

Compliance efforts and challenges

Pulp and Paper sector in China

TFT

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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



Operator

Agent

Major importer of **virgin pulp, woodchip; recovered paper**
Pulp: 33%
Recovered paper: 52%
Woodchip: Top hardwood chip importer in 2016

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

林木采伐许可证

编号: 0024010

采字(20)第 1135 号

根据 容县林业局 提出的伐区调查设计(申请), 经审核, 批准在 容县 林

场(乡镇) 林班(村) 作业区(组) 小班(地块)采伐。

采伐四至: 东 南 西 北

GPS 定位: 1176970

林分起源: 林种: 树种: 树

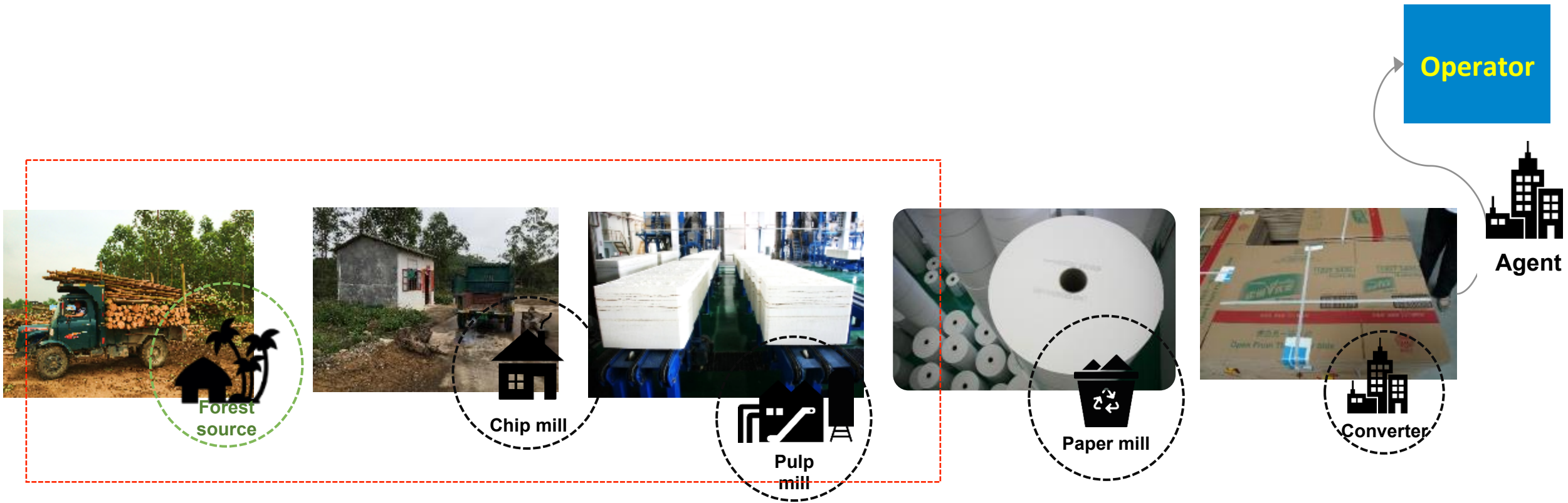
权属: 林权证号(证明):

采伐类型: 采伐方式: 采伐强度: 100%

采伐面积: 公顷(亩):

*Handwritten
statement with
village committee
stamp*

on made?
ld?



- 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?”

APPENDIX 1

Name of Supplier: [REDACTED]

Source of Paper and Pulp

Mill Name: [REDACTED] Tel: [REDACTED]
Mill Location(Country): China Fax: [REDACTED]

- 2015 May COMPANY NAME CoC-CW Cert - KPMG Audit Certificate
- 2015 May COMPANY NAME FSC CERT - KPMG Audit Certificate
- 2015 May COMPANY NAME FSC CoC-CW Cert
- 2015 May COMPANY NAME PEFC CERT - KPMG Audit Certificate
- 2015 May COMPANY NAME PEFC CERT
- 150414 SSE_RP_004 Report of Pulp Supplier Evaluation - COMPANY NAME Pulp Inc.
- Certificate of Registration - ISO 14001-2004 Jan 2014
- COMPANY NAME compert 240 Feb 2 2015
- COMPANY NAME PEFC CoC cert Jan15
- Supplier Risk Assessment - September 26, 2014
- ... (1)

Is the requirement from Operator clear?

ay 2014

Organizational...

