

Meeting Summary:

Timber Regulation Enforcement Exchange:

Rome, Italy

April 5th – 7th, 2017



Introduction

Background: Since 2012, Forest Trends and Chatham House have been working with officials from EU Member States and US Lacey enforcement agencies to further understanding of complex high-risk supply chains for wood products and support coordinated implementation of the EU Timber Regulation and US Lacey Act. These two work streams merged into a process called the Timber Regulation Enforcement Exchange (TREE), an ongoing series of networking and information-sharing meetings which bring the growing group of officials together every six months.

Objective: The TREE process aims to support robust and consistent enforcement of demand-side timber regulations by providing a forum for officials to gain detailed insight into high- and low-risk timber flows entering their countries, discuss practical enforcement issues with each other and relevant experts from the forest sector and other relevant product/environmental sectors, establish emergent norms for Due Diligence/care in relation to different forest products, and build relationships with producer country governments, industry representatives, and other stakeholders involved in combating illegal logging and promoting global markets for legal timber.

Rome Meeting: Held in Rome, Italy from April 5-7, 2017, this TREE workshop brought together a core group of US Lacey Act enforcement officials, EU Timber Regulation (EUTR) Competent Authorities (CAs), and an Australian official implementing the Illegal Logging Prohibition Act (ILPA).

The following report summarizes the presentations and discussions from the TREE meeting in Rome. Notes were not taken during Government-only training and peer-sharing sessions.

Several topics were covered throughout the week, including:

- a) Legality risks and Due Diligence standards in supply chains from Gabon, Republic of Congo as well as Bosnia and Herzegovina, including document training for enforcement officials in assessing legal compliance for timber imports coming from each of these countries.
 - b) Presentations and discussion around the risk of buying wood products that are subject to non-harvest illegality risks. This included exploring the risk of slavery/forced labour in timber supply chains, documented corruption associated with over-harvesting and the allocation of concessions, and the risk of non-payment of legally mandated social commitments on the part of harvesting and exporting companies.
 - c) Source-specific risks for timber originating from Ivory Coast including presentations and discussion of the risks of illegal timber entering regulated markets as well as private sector Due Diligence experience in importing timber products from the Ivory Coast.
 - d) A discussion of the state-of-play for timber traceability technologies, with presentations focusing on emerging technologies for connecting Operators and suppliers, geo-referenced checking of areas of harvest as well as how these technologies could be used by enforcement officials to support implementation of demand-side regulations.
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e) Presentations and discussion of risks associated with importing pulp and paper into regulated markets, most notably from China. This included discussion of Chinese fiber imports, NGO and private sector presentations on the risks and challenges in sourcing from China, as well as a presentation detailing the German CA's experience enforcing the EUTR in relation to imports of pulp and paper.

Thursday April 6th 2017

Technology update

Presentations

Caroline Stein of Global Traceability presented RADIX TREE, an online platform launched in 2012 which was designed to help businesses at different stages of the supply chain connect and share information. Ms Stein highlighted the fact that some clients use the site as a tool to understand the sustainability of their products while others use it for legal compliance. The technology has been developed based on the experience of 'DIY' retailers in partnership with NEPCon and, therefore, is practical and flexible enough to be integrated with the different internal systems of companies and their clients. The system is designed to encourage companies to start by collating and uploading base data from their own systems before connecting with suppliers to build up information on their supply chain. A supplier can be requested to upload and share Due Diligence documents for certain products. There are currently 75,000 organizations using the platform which complies with ISO standards and is encrypted to protect company information. Privacy has been a key consideration for the developers of the site, which allows companies to choose what information that is shared with individual suppliers.

Ms Stein noted that the RADIX platform can help Operators comply with the requirements of demand-side regulations like the EUTR by offering a way for companies to collect and store information in one place. Data can also be assessed by a third-party monitoring organization like NEPCon, as they could be given access to the site to corroborate risk levels and Due Diligence. As data is provided by suppliers and buyers in close cooperation, the system ultimately supports transparency and credibility. There remain some limitations and challenges, and since it is a flexible system, all companies and systems are a bit different. Therefore companies need to work with the platform developers to make sure it fits with their needs.

The presentation is available [here](#)

Discussion

A European CA asked for clarification on when information tends to be entered onto the platform and whether this only happens at the beginning of a contract, or whether data is entered with every shipment. Ms Stein clarified that information is generally entered on a product basis rather than for every shipment but shipment information can be added for each of the products. An NGO representative asked whether there were validation checks on the information uploaded and Ms Stein confirmed that an independent expert can conduct validation checks. Discussion continued on how the platform could be used to provide information that could corroborate volumes of timber from a concession and the extent to which a traceability platform could highlight inconsistencies in the volumes of timber from certain concessions. As the platform was

originally developed as a full traceability system, this could be possible. It is also possible to use the platform to check the dates on permits to see if they are overdue.

