each individual product supplied and only needs to be completed once.

PART A: YOUR COMPANY DETAILS

A 1	Supplier Code:	
	Full Company Trading Name:	
A 2	Company Full Postal Address:	
	Postal / Zip Code:	
	Country:	
A 3	Name of Managing Director / Chief Executive:	
A 4	Environmental Contact:	
	Company Telephone Number:	
	Company Fax Number:	
A 5	Country Dialling Code:	

I certify that to the best of my knowledge, the information provided in this Questionnaire is correct.	
Name:	Signature:
Position:	Date:

PART B: YOUR FOREST PRODUCTS PURCHASING POLICY

Your Company Policy:

Question number	Question	Response	Notes to suppliers completing the questionnaire
B1	Has your company an official written procurement policy for forest products?	(YES/NO)	<i>A forest products purchasing policy is a clear indication that our suppliers have similar values and aspirations to our organization.</i>
B2	<p>If yes, does your policy include reference to: Promoting traceability of what is in your supply chain?</p> <p>Sourcing only legal timber?</p> <p>Only sourcing from forests that are being converted to other land use when this is appropriate?</p> <p>Not sourcing from forests with threatened high conservation values?</p> <p>A commitment to continuously increasing the amount of forest products you trade that comes from credibly certified forests?</p>	<p>(YES/NO)</p> <p>(YES/NO)</p> <p>(YES/NO)</p> <p>(YES/NO)</p> <p>(YES/NO)</p>	<i>Our policy is very clear. We expect our suppliers to have clear policies that are similar to our own.</i>
B3	Is a copy of your policy enclosed with your response?	(YES/NO)	
B4	Is your company a participant in a Forest & Trade Network? Or is your company involved in a program that will assist them toward sourcing from well-managed forests such as those supported by GFS, ProForest, RA/SmartSource, TFT, TTF's RPP program?	(YES/NO)	<i>Forest & Trade Network membership is a clear way of demonstrating commitment to responsible purchasing or production of forest products.</i>
B5	If yes, in which country?		
B6	<p>Does your company have chain-of-custody certification from a certification body?</p> <p>Which organization endorsed the certification? (for example, FSC, PEFC, CSI, etc.):</p> <p>Please give details of the COC certificate, including reference number:</p>	<p>(YES/NO)</p> <p>(Organization)</p> <p>(COC number)</p>	<i>Chain-of-custody certification allows the organization to clearly segregate material that is certified and allows us as a purchaser to ensure that what is delivered is what was specified.</i>

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PART B: (continued) YOUR FOREST PRODUCTS PURCHASING POLICY

Question number	Question	Response	Notes to suppliers completing the questionnaire
B7	Other relevant standards: Does your company have other forms of certification, such as ISO 9000 or ISO 14000, which place emphasis on product traceability? Please give brief details below:	(Standard)	<i>ISO or similar management systems provide good frameworks for delivering improved environmental performance.</i>
B8	Does your company have a system to manage its supply chain and to promote the responsible purchasing of forest products? Please give brief details below and please attach further documentation if required.	(YES/NO)	<i>We require our suppliers to be able to demonstrate that their policies are delivered through a management system that routinely evaluates the environmental status of forest products and that continually strives to improve performance.</i>
B9	Does your company provide formalized training on the timber procurement policy for your staff?	(YES/NO)	<i>Companies that train their staff about their policies are better at delivering those policy objectives. Please describe this program.</i>
B10	Does your company have a system for defining “preferred suppliers” status?	(YES/NO)	<i>Preferred suppliers are those that your company has identified as having the capability to supply the timber/wood products with the characteristics that you require and may have set out in a timber purchasing policy.</i>
B11	Does your company develop long-term relationships with its suppliers?	(YES/NO)	<i>Our company wants to reduce the risk associated with purchasing timber from illegal or badly managed forest. Experience suggests that companies that deal with known suppliers are less likely to deal in risky product.</i>
B12	How do you communicate your timber purchasing policy to your suppliers?		<i>Suppliers normally form a part of a long and complex supply chain. They may well be so disconnected from the end user that they do not know or cannot hear what the marketplace is demanding in terms of environmental and social performance. Suppliers therefore need to be kept up to date with environmental best practice so that they can react accordingly and supply you with what we need. Your timber purchasing policy should make it clear what we need.</i>

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PART B: (continued) YOUR FOREST PRODUCTS PURCHASING POLICY

Question number	Question	Response	Notes to suppliers completing the questionnaire
B13	Does your company work with its priority suppliers to develop joint projects to meet the future environmental demands of the market or support any specific supplier activities relating to sustainable and/or legal forest management?	(YES/NO)	<i>The more your company supports suppliers in their efforts to prevent illegal timber or wood products from entering the supply chain, the greater the chance of excluding such products from the supply chain.</i>
B14	Does your company have a means of discouraging suppliers providing timber products that have no known geographical origin?	(YES/NO)	<i>Your supplier needs a systematic means of preventing illegal timber/wood products (stolen timber, or timber originally cut from protected areas or similar areas otherwise precluded by law) from entering the supply chain. If they do not have a system or do not directly know where their wood comes from, then there is an increased risk of illegal material entering the supply chain that we are a part of.</i>
B15	Are you and your suppliers working toward traceability or chain-of-custody certification for the timber/wood products that you supply?	(YES/NO)	<i>We like to know where our timber/timber products come from. We then have a head start on proving its legality to our clients. Traceability (a set of technologies, procedures, and documents that are used to manage the wood supply chain, usually defined in terms of documentation, identification, and segregation) does this. Proof of a preaudit report provides the necessary evidence of this.</i>
B16	For these products, are you able to independently verify that they are legal?	(YES/NO)	<i>We are committed to only buying independently verified legal timber. If the timber and timber products that you supply us does not meet these requirements, we need to know.</i>

PART C: PRIMARY SOURCES OF FOREST PRODUCTS

Please duplicate this sheet and complete for ALL sources used to supply our products.

Question number	Question	Response	Notes to suppliers completing the questionnaire
C1	Reference Number of Source		<i>If a mill has a number of forests supplying it, enter each forest in sequence; for example, Mill 1 / Forest 1; M1 / F2 etc.</i>
C2	Forest Management Unit: Primary Mill: Location / Region: Country:	(Forest name) (Mill name) (Region) (Country)	<i>We require both the mill and the forest or forests to be named. If the mill or the forest is "unknown," state as such. The same for location and country. Please provide as much information as possible.</i>
C3	Type of Ownership / Operation:	(State owned) (Private company) (Public company) (Community)	
C4	Details of Forest Management Unit / Primary Mill Name of Company: Company's Full Postal Address: Name of Managing Director: Phone number: Fax. number:		<i>Where the forest or mill can not be identified at present, please indicate as such and complete the questionnaire as far as possible.</i>
C5	Does this source comply with our purchasing policy? If not, what steps will be taken to ensure future compliance?	(YES/NO)	
C6	Is this source already certified or progressing to certification? If certified, or if certification is in progress, please give details of scheme:	(Certified— certificate details) (Progressing— GFTN / TFT / SGS CSP / other)	

