



Forest & Wood
Products Australia
Knowledge for a sustainable Australia

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Demonstrating legal wood products: Industry benchmarking: Part I

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**Demonstrating legal wood products - Industry
benchmarking**



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Publication: Demonstrating legal wood products - Industry benchmarking

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Executive Summary

This report is the first stage of this project and it investigates the current due-diligence activities undertaken by a representative section of Australian importers and domestic processors.

A total of twenty-eight Australian importers/wholesalers and domestic processors of a range of timber and wood products were interviewed. Twenty-one interviews were completed face-to-face and seven by telephone.

The wholesalers/importers and domestic processors interviewed supplied the following categories of wood products including Sawn wood, Engineered timbers such as LVL and I-beams, Sheet of veneer, Continuously shaped wood, particleboard, oriented strand board (OSB), medium density fibreboard (MDF) panels and hardboard, plywood, veneered panels and builders joinery such as doors and windows.

Supplies of wood products were sourced from nineteen different regions and countries. 70% of companies interviewed had some form of written policy in regards to sustainability and/or legality of the source of their wood products. This compares with 60% who had written policy in 2006.

Policy status	2006	2012
Published policy	30%	48%
Written policy	30%	22%
Unwritten policy	14%	22%
No policy	26%	8%

The most significant driver for policy is protection of reputation and the own values of the company owners. The other major drivers are customer demands. The requirements of customers who are suppliers to projects accredited by Green Building Council of Australia are the most significant new drivers as are the requirement of suppliers to Queensland Government projects. The requirements of major merchant customers such as Bunnings but also the new major customer Masters are also significant drivers for policies and practices in regards to legality. Environment group pressure and the likely introduction of the Illegal Logging Prohibition Bill are the next most significant drivers.

The importers interviewed undertake a large range of formal and informal measures to ensure their wood products meet their stated or unstated policy objectives. All companies interviewed are undertaking components of due diligence in sourcing imported timber. For example information gathering is an activity companies undertake as a normal part of their business. Amongst importers there appears general agreement of what constitutes low risk sources of wood products and what constitutes sources that are not low risk. Importers utilise legality verification mechanisms and documentation that are available to them that their suppliers can provide.

Domestic processors interviewed predominately source logs from forests and plantations that are certified to the Sustainable Forest Management (SFM) Standards so these processors are predominately Chain of Custody (CoC) certified. For the smaller quantities that are not sourced from SFM certified forests/plantations are subject to review of legality under the CoC and other standards of the Forest Stewardship Council and/or the Australian Forest Certification Scheme. Due diligence processes are thus already in place for these companies.

Smaller domestic processors that are not obtaining logs from SFM certified forests are not CoC certified. However the legislative and regulatory frameworks for log harvesting on public and private land in Australia are state and/or territory-based are comprehensive. Nevertheless all the components of provided documentation that logs are from legal sources and the logs delivered to the processors are from this legal source are in place if a due diligence system is needed to be implemented.

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Introduction

The Australian Government is currently finalising legislation on ensuring wood products placed on the Australian market are from legally logged sources. The proposed legislation has requirements for due-diligence for importers of many wood products, and potentially, all processors of raw Australian forest logs.

A review of the extensive Australian and international research literature on this subject has found that due diligence, or a duty of care, is a key component of industry endeavours to prevent sourcing illegally logged wood in Australia, many major European countries, the United States and Japan. Some of these are solely company initiatives (through procurement policies and practices) or via their trade associations through industry procurement policies and/or Codes of Conduct (e.g. Netherlands, UK, French Timber Trade Federations, Quebec Wood Export Bureau).

Due diligence will be mandatory for traders of most wood products in the European Union member countries by 2013.

In the United States being able to demonstrate duty-of-care sharply reduces a company's exposure to penalty if subsequently they are found to have imported illegally logged wood products.

In 2009 a review of practices employed by Australian companies by the Timber Development Association (TDA 2009) found that many companies already undertook due diligence using in-house developed systems to minimise risk of purchasing illegally logged wood products, but lacked the ability to bench mark their activities against others.

Agreement on specific steps of due diligence undertaken by Australian industry is needed so that competitors can be assured that other companies are undertaking minimum processes, and incurring similar costs. This external confirmation is needed to ensure competitors, as well as governments, and environmental groups, that a wood products sector as a whole is taking these minimum steps.

This project represents the first stage of a two stage project to develop due-diligence guidance material for Australian industry to meet the proposed regulations.

This report is the first stage of this project and it investigates the current due-diligence activities undertaken by a representative section of Australian importers and domestic processors.

Methodology

The following methodology was used in the preparation of this report.

A project Steering Group was set up and a preliminary list of companies to be surveyed who are major importers/wholesalers and/or process wood products within the scope were prepared for comment.

A survey form (Appendix 1) was prepared and face-to-face and telephone interviews were conducted in Brisbane, Sydney and Melbourne.

A report on activities that industry can manage from priority supply regions of the world was then prepared identifying what legality verification methods are currently used, as well as, what they propose to use once legislation is enacted.

Just before the interviews commenced consultations on proposed regulations were being held by the Department of Agriculture, Fisheries and Forestry (DAFF). DAFF provided an outline of Due Diligence Principals as well as draft customs and annual declarations. These drafts (included in Appendix 2) were shown to those interviewed and comments sought.

This report is structured into two main parts, the first part is results of interviews with importers and the second part is the results of interviews with domestic processors.

Scope of companies for interview

The scope of the project included interviewing major wholesalers/importers and domestic processors of key wood products. The key wood products and their Harmonized Tariff Schedule (HTS) category and codes are included in Table 1.

Table 1: Category and HTS code of wood products within the study scope

Wood products category	HTS Code
Sawn wood	44.07
Engineered timbers such as LVL and I-beams ¹	44.07 44.09 44.12
Sheet of veneer	44.08
Continuously shaped wood	44.09
Particleboard, oriented strand board (OSB)	44.10
Medium density fibreboard (MDF) panels and hardboard	44.11
Plywood, veneered panels	44.12
Builders joinery, doors and windows	44.18

Finger-jointed timber products are usually imported in a sub-category of the sawn wood category (44.07) unless the product is flooring in which case it may be imported in 44.09.

Throughout this report the term wood products is used to encompass all products derived from wood such as timber, sawn wood, veneer, plywood and so on.

¹ HTS Codes for these timber products were unknown before the interviews were commenced. Interviews found that, due to lack of clarity in the code descriptions, and the lack of duty payable on them (as most are imported from New Zealand and United states with which Australia has free trade agreements which cover these items), these timber items are being imported under a variety of HTS codes.

Survey questions

Once a list of major wholesaler/importers into Australia and domestic processors was determined, a list of questions was drawn up to enable the information required for the project to be gathered. The list of basic questions asked was as follows:

- Background information on company?
- What are the key product lines that you import or produce?
- Does the company have policy/practices to determine the legality of timber imported or processed?
- If there is a policy or practice, how does the importer/processor enforce it?
- What is the key driver for the policy and/or practice?

These questions were used as a guide to steer the interview/conversation only. A sample interview proforma is provided in Appendix 1. In many cases companies were very happy to relay information regarding their activities with regards to policies and practices to determine lawful timber imports or processing. Some importers were reticent to speak about particular details. Reticence was due to some importers believing they have a competitive advantage with particular overseas suppliers and/or verification systems. Some are also wary from the timber importer community having come under scrutiny and pressure from the environmental non government organisations (ENGO's) in the past.

This report is a blind survey, meaning that the views and answers given to questions by the importers that were surveyed are not attributed to any individual company or individual, unless they gave permission to be quoted. Only a representative sample of published policies is attributed to particular companies.

The results from the survey are discussed below.

Results

A total of twenty-eight companies were interviewed. Twenty-one interviews were completed face-to-face and seven by telephone.

Background information

Each company was asked a suite of key questions to initiate some discussion as to the relevant background of the company. Useful background information was determined such as the structure of the company, an indication of the countries from which the company imports and what type of wood products were imported and/or processed.

Countries imported from

Those companies interviewed supplied wood products from a large range of countries, including Australia. Figure 1 shows the countries from which those companies interviewed sourced their timber from.

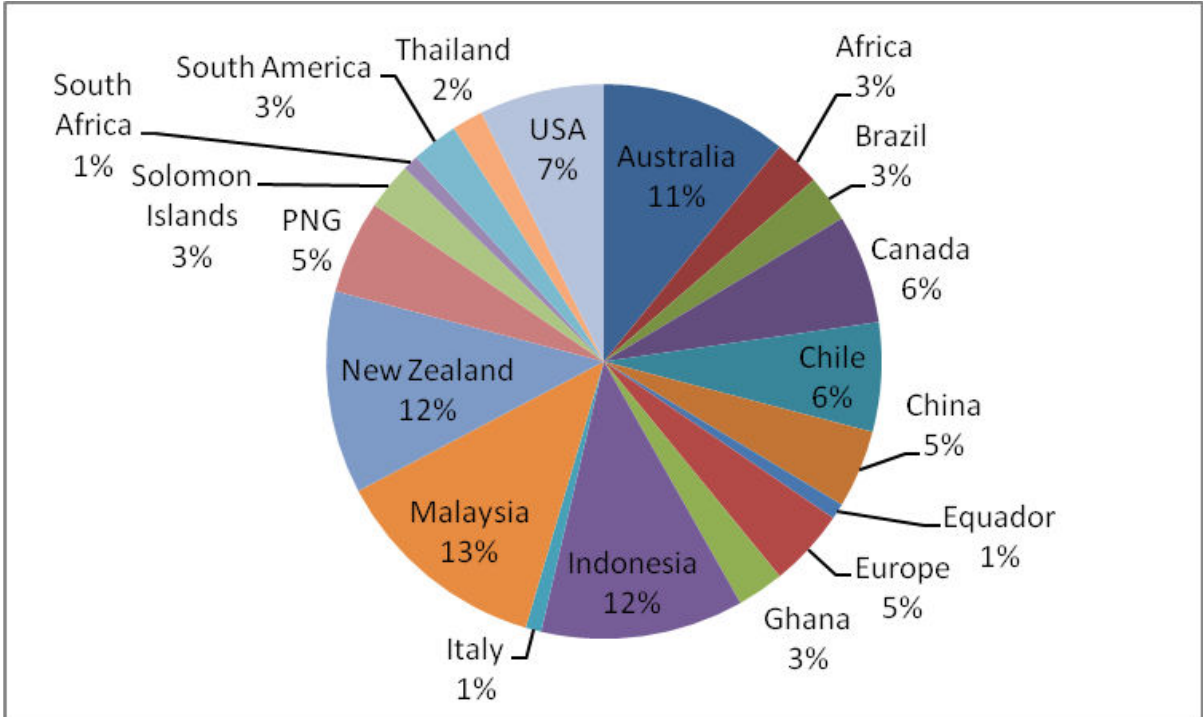


Figure 1: Source of wood product of importers interviewed

Number of countries imported from

The large majority (70%) of those interviewed import from a small number of countries (5 or less). A smaller but significant proportion (30%), import from a large number of countries (greater than 5). The majority of importers of veneer interviewed fall into this latter category. See Figure 2.

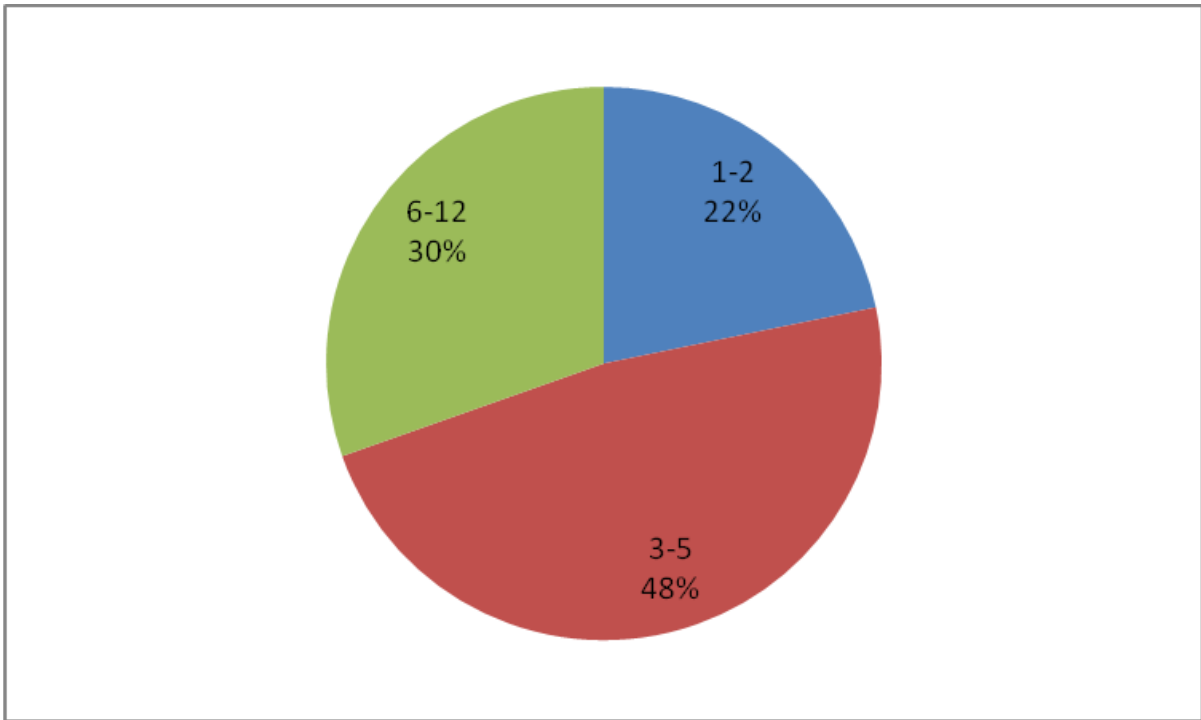


Figure 2: Number of countries sourced from of importers interviewed

Import country risk profile

Of the companies interviewed only four companies imported exclusively from countries that are generally regarded as low risk of illegal logging². All other companies imported some wood product from countries that are of a risk other than low. The amount of wood products imported from low risk countries ranges from a very small proportion of total sales (less than 5%) to 100% of sales.

