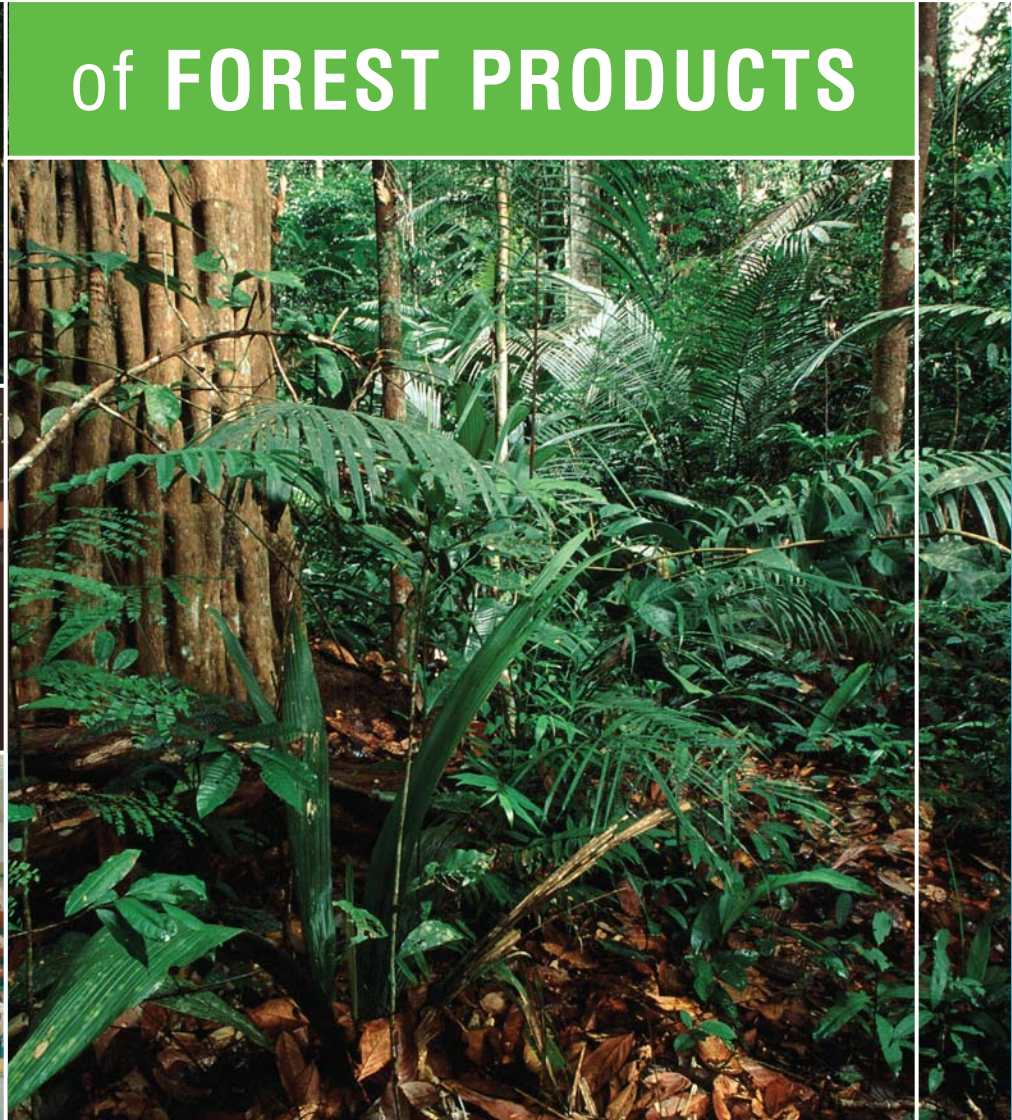




GLOBAL  
FOREST  
& TRADE  
NETWORK

# Responsible Purchasing

of FOREST PRODUCTS



George White and Darius Sarshar

**A guide for organisations wishing  
to develop a responsible programme  
for the procurement of forest products.**

*A publication of WWF's Global Forest & Trade Network*  
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# INTRODUCTION

This guide has been developed by WWF's Global Forest & Trade Network (GFTN) for use by organisations wishing to develop a responsible programme for the procurement of forest products. The guide lays out a generic approach for the adoption of a responsible purchasing policy and the development of an associated procurement programme.

The guide is aimed at any medium-size or large enterprise, including primary mills, secondary processors, importers, manufacturers, wholesalers and retailers, that purchases or procures forest products. In appropriate circumstances it may also serve to guide smaller enterprises.

The guide outlines the various ways in which purchasing organisations can demonstrate compliance with best practice and ultimately with their own procurement policies. It is based on tried and tested mechanisms and on extensive experience in the development of responsible procurement programmes.

*The guide outlines the various ways in which purchasing organisations can demonstrate compliance with best practice and ultimately with their own procurement policies.*

WWF's GFTN believes that a combination of a stepwise approach to forest management and the responsible purchase of forest products, as guided by credible forest certification, should underpin the search for solutions to the problems that are associated with the trade in forest products.

The development and effective implementation of a stepwise approach to responsible purchasing takes time, but a variety of approaches are now in use. This document draws together the common themes of those models and applies to them the GFTN's own insight and experience.

The principles outlined within this guide are in line with Forest & Trade Network (FTN) membership requirements, and the guide thus should help FTN trade members in meeting their membership requirements. All trade members of an FTN are advised to refer also to the specific guidance issued by their FTN manager.

## The WWF Global Forest & Trade Network

### The Challenge

The world's forests are a vital natural resource, providing invaluable benefits to all of us. Forests filter the air we breathe and the water we drink, reduce soil erosion and landslides, and act as an important buffer against global warming. Forests also provide us with timber products from furniture to paper, and medicinal plants treating conditions from the common cold to cancer. Many of the world's most endangered animals depend on forests for their survival.

Forests play a central role in the world's environmental and economic health, and yet they are not adequately protected. Illegal and unsustainable logging takes place on a large scale in many key areas, driven by demand for cheap timber and paper products.

Illegal and unsustainable logging are taking a heavy toll on forests and people, but they face a greater threat in the future. By some projections, global rates of wood consumption may nearly double by 2050. Action is needed now to safeguard the forests, so that they may both supply this increasing demand and provide continuing environmental and social benefits.

The GFTN is WWF's initiative to eliminate illegal logging and improve the management of valuable and threatened forests. By facilitating trade links between companies committed to achieving and supporting responsible forestry, the GFTN creates market conditions that help conserve the world's forests while providing economic and social benefits for the businesses and people that depend on them.

## The Global Forest & Trade Network Vision

The GFTN focuses its efforts in five strategic areas:

- working with companies from all parts of the supply chain to eliminate illegally logged and traded forest products and to drive improvements in the quality of forest management;
- developing and promoting credible certification as a vital tool in the improvement of forest management and forest product purchasing;
- defining, monitoring and applying a stepwise approach to both responsible forest management and the purchase of forest products;
- creating mutually beneficial partnerships between businesses, nongovernmental organisations, trade regulators, funders and others to mobilise the technical, financial and human resources necessary to achieve transformation; and
- focusing activities to provide benefits for forests that are valuable and threatened.

### What Is the GFTN?

The GFTN is an affiliation of national and regional Forest & Trade Networks (FTNs). It is active in nearly 30 producer and consumer nations in Europe, Africa, the Americas and Asia. All FTNs are fundamentally similar in their objectives and values, and each consists primarily of companies committed to practising or supporting responsible forestry. Several hundred companies are members of FTNs and by extension the GFTN, representing a wide range of actors that includes forest owners, timber processors, construction companies, retailers and investors.

While FTNs share similar objectives and values, the nature of their focus and activities varies. Demand-oriented FTNs, also called Buyer Groups, consist primarily of retailers, distributors and specifiers of forest products. (Members include architecture or construction firms that specify the type of wood to be used in building projects, companies which distribute timber, paper and other wood products, and retail chains which provide products directly to the individual consumer.) Buyer Group members are committed to the responsible purchasing of forest products, promoting the trade in legally produced forest products, improving the standard of forest management around the world and supporting credible forest certification.

*The GFTN operates under the premise that a forest products industry that seeks to support responsible forestry must incorporate business as well as environmental and social objectives.*

Production-oriented FTNs, also called Producer Groups, comprise primarily forest owners or managers that are working towards or have already achieved credible forest certification and forest product processors and manufacturers that are working towards the exclusion of illegal timber from their supply chains and greater trade in credibly certified forest products. Producer Group members must commit themselves to a time-bound action plan for the realisation of credible certification and the creation of a certified supply chain. Their progress towards these goals is assessed periodically by a third party.

The GFTN is formally part of WWF. Most FTNs are coordinated by WWF staff who work in and are familiar with the forest management issues or forest products market issues in their country or region, but others are coordinated by partner NGOs affiliated to the GFTN network. The GFTN seeks to form FTNs in markets and production areas where they can have the greatest beneficial impact on valuable and threatened forests.

### How Do the GFTN and Its Members Work Together?

The GFTN operates under the premise that a forest products industry that seeks to support responsible forestry must incorporate environmental and social as well as business objectives. The business case for responsible and certified forestry begins with the need to sustain supplies of raw materials, but must address also the needs to satisfy shareholders and sustain corporate reputation. To satisfy this business case, the GFTN provides an assortment of services and benefits to its members.

Forest owner and manager members can receive

- information and technical assistance to improve forest management,
- information and technical assistance to achieve credible and comprehensive certification,
- market incentives for the pursuit of certification,
- support of advocacy efforts for changes to legislation and law enforcement, and
- access to affordable, long-term financing.

## What Does WWF Mean by **Credible Certification?**

‘Credible Certification’ is the top step in the WWF/GFTN stepwise approach to responsible forest management and forest product purchasing. What does WWF mean by ‘credible certification’?

Forest certification aims to provide reliable information for end users and consumers of forest products, assuring them that the forests from which these products originated are managed according to high environmental, social and economic standards. Over the last decade various forest certification systems have developed to meet the requirements of different stakeholders.

WWF has followed the certification debate from the outset. We have been closely involved in the development of the Forest Stewardship Council (FSC) and believe this system contains all the necessary elements.

The World Bank/WWF Alliance for Forest Conservation and Sustainable Use has developed a set of criteria for evaluating the comprehensiveness of certification schemes/systems:

- institutionally and politically adapted to local conditions
- goal-oriented and effective in reaching objectives
- acceptable to all involved parties
- based on performance standards defined at the national level that are compatible with generally accepted principles of sustainable forest management
- based on objective and measurable criteria
- based on reliable and independent assessment
- credible to major stakeholder groups (including consumers, producers, conservation NGOs, etc.)
- certification decisions free of conflicts of interest from parties with vested interests
- cost-effective
- transparent
- equitable access to all countries

Based on these criteria WWF and the World Bank have developed a tool called the ‘Questionnaire for Assessing the Comprehensiveness of Certification Schemes/Systems’ (QACC—available at [www.forest-alliance.org](http://www.forest-alliance.org).) which will be used to assess a range of schemes and to define an appropriate threshold of acceptability.

Within the multi-scheme environment that exists today, WWF/GFTN will support all schemes that pass a certain threshold of ‘credibility’ as will be defined by the QACC process. This work is already under way jointly with the World Bank. As results start to become available they will be communicated to GFTN members and the general public.

Retailer, distributor, specifier and processor members can receive

- assistance with the development and implementation of procurement policies,
- assistance in linking to responsible and credibly certified producers,
- information on non-traditional or lesser-known wood species and sources, and
- assistance in their efforts to encourage existing suppliers to pursue credible and comprehensive certification.

Additionally, all FTN members receive

- association with respected environmental groups, such as WWF, and
- guidance in assessing the value and credibility of different certification systems.

In return for these benefits and services, members must comply with certain requirements of the FTN. Membership is regularly reviewed to ensure this compliance is in place. Specifically, FTN members are required to

- submit a statement of policies and practices for the promotion of responsible forestry and forest certification;
- submit an action plan and targets for the implementation of these policies and practices;
- report periodically to the FTN management on progress in implementation of the action plan and toward achievement of targets;
- submit to periodic audits of progress;
- appoint a senior manager as the FTN contact and manager of the action plan;
- pay membership fees; and
- respect all relevant legislation, including the competition and antitrust laws of the country in which the FTN operates.

# Introduction to Responsible Purchasing

## The Objectives of a Responsible Purchasing Programme

A responsible purchasing programme for forest products should aim to improve the environmental and social performance of the supply base by ending the purchase of forest products from illegal or controversial sources and by continuously increasing the proportion of those products purchased from credibly certified forests.

To achieve this transition, from whatever starting point, we advocate the use of a stepwise approach that seeks to move forward through a series of manageable advances. Assessment of the progress made from one step to the next requires that there be a high degree of traceability to the forest source (traceability will be discussed later in this document).

A stepwise approach requires progression through the following four categories:

- known source that complies with policy
- legal source
- source in progress to certification
- credibly certified source

A fifth category is

- recycled material

Each of these categories will be discussed in more detail in later sections.

