



Due Diligence & Supply Chain Sourcing

TFT's Experience Working with Producers & Manufacturers in Complex Contexts

Presentation to the 3rd Potomac Forum on Illegal Logging & Associated Trade

March 24th, 2009 Washington D.C.





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; environmental destruction
- Supply chain risk management, due diligence systems
- Forest management technical assistance to FSC certification
- Help them market their products and programs

90 staff, in 14 countries, inc. China, SE Asia, Brazil, Congo Basin





The TFT helps its
Members & clients



Link their supply
chains



To here



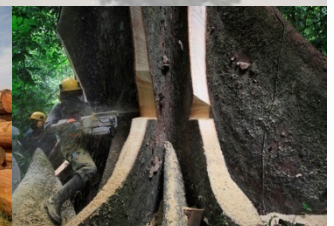
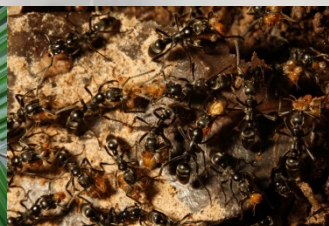
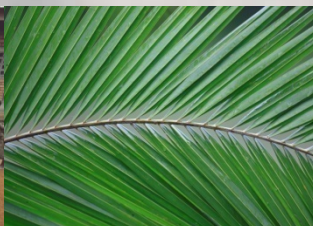
Secure system