Questionnaire 2016 COMPANY... pleted March 25 2016

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

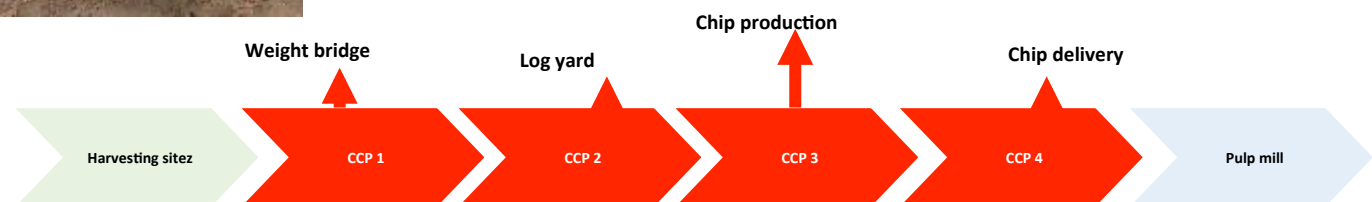
- Field visit (traceability + legality + other elements)
- Stakeholder interview
- Further issues identified (e.g. undeclared sources)
- Corrective action plan (i.e. basic coc + request to stop using particular source)

Mitigation implementation

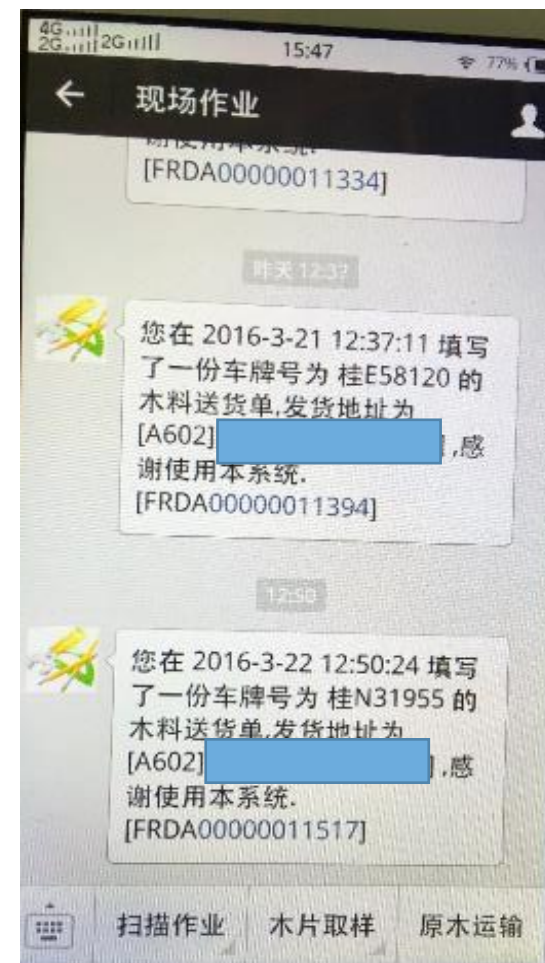
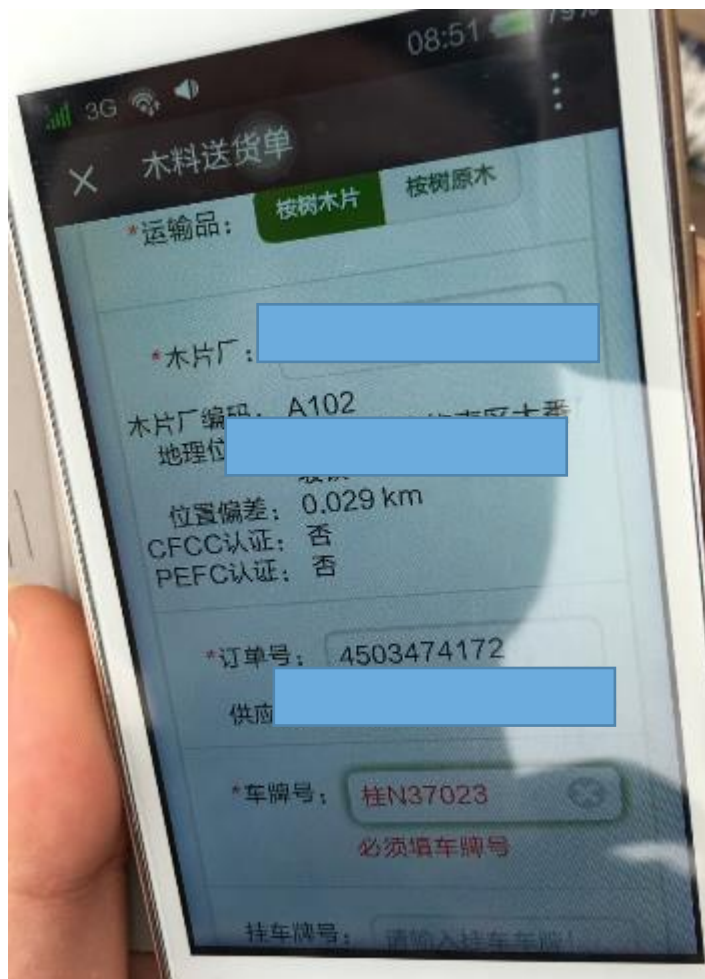
- Training + Field support + Continuous visits (scoring)