## Management System Development

The following four sections outline the key components required of a management system for it to be able to properly support a responsible purchasing programme.

### INITIAL REVIEWS

An organisation seeking to adopt a responsible purchasing policy should assess its starting point, and subsequently should review on a regular basis its progress and achievements. The reviews may be internal or may be a much wider process involving stakeholders or other third parties. The purpose of the initial review is to gain an understanding of stakeholder expectations prior to developing policies and to seeking senior management support (*see “Reviews,” page 7*).

## SENIOR MANAGEMENT SUPPORT

The organisation will not be able to achieve its targets or fully implement its policies without the support of the highest authorities within the organisation. A senior member of management should be designated as responsible for policy setting and compliance. He or she should have sufficient seniority to ensure that all commitments are realised (see “Senior Management Support,” page 8).

## POLICY DEVELOPMENT AND IMPLEMENTATION

The organisation’s policies should clearly demonstrate its commitment to improved forest management. Its policies should include reference to:

- the elimination of illegally logged forest products;
- the elimination of forest products sourced from high-conservation-value forests (HCVFs) that are not credibly certified as well-managed or otherwise managed by a Forest Member of a WWF FTN;<sup>1</sup> and
- the continuous increase of the proportion of forest products that originate from known, legal and credibly certified well-managed forests.

(See “Policy Development,” page 8).

## COMMUNICATIONS

Clear, accurate and truthful communication of policy and activity can be a valuable tool for an organisation. Conversely, the integrity of the organisation and its supply chain are at risk if the nature, role, scope and achievement of the policy are miscommunicated (see “Communications,” page 10).

## Supply Chain Assessment

This section outlines the process for collecting and interpreting the data from the supply chain that enable assessment of the progress made towards responsible purchasing.

## TRACEABILITY AND ASSESSMENT OF SUPPLIERS

An organisation may be required to report to internal and external stakeholders on its progress towards its targets. For larger public companies, environmental (or Corporate Social Responsibility) reporting is increasingly becoming expected. The organisation should aim to gather data on the following aspects of its supply chain:

- the forest(s) of origin of each raw material or product
- the species of timber or other forest product used
- the volume or value of this material
- the environmental status of this material with respect to policy

(The organisation should use the categories or levels described in Section 8 of this document to assess the environmental status of the material.)

## ACTION PLANS AND TARGETS

The organisation should develop a series of annual targets to serve as steps towards achievement of its stated policy goals. The use of annual targets can ensure that activities and progress can be defined, measured and reported as required.

## Key Points

The responsible purchasing of forest products requires that the buyer embrace a number of key concepts. Once these concepts are understood they can be adapted to work within any business. The key concepts are:

- Reviewing where the business is at present (whether the starting point or a stage in an existing process).
- Obtaining support from key members of management.
- Setting policies that describe the boundaries within which the business will operate (that is, its values).
- Communicating its values and objectives to key audiences.
- Finding out what the business sources (traceability) and how this fits with the policies set for the business.
- Deciding how to proceed (action plans and targets).
- Reviewing all of the above, repeatedly.

<sup>1</sup> That is, a forest management unit in a time-bound process of progressing towards an acceptable level of credible certification with third-party verification (see “Non-certified Forest Member of a WWF Producer Group,” page 22).



# MANAGEMENT SYSTEM IMPLEMENTATION

## Reviews

There are two types of review that must be considered. One encompasses stakeholder expectations, the other is a review of activities and achievements.

### Initial Review

The initial review should identify what needs to be achieved, in terms of overall targets, policies and processes. It additionally should identify key roles within the organisation that are critical to the success of the policy and programme.

The review should include analysis of the expectations of the following stakeholder groups:

- customers
- investors
- regulators
- staff / colleagues
- competitors
- nongovernmental organisations (NGOs)

Having investigated these expectations it will be possible to develop a set of draft policies which reflect the organisation's values and stakeholder expectations. These can be formalised when senior management support has been obtained.

A preliminary analysis also should be undertaken of the sourcing of forest products. This should include investigation of key suppliers, with the objective of identifying any issues or concerns which will require further investigation.

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### Subsequent Annual Reviews

Subsequent reviews should aim to build on the achievements and successes of the organisation.

The annual review should include analysis of policies and targets, to ensure that these are still appropriate, and should where appropriate continue to involve stakeholder groups. It should focus on key issues which have arisen and should seek to resolve these issues. It may highlight weaknesses in policy and may identify issues or aspects which legislate for a change in supply chain management.

### Key Points

The initial review is critical to the success of both programme and policy development. Failure to engage with stakeholders at this stage can have long-term repercussions.

# Senior Management Support

Turning policy and values into a programme which promotes the responsible purchasing of forest products inevitably requires management support. Any activity which is seen as not being central to operations stands little chance of succeeding. Like all environmental and ethical programmes, a programme of responsible sourcing will succeed only when supported at the highest levels of management.

For smaller organisations, a programme of responsible sourcing will require the support of a partner or owner to ensure that the necessary resources are made available and to ensure that conflicts over policy enforcement are resolved. In larger organisations, a member of the board of directors or vice president should be made accountable for the programme. In all cases the support should be sought of the head of the buying or trading function.

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Support for the programme at lower levels of management is also important, as it is at these levels that the day-to-day management of the programme must be established. The day-to-day ownership of the programme ideally should be given to a department (or individual), such as that which is responsible for quality assurance or other technical functions, that has influence in and knowledge of the supply chain while also retaining a level of objectivity.

## Management Roles

The senior member of management should

- support the programme and its policies at the highest level of management in the organisation, and
- resolve any major conflicts that may arise relating to the work.

A member of middle management should

- manage the relationship with stakeholders,
- set and agree targets,
- develop policies, and
- negotiate with key internal stakeholders.

A programme manager should

- manage relationships with buyers and traders,
- manage relationships with suppliers, and
- develop tools to assess the environmental status of forest products in the supply chain.

## Policy Development

This section deals with the critical issue of how to develop a policy to promote responsible sourcing. It is this policy that will dictate the activities that must be undertaken to deliver the objectives of the programme as a whole.

### Where to Start

There is no “right”, “wrong” or “perfect” set of policies to underpin the effort to achieve more responsible sourcing of forest products. It is important, however, that the policy be aligned with SMART (specific, measurable, achievable, realistic and time-bound) targets. It is also important that the policy makers consider the consequences of their policy prior to its implementation. 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.

An example of a suitable policy for forest products purchasing is provided in Appendix 1.

## Main Policy Elements

Responsible purchasers should develop an environmental policy or set of policies which make reference to the following:

- the traceability of forest products within the supply chain;
- the elimination of products made from illegally harvested timber;
- the elimination of forest products sourced from high-conservation-value forests that are neither credibly certified nor a member of a WWF Producer FTN or other credible stepwise certification scheme or programme (in other words, that are not from a forest that is demonstrably committed to becoming certified within a defined time period);
- the elimination of forest products sourced from forests that are being inappropriately cleared or converted; and
- continuously raising the proportion of forest products that originate from well-managed, credibly certified forests.

The scope of the policy may vary from one organisation to the next; for example, through the inclusion or exclusion of:

- forest products intended for resale only,
- forest products sold under “own brand” or “store brand” only,
- forest products procured for service use and not for resale (for example, copier paper), and
- forest products used within the fabric of buildings (for example, wooden doors or floors in new offices or factories).

The scope of the policy therefore is flexible and can grow over time. Best practice dictates that the scope of the policy be set to apply to the largest impact area of the business; for example, a retailer should consider its products before its copier paper.

*There is no “right”, “wrong” or “perfect” set of policies to underpin the effort to achieve more responsible sourcing of forest products. It is important, however, that the policy have SMART (specific, measurable, achievable, realistic and time-bound) targets.*

The policy should also include reference to:

- periodic review of the policy and its associated targets (possibly as part of a larger environmental or Corporate Social Responsibility reporting agenda), and
- communication to key audiences of the policy and its associated targets.

The policy and any associated documents should be the responsibility of senior management within the organisation and should have the same level of endorsement as any other of the organisation’s policies (such as those on health and safety or discrimination, for example).

## Key Points

A key role of the policy is to establish the framework upon which a culture of responsible purchasing can be built. A good policy will define exactly all of the issues that it seeks to address and will identify what is and what is not acceptable to the purchaser. It should convey clearly the values of the organisation and show how these values will be upheld.

# Communications

Having developed a responsible forest products purchasing policy and implemented a programme of work, it is extremely important that an organisation widely disseminate information about its policy and all associated activities. At the very least, the policy must be communicated to:

- colleagues and staff (most crucially, the buyers of forest products), and
- suppliers that will be affected by the policy.

The organisation may choose also to communicate the policy to other stakeholder groups identified in the review.

The mechanisms for communicating the policy are varied and are best determined by the issuing organisation. Examples of ways to communicate the policy include the following:

- training sessions for buyers and for the technical teams required to implement the policy,
- booklets or guidance notes,
- creation of an Internet or intranet site devoted to the issues addressed by the policy and to the organisation's activities in relation to pursuit of the policy,
- publication of the policy in annual environmental/corporate social responsibility reports and on associated Internet sites, and
- consultation with suppliers.

## Key Points

The primary aims of communicating information about the policy are to ensure that it becomes an everyday function of the organisation and that it is understood by those who interact with the organisation.



# SUPPLY CHAIN ASSESSMENT

## Traceability and Environmental Status of Suppliers

The impact of the purchasing policy on the supply chain may be reviewed by gathering data from suppliers and assessing these data against the policy. This section demonstrates ways of gathering and assessing the necessary data.

From the outset of policy implementation, and specifically to set a baseline from which progress and compliance might be demonstrated, a tracking system must be developed that identifies:

- the forest(s) of origin of raw material,
- the species of timber or other forest product used, and
- the volume or value of this material.

These factors together enable traceability.

Each forest source should fall broadly into one of the following categories:

- recycled source
- known source that complies with policy
- legal source
- source in progress to certification
- credibly certified source

These factors define the environmental status of the raw material.

The purpose of gathering these data is to enable detailed assessment of the sourcing situation. The data gathered are more comprehensive than those of the initial review, permitting the organisation to demonstrate how policy is being realised through the supply chain and to demonstrate how over time the organisation is improving its forest management.

## Traceability: Setting Up a Database

The supply chain database can range from a simple paper record to a complex spreadsheet record. Generally speaking, the more complex the supply chain (that is, the greater the number of suppliers and products involved) the greater the need for a database. The most cost-effective way to proceed can often be through the adaptation or use of existing systems, such as quality control or accounting systems.

The database should, through associated questionnaires, identify the species, source, and volume or value of forest products for each product, supply chain and process.

(Further guidance on data requirements and guidance on improving the quality of responses can be found in Appendices 2 and 5.)

*The impact of the purchasing policy on the supply chain may be reviewed by gathering data from suppliers and assessing these data against the policy. This section demonstrates ways of gathering and assessing the necessary data.*

## Gathering Data from Suppliers

A database can only be as good as the data entered. The best source of data for a purchaser of forest products is the supplier.

### QUESTIONNAIRES

Sending out questionnaires can be a laborious and lengthy process. The number of suppliers that an organisation uses and the complexity of the data required have a significant bearing on how long it takes to assemble the database.

There are three primary approaches to gathering the data required. All are forms of questionnaire:

- Traditional questionnaires are paper based. The supplier completes the questionnaire having read any accompanying notes. Entering the data supplied can be a lengthy process.

Questionnaires can be distributed electronically, in spreadsheet or simple text format, for printing or for electronic data entry (the latter method offering the advantage of reducing data entry to a single step). The disadvantage of the traditional questionnaire is that the organisation has no control over what is entered: suppliers may enter misleading, inaccurate or incomplete data.

- Online or Web-based questionnaires are increasingly popular. Data are only entered once, and the organisation has the advantage of being able to exercise some control over responses, for example by offering a menu of possible answers to each question. Additional resources furthermore can be provided online to the respondent.
- Supplier visits. The most time consuming, but often the most reliable, method of data gathering is to visit the supplier and work through a series of questions. This option can be most readily used where there is a small number of suppliers; it is otherwise closely constrained by the availability of resources. It additionally can be combined with other techniques for key suppliers, for example.

Key considerations when deciding on the method of data collection include:

- the resources available,
- the level of technology available,
- the adaptability of existing systems, and
- the integrity of the supply chain (the stronger its trust in its suppliers, the more streamlined an organisation can make the process).

## Assessment of Environmental Status

Having established its data gathering and storing mechanisms, the organisation can begin to assess the data received. It is likely, particularly after the first round of data gathering, that the data will be incomplete or difficult to understand, but subsequent rounds should be able to address these problems (see Appendix 5).

Each source identified should be placed in one of the following categories:

- recycled material
- known source that complies with policy
- legal source
- source in progress to certification
- credibly certified source

The next sections discuss each of these categories in more detail to assist in the process of designation (see also Figure 1).