Key wood products imported

The key product lines imported were as per the project scope, and the question was asked predominantly to ensure that coverage across the product lines was being achieved. However, it also threw up interesting associations, such as companies that produce doors from pine, and predominantly import pine, also import hardwood product for mouldings on the doors. Other companies known primarily for supplying plantation softwoods have also diversified into the supply of Australian hardwood and importation of hardwoods from South East Asia (mainly for decking) but are not generally acknowledged as importers as it is a relatively minor quantity of their business. See Figure 3 for a breakdown of the products supplied by the companies interviewed. The HTS categories and codes are used.

² The report *A Risk Assessment Framework For Assessing The Legality Of Timber And Wood Products Imported Into Australia* prepared by Pöyry in 2010 for the Department of Agriculture, Fisheries has been used to classify country as low risk for supply of illegally logged wood.

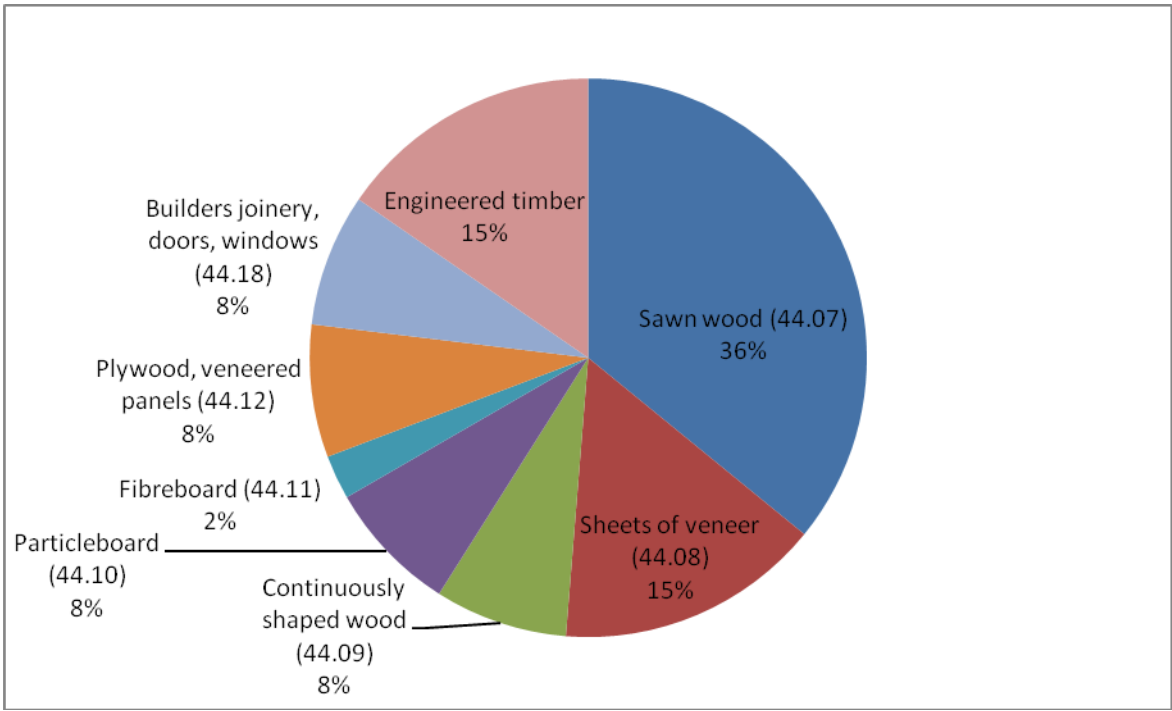


Figure 3: Categories of wood products imported of those interviewed

Policies regarding illegal logging

The companies were surveyed as to whether or not they had a policy and then asked to qualify the reason for their policy type or lack of. Current policies regarding illegal logging varied a great deal. Some importers had highly developed and publicised policies while others have no policy at all. The different policy criteria identified in this report are:

- Published policy
- Written internal policy
- Unwritten internal policy
- No policy.

The percentage break down of policy type between companies surveyed is represented in Figure 1 below. See Figure 4.

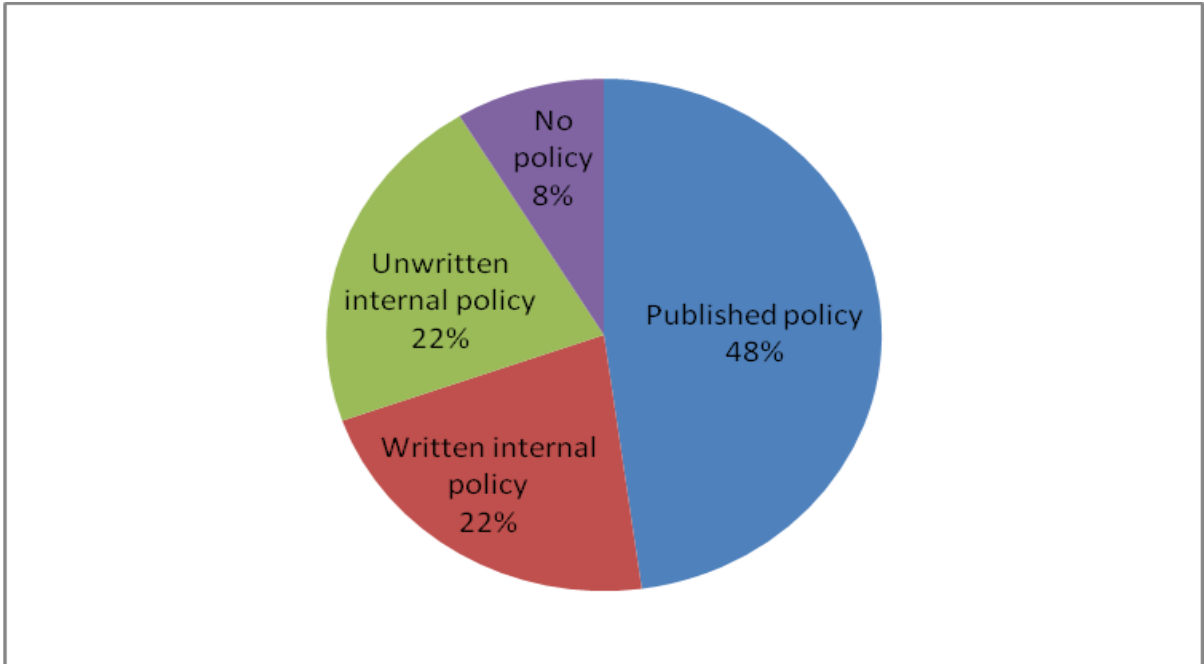


Figure 4: Percentage breakdown of company policy status

Almost half (48%) of those interviewed have a published policy. A significant proportion of those interviewed (22%) have internal written policies. The same proportion (22%) stated that they have internal unwritten policies. Only 8% of companies interviewed had no policy at all. The published policies are generally much broader and usually encompass sustainability and/or certification issues. Of those companies with a published policy only one company has a policy that exclusively focuses on ensuring their wood products are from legal sources. Examples of published policies are included in Figures 5 to 11.

A characteristic of a large number of the importers interviewed is that proprietors often have very hands-on roles within the company. Importers, for the most part, are not large publicly listed companies. Many companies are family-owned and are managed by second and/or third generations of the same family. Hence policies may be written for internal use only or, in the case of small companies not written down at all.

Environmental responsibility is a key focus of APTM and our purchasing policy reflects this. We recognise our environmental responsibility and as such have a purchasing policy that reflects this. Our softwood (pine) products are all plantation based; while our hardwoods are obtained only from suppliers who expressly source their material from forests operated under sound, sustainable and legal logging practices - both locally and abroad. We are working with our suppliers in an effort to only deal in certified product.

Figure 5: Asia Pacific Timber Marketing (APTМ) purchasing policy. Available at <http://www.aptm.com.au/aboutus.php>

Hume Doors will not use, manufacture or market any product or service unless we have total satisfaction that it can be achieved safely and in an environmentally sustainable manner.

Figure 6: Excerpt from Hume Doors Environmental Sustainability Statement. Available at <http://www.humedoors.com.au/about-us/13>

Mathews Timber have been buying and supplying timber throughout Australia and the world since 1959. We are mindful that in today's world there is ever increasing emphasis on impact to our environment in all that we do. We are committed to ensuring that our forests are there for future generations. We only deal with suppliers who are equally committed.

We source timber only from traders who strictly adhere to sustainable management of resources. Many of our timbers are available from Certified sustainable sources— Mathews Timber are FSC & PEFC Certified and have Chain of Custody Accreditation.


Figure 7: Mathews Timber - Section of sustainability claim. Source: <http://mathewstimber.com.au/sustainability/>

TLB Timber Pty Ltd Procurement Policy

1. TLB will ensure that timber products are only purchased when there is accompanying documentation to show that they have been legally harvested, transported and processed in accordance with National Laws.
2. TLB will only purchase timber from suppliers that have employed, or are in the process of employing Third Party verification of legality, or environmental accreditation, or have made a written commitment to do so.
3. TLB will not purchase timber products from National or International protected areas.
4. TLB will not purchase nationally protected species or species listed under CITES Appendix 1.
5. TLB will work with our suppliers to ensure all sections of the supply chain are identifiable and accompanying documentation is correct.
6. TLB will work closely with Government bodies of Supply countries to ensure that our suppliers are working in accordance with their National Laws.

TLB's Responsible Timber Procurement Policy is authorized by the Managing Director of TLB Timber Pty Ltd and supported by the Board of Directors. The Policy will be reviewed annually and updated when appropriate. The Policy is available to Staff, Customers, Suppliers and appropriate Government bodies.

Figure 8: TLB Timber Pty Ltd Procurement Policy Source:
<http://www.tlbtimber.com.au/Procurement%20Policy.html>



Home	History	Environment	Branches	Products	Certification	Suppliers	Downloads
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Tasman KB Environmental Policy

Tasman KB, an importer and wholesaler of timber products, is committed to the principles of ecologically sustainable development. The major aspect of our business that impacts on ESD is the purchase and distribution of timber products. For this reason, we expect our suppliers to show that they have sourced their wood and timber products from well-managed and legally operating forests.

Ideally, to prove this, we require our suppliers to provide independent certification of the source of the wood and the chain of custody from its source, through processing to Tasman KB. Satisfactory forms of certification include the Australian Forestry Standard, the Pan European Certification Scheme or the Forest Stewardship Council Scheme.

Suppliers who manage their forests and timber processing plants to the International Standard, ISO 14001 and who can prove the chain of custody to Tasman KB will also meet these requirements.

Timber products that do not meet these standards of certification will continue to be purchased in the medium term, only if the supplier can show evidence that they have been sourced from well managed and legally operating forests.

To ensure that sufficient progress is made to satisfy our Environmental Policy, we require our suppliers to provide annual information on timber product sourcing as part of our trading terms arrangements.

Random audits may be conducted to monitor adherence to our Environmental Policy.

R.K (Bob) Frost
Managing Director

Figure 9: Tasman KB Environmental Policy. Available at www.tasmankb.com.au/eviroment.html

ENVIRONMENTAL

We are members of the Queensland Timber Importers Exporters & Wholesale Association (QTIEWA) and we believe the environment is a resource which must be conserved. We promote trade in timber sourced from legally constituted and sustainably managed plantations and regrowth hardwood forests from around the world. Some private logs are harvested under local government acts in compliance with the Forest Practices Code and Regional Forest Agreements.

We are committed to the long-term viability and conservation of the world's forests.

Figure 10: Watts Wood environmental statement. Available at <http://www.wattswood.com.au/about.asp>

Woodhouse Environmental Policy

At Woodhouse we are committed to marketing products that are environmentally considerate and procured from sustainable resources. To meet this goal, we aim to satisfy the following criteria for all wood-based products we distribute and merchandise:

- Where possible source both softwood and hardwood species from plantation forests specifically cultivated and harvested for wood-based products
- Give preference to wood products that have been manufactured from wood fibre sourced from legally managed forests by the relevant government authority and/or body
- Seek to procure timber products from recognised and endorsed under/and by Forest certification schemes including the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) models. The framework of these schemes are preferred models of sustainable forest management.
- Woodhouse will seek to implement 'Chain of Custody' practices within the group and engage its suppliers to head down a business path to adopt 'Chain of Custody' procurement systems within their own organisations.