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PART C: (continued) PRIMARY SOURCES OF FOREST PRODUCTS

Question number	Question	Response	Notes to suppliers completing the questionnaire
C7	Please give details of measures you have taken to check whether this source is complying with our policy?	(Letter / contract / visit / audit)	
C8	Are you aware of any concerns or issues that have been publicly raised about this source? Please give brief details;	(YES/NO) (NGO campaigns, press, prosecutions)	
C9	How would you categorize this source? Insufficient detail to assess and / or non-compliant with our purchasing policy? Known and compliant with our policy? Is a known licensed source? Progressing to credible certification? Credibly Certified?	Choose one only (YES/NO) (YES/NO) (YES/NO) (YES/NO) (YES/NO)	<i>You are confident the source is identifiable?</i> <i>Traceable with a high level of confidence that there was a legal right to harvest the timber?</i> <i>Source is working with WWF Forest & Trade Networks or other similar mechanisms to achieve credible certification?</i> <i>This source is certified under a credible certification scheme?</i>
C10	Do you have any proof that the harvesting company had the legal right to harvest the wood?	(YES/NO)	<i>Please provide brief details of the information you hold. We may ask for more details in future.</i>
C11	Do you have any proof that the harvesting company had the legal right to transport the timber?	(YES/NO)	<i>Please provide brief details of the information you hold. We may ask for more details in future.</i>
C12	Of all the volume of material that you supply us each year, approximately what percentage in volume terms comes from this source?		

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PART C: (continued) PRIMARY SOURCES OF FOREST PRODUCTS

Question number	Question	Response	Notes to suppliers completing the questionnaire
Additional questions for paper companies only			
C13	Paper grade and name:	(Grade) (Name)	
C14	Bleaching process used:	(TCF) (ECF) (Other—named) None	

PART D: FOR TIMBER AND TIMBER PRODUCT PRODUCERS: YOUR FOREST PRODUCTS INVENTORY

Group —Use where products are made from more than one primary source / mill	Species Used (Trade Name & Latin name)	Ref. of Forest Source (from Part C1)	Quantity of this timber type supplied to us within [defined] reporting period (Please state unit of volume used.)
1	Pine (<i>Pinus sylvestris</i>)	M1/F1	100 m3
1	Pine (<i>Pinus sylvestris</i>)	M1/F2	100 m3
1	Pine (<i>Pinus sylvestris</i>)	M1/F3	2000 m3
2	Birch (<i>Betula</i> spp.)	M2/F1	1000 m3
3	Spruce (<i>Picea abies</i>)	M3/F1	50 m3
3	Spruce (<i>Picea abies</i>)	M3/F2	50 m3
Note to purchaser using the questionnaire: The defined reporting period should be set by the user of the questionnaire.			

PART E: FOR TIMBER AND TIMBER PRODUCT PRODUCERS DETAILS OF PRODUCTS SUPPLIED BY YOU

Product Code: Our order code or your product code	Product Description:	Group used for this product (from D)
12345678	Sawn wood	1
91011121	Birch flooring	2
314151617	Softwood flooring	3
181920212	Softwood flooring	3

PART F: FOR PAPER PRODUCERS ONLY YOUR FOREST PRODUCTS INVENTORY

Group —Use where products are made from more than one mill	Species Used (Trade Name & Latin name)	Ref. of Forest Source (from Part C1)	Quantity of this timber type supplied to us within the last calendar year (Please state unit of volume used.)
1	Pine (<i>Pinus sylvestris</i>)	M1/F1	100 tons
1	Pine (<i>Pinus sylvestris</i>)	M1/F2	100 tons
1	Pine (<i>Pinus sylvestris</i>)	M1/F3	2000 tons
1	Birch (<i>Betula</i> spp)	M1/F1	1000 tons
2	Post consumer recycled fiber	M2/ –	1000 tons
3	Eucalyptus (<i>Eucalyptus grandis</i>)	M3/F1	50 tons

PART G: FOR PAPER PRODUCERS ONLY
DETAILS OF PRODUCTS SUPPLIED BY YOU

Product Code: Our order code or your product code	Product Description:	Group used for this product (from D)
12345678	Copier paper	1
91011121	Copier paper	1
314151617	Copier paper	2
181920212	Kraft paper	3

APPENDIX 2

Scenario Tables for Risk Ratings

Applicable to non-certified timber and timber products only

Instructions:

1. Look at the first section of the questionnaire on company details to make sure that they are complete and accurate.
2. Read Part B of the completed questionnaire to complete Scenario Table A. “What are the supplier’s environmental and timber procurement policies?” Read the questionnaire answers in Part B regarding purchasing policies and form in your mind a generalized view of how the supplier manages its own purchasing. For example, if the company has no purchasing policy and no individual specifically managing environmental issues, then this would point to an organization that has no commitment to sourcing legal timber and has no top-level management interest in doing the “right” thing. Then go to Scenario Table A and read the five possible scenarios. Decide which of the five descriptions in the scenario tables most closely fits the purchasing behaviour described in Part B of the questionnaire, and on that basis select that option and write down the associated score.
3. In exactly the same manner, use Part C of the completed questionnaire (the Primary Sources section) to select an option in Scenario Table B, “What is the county of origin of the timber?”

For Timber and Timber Suppliers—You should now have a good idea of the complexity of the supply chain. Use the impressions gained from the answers given in Parts C, D and E of the completed questionnaire to make a final selection for Scenario Table C, “How does the supplier manage their own wood raw material supply chain?”.

Or

For Paper Suppliers—You should now have a good idea of the complexity of the supply chain. Use the impressions gained from the answers given in Parts C, F and G of the completed questionnaire to make a final selection for Scenario Table C, “How does the supplier manage their own wood raw material supply chain?”.

4. Sum the scores from the three scenario tables and you will have the supplier’s risk rating, which is an index.

Scenario Table A. What are the supplier's environmental and timber procurement policies?

Keep It Legal Manual—Supplier Procurement Policy Scenario Table

Choice nos.	Description	Selection [X]
5	The supplier has no clear environmental policy for purchasing timber. If someone is selling it and it's the right species and dimensions, then they'll buy it. Generally lacks any documented objective evidence to support claims.	
4	Supplier has a timber procurement policy but the policy is unclear. Does not acknowledge that purchasing illegal timber is an issue to be tackled.	
3	Has a timber procurement policy that addresses most of the critical issues, but it could be better worded and better communicated. Is attempting to understand the nature of its supply chains.	
2	Is trying hard to address the critical issues through its procurement policy and environmental action plan and makes sure that all within the company know what is required. Has an overarching environmental policy. The critical issues are periodically discussed with external stakeholders. Is considering independent certification.	
1	Has a clearly defined timber procurement policy (as part of an overall environmental policy) developed following consultation with internal and external stakeholders. The policy and related action plans form an important part of management systems. Has ISO 9000 and/or ISO 14000 series certificates. Is a member of an organization promoting sustainable forestry (such as WWF GFTN). Appropriate documentation supplied as objective evidence.	