*The definition of “recycled” can vary in different countries and markets. To ensure that the policy and definition used are sufficiently robust, an organisation should check with its stakeholder groups.*

## RECYCLED MATERIAL

The raw material used should be designated recycled where it is either

- a forest product made from post-consumer recycled fibre (for paper), or
- wood-based material that is sourced from a recovery process.

The definition of “recycled” can vary in different countries and markets. To ensure that the policy and definition used are sufficiently robust, an organisation should check with its stakeholder groups. In most countries the term recycled infers that the wood or fibre has been used previously by an end consumer (this is also termed “post-consumer” recycling).

It should be noted that not every organisation will want to include recycled wood and fibre within its purchasing policy. For many organisations, however, and particularly those which have identified recycling as a key issue among their stakeholders, there is much value to be gained through the use of recycled materials.

## KNOWN SOURCES THAT COMPLY WITH POLICY

“Known sources that comply with policy” are forests or other primary sources that have been investigated and that have been sufficiently identified to enable the assessment of compliance against the purchaser’s policy.

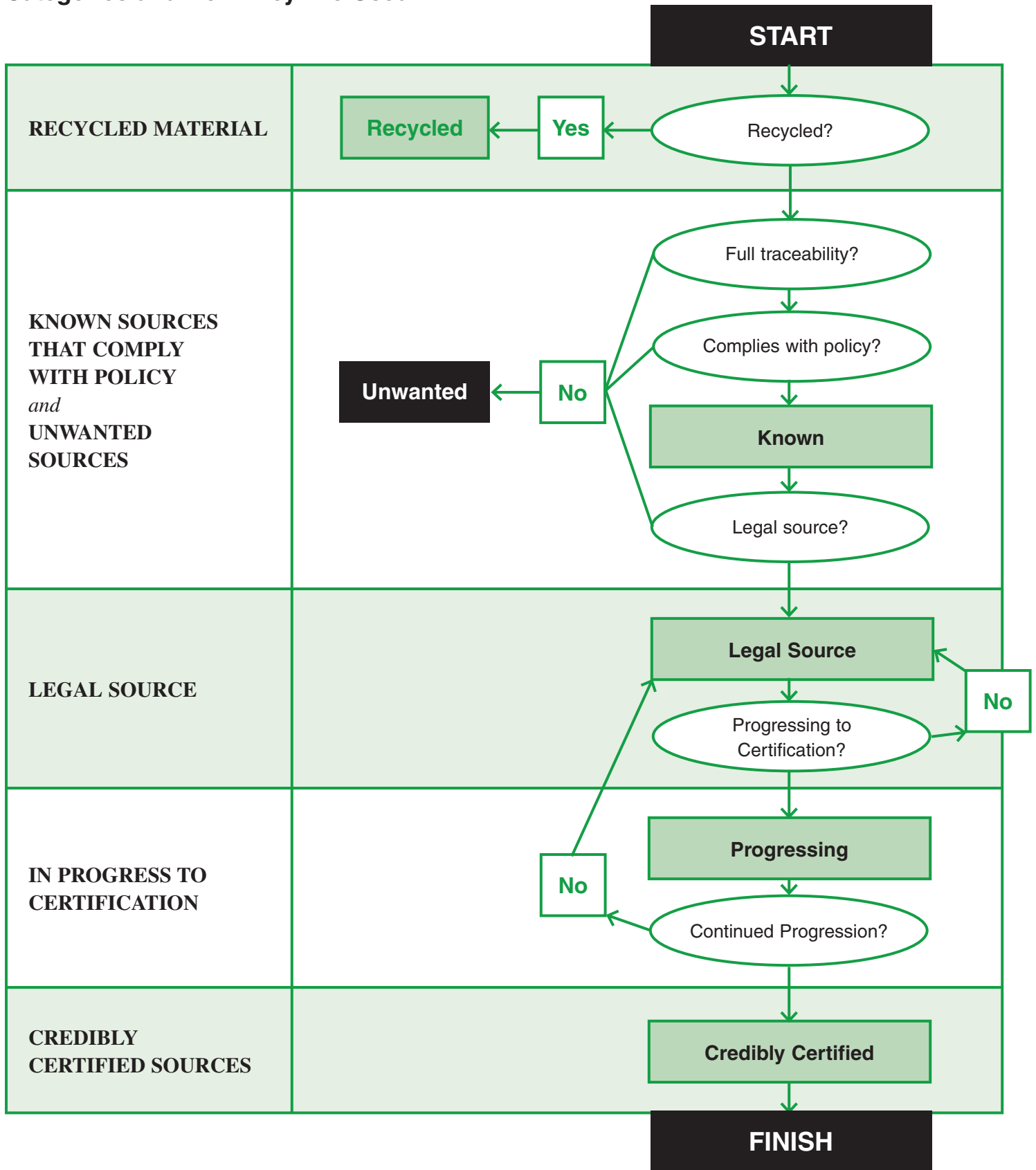
This designation should be used where

- the supplier can identify the forest source from which the forest product originates (“known”), or
- there is no evidence to suggest that this primary source can be regarded as “unwanted” as defined by the purchaser’s policy (“compliant”).

This primary source may be:

- a collection of forest sources supplying a single sawmill,
- an integrated pulp and paper mill, or
- an individual forest.

**Figure 1. Summary of Assessment Categories and How They Are Used**



In cases in which a collection of forest management units supply a single mill, these can be grouped as a single source if conditions are common and the management controls are common across all supply points.

For the purpose of responsible purchasing, a “known” source is an important objective and should be well defined. The issue of traceability in the forest product supply chain is key to improving forest management practices: Without traceability there is no mechanism through which to apply market pressure on or to generate a market pull toward producers.

For solid wood products it can be possible to identify the forest of origin, as the supply chain can be relatively straightforward. In some circumstances pulp and fibre products are also relatively straightforward to identify. For most forest products, however,

the supply chain is much more difficult to identify. The reason behind this is that many primary mills use raw material from a variety of forests to manufacture their product.

An important consideration is the degree of verification required to establish that any given product originates from where the supplier has stated. For low-risk countries a simple self-declaration from the supplier may suffice. In high-risk situations the degree of scrutiny and verification required will be much greater, and third-party verification may be required (that is, a chain of custody certification for the supply chain). Table 1 outlines a hierarchy of steps that may be followed to establish if a source can be described as “known”.

## What are **Known Sources?**

“Known sources that comply with policy” are:

- traceable to an acceptable level with respect to the level of risk (usually Forest Management Unit level), and
- compliant with significant aspects of the purchaser’s purchasing policy.

“Known sources that comply with policy” may still be at this stage:

- illegally harvested (this cannot be determined until further checks have been made), and
- illegally exported (this cannot be determined until further checks have been made).



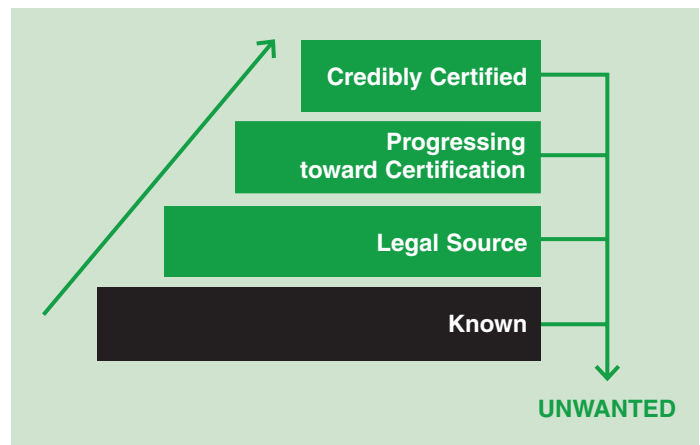
**Table 1. Identifying Known Sources of Forest Products**

Product Traceability	“Known” Source?	Detail and Improvements
Traceable to direct supplier Supplier is not a forest owner or manager (not an integrated company).	No	Agree action plan with supplier to deliver more traceability.
Traceable to secondary processor. Processor is not a forest owner or manager (not an integrated company).	No	Agree action plan with supplier to deliver more traceability.  If this processor also supplies material through another direct supplier, consider a direct approach to the processor for more information.
Traceable to primary mill. Mill is not a forest owner or manager (not an integrated company).	Maybe	If the mill has complete traceability for all sources and can identify the source for given batches of material, this is acceptable. If the mill cannot exert this degree of traceability, agree an action plan with the supplier to determine (initially) the major suppliers to the primary mill and to identify what plans the mill has to improve traceability.
Traceable to an integrated forest products company.  (A company that is involved in forest management and forest products processing).	Maybe	If the supplier can demonstrate that it has a good level of traceability at all levels and that it sources only from its own forestry operations, this is an acceptable level of traceability. If the integrated supplier draws from beyond its own sources it will need to demonstrate similar traceability. If it can, this is acceptable. If it cannot demonstrate such traceability, agree an action plan with the supplier to identify (initially) its own suppliers and to identify what plans the mill has to improve traceability.
Traceable to the forest management unit.	Yes	Documentation and confidence in systems is high and all materials can be traced to this forest or forests.

## UNWANTED SOURCES

The “unwanted” designation should be used when a source has been identified (that is, is “known”) but does not comply with the purchasing policy. Circumstances in which this designation may be applied include the following:

- The supplier has not returned the questionnaire or has failed to complete it within the specified time.
- The supplier cannot trace the source (forest) of the forest product.
- The supplier is unwilling to disclose the source of the forest product.
- The integrity of the supplier and supplier data are in doubt.
- The source is suspected or identified as being unacceptable within the scope of the responsible purchasing policy. For example;
  - It is a forest known or suspected (that is, is controversial in the opinion of key stakeholders) of being a high-conservation-value forest (HCVF) that is not credibly



certified nor managed by a member of a WWF Producer Forest and Trade Network or other acceptable stepwise certification scheme or programme (that is, it is not certified and is not demonstrably committed to becoming certified within a defined time period). The same assessment may be made should the forest manager be

## Seeking Solutions for Non-Compliance

It is important to note that forest sources that initially are assessed as being non-compliant with the purchasing policy—which are arguably “unwanted”—can be improved over time. When making the initial assessment it is important that the purchaser consider what credible remedial actions can be undertaken by the forest source.

Exploring credible ways of improving the performance on the ground that causes the source to be “unwanted” can be a lengthy process but may prove more rewarding than having to re-source the material. An example of this would be a forest source identified as a high-conservation-value forest (HCVF), in which the following situations could occur:

- The forest manager is not prepared to engage in any dialogue or process which will identify the high conservation values or responsible management. This is an “unwanted” source.
- The forest manager is prepared to engage in a credible process to remedy this controversial issue, in the form of joining a time-bound, stepwise programme towards credible certification, (or initially in the form of engagement with a credible process to identify and responsibly manage high conservation values within the forests). This situation would be defined as that of a “known source complying with policy”. This process should be made time-dependent, and if significant progress is apparent the source could move higher in the assessment. If progress is not made, the source ultimately would become “unwanted”.

unprepared to engage in a credible attempt to identify best practice in the identification and management of the HCVF (see also Appendix 3).

- ❑ The forest product originates from a forest that is being inappropriately converted or, where the buyer doubts the legality of conversion, the seller fails to provide adequate assurance that this is the case (see Appendix 3).
- ❑ The forest is a Protected Area where logging is illegal.
- ❑ The species involved is listed in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (or other Appendix, as defined by the responsible purchaser's policy), or is listed in CITES Appendices II or III but the supporting certificates from the CITES Management and Scientific Authorities in the country of origin are lacking or are suspect.
- ❑ Any of the source forest, forest management process, company, region or country identified is operating in a manner that is deemed unacceptable and unwanted for clearly defined reasons (that is, is identified by the organisation in an adjunct to its responsible forest products purchasing policy as, for example, "conflict" or "controversial" timber).
- ❑ The source is known or strongly suspected of being an illegal operation.
- The forest products in question have been illegally processed, exported or imported (even if harvested legally).

## LEGAL SOURCE

To be designated "legal" the source forest should

- be known and comply with policy,
- comply with the purchaser's purchasing policy in all other regards, and
- have second-or third-party verification of the legal source and traceability of the end product.

A responsible purchaser should aspire to the highest levels of legal compliance in all purchasing activities. There can be a number of practical difficulties obstructing achievement of this goal.

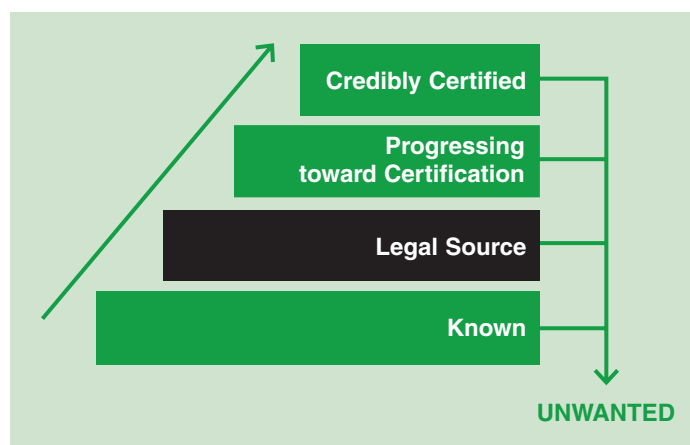
As a first step to identifying a legal source, the responsible purchaser should ensure that the forest manager or harvesting company has the legal right to harvest the timber. There should be an absence of—or at least no suspicion of—illegal logging.