Figure 11: Woodhouse Timber environmental policy. Available from <http://www.woodhouse.com.au/Site/100697.asp>

Many of those companies interviewed are members of one or more industry associations, including Australian Forest Products Association (AFPA), the Australian Timber Importers Federation (ATIF) or the Timber Veneers Association of Australia (TVAA). The ATIF requires its members to comply with a Code of Ethics which is, in effect, an environmental claim on behalf of all their members. See Figure 12.

Code of Ethics:

The ATIF requires its members to comply with the following Code of Ethics:

ATIF members will source their timber and timber products from lawful and well managed forests and plantations. ATIF members recognise that the independent qualification of forests and the process chain is the most useful tool in providing assurances that the timber they handle comes from lawful and well managed forests. ATIF members will develop and encourage the adoption of processes that can verify legality through dealings with suppliers and other stakeholders in supplier countries.

Evidence of a lawful timber and timber products may include:

- Documentation verifying that timber has been harvested in accordance with the laws of the country of origin.
- Documentation that timber sourced is compliant with supplier country Government endorsed forest management systems and/or codes.
- Documentation that verifies compliance with a recognised forestry management or certification scheme and/or third party certification scheme.

Figure 12: ATIF Code of Ethics. Available at http://www.atif.asn.au/index.php?option=com_content&task=view&id=23&Itemid=42

Comparison with 2006

A comparison of these results with those from 2006 (TDA 2006) shows that is significant growth in those companies that have policies. In 2006 only 74% of companies had a policy of any description whereas in 2012 a total of 92% do. There has been a substantial increase in the proportion of companies that have published policy from 30% to almost half (48%) of those interviewed. The percentage of those with written internal policies has decreased from 30% to 22%. A proportion of these have been converted into published policy. There has also been an increase in the use of unwritten policies from 14% to 22%. See Table 1.

Table 1: Comparison of policy status between 2006 and 2012

Policy status	2006	2012
Published policy	30%	48%
Written policy	30%	22%
Unwritten policy	14%	22%
No policy	26%	8%

Key drivers for policies and further assurance

The key drivers for the policies and practices are more numerous and more diverse than those described in the previous report. See Figure 13. The drivers can be divided into two main categories – internal drivers and external drivers. Internal drivers include a company’s desire to protect their reputation and/or acting from a sense of corporate responsibility. As mentioned previously many importers are also family owned companies so their interviewee’s personal values are the driver for policies and further assurance. To paraphrase one interviewee: *“my kids get taught at school that cutting trees down is not good – I want to make sure the forest we get our wood from is managed well”*.

Reputations, personal and corporate, are also highly valued and adverse publicity (if found to be supplying illegal timber) could have a devastating impact on individual importers, particularly those supplying high profile corporate clients and/or projects. The recent example of Greenpeace picketing a building project in Sydney was cited by a number of importers.

Almost equally cited were external drivers – and for business this is market demand. In the previous report the main market driver was Bunnings Timber procurement policy. This policy is still a significant driver however, other significant drivers are the new major entrant to the wood merchants market Masters Home Improvement – a joint venture between Woolworths and US home improvement chain Lowes. The requirements of the Green Building Council of Australia’s (GBCA) Green Star rating tools and the requirements of Qbuild, a Queensland Government Procurement department, are also driving further assurance.

Under the GBCA’s Green Star rating tools building project owners, to obtain a point for using wood products, must demonstrate that at least 95% (by value) of the wood products supplied to the project are chain of custody (CoC) certified to either the standards of the Forest Stewardship Council (FSC) or any standard endorsed by the Programme for Endorsement of Forest Certification (PEFC).

These Green Star rating tools are primarily used for non-residential building projects and it is a voluntary scheme however the scheme is definitely driving uptake of CoC certification, particularly among suppliers of panel products such as plywood and MDF and veneer which are used in commercial fit-outs.

QBuild also requires suppliers of timber and wood products to Queensland Government construction projects to be chain of custody certified. QBuild recognises chain of custody certification to the standards of FSC as well as to the Australian Forestry Standard (AFS) and other international schemes endorsed by PEFC. This requirement not only drives suppliers (timber merchants) to be CoC certified but it also drives importers/wholesalers to be CoC certified. It also drives importers/wholesalers of non-certified product to supply further assurance that their wood is from legally harvested sources as the CoC certification process includes a risk assessment step. Queensland government projects are a significant proportion of the market for wood products in Queensland which is a significant market for not just Queensland importers but importers along the eastern states.

The other market driver is general market demand. That is demand from general specifiers and buyers of wood products. This includes other state governments, local councils, private companies and individuals.

Environmental non-government organisation (ENGO) pressure is the next most significant driver as is the policies of the current Australian Government’s and preparation for the Illegal Logging Prohibition Act. One company stated that they have undertaken increased assurance to gain a competitive advantage over other suppliers of timber. One company stated that they have policies and practices in place to counter, and set themselves apart from, competing non-wood materials.

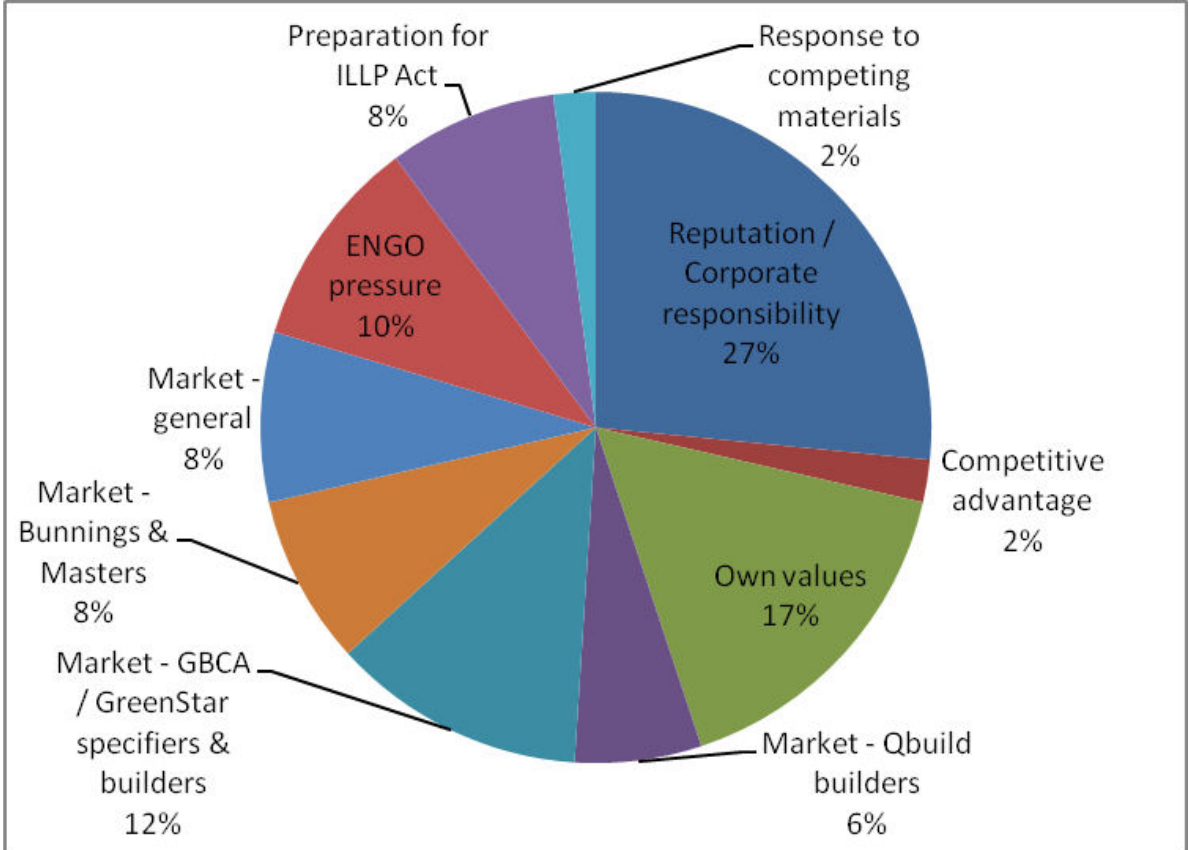


Figure 13: Drivers for environmental policy and practices

Practices & implementation

What is significantly different from the previous report is that the majority (73%) of importers interviewed have, or were in the process of obtaining, CoC certification for all or some of their wood products. 27% of companies have no CoC certification. See Figure 14.

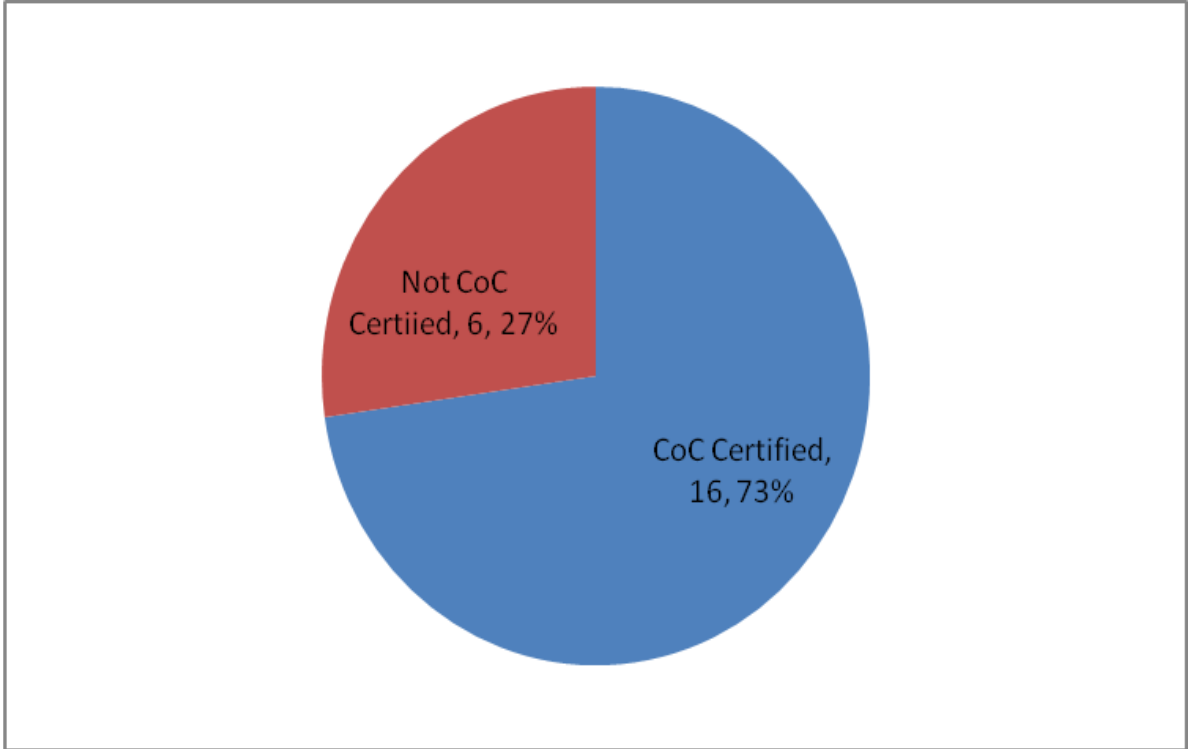


Figure 14: Percentage of importers certified to AFS/PEFC or FSC CoC standards

Of those importers who have CoC certification, the majority (52%) are certified against FSC standards with 33% certified to PEFC standards. 15% are certified to the standards of both schemes. See Figure 15.

Of the six companies that were not COC certified for any product, two advised that they were going to obtain CoC certification in the next 12 months. One company purchased all their products from CoC certified sources (FSC or PEFC) and another purchased nearly all their products from CoC sources so did not see the need for CoC certification as there was not sufficient demand from customers for this additional step.

Of the two companies that did not have CoC certification and weren't considering it one stated that it was because all their supply came from non-certified sources. The other company stated that there was no demand from their customers and the additional cost would not be borne by their market (all residential builders).