Presentation

Mohammad Abdel-Razek and Peter Hawighorst from GRAS - Global Risk Assessment Services provided an overview of the GRAS Tool, a project part funded by the German government. GRAS provides geo-referenced sustainability information for all agriculture and forest products including timber. It allows companies to map biodiversity and carbon stocks as well as land use change so that they can monitor certification areas and map supply chains. The tool can support Operators in meeting the Due Diligence requirements of regulations like the EUTR by helping companies to conduct risk assessments. The tool allows companies to verify wood origin, look at whether there are protected areas within the sourcing region and learn about corruption in the source country. GRAS provides a sustainability assessment based on a number of risk factors such as prevalence of illegal logging and land use change dynamics. An overall index figure is then calculated with a risk ranking of “low”, “medium” or “high”. Currently, the risk factors are available for agriculture and in development for forestry.

The tool also allows users to explore the risks associated with sourcing from different forests. Users can take the coordinates of the Forest Management Unit and conduct a deep dive into the risks associated with different sourcing areas. The wood origin can be verified by comparing the information provided by suppliers on where the wood has come from with geo-spatial satellite data on the ground. To do this, GRAS uses satellite imagery and EVI time series, which ultimately measure the “greenness” of a certain area. This method can show if wood has been recently harvested and whether land use change has happened in a given forest (e.g. check if the area was primary forest). Based on the results of the analysis, GRAS can produce reports. Currently, the tool is being developed specifically for timber companies, and as such, the developers are interested in building a tool that can help Operators to understand and monitor the volumes of wood originating from different forest management units.

The presentation is available [here](#)

Discussion

Discussion focused on the nature of the geo-referenced satellite data and the extent to which this is up to date. The GRAS team clarified that satellite data is very up to date with images provided every few days. One CA asked whether the system already includes concession maps, and although these have not been incorporated to date, it was reported that they could be incorporated alongside any additional useful information going forward, if companies or governments were to request it. GRAS already has some information from producer country local authorities on permanent-use forest and the extent to which areas have been destroyed. It was suggested that timber trade associations might be able to help support their companies to go directly to the GRAS team with a list of information that would be helpful for their Due Diligence. Discussion then focused on whether the geo-referenced maps would allow users to see if forest outside of the concession had been logged. The team confirmed that this would be possible if maps were uploaded from both inside and outside the concession. Given that the tool is looking at land-use change, there were a number of questions about the credibility and confidence level assigned to any results. Questions were posed around whether the tool can tell if the land use change was a result of logging or

degradation. One CA asked about the extent to which the tool is impacted by mountains which can skew satellite images. The team confirmed that the system can make a distinction between disturbance and selective logging and can also cope with mountain distortion, showing a two-dimensional forest area. Currently, GRAS has information for source countries in Europe, Latin America and Asia, but countries in Africa are yet to be incorporated.

Presentation

Jean Soh Ndeh, a consultant for the Food and Agricultural Organization of the United Nations presented a new timber tracking initiative in Cameroon using mobile technology and relying on [PALLITRACKS](#). This initiative has been conducted in partnership with the government of Cameroon, aiming to develop a cross company traceability system. The main objective of the project has been to improve and validate timber traceability using mobile technologies, by providing Smartphone applications to record information in the field (even out of telephone signal range) and improve the communication of forestry traceability by connecting the customer with the trader via a website. The project also supports the government in delivering its commitments made under the FLEGT VPA by feeding into the national forest control database which will centralize trade data and support effective tax collection.

To date, one of the biggest successes has been the development of the mapping tool. In the past, all maps of concessions were available in paper form and this project has now made the tool interactive and available in digital form. Traders can also use a website and an app to look up tracking numbers provided on logs to check where they came from. The tool has also helped to significantly reduce manual typing and recording errors. Timber company employees used to have to record all the sourcing information themselves at each stage of the supply chains, but the tool now does much of this electronically. For EU traders, there are two methods by which the wood can be checked. Method 1 involves an online application on the GFBC website (tracabilite.gfbcam.com) which allows users to type in the bar code of the log or the contract number; or method 2 on Google Play, where users can search and download the “Geo timber” app on an android phone and scan the bar code. This will display on a map where the original tree was harvested. The next stage of the project will be to expand use of the tool to include all 24 companies in the syndicate.