The onus is on the purchaser to demonstrate due diligence, and this can only be achieved through recognising what mechanisms and systems are available to assist in making this judgement. Most forest industries around the world experience a degree of illegal logging or of illegal trade in timber and forest products, and defining what is legal and what is illegal is not simple. The illegal trade varies greatly in sophistication, and watertight identification of the source of forest products can be difficult even for the experts.

"Legal" in the terms of the forest products trade is a broad concept (see box on page 18). Some aspects of illegality cannot be included in a pragmatic definition within a purchasing policy as they are difficult in practice to verify. These include fraud, bribery, corruption and tax evasion, which furthermore are difficult to identify and act upon. A vigilant purchaser will seek advice and develop policies to minimise the risk to the organisation through exposure to such practices. (Further advice and assistance in this area is available from Transparency International, online at <http://www.transparency.org>.)

A responsible purchaser should assess the issues and risks associated with the illegal trade in forest products and should develop policies and definitions that are a balance between stakeholder expectations, the level of risk and the practicality of enforcement.

The types of information and documentation available will vary by country, as will their reliability. Specific guidance is given in Appendix 4 for several major exporting countries; if the material is sourced from other countries the purchaser should establish through discussion with the supplier, WWF or other NGOs, or the relevant forestry department which documents are required. Guidance on assessing the credibility of the documents and information supplied follows in the next section.



How does WWF define

## Illegal Logging and Forest Crime?

Illegal logging has occurred when forest products are bought or sold in violation or circumvention of national or sub-national laws relating to:

- harvesting
- transportation
- processing

WWF uses the term “illegal logging and forest crime” to include:

- large- and small-scale timber theft
- transfer pricing
- breaching of tax rules
- illegal aspects of timber sourcing
- circumvention of concession agreements through bribery or deception.

(This list is summarised from Appendix 3.)

### *Options for assessing legal source*

Assurance of legal source can be obtained by a variety of means and at varying stages in the supply chain.

The options available are:

- Obtaining this information for every source of forest products. (This option best suits saw millers, pulp manufacturers and timber exporters and importers.)
- Obtaining convincing evidence from the supplier that it operates systems that check that this level of documentation is available and correct. (This option best suits manufacturers, retailers and specifiers.)

To assess the credibility of the information from the supplier the purchaser should consider the following:

- Does the supplier operate systems that prove the origin of its wood?
- Does the supplier have systems to exclude illegal and other unwanted wood?
- How good are these systems?
- Can the supplier be trusted?
- Is the supplier audited, and if so, by whom?



## What Documents Can Help Show Legal Source?

Proof that wood has been harvested and sold by a forest company from a legal source can include:

Demonstration of the legal right to harvest (Tenure and Resource Rights):

- A copy of the licence with the official boundary map showing that the company has the right to harvest wood from the area in question.
- A permit from the relevant forestry authorities, with the official management unit map, giving permission to harvest from a specific area (coupe) within the forest in that harvesting period.
- Log lists showing tree number and dimensions and identifying the cutting area within the forest where the log was produced. (This is not appropriate for a plantation or for many salvage logging operations, where only the coupe or compartment number may be recorded, and not the tree number.)

This evidence might also include a copy of a Timber Harvesting Plan or equivalent document and a copy of the Forest Management Plan, both approved by the relevant authorities, that prove a company's right to harvest a particular area.

If the wood was exported to where the timber is to be processed, some or all of the following documentation should be provided:

- a bill of lading identifying when and by whom the wood was exported;
- contracts of sale showing to whom the wood was sold, when, and demonstrating that the exporter legally owned the wood;
- a certificate of origin stamped by the relevant government authority for the consignment in question;
- customs documentation from the country where the wood originated, to show that it was legally exported and that all export taxes were paid;
- customs documentation from the country to which the wood was imported, indicating that the wood was legally imported with all relevant duties paid (this document should match the export documents); and
- CITES documentation (from both the exporting country and importing country) if the wood is from a CITES-listed species.

For many sources and suppliers the process of identifying whether or not the product originates from legally harvested and managed operations can be a long and time-consuming process. The process can be speeded up, however, by:

- performing a risk assessment to identify problem areas for targeting;
- identifying those countries and parts of the trade in forest products where illegal operations are suspected and devising strategies for these regions;
- ensuring the legality of the forest products as a condition of contract at time of purchase (in other words, make legality a condition of contract);
- purchasing forest products from processing companies that are members of a WWF FTN and which can provide full second- or third-party verification of traceability to a legal source; and
- obtaining credibly certified forest products with chain-of-custody certification.

*Best practice is to insist on third-party verification of compliance with all relevant laws in the source forest and traceability or chain of custody.*

A number of organisations 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.

Best practice is to insist on third-party verification of compliance with all relevant laws in the source forest and traceability or chain of custody. An interim approach would be to use second-party verification, which for the purchaser would entail developing a system limited to its own supply chain.

### *Due diligence*

Before describing or reporting on sources that are included in the “legal source” level, the purchaser should decide whether sufficient checks have been made and if due diligence—the fair, proper and due degree of care and activity—has been practised to demonstrate that the forest products in question have been legally obtained. A prudent buyer will conduct due diligence investigations to ensure that contract obligations have truly been acted upon.

A checklist for considering legality (in the broadest sense) when conducting risk assessment and due diligence is provided below.

### **Legal source**

- Tenure:
  - the logging contractor/operator is authorised to be there by the proprietor (lease, concession agreements are in place)
  - property and/or customary rights are respected
  - there is no dispute over property/customary rights
- All government-required approvals are in place, including harvesting permits, cutting licences and annual allowable-cut permits.
- Operations meet the requirements and stipulations of the permits.
- There are no credible allegations of corruption in the tendering / concession / lease process.

### **Revenue payments**

- Stumpage fees and other required revenue payments are paid.
- The timber extracted corresponds to the volumes authorised in the licence or contract. (There should be no duplicate felling licences.)
- There is accurate measurement, reporting and declaration of the values and volumes extracted or transported.

### **Forest operations**

- There is no commercial logging in protected areas.
- There is no logging
  - in prohibited zones, such as steep slopes, riverbanks and water catchment areas;
  - of protected species;
  - outside concession boundaries; or
  - of undersized trees.
- There is no girdling or ring-barking to kill trees so that they can be legally logged.

### **Related forest crime**

- There is no credible suspicion of transfer pricing irregularities such as:
  - inaccurate declaration of purchase prices for inputs such as equipment or services from related companies; or
  - manipulation of debt cash flows in order to transfer money to a subsidiary or parent company, for example, by inflating debt repayment to avoid taxes on profits.

## Log transportation

- All timber transported has official documentation.

When sourcing from countries where illegal logging and related activities are common, due diligence should include third-party verification. When sourcing from countries with low levels of illegal logging, second-party checks may be adequate, but it should be cautioned that association with illegal logging can rapidly undermine an organisation's reputation as a responsible purchaser. If in doubt, seek third-party verification.

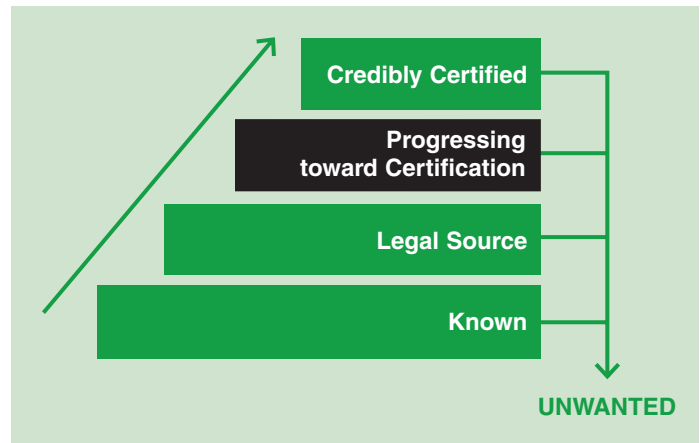
### Key points

Illegal logging and the trade in illegally logged forest products is a feature of many supply chains. Individual purchasers will be affected to differing degrees depending on the commodities purchased and the countries from which they are sourced.

Understanding what documentation can reasonably be expected from suppliers and producers and then demanding that this be made available is the best way of starting the process of verifying that the supply chain is managing these issues.

Exercising due diligence and establishing monitoring systems where the risk is believed to be high is a further step towards ensuring that the sources used are legal.

A well-targeted combination of third-party verification and sound chain-of-custody management systems is probably the most cost-effective approach.



## IN PROGRESS TO CERTIFICATION

For a source forest to be categorised as “in progress to certification”, it must be:

- “known” (traceable),
- fully compliant with the purchasing policy,
- showing evidence of legal source and broader legal compliance, and
- engaged in a time-bound process of progressing towards an acceptable level of credible certification with third-party verification.

What defines a  
**Legal Source?**

For a source to be described as legal the following is required:

- It must be fully traceable (that is, “known”).
- It must be fully compliant with other aspects of purchasing policy.
- Second-party checks and systems, at the minimum, must ensure that the legal right to harvest is established. All relevant chain-of-custody documentation must be routinely checked by the supplier and on occasion by the purchaser.
- Ideally, third-party verification should be secured of broader legal compliance and of the chain of custody from forest to final product.

## When is a source in Progress to Certification?

A source that is in progress to certification is:

- fully traceable (is “known”);
- satisfies all purchasing policy requirements;
- has in place, at the minimum, second-party checks and systems to ensure legal compliance and to ensure that all relevant chain-of-custody documentation is routinely checked by the supplier (and on occasion by the purchaser);
- has in place, ideally, third-party verification of legal compliance and chain of custody from forest to final product;
- has made a public policy commitment to achieve a credible standard of certification;
- has undertaken a baseline audit or appraisal to determine that the forest is certifiable;
- has an agreed, time-bound action plan to achieve certification through a series of steps;
- undergoes regular monitoring to ensure that progress is being made; and
- is working with a credible programme or organisation to achieve these aims.

There are three main ways in which a forest source can demonstrate that it is meeting these requirements:

- Products with second-or third-party verification of legal compliance and traceability for the end product originating from a non-certified forest member of a WWF Producer Group.
- Products with second-or third-party verification of legal compliance and traceability for the end product for which source forests are members of a credible stepwise certification programme.
- Products with second-or third-party verification of legal compliance and traceability for the end product for which source forests are formally and contractually committed to credible, independent forest certification, overseen by a third party.

These processes are described in more detail in the following sections.

### *Non-certified Forest Member of a WWF Producer Group*

The GFTN’s preferred way for purchasers to demonstrate that they are sourcing from forests that are progressing towards credible certification is that they be members of a WWF Producer Group.

WWF Producer Groups are made up primarily of forest owners and managers, processors, and manufacturers that have committed themselves to achieve or have achieved credible certification or have a certified supply chain. Members of this type of FTN have agreed a timetabled action plan for achieving certification with the coordinating staff of the FTN and have consented to periodic audits of their practices and progress towards certification.

Non-certified WWF Producer Group member companies are required to:

- **Policy.** Submit a statement of policies and practices for the promotion of responsible forestry and a commitment to credible forest certification and transparency relevant to all their operations.
- **Baseline appraisal.** Undergo a baseline appraisal by a third-party auditor that identifies all areas of non-compliance with standards required by a credible certification scheme, and submit a comprehensive appraisal report for at least one forest management unit (FMU).
- **Action plan.** Submit a timetabled action plan and targets for developing and maintaining an adequate product tracing and segregation (chain of custody) system from stump to first point of sale, and for achieving credible forest certification within five years for at least one FMU.
- **Monitoring.** Undergo periodic monitoring visits by a third-party auditor to assess progress with action plan implementation, and submit a comprehensive monitoring report.
- **Management.** Nominate a senior member of management with responsibility for acting as the operational contact for the member and for implementing the action plan.
- **Communications.** Agree to follow the GFTN Communication Code of Practice.
- Pay membership fees.
- **Act lawfully.** Members are further required to comply with legislation, including competition and antitrust laws, as it relates to the country in which the FTN operates.

#### *Other stepwise certification programme membership*

A number of stepwise approaches to forest certification have been developed, as described below.