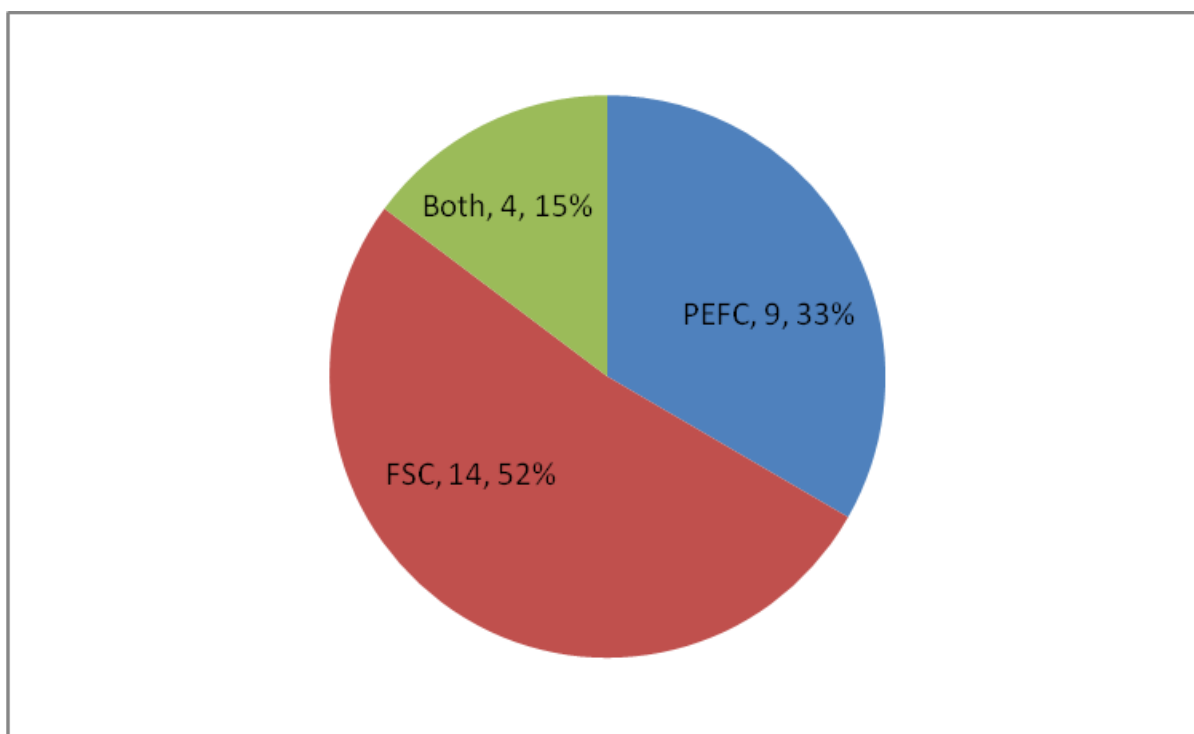


Figure 15: Percentage of importers certified to the two main CoC standards

Mechanisms to determine legality of wood products

Importers interviewed undertake a range of formal and informal measures to ensure their wood products meet their stated or unstated policy objectives. These measures were:

- Supply chain review
- Supplier site inspections
- In-country staff/brokers
- Peer review of new suppliers
- Small number of regular, stable and known suppliers
- Dealing with sawmills who are owned by the concession owner
- Dealing with reputable suppliers
- Ownership of overseas suppliers
- Guidance/requirements of auditors
- Additional documentation
- Payment on receiving documentation
- Certification / legality assurance

Each of these measures is described below:

Supply chain review

All companies have, or are in the process of undertaking, a review of their supply chain for legality of harvest. Many had previously undertaken a review in the period 2006/2007 around the time the previous review was undertaken by TDA.

In the case of sawn wood, all companies have a clear understanding of the species they are importing, the supplier (at least to point of export), and the general area that the wood is harvested from.

In the case of composite wood products such as particleboard and plywood, while the area the wood is harvested from may be well known, the species mix in the products is not always consistent.

The country of harvest is generally known however it is not definitely known in all cases. For example, sawmills in some European and Asian countries may obtain wood from a range of countries and mills in North America may obtain wood from Canada or the United States.

Supplier site inspections

Regular site visits to suppliers is considered good practice by the majority of those interviewed. Having said that it was not always considered necessary if companies employed in-country staff or brokers or if the supplier was one with which the importer had a very long-term and stable relationship.

In-country staff/brokers

A number of companies employ staff or have exclusive arrangements with brokers in these supply countries. Some brokers represent only a particular sawmills. Having exclusive supply arrangements with brokers is used by a number of companies importing from Indonesia.

Peer review of new suppliers

One large company that purchases large quantities from Indonesia has a risk assessment committee. It requires all buyers to have all decisions about purchasing from a new supplier run the decision past this internal committee to ensure the supplier meets their internal criteria.

Smaller importers do not have the need for a committee as the owners or senior staffs do the buying. Decisions are made by buyers in the field according to policies of the company.

Small number of regular, stable and known suppliers

Limiting supply to a small number of sawmills/suppliers are another method companies' use to maintain quality and minimise risk of illegally harvested wood entering their supply chain. A number of importers may have one or two suppliers in that country. One importer has had the same single supplier since 1970 which they share with another large and reputable Australian company. While having a single or small number of suppliers does not mean in itself that the wood is from legally harvested sources having a single or small number of suppliers does make it easier for an importer to establish legality of supply using the other mechanisms described.

Dealing with sawmills which are owned by the concession owner

A number of importers obtained timber from sawmills that obtain their logs from only one concession, or the concession owner, owns the saw mill. As described above, while sourced timber from a sawmill that owns its own concession, or that only sources wood from one concession does not mean in itself that the wood is from legally harvested however it does make it easier for a sawmill to establish for an importer the legality of supply using the other mechanisms described.

Dealing with reputable suppliers

Buying off "the street" from brokers who they have not dealt with previously is considered a risky business by those interviewed. A number cited that they are approached on a regular basis by brokers in Australia wanting to supply hardwood timber harvested in south-east Asia and the Pacific islands. Those interviewed had no current interest in buying off those brokers.

Some have in the past bought timber from such brokers but have been ripped-off and/or quality and reliability has been a problem. Putting aside the legality issues, a number of those interviewed emphasised that the need for consistent quality and reliability of supply is largely what drives importers to use particular suppliers.

“we won’t deal with fly-by-nighters”

“constant supply is legal supply”

Another importer cited that the investment in veneer cutters is substantial and people wouldn’t be putting these expensive knives in unstable illegal environments.

Another importer cited also stated that it may not be obvious what a reputable company is. Companies that are noticeably doing well are more likely to be targeted by local officials for bribes.

Ownership of overseas suppliers

A number of importers own the raw log processing facilities in supply countries. They therefore have an extremely good understanding of the source of wood for their facility.

Guidance/requirements of auditors

Given the prevalence of certification third-party auditors are regularly onsite of importers. Accredited auditors are usually from companies with a global presence who have access to a wide range of expertise in matters of forestry practices as their auditors also audit against the forest management standard of FSC and PEFC and other scheme standards.

Auditors are issued with guidance from time to time on matters of interpretation which are issued by the respective governing bodies of the standards. The auditing companies are an invaluable source of advice on what constitutes credible documentation.

Additional documentation

Most importers interviewed utilised additional documentation as a means of assurance that the wood products they purchased. It should be noted that documentation is sometimes just not available. For example, in the Solomon Islands sawmills buy timber off local people and communities who have just cut logs off their own land. Some companies interviewed sourced timber certified as “Ecotimber” from the Solomon Islands. Ecotimber is timber harvested from community based ecoforestry operations and certified as such. Greenpeace actively supports ecoforestry projects in the Solomon Islands and Papua New Guinea. Ecotimber which comes with a certificate attracts a 5% premium. It was stated by a couple of importers that Ecotimber can come from exactly the same source as timber, it’s just that Ecotimber comes with a certificate.

Importers from some African countries cited that there are few species that can be obtained with certification and that government certification and/or assurances from concession holders may be needed.

Payment on receiving documentation

It is common practice for importers to pay the supplier once all documents are received.

Certification / legality assurance

Many companies purchase from sawmills that have chain of custody certification or a certified against to a particular voluntary or mandatory legality verification system. Purchasing from chain of custody certified facilities is common if an importer is sourcing wood products from Europe, North America, Malaysia or plantation derived wood products from Chile or New Zealand. Importers from Indonesia are also increasingly purchasing wood from facilities that are chain of custody certified to Sistem Verifikasi Legalitas Kayu (SVLK) - the Indonesian timber legality assurance system. Other legality assurance mechanisms are used, see following section.

Legality assurance and verification mechanisms used

Certification to the various FSC and PEFC CoC standards are the primary legality assurance mechanisms used by the suppliers interviewed.

Certification of supply to FSC standards, including the CoC and Controlled Wood standard, was used by 35% of those interviewed. After a number of interviews TDA became aware of a requirement for those companies undertaking audits for CoC certification to the FSC standard that they were required by the certification body to make a declaration that, among other activities, they were not involved in illegal logging or the trade in illegal wood or forest products. This requirement (included in Appendix 3) is a relatively recent addition to the FSC CoC standard. Examples of indicators that the certifying body auditors may use to evaluate the organisation compliance with this requirement are also included in the FSC CoC Standard (included in Appendix 3). There is a set format for the -declaration (included in Appendix 4). If the organisation is found to not comply with the declaration then FSC may, in addition to other measures, withdraw the CoC certification for the organisation as well as the right of the organisation to use FSC logos and trademarks.

Certification to the various PEFC endorsed certification scheme CoC standards was utilised by 37% of those interviewed. Supply was purchased from sawmills that were certified to the following PEFC endorsed schemes: the Australian Forestry Standard (AFS), the Malaysian Timber Certification Scheme (MTCS), the North American Sustainable Forestry Initiative (SFI) and the Chilean System for Sustainable Forest Management Certification (CERTFOR).

Certification of forests to either FSC or PEFC standards is not that common in tropical countries. Other than FSC/PEFC a variety of 2nd and 3rd party certified legality assurance verification mechanisms are also used, depending on the source and availability.

The most common other legality assurance system used is the Indonesian SVLK and that is being used by 12% of those interviewed. Currently eight certification bodies are accredited to audit Indonesian suppliers to verify that the companies' wood supply comes from legal sources and to issue certificates to that effect. Accreditation of the certification bodies is done by the Komite Akreditasi Nasional (KAN) - the Indonesian National Accreditation Committee. Certificates issued by two certification bodies, Badan Revitalisasi Industri Kehutanan (BRIK) and Sucafindo International Certification Services (SICS), for sawmills in Indonesia are included in the Appendices. BRIK is a subsidiary of the Indonesian Forestry Industry Revitalization Agency and SICS is a privately owned Indonesian certification body.

The legality verification programme developed by SGS, Timber Legality and Traceability Verification which is comprised of two standards Legal Production (LP) and Chain of Custody (CoC), was used by two companies interviewed that source timber from Papua New Guinea. An example of a statement issued by SGS to verify that they have audited the

company against their CoC standard so that the company can purchase wood products from sawmills that are audited against the LP standard and claim that they are Legally Verified is included in the Appendices.

Subsequent to interviews with the companies that are part of the TLTV programme TDA became aware that SGS was going to discontinue the programme. Contact was made with auditing staff *Mellissa McConnell pers comm. 27th April 2012* in the SGS office in Melbourne who confirmed that this was the case. Ms McConnell stated that existing TLTV statements are still valid for the stated period and SGS will remain as accredited certification bodies to the FSC standards.

The withdrawal of support for TLTV programme may mean that in countries such as PNG where there is currently little capacity for alternative 3rd party verified systems companies may have to undertake their own audits of suppliers for appropriate documents to verify legality.³

Certification of supply of Ecotimber was used by two companies sourcing timber from the Solomon Islands. An Ecotimber certificate signed by Greenpeace for a shipment of timber purchased by an Australian importer is included in the Appendices.

Timber was also sourced from sawmills that had been audited by CertiSource against their Legality Assessment Criteria for Verified Legal Timber, Indonesia. An example of a certificate issued by CertiSource to a sawmill in Indonesia supplying one of the importers interviewed is included in the Appendices.

One importer had engaged Double Helix, an organisation qualified to assess the legality of timber products against the standards of the CertiSource system in Indonesia, to audit their supply chain for kwila/merbau from Indonesia using DNA identification techniques from the concession to the sawmills to the importers yards in Australia.

One importer also sourced timber from sawmills in Indonesia that had been audited by Rainforest Alliance to their Verified Legal Origin (VLO) standard. An example of a Statement issued by the Rainforest Alliance for a facility that supplies one importer is included in the Appendices.

A Sustainable Forest Management and Legality Statement issued by Sarawak Timber Industry Development Corporation (STIDC) stating that the timber complied with International Tropical Timber Organisation (ITTO) criteria for the sustainable management of tropical forests was used by one company importing meranti for use in window manufacturing. An example of a Statement issued by the STIDC is included in the Appendices.

Similar statements are issued by the Malaysian Timber Industry Board for suppliers in Peninsular Malaysia. An example of a Statement issued by the MTIB is included in the Appendices.

³ For this report 3rd party statements, certification and assurances are those provided by an independent organisation such as accredited certification bodies. 1st party statements, certificates and assurances are those issued by the supplier. Second party statements, certification and assurances are those provided by a forest products association or technical advisor.

Legality assurance schemes are not always available or needed. Some importers interviewed utilise documentation of key aspects of the legality of wood harvesting provided by forest agencies. An example of such a document is a granting of authority to harvest timber from a certain area in Papua New Guinea and is included in the appendices. Two companies explained that getting this sort of documentation from some parties in Solomon Islands or Papua New Guinea may be difficult if not impossible.

