

Commodity Group

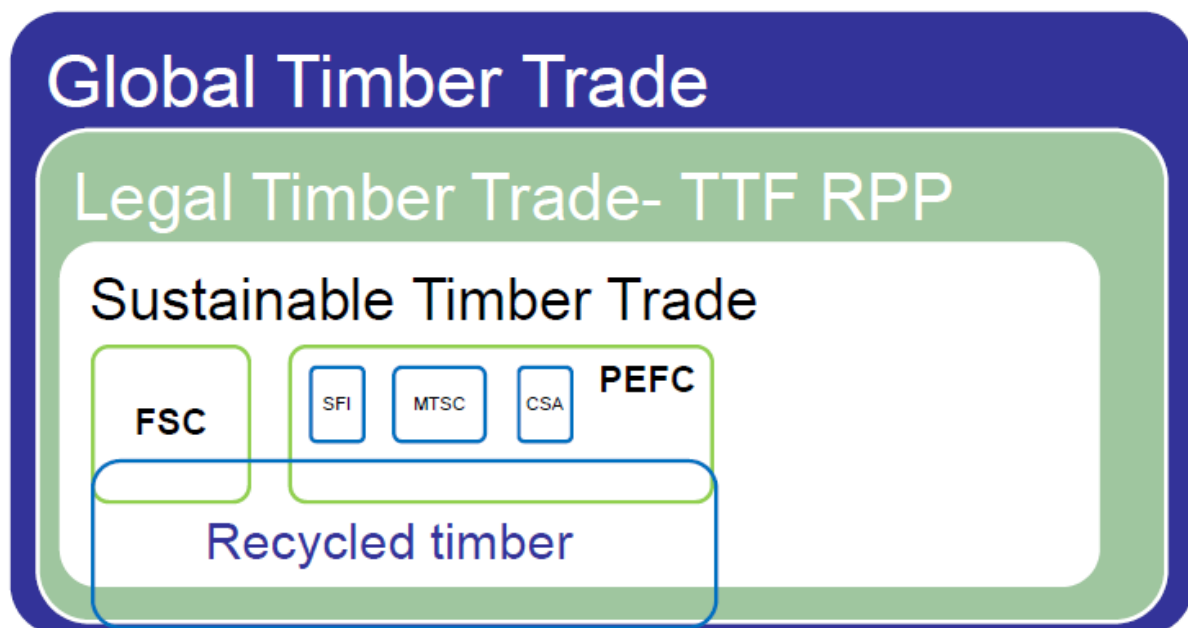
Timber

This commodity group covers timber products for both temporary and permanent use, excluding pallets and packaging materials.

What are the risks/issues associated with this commodity group

Circa 66% of the world's forests are designated as productive, i.e. where trees are harvested for timber (distribution and manufacture). Of this it is estimated that approximately

It is estimated that 2-5% of the UK's timber market could originate from illegal sources, and even with regards the legal product available we cannot be certain that the ethical practices throughout the supply chain adhere to the ETI base-code, as it is often dependent on the legalities and regulations in place at source.



Source: Timber Trade Federation Presentation- note, diagram is not to scale.

In an attempt to counter the influx of illegal timber into the European market, the EU has implemented the Timber Regulations (Regulation 995/2010) which came into force 3 March 2013.

The Timber Regulation includes three key obligations:

It prohibits the placing of illegally harvested timber and timber products to the EU market, whether of domestic or imported origin.

Timber accompanied by a FLEGT (Forest Law Enforcement, Governance and Trade) or CITES (Convention on International Trade in Endangered Species) license will be accepted as legal. In all other cases, operators must exercise 'due diligence' when they sell imported and domestic timber.

Traders (those after the operators in the supply chain) need to keep records of their suppliers (and customers). In this way the operators can always be traced.

Trade Associations

Timber Trade Federation

Certified schemes covering Responsible Procurement

Forest Stewardship Council (FSC)

Programme for the Endorsement of Forest Certification (PEFC)

Full documented and audited Chain of Custody required in all cases, from forest to final user.

