Tools to Ensure Continued Access to EC & US Markets

TFT’s Experience with Supply Chain Management

China and the Global Forest Products Trade: Trade of Legal and Sustainable Wood in China- 4th Round

April 21st, 2009 Beijing PRC
Tropical Forest Trust

Non-profit founded in 1999 in context of garden furniture/illegal logging campaign in Europe

Complex, opaque supply chains in SE Asia

We help businesses become ‘Forest Responsible’

“Products not linked to deforestation; illegal practices; social conflict or environmental destruction”

- Supply chain risk management, due diligence systems
- Forest management technical assistance to FSC certification
- Communication support for product and company marketing

60 Members; >100 clients; 90 staff in 14 countries inc. China, SE Asia, Brazil, Congo Basin, Europe & the US
TFT helps its Members & clients

Link their supply chains

From here

Secure system

Legal wood

That is FSC certified

Or moving toward it

To here
SERVICE 1: Supply Chain Risk Management

A Perfect Supply Chain

Consumers

Good price, good design, high quality product

Buyer

Forest

FSC Certified

Known Legal Source

COC

Known

Good Social practices

COC

Factory

One country

Forest
A Typical Supply Chain

Non-Compliant product = LARGE PROBLEM

Visibility:
Wood origin?
Illegal logging?
Conversion?
Forest management?
Indigenous peoples?
Community relations?
Tenure?
Fair Trade???
Other social &
environmental concerns

Visibility:
Worker H&S?
Pay rates?
Housing, meals?
Other Social issues?
Environmental concerns?

Consumers

Buyer

Agents

Factory

Traders

Forest

x 10+
Typical Supply Chains

- Logs
- Sawn Timber
- KD
- Cross Cut
- Moulding
- Export

Untraceable sawn timber
Untraceable logs
Untraceable dried wood
Untraceable component and/or end product

TTAP Assessed
Very Complex Supply Chains
Lacey Act, FLEGT: What to Do?!?! Based on TFT’s 10 years of experience:

A Wood Control System Approach

- Wood Policy
- Procurement program
- Chain of Custody COC
- Wood Origin Control WOC
- Internal audit
- 3rd party audit
- Reporting system

7 Elements
Good Wood Good Business

A Wood Control System Approach

- Project Team
- Communications Program
- Work out baseline
- Develop a Wood Policy
- Take Action
- Achieve Targets

www.tft-forests.org

6 Steps
How it Works in Practice

Risk assessments, 2\textsuperscript{nd} or 3\textsuperscript{rd} party audit
Acting for TFT Member, non-member Clients
Paid with membership levy or fee-for-service
Identifying factories, forests
Training factories, forests
Stump to finished product COC
Very frequent, on-going monitoring e.g. by shipment
Preparing the ground for the 3\textsuperscript{rd} party auditors
Approving TFT logo use on product when all OK

Indonesia, Viet Nam, China, Congo Basin, Brazil
Supply Chain Risk Management

**WHICH FOREST?** Origin verification is KEY

Once you know origin, you can apply standards, get audited, make claims

Sorting it out will transform your business, supply chains, whole industry

Sharp supply chain management overcomes this

Legislation is levelling the playing field
SERVICE 2: Forest Management Support

We help forests achieve FSC certification

- Gap Assessments
- Certification Action Plans
- Technical Support
- Marketing Support
- Achieve FSC
- Maintain certificate

Indonesia, Malaysia, Vietnam, Laos, Republic of Congo, Cameroon, Gabon, Brazil, China, USA
SERVICE 3: Communications Support

Company & Product Marketing

Communications strategies
Brochure Text
Customer communications
TFT Logo on Products
Customer meetings
Press Coverage
Peer Review

Across Europe, Australia, NZ, USA, Indonesia, Vietnam
TFT Today

A Global Network of Specialist Teams – 14, 40, 60, 90, 100, 4 million, billions

EC funded Timber Trade Action Plan (TTAP) project

• Verified legal product into EC; focus on UK, Belgium, NL, others
• China, Indonesia, Malaysia, Brazil, Guyana, Bolivia, Cameroon, Gabon, RoC
• EUR7 million financing, EUR2 million co-funding from companies
• 70 supply chains to be verified legal, RPPs, coherent approach across EC
• International TTF Day – 29 TTFs from around world, lesson sharing, support

The Forest Trust – TFT v2.0        TARGET 100 million hectares in 5 years

• Scaling up beyond tropics – focus on China, high risk areas
TFT in China

Today 4 people with an office in Beijing

Helping factories install WCS, get verified legal, sustainable product

Lacey Act, FLEGT compliance

In the future, a major program here:

Factories
Forests
Assisting government
Russia
Communications

Serious scaling-up of our China operation

Inspirational leader, new Project officers
Challenges Ahead

Helping Chinese industry navigate the new global compliance context

Offering insight for policy-makers

Sharp action needed ASAP in order to be compliant – who knows where the US Justice Department will focus – a Chinese supply chain?

Unfortunately there is no magical solution

So…..is this a nightmare, or an opportunity?

Our experience suggests the latter and that 1st movers gain a significant and long-term, sustained advantage

The legislation is here, your business WILL need to change, so why not lead it?
If we get it right across the whole timber trade, we might have some forests left to supply wood raw materials in the future.