#### **Tropical Forest Trust (TFT)**

TFT members invest a fixed percentage of their product's gross margin to fund TFT activities tailored to suit their investment needs. Members get a return on their investment by securing a more ethical wood supply, and gain preferential access to timber and wood products generated by specific forestry operations (projects) that they support. Before an operation achieves Forest Stewardship Council certification members have the security of knowing that their supply chain originates in a project that, with TFT assistance and monitoring, is demonstrably moving towards that certification. Having established such a close relationship

with these operations, TFT members have the opportunity to secure a long-term supply of FSC-certified timber and wood products once the operation is certified. A forest operation or project supported by TFT is also eligible to become a non-certified forest member of a WWF Producer Group.

Depending on the specific TFT project and the level of progress, this type of source can usually be assessed as belonging to one of the categories: "known source that complies with policy", "legal source" or "source in progress to certification". (Contact TFT for guidance, at: [www.tropicalforesttrust.com](http://www.tropicalforesttrust.com).)

#### **SGS Malaysia: Certification Support Programme**

SGS Malaysia Forestry Services Division has developed a structured auditing programme, the SGS Certification Support Programme (CSP), to help forest management organisations develop and implement a management system that meets international and national standards of forest management and traceability. A producer registered under the CSP is also eligible to become a member of a WWF Producer Group.

The CSP comprises two main stages:

- initial evaluation / pre-assessment
- development and implementation

Participating organisations are continuously audited by SGS (Malaysia) against an agreed work plan and audit schedule. The work plan and schedule are designed to realise compliance with Forest Stewardship Council Principles and Criteria under the CSP. SGS Malaysia issues audit statements for each participant throughout the development and implementation stage to track the participant's progress toward the objectives and targets scheduled in the work plan.

All audit statements are posted in the client database to maintain the transparency of the programme. A producer registered under the CSP is also eligible to become a member of a WWF Producer Group.

SGS CSP-registered companies, depending on the level of progress, can usually be assessed as being in one of the categories: "known source that complies with policy", "legal source" or "source in progress to certification". (Contact SGS Malaysia for guidance, at [www.sgs.com/my](http://www.sgs.com/my).)

#### *Other mechanisms*

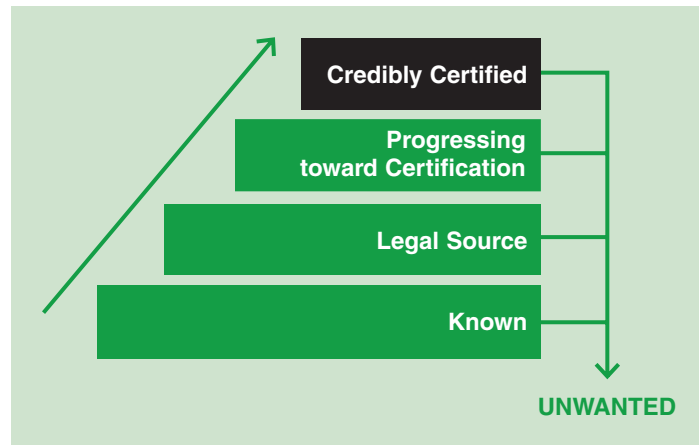
Numerous organisations are now offering support for forest producers, particularly in tropical regions and in the southern hemisphere. In addition to the WWF Producer Groups and similar mechanisms, there are a variety of means by which sources and suppliers can be encouraged to achieve certification of their

forests. Where the relationship between the forest source and the purchaser is strong, it is appropriate that the two organisations enter into a contractual agreement to supply certified forest products within an agreed timeframe. It is recommended that this timeframe to achieve certification does not exceed five years and that the certification process is one that is credible.

For such a mechanism to be credible to third parties, including stakeholders in the purchasing process, the purchaser should ensure that such activity is transparent. Third-party verification of progress should be used.

### Key points

- Sourcing from forests which are engaged in a stepwise and transparent process towards credible certification can have a number of benefits to the purchaser.
- The certification process should tackle all substantive issues associated with the management of the forest.
- In many countries and for many product types, such approaches to forest certification are likely to prove the only cost-effective and reliable means of achieving credible forest certification.



More information on the work of WWF Producer Groups and the credibility of other transitional and stepwise certification programmes can be obtained from GFTN.

### CREDIBLY CERTIFIED SOURCES

The term “credibly certified forest product” refers to products originating in forests that have been independently assessed and certified as being well-managed; that is, managed in an environmentally responsible, socially beneficial and economically

## What is a **Credibly Certified Source**?

A credibly certified source is

- fully compliant with the policy of the purchaser; and
- certified using a system requiring:
  - the participation of all major stakeholders in the process of defining a broadly accepted standard for forest management
  - compatibility between the standard for forest management and globally applicable principles that balance the economic, ecological and equity dimensions of forest management
  - an independent and credible mechanism for verifying the realisation of these standards and communicating the results to all major stakeholders.

The supply chain and materials are certified in a manner that is:

- appropriately audited for chain-of-custody requirements from forest to purchaser.



The following is an extract from the World Bank–WWF Alliance Guidance Note for Improved Forest Management and Certification; Target: Achieving Independent Certification for 200 Million Hectares of Well-Managed Production Forests by 2005 (available online at <http://www.forest-alliance.org>).

## Principles and Criteria for **Credible Certification**

### Goal and Purpose

The goal of the World Bank–WWF Alliance for Forest Conservation and Sustainable Use is to promote improved forest management through the adoption of best practices that are internationally recognised, and the verification of their application based upon performance reviews conducted by independent parties. The purpose of independent certification is to identify, recognise, communicate and promote the broader adoption of these best practices. For the purposes of the Alliance, independent certification is achieved when the following conditions have been met:

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

### Principles

The Alliance believes that a common set of principles should underscore any standard for improving forest management. These include the following:

- **Compliance with all relevant laws.** Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory.
- **Tenure and use rights.** Long-term tenure and use rights to the land and forest resources shall be clearly defined and documented, and legally established.
- **Indigenous people's rights.** The legal and customary rights of indigenous peoples to own, use and manage their lands, territories and resources shall be recognised and respected.
- **Community relations and workers' rights.** Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and communities.
- **Benefits from the forest.** Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social services.
- **Environmental impact.** Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and by so doing shall maintain the ecological functions and integrity of the forest.
- **Management plan.** A management plan, appropriate to the scale and intensity of the operations, shall be written, implemented and kept up to date. The long-term objectives of management, the means of achieving them and indicators of performance shall be clearly stated.
- **Monitoring and assessment.** Monitoring shall be conducted, appropriate to the scale and intensity of forest management, to assess the condition of the forest, the yields of forest products, the chain of custody, and management activities and their social and environmental impacts.
- **Maintenance of high-conservation-value forests (HCVFs).** Provisions shall be made to ensure the conservation and appropriate management of critical forest conservation areas, related critical natural habitats and other sites with environmental, social or cultural significance.
- **Plantations.** Plantations shall be designed and managed consistently with all the above principles. Such plantations shall complement overall ecosystem health, provide community benefits and provide a valuable contribution to the world's need for forest products.

viable manner. The independent certification process requires that standard setting, accreditation and auditing are all performed by different independent bodies.

Forest certification inspections or audits are carried out by third-party certification bodies. These certifiers in turn are accredited by an independent accreditation body. The forest audits must be site-specific, and should assess management at the forest management unit level against measurable recognised performance standards. These standards must include minimum thresholds for economic, social and environmental criteria.

Final customers (purchasers of goods not for resale, or consumers) seek assurance in the form of a chain-of-custody certificate that the products they are purchasing are from credibly certified forests. This form of certification requires that businesses which handle certified forest products demonstrate that their certified products and raw materials are produced under a credible chain-of-custody system. Chain-of-custody certification can be coupled to a logo or label that can be used, where desirable, to identify products from well-managed and certified forest operations.

Independent forest certification and the associated market in certified forest products are market-and stakeholder-driven processes.

*Chain-of-custody certification can be coupled to a logo or label that can be used, where desirable, to identify products from well-managed and certified forest operations.*

## Key Points

Traceability and assessment are the real “nuts and bolts” of implementing a stepwise approach to responsible purchasing. Understanding the issues around each step and what it takes to move upwards are vitally important if progress is to be made.

By breaking down the process into small steps, the gulf between good intentions and good results can be made to narrow.

## Action Plans and Targets

The preceding pages have elaborated on a process that allows definition of where an organisation is with respect to the policy commitments and targets that have been set. The picture will not be perfect: not all sources will be categorised at the highest level, nor will all be certified.

Stakeholders and management will be looking for the organisation to show annual incremental improvements, with fewer unwanted or merely “known” forest products in the sourcing mix. Ultimately the goal should be to achieve full sourcing of certified forest products. It is important to prioritise planned improvements, addressing the whole spectrum of issues that are identified. Focusing solely on increasing the volume of certified material could undermine the overall effort, should the question of the legality of other sources be overlooked.

## Improving Supply Chains and Supplier Performance

There are numerous ways by which to improve the situation. This section highlights some of the more common methods and their benefits.

### THE SAME, BUT BETTER

Working with an existing supply chain has the major benefit of keeping out new and unknown suppliers or materials, with all the risks that these can entail. If the chain has developed successfully there furthermore will be a degree of understanding and trust among the organisations that make up the chain.

Working with existing supply chains to achieve more responsible sourcing is a desirable option when:

- heavy investment has been made in establishing the chain or in the products it supplies;
- the suppliers involved have unique skills, technology or sources of raw material; or
- a change in suppliers may have an adverse impact on business.

Existing supply chains need to be able to demonstrate the following if working with them is to be a viable option:

- commitment to, and acceptance of, the organisation's policy and targets;
- a willingness to improve transparency in sourcing;
- a commitment from the forest sources involved to achieve certification within an agreed period;
- a commitment from the intermediaries in the supply chain to achieve chain-of-custody certification within an agreed periods; and
- the commitment of forest owners to seek membership of WWF Producer Groups or to otherwise attain credible certification.

### NEW SOURCES, SAME SUPPLIERS

Manufacturers or processors supplying directly to the purchasing organisation may experience difficulty in tracing the sources of their forest products, or it may become evident that these sources are illegal or include HCVPs. Where sufficient commitment exists from the direct supplier and it is evident that the forest sources involved are unwilling to improve their practices, re-sourcing is the only option.

Re-sourcing while using existing suppliers offers the following benefits:

- maintenance of existing relationships and quality and investment, although perhaps with new materials;
- the ability to carefully scrutinise new sources of forest products to ensure that operations are acceptable;
- the potential to source from FTN Producer Groups or similar; and
- the potential to source from certified forests.

### ALL-NEW SUPPLY CHAINS

Radically altering supply chains to achieve an improvement in the responsible sourcing of forest products can be the quickest way to ensure such improvements, but it is also the riskiest.

The potential risks include:

- the quality and capacity of the new supply chain may not match expectations;

*Radically altering supply chains to achieve an improvement in the responsible sourcing of forest products can be the quickest way to ensure such improvements, but it is also the riskiest.*

- the efficiencies arising from long-term relationships will be lost;
- the change may result in the use of different species of timber or other types of forest product, and this change may meet resistance in the market place; and
- costs may be higher.

The potential benefits include:

- higher quality;
- greater efficiency in the supply chain, achievable through streamlining;
- potential to develop new markets through the use of new species and products;
- realisation of lower costs through competitive tendering;
- an opportunity to negotiate the required degree of transparency and traceability at the outset; and
- the possibility of sourcing from higher category, or certified, forests.

### OTHER WAYS OF IMPROVING

The ability to challenge, innovate and ultimately change can be extremely useful when pursuing the goal of responsible purchasing. Not every organisation can change its sourcing or its products easily or quickly, but some organisations do have this ability and can benefit from this.

The exploitation of alternative species of timber provides opportunities to source more responsibly, although where the purchaser lacks experience or familiarity with the timber there naturally are some risks involved: as with all timber species, secondary (or non-traditional) species have inherent characteristics that can make them excellent substitutes for primary (traditional) species for some uses but unsuited for others. It is worth noting that up to 70 percent of output in some major producing countries comprises non-traditional species and these species command considerably lower prices than the primary species. This provides a financial incentive to those purchasers able to develop markets for such timbers.

Initiating funding or research into the process of certification and the requirements of supply chains is an option for responsible purchasers. Not all organisations have the resources necessary for such work, but some major corporations have in the past provided funding. This type of initiative has direct benefits not just to the donor organisation but to all aspirant purchasers in a position to gain by using the findings of the research (see [www.panda.org/about\\_wwf/what\\_we\\_do/forests/what\\_we\\_do/partnerships](http://www.panda.org/about_wwf/what_we_do/forests/what_we_do/partnerships) for examples of this strategic approach).

## Setting Targets

Responsible forest product purchasers should set two types of targets:

- with their suppliers
- with their own management

### ACTION PLANS AND TARGETS FOR SUPPLIERS

The action plan for an individual supplier should be based on the responses given to the questionnaire. To fully understand the issues raised by the questionnaire, the suppliers should engage in dialogue with the purchaser, from which ideally should develop a mutually agreed action plan.

A good action plan should be:

- **Specific.** Different requirements will need to be set depending on what is lacking in the supplier-purchaser relationship. There is no need for a complete overhaul of the relationship if the problems highlighted by the questionnaire relate only to a narrow area of the business. The action plan should define exactly what is required for the supplier's business to meet the needs of the purchaser.