Investigations into Supply Chain

It was generally accepted by the ESCIC group members that certified schemes such as FSC and PEFC provided confidence in the green credentials and legality of timber.

The groups concern was rather to do with if, and to what extent, such schemes covered ethics of the labour force at work in the felling and production of timber throughout the various stages of the supply chain.

The group also wanted to understand whether there were any other certification schemes available that could be relied upon.

Proposed Actions for mitigation

The group engaged with Anand Punja, Sustainability Manager for the Timber Trade Federation, who in turn facilitated the introduction of Alun Watkins, National Secretary for PEFC UK Ltd (The Programme for the Endorsement of Forest Certification) and Tallulah Chapman, Communications and Business Manager for FSC UK. Each presented to the ESCIC forum on 30th March 2012 to provide an overview of the timber trade generally, the various support groups available and more detail on the FSC and PEFC certification schemes in particular.

The PEFC scheme is a programme for endorsement of existing in-country National Forest certification schemes. PEFC, in effect review and endorse these schemes to ensure that they meet certain minimum criteria. If the criteria are met, then the scheme can be accepted under the PEFC banner. PEFC can therefore be considered a bottom up approach whilst FSC may be considered as a top down scheme.

In this context, PEFC is similar in concept to the UK Government CPET (Central Point of Expertise on Timber- see www.cpet.co.uk) sustainable public procurement policy process, which measures schemes against defined criteria.

The FSC process is similar in that a national standard is developed in countries by a standard's development group- so in some way there has to be demand for an FSC standard from within the country. The development of this standard has to follow an official FSC process and include lots of multi-stakeholder work (as do PEFC national schemes). The national standard also has to meet the 10 overarching principles and criteria of FSC.

Once a national standard is developed it goes to the Standards Policy Committee at FSC international (this is similar to the PEC International Council) for approval. Once approved, FSC can be implemented within that country

The actual assessment and certification process for PEFC and FSC are essentially the same. The forest or supply chain company is assessed and reviewed by an accredited independent certification body, who report to either PEFC or FSC whether or not the forest/woodland or supply chain company meets the relevant forest management or chain of custody standards and may therefore be certified. In many cases, particularly for chain of custody certification, the certification bodies are accredited to both schemes.

Anand Punja (TTF) undertook a point by point gap analysis for ESCIC, which is attached in Appendix A.

Result of Mitigation

We conclude that both FSC and PEFC material , when provided with unbroken Chain of Custody evidence to provide the traceability of the timber back to source –thus confirming compliance at each step in the chain significantly mitigates the risk of unethical practice. The TTF advise that you only need to go one step back in the supply chain and ensure that your supplier and the paperwork for the goods provided have the relevant Chain of Custody details on them. There is no need to go back to source as each step in the supply chain has a Separate Chain of Custody audit, However, it should be noted that this may not be compliant with those projects seeking credit MAN 3 MAT 5 and Mat 6 under BREEAM, therefore the specifics of these credits should be read and understood in relation to Chain of Custody. Due diligence must be shown through:

- Clear statements on purchase orders requiring FSC/PEFC and Chain of Custody compliance
- Delivery or goods-received notes confirming delivery of such
- Invoice requiring payment for such
- Chain of Custody certificate
- Appropriately labelled material (on product labelling is voluntary for both schemes)

- All showing consistency of the actual product ordered

The EUTR Due Diligence System (DDS) includes the following three elements to minimize the risk that timber products come from illegal harvesting:

1. Information: Companies must have access to information specifying the timber and timber products, country of harvest, species, quantity, details of the supplier and information on compliance with national legislation.
2. Risk assessment: Based on the information provided and criteria set out in the EUTR, companies must assess the risk of illegal timber in their supply chain. Supplies with "negligible" risk may be traded further.
3. Risk mitigation: In case of "non-negligible" risk of timber products being illegal, risk mitigation measures can minimize the risk effectively. Measures may range from requiring additional information from suppliers and/or requesting the supplier to obtain PEFC certification for example.