One company who also sourced hardwood from Australian domestic producers also required a signed statutory declaration to the effect that the wood supplied was harvested in compliance with all relevant legislation and regulations.

See Figure 16.

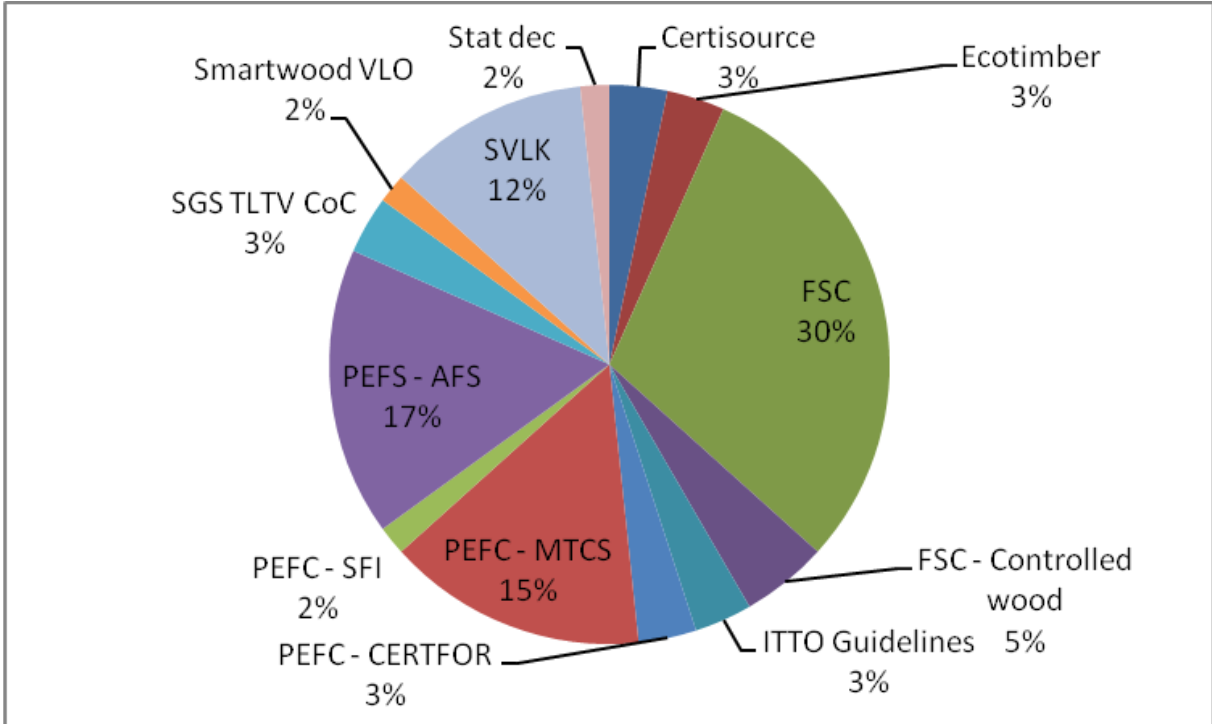


Figure 16: Breakdown of legality verification mechanisms used.

A number of examples of the certificates from the various certification and legality assurance schemes are included in the Appendices.

Findings - Importers

- All companies interviewed are undertaking components of due diligence in sourcing imported timber. For example information gathering is an activity companies undertake as a normal part of their business.
- Amongst importers there appears general agreement of what constitutes low risk sources of wood products and what constitutes sources that are not low risk.
- Importers utilise mitigation strategies and documentation that are available to them that their suppliers can provide.
- Amongst the importers what are regarded as acceptable mitigation measures is not so clear. There is a wide variance in understanding and what is credible legality assurance documentation.
- What importers consider is acceptable legality assurance vary widely.
- Regular and frequent importers of sawn timber, veneer and panel products, where those products are a major part of their business, have a relatively good understanding of risk and legality assurance mechanisms.
- For importers of wood products, where the importation of wood products may only be a small part of their business, it is more difficult to keep up to date with risk identification, assessment and the various legality assurance mechanisms.
- A very high proportion of those interviewed have CoC certification to one or both of the major SFM certification standards.
- Certification is being equally driven by a combination of market demand from a number of key customers and internal company drivers.
- It is impossible to obtain significant volumes of FSC/PEFC certified tropical hardwoods.
- A large variety of 1st, 2nd and 3rd party verification mechanisms are used by importers to verify legality where they need to do so
- Broad scale mandatory and legality assurance systems, verified by 3rd parties, such as Indonesia's SVLK are very useful to importers as it is, in effect a minimum requirement that all importers must meet and bear the costs of.
- Many customers of importers have requirements over and above that required by due-diligence regulations.
- While there is general understanding of what constitutes a country and/or supply chain that is of low risk, there is some confusion about how to objectively classify countries or wood product supply chains as low risk.
- There is some confusion about what reasonable risk mitigation strategies, i.e. what are credible legal verification and assurance mechanisms? Will certificates from 2nd parties (i.e. industry bodies) be acceptable under the forthcoming regulations?
- The expertise of the certification bodies of the SFM schemes are a great resource for importers for advice on risk identification, assessment and mitigation.
- Some auditors are tougher than others even though they audit to the same standard.
- Some countries e.g. Solomon Islands, PNG do not have any 3rd party SFM schemes for any significant commercial quantities
- SGS are discontinuing support for their TLTV scheme. Companies may have to revert to first principles to mitigate risk.

Domestic raw log processors

Introduction

This project interviewed five domestic processors. Four processors are certified to the Australian Forest Certification Scheme's (AFCS) CoC standard, one to both Forest Stewardship Council's (FSC) CoC standard (as it also imports FSC certified product from New Zealand) and the AFCS CoC standard and one to neither scheme. All received most of their logs from public forests. A significant proportion is also sourced from plantations and native forests on private property.

The four companies that are CoC certified (with operations in NSW, QLD, SA and VIC) have systems in place to identify their supply, assess risk and mitigate risk if it is shown to be unacceptably high of sourcing either controversial wood (if certified to a AFCS CoC standard) or controlled wood (if certified to the FSC's CoC standard). These systems are audited by the accredited certification bodies.

The one uncertified processor buys all their hardwood logs from government forestry agent Forests NSW that harvests them from native forests certified to the Australian Forestry Standard. A system of tracking logs from forest to his sawmill is in place. Any legal breaches of regulations by Forests NSW are their concern and are adequately handled by the State agency supervising staff.

It is estimated that there are currently 376 commercial wood processors in Australia (Burns & Burke 2012). These are comprised of 241 sawmills processing broadleaf logs, 69 sawmills processing coniferous logs, 22 post & pole producers (broadleaf and coniferous), 23 native cypress mills and 25 wood based panel processors. Additional discussions were held with relevant state and national wood product associations representing domestic processors.

Each state and territory government has its own legal framework for permission to harvest logs. In many states the legal framework varies depending on the source of the log. The sources of raw logs for domestic timber and wood products processors can be classified into the following sources:

- Public softwood plantations (softwood and hardwood)
- Public native forests
- Private plantations (softwood and hardwood)
- Private native forests
- Vegetation clearing / agricultural maintenance.

The proportion of logs from each of these sources will vary between processors, area and over time. The source for large domestic processors that require significant capital investment should remain fairly stable over time.

It should be noted that the sourcing of logs from approved vegetation clearing and routine agricultural management activities is a minor sources of logs in Australia. Approved vegetation clearing activities include infrastructure establishment (e.g. road building and/or widening), urban development (e.g. for housing) and agricultural development (e.g. for grazing or cropping). Routine agricultural management activities include the construction, operation and maintenance of rural infrastructure. This includes establishing permanent fencing, establishing farm roads and tracks and clearing for farm infrastructure (e.g. tanks,

dams, stockyards). Routine agricultural activity may also include harvesting woodlots and/or small areas of planted trees used as shelter belts.

From a due diligence perspective, for a domestic processor to ensure that the raw logs they process are of legal origin, the key questions are:

1. Does the landholder have a legal right to harvest wood from a specific section of land?
2. Do the raw logs come from that specific section of land?

While the broad legal framework for the states NSW, QLD, TAS, SA, VIC and WA for wood sourced from plantations and native forests are fairly similar, although laws and regulations have different names and processes and enforcement regimes may vary. Nonetheless, these frameworks have in common a prescriptive and rigorously enforced legal regime that effectively ensures the inherent legality of harvesting operations in Australia. A selection of these requirements is described below.

The legal frameworks for approval of vegetation clearing and routine agricultural activities are different for each state and territory around Australia and are beyond the scope of this project.

Broad legal framework

New South Wales

In NSW, approval for forestry is handled under separate laws depending on land tenure and whether it is a plantation or a native forest. The requirements authorising the harvesting and processing of timber exists within legislation as:

- a Sawmill Licence to mill timber
- a Special Licence to obtain timber from State Forests
- a PNF Approval for harvesting of Private Native Forests
- an approval for harvesting timber from private plantations and forest woodlots.

Every sawmill is required to hold a "Sawmill Licence" under the legislation of The Forestry Act 1916 (NSW) and its regulations.

Public native forests and plantations

Every sawmill with a "Sawmill Licence" is required to hold a "Special Licence" to obtain timber from public State Forests under the legislation of *The Forestry Act 1916* and its regulations.

Harvesting and milling of timber under the authority of these licences is reinforced within the terms of Wood Supply Agreements, established under several pieces of NSW legislation:

- *The Forestry and National Parks Estate Act 1998* (covering the Upper North East, Lower North East and Eden Regions)
- *National Park Estate (Reservations) Act 2002* (covering the Southern Region)
- *Brigalow and Nandewar Community Conservation Area Act 2005*
- *National Park Estate (Riverina Red Gum Reservations) Act 2010*
- *National Park Estate (South-Western Cypress Reservations) Act 2010*

Those agreements between Companies and the State of NSW and The Forestry Commission of NSW require that Companies are provided with the licences necessary to entitle their access and use of the resource.

State Forests must, on application, issue the Required Licences from time to time to the Company throughout the term of this Agreement so that the Required Licences are in force for the term.

'Required licences' means licenses which are required under the Act to permit the processing of Timber by the Company in the exercise of its rights under this Agreement and any other licences required under the Act from time to time by the company to enable it to exercise its rights under this Agreement.

An integrated forestry operations approval (IFOA) applies to anyone carrying out forestry operations on State forests and other Crown-timber lands. An approval can only be granted for all or part of the region covered by a Forest Agreement (or conservation decision).

The *Forestry and National Park Estate Act 1998* provides for the IFOAs, which integrate the regulatory regimes for environmental planning and assessment, for the protection of the environment and for threatened species conservation.

An IFOA describes the forestry operations and conditions covered by the approval, including a description of the area of the State to which it applies. The approvals contain the terms of a licence under the *Protection of the Environment Operations Act 1997*, the *Threatened Species Conservation Act 1995* and the *Fisheries Management Act 1994*. Enforcement of the licences rests with the NSW Environment Protection Authority or Department of Primary Industries.

There are currently IFOAs covering State forests and other Crown-land in seven regions in NSW. These cover South Western Cypress, Riverina Red Gum, Upper North East Region, Lower North East Region, Southern Region, Eden Region and Brigalow Nandewar Region.

Private property native forests and plantations

Every private property owner who conducts forestry operations within native forests is required to hold an approval for those operations (PNF approval) issued under the Native Vegetation Act 2003 and its regulations. Approval is through a private native forestry property vegetation plan (PNF PVP). Any harvesting or clearing of native vegetation has to be done according to the *Private Native Forestry Code of Practice*. However, private landholders are permitted to clear a small amount of native vegetation on that land as part of the everyday running of their farm business, that is, for routine agricultural management activities (RAMA). A sawmill (with a "Sawmill Licence") needs to ensure that timber purchased from private property is harvested under a Private Native Forestry Approval under the *Native Vegetation Act 2003*.

Plantation establishment on private property in NSW is regulated by the *Plantations and Reafforestation Act 1999*, and the *Plantations and Reafforestation Regulation (Code) 2001*. Timber purchased from private plantations in NSW needs to ensure approval under the *Plantations and Reafforestation Act 1999*. For small plantations registration of woodlots provides the same authority.

References

Department of Environment and Climate Change NSW (2008) *Routine Agricultural Management Activities on Private Native Forestry Land Fact Sheet*. Available at <http://www.environment.nsw.gov.au/resources/pnf/RAMAFactsheet08128.pdf>

NSW EDO (2012) Forestry. NSW Environmental Defenders Office. Available at http://www.edo.org.au/edonsw/site/factsh/fs05_2.php

NSW Department of Primary Industries (2012) *Private forestry*. Available at <http://www.dpi.nsw.gov.au/agriculture/resources/private-forestry>

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Office of Environment & Heritage (2012b) *Private native forestry*. Available at <http://www.environment.nsw.gov.au/pnf/index.htm>).