Objective evidence:

Positive

- Copy of environmental policy
- Copy of timber procurement policy
- Copy of environmental action plan
- Names of NGOs consulted with
- Examples of staff training documentation

Negative

- Unable to produce any policies
- Copies of policies have just been cut and pasted from others
- No evidence of consultation with stakeholders
- Takes time to produce an irrelevant or poor policy

Scenario Table B. What is the country of origin of the timber?

Keep It Legal Manual—Country of Source Forest Scenario Table

Choice nos.	Description	Selection [X]
5	Country of source forest is unknown or uncertain.	
4	The country has a weak and ineffective regulatory system with a major lack of capacity (in terms of manpower and supporting infrastructure) in comparison to the size of the forest resource. The legal systems and supporting governance structures are weak and open to corrupt influences. There is limited or no transparency with regard to all regulatory activities connected with the forestry and timber sectors. Example: Countries with 30% or more production regarded as suspicious (see Table 1): Estonia, Cameroon, Equatorial Guinea, Gabon, Liberia, Ghana, Indonesia, Papua New Guinea, China, Peru, Ecuador. (<i>This is not a complete list.</i>)	
3	The country has a relatively ineffective regulatory system with a lack of capacity (in terms of manpower and supporting infrastructure) in comparison to the size of the forest resource. The legal systems and supporting governance structures can be manipulated to obscure the true origin of timber. There is limited transparency with regard to regulatory activities connected with the forestry and timber sectors. Example: Countries with 15–29% of production regarded as suspicious (see Table 1): Russia, Latvia, Malaysia. (<i>This is not a complete list.</i>)	
2	The country has a reasonably well-managed regulatory system with a significant capacity (in terms of manpower and supporting infrastructure) to control many forest crimes. The legal systems and supporting governance structures are largely effective. When someone commits a forest crime and is caught, there is a significant degree of transparency with regard to the due legal processes.	
1	The country has a rigorous and well-managed regulatory system with sufficient capacity (in terms of manpower and supporting infrastructure) to more than adequately control forest crime of all types. The legal systems and supporting governance structures are regarded as largely honest and open. There is transparency with regard to all regulatory activities connected with the forestry and timber sectors.	

Scenario Table C. How does the supplier manage its own wood raw material supply chain?

Keep It Legal Manual—Suppliers Wood Raw Material Scenario Table

Choice nos.	Description	Selection [X]
5	Supplies come from unknown source forests. The supply chain is very complex and long, with plenty of potential for illegal timber mixing. Supplier shows no commitment to helping reveal supply chain. The supply chain operators refuse to cooperate with identifying sources. Documents presented are impossible to independently verify.	
4	The supply chain is poorly defined. Timber is imported from free trade port, or the port of entry is rumored to be associated with the illegal timber trade.	
3	The suppliers are working toward traceability with organizations like TFT, WWF GFTN, GFS, Certisource Timber, or some other independent agency.	
2	The structure of the supply chain is well established and supported and documented by second-party verification. There are regular inspections by these organizations, which can vouch for the integrity of the supply chain and its transparency.	
1	There is complete traceability that is independently verified by internationally recognized third-party certification companies against a credible standard. The supply chain is well understood and tightly controlled.	
Objective evidence: Positive <ul style="list-style-type: none"> ■ Legitimate copies of certificates ■ Objective evidence of successful implementation of traceability system ■ Positive reports issued by independent chain-of-custody experts Negative <ul style="list-style-type: none"> ■ No intention of being involved with any independent certification program ■ No intention of being involved with any legality verification program ■ No evidence of any supply chain traceability 		

Supplier name		Date	
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Keep It Legal Scenario Tables

Risk Rating Assessment Matrix

Choice table number	Choice selected					Score
	Higher risk	←————→			Lower risk	
Part A. What are the supplier's environmental and timber procurement policies?	5	4	3	2	1	
Part B. What is the country of origin of the timber?	5	4	3	2	1	
Part C. How does your supplier manage its own wood raw material supply chain?	5	4	3	2	1	
TOTAL SCORE						

Overall Risk Level	TOTAL SCORE
High Risk	9–15
Low Risk	3–8

APPENDIX 3

CITES-Listed Species

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is a global response to concern over the trade of endangered species. CITES was enacted in 1975, and currently 160 countries have ratified the treaty. CITES regulates the trade in live animals, animal parts, ornamental plants, medicinal plant parts, and timber species. It seeks to identify threatened species and create increasingly strong legal barriers to their harvest and trade, depending on their conservation status (see also www.cites.org).

CITES lists threatened or endangered wood species under three classifications, known as the Appendices. The restrictions on trade within these appendices vary depending on the extent to which the species is threatened with extinction. The CITES listing includes species that are traded for wood products, traded for medicinal purposes, and rare but not commercially traded. The species listed below are those that are traded most often in the international wood products market.

Appendix I. Species in this list face an imminent threat of extinction and are banned from all international commercial trade. Trade is permitted for artificially grown species, products that were created before the species was added to the list, and specimens used for scientific purposes. Permits are required from both the exporting and importing countries to verify that an example of the species was obtained legally.

Alerce (*Fitzroya cupressoides*)

Brazilian rosewood (*Dalbergia nigra*)

Appendix II. International trade in these species is allowed as long as the country of origin issues documents ensuring that the harvesting of the species was undertaken legally and that it is not detrimental to the survival of the species. These species should be used only when accompanied by a valid chain-of-custody certificate ensuring that they come from an independently certified well-managed forest.

Afromosia (*Pericopsis elata*)

Lignum vitae (all species of *Guaiacum*)

Cuban mahogany (*Swietenia mahagoni*)

Bigleaf mahogany (*Swietenia macrophylla*)

Ramin (all species of *Gonystylus*)

Appendix III. The third appendix is a voluntary mechanism that any country may invoke simply by verifying that its exported specimens were legally harvested. Once a species is listed (by any country) on Appendix III, all exporting countries are required to issue a certificate of origin with shipments of that species. Export permits are required only if a country has included the species on Appendix III.

Almendra (*Dipteryx panamensis*)

Spanish cedar (*Cedrela odorata*)

CITES Listing—Relevance for Responsible Purchasers

CITES Appendix I-listed species should be avoided. For Appendix II and III species, a high degree of caution must be exercised. First, there is a legal obligation on any importer and trader in these species that ensures that all imports and trades are registered with the relevant authorities. Penalties are often large for failure to register imports of Appendix II and III species.

The second question concerns the endangered nature of these species. Trade in these species may be legal, but it is important to recognize that in many cases it is trade that has led to the need to require close monitoring. CITES-listed species are subject to being removed from trade (through removal to Appendix I or through a reduction in quotas), so in many cases there is no guarantee of the long-term availability of species on Appendices II and III.

APPENDIX 4

The WWF Global Forest & Trade Network

What Is the Global Forest & Trade Network?