The presentation is available [here](#)

Discussion

Discussion focused on the extent to which the new tool could also be used to demonstrate chain of custody and traceability of the full supply chain. Mr Soh Ndeh clarified that the tool will be developed in the next stage of the project to incorporate processed wood. Traceability, including chain of custody assurance that there has been no mixing of material in sawn mills, was seen as less of a priority, as the concessionaire companies in the syndicate own their own mills and therefore can control the material used in processed products. There were some concerns noted over the security of the online platform currently hosted on Google Play, as poor security could undermine the reliability and credibility of any results.

Ivory Coast stakeholder session

Presentations

Marigold Norman of Forest Trends presented current data trends on global timber imports from the Ivory Coast over the last decade. The presentation highlighted that while global imports from Ivory Coast increased between 2006 and 2008, they declined significantly following the 2008 financial crash which caused a sharp drop in imports from all source countries globally. Chinese sourcing of logs increased the overall demand for Ivory Coast timber products in 2013 but this has declined slightly in 2014 and significantly in 2015. The top five products sourced from Ivory Coast are sawn wood, veneer, logs, plywood and paper. The overall scale of sourcing timber products from Ivory Coast differs quite considerably across the regulated markets covered under the TREE network. Since 2006, the EU 28, Norway and Switzerland have imported more than US\$1.8 billion worth of timber products. The US has imported close to \$200 million, Canada \$26 million and Australia around \$2.8 million. Italy is by far the most significant importer of timber products from Ivory Coast which primarily include sawn wood, veneer and moulding and strips. Overall, there are six major EU importers and these also include Spain, Germany, France Belgium and the UK.

Four EU Member States (Italy, Belgium, Romania and Greece) have increased their imports of timber products from Ivory Coast between 2012 and 2015, and ultimately, since the EUTR came into effect in 2013. While Greece and Romania import on average much smaller volumes of timber products from Ivory Coast, Greece increased its imports by 113% in 2015 relative to 2012, with Romania increasing its imports by 65%. For Greece, the high percentage increase in sourcing from Ivory Coast reflects rising sawn wood imports, while Romania imported a significant increase in veneer products.

Ms Norman highlighted that the data on imports from the Ivory Coast forms part of a broader piece of Forest Trends work exploring the extent to which regulated markets are sourcing timber products from “conflict states” (as listed by the World Bank on the Harmonized list of Fragile Situations 2017). Conflict and illegal logging are inherently linked, and even post-conflict states are fragile and vulnerable to the conflict trap where ceasefires often fail within a decade and countries fall back into repeating cycles of violence that undermine both development and good governance as well as natural resource management. This dynamic poses a significant risk to companies seeking to buy timber products from a source country currently in conflict or one that has recently emerged post-conflict. European timber product imports from the Ivory Coast were worth almost €3 billion between 2000 and 2015, more than the combined total imports from the other top nine fragile and conflict-affected producer countries. Other significant conflict states sourcing European markets include: Democratic Republic of Congo, Myanmar, Central African Republic, Liberia, Madagascar, Papua New Guinea, Togo, Syria and Lebanon. Notably, imports from Syria have decreased significantly since the start of the Syrian Civil War in March 2011.

The presentation is available [here](#)

Achille Djeagou of NEPCon presented the latest risk assessment for the Ivory Coast. The risk assessment has been conducted by NEPCon as part of a project to map legality risks in 62 countries worldwide. The results of this work will be published in June 2017. Mr Djeagou explained that there is currently an export ban on any logs from natural forest and a quota for fresh wood (not yet kiln dried) exports. There is also an export ban in place for small diameter wood of the genus *Pterocarpus* spp. (e.g. Padouk, Kosso, bois de Vêne). There is one

tree species listed on CITES Appendix II from Ivory Coast, which is *Afrormosia / Assamela (Pericopsis elata)* and trade has been suspended by the government. In addition, harvesting of commercial species is prohibited above the 8th parallel in favor of afforestation and this measure was reinforced in 2013 with regulation N° 058/MINEF/CAB of 6th February indicating the boundaries.

The main risks in sourcing timber from Ivory Coast relate to a lack of respect for the export ban, particularly for protected species, harvesting beyond allocated boundaries and harvesting species below allowable diameters. In terms of the legal rights to harvest, NEPCon found inconsistent implementation of the new Forestry Code of 2014 which has not yet adopted, and which aims to override Law 65-425 of 20th December 1965 and address unreasonable/illegal expansion of agricultural activities. Additionally, based on reported cases from the mandated independent forest observer, as noted by Mr. Djeagou, risk can be classified in two categories: those attributed to the administration and those that are the responsibilities of the private operators.