Russell Ainley, *pers comm*. July 2012, NSW Forest Products Association

Queensland

Public native forests

Native forest timber production from State forests, timber reserves and other State-controlled lands across Queensland are managed under the *Forestry Act 1959*. The Department of Environment and Resource Management (DERM) is ‘custodian’ of State forest and oversees environmental management of this estate, including the native forest areas managed for timber production.

The department, through its Queensland Parks and Wildlife Service (QPWS), audits the timber harvesting activities managed by DERM’s commercial forestry business group Forest Products against the requirements of the *Code of practice for native forest timber production on State lands 2007*.

Public softwood plantations

On 30 June 2010, the Queensland State’s forestry plantation business was sold to Hancock Queensland Plantations Pty Ltd through a 99-year licence agreement. This involves the sale of the rights to manage plantation timber production on State plantation forest lands under the *Forestry Act 1959*.

Private plantations (softwood and hardwood)

The *Integrated Planning Act 1997* provides rights to plant and harvest plantations on private land in Queensland. As is the case in all other states and territories those harvesting trees on plantations on private land must also comply with a host of other legislation which is not forestry specific. A *Code of Practice Code of Practice for Queensland Commercial Private Plantations*, however, it is still in draft form.

Private native forests

If a land owner in Queensland intends to conduct (or allow another party to conduct) harvesting in a native forest on their land, they must submit a completed notice of a forest practice form to the Department of Environment and Resource Management (DERM) before they begin. This is a requirement of the *Vegetation Management Act 1999*.

Once notice is given the harvesting activities must comply with the *Code applying to a native forest practice on freehold land*.

References

Plantations 2020 (2009) *Planning Plantations: Queensland Legislation*. Available at http://www.planningplantations.com.au/assets/content/plantation_management/regulation_planning/qld3.html

Queensland Government (2005) *Code applying to a native forest practice on freehold land*. Department of Environment and Resource Management. Available at http://www.derm.qld.gov.au/vegetation/pdf/fp_code.pdf

Queensland Government (2007) *Field guide: Code applying to a native forest practice on freehold land Version 2*. Department of Environment and Resource Management. Available from http://www.derm.qld.gov.au/vegetation/clearing/pdf/forest_field_guide.pdf

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Timber Queensland (2009) *Draft Code of Practice Code of Practice for Queensland Commercial Private Plantations*. Available at http://www.timberqueensland.com.au/Docs/News%20and%20Events/News/Draft-Qld-private-plantation-code-of-practice_stakeholder-consultation_Oct09.pdf

South Australia

Forestry activity for timber production is confined to plantations in South Australia. The following legislative framework applies in that state.

Public native forests

The *Forestry Act 1950* provides for the creation, management and protection of State Forest reserves including conservation, development and management of ‘native forest reserves’ and ‘forest reserves’. The Act is not applicable to freehold (private) land.

Public and private plantations (hardwood and softwood)

The *Forestry Act 1950* applies to plantations on Crown land. The *Forest Property (Carbon Rights) Amendment Act 2006* amended the *Forest Property Act 2000* to provide for the separation of ownership of land, forest vegetation and carbon rights, and includes rights to harvest. Similar to WA, local councils in South Australia require a development application to be submitted for approval prior to allowing plantation developments to take place. Development applications are assessed against the relevant local area development plan, the key “on-the-ground” development control document in SA.

With regard to the practice of forest management in SA, the documents ‘Guidelines for Establishing and Managing Commercial Forest Plantations in SA’ (1998) and ‘Environmental Management Guidelines for Plantation Forestry in South Australia’ (1997) provide minimum best practice standards for the operation of the industry in SA.

Private native forests

There is virtually no harvesting of timber from private native forests other than firewood collection. Clearing of native forest vegetation is controlled under the *Native Vegetation Act 1991*.

References

FWPA (2007) *Review of Draft Code of Practice for Private Native Forestry in NSW*. Report prepared for Forest and Wood Products Australia. Primary Industries and Resources SA. Available at <http://www.fwpa.com.au/sites/default/files/PR07%204024.pdf>

PIRSA (2009) *Guidelines for Plantation Forestry in South Australia*. Available at http://www.pir.sa.gov.au/_data/assets/pdf_file/0020/104735/guidelines_for_plantation_forestry_in_sa_web.pdf

Plantations 2020 (2007) *South Australian legislation in practice*. Available at http://www.planningplantations.com.au/assets/content/plantation_management/regulation_planning/sa.html

Tasmania

In Tasmania, all plantations and forests are regulated under the same acts and regulations irrespective of whether they are publicly or privately owned, namely the *Forest Practices Act 1985* and the *Forest Practices Regulations 1997*.

The Forest Practices Authority, an independent statutory body, is responsible for administering the Tasmanian forest practices system. The system regulates the management of forest and threatened non-forest vegetation on both public and private land.

Private native forests

Private landowners may also need to have a Forest Practices Plan (FPP) – an FPP or FPP Variation certified by the Forest Practices Authority.

References

Forest Practices Authority (2011) *What is the Forest Practices Authority?* Available at http://www.fpa.tas.gov.au/the_fpa

Forest Education Foundation (2008) *Forest Practices in Tasmania*. Available at http://www.forest-education.com/pdf_resources/Forest-practices-in-Tasmania-HR.pdf

Victoria

In Victoria any commercial harvesting must be done in accordance with the *Code of Practice for Timber Production 2007* (the Code) that applies in public forest, private native forests and plantations in Victoria. It is a statutory document prepared under Part 5 of the *Conservation, Forests and Lands Act 1987*. Compliance is required under the *Sustainable Forest (Timber) Act 2004* and via its incorporation into the Victoria Planning Provisions.

Public native forests

The *Sustainable Forests (Timber Harvesting) Act 2004* requires anyone engaged in commercial timber harvesting in Victoria's public State forests to hold a Timber Harvesting Operator's Licence. Persons undertaking commercial timber harvesting in State forests in western Victoria must have a Forest Produce Licence.

References

Department of Sustainability and Environment (2012) *Code of Practice for Timber Production*. Available at <http://www.dse.vic.gov.au/forests/publications/code-of-practice>

Department of Primary Industries (2012) *Commercial Wood Production from Public Forests*. Available at <http://www.dpi.vic.gov.au/forestry/public-land-forestry/commercial-wood-production-from-public-forests>

Western Australia

Commercial timber harvesting is regulated differently in Western Australia depending if the land is owned by State or private interests.

Public native forests and plantations (hardwood and softwood)

Ownership and management of forest and plantations on Crown land are vested in a number of legislative instruments, mainly the *Conservation and Land Management Act 1984* and the *Forest Products Act 2000*. To harvest timber from a State native forest or plantation, a contract with the Forest Products Commission (FPA) of Western Australia is required.

Private plantations (hardwood and softwood)

Numerous legislation and regulations apply to the establishment and management of plantation on private land (see *Plantations 2020 (2007)*). A *Code of Practice for Timber Plantations in Western Australia*, developed by Forest Industries Federation of WA, also exists, however compliance with this is voluntary.

Private native forests

Approvals for harvesting timber in private native forests (PNF) may be required to satisfy clearing requirements (a Clearing Permit) from the Department of Environment under the *Environmental Protection Act 1986*, the sale of commercial timber products (a Commercial Producer Licence) from the Department of Environment and Conservation under the *Wildlife Conservation Act 1950*. A Country Areas Water Supply Clearing Permit and local Shire requirements may also need to be met. There is no formal Code of Practice for private native forestry in WA. If PNF activity involves sale of products from wood chipping, a further licence from the Commissioner of Soil and Land Conservation is required.

References

EDOWA (2010) *State Forest and Timber Reserves*. Environmental Defenders Office of Western Australia. Available at http://www.edowa.org.au/files/factsheets/bhpl_state%20forests%20and%20timber%20reserves.pdf

FIFWA (2007) *Code of Practice for Timber Plantations in Western Australia*. Forest Industries Federation (WA) Inc. Available at <http://www.forestindustries.com.au/upload/Code%20of%20Practice%20for%20Timber%20Plantations%20in%20WA%202006.pdf>

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FWPA (2007) *Review of Draft Code of Practice for Private Native Forestry in NSW*. Report prepared for Forest and Wood Products Australia. Available at <http://www.fwpa.com.au/sites/default/files/PR07%204024.pdf>

Plantations 2020 (2007) Overview of WA legislation applicable to plantation forestry. Available at

http://www.planningplantations.com.au/assets/content/plantation_management/regulation_planning/wa.html

Compliance

Land owners, forestry harvesting operators and businesses and persons undertaking development and agricultural activities are subject to a number of compliance regimes to ensure strict observance of the law. Compliance to the various legal instruments is a matter for the Australian states, territory and local governments. The compliance regimes for each jurisdiction are also beyond the scope of this project.

Significant breaches of the legal instruments by companies, certified to a SFM standard, may also result in complaints to the SFM schemes certification body and serious breaches may mean suspension of a company's certification and/or right to use SFM scheme logos.

Does the log come from the land that has approval?

The process of delivery of logs to domestic processors is broadly consistent around Australia. It is in the interests of all parties to ensure that logs are delivered from particularly sources so that quality, quantity, species and so on which effect price for the land owner for particular deliveries is well documented. An example of a delivery docket with such information is included in Appendices.

Findings - Domestic Processors

- Elements of due diligence processes are in place even among small domestic processors.
- The recording of rights to harvest is a regular part of domestic processor business.
- The recording of details of land owner, harvesting area, species and volumes are included in delivery dockets to domestic processors.
- These items are all easily collated by a domestic processor for an internal and/or external audit.
- The legislative and regulatory frameworks for log harvesting on public and private land in Australia are state and/or territory-based and are comprehensive.
- Compliance to harvesting laws is undertaken by relevant state, territory and local authorities.
- The approvals and licensing required by regulatory regimes and normal commercial practices provide the basis for an inherent due diligence process.
- Prevalence of voluntary CoC certification is high among large scale domestic processors and processors supplying Queensland and/or commercial projects who have access to logs that are from forests and plantations that predominantly SFM certified.
- Domestic processors interviewed predominately source logs from forests and plantations that are certified to the SFM Standards of FSC and/or the PEFC endorsed AFS.
- Volume domestic processors are predominately certified to the COC standards of FSC and/or the PEFC endorsed AFS.
- The smaller quantities that are not sourced from SFM certified forests/plantations are subject to review of legality under the CoC and other standards of FSC and/or the PEFC endorsed AFS.
- Due diligence processes are already in place within large domestic processors and processors supplying Queensland and/or commercial projects.
- While the prevalence of CoC certification is low among small scale domestic processors or processors who predominantly supply residential projects or their log supply is from forests and/or plantations on private property, the strict regulatory environment ensures the inherent legality of supply.

Terminology

AFCS	Australian Forestry Certification Scheme
AFS	Australian Forestry Standard
CITES	Convention on International Trade in Endangered Species
CoC	Chain of Custody
FMU	Forest Management Unit
FSC	Forest Stewardship Council
HTS	Harmonized Tariff Schedule
KAN	Komite Akreditasi Nasional (Indonesian National Accreditation Committee).
MTIB	Malaysian Timber Industry Board
PEFC	Programme for Endorsement of Forest Certification
STIDC	Sarawak Timber Industry Development Corporation
SVLK	Sistem Verifikasi Legalitas Kayu (Indonesian Timber Legality Assurance System)
SFI	Sustainable Forestry Initiative (North American scheme accredited by PEFC)
SFM	Sustainable Forest Management
TLAS	Timber Legality Assurance System
TLTV	Timber Legality and Traceability Verification
VLO	Verified Legal Origin
VLC	Verified Legal Compliance

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Terminology

AFS	Australian Forestry Standard (Australian PEFC endorsed SFM scheme)
CERTFOR	Certified Forests (Chilean PEFC endorsed SFM scheme)
CITES	Convention on International Trade in Endangered Species
CoC	Chain of Custody
FMU	Forest Management Unit
FLEGT	Forest Law Enforcement, Governance and Trade (European Union programme)
FSC	Forest Stewardship Council
HTS	Harmonized Tariff Schedule
KAN	Komite Akreditasi Nasional (Indonesian National Accreditation Committee).
MTCS	Malaysian Timber Certification Scheme (Malaysian PEFC endorsed SFM scheme)
MTIB	Malaysian Timber Industry Board
PEFC	Programme for Endorsement of Forest Certification
STIDC	Sarawak Timber Industry Development Corporation
SVLK	Sistem Verifikasi Legalitas Kayu (Indonesian Timber Legality Assurance System)
SFI	Sustainable Forestry Initiative (North American PEFC endorsed SFM scheme)
SFM	Sustainable Forest Management
TLAS	Timber Legality Assurance System
TLTV	Timber Legality and Traceability Verification
VLO	Verified Legal Origin
VLC	Verified Legal Compliance

Acknowledgments

The researchers would like to thank the members of the project steering group, Gerry Gardiner, Germano Tomassetti and Greg McNulty for their feedback and guidance in this report.