The Global Forest & Trade Network (GFTN) is a WWF-led partnership between leading nongovernmental organizations and approximately 300 companies and communities that are committed to demonstrating leadership and best practice in responsible forest management and trade. The participants, who represent a wide range of actors including forest owners, timber processors, importers, traders, construction companies, retailers, and investors, are organized in affiliated national and regional Forest & Trade Networks (FTNs) operating across nearly 30 producing and consuming countries in Europe, the Americas, Africa, and Asia.

Since the first FTN was established in the United Kingdom in 1991, GFTN participants together have generated the demand that has created a new kind of global market—the market in environmentally responsible forest products.

How Does the GFTN Work?

The demand of GFTN participants for responsible forest products has led to millions of independently certified well-managed forest hectares worldwide. Yet despite the rapid growth in demand for credibly certified timber and pulp from producing regions, reliable sources of supply are still limited. Wood and pulp producers working in valuable and threatened forests are facing complex obstacles and are often unsure of how to achieve and benefit from certification. Worse, significant trade in wood and pulp from illegal or controversial sources continues, generating corporate risk for buyers and suppliers and providing unfair competition for responsible actors by ensuring a supply of discounted timber to a generally undiscerning market.

The GFTN provides a supporting framework to overcome these obstacles in the following ways:

- Works with buyers, suppliers, and producers from across the spectrum of forest products sectors to eliminate illegally harvested and traded forest products and drive improvements in the quality of forest management.
- Develops and promotes credible certification as a vital tool to improve forest management and make purchasing of forest products more responsible.
- Works with companies to initiate and monitor a stepwise approach to achieve responsible forest management or forest products sourcing.
- Creates mutually beneficial partnerships between the private sector, community-based operations, NGOs, trade regulators, funders, and others to mobilize the technical, financial, and human resources necessary to achieve transformation.
- Focuses activities to improve forest management in forests that are valuable and threatened.
- Links responsible producers of forest products with buyers interested in purchasing responsibly with lower environmental risk.

The business case for responsible and certified forestry begins with the need to sustain supplies of raw materials, but also includes the need to satisfy shareholders, build a positive corporate profile, and establish strategic supply relationships that will differentiate businesses. To satisfy the needs of its producing, supplying, and buying members, the GFTN provides an assortment of services and benefits to members of its FTNs, such as help with developing responsible purchasing policies, giving advice on certification, and facilitating contact between important stakeholders.

GFTN—Working with Responsible Buyers

GFTN participation will help you develop a responsible purchasing policy and deliver on it by giving advice on environmental concerns and facilitating contacts with responsible suppliers. GFTN participation can also give your company recognition as an industry leader.

Encouraging your existing suppliers to join the GFTN or buying from new suppliers who are participants of the GFTN helps you to manage risks, particularly when sourcing high-risk species or from high-risk countries. GFTN participation ensures that producers and suppliers are genuinely committed to responsible forestry and receive the technical support and guidance they need to achieve certification. Although some suppliers may need time before they can offer credibly certified products, their progress will be ensured through regular monitoring.

GFTN—Working with Responsible Producers and Suppliers

Participation in the GFTN can give your company significant local, national, or international recognition as an industry leader. GFTN participation is not a substitute for credible certification and responsible forest management; it will help you achieve and sustain it. As a GFTN participant you can benefit from practical advice, training, and technical support on responsible forest management, forest and chain-of-custody certification, and responsible supply chain management.

The GFTN will also help you establish new contacts with GFTN buyers. GFTN buyer companies are genuinely committed to buy from sources that are either credibly certified or in progress to certification and to report regularly on the implementation of their commitments.

Networks Around the World

GFTN works with over 300 companies around the world and operates in the following places:

Europe: Austria, Belgium, Bulgaria, France, Germany, Italy, Netherlands, Romania, Russia, Spain, Sweden, Switzerland, United Kingdom

Africa: Central Africa, Ghana

Asia: China, Indonesia, Japan, Malaysia, Vietnam

Americas: Bolivia, Brazil, Central America/Caribbean, North America, Peru

All FTNs are affiliated with the Global Forest & Trade Network and all have common minimum requirements. The networks are fundamentally similar in their objectives, but the activities and services of each network will differ depending on the mix of participating companies.

What GFTN Asks of Participant Companies

To qualify for participation, a participant is required to do the following:

Operate responsibly: As a condition of participation, the participant shall undertake to adhere to business principles for responsible forestry that go beyond the scope of forest certification, including transparency when participating in concession allocation processes and avoidance of bribery and other corrupt business practices.

Define the participation scope: The participant shall define an initial participation scope that clarifies which forest management units (FMUs), processing facilities, factories, trading businesses, and product range are within the initial scope of its participation.

Nominate a senior manager: The participant shall nominate a senior manager who will be responsible for realization of commitments made by the participant and who has sufficient seniority to do so. The participant may choose to identify another person for day-to-day contact with the FTN.

Comply with the communications code: The participant must agree to follow the GFTN Communication Code of Practice.

Pay participation fees: The participant is required to pay an annual participation fee to the FTN. The fee contributes to the cost of managing and promoting the FTN and providing services to participants. Participants must pay their fees by the due date and can expect the FTN to be accountable for monies raised in this manner.

Comply with competition laws: The participant must undertake to respect the competition and antitrust laws relevant to the country in which the FTN operates and not use any forum arranged under the auspices of the FTN to discuss customers, suppliers, or activities in any way that may be construed as anticompetitive.

Specific Requirements for Trade Participants

A stepwise approach to responsible purchasing is fundamental to this set of requirements. A trade participant shall be required to do the following:

Commit to responsible forestry and timber sourcing:

The participant must submit a public written statement of policies and practices relevant to its operations for the promotion of responsible forestry and wood/fiber sourcing.

Eliminate timber from unwanted sources:

The public written statement of policies and practices for the promotion of responsible forestry must include a commitment to eliminate, within five years, timber in the products procured by the participant that originates from unwanted sources (*as defined in Element 6*).

Provide copies of chain of custody certificates and related reports:

For each certified site covered by the scope of participation, the participant must submit a copy of a valid certificate from a credible certification scheme, the main certification report and reports of any subsequent monitoring visits carried out by the certification body.

Increase the proportion of timber from responsible sources:

The public written statement of policies and practices for the promotion of responsible forestry must include a commitment to progressively increase the proportion of timber in the products procured by the participant that originates from sources that can be designated as

- known and complying with policy,
- known licensed source,
- in progress toward certification, or
- credibly certified.

Commit to certification of chain of custody:

Where the participant is a manufacturer, trader, or processor, they must include a commitment to achieve credible chain of custody certification for at least one processing facility, factory, or mill owned or managed by the participant within one year and for all facilities, factories, or mills owned or managed by the participant within five years.

Undergo a baseline appraisal, develop and implement an action plan, and meet time-bound targets:

For each processing or manufacturing facility covered by the scope of participation, the participant must do the following:

- Undergo a baseline appraisal to determine whether the chain-of-custody system is certifiable and to identify all areas of noncompliance with requirements of the nominated, locally operational, credible chain-of-custody certification system, and to determine the environmental status categories of the entire timber supply. The appraisal must be carried out by a suitably qualified and experienced assessment team.
- Submit a comprehensive baseline appraisal report and report summary.