Legal wood

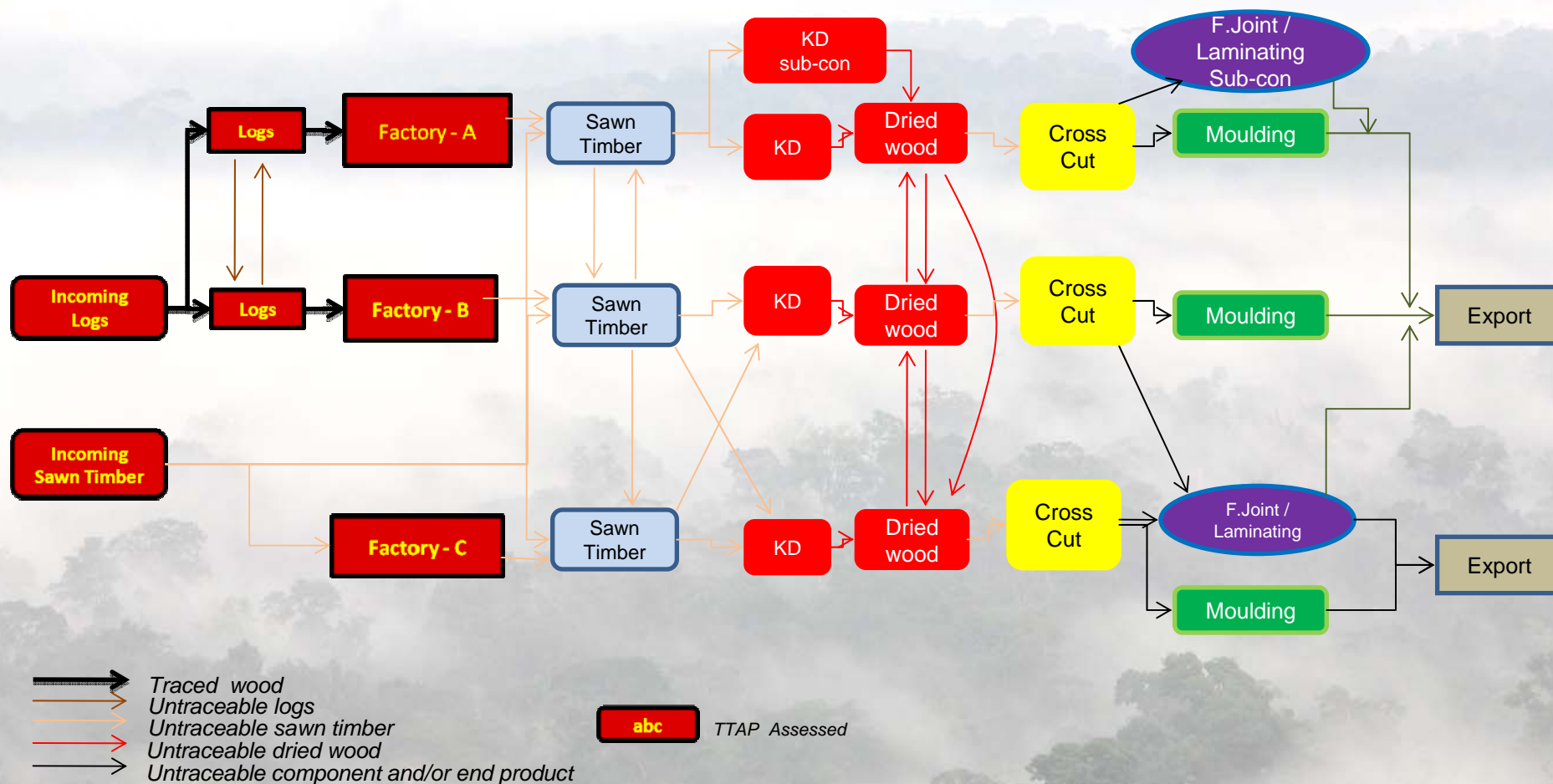
That is FSC certified

Or moving toward it

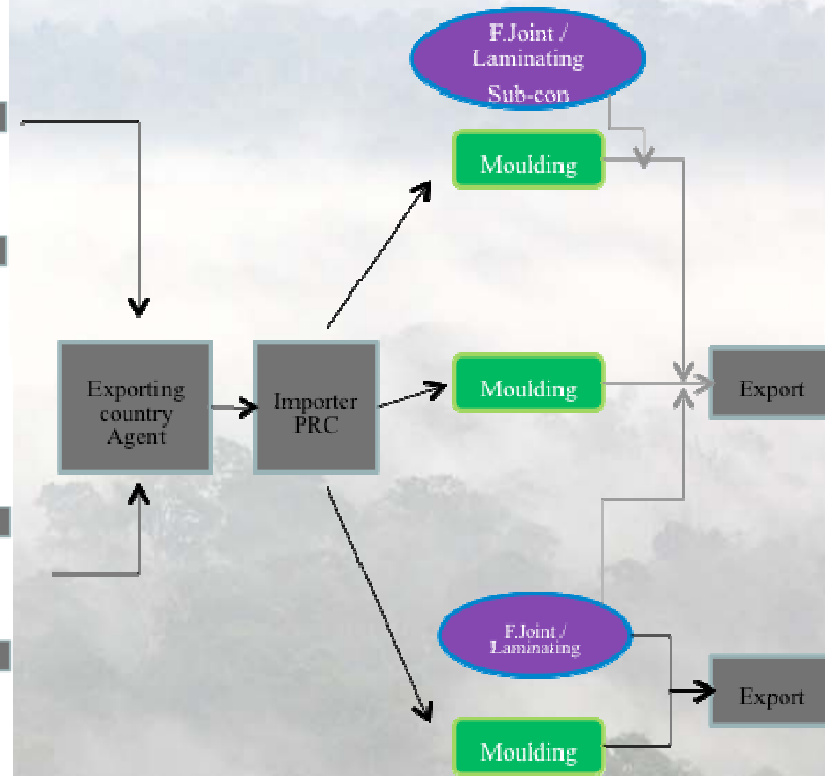
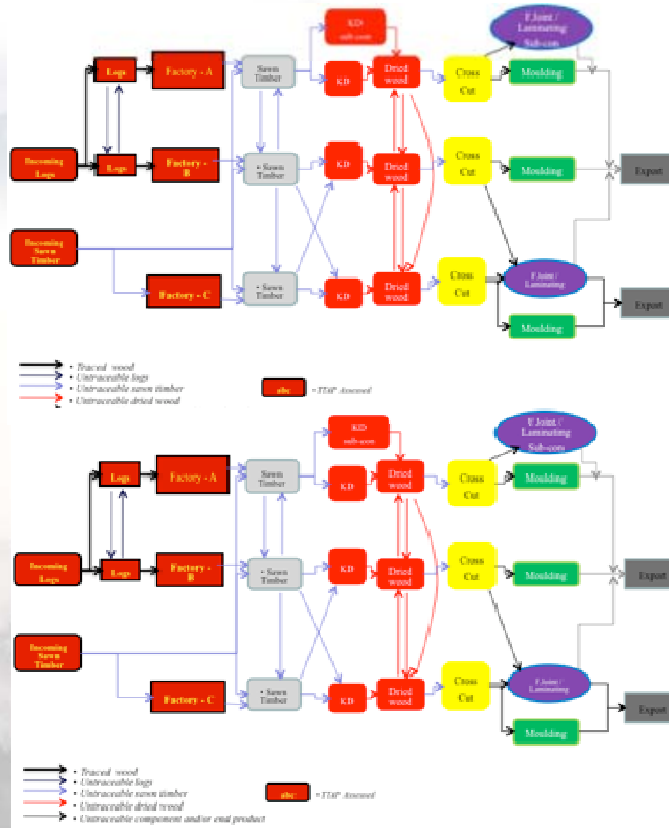
From here



Not So Simple – Unconsolidated Supply Chains



Export Compounding



- Untraced logs
 - Untraced sawn timber
 - Untraced dried wood
 - Untraced component and/or final product
- abc = FTA Approved





Lessons

March 1999

80,000m³ logs, 50 factories, 100% UKS, No COC

Garden
Furniture

In-factory COC systems

Document audit – looking back

Wood Procurement - Buying FSC, KLS, TWS wood

Document audit – Wood Origin Control

3rd party audit of COC

April 2001

35 COC factories

Significant FSC, TWS, KLS

It can be done!





Lessons cont.