- **Measurable.** The purchaser should define in quantitative, measurable terms exactly what it requires of the supplier.
- **Achievable.** Deadlines and requests for information, for example, should be realistic. As a rule of thumb, take smaller steps, more often.
- **Realistic.** The purchaser should discuss with the supplier what can be achieved and by when. Clearly, not all suppliers have the same resources, and this fact should be taken into account when targets are set.
- **Time bound.** The action plan should include target dates for the completion of each and every element of the plan.

### INTERNAL ACTION PLANS AND TARGETS

It is important that progress be demonstrated to internal and external audiences. Progress in two areas in particular is measurable and demonstrable, namely:

- increases in the proportion of credibly certified forest products in the purchaser's mix, and
- decreases in the proportion of unwanted or illegally sourced forest products.

The purchaser's performance of its policies and programmes should be reviewed periodically, and new targets set for the next period of activity. Organisations that are a member of an FTN will have an opportunity to agree an action plan with the FTN manager.

In all cases, the purchaser should look for ways to

- eliminate unwanted sources and
- increase all other source categories.

Pursuit of this policy should, step by step, enable all sources other than those that are credibly certified to be eliminated from the supply chain.

When agreeing an action plan with the supplier it is important that the purchaser be realistic in setting targets. An action plan can only be determined and agreed when the first period of data collection and assessment of sources is complete. This may be as late as the end of the first year of operating a responsible purchasing policy. Ultimately, a realistic plan is one that is based firmly on the aspirations of the purchaser's own policies and on the informed assessment of the status of the supply chain.

## Example of an action plan and targets for a responsible purchaser

Assume the initial assessment of an organisation's sourcing indicates that the supply chain is comprised by volume as shown below:

Proportion of forest products in supply chain				
Category	Year 1 target	Year 2 target	Year 3 target	Year 4 target
Unwanted	45%	0%	0%	0%
Step 1: Known sources that comply with policy	25%	20%	5%	0%
Step 2: Legal source	25%	50%	35%	10%
Step 3: Source in progress to certification	5%	15%	30%	40%
Step 4: Credibly certified source	0%	15%	30%	50%

Based on this assessment and following discussions with stakeholders, the following targets and actions are agreed:

- Reduce unwanted sources to zero within 12 months. This will be achieved by:
  - Re-sending questionnaires to suppliers that have not responded.
  - Ensuring that all suppliers that have responded have fully completed the questionnaire.
  - Re-sourcing to known and managed operations any forest products that come from (1) HCVMs that are neither certified nor scheduled for certification or (2) inappropriate land clearance projects.
  - De-listing of suppliers that do not conform to this policy.
- Increase the “known sources that comply with policy” category to 50 percent within six months and increase the legal category to 50 percent within 12 months. This will be achieved by:
  - Requiring all suppliers of known forest products to furnish documents and assurances to confirm that their products are from legal sources.
  - Within six months, holding a seminar for suppliers (with the help of third parties such as WWF) to discuss methods of ascertaining the legality of forest products.
  - Funding research to identify legal compliance best practice for suppliers in key countries where issues have been raised.
- Increase the “sources in progress to certification” category to 15 percent within 12 months. This will be achieved by:
  - Requiring major suppliers to bring pressure on their affiliates to join the local or regional WWF FTN Producer Group.
  - Requiring medium-size suppliers to ensure that their sources proceed with certification. This will require first that the secondary source undergo successful pre-assessment from an independent certifier. All parties will enter into a contractual agreement on this basis.
- Increase the certified category to 15 percent or more within 12 months. This will be achieved by:
  - Identifying potential new suppliers of certified forest products and requesting that they tender for existing business.
  - Undertaking new product development that permits the early consideration of the use of certified forest products.
  - Attending at least two major trade shows at which certified forest product suppliers are present.
  - Contacting certified suppliers to identify potential opportunities for doing business with them.

Finally, the purchasing organisation should disseminate as widely as possible information about these policies and targets, through public reports, Websites and supplier conferences.

# CONCLUSION

This document describes a series of steps that may be taken toward the development of a responsible purchasing programme, emphasising the importance of an effective management system driven by clearly defined values and policies. The later sections of the document describe in detail how such a programme can be driven through the supply chain to improve the environmental performance of that chain.

The implementation of a responsible purchasing programme is a major undertaking for any organisation, and requires a high degree of commitment to achieve results. This guide outlines a set of processes and procedures by which a purchasing organisation can begin to address the problems that are common to many supply chains.

The GFTN urges all organisations that purchase forest products to read this guide and adopt the principles it espouses. We all can benefit from this. What is good for business can also be good for the environment.



# APPENDIX 1

## Examples of a Responsible Forest Products Purchasing Policy

This organisation is committed to the responsible purchasing of forest products. Our long-term intention is to source all forest products that we purchase or specify from well-managed forests that have been certified to credible certification standards.

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

This organisation will not source forest products from:

- Forests or forest product suppliers that do not comply with all relevant national legislation relating to the trade in forest products.
- High-conservation-value forests where these are recognised nationally or regionally, unless these forests are progressing towards credible forest certification in a time-bound, step-wise and transparent manner.
- Protected areas, parks or similar areas where harvesting operations are not complementary to responsible forest management.
- Forests which are currently being converted to other land uses, or forests that have been converted since 1994.
- Forests which are in areas of armed conflict or civil unrest where there is a direct relationship between the forest products trade and the funding of such conflicts.

To ensure that these goals are achieved this organisation will:

- Scrutinise all suppliers of forest products for all purchases of goods for resale, not-for resale and in all new construction activities.
- Seek information as to the source of all forest products.
- Evaluate this information against our stated policy.
- Continually improve the level of compliance against these policies, with annual reviews, reports and actions agreed 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 Producer Group members).
- Work with key stakeholders to ensure that best practice is followed.
- Set annual, publicly communicated targets regarding our performance.

This organisation will abide by all local, state and national laws and international conventions (including but not limited to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), World Heritage Convention (WHC), and the Convention on Biological Diversity (CBD)) as well as moratoriums on logging, declarations of protected areas, forestry laws, environmental protection legislation, and labour and social laws.

This organisation will never knowingly become involved in, collude with or purchase timber from illegal logging operations. We will work with our supply chain to ensure where feasible that all forest products originate from forests where there is full legal and verifiable title to the land and where the harvester has all relevant and current permits and approvals. We will ensure that all products are extracted with the full authorisation of those holding rights to the land or forest resources and with the required authorisation, permits and approvals from all relevant government agencies.

## APPENDIX 2

# The Minimum Recommended Contents for a Database

Effective monitoring of a purchaser organisation's compliance with its policies requires that the following information be collated from the organisation's direct suppliers:

Data field description	Comment on data required
Supplier name	Name or code used within the purchaser's accounting system
Supplier contact details	Name of contact who supplied the requested data
Products supplied	List of products obtained from this supplier, or generic description of products supplied
Forest sources used	The name of the forest management unit (FMU) or major processing unit
Timber species used	The "trade" and Latin name(s) of the timber species used
Status of forest sources	One from the following: <ul style="list-style-type: none"> <li>■ credibly certified source</li> <li>■ source in progress to certification</li> <li>■ legal source</li> <li>■ known source that complies with policy</li> <li>■ unwanted source</li> <li>■ recycled source</li> </ul>
Volume or value of material supplied	Measured in cubic metres, tons or financial value supplied over a defined period
Date information supplied	To allow periodic reviews
Review date	The date at which this information must be updated by the supplier
Action plan for this supplier	Not every supplier will satisfactorily complete the questionnaire and at the first attempt. Missing information should be obtained through an action plan, identifying timelines and deliverables, that is mutually agreed with the supplier

## APPENDIX 3

# Unwanted and Controversial Forest Sources

### High-Conservation-Value Forests (HCVFs)

HCVFs may be defined as one or more of the following:

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

Assuming transparency in the supply chain, a responsible purchaser should, through research or dialogue with stakeholders, be able to identify potential areas of concern regarding high conservation values.

## HCVF Relevance for Responsible Purchasers

When a potential or known high-conservation-value forest is identified in the supply chain, there are a number of options available to the purchaser: Key among these are the following:

- Obtain the material from a less controversial source.
- Encourage the supplier to become involved in a program that works with the WWF/IKEA *High Conservation Value Forest Toolkit* ([www.proforest.net](http://www.proforest.net)) to establish HCVF areas and management practices within the country or region in question.
- Begin a dialogue with the forest management to seek forest certification. Ideally, the forest manager should be encouraged to join a WWF Producer Group (where one exists in the region).

Sources of information relating to HCVFs include Global Forest Watch ([www.globalforestwatch.org](http://www.globalforestwatch.org)), which has produced a number of reports, studies and maps that indicate areas of forest which are regarded as “intact natural forest” and which are likely to be HCVFs.

Another practical way of assessing whether or not a forest is of high conservation value is to use the protected areas definitions developed by the World Conservation Union (IUCN). Although not exclusively developed for forest assessment, these definitions indicate the type of conditions likely to qualify a forest as an HCVF and therefore as worthy of further investigation.

An HCVF may be a small part of a larger forest. For example, it may be a riparian zone protecting a stream that is the sole source of supply of drinking water to a community or it may be a small patch of a rare ecosystem. In other cases—an example might be of a forest in which a threatened or endangered species ranges throughout the forest—the HCVF may comprise the entire area overseen by a forest management unit.

Any forest type—boreal, temperate or tropical, natural or plantation—potentially can be an HCVF, as the HCVF designation relies solely on the presence of high conservation values within the forest.

Although in many cases it is not illegal to source forest products from an HCVF, in the context of responsible purchasing such sourcing should be discouraged, unless the forest has achieved certification or is a member of a WWF Producer Group (that is, the forest is in a stepwise approach towards certification).

There is no definitive list of HCVFs and it is accepted that it is difficult for organisations to assess whether or not forest products originate in such forests. The WWF and IKEA (a global retailer of furniture and household goods) Co-operation on Forest Projects has produced a document entitled “Identifying High Conservation Values at a National Level: A Practical Guide” to provide a practical methodology by which to define HCVFs. As this toolkit is evaluated and used around the world it is expected to provide a useful check list for responsible purchasing (see [www.panda.org/forestandtrade](http://www.panda.org/forestandtrade)).

For practical purposes, organisations are advised to discuss the latest information regarding HCVFs with WWF and other environmental organisations working in this field. One approach would be to highlight key areas and regions in which it would be inappropriate to harvest forest products. A more positive approach, generally encouraged by WWF, would be to engage with the producer to assess the high conservation values demonstrated within a forest area and to manage the forest appropriately within the context of credible forest certification.

## Position Paper: High-Conservation-Value Forests

### WWF/IUCN Forests For Life strategy

High Conservation Value Forests (HCVFs) are defined by the Forest Stewardship Council as forests of outstanding and critical importance due to their high environmental, socio-economic, biodiversity or landscape values. WWF is developing and

extending the HCVF concept in its wider protect-manage-restore programme. HCVFs comprise the crucial forest areas and values that need to be maintained or enhanced in a landscape. HCVFs are found across broad forest biomes (tropical to boreal), within a wide range of forest conditions (largely intact to largely fragmented), and in ecoregions with complete or under-represented protected area networks. HCVFs could be old-growth forests in Siberia, habitats of threatened orang utans in Southeast Asia or the sacred burial grounds of a North American first nations people. Although originally designed as a tool to help certification, the HCVF concept is being extended to more general conservation planning including the design of representative networks of protected areas and buffer zones.

The identification of HCVFs requires a multi-scale approach. First a rapid assessment and mapping of *potential* HCVF areas is made at a global or continental scale, based on indicators of biologically or environmentally important forest values that can be mapped at this broad scale. Next, these areas are further refined within ecoregions and a more detailed investigation within a given landscape delineates *actual* HCVFs, including local stakeholder consultation to identify forests that meet community needs and maintain cultural identity, and scientific research to identify biologically important forest stands and those critical for maintaining ecosystem functions and populations of endangered species.

WWF believes the first priority is to ensure that HCVFs are adequately represented in protected area systems. In practice, many HCVFs will continue to be managed outside protected areas and here approaches will vary—e.g. enhanced management or long-term “no-cut” reserves—but should always aim to maintain HCVF values. In regions where the forest is largely degraded, HCVF management should be consistent with a forest landscape restoration strategy (see separate position paper) that addresses ecological, social and economic objectives. Two principles are paramount: (1) HCVFs are managed to *maintain the attributes that are of high conservation value*, and (2) management employs the *precautionary principle*, which requires that where the effects of extraction and other management are unknown, values are insured through a cautious approach.

WWF calls on producers, retailers and investors in the forestry, agricultural, mining and petroleum sectors and governments to ensure that their business activities do not promote the clearing or degradation of HCVFs.