- Submit an action plan that sets out time-bound targets and steps to be taken to implement the participant's responsible timber purchasing policies and practices and to meet the commitments described above.
- Implement the action plan and meet the specified progress targets.

Subject to prior notification of the participant, the GFTN reserves the right to make the baseline appraisal report summary and the action plan publicly available.

Provide progress reports and permit inspections:

The participant shall provide regular progress reports (at a frequency specified by the FTN, usually every six or 12 months) and report summaries on action plan implementation, and shall permit periodic monitoring visits, inspections, or data reviews from the FTN coordinator or his or her nominated assessor to verify the claims made in the progress reports. Subject to prior notification of the participant, the GFTN reserves the right to make progress report summaries publicly available.

Report production volumes:

The participant shall provide an annual summary on its timber production. This data shall be supplied in a format agreed to with the FTN coordinator and will include data on

- Species of timber handled,
- Volume of each species harvested annually,
- Form and volume of all products sold annually (logs, sawn timber, machined timber, etc.), and
- Environmental status of products.

Specific Requirements for Forest Participants

A stepwise approach to credible forest certification is fundamental to this set of requirements. A *forest participant* shall be required to accept the following conditions:

Commit to responsible forestry:

The participant must submit a public written statement of policies and practices relevant to its operations for the promotion of responsible forestry.

Commit to certification of all forest management units:

Where the participant is responsible for managing several FMUs, the public written statement of policies and practices must include a commitment to achieve and maintain

- credible forest certification for at least one FMU within five years and for all FMUs within 10 years, and
- credible chain-of-custody certification (covering the timber tracking system from the forest to first point of sale) within one year.

Provide copies of forest certificates and related reports:

For each certified FMU covered by the scope of participation, the participant must submit a copy of a valid certificate from a credible certification scheme, the main certification report, and reports of any subsequent monitoring visits carried out by the certification body.

Undergo a baseline appraisal, develop and implement an action plan on uncertified forest management units:

For each uncertified FMU covered by the scope of participation, the participant must

- Undergo a baseline appraisal to determine whether the FMU is certifiable and to identify all areas of non-compliance that preclude certification under the nominated locally-operational credible certification scheme (also called “gaps”, preconditions or major non-compliances) or membership of the FTN. The appraisal must be carried out by a suitably qualified and experienced assessment team.
- Submit a comprehensive baseline appraisal report and report summary. The appraisal report must provide clear evidence that the participant has a legal right to harvest in the FMU. Where the participant’s legal right to harvest is disputed by another party, the participant shall either provide evidence of prior resolution of the dispute through a voluntary settlement or court order or undertake to satisfactorily resolve the dispute within 12 months, subject to the right of the FTN coordinator to suspend the participant if the undertaking is not fulfilled.
- Submit an action plan with time-bound progress targets for achieving credible forest certification within five years and credible chain-of-custody certification (covering the timber tracking system from the forest to first point of sale) within one year.
- Implement the action plan and meet the specified progress targets.

Subject to prior notification of the participant, the GFTN reserves the right to make the baseline appraisal report summary and the action plan publicly available.

Comply with relevant laws:

The participant must

- undertake to supply only timber that has been legally harvested; and
- undertake to pay all forest charges as they become due.

Provide progress reports and permit inspections:

The participant shall provide regular progress reports (at a frequency specified by the FTN—usually every six or 12 months) and report summaries on action plan implementation, and permit periodic monitoring visits and inspections from the FTN coordinator or his or her nominated assessor to verify the claims made in the progress reports. Subject to prior notification of the participant, the GFTN reserves the right to make progress report summaries publicly available.

Report production volumes:

The participant shall provide an annual summary on its timber production. This data shall be supplied in a format agreed to with the FTN coordinator and will include data on

- Species of timber handled,
- Volume of each species harvested annually,
- Form and volume of all product sold annually (logs, sawn timber, machined timber, etc.), and
- *Environmental status* of products.

The full participation requirements for GFTN are available from www.panda.org/gftn.

APPENDIX 5

Examples of Responsible Purchasing Policies for Forest Products

Example 1

Responsible purchasing policy—Forest products

This organization is committed to the responsible purchasing of forest products. Our long-term intention is that all timber used in products that we purchase or specify is sourced from well-managed forests that have been certified to credible certification standards, and/or are from post-consumer recycled materials.

This commitment will be realized through a stepwise approach to responsible purchasing that uses the best available techniques and information.

This organization will not source products containing timber, fiber, and other raw materials if the following apply:

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

To ensure that these goals are achieved, this organization will

- **Scrutinize all suppliers of forest products** for all purchases of goods for resale, not for resale, and in all new construction activities.
- **Seek information on the source** of the wood, fiber or other forest materials in the products we harvest and the circumstances under which they were harvested.
- **Seek information on the chain of custody** of the forest products we purchase, including the circumstances under which they were manufactured and traded.
- **Evaluate chain-of-custody information against this policy** and supporting operational procedures.
- **Continually improve the level of compliance** with these policies, using annual reviews, reports, and actions agreed upon with our suppliers.
- **Work with and encourage suppliers and forest sources** that are actively engaged in a process of time-bound, transparent, stepwise commitment to credible certification (such as WWF Forest and Trade Network participants in producer countries).
- **Work with key stakeholders** to ensure that best practice is followed.
- **Set annual, publicly communicated targets** regarding our performance.
- **Maximize the use of post consumer recycled timber.**

Responsible purchasing policy—Forest products

As a [public/business/opinion] and global leader, [COMPANY NAME] is committed to leveraging our influence in the marketplace to conserve, protect and restore natural resources. As a cornerstone of that commitment, [NAME] will pursue a Responsible Timber Purchasing Program to promote the development of markets for environmentally responsible forest products.

PREAMBLE

[NAME] recognizes that leadership in the global marketplace carries a responsibility to the environment and, in particular, a responsibility to promote the conservation, protection, and restoration of the world's forests. [NAME] is a leader in [a market/public/opinion sector that is relevant]. Therefore, [NAME] is positioned to influence [supply and/or demand] in the market, and thus contribute to the development of environmental solutions that influence responsible forest management. [NAME] fully supports responsible forest management practices that promote ecosystem sustainability, biodiversity, and long-term environmental, social, and economic benefits.

Toward these ends, [NAME] hereby establishes the following policy commitments:

POLICY

1. **[NAME] will work with all vendors and associated suppliers to trace the origin of our current products.**

Explanation: Traceability in the forest product supply chain is crucial to assessing whether or not the forest products used were derived through environmentally responsible means. [NAME] will attempt to determine not just where current products were purchased, but where the timber in those products was grown, taking into account the possible necessity for third-party verification.

2. **[NAME] will require that all vendors and associated suppliers demonstrate compliance with all legal requirements for forest management, timber harvesting and related trade, with third-party verification in high-risk areas.**

Explanation: [NAME] will work to ensure that no market advantage is realized by entities that circumvent the law, and encourage support for forest conservation, protection, and environmental law enforcement mechanisms.

