Compliance efforts and challenges
Pulp and Paper sector in China

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Preview

1. Main aspects of P&P supply chain
2. Demonstrate ‘legal compliance’ - views of Suppliers
3. Good example of practices
4. Challenges and way forward
Major importer of **virgin** pulp, woodchip; recovered paper
Pulp: 33%
Recovered paper: 52%
Major concerns sourcing P&P from China

- Species, inconsistent with declaration, risk of mixing
- Creditability with documentation
- Inconsistent regulation enforcement
- Lack of domestic demand for DDS
- Issuance of logging ban
• Majority of the risks exist at the source level
• Simplest way = change supplier, go certification
• More sustainable way = work with producers
Type of responses

- ....
- “Don’t understand the question”
- “we don’t know, what need to do?”
- “I declare our product is compliant”.
- “ (some info/doc),...Are they enough?”
- We have our own policy, here is what we’ve done.... are they sufficient?”
Example – Chip Mill

Information gathering
• Communication/site observation
• Questionnaire

Risk assessment
• Uncertified;
• Origin of sources unclear/incomplete;
• Unable to provide doc/records;
• Close to areas of environmental values;
• Known risk of species mixing;
Mitigation
- Field visit (traceability + legality + other elements)
- Stakeholder interview
- Further issues identified (e.g. undeclared sources)
- Corrective action plan (i.e. basic coc + request to stop using particular source)

Mitigation implementation
- Training + Field support + Continuous visits (scoring)
Developed APP to help traceability - unique ID per chip delivery
Example – Pulp/Paper Mill

Have a DDS system in place

Procedures
What/when to assess? By whom? Monitoring?

Guidance
How? E.g. the criteria

Tools
e.g. assessment protocol + reporting template + performance scorecard

Note: Internal alignment + training needs Strategy/approach

“Only accept wood that the legality and provenance is checked and verified”
Example – Operator

- Develop responsible sourcing policy
- Set requirements/expectations for suppliers
- Develop tools to assist suppliers
- Supplier engagement + capacity building
- Map the supply chain
- Prioritization

Policy + Supplier direct engagement

INTRODUCTION

This Pulp and Paper Due Diligence is applicable to paper.

TEMPLATE OUTLINE:
PULP AND PAPER DUE DILIGENCE
MANAGEMENT

STEP 1: ESTABLISH STRONG MANAGEMENT SYSTEMS

A. ADVANCE AND CLEARLY COMMUNICATE TO SUPPLIERS AND THE PUBLIC, A COMPANION POLICY FOR THE SUPPLY CHAIN OF PULP AND PAPER MATERIALS

Adapt information about your company's policies on standards, which impact sourcing, converting, and paper materials, and how to communicate these policies, standards, and supplier performance in the public.

B. STRUCTURE, DETERMINE AND ENGAGE TO SUPPORT SUPPLY CHAIN DUE DILIGENCE

Describe the resources assigned to the program, including internal and external groups, as well as new stakeholders involved. Include information on the management system for your program.

C. ESTABLISH A SYSTEM OF CONTROLS AND TRANSPARENCY OVER THE PULP-BASED MATERIALS SUPPLY CHAIN

Ensure your company's policies and practices are in line with your suppliers' and trade associations, and that your supplier policies and paper material supply chains, and trade associations are in line with your company's policies. Include your company's procurement and supply chain management system.

D. STRENGTHEN COMPANY ENGAGEMENT WITH SUPPLIERS

Describe your company's strategies and activities to engage with your suppliers, and to ensure that they adhere to the same policies as your company.
Challenges and way forward

**Incentives to change**, no demand from domestic market

**Implementation capacity**, internal alignment, workload, human resources, international resources;

**Solution**: long term contract + training + field support + accumulated efforts of Operators

**Effectiveness and consistency** of DDS procedures/tools

**Solution**: monitoring internal performance + refining tools + external training + platform to share experience

**Global regulations/Operator requests to supplier differ in requirements**, need an one-for-all solution package;

**Solution**: platform to share and learn;
Final remarks

Responsible practices is possible, certification is not the only solution;

Solutions exist, share of experience;

Understand the suppliers;
Recovered paper

Issues
• Risk of pre-consumer material originating from controversial sources.
• Social issues; China the largest recovered paper importer; Highest estimated number of waste pickers worldwide; No domestic formal recycling infrastructure;

Can do
• Know the split: virgin VS recovered paper; imported VS domestic;
• Gather info/doc about the supplier (collecting/sorting facility) and the material;

✓ Supplier product description, invoice, shipping document, contract;
✓ Reports/pictures of on site investigations;
✓ Government-issued certificate;
✓ Certificate of origin;
✓ Supplier audit report
Thank you

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