WWF will work with partners to identify and protect HCVPs by:

- Developing tools for identification of HCVPs that are applicable around the world, particularly through pilot projects and dissemination of the lessons learned
- Developing tools and activities for the adequate protection of HCVPs that are applicable around the world
- Working with the Forest Stewardship Council in developing detailed guidance on the application of FSC's Principle 9 that covers HCVP
- Co-ordinating with other organisations, so that a HCVP approach can integrate conservation agendas
- Working to ensure, where appropriate, that development of the HCVP concept is coordinated between interested organisations
- Further developing the concept of HCVPs as a useful guide for fulfilling ecologically friendly procurement policies for forest products
- Promoting and helping to apply the HCVP concept with forest managers and forest management certifiers in selected ecoregions

## PROTECTED AREAS

A practical way of beginning to assess whether or not forests are of high conservation value is to use the protected areas categories developed by the World Conservation Union (IUCN). Although not exclusively developed for forest assessment, these category identifications, which are based on management objectives, indicate the type of forest areas likely to qualify as HCVP and therefore likely to be worthy of further investigation.

*If the category headings below describe your forest sources, you may be sourcing from an HCVP.*

IUCN defines a protected area as “an area of land 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”. Under the IUCN definitions, the objective of protection must be the maintenance of biodiversity and natural resources, and there must be an explicit legal or social basis for protection activities. Multiple-use sites that combine attraction, recreation, and nature conservation can qualify, but 75 percent or more of the area included must be managed primarily for conservation purposes. Non-consumptive and low-intensity uses are compatible with some categories within the IUCN scheme (such as the Category V and VI designations), but sites such as forest plantations managed primarily for timber production do not qualify.

The IUCN Protected Area categories are:

- **Category Ia.** Strict Nature Reserve: Protected area managed mainly for science.
- **Category Ib.** Wilderness Area: Protected area managed mainly for wilderness protection
- **Category II.** National Park: Protected area managed mainly for ecosystem protection and recreation.
- **Category III.** Natural Monument: Protected area managed mainly for conservation of specific natural features.
- **Category IV.** Habitat/Species Management Area: Protected area managed mainly for conservation through management intervention.

The purchasing organisation should ensure that it does not purchase forest products from any forest areas that have been designated in IUCN Protected Area Categories I–IV.

Sourcing from protected areas usually is illegal.

Protected areas usually have high conservation values and therefore should not be used as a source.

**Protected Areas:**  
Relevance for  
Responsible Purchasers

# CITES Listings: 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 recognise that in many cases it is trade that has led to them requiring 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.

Best practice with CITES species is to explore alternative species except where credibly certified (and suitably documented) sources exist.

Categories I, II and III are usually protected by national legislation. (For full definitions see <http://www.iucn.org/themes/forests/6/notitle.html>.)

## 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 this 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](http://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 that are 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 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.

- Afrormosia (*Pericopsis elata*)
- Lignum vitae (all species of *Guaiacum*)
- Cuban mahogany (*Swietenia mahagoni*)
- Bigleaf mahogany (*Swietenia macrophylla*)



**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.

- Almendro (*Dipteryx panamwensis*)
- Spanish cedar (*Cedrela odorata*)
- Ramin (*Gonystylus* spp.)

## Other Concerns

### CONTROVERSIAL TIMBER AND SOURCES

Internal and external stakeholder concerns may identify specific issues or countries which are extremely controversial or out of step with generally accepted practices. Sourcing forest products from such countries or areas does not so much raise questions of forest management practices; rather, it introduces the moral dilemma concerning support for regimes and practices that have a wider impact on civil society or human rights. In extremis, the United Nations will call for trade embargoes on such countries, as will individual national governments.

Individual responsible purchasing organisations will need to be aware of such issues and should be ready to adjust their purchasing policy accordingly.

### CONFLICT TIMBER

“Conflict timber” is a term used to describe timber the production and sale of which finances armed conflict. The definition used by the NGO Global Witness is: “timber that has been traded at some point in the chain of custody by armed groups, be they rebel factions, regular soldiers, or the civilian administration, either to perpetuate conflict or to take advantage of conflict situations for personal gain” (see [www.globalwitness.org/](http://www.globalwitness.org/)).

Conflict timber is not necessarily illegal.

## Position Paper: Forest Conversion

### WWF/IUCN Forests For Life strategy

During the last twenty years of the twentieth century, 300 million hectares of tropical forests were converted to non-forest land-uses worldwide. The conversion of forests to other land uses imposes severe environmental and social costs due to the ecological impacts of clearance, uncontrolled burning, and disregard for the rights and interests of local or indigenous communities. Without significant changes in policy and practice, the process of forest conversion is likely to continue at a rapid rate and pose a major threat to High Conservation Value Forests (HCVF—see separate position paper), freshwater ecosystems, livelihoods of forest dependant peoples and habitats of endangered species such as elephants, rhinos, tigers and great apes. Reduction of wildlife habitat leads to increased human-wildlife interaction and conflict.

WWF defines forest conversion as a continuous process of forest degradation, leading from natural forests over one or several steps to the replacement of forests by other forms of land use, such as plantations, agriculture, pasture, mining and urbanization. The driving forces behind forest conversion vary and are often inter-related. Among the most important are: the fact that forests are not valued for the long-term benefits that they provide, and that conversion often costs very little money. This creates incentives to log and sell the valuable timber out of forests and then convert the degraded forest land to more profitable land uses rather than to undertake sustainable forest management. Non-existent or insufficient landscape planning procedures and lack of guarantee of land ownerships and tenure rights often set the ground for uncontrolled and unwanted forest conversion processes.

WWF believes that forests are amongst the most diverse and valuable ecosystems around the globe. They provide a wide range of products and benefits for humans and nature that can rarely be substituted through other means. Therefore in general every effort should be made to prevent any forest, but especially HCV Forests from, being converted. WWF recognizes that under certain conditions planned and targeted conversion

## Other Concerns

### Relevance for Responsible Purchasers

Examples of issues that should be considered in a responsible purchasing policy include countries identified by the UN as not addressing:

- the systematic violation of human rights, including civil, political, economic, social and cultural rights;
- extrajudicial killing, rape, and other forms of sexual violence carried out by members of the armed forces;
- torture;
- political arrests and detentions, including those of prisoners whose sentences have expired;
- forced relocation, the destruction of livelihoods and forced labour;
- denial of the freedoms of assembly, association, expression and movement;
- discrimination on the basis of religious or ethnic background;
- wide disrespect for the rule of law and lack of independence of the judiciary;
- unsatisfactory conditions of detention and systematic use of child soldiers; and
- violations of the rights to an adequate standard of living, in particular to food, medical care and education.

This set of indicators can be used to identify specific regimes or countries which if sourced from would directly undermine the overall effort to source responsibly. Sourcing from such places furthermore may undermine the wider integrity of the organisation.

It is arguable that it is possible to source forest products responsibly from such places, but this would require that the purchasing organisation identify and prove the benefits of such trade to the people of the country involved while at the same time proving that the trade does not directly support the regime under scrutiny. It is extremely important that a purchaser that would choose to source from controversial regimes or countries consult first its stakeholders, to ensure that such a policy has the required degree of integrity and support.

## Conflict Timber

### Relevance for Responsible Purchasers

Individual organisations need to be aware of the existence of conflict timber, and should be prepared to adjust their purchasing policy accordingly. Where research or stakeholder interaction suggest that such timber may be present in the supply chain, it is recommended that the purchasing policy be reviewed and as necessary enforced to remove the source from the chain. NGOs and other stakeholders may be able to assist in identifying sources of conflict timber; the UN also may have information, for example, in the form of embargoes or other dialogue, that may assist in identifying such sources.

can be beneficial or necessary to reach specific goals of public interest without endangering the overall functionality of forests. Where conversion is planned the following conditions shall be fulfilled:

- Identified High Conservation Value Forests should not be affected by any forest conversion
- At a minimum, conversion must not contribute in any way to the extinction of species, or to the loss of significant subpopulations of an endangered species
- The total forest cover within a country or region should not be below an agreed long-term goal described in a National Forest Programme or planning documents developed through a multi-stakeholder process
- There should be proven and agreed public interest and benefits from the new land-use, that surpasses public interest in forest conservation
- There should be a transparent planning process on a landscape level, involving all relevant stakeholders
- Independent environmental and social impact assessments should be conducted and the necessary measures to prevent negative impacts of the conversion implemented

*WWF will work together with governments, public and private institutions and other partners towards the elimination of unplanned and damaging forms of conversion to safeguard biodiversity and social values by:*

- Calling for transparent planning processes to achieve an optimal distribution of natural forests, plantations, agricultural areas, urban areas and other land-uses in a given landscape. This includes well-informed negotiations among a wide range of stakeholders to balance ecological, social and economic dimensions of natural resource use across the landscape
- Enforcing adequate safeguards that recognize and guarantee the legal and customary rights of indigenous peoples and rural population to own, use and manage their lands, territories, and resources
- Engaging with financial institutions and market actors in forest conservation and lobbying for the elimination of policy incentives that contribute to forest conversion and forest destruction

The following considerations should be taken into account when purchasing products sourced from forest conversion projects.

## Forest Conversion Relevance for Responsible Purchasers

A responsible purchaser of timber from clearance projects should be assured that:

- a transparent multi-stakeholder planning process has been conducted;
- there are no outstanding conflicts with local and indigenous peoples regarding the clearance;
- the forest is not classified as being of high conservation value; and
- an environmental impact study has been conducted and its recommendations implemented.

# Position Paper: Illegal Logging and Forest Crime

## WWF/IUCN Forests For Life strategy

The global trade in illegally extracted timber is a multi-million 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. Even those countries that pride themselves on good domestic management are not exempt. Illegal activities have a particularly devastating impact on biodiversity because they often deliberately target remaining pristine forests, including protected areas, which contain the highly valuable hardwood species that have been logged out 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 lost around the world as a result of forest crime also has a wider social impact.

WWF believes that illegal logging and other forms of forest crime are part of a larger problem that includes issues of forest governance and corruption. They extend far beyond some individuals violating resource-management laws. WWF uses the term “illegal logging and forest crime” to include both large and small-scale timber theft and a variety of issues such as transfer pricing, breaching tax rules, any illegal aspects of timber sourcing and circumvention of concession agreements through bribery or deception. Poor governance and forest management can also lead to increased access to, and unsustainable utilisation of forests and an increase in activities such as illegal mining, bushmeat hunting and settlement. There is also a whole range of corrupt activities, which has the cumulative effect of reducing effectiveness of governance even if the precise letter of the law

is not breached. Up to 65 per cent of WWF’s Global 200 forested ecoregions are threatened by illegal logging. WWF believes that illegal logging and forest crime are best stopped using a combination of existing tools and the development of new policies:

WWF will work with partners, international organisations and governments to:

- Promote improved transparency and enforcement of existing laws. Where necessary encourage amendment or drafting of new legislation and strengthening of implementation
- Promote independent monitoring and auditing schemes such as that provided by the Forest Stewardship Council for forest management and tracking wood products from the forest to the end user
- Encourage consumer countries to provide aid and technical assistance to producer countries to address the root causes of forest crime (including poverty alleviation)
- Support Global Forest and Trade Networks linking buyers and consumers of certified forest products
- Work to build human resource and institutional capacity to plan and manage the forest estate (protected areas, production forests and community-managed forests)
- Assist the implementation of systems for the verification of legal compliance, especially in countries where certification will take some time to develop
- Promote and encourage the use of government public procurement to specify timber and wood products from legal and sustainably managed forests
- Support the adoption of voluntary bilateral trade agreements that ensure the supply of legal timber as a first step in applying responsible procurement policies
- Raise awareness of the social and economic impacts of illegal logging and forest crimes amongst key audiences: governments, business, industry and consumers
- Increase the use of CITES as a tool against timber-related crime
- Engage with financial institutions to ensure adequate forest policy safeguards are in place so that investments do not facilitate illegal logging and forest crime

# APPENDIX 4

## A Country Guide to Legal Documentation

The following list identifies the key documents which should be available in the major timber producing countries 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 Producer Group managers and other WWF colleagues. It is not comprehensive.

Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
<b>Cameroon</b>	Documents required for sawn timber and logs exported from Cameroon	<ol style="list-style-type: none"> <li>1. <i>L'agrément de la profession forestière</i></li> <li>2. <i>Contrat de partenariat</i></li> <li>3. <i>Convention provisoire ou définitive</i></li> <li>4. <i>Certificat d'assiette de coupe</i></li> <li>5. <i>Carnet de chantier</i></li> </ol>	<ol style="list-style-type: none"> <li>1. <i>Lettre de voiture</i></li> </ol>	<ol style="list-style-type: none"> <li>1. <i>Attestation de spécifications</i></li> </ol>	<ol style="list-style-type: none"> <li>1. <i>Autorisation d'exportation</i></li> </ol>
<b>China</b>	In most circumstances, log exports are not allowed from China. The documents cited here are required to prove that the harvest and export of timber and timber products are authorised by the Chinese Government and forestry management department	<ol style="list-style-type: none"> <li>1. Harvesting quota approved by the state forestry department (this document is renewable every five years)</li> <li>2. Annual wood production plan</li> <li>3. Harvesting area survey and design scheme</li> <li>4. Harvesting admission certificate</li> </ol>	<ol style="list-style-type: none"> <li>1. Log conveyance certificate</li> </ol>		<ol style="list-style-type: none"> <li>1. Disease and pest quarantine certificate</li> </ol>

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Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
<b>Ghana</b>	Documents required for sawn timber and logs exported from Ghana	<ol style="list-style-type: none"> <li>1. Concession/lease agreement</li> <li>2. Harvesting schedule</li> <li>3. Felling permit form</li> <li>4. Tree information form</li> <li>5. Log information form</li> </ol>	<ol style="list-style-type: none"> <li>1. Log conveyance certificate</li> <li>2. Log measurement certificate</li> <li>3. Compartment register</li> </ol>	<ol style="list-style-type: none"> <li>1. Wood exporter certificate (This is renewable annually, check date of issue)</li> </ol>	<ol style="list-style-type: none"> <li>1. Timber export permit</li> </ol>
<b>Indonesia</b>	<p>All log exports from Indonesia are banned. Any logs identified as Indonesian, outside of Indonesia, have been illegally obtained.</p> <p>Sawn timber exported from Indonesia must be kiln-dried and sawn on at least two edges. This is a legal requirement</p>	<p>Documents required for logs traded within Indonesia</p> <ol style="list-style-type: none"> <li>1. Copy of HPH agreement</li> <li>2. Copy of RKL five-year management area licence with map indicating the approved cutting</li> <li>3. Copy of RKT annual cutting licence (area indicated should fall within the RKL area);</li> <li>4. Pre-harvest tree map</li> <li>5. Chain-of-custody data sheets indicating logs harvested and species, dimensions of each log, and a log number linking back to the pre-harvest tree map</li> <li>6. Contract of sale between the forest operation and all links in the supply chain</li> </ol>			<p>All documents listed for internal trade, plus:</p> <ol style="list-style-type: none"> <li>1. Bill of lading</li> <li>2. Certificate of origin issued by the forestry department</li> <li>3. Packing lists for the sawn timber</li> <li>4. Chain-of-custody records indicating which logs were used to produce the timber</li> </ol>



Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
<b>Malaysia</b>	Log exports are not allowed from peninsular Malaysia. The documents here are for Sabah only. There is little export of sawn wood or logs from Sarawak	<ol style="list-style-type: none"> <li>1. Concession agreement</li> <li>2. Harvesting licence issued by the forestry department</li> <li>3. Pre-harvest tree map</li> <li>4. Chain-of-custody data sheets indicating logs harvested, dimensions of each log, and a log number linking back to the pre-harvest tree map</li> </ol>		<ol style="list-style-type: none"> <li>1. 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 a local bank</li> <li>2. A copy of the timber disposal permit</li> <li>3. Contracts of sale between the forest operation and all players in the supply chain to the processor</li> </ol>	<ol style="list-style-type: none"> <li>1. Export declaration (Customs Dept. form No.2)</li> <li>2. Bill of lading</li> </ol>
<b>Romania</b>	Log exports are permitted from Romania under a "Statistic Export License" (SEL) issued by the Ministry of External Affairs. Issue of an SEL requires the approval of the Ministry of Agriculture, Food and Forestry (MAFF)	<ol style="list-style-type: none"> <li>1. Official request addressed to the MAFF, with clear mention of wood provenance and ownership</li> <li>2. Documents for proving wood provenance (released by the forest district)</li> </ol>		<p><b>Logs</b></p> <ol style="list-style-type: none"> <li>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)</li> </ol> <p><b>Sawn wood</b> Documents as for logs, plus:</p> <ol style="list-style-type: none"> <li>1. Transformation document with clear mention of quantity of logs processed into saw mill (based on wood provenance documents)</li> <li>2. Log processing transformation percentage and the resultant quantity of sawn timber</li> </ol>	

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Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Russian Federation	<p><b>Valuable hardwood species</b></p> <p>For hardwood species such as oak, beech and ash, the exporter needs an exporting license. The license application procedure is generally determined by federal legislation, but varies from region to region depending upon which agency issues the license, the order of application, and the submitted papers</p> <p>Every region specifies which species are prohibited from or permitted for commercial harvesting. Some species can be legally harvested and exported from some regions but not from others</p>	<p><b>Valuable hardwood species</b></p> <ol style="list-style-type: none"> <li>Harvesting licenses list and consolidated timber assessment statements (both documents are issued by the forestry management unit before and after harvesting)</li> </ol>			<p><b>Softwood / lower-value hardwood species</b></p> <ol style="list-style-type: none"> <li>Customs declaration</li> <li>Export contract (with foreign partner)</li> <li>Passport of exporting transaction issued by bank at which the exporter has its account, to receive payments for exported timber (used in state currency control)</li> <li>Invoice and specification</li> <li>Phyto-sanitary certificate issued by the State Plant Quarantine Inspection of the Russian Federation Ministry of Agriculture)</li> </ol> <p><b>High-value hardwood species</b></p> <ol style="list-style-type: none"> <li>Application for exporting license</li> <li>Contract on export</li> <li>Passport of exporting transaction</li> <li>The exporter company's constituent by-laws, with all registration certificates (including Russian Federation Ministry of Taxes and Dues, State Statistics Committee, and bank accounts informatio)</li> <li>Export prices calculation</li> </ol>

Note:  
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 have been received by the primary harvester.

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Exporting Country	Notes	Forest documents	Transport documents	Processing documents	Export documents
Viet Nam		<p><b>Vietnamese logs traded within Vietnam</b></p> <ol style="list-style-type: none"> <li>1. Copy of the state forest enterprise permit for operating</li> <li>2. Copy of the right-to-harvest permit issued by the central or provincial Department for Forest Development (DARD)</li> <li>3. Pre-harvest tree map</li> <li>4. Chain-of-custody data sheets indicating logs harvested, dimensions of each log, and a log number linking back to the pre-harvest tree map</li> </ol>	<p><b>Vietnamese logs traded within Vietnam</b></p> <ol style="list-style-type: none"> <li>1. Forest Control Police documents approving wood removal and transport</li> </ol>	<p><b>Vietnamese logs traded within Vietnam</b></p> <ol style="list-style-type: none"> <li>1. Contract of sale between the forest operation and all players in the supply chain</li> <li>2. Red tax invoices for each transaction in the supply chain to the processing factory</li> </ol> <p><b>Imported logs</b></p> <ol style="list-style-type: none"> <li>1. All documents required for legal export from producer country</li> <li>2. Customs declaration authorising import</li> <li>3. Forest Control Police documents approving wood transport from the port of arrival</li> <li>4. Contract of sale between the forest operation and all links in the supply chain to the processor</li> <li>5. Red tax invoices for any transactions inside Vietnam</li> </ol>	

# APPENDIX 5

## Improving the Quality of Data from Suppliers

Below is a list of common issues that arise when suppliers are asked questions regarding their sourcing of forest products. The list is not exhaustive but gives remedies for the major issues.

### *Lack of information from the supplier*

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 that its own suppliers furnish the missing data, and ask that it collate these data for you. Agree a date by which the data will be provided.

### *The supplier misunderstood the 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 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 they are routinely made 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 period of time.

Suppliers that continue to avoid supplying data should be given an ultimatum and after this point they should be removed from the chain of supply. 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; for example, through a verbal assurance that the data are used for environmental purposes and will not be used in a commercial context, or through 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. Full disclosure is preferred, however, 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 recognise your point of view it should have no place in your supply chain.

### *Supplier cannot prove sources are legal*

A range of techniques can be used to assess the legality of forest products, and a number of documentary “proofs” are mentioned within this text. 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. Options to address this difficulty include:

- give the supplier 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; or
- encourage the supplier to obtain a third party legal verification audit.

### *Supplier cannot prove that sources are not HCVPs*

HCVPs often are difficult to assess, but there are organisations that monitor the existence and exploitation of HCVPs and the organisations involved. Both your own organisation and the supplier involved can draw on these sources to rudimentarily assess the sources identified. Information regarding a definition of HCVPs and sources of information on their role in trade can be found within this document.

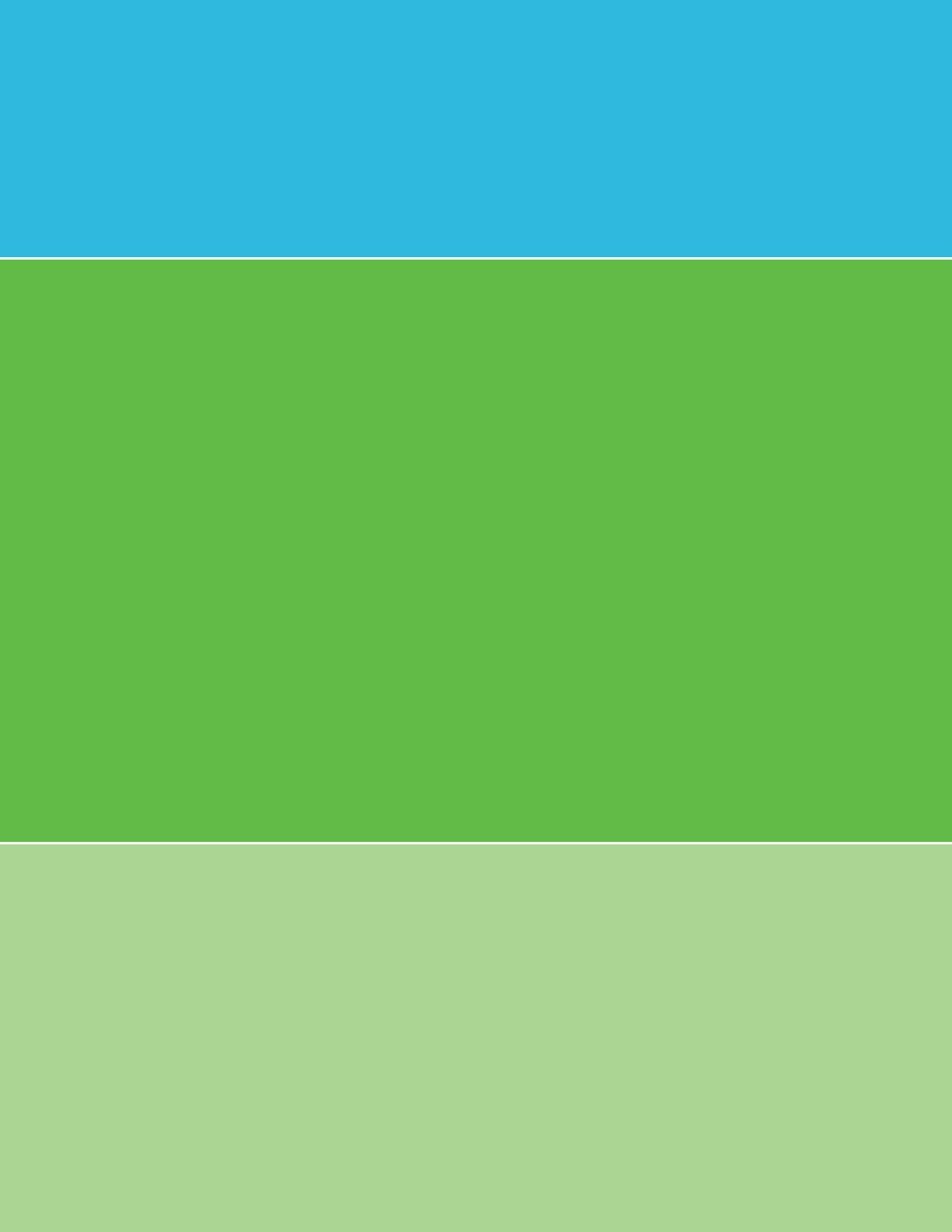
Many areas lack HCVF identification processes, which by definition involve wide multi-stakeholder participation. Even if the HCVFs in a particular area have not been identified the supplier can contribute constructively to an HCVF process; larger suppliers can even initiate and help fund such processes. As part of the action plan, suppliers should state what contribution they are making to further the HCVF identification and management process in the regions where they are sourcing.

When neither the supplier nor the purchasing organisation can identify a source as HCVF or non-HCVF, you will have to take a judgment based on the best information available. WWF and other stakeholders should be contacted for the latest information available on particular forests.

*A third party has indicated that a supplier may be using timber from conversion land*

Request information from the supplier, such as a summary of the management plan for the forest that indicates the land use and prescribed management practices. If the land is designated for conversion to agriculture or faces a similar threat, investigate further to ensure that the clearance is appropriate (*See page 39*). If the supplier is unable to provide suitable assurance, agree an action plan to remedy or change the source.





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 resources is sustainable
- promoting the reduction of pollution and wasteful consumption

# Let's leave our children a living planet.



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