Appendices

Appendix 1 - Survey Questions

Illegal Logging Due Diligence Project March 2012	
Ref No.	
Company	
Contact name / position	
Contact details	
Interviewer	
Date	
Countries imported/ sourced from	
Notes	<p>Background information</p> <p>Key product lines imported/supplied</p> <p>Does the company have a policy and/or mechanism to determine legality of timber imports/supplies?</p> <p>Implementation / Enforcement</p> <p>Key driver for that policy?</p>
Verification mechanisms	
Relevant documents	
Additional action	

Appendix 2 - Draft Due-diligence Principals – March 2012

DRAFT WITHOUT PREJUDICE

DRAFT DUE DILIGENCE PRINCIPLES

The due diligence system referred to in Section 14 and 18 of the Bill may contain the following elements:

1. INFORMATION GATHERING AND RISK IDENTIFICATION

Measures and procedures to enable the provision of the following information concerning the operator's supply of timber or timber products placed on the Australian market:

- a. Description of the product as well as the common name of the tree species and, where applicable, its full scientific name;
- b. Country of harvest, and where applicable:
 - i. Sub-national region where the timber was harvested; and
 - ii. Concession of harvest;
- c. Quantity (expressed in volume, weight or number of units);
- d. Name and/or address of the supplier or operator.

2. RISK ASSESSMENT

Risk assessment procedures enabling the operator to analyse and evaluate the risk of illegally harvested timber or timber products derived from such timber being placed on the Australian market. Relevant risk assessment criteria may include:

- a. Assurance of compliance with applicable legislation, which may include certification or other third party verified schemes which cover compliance with applicable legislation
- b. The completeness, accuracy and reliability of the information
- c. Prevalence of illegal harvesting of specific tree species
- d. Prevalence of illegal harvesting or practices in the country of harvest and/or sub national region where the timber was harvested, including consideration of the prevalence of armed conflict
- e. Sanctions imposed on timber imports or exports;
- f. Complexity of the supply chain of timber and timber products.

3. RISK MITIGATION

Unless the risk identified through the risk assessment procedure referred to in 2. is low, (i.e. where deficiencies in completeness, accuracy and reliability of information in relation to compliance with the laws of the country of harvest are identified), measures and procedures that are adequate and proportionate to minimise the risk, which may include additional information or documents and/or requiring third party verification. Risk mitigation may include evidence of compliance with:

- a. Laws, or processes under laws, in force in a state or territory or another country;
- b. Rules or processes established or accredited by an industry or certifying body;
- c. Established operational processes.

DRAFT WITHOUT PREJUDICE

Appendix 3 – FSC Chain of Custody

1.5 Commitment to FSC Values

1.5.1 The organization shall demonstrate its commitment to comply with the Values of FSC as defined in the "Policy for the Association of Organizations with FSC" (FSC-POL-01-004, initially approved in July 2009).

1.5.2 The organization shall declare not be directly or indirectly involved in the following activities:

- a) Illegal logging or the trade in illegal wood or forest products;
- b) Violation of traditional and human rights in forestry operations;
- c) Destruction of high conservation values in forestry operations;
- d) Significant conversion of forests to plantations or non-forest use;
- e) Introduction of genetically modified organisms in forestry operations;
- f) Violation of any of the ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work, 1998.

FSC-STD-40-004 V2-1 EN FSC Standard for Chain of Custody Certification

– 13 of 27 –

Indicators for Legal Trade for FSC CB auditors

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ANNEX A. Examples of indicators that CB auditors may use to support the evaluation of the organization's compliance with Clause 1.5 and 1.6 of FSC-STD-40-004 V2-1.

Illegal logging or the trade in illegal wood of forest products

Requirement	Example Indicators
Trade in illegal wood or forest products	<ul style="list-style-type: none"> - Existence of laws regarding to wood trade in the country/region (e.g. EU FLEGT regulation, Lacey Act, national wood trade regulations) - Existence of authorities' control. - Evidence of wood purchase records (Purchasing contracts, invoices) - Evidence of payment of royalties or other fees, when applicable - Evidence of timber transportation documents (Copies of transport or sales permits with specification of species and volumes as applicable)

Appendix 4 – FSC Self - Declaration

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ANNEX B. FSC form for self-declaration regarding FSC-POL-01-004.

S e l f - D e c l a r a t i o n regarding FSC-POL-01-004 (Policy for the Association of Organizations with FSC)

The signing Organization is associated with the Forest Stewardship Council A.C., Oaxaca, Mexico, or one of its subsidiaries or affiliates (hereinafter: FSC) by being either a member of or having a contractual relationship with FSC. Hereby the signing Organization explicitly states that it has read and understood the "Policy for the Association of Organizations with FSC" as published under www.fsc.org. This policy stipulates FSC's position with regards to unacceptable activities by organizations and individuals which already are or would like to be associated with FSC as well as the mechanism for disassociation.

In light of the above, the Organization explicitly agrees currently and in the future, as long as the relationship with FSC exists, not to be directly or indirectly involved in the following unacceptable activities:

- a) Illegal logging or the trade in illegal wood or forest products;
- b) Violation of traditional and human rights in forestry operations;
- c) Destruction of high conservation values in forestry operations;
- d) Significant conversion of forests to plantations or non-forest use;
- e) Introduction of genetically modified organisms in forestry operations;
- f) Violation of any of the ILO Core Conventions as defined in the ILO Declaration on Fundamental Principles and Rights at Work.

City, Date

For the Organization

(Include the full name of the organization and representative, authorized signature and, if applicable, the organization's stamp)

FSC-PRO-20-001 V1-0 EN
Evaluation of the organization's commitment to FSC values and occupational health and safety in the Chain of Custody



Certificate of Registration

This is to confirm that KPMG Performance Registrar Inc. has verified that

International Forest Products Limited

Interior Woodlands Operations

P.O. Box 49114, Four Bentall Centre, 3500 – 1055 Dunsmuir Street, Vancouver, British Columbia V7Z 1H7

Conforms with the requirements of the 2010-2014

Sustainable Forestry Initiative® (SFI) Standard

This certification applies to:

Forestry and logging (including planning, roads, harvesting and silviculture) on the forest tenures included within Interior's Adams Lake, Castlegar and Grand Forks operating areas, as well as the procurement of purchase wood for the Adams Lake, Castlegar and Grand Forks sawmills.

This certification is given subject to the terms and conditions governing the use of this certificate as described in the agreement between KPMG Performance Registrar Inc. and the holder thereof. Certification does not assure the effectiveness of the Sustainable Forest Management System or continued compliance with relevant forest and environmental legislation and regulations.

Certificate No. PRI-SFI-002
Issue Date: June 1, 2001
Revision Date: August 17, 2011
Expiry Date: December 31, 2012



Chris Ridley-Thomas
President
KPMG Performance Registrar Inc.
Vancouver, B.C., Canada V7Y 1K3

Appendix 6 – FSC CoC Certificate

	<h1>The Rainforest Alliance</h1>
	INTERNATIONAL FOREST PRODUCTS LIMITED PO BOX 49114 BENTALL TOWER FOUR 3500-1055 DUNSMUIR STREET VANCOUVER, BRITISH COLUMBIA, V7X 1H7 CANADA
	IS CERTIFIED FOR FOREST STEWARDSHIP COUNCIL CHAIN-OF-CUSTODY AND CONTROLLED WOOD
	Certificate Scope Certificate Type: Multi-site
	Chain-of-Custody and Controlled Wood
	Standard(s): FSC-STD-40-003 V1-0; FSC-STD-40-004 V2-0; FSC-STD-40-005 V2-1
	Product group(s): Sawn wood, Logs, Wood chips/particles
	Valid from November 22, 2011 to November 21, 2016
	Certificate Registration Code: SW-COC-002094 SW-CW-002094
	FSC License Code: FSC-C013531 Certificate Issue Number: IN-2011-1
<p>As a multi-site certificate, the activities and products included in the scope of this certificate are performed by a network of participating sites. Additional details regarding the scope, including a full list of products and species, are available at info.fsc.org.</p> <p> Jon Jickling, Director</p> <p>SmartWood Program of the Rainforest Alliance 65 Millet Street, Suite 201, Richmond, Vermont, USA 05477 RAINFOREST ALLIANCE IS AN ACCREDITED FSC CERTIFICATION BODY</p> <p><small>The validity of this certificate shall be verified on info.fsc.org. This certificate does not constitute evidence that a particular product supplied by the certificate holder is FSC certified and/or FSC Controlled Wood. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on Invoices and shipping documents.</small></p> <p><small><i>This certificate is the property of the SmartWood Program of the Rainforest Alliance. This certificate and all copies or reproductions of this certificate shall be returned or destroyed if requested by SmartWood.</i></small></p> <p>ACCREDITED FSC-ACC-004 © 1996 Forest Stewardship Council A.C.</p>	 

Appendix 7 – SVLK Certificate - BRIK

**LVLK-BRIK**

Certificate

**KAN**
Kantor Nasional
Lembaga Verifikasi Legalitas Kayu
DLK-01/2011

This is to certify that

PT HASTRA PASIFIK PAPUA
Desa Tofni, Kec. Babo, Kab. Teluk Bintuni - Papua Barat
Jl. Mayjen Sungkono No. 14, Ds. Sukorejo,
Kec. Kebomas, Kab. Gresik, Jawa Timur

has fulfilled in accordance with the requirements of standard and principle of
Timber Legality Assurance System (TLAS)
Scope of the certification and list of products are as described in appendix

Certificate Number: **BRIK-VLK-0008**
Valid from 12th December 2011 until 20th February 2014

Issued in Jakarta, 12th December 2011

Authorized by

Soewarni
Chairman of LVLK BRIK



LEMBAGA VERIFIKASI LEGALITAS KAYU (LVLK) - BADAN REVITALISASI INDUSTRI KEHUTANAN (BRIK)
Mangglala Wanagukti, Block IV, 8th Floor, Jl. Gatot Subroto Jakarta 10270 - Indonesia,
Phone: +6221-57902946 / 57903064, Facs: +6221-5711192, e-mail: brikvlk@iwwn.com

Appendix 8 – SVLK Certificate - SICS

CERTIFICATE		
	Certificate No. VLK 00024	
SUCOFINDO INTERNATIONAL CERTIFICATION SERVICES		
Menyatakan bahwa <i>Certify that</i>		
CV. KHARISMA DUTA UTAMA		
Nomor Izin Usaha Industri / <i>Industrial Licence Number</i> : 503.09/94/437.74/IP/2010 tanggal 25 Oktober 2010		
Jenis Industri : IUI Lanjutan <i>Industry Type</i> : <i>Secondary Industry</i>		
Produk/ <i>Products</i> : <i>Solid Moulding, Finger Joint / Finger Joint Laminating</i>		
Menggunakan kayu sebagaimana tercantum dalam Lampiran -1 <i>Using woods as described in Appendix-1</i>		
Logo Produk/ <i>Product Marking</i> : MERAH/ <i>RED</i>		
Verifikasi Legalitas Kayu yang digunakan memenuhi <i>Verification of Timber Legality is in compliance with</i>		
Peraturan Direktur Jenderal Bina Produksi Kehutanan Nomor : P.6/VI-Set/2009 tanggal 15 Juni 2009 tentang Standard dan Pedoman Penilaian Kinerja Pengelolaan Hutan Produksi Lestari dan Verifikasi Legalitas Kayu Lampiran 4. Standard dan Pedoman Verifikasi Legalitas Kayu pada IUIPHHK dan IUI Lanjutan. <i>Decree of Director General of Forest Production Development Number P.6/VI-Set/2009, dated 15th June 2009 on Standard and Guidelines on Performance Assessment of Sustainable Forest Management and Timber Legality Assurance Appendix 4. Standard and Guidelines on Timber Legality Assurance on Primary Industry (IUIPHHK) and Secondary Industry (IUI Lanjutan)</i>		
Sertifikat ini berlaku dengan ketentuan bahwa organisasi selalu memenuhi kriteria sebagaimana ditetapkan oleh SUCOFINDO INTERNATIONAL CERTIFICATION SERVICES <i>The certification is valid provided that the organization continues to meet the criteria as laid down by SUCOFINDO INTERNATIONAL CERTIFICATION SERVICES</i>		
		 Ir. Arief Safari, MBA Ketua Badan Pelaksana <i>Chairman of Governing Board</i>
This certificate is valid from April 8 th , 2011 until April 7 th , 2014		
Sertifikat ini harus diperagakan/diperbanyak bersamaan dengan Lampiran - 1 <i>This certificate must be displayed/reproduced in conjunction with Appendix - 1</i>		
TL.100144		

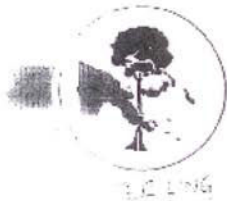
Appendix 9 – MTCC CoC Certificate



File: MTCC-Cert.jpg

FAXED

Appendix 10 – PNG Timber Authority



PAPUA NEW GUINEA FOREST AUTHORITY NATIONAL FOREST SERVICE

MADANG PROVINCIAL OFFICE, MADANG
P.O. Box 216, YOMBA,
Madang Province
Papua New Guinea

Telephone: (675) 8533359
Facsimile: (675) 8522463

SUBJECT: GRANTING OF TIMBER AUTHORITY

TIMBER AREA

Your Timber Authority application over the above area after being recommended by Madang Provincial Forest Management Committee was consented by NFS Managing Director for granting. Copies of recommendation, Chairman responsible for Forestry matters in the province notice of intention, NFS Managing Director's consent and your granted timber authority under respective PNG Forest Authority regulation forms are attached herewith to your records.