Mr Djeagou explained that there are significant risks related to the classification of species to disguise or bypass/reduce forest taxes owed to the Forest Administration. There have been a number of reported instances where Operators have logged protected species and then disguised these as species not included in the logging ban. Other employment and social risks include logging company employees not being covered by insurance as well as failure to honor legally-mandated social payments. Mr Djeagou highlighted that there has been a law in place since 1995 (Contribution to Rural Development) which is a tax of 1,000 CFA/m³ required to financially support rural development (this is expected to be paid as 10% to PEF management, 20% to the Forest Service and 70% to the village) but there are many reported instances where this fails to reach the local level.

In general, Mr Djeagou noted that there is ignorance of controls on IUCN Red list of prohibited species such as *Thiagemella heckelli*. Nevertheless, Ivory Coast has been negotiating a VPA with the EU since 2013 with the aim of addressing any illegal products on both the domestic and international markets.

The presentation is available [here](#)

Katerina Germanis, of Brooks Brothers UK presented the company's Due Diligence approach to sourcing timber from Ivory Coast. Brooks Brothers is a family run business with five sites and primary and secondary processing facilities. In 2015, the company launched an environmental strategy, committing to increasing proportion of certified timber; 71% of their products were FSC, PEFC or verified legal in 2016. The company sources idigbo and iroko from the Ivory Coast but none of the supplies are certified or verified legal.

Ms Germanis explained that as the company adopted a new environmental strategy and NEPCon's Due Diligence System, Brooks Brothers significantly reduced its Ivory Coast supply base. Suppliers were rejected due to risks or issues found with misclassification of volumes, complexity of supply chains and poor harvesting practices. There have been a number of Due Diligence challenges in sourcing from the Ivory Coast in general. Desk-based work with suppliers is particularly difficult and there are often information gaps. Access to legal text to clarify requirements (e.g. harvesting diameters) has been difficult and often requires reaching out to key stakeholders and physical visits to the country to obtain the information.

While supplier visits are a costly process, it is paramount for effective due diligence. By visiting the country and supplier, it is much easier for to check if suppliers are buying from other sawn mills and therefore mixing

timber which could be considered high risk. Witnessing felling, tracking logs back-to-stump and interviewing local communities are important in checking whether suppliers correctly implement harvesting regulations, have good traceability systems and meet their social obligations. Brooks Brothers conducts regular audits (aiming to conduct checks once a year; next audit due later this year).

Discussion

Participants asked about how much notice Brooks Brothers gives when auditing suppliers. Ms Germanis explained that suppliers are normally given a couple of months notice on an audit which is required in order to organize in-country visits. Ultimately, speaking with experts and other Operators in the country often quickly identifies who the good companies are.

Beyond illegal harvest

Presentations

Julia Christian of Fern presented a recent study looking at legally-mandated social payments in four Voluntary Partnership Agreement countries. If a logging company signs a contract with a national government, it is legally-bound by the contract and the law of the country. Social obligations are part of the law and therefore Ms Christian asserted that if a logging company is not complying with its social obligations, then all logs from that concession are *de facto* illegally harvested. Through the review, FERN found that in Cameroon there are 2 types of benefit mandated in the law. These include area based royalties and social clauses appended to the contract. The Annual Forestry Royalty (RFA) is a combination of a flat-rate area tax and the price offered by a timber Operator in the bidding process. Taxes are regularly updated so it is important to know when the tax was set in order to check that the correct level has been paid. All logging contracts (except Harvested Timber Removal Licenses, Special Permits and Community Forests) must include Social Clauses. The Social Clauses contain the minutes of information meetings (PVRI) between the communities and the logging Operator. These should be signed by 'all stakeholders', although typically they're signed by MINFOF and the local Prefecture. These social clauses are part of the terms & conditions of the contract. Both social clauses and PVRI are legality verifiers in Cameroon's Legality Definition, mandated by its FLEGT VPA process.

In Ghana, there are three types of social benefit which include area based royalties, volume based royalties and social responsibility agreements. Area-based royalties are calculated according to a formula laid out in the Ghanaian constitution with stumpage fees calculated from international timber prices. Social Responsibility Agreements (SRAs) are negotiated between each affected community and the logging company (witnessed by the Forestry Commission; Traditional Authorities; and the District Assembly representatives). They include a list of materials and services (usually schools, health centers, water/electricity) that the logging company must provide to the communities. These must be equal in value to 5% of the stumpage fees that the company pays. It is a condition of Ghanaian logging contracts that an SRA is agreed prior to the finalization of the contract. And the SRAs are a legality verifier in Ghana's Legality Definition, mandated by its FLEGT VPA process.