3. **[NAME] will reduce and by [DATE] eliminate its purchase of wood, paper, and other products containing timber from controversial sources, including conflict timber, entities accused of human rights violations and genetically modified trees.**

Explanation: [NAME] intends not to give support to regimes and practices that have a detrimental impact on civil society or the environment. [NAME] will remain aware of controversial source areas that may be identified by internal and external stakeholders, and will adopt a precautionary approach regarding the use of genetically modified trees, which pose risks to native species and may cause large-scale disruptions in the ecological food web.

4. **[NAME] will reduce and by [DATE] eliminate its purchase of wood, paper, and other products containing timber from harvesting operations that threaten high conservation values or involve unjustified conversion of natural forest to other land uses.**

Explanation: [NAME] intends to expedite the transition away from forest harvesting practices that lead to environmental degradation and will embrace a scientifically credible, land-based assessment to identify and appropriately manage forests that contain exceptional environmental and social values. [NAME] will regard high conservation value as safe from threat if the forest is certified or in progress to certification under a credible certification system, or if the forest manager can otherwise demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained. Similarly, [NAME] will only accept conversion as justified in the rare circumstances that it can be justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.

5. **[NAME] will promote the appropriate and efficient use of wood, paper, and other forest products.**

Explanation: [NAME] intends to contribute to efforts that maximize use of the entire fiber resource and assist in the reduction of per capita consumption.

Appendix 5—Example 2 (continued)

6. [NAME] will advocate and incorporate the use of sustainability-based criteria in selecting alternative materials.

Explanation: [NAME] intends to support the expansion of the natural resource base and promote life-cycle assessment as a metric of environmental merit.

7. [NAME] will give purchasing preference to products from credibly certified, well-managed forests and those from suppliers that have made a commitment to progress toward credible certification.

Explanation: [NAME] intends to promote the development of markets for environmentally preferable products by supporting certification of best management practices through the purchase of credibly certified forest products, when price and availability allow.

8. [NAME] will publish and distribute to all interested stakeholders an annual report, which will detail our progress in implementing this policy and commitment to continuous improvement.

Explanation: [NAME] will seek to maintain open communications and collaborative relationships with all stakeholders interested in our environmental performance by providing standardized information about our environmental performance on an annual basis.

APPENDIX 6

Glossary

Credibly certified—Source category for FSC or other forest certification, with specified criteria and requirements.

Criteria

- The source forest is certified as well managed under a *credible forest certification* system.

Verification requirements

- Confirmation that the source forest is covered by a forest management certificate issued under a credible forest certification system at the time of harvesting.
- Confirmation that a valid chain-of-custody certificate number, issued by an accredited certification body under a credible forest certification system, is printed on the relevant invoices and attached to the product.

Credible chain-of-custody certification—Certification of specified products as traceable back to raw material source by a third party (for example, an accredited certification body).

Credible forest certification—Certification by a third party that a forest is well managed, under a certification system requiring

- (a) participation of all major stakeholders in the process of defining a standard for forest management that is broadly accepted;
- (b) compatibility between the standard and globally applicable principles that balance economic, ecological, and equity dimensions of forest management; and
- (c) an independent and credible mechanism for verifying the achievement of these standards and communicating the results to all major stakeholders.

Environmental status—The source category designation of the timber in a given product. WWF GFTN recognizes the following categories:

- Unwanted
- Known
- Known licensed
- In progress to certification
- Credibly certified
- Recycled

Forest participant (in a Forest & Trade Network)—A participant who is a forest owner or manager. The participant may or may not possess credibly certified forest management units (FMUs).

Harvesting charges—The charges due to the resource owner or official body, such as a regional or national government, arising as a result of the harvesting of forest resources.

High conservation values (as defined by the Forest Stewardship Council)—Any of the following values:

- Forest areas containing globally, regionally, or nationally significant concentrations of biodiversity values (e.g., endemism, endangered species, and refugia).
- Forest areas containing globally, regionally, or nationally significant large-landscape-level forests contained within, or containing, the management unit where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- Forest areas that are in or contain rare, threatened, or endangered ecosystems.
- Forest areas that provide basic services of nature in critical situations (e.g., watershed protection, erosion control).
- Forest areas fundamental to meeting basic needs of local communities (e.g., subsistence, health).
- Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic, or religious significance identified in cooperation with such local communities).

Illegal logging (and related trade and corruption)—Harvesting or trading of in violation of relevant national or subnational laws, or access to forest resources or trade in forest products that is authorized through corrupt practices.

In progress to certification—Source category with specified criteria and requirements denoting environmental status of source.

Criteria

- The source is a *known licensed source*.
- The source entity has made a public commitment to achieve *credible certification* of the source FMU.

- A site inspection has been carried out by a suitably qualified and experienced assessment team to determine whether the source FMU is certifiable and to identify all areas of noncompliance with certification requirements.
- The source entity
 - has agreed to a time-bound, stepwise action plan to achieve certification of the source FMU;
 - provides periodic progress reports on implementation of its action plan, and is open to third-party inspection to verify that progress is being made as reported;
 - is participating in an initiative that supports and monitors stepwise progress toward credible forest certification (e.g., the entity could be a forest participant in an FTN or a project of the Tropical Forest Trust).

Verification requirements

- Confirmation from information issued by the certification support initiative that these criteria are satisfied with respect to a given source.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A second- or third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.

Known Source—Source category with specified criteria and requirements denoting environmental status of product source.

Criteria

- The purchaser knows where the forest material was grown and can identify the harvesting entity.
- As far as the purchaser is aware, the source is not *unwanted*, as described in the purchasing organization's policy.

Verification requirements

- The source forest is identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district; where risk is higher, the specific forest management unit should be identifiable.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Documentation is provided that identifies the source location, the source entity, and each intermediary in the supply chain.

- The purchaser has systems in place that periodically check the authenticity of this documentation.

Known licensed source—Source category with specified criteria and requirements denoting environmental status of source.

Criteria

- The purchaser knows where the timber was grown and can identify the harvesting entity.
- The timber originates from an entity that has a legal right to harvest timber in the forest management unit where the timber was grown.

Verification requirements

- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Each delivery of timber-based products to the purchaser is supported by documentation that identifies the source forest management unit and source entity and each intermediary in the supply chain.
- The purchaser has documentation demonstrating the source entity's legal right to harvest.
- The purchaser, and/or its suppliers, has systems in place that periodically check the authenticity of the documentation and integrity of the chain-of-custody control points.
- If the purchaser is made aware of any dispute over the entity's legal right to harvest, the purchaser should inquire into the status of the dispute. An entity's claimed right to harvest should not be regarded as having been verified while legal proceedings are in progress alleging that the entity is in breach of the law governing the acquisition of either harvesting rights from the resource owner(s), or regulatory approval (i.e., a permit, license, or similar instrument) for the harvesting of timber.

Legally harvested—Timber that was harvested

- (a) pursuant to a legal right to harvest timber in the forest management unit in which the timber was grown, and
- (b) in compliance with national and subnational laws governing the management and harvesting of forest resources.

