The UK Experience with Due Diligence: a changed perception?

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1. Who are the Timber Trade Federation
Timber Trade Federation

- Founded in 1892 to grow the use of wood and wood products!

- Over 200 members representing 70% timber volume either produced or imported into the UK

- **UK 4th largest importer in the world**
  - *Volume equates to 170,000 double decker buses spanning the length of the UK!*

- Less than 5% is tropical, vast majority is certified softwood

- UK is sensitive to NGO pressure
TTF support from the UK Government

• Agreement for nearly £400,000 to be funded by the UK’s Department for International Development.
• The fund is spread over 3 years and is focused on trade activities to help address illegal logging.
• Recent agreement to focus on timber & climate change

Number of activities funded:

• Roadshows with trade – Indonesia & Brazil in 2009
• Market reports
• Country guidance reports
• Supporting FLEGT
• Advising on EU legislation
2. Issues facing the UK timber industry
Threats to timber

• Timber – good story to tell!!!!!!
• Market demanding proof of lower environmental impact through methods such as LCA
• Other sectors wanting to badge products as “responsibly sourced”
• Other materials use “illegality” against us!!!
Increasing Passport requirements!!

- Legislation & Govt policies
  - US Lacey Act & proposed EU legislation
  - Forest Law Enforcement, Governance & Trade (FLEGT) – numerous initiatives
  - Government Timber Procurement Policies
  - Government adoption of schemes developed to measure & rate the environmental impact of buildings or developments e.g. BREEAM (UK), LEED (US)

- End users sustainability policies – managing “reputational risk”

- EU Timber Trade Federations introducing Code of Conducts
3. UK TTF Action on Due Diligence
TTF New Code of Conduct Commitment

- Code of Conduct from June 08 commits all members to implement a system of “due diligence” – ahead of new EU legislation option!!!!!

- Members can develop their own system but must meet the agreed criteria
Criteria for Code of Conduct
“Due Diligence” systems (UK, Fr & NL)

1. Independent auditing – TTF receives no paperwork
2. 100% screening including country risk
3. Standard questionnaire and objective assessment system
4. Continuous improvement & target setting
5. Supplier feedback
6. Product claims can be verified, objective evidence
7. Public commitment to legal/sustainable
8. Director level responsibility
9. Excluding CITES
10. Annual reporting
11. Corrective actions
Why do we need Due Diligence?

• Proving legality is troublesome as matching documents to shipments is difficult but is a contract requirement, particularly products such as plywood

• UK TTF support the VPA’s and the subsequent legal licensing – make it easier to buy timber!
Due Diligence Tool
Responsible Purchasing Policy (RPP) Overview

• A voluntary tool introduced in 2004 RPP gives members
  
  – An “off the shelf” due diligence tool to assess the risk of timber products
  – Supports business in promoting good practice to customers and/or meeting policy requirements
  – Focus on uncertified products – certified or verified legal simply recorded
  – A stepwise approach to source legal & sustainable timber products
  – Preparing members to meet proposed future legislation

DOES NOT GUARANTEE LEGALITY
Responsible Purchasing Policy: Process

1. List of suppliers & identify uncertified/unverified
2. Assess risk of uncertified products
3. Implement action plans, short & long term
4. Record assessment progress & submit summary to auditor
RPP: Information requirements

We need to know

- Where it comes from
- Species
- What legality documents exist
RPP - Product Risk Rating

- RPP is encouraged to be done on each shipment – in reality doesn’t happen
- Use the appropriate decision tree to risk rate products as high, medium or low
- Using country guidance trying to make it more objective rather than subjective – can be difficult!!!!!!
- County guidance also provides advice on solutions e.g. EU funded Timber Trade Action Plan
RPP - Product Risk Rating

**Low Risk Countries** (rated 6.6 or more)

- Are all the species in the product originated from a low risk country?  
  - **YES**  
    - Low Risk Product
  - **NO**
    - Are species low risk in source country? (See Country Guidance)
      - **YES**
        - Low Risk Product
      - **NO**
        - Are there reliable documents that prove legality of that shipment of products from the original source? (See Country Guidance)
          - **YES**
            - Low Risk Product
          - **NO**
            - High Risk Product

- Advised to conduct supplier assessment
RPP – Product Risk Rating

High Risk Countries (rated 6.5 or less)

Does supplier do one or more of the following:
1) Purchase all of the timber to make that product from their own concessions/forests?
2) Purchase from other sources where the species is/are low risk? (See Country Guidance)
3) Is there a forest management plan approved by the relevant national authority? (See Country Guidance)

Are there reliable documents that prove legality of that shipment of products? (See Country Guidance)

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NO

High Risk Product

Advised to conduct supplier assessment

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YES

Are there reliable documents that prove legality of that shipment of products? (See Country Guidance)

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NO

Med Risk Product

YES

Low Risk Product
RPP Experiences

• Many lessons learned along the journey
  – Lack of resource for smaller members
  – Lack of understanding & acceptance
  – Lack of knowledge for risk rating products (trade & forestry)
  – Lack of market demand for due diligence
  – Lack of “real time value” – declarations per shipment difficult

• We are still learning…even after several years!!!
Due diligence, an accepted concept....the brussels effect?

- Fear Factor of change is very real
- 10 years ago certification was not an accepted concept!
- Yes – changing trend in last year!
4. UK experience and global challenges
UK Market Experience on Implementation of Market Drivers

- UK market as a net importer is very sensitive to NGO attacks

- Evidence that the drivers are raising awareness & thus demand

- Certification has enabled companies to win business

- In the UK small (2-7%) price premium on certified **hardwood** products – not softwood.
Common Global Challenges for timber...

- Improving the timber trade global image..
- Promoting timber as mitigating climate change and the most sustainable building material...
- Ensuring requirements and guidance for legislation and policies are the same..
- Helping suppliers and customers to understand and meet those requirements..
Thank you

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