Illegality risks in social obligations include taxes not being paid at all (or not enough) or not being paid to the right party. With social agreements, there is a risk that the social agreements are not negotiated at all, or not negotiated in the presence of the necessary people. Ms Christian highlighted that meetings between the

logging company and local communities are often treated as a formality, and there is little evidence of serious engagement. As a result, local officials and the company are generally cursory in their discussions, and often misrepresent the arrangements, for example by telling communities that the company has already paid all the necessary taxes to the state. Even where they are negotiated, social agreements may not be implemented (either not at all, or not in time, or not to a reasonable standard). Ms Christian highlighted that companies often do not pay out the right type of benefit. For example in Cameroon, the legal framework names the kind of social infrastructure that the logging company should consider contributing to, but in reality it is more common for the company to give items such as machetes, footballs, sportswear, or contributions to local income-generating activities such as chicken farming or cocoa farm establishment.

To determine whether companies are in compliance with the legally-mandated social payments, Ms Christian provided some examples of the documents that can help determine that payments have been made to the right people. These might include a copy of the most updated legal text showing how much tax is owed and to whom, a receipt of tax payment or the financial statement from the Operator showing how the tax was calculated. In the case of social agreements, it is important to determine whether the social agreement has been negotiated and is being implemented. Documents to support this include a copy of social agreement, signed by all the parties required by law, as well as any statements from companies documenting how obligations in the social agreement are being met.

The presentation is available [here](#)

Discussion

Participants followed-up by discussing the documents that are required to demonstrate that companies are complying with mandated social payments. One CA asked whether the structure of social payments is unique to West Africa and how easy it has been to see the contracts. Ms Christian explained that it often depends on the country. In Ghana it is possible to access contract documents but in other countries, it may be more difficult. Additional discussion focused on how this might be applied in the context of the US Lacey Act which requires payment of royalty fees. Normally this requirement is considered in the context of the correct taxes being paid but this could also include the taxes and fees mandated in social agreements.

Presentations

Sarah Hickman and Katie Kenrick from TFT Global presented on labor issues within timber supply chains which persist as companies haven't been as focused to date on complying with the various social laws of source countries. While legal frameworks often exist, in general these are not well enforced. Inadequate health and safety protections are a common issue on forest and manufacturing sites. There are often clear legal frameworks for what standards should be met and it is relatively easy to identify these problems. Hygiene and accommodation non-compliance is usually also easy to identify and achieving compliance often involves minimal effort and cost for suppliers. One of the most controversial and common illegalities of this sort is the use of child and family labor, particularly with children working on harvesting sites, such as those that serve the pulp and paper sector in Vietnam. For example, the International Labour Organisation has estimated that about 58,000 children are working in timber industries in Vietnam, particularly supporting pulp and paper production.

TFT argued that labor at harvest site issues can be read as within the scope of the EUTR, included under the right to harvest. Ultimately, the EUTR defines illegal harvest as timber harvested in contravention of the 'applicable legislation' in force in the 'country of harvest' covering timber harvesting, including environmental and forest legislation, forest management and biodiversity conservation, where directly related to timber harvesting. There is less obvious coverage of labor issues under the Australian ILPA or the Lacey Act.

However, this is a changing arena and new legislation such as the Modern Slavery Act in the UK, and similar new legal responsibilities on importers in France, NL and potentially soon Australia, place a responsibility on companies to identify and remove illegal labor from their supply chains. While most countries have legal frameworks that cover these issues, there is a general lack of understanding about what is required to comply with these new pieces of legislation.

It was noted that many companies already have voluntary codes and guidelines, but it is important that companies actually visit sites to see if these are being effectively implemented. Operators cannot simply rely on paper-based evidence of compliance with all relevant labor laws. It is important for companies to provide on-going training and continually work to monitor and verify practices with their suppliers. Often some of the most successful policies involve detailed work with one site to develop the solutions needed, which can then be transferred to other sites. One issue has been that companies often make changes to their operating procedures to pass audit tests rather than thinking that consistent implementation of regulations is important for the running of their business.

The presentation is available [here](#)

Discussion

Participants wondered if all labor issues were applicable in the context of the EUTR and whether labor issues and requirements apply to sawmills, or other parts of the traditional forest product supply chain, given that the legal text in the EUTR specified "harvest". TFT explained that one of the certificates needed to prove legal right to sell and buy products is health and safety. It is important to encourage companies to demonstrate progress and therefore to support a staged approach to prevent supplier disengagement. TFT supports companies with guidelines which include three levels. There are also a number of lessons that can be learned from other industries that have started tackling slavery and illegal labor such as the textiles industry. One CA said that they have seen some companies try to integrate social issues into their DDS.