Legally traded—Timber, or products made from the timber, that was

- (a) exported in compliance with exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;

- (b) imported in compliance with importing country laws governing the import of timber and timber products, including payment of any import taxes, duties, or levies or in contravention of exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;
- (c) traded in compliance with legislation related to the Convention on International Trade in Endangered Species (CITES), where applicable.

Legal right to harvest—Authorization to harvest in the forest management unit

- (a) from the resource owner(s), and
- (b) under a valid permit, license, or similar instrument issued pursuant to the laws and regulations governing the management and harvesting of forest resources.

Protected area—An area of forest especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means.

Resource owner(s)—The holder(s) of property and usufruct rights over the land and/or trees within a forest management unit, including legally recognized rights held according to customary law.

Source—A combination of the supplying entity and the place from which the timber in a product originates. The source comprises the location where the timber was grown and the entity that was responsible for harvesting the timber.

Timber—Wood, fiber, and other woody materials harvested from trees.

Trade participant (in a Forest & Trade Network)—A participant who is a processor, manufacturer, trader, specifier, or end user of timber or paper products.

Unknown source Source category with specified criteria and requirements denoting environmental status of product source.

- The purchasing organization does not know where the timber was grown and cannot identify the harvesting entity. The source forest is not identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district, and where risk is higher, the specific forest management unit (FMU) should be identifiable.
- The timber cannot be traced along an unbroken chain of custody from the participant back to the source entity.

- Documentation has not been provided that identifies the source location, the source entity, and each intermediary in the supply chain.
- The participant does not have systems in place that periodically check the authenticity of this documentation.

Unwanted source—A source that falls within one or more of the following categories:

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

Verified legal—Source category with specified criteria and requirements denoting environmental status of product source.

Criteria

- The source is a known licensed source.
- The source entity legally harvested the timber.
- All harvesting charges have been duly paid.
- The timber was legally traded.

Verification requirements

- A third-party auditor has confirmed that the timber was legally harvested and legally traded and that all harvesting charges were duly paid.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.

APPENDIX 7

Country Legal Documentation Lists

The following list is not exhaustive, but for a number of the producing countries, it identifies the key documents that should be available to buyers wishing to establish a degree of confidence with respect to the legality of forest products. This list has been prepared with the assistance of WWF FTN managers and other WWF colleagues.

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Brazil	<p>It is required that a Forest Management Plan be approved by IBAMA for forest exploration.</p> <p>This plan can be divided into three phases:</p> <ol style="list-style-type: none"> 1. The forest management unit is divided in areas such as: harvestable (explorable), permanent preservation, and areas inaccessible for harvesting (exploration). 2. Routes are planned that connect the exploration areas to the main route. 3. The area allocated to the exploration is divided into blocks of annual exploration. There are a number of blocks that can be harvested annually, and each block has an inventory of trees eligible for cutting, for each allowed harvesting period. <p>It is necessary to approve the POA (Plano Operacional Anual, or Annual Operational Plan) every year a plan that allows the blocks to be harvested.</p> <p>Restrictions:</p> <p>There is a new law, more restrictive, to regulate the mahogany exploitation (Instrução Normativa 07-Ibama).</p> <p>There were no management plans for harvesting mahogany (approved by IBAMA) as of December 2004.</p>	<ol style="list-style-type: none"> 1. ATPF—Autorização para Transporte de Produtos Florestal (Forest Products Transport Authorization) This document is needed in all the transportation processes, from harvest to final buyer. 2. Copy of DVFP—Declaração de Venda de Produtos Florestais (Forest Products Sale Declaration) 3. Copy of AUTEX—Autorização de Exploração do Plano de Manejo sustentável ou desmatamento legal (Sustainable management plan or legal logging exploration permit) 	1. ATPF	<p>Documents to allow sawmill work:</p> <p>—License given by the Mayor's Office Hall</p> <p>—Operational License given by Environmental Secretary</p>	<p>Export Documents</p> <ol style="list-style-type: none"> 1. Packing List 2. Nota Fiscal (official state-controlled fiscal document, different from a simple invoice) 3. Export Registration 4. Bill of Lading 5. DDE – Declaração de despacho de exportação (Export shipping declaration) <p>Fiscal Documents</p> <ol style="list-style-type: none"> 1. Exchange Contract 2. Commercial Invoice 3. Export Voucher 4. Insurance Certificate

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Cameroon	Documents are required for sawn timber and logs exported from Cameroon.	<ol style="list-style-type: none"> 1. L'agrément de la profession forestière 2. Contrat de partenariat 3. Convention provisoire ou définitive 4. Certificat d'assiette de coupe 5. Carnet de chantier 	<ol style="list-style-type: none"> 1. Lettre de voiture 	<ol style="list-style-type: none"> 1. Attestation de specifications 	<ol style="list-style-type: none"> 1. Autorisation d'exportation
China	<p>In most circumstances, log exports are not allowed from China.</p> <p>For exports of timber harvested within China, the following documents are required to prove legal harvest and export of timber and timber products by the Chinese government and forestry management department.</p>	<ol style="list-style-type: none"> 1. Harvesting quota that has been approved by State Forestry Department (This document is renewable every 5 years) 2. Annual wood production plan 3. Harvesting area survey and design scheme 4. Harvesting admission certificate 	<ol style="list-style-type: none"> 1. Log conveyance certificate 		<ol style="list-style-type: none"> 1. Disease and pest quarantine certificate
Ghana	<p>Documents are required for sawn timber and logs exported from Ghana.</p> <p>The documents are the same for natural forest and plantations.</p> <p>Note: Logs cannot be legally exported from natural forests.</p> <p>Note: All documents from the forest gate to point of export should bear the stamp and approval of the Timber Industry Development Department (TIDD), a department of the Ghana Forestry Commission.</p>	<ol style="list-style-type: none"> 1. Concession/Lease Agreement 2. Harvesting Schedule 3. Felling Permit Form—this must include a “Property mark,” a unique code issued by the Forestry Commission. 4. Tree Information Form, which identifies the stump and corresponding log(s) 5. Log Information Form, which corresponds to the Tree Information Form 6. Log Measurement & Conveyance Certificate (LMCC). 	<ol style="list-style-type: none"> 1. Log Measurement & Conveyance Certificate (LMCC). Includes reference to: Species, volume, sizes. 	<ol style="list-style-type: none"> 1. Lumber Inspection Certificate (LIC). 2. Tally sheet that refers to LIC. 3. Waybill that refers to LIC. 4. Wood Exporter Certificate (This is renewable annually, check date of issue.) 	<ol style="list-style-type: none"> 1. Timber Export Permit with reference to LIC(s).

