

What is the EU Proposing?

- The EU is proposing a new 'Regulation laying down the obligations of operators who place timber and timber products on the market' to help address the trade in illegal wood products
- Companies placing timber products on EU market will be expected to adopt a 'due diligence' approach to minimize risk of importing illegal timber into EU - see below
- The regulation is still in early draft stages & requirements are still unclear
- Detailed information on how to comply will be supplied by Member States in the future

Proposed Definition of a Due Diligence System (DDS)

"Measures and procedures which will enable operators to track the timber and timber products, to have access to information concerning compliance with the applicable legislation and to manage the risk of placing illegally harvested timber and timber products on the Community market."

Forecast Timescale



Potential Requirements

- Companies will need to eliminate illegal products, using purchasing policies & DDS
- Different levels of diligence may be required, depending on risk of country of harvest origin
- It is likely that some 3rd party monitoring will be required
- Enforcement will be carried out by individual Member States, who will decide on "effective, proportional, dissuasive penalties"

Compliance Options

- Consider contractual measures, such as specifying legality on the purchase order
- EITHER join a recognised DDS
- OR Implement a robust Internal DDS, such as outlined in Box 1

Costs

- With a DDS, studies estimate a 2.3% - 10% purchasing cost increase on products originally from unknown or illegal sources
- In-house DDS costs will include staff time & potentially 3rd party monitoring
- There will be a cost attached to use recognised external DDS

Box 1 A Due Diligence Approach – Suggested Steps to Implementing an Internal Due Diligence System (DDS)

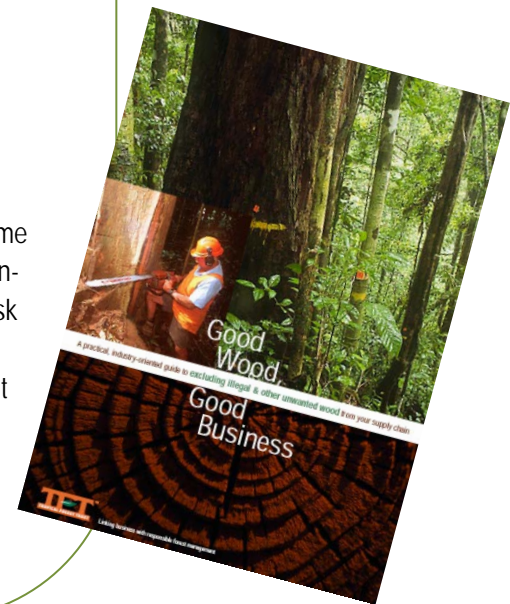
1. Make a public commitment in a Timber Buying Policy, setting out goals & objectives (see www.tropicalforesttrust.com & www.timbertradeactionplan.info/Page.aspx?PageID=22)
2. Set clear wood sourcing requirements. This could include
 - o Products certified to forest certification standards, e.g. FSC, PEFC
 - o Products verified to legality verification standards, e.g. SGS TLTV, SmartWood VLO or VLC
 - o Products traceable to forest sources working with an independent organisation towards certification, e.g. TFT, TTAP, WWF GFTN & SmartStep

Consider contractual measures, e.g. on the purchase order, or in terms & conditions

3. Map supply chains to ensure you understand your wood sourcing
4. Set targets & develop an action plan, initially focusing on managing high risk & unknown sources
5. Establish Wood Control System (WCS) systems to monitor supplychains over time & ensure illegal & untraceable wood does not enter your production. Consider on-going verification of each shipment to ensure compliance, particularly for high risk countries (see www.tropicalforesttrust.com/reports.php#GWGB)
6. Monitor progress regularly to check compliance & identify areas for improvement
7. Act on non-compliance by developing robust action plans & exiting sources or relationships that don't improve, or are unable to meet your requirements
8. Report annually on progress against your published policy. Consider 3rd party verification of progress

TFT recommends ensuring all tropical hardwood is FSC certified, or in transition to certification!

For more guidance see TFT's 'Good Wood, Good Business'



TFT Support

- Continued monitoring of Member's supply chains to ensure illegal wood does not enter & ensure TFT Supported Forests are progressing to FSC certification
- Representing Members & TFT Supported Forest interests in consultations & dialogue
- Contributing to the development of EU DDS requirements with a view to becoming a recognised DDS provider, so TFT Members products that have been monitored by TFT will be classed as acceptable

What Next?

- TFT will update Members after the Regulation is published, potentially in April
- As implementing requirements become clearer, TFT will providing detailed guidance to Members
- For more guidance on DDS visit www.tropicalforesttrust.com/reports.php#GWGB & www.timbertradeactionplan.info/Page.aspx?PageID=49
- Begin to review suggested next steps for a DDS - see Box 1 above

Other Resources

- http://ec.europa.eu/environment/forests/pdf/proposal_illegal_logging.pdf
- www.proforest.net/cpet
- www.illegal-logging.info

Act Now! Discuss Next Steps with your Member Program Manager!