10 years on

Document sets & COC are only part of the solution

Working globally

Annual, 3rd party auditing is important but has some big holes

GF, sawn timber, plywood, mouldings

- The 'day in the sun' phenomenon

- Frequency
 - Depth
 - Historical
- } Cost

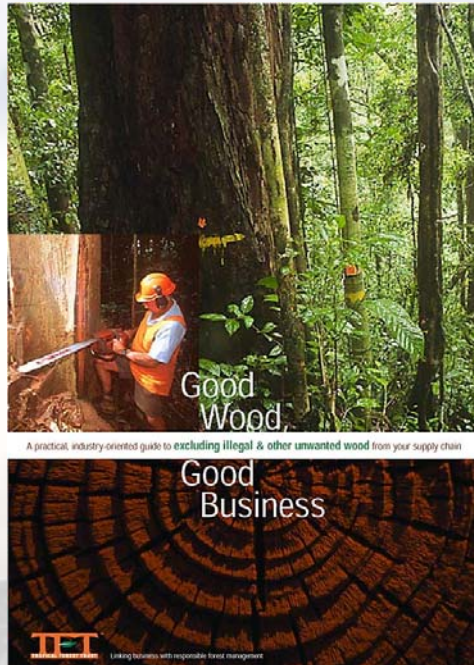
Across borders, through traders

- *"If a factory wants to fraud, nothing we can do"*
- Auditors knowledge e.g. legal docs, general context
- Conflict of interest





Good Wood Good Business



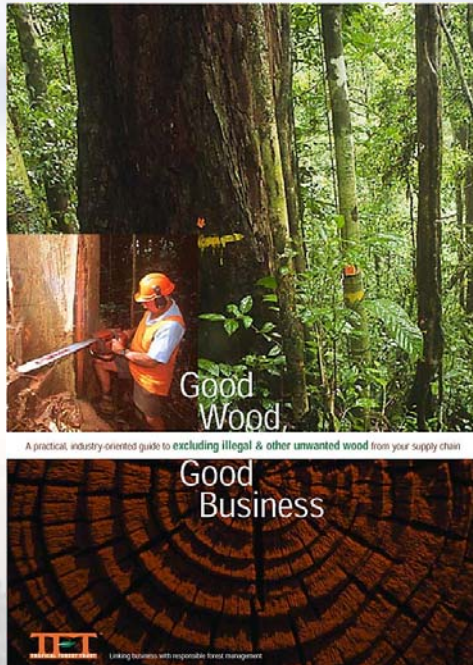
A Wood Control System Approach

- 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

6 Steps

www.tft-forests.org





How it Works in Practice

Risk assessments, 2nd or 3rd 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

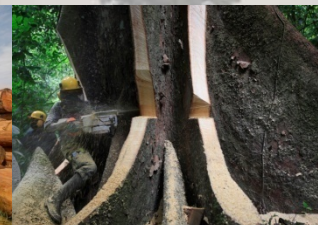
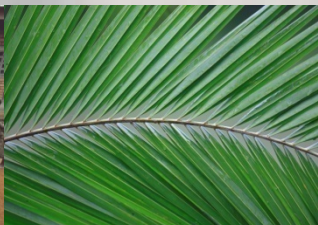
Very frequent, on-going monitoring e.g. by shipment

Preparing the ground for the 3rd party auditors

Approving TFT logo use on product when all OK

Indonesia, Viet Nam,
China







Lessons cont.

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



Quality
Price
Delivery

Sharp supply chain
management overcomes
this

Legality
Traceability
Sustainability



Legislation is levelling the
playing field





Scaling Up

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
- 35 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

- Scaling up beyond tropics – focus on China, high risk areas
- Big challenge – to move beyond solid wood products





Composite Wood Products

Wood raw material from goodness knows where; chips, saw dust, legal, illegal, imported, local, tropical, non-tropical – very complex!!

Business as usual doesn't work in the new compliance framework

What to do?

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?

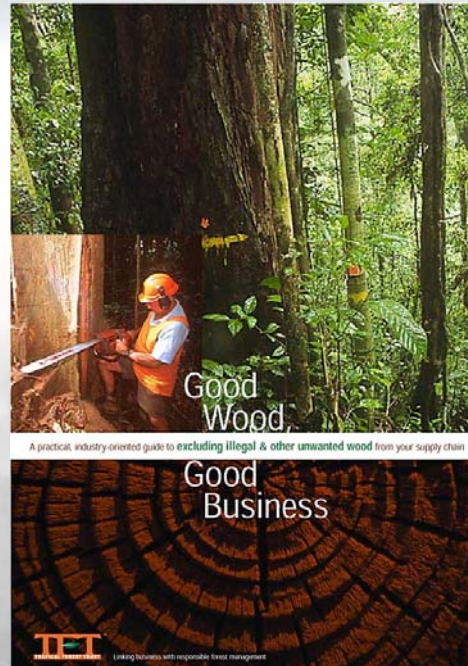




Back to 1st Principles

Elements

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



Steps

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

This WILL transform your business, your entire industry





Trade-offs and human ingenuity



If we get it right across the whole timber trade, we **might** have some forests left to supply wood raw materials in the future