Residual Supply chain risks

Third-party verified schemes (such as FSC/PEFC certification) may form part of operators' information, risk assessment and mitigation procedures. FSC/PEFC have been improving the robustness of their systems to demonstrate adequate assurance of the legality of FSC certified materials, to ensure that FSC certificate holders are not obliged to apply additional due diligence procedures to FSC certified materials (including controlled wood).

Particular risk areas are:

- Pallets and packaging materials
- Timber in composite products (although many composite products such as MDF are available in both FSC and PEFC)
- Timber provided in unavoidable circumstances where the chain of custody is broken:
 - Deliveries made through distribution centres
 - Deliveries made from broken pallets
 - Timber being supplied via a subcontractor rather than directly from the certified supplier

Appendix A: ETI Gap Analysis

Mapping how the Timber Industry relates to the ETI Base Code

ETI Principles	TTF Comments	Where covered in FSC	Where covered in PEFC
Employment is freely chosen	<ul style="list-style-type: none"> This principle is covered by national laws within countries, especially those that have signed up to ILO declarations. If a product is not available as certified then customers concerned about adherence to this principle in their timber supply chain should buy as a minimum, timber that is verified legal (VLC) to a third party scheme. Examples of such schemes can be found at the CPET website here. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> Clause 1.5 in FSC COC standard (FSC-STD-40-004 V2-1 EN) (Chain of Custody) FSC Procedure document (FSC-PRO-20-001 V1-0 EN) (Chain of Custody) Principle 4 in the FSC FM Standard (FSC-STD-40-004 V2-1 EN) (Forest Management) Indicator 2.3 in FSC CW standard (FSC-STD-40-005 V2-1 EN) (Controlled Wood) FSC-POL-30-401 (2002) EN (Forest Management) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 ILO 87, 29, 105 GL 2 – 2011 PEFC minimum requirement checklist section 5.6.4, 5.6.13 All audits look for employee contracts, records and a sample of confidential interviews
Freedom of association and the right to collective bargaining are respected	<ul style="list-style-type: none"> Similar to above, this principle is covered by national laws, so timber coming from countries that have signed ILO will have these written into their laws and all timber companies will therefore have to comply with this as a minimum. Similar to above if FSC/ PEFC is not available look for a VLC product. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> Criterion 4.3 in the FSC FM Standard (FSC-STD-40-004 V2-1 EN) (Forest Management) Indicator 2.3 in FSC CW standard (FSC-STD-40-005 V2-1 EN) (Controlled Wood) FSC-POL-30-401 (2002) EN (Forest Management) FSC Procedure document (FSC-PRO-20-001 V1-0 EN) (Chain of Custody) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13
Working conditions are safe and hygienic	<ul style="list-style-type: none"> A very important issue given that timber harvesting and processing is a heavy labour intensive industry. Again, most of these issues are at a 	<ul style="list-style-type: none"> FSC Procedure document (FSC-PRO-20-001 V1-0 EN) (Chain of Custody) Criterion 4.2 in the FSC FM 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010

ETI Principles	TTF Comments	Where covered in FSC	Where covered in PEFC
	<p>minimum picked up in national legislation.</p> <ul style="list-style-type: none"> All TTF members will comply with this principle as per UK Legal Requirements. 	<p>Standard (FSC-STD-40-004 V2-1 EN) (Forest Management)</p> <ul style="list-style-type: none"> Clause 1.6 in FSC COC standard (FSC-STD-40-004 V2-1 EN) (Chain of Custody) FSC-POL-30-401 (2002) EN (Forest Management) 	<p>Sustainable Forest Management Sections 3.5 ILO 155</p> <ul style="list-style-type: none"> GL 2 – 2011 PEFC minimum requirement checklist section 5.6.12, 5.6.13
Child labour shall not be used	<ul style="list-style-type: none"> An important issue, however different country context is important to understand here as there are various ages which are considered as child labour or not and in some circumstances, younger people that we would classify as children are important income earners for poverty stricken households. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> FSC-POL-30-401 (2002) EN (Forest Management) Indicator 2.3 in FSC CW standard (FSC-STD-40-005 V2-1 EN) (Controlled Wood) Clause 1.5 in FSC COC standard (FSC-STD-40-004 V2-1 EN) (Chain of Custody) FSC Procedure document (FSC-PRO-20-001 V1-0 EN) (Chain of Custody) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 ILO 182, 138, section 5.7
Living wages are paid	<ul style="list-style-type: none"> In most cases the living wage will be the minimum wage within countries that have one in place. Living wages are not usually covered by national legislation and therefore timber that is verified as legal (VLC) is not likely to meet this ETI principle. All TTF members pay similar to living wages as negotiated between the TTF and the GMB Union who represent workers in the trade. 	<ul style="list-style-type: none"> FSC-POL-30-401 (2002) EN (Forest Management) Criterion 4.2 in the FSC FM Standard (FSC-STD-40-004 V2-1 EN) (Forest Management) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 ILO 100 GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13