日期	品名	规格	数量	单位	来源	备注
2013.10.15	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.16	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.17	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.18	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.19	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.20	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.21	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.22	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.23	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.24	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.25	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.26	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.27	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.28	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.29	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.30	杉木	10cm x 10cm	1000	m³	XX公司	
2013.10.31	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.01	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.02	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.03	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.04	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.05	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.06	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.07	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.08	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.09	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.10	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.11	杉木	10cm x 10cm	1000	m³	XX公司	
2013.11.12	杉木	10cm x 10cm	1000	m³	XX公司	
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2013.12.04	杉木	10cm x 10cm	1000	m³	XX公司	
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2013.12.07	杉木	10cm x 10cm	1000	m³	XX公司	
2013.12.08	杉木	10cm x 10cm	1000	m³	XX公司	
2013.12.09	杉木	10cm x 10cm	1000	m³	XX公司	
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Developed APP to help traceability - unique ID per chip delivery



Example – Pulp/Paper Mill

Have a DDS system in place

Procedures

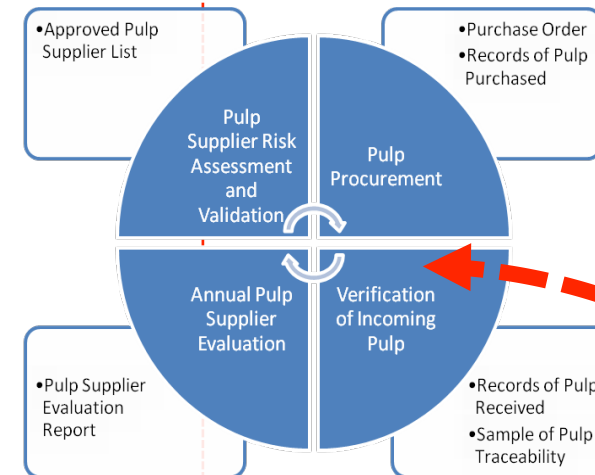
What/when to assess? By whom?
Monitoring?

Guidance

How? E.g. the criteria

Tools

e.g. assessment protocol + report
scorecard



Note:
Internal alignment +
training needs
Strategy/approach

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

Example – Operator

Policy + Supplier
direct
engagement

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

TEMPLATE OUTLINE:

PULP AND PAPER DUE DILIGENCE

MANAGEMENT SYSTEMS

INTRODUCTION

This Pulp and Paper Due Diligence applicable to paper

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

Include information about your company policies or standards and programs regarding sourcing of pulp and paper materials, and how you communicate those policies or standards to suppliers and to the public. The policy and programs should address compliance with laws on legal harvesting as well as elements regarding conformance to sustainable forestry and responsible sourcing (environmental and social aspects).

B. STRUCTURE INTERNAL MANAGEMENT TO SUPPORT SUPPLY CHAIN DUE DILIGENCE

Discuss the resources assigned to this program, including their staff and/or business group area of expertise. Include information on the management processes for your program.

Internal Training and Communication

List internal training and communications, including target audiences, and processes for ongoing training to relevant employees. Indicate where training materials are kept.

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

Describe your traceability and other systems to interact with your suppliers and their suppliers and understand your pulp and paper materials supply chain, including pulp mills and forest sources. Include your process for existing suppliers, as well as potential new suppliers.

D. STRENGTHEN COMPANY ENGAGEMENT WITH SUPPLIERS

Describe your expectations for suppliers, and the tools you use to communicate those expectations to them. This could include policies or standards, codes of conduct, contract language, specifications, a company website, etc.

Supplier Capacity Building

Describe ways you interact with suppliers to educate them and otherwise build their understanding of

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

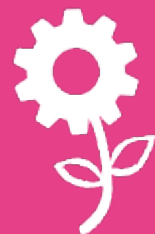
Issues

- 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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