Permitting without due process

Presentations

Emily Unwin of ClientEarth presented the legal basis for the importance of due process, particularly relating to the issuance of harvesting rights. Ms Unwin explained that following relevant laws is about respect for timelines in the publication of tenders, eligibility of companies to operate permits, requirements regarding supporting documentation and land available to have a permit issued. She questioned when information indicating failure of due process mean that there is a risk of illegality, asking what the response of companies should be if one of the requisite steps wasn't followed. Is failure by the administration to meet due process requirements ever ok? Sometimes what is done by the responsible agencies differs from the letter of the law so it is important to understand the threshold.

Ms Unwin highlighted that this requires information showing to what is happening 'behind' official documentation, rather than an assumption that official documents mean that Due Process has been followed. Independent monitors in producer countries can be one source of information about the process behind the issuance of formal documents, and on the ground trips are key to accessing this information. In Ghana, civil society has chosen not to work under a formal monitoring umbrella. Independent monitoring operates very differently in different countries and therefore it is important to be open to both formal and informal monitoring information to support an assessment of risk associated with specific product supply chains.

The presentation is available [here](#)

Alfred Nkodia, Coordinator of the Independent Forest Monitoring Organization in Congo Brazzaville presented experience monitoring due process in the Congo. From 2006 onwards, the Forestry Administration mandated independent forest monitoring by civil society. Since 2010, this has been led by an official partnership between Resource Extraction Monitoring (REM) and the Forest Monitor with Cercle d'Appui à la Gestion Durable des Forêts (CAGDF) a civil society organization. They have an official mandate to carry out independent monitoring and are looking at the whole national supply chain. The monitor starts with data collection, carrying out field missions to collect information and check documents on concession attribution, annual harvest documentation and social issues. Mr Nkodia explained that this information is collected once a year.

After field checks and document checks, the data is combined, analyzed and merged into a report, which is then reviewed by a Reading Committee. When there are disagreements in the evaluation, a box is added to the report where the Forest Administration can note some additional comments as to why there may be a difference in the evaluation. There is also a thematic or analytical brief which can be published on a specific issue.

Since 2013, CAGDF has visited 8 of the 10 regions with active forest concessions, which account for approximately 83% of all forest concessions. In this period the Independent Forest Monitor noticed greater response to their recommendations on the part of the administration, for example in the recovery of taxes up to level of 3 million CFA for the period. The monitor also found progress in the number of sustainable forest management plans for concessions. At the same time, the monitor found that six forest concessions were allocated without due process and log export permits exceeded the legal level of 15%. In terms of carrying out the independent forest monitoring role, Mr Nkodia highlighted a number of challenges including considerable delays in the Government approving reports for publication. As each report must be validated, the timing of publication depends on the good will of the Forestry Administration. When validation and publication takes a long time, findings can be out of date before they are made available to companies. There are examples of companies hindering the monitoring work and security remains a real challenge for the Monitor. Mr Nkodia suggested that he would like to see some joint missions between Forestry Administration and independent monitors.

The presentation is available [here](#)

Discussion

Participants asked whether any deadlines were issued by the independent forest monitor to ensure that report recommendations were complied with and whether the independent forest monitor follows up to make sure that the recommendations have been adopted. Mr Nkodia clarified that there isn't a specific timeframe by which their recommendations need to be adopted, as their mandate means that they can only highlight the problems for the Forest Administration, and it is ultimately up to the Administration to act or not. One CA asked whether future reports by the independent forest monitor could include a link or information on whether the company in question has ever been fined, but Mr Nkodia suggested that this is not possible as the government will not publish sanctions information. The independent forest monitor's job is to present a snap shot of the situation at any given time.

Friday April 7th 2017

Pulp and paper- compliance challenges and standards

Presentations

Jeremy Williams of Forest Trends presented updated data from a 2014 Forest Trends report looking at the environmental aspects of China's papermaking fibre supply. Around 11% of virgin fibre used in 2012 came from source countries with illegal logging risks (equivalent to 4% of total fibre usage). However, Dr Williams highlighted that there has been very limited recent growth in the production of paper in China, although domestic production is continuing to grow by 5% a year, reflecting increases in production of packaging, hygiene and tissue. At the same time, China is no longer the low-cost producer in South East Asia and Vietnam has a lower cost production structure, targeting the paper sector as strategic priority.