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Indonesia	<p>General: All log exports from Indonesia are banned; therefore, any logs identified as Indonesian, outside of Indonesia, have been illegally obtained.</p> <p>Ministry of Forestry and Ministry of Trade and Industry joint decree no. 350/Menhut-VI/2004 & 598/MPP/Kep/9/2004, 24 September 2004, states that exports of sawn timber for all species are banned from this date. The decree has been issued to protect domestic wood processing industries.</p> <p>All sawnwood exported from Indonesia is therefore illegally obtained.</p>	<p>Documents required for logs traded within Indonesia:</p> <ol style="list-style-type: none"> 1. Copy of HPH agreement 2. Copy of RKL five-year management area license with map indicating the approved cutting 3. Copy of RKT annual cutting license (area indicated should fall within the RKL area) 4. Preharvest tree map 5. Buku Ukur document that is a log list to record log extraction at forest log landing 6. DP document that is a log list to transport logs from forest to a log pond 7. SKSHH that is a summary log document to transport a specific quantity and volume of logs from log pond to mill. <p>DHH detailed list of logs on SKSHH.</p>			<p>All documents listed for internal trade, plus:</p> <ol style="list-style-type: none"> 1. Bill of Lading 2. Certificate of Origin issued by the Forestry Department 3. Packing lists for the sawn timber 4. Chain of Custody records indicating which logs were used to produce the timber
Latvia		<p>A Cutting License is required prior to harvesting. The Cutting License is issued by the State Forest Service.</p>	<p>A Wood Transportation Way Bill (WTWB) must accompany all movements of timber. The WTWB provides information on ownership, specification, volume, place of loading and unloading. The WTWB should make reference to the Cutting License.</p>	<p>WTWB with reference to the Cutting License.</p>	<p>WTWB with reference to the Cutting License.</p>

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Malaysia	General: Log exports are not allowed from Peninsula Malaysia.	Documents required for export: 1. Forest Management Plan (State-level in Peninsula, concession-level in Sabah/Sarawak) 2. Annual Working Plan & License from State Forestry Department		Peninsula/Sarawak: 1. Log removal pass/permit 2. Invoice/delivery note Sabah: A copy of the receipt of royalty payment from the Sabah Forestry Department or a copy of the Letter of Undertaking in lieu of royalty payment from local bank 2. A copy of the Timber Disposal Permit 3. Contracts of sale between the forest operation and all players in the supply chain to the processor	1. Customs Declaration form (BK1) 2. MTIB Export Permit (Peninsula & Sabah) 3. STIDC Permit (Sarawak)
Peru	Notes: Logs cut from Peru require General Forest Management Plan (PGMF) and Annual Working Plan approval for the forestry policy department—INRENA. Log exports are not allowed from Peru.	1. General Forest Management Plan (PGMF) 2. Annual Working Plan (POA)	Documents required for logs traded within Peru: 1. Log list 2. Forest transport document (including the log list to transport logs to a purchaser. Includes the specific quantity and volume of logs. 3. Remission guide 4. Forest tax (in advance)		1. Bill of lading 2. Certificate of Origin by Peruvian chamber of commerce 3. Phyto-sanitary certificate (disease and pest quarantine—certified in case of sawn timber) 4. Export certificate issued by forest department—INRENA 5. Packing list of the sawn timber or wood products

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Romania	<p>General: Log exports are allowed from Romania, based on a Statistic Export License (SEL) released from Ministry of External Affairs. The Ministry of External Affairs releases one SEL only based on approval made by Ministry of Agriculture, Food and Forestry.</p>	<p>Documents necessary for the export of logs from Romania:</p> <ol style="list-style-type: none"> 1. Official request addressed to the MAFF, with clear mention of wood provenance and ownership. 2. Documents for proving wood provenance are released by the Forest Districts. 		<p>Logs:</p> <ol style="list-style-type: none"> 1. Contract of sale between the company exporting logs and a standing wood processing company (where the company exporting the logs does not have a license for forest operation or for processing standing wood). <p>Sawn wood:</p> <p>Documents as for logs, plus:</p> <ol style="list-style-type: none"> 2. Transformation document with clear mention of quantity of logs processed into saw mill (based on wood provenance documents) 3. Log processing: Transformation percentage and the sawn timber quantity resulting. 	

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Russian Federation	<p>Valuable hardwood species: For hardwood species like oak, beech, and ash, the exporter needs an exporting license. The order of applying for such a license is generally determined by federal legislation, but it varies in different regions because of regional specificity (depending upon which agency issues the license, order of application, or submitted papers).</p> <p>In every region there are specific lists of prohibited species for commercial harvesting that can be harvested in other regions. Therefore, some species can be legally harvested and exported from some regions but not from others.</p>	<p>Valuable hardwood species: 1. Harvesting licenses list and consolidated timber assessment statements (both harvesting licenses and statements issued by forestry management units before harvesting and after harvesting).</p>			<p>Softwood / lower value hardwood species:</p> <ol style="list-style-type: none"> 1. Customs declaration 2. Export Contract (with foreign partner) 3. Passport of exporting transaction issued by a bank in which the exporter has its account to receive payments for exported timber (used in state currency control) 4. Invoice and specification 5. Phyto-sanitary certificate issued by State Plant Quarantine Inspection of Russian Federation Ministry of Agriculture <p>High-value hardwood species:</p> <ol style="list-style-type: none"> 1. Application for exporting license 2. Contract on export 3. Passport of exporting transaction 4. The exporter's company constituent by-laws with all registration certificates (including Russian Federation Ministry of Taxes and Dues, State Statistics Committee, bank accounts information) 5. Export prices calculation <p>Note:</p> <p>If the exporting company is a trader, it must submit all original purchase contracts on all exporting timber with the relevant copies of harvesting licenses and statements that had been received by primary harvester.</p>

(continued) Country Legal Documentation Lists

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Vietnam	<p>Logs cut from Vietnam require approval from the Forest Police.</p> <p>Logs within Vietnam have Forest Police hammer marks to identify tree number and for royalty payment.</p>	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <ol style="list-style-type: none"> 1. Copy of the State Forest Enterprise permit for operating 2. Copy of right-to-harvest permit issued by central or Province Department for Forest Development (DARD) 3. Preharvest tree map 4. Chain-of-custody data sheets indicating logs harvested, dimensions for each log, and a log number linking back to the preharvest tree map 	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <p>Forest Control Police documents approving wood removal and transport</p> <p>To include:</p> <ol style="list-style-type: none"> 1. Permit to transport 2. Certificate issued by Forest Police 3. Forest Tax 4. Log list 	<p>Documents required for Vietnamese logs traded within Vietnam:</p> <ol style="list-style-type: none"> 1. Contract of Sale between the forest operation and all players in the supply chain 2. Red Tax invoices for each transaction in the supply chain to the processing factory <p>Documents required for imported logs:</p> <ol style="list-style-type: none"> 1. All documents required for legal export from producer country 2. Customs declaration authorizing import 3. Forest Control Police documents approving wood transport from the Port 4. Contract of Sale between the forest operation and all links in the supply chain to the processor 5. Red Tax invoices for any transactions inside Vietnam 	<p>All documents listed for internal trade, plus:</p> <ol style="list-style-type: none"> 1. Bill of lading 2. Certificate of origin issued by the forestry police 3. Packing lists for the sawn timber or wood products 4. Chain-of-custody records indicating origin of logs used to produce timber products



WWF is one of the world's largest and most experienced independent conservation organizations, with almost 5 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.



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