ETI Principles	TTF Comments	Where covered in FSC	Where covered in PEFC
Working hours are not excessive	<ul style="list-style-type: none"> Similar to the Living wage principle, not all timber producing nations have legal requirements on working hours so VLC timber may not meet this principle. All TTF members do comply with this principle. 	<ul style="list-style-type: none"> Clause 1.5 in FSC COC standard (FSC-STD-40-004 V2-1 EN) (Chain of Custody) FSC-POL-30-401 (2002) EN (Forest Management) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13
No discrimination is practised	<ul style="list-style-type: none"> The definition of Legal timber includes the criteria around respecting the legal tenure and land accessibility for communities who live in and around forests. Therefore VLC Timber will meet the requirements of this principle. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> Indicator 2.3 in FSC CW standard (FSC-STD-40-005 V2-1 EN) (Controlled Wood) FSC-POL-30-401 (2002) EN (Forest Management) FSC Procedure document (FSC-PRO-20-001 V1-0 EN) (Chain of Custody) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 ILO 111 and section 5.6.4 and 5.7 GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13
Regular employment is provided	<ul style="list-style-type: none"> The timber industry can be seasonal and the way that the industry is structured in producer countries varies from harvesting operators and staff being freelance to being in employment. It will depend on a case by case basis whether VLC timber as a minimum will meet the requirements of this principle. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> Principle 4 in the FSC FM Standard (FSC-STD-40-004 V2-1 EN) (Forest Management) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections 3.5 ILO 100 and section 5.7 GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13

ETI Principles	TTF Comments	Where covered in FSC	Where covered in PEFC
No harsh or inhumane treatment is allowed	<ul style="list-style-type: none"> VLC timber as a minimum should meet the requirements of this principle as country most timber producing legislation will have something similar in place. All TTF members will comply with this principle as per UK Legal Requirements. 	<ul style="list-style-type: none"> Indicator 2.3 in FSC CW standard (FSC-STD-40-005 V2-1 EN) (Controlled Wood) FSC-POL-30-401 (2002) EN (Forest Management) 	<ul style="list-style-type: none"> Covered in Appendix 4 of the PEFC COC standard (PEFC ST 2002:2010) GL 2 – 2011 PEFC minimum requirement checklist section 5.6.13 Covered in PEFC ST 1003:2010 Sustainable Forest Management Sections section 5.7

General TTF comment

As can be seen from the analysis above, both FSC and PEFC go beyond the minimum requirements of ETI/ ILO declarations. In most circumstances the ETI principle is met both the forestry management standards as well as the chain of custody standards, thus covering the supply chain from forest origin to timber merchant/ distributor.

As the Trade Federation for the Timber Industry, we recommend that all timber specified on projects and where available is specified as FSC or PEFC Timber.

For further information on the above please contact;

TTF- Anand Punja; apunja@tff.co.uk or call 0207 291 5373

FSC- Tallulah Chapman; tallulah@fsc-uk.org or call 01686 413 916

Copies of the FSC standards mentioned above are available publically and can be downloaded from the [FSC International website](#)

PEFC- Alun Watkins- awatkins@pefc.co.uk or call 0114 3072334

Copies of the FSC standards mentioned above are available publically and can be downloaded from the [PEFC International website](#)