China is now taking aggressive steps on pollution, which includes state mandated closures of old pulp and paper mills. In 2016, mills producing 6.21 million tons of paper were shut down. In light of Chinese efforts to preserve water tables and other ecosystem services, harvesting levels in China is only likely to reduce further. In addition, China now has a logging ban in place in natural forests which means that China is shifting the sourcing of paper making fibre to other countries.

Imports of pulp and hardwood pulpwood have both increased since 2012. Russia and Indonesia provided 6.5% of imported fiber supply in 2016 compared to 6.2% in 2012. Rates of illegal deforestation have started to increase in 2015 and 2016 in Brazil which is also increasingly a key source of fibre products for China.

The presentation is available [here](#)

Olivier Guichardon of the Sequana Group presented Antrak, a platform developed by Sequana to help them comply with all environmental and social regulation, especially the EUTR. The platform helps the group identify and manage risks associated with deforestation or illegal timber entering their supply chains and strengthen supply chain control, sending strong signals to suppliers. Antrak is an online platform dedicated to Antalis suppliers that collects, centralizes and analyzes information on regulatory compliance, product traceability and suppliers' CSR commitments. Mr Guichardon highlighted that to date, it has been challenging

to define the most relevant scope of suppliers to be embedded into the platform, as the company operates in 43 countries, mainly in Europe with many small-scale local producers of products sold on domestic markets, making it more challenging to track. The Antrak platform currently includes information on 270 of the group's suppliers covering 80% of supply (including 100% of non-European suppliers). These suppliers must then answer three levels of questions covering compliance and traceability, which are mandatory, and finally, one question on certification which is voluntary. The platform also includes a risk assessment for each product delivered to Sequana, where suppliers must list the Latin name of species as well as the country and sub-region of harvest. For each species and country, the risk level is then allocated based on a scoring system devised by the company. The information requested on tree species, country and region applies to all products, not only the few that Antalis places on the European market.

Mr Guichardon highlighted that Sequana has a dedicated committee, which includes their legal, purchasing and CSR departments that meets twice a year to decide on risk mitigation. First they review the risk scores allocated for different products from the suppliers (according to 15 points) and work with their suppliers to reduce any risk. Refusal to work with Sequana to reduce risk levels means that no business is engaged. The biggest challenge is engaging suppliers to provide full, accurate information. At this stage Sequana does not audit their suppliers in the source countries but will start this in 2018.

Discussion

One EU CA asked whether the Sequana Group has ever tested the fibre to verify that the paper contains the species declared. Mr Guichardon confirmed that while the company had not tested products for the species to date due to costs, this might be an option in the future. Participants felt that the risk assessment put a lot of significance on tree species which is itself problematic, particularly if the species has been mis-declared. One EU CA explained that they have seen that, on average, 25-30% of species information is incorrect when spot checking supply chains. Mr Guichardon confirmed that the Sequana Group would look further at the process of assigning risk in the system.

Xiao Ma of TFT presented challenges demonstrating legal compliance for pulp and paper products from China, which are often both manufactured and traded through complex supply chains. Ms Ma explained that gathering global source data is challenging, as downstream companies can be three to five tiers away from the sources. Key players therefore include agents, converters or printing companies, paper and pulp mills (these can be in the same operation as integrated mills or all separate). The pulp and paper industry in China is modern and highly mechanized. China is a major global importer of pulp and is also the largest importer of woodchip and recovered paper, the majority of which is from the USA, Japan and the EU.

For wood chips produced domestically, fibre usually comes from chip mills which source from local fast-growing eucalyptus, acacia and poplar plantations. The common sourcing radius is about 20km, although this can be greater sometimes if there are good transportation routes nearby. Smallholders play a key role in supplying the pulpwood and there are a number of policy/regulatory incentives now in place at the local and regional level in China designed to encourage smallholder farmers to develop fast-growing plantations and so accelerate the shift of wood supply away from natural forests.

Ms Ma highlighted some of the major concerns associated with importing pulp and paper from China which include inconsistent information on species in the supply chain, lack of declaration and demonstration of species information on documents and undeclared / undocumented sources. In addition, there can be

concerns around the credibility of documentation. One Harvesting Permit might be used, for example, as evidence for several supply chains. There is also a risk associated with the low levels of forest governance resulting from inconsistent enforcement and gaps between regulations and implementation at the regional level. There is also a challenge from a lack of DDS requirements domestically, which ultimately means that Chinese suppliers are often not as familiar with how to develop and implement DDS in line with Operator requirements.