As stipulated in the Forestry Act 1997, section 98, a performance bond has to be lodged with your local bank in the form of a Bank guarantee paid in favor of PNG Forest Authority. You are therefore required to lodge a performance bond fee as specified in schedule four (4) of your timber authority which is K20,000.00 within twenty one (21) days.

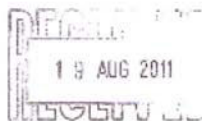
You may proceed to prepare your Annual Logging Plan (ALP) for the approved timber area and submit to this office for approval. Do remind that operations will only commence when this office is provided with a copy of your bank guarantee and the submitted approved ALP.

We trust you will adhere to our procedures by submitting your ALP and providing us a copy of your bank guarantee within the 21 days. Failure to comply may result in the cancellation of your Timber Authority.

Yours faithfully,

EILEEN KOLKOL
Provincial Forest Officer

Cc : Area Manager – Lee
Cc : Director Field Services – POM HQ
Cc : Timber Authority Officer – POM HQ



Appendix 11 - CertiSource Legality Assessment CoC Certificate



CERTIFICATE OF CHAIN OF CUSTODY

Certificate CS/COC/SS/HPP/181011

PT. Hastra Pasifik Papua

Jalan Mayjend Sungkono No.14, Sukorejo-Kebomas,
Gresik, Jawa Timur, Indonesia.

This sawmill meets the requirements of the Chain of Custody system as specified in the CertiSource Legality Assessment Criteria v3.02 for products derived from Verified Legal logs.

Species	Merbau (<i>Intsia spp.</i>)
Products	i) Solid timber moulded components ii) Engineered solid timber components
Validity	18 October 2011 to 17 April 2012
Certified since	18 October 2011

Authorised by

A handwritten signature in black ink, appearing to read 'Darren Thomas'.

Darren Thomas
Managing Director


- A list of certificates issued for certified products and docket references can be found in the CertiSource Register at www.certiSource.co.uk
- DoubleHelix is an accredited auditor for CertiSource UK Ltd: CBA/CSUK/0111/DoubleHelix

www.certiSource.co.uk

DoubleHELIXX
35 in our nature



Appendix 12 – Rainforest Alliance VLO



The Rainforest Alliance

VERIFICATION STATEMENT FOR ETH ENTERPRISE PTE LTD 14 Gul Lane, Singapore 629412 SINGAPORE

Verification Registration Code: SW-VLO-005299


Valid from: January 19, 2011 to January 18, 2014

VERIFICATION SCOPE:

Single verification based on the SmartWood Generic Standard for Verification of Legal Origin Version 18 January 2010. The verification scope, including a list of participating sites, is identified in the Annex. Additional details are available in the public summary of the verification report found at www.rainforest-alliance.org.

SIZES : 19MM X 90MM X 1800MM TO 5700MM
CONTAINER NO : TGHU 1714083 / OOLADG 6663
PACK NO : F-421 TO F-429






Jon Jickling
Director
SmartWood Program of the Rainforest Alliance
65 Millet Street, Suite 201, Richmond, Vermont USA 05477

SMARTWOOD IS A PROGRAM OF THE RAINFOREST ALLIANCE

The SmartWood Program of the Rainforest Alliance provides Verification Services based on protocols and standards developed by the Rainforest Alliance and managed and administered by the Rainforest Alliance. This Verification Statement signifies that Rainforest Alliance has verified the compliance of the organization listed above with the particular SmartWood Standard listed above, as set forth in the Verification Audit Report referenced above. In no circumstance shall any of Rainforest Alliance's services be considered as a verification of organization's compliance with applicable law or an indication of approval by any governmental authority of the organization's products, practices or operations. This Verification Statement is prepared solely for the benefit of the organization listed above and may not be relied upon by any third party without the express written consent of Rainforest Alliance.

Appendix 13 – STIDC Certificate

No : 0021



PUSAKA
PERBADANAN KEMAJUAN PERUSAHAAN KAYU SARAWAK
Sarawak Timber Industry Development Corporation

SUSTAINABLE FOREST MANAGEMENT
SUMBER ALAM
LEGALITY STATEMENT

This is to certify that the timber products supplied by:


Exporter: SHIN YANG LAMINATED BOARD SDN BHD

Address: Lot 1065, Block 1,
Kuala Baram Land District,
98000 Miri,
Sarawak, Malaysia.

Destination:

are processed from legally sourced logs from a well-managed forest in accordance with the State Forest Policy and Strategy that comply with the International Tropical Timber Organization (ITTO) Guidelines for the Sustainable Management of Natural Tropical Forest and Criteria for the Sustainability at National and Forest Management Unit Level within the Framework of the ITTO Year 2000 Objective, agreed by the International Tropical Timber Council (ITTC) in Yokohama in December 1991.

THIS DECLARATION COVERS 38 PACKS STRUCTURAL BRACING PLYWOOD
AL HUSSEIN PER SHIPPER'S INVOICE NO. SYL/INY/32/0060
DATED 20 MAR 2012



GENERAL MANAGER

WISMA SUMBER ALAM
Lot 1065, Block 1, 98000 Miri, P.O. Box 194, 93702 Kuching, Sarawak, Malaysia

23.02.2012

Appendix 14 – SGS TLTV CoC



STATEMENT No: SGS-TLTV/COC - 0019

**Timber Legality & Traceability Verification (TLTV)
Chain-of-Custody (CoC)**

Further to the SGS Report dated 30th March 2009 and based on the assessment performed by SGS Société Générale de Surveillance SA on 23rd March 2009 at the site(s) mentioned below, the company:

TLB TIMBER PTY LTD.
18, MacArthur Avenue, Hamilton, QLD 4007, Australia
"the Company".

has been verified against the TLTV CoC Standard AD-TLTV-50-05 from 5th May 2008 criteria of the **SGS 'Timber Legality & Traceability Verification' (TLTV) Programme** for the following processes and products:

Purchasing of timber from sources verified under SGS TLTV-LP (Legality of Production) Programme, storage and sale of timber.

at:
**Hamilton, Brisbane, Queensland
Australia,**

demonstrating that the producing/trading company's internal management system correctly ensures the integrity of the Chain-of-Custody of TLTV-Verified Legal products through the company's operations.

Company under TLTV CoC with SGS since: **April 2009**

The above timber products can be traded collectively as 'Legality-Verified (TLTV)' in a business-to-business context which excludes end-consumer product labelling. This statement is valid for the above mentioned processes and products only. It is not an assurance that the Company fully complies with all applicable laws and regulations nor does it represent a Chain-of-Custody certificate according to an international forest certification standard. The relevant Chain-of-Custody criteria may be consulted at the Company's premises or inquired from forestry@sgs.co.za. For more information visit www.sgs.com/forestry-monitoring

This Statement shall be valid for a period of 5 years:
from 2 April 2009 until 1 April 2014

Authorised by



Antoine de La Rochefordière
SGS Forestry Monitoring Programme
SGS SOCIÉTÉ GÉNÉRALE DE SURVEILLANCE SA
Phone: (41) 22.739.91.11 Fax: (41) 22.739.99.86 www.sgs.com

This Statement is issued, on behalf of the Company, by SGS Société Générale de Surveillance SA under its General Conditions for Timber Legality & Traceability Verification Services. The findings recorded hereon are based upon assessments performed by SGS Société Générale de Surveillance SA, the results of which are valid for the time and scope of the intervention only as referenced above. The scope and findings are available in the Report above-referenced. A copy of the Report and/or the findings may be consulted at the Company's premises. This Statement does not relieve the Company from compliance with any bylaws, federal, national or regional acts and regulations or with any guidelines issued pursuant to such regulations. Stipulations to the contrary are not binding on SGS Société Générale de Surveillance SA and SGS Société Générale de Surveillance SA shall have no responsibility vis-à-vis parties other than its Company.



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Appendix 15 – Eco-Timber Certificate



Village Eco – Timber Enterprise

P.O. Box 591 Honiara, Solomon Islands
Ph: 25538

Community Timber Verification Statement

TO:

Name of Project	Provincial Location	Timber Group Type (eco timber or community timber)	Species	Date Timbers Received	Date Packed in Container	Volume	Container No.	Pack No.

SHIPPING DETAILS: EXPORT DATE: 19.04.2010 VESSEL VOYAGE NO: Papuan Chief V. 008

This statement hereby guarantee that the timber in this consignment is Community Timber as identified and verified by VETE.

What is Community Timber?

Community timber is milled by local communities on customary land, with valid sawmilling license, using chainsaws, Alaskan frame and Portable Mill.

A joint effort of various island communities, helping to discourage, or stop large industrial logging operation on their areas that are still not logged, and it becomes means of helping local villages improve their village quality of life by providing a source of sustainable income.

Community Timber becomes an initial stage for communities making progress towards Eco timber and FSC required standards.

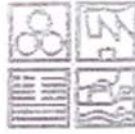
A verification system established and implemented by VETE ensures the chain of custody of community timber from the FMAs to export consignment.

Please don't hesitate to contact us further if you or any of your partners require additional information on the program's or the standards used.

Yours sincerely

Geoffrey Dennis
Office Manager
Greenpeace Solomon Islands

Appendix 16 – MTIB Certificate



THE MALAYSIAN TIMBER INDUSTRY BOARD

Sustainable Forest Management Statement

This certificate confirms that SDN. BHD.
will supply only timber or timber products that have been obtained from logs of well-managed forests in accordance with our National Policy and Strategy for such forests. These plans also comply with the International Tropical Timber Organisation (I.T.T.O.) Guidelines for the Sustainable Management of Natural Tropical Forests and the draft criteria for Sustainability at National and Forest Management Unit Level within the Framework of Target Year 2000, agreed by the International Tropical Timber Council in Yokohama in December 1991.


Director-General MTIB



Appendix 17 – VicForests Wood Cartage and Weighbridge Docket



WOOD CARTAGE AND WEIGHBRIDGE DOCKET

Despatch Date 27.6.06 Despatch Time 10.30 Est. Nett Weight 2780

Job No 168986 Harvesting Contractor Name RCC

Job Type (tick) To Mill To Dump [] From Dump [] Log Grader No. 123

Operations Area CANN RIVER Harvesting Rep Signature [Signature]

Coupe Name NEW WAY Print Name MAX SMITH

Coupe Number 3691257010 Haulage Contractor Name JONES JINKERS

Forest Op ID 109911 Truck Rego 96E95H

Buyer HALLMARK OAKS Driver Signature [Signature]

Delivery Destination CANN RIVER Print Name MARY SMITH

Destination No. 10129 Docket completed by: [] Harvesting [] Haulage Harvest/Haulage

Product E GRADE AAE

WEIGHBRIDGE INFORMATION

Gross 4338

Tare 1432

Nett 2906

Remarks

.....

.....

.....

Delivery Date 27.6.06 Delivery Time 14.30

Weighbridge Operator [Signature]

Office Use Only

Entered on Logsals []

White-VF Pink-Customer Green-Harvesting Contractor Blue-Haulage Contractor Yellow-Book

Serial No. 063001

Appendix 18 – VicForests Log Despatch Record


VICFORESTS - LOAD DESPATCH RECORD 216241

Return Date:
Team Leader Signature:

Product: RLFO
Coupe: 779-01-0011
Product: RLFO
Coupe: 779-01-0011
Product: RLFO
Coupe: 779-01-0011

LDR No. 216241
Issued from: Bairnsdale
Job: L6217H - RLHQ WONG TK11 MIDWAY BDALE
Job: L6217H - RLHQ WONG TK11 MIDWAY BDALE
Job: L6217H - RLHQ WONG TK11 MIDWAY BDALE

216241	Truck: Q1H 827	Date: 20.11.05	Time:	Signature: [Signature]	
216242	Truck: PGG 444	Date: 2.11.05	Time: 9M	Signature: [Signature]	
216243	Truck: TDF 198	Date: 2.11.05	Time: P.M.	Signature: [Signature]	
216244	Truck: TDF 198	Date: 2.11.05	Time: P.M.	Signature: [Signature]	
216245	Truck: Q1H 827	Date: 2.11.05	Time: P.M.	Signature: [Signature]	
216246	Truck: Q1H 827	Date: 2.11.05	Time: P.M.	Signature: [Signature]	
216247	Truck: Q1H 827	Date: 2.11.05	Time: P.M.	Signature: [Signature]	
216248	Truck: Q1H 827	Date: 4.11.05	Time: P.M.	Signature: [Signature]	
216249	Truck: Q1H 827	Date: 3.11.06	Time: P.M.	Signature: [Signature]	
216250	Truck:	Date:/...../.....	Time:	Signature:	



1 6 2 1 7 H 2 1 6 2 5 0 4
VicForests Load Tag - MIDWAY -

Contract/Licence/Agreement number

Destination

Product Code

Coupe Number

Job number - unique identifier