Therefore, the majority of the risks associated with the pulp and paper sector exist at the forest level and Ms Ma explained that the easiest way to avoid risk is to terminate relationships with suppliers who refuse to document their sources and find others that can provide the required information. Another option is to shift to certified products or change the species mix in a given product. However this approach may not be sustainable, as some companies want to build trustful and long-term relationship with their suppliers and to have a positive impact. Ms Ma highlighted some examples of good practice, where pulp and paper mills develop their own procedures to monitor sourcing from suppliers as well as supplier performances. Examples include using a questionnaire for suppliers to complete, field visits and supplier training. Normally pulp mills source local chips from the same region. The chip mill in the case study was located close to a conservation area and therefore the company requested records of all log procurement to show the area of harvest and ensure that the material was not sourced from any protected areas. Interviews with local officials, village head and villagers themselves were also conducted to ask questions about the sourcing. As the chip mill in the case study was found to have “undeclared sources” of material, an action plan was set up and generic chain of custody was put in place with the mill halting all of the highest risk sourcing.

Overall, the main challenges are 1) the lack of incentives for producers and suppliers to change, as there is no demand for legally sourced product from the domestic market, and, 2) the implementation capacity of both the company and suppliers. Ms Ma highlighted that one solution could be to set up long-term contracts, training and field support. In addition, the effectiveness and consistency of DDS and its implementation tools remains a challenge and therefore, monitoring internal performance, refining tools, external training and designing platforms to share experience could help address both of the challenges.

The presentation is available [here](#)

Thorsten Hinrichs discussed the German enforcement experience in the pulp and paper sector. Mr Hinrichs explained the institutional management process whereby the Bundesanstalt für Landwirtschaft und Ernährung (BLE, Federal Agency for Agriculture) is responsible for regulating imports. There are around 25,000 operators overall in Germany, with 11,000 of these importing more than two imports/year. BLE takes a risk-based approach to the control process, looking at the products, source countries, the extent to which an Operator uses a monitoring organization and the overall value of the shipments. Every three months, the CA puts together a control plan that includes a list of Operators to check. When checking the CA will request DDS documents, interview responsible staff, inspect warehouses and request product samples for analysis. In addition to general information on the DDS of the operator 10 shipments are checked in detail. Companies are often given two weeks notice in advance of a check to make sure the responsible staff is available to answer the questions of the CA.

Apart from these routine checks, the German CA will also conduct urgent checks as a result of submitted substantiated concerns. Substantiated concerns may be checked immediately and without any prior warning.

After checks, the control officer writes a report and keeps copies of all relevant documents. The reports are analysed in the central office of the CA, to make sure all cases are treated in the same way with regard to follow-up and possible sanctions.

Since 2016, the CA has focused on specific product lines including paper, plywood and fibre-boards from China. Over 40 checks have been conducted in 2016 and 2017. Of those, 26 are now complete and 18 of these were found to have insufficient DDS.

Examples were given of a company with a good DDS and two companies with insufficient DDS, which then received a warning letter (which counts as a misdemeanor offence in Germany). The companies were given 6 months to make changes with follow-up checks finding that one company had now changed their behavior and the DDS was now sufficient. The last company had also made changes but DDS was still not good enough. They received an injunction (notice of remedial action). If they don't follow this it would mean they have to face a fine.

The CA routinely takes samples from two products in each check. Samples are then analyzed for species (origin is not currently possible for paper). Additional samples may be tested in higher-risk situations. Mr Hinrichs explained that the CA also checks for recycled paper use if that has been declared. The German CA ultimately sees species mis-declaration as a sign that DDS is not working.

The main challenges for the German CA to date have been the number of Operators they have to check, which is usually set at around 200 per year so far. In many cases the CA needs to make repeat visits as well. Another challenge is that NGO samples cannot be used in court or in any other official purpose, and in investigating substantiated concerns, it can be hard for the CA to recreate the samples if Operators have stopped selling the product. Mr Hinrichs explained that the German CA is looking to overcome some of these challenges by doing more common investigation with other CAs, hiring more forestry experts, preparing or substituting some on-site-controls with questionnaires, and more focus on the element of the German EUTR law which enables the CA to order an Operator to send timber back if they cannot prove that it is legal.

The presentation is available [here](#)

Discussion

One participant asked whether German Operators know about the focused checks and how often companies are checked before they are given a fine. Mr Hinrichs explained that the first compliance failure is now mostly an injunction but this will be followed up with a financial penalty after a second check if improvements have not been made. Enforcement is now scaling up as the EUTR has now been in force for several years. For the first years after the EUTR had come into force, there was more focus on informing operators and the threshold for a fine was higher.