A guide for organizations wishing to develop a responsible program for the procurement of forest products.

A publication of WWF’s Global Forest & Trade Network
George White and Darius Sarshar | July 2006

The Global Forest & Trade Network gratefully acknowledges the assistance of our colleagues within WWF and at other organizations in the preparation of this document.

© 2006 WWF International. All rights reserved.
WWF Logo © 1986, WWF—known internationally as the World Wide Fund for Nature, © Registered Trademark owner

Any representation in full or in part of this publication must mention the title and credit the above-mentioned publisher as the copyright owner.

1 © WWF-Canon / Edward PARKER
2 © WWF Jagwood
3 © WWF-Canon / WWF-Switzerland / A. della Bella
4 © WWF / Darius Sarshar
Since first publication in February 2004, we have received a number of comments and suggestions regarding this guide. The second edition reflects many of these comments, and the guide has been brought up to date to reflect the latest thinking from the Global Forest & Trade Network and the wider WWF on a number of issues.

The sections that have changed most since the first edition include:

- Renaming of the steps used in the stepwise approach
- Further guidance on how to judge where a given product line fits on the steps
- Changes to the section on legality (and a completely new companion document, the *Keep It Legal* manual)
- Guidance on compliance with the draft FSC Controlled Wood Standard
- Provision of a glossary of terms

Every attempt has been made to ensure that the second edition harmonizes with the first edition, and changes have been kept to a minimum except where we believe that greater clarification has been achieved.

The first edition of this guide is now available in a number of languages and is available in a downloadable format at www.panda.org/gftn and www.forestandtradeasia.org.

- Bahasa Indonesian
- Chinese
- Japanese
- Swedish
- Spanish
- Vietnamese

**George White**

**June, 2006**
This guide has been developed by WWF’s Global Forest & Trade Network (GFTN) for use by a purchasing organization wishing to develop a program for the responsible purchasing of forest products. The guide lays out a generic approach for the development and implementation of a responsible purchasing policy, hereafter referred to as a responsible purchasing program.

The guide is aimed at any medium-size or large enterprise, including primary mills, secondary processors, importers, manufacturers, wholesalers, and retailers, that purchase or procure forest products. In appropriate circumstances it may also serve to guide smaller enterprises.

The guide outlines the various ways in which purchasing organizations can demonstrate compliance with best practice and ultimately with their own purchasing policies. It is based on tried and tested mechanisms and on extensive experience in the development of responsible purchasing programs.

The principles outlined within this guide are in line with Forest & Trade Network (FTN) participation requirements; thus, the guide should help FTN Trade Participants meet their participation requirements. All Trade Participants of an FTN are advised to refer also to the specific guidance issued by their FTN manager.

The guide outlines the various ways in which purchasing organizations can demonstrate compliance with best practice and ultimately with their own purchasing policies.
The relationship between the Responsible Purchasing guide and the Keep It Legal manual.

The WWF GFTN Keep It Legal manual deals specifically with legal compliance aspects of the trade in forest products. The manual is directly linked to this guide and can be used by purchasing companies to tackle illegal issues before, or as a part of, the stepwise approach described in this guide. The Keep It Legal manual’s systematic approach has been developed for companies with little knowledge of their supply chains and also for those companies wanting to investigate legality in more detail, such as companies that source primarily from countries that have an acknowledged high level of illegal logging activity and in which a significant volume of illegally sourced timber is known to be entering the upstream end of the supply chain.

It is recommended that a purchasing organization familiarize itself with this guide before beginning to use the Keep It Legal manual. The two documents are highly compatible, and where the issues to be managed are complex, the organization should adopt recommendations for best practice from both sources.

Refer to the Keep It Legal Manual for more detail on the progression from Known Source to Known Licensed Source

Note on this symbol
This guide contains numerous references to the Keep It Legal manual. Where this symbol is used, the reader is referred to the manual for more details.
What is a Responsible Purchasing Program?

A responsible purchasing program for forest products should aim to improve the environmental and social performance of the supply base by ending the purchase of products that contain timber from illegal or controversial sources and by continuously increasing the proportion of forest products purchased that contain timber from credibly certified forests.

To achieve this transition, from whatever starting point, purchasers can use GFTN’s stepwise approach, which advances through a series of manageable actions. Assessment of the progress made from one step to the next requires that there be a high degree of traceability to the forest source (“traceability,” which will be discussed later in this document).

A stepwise approach requires progression (from using unknown sources) through the following five suggested categories:

- known source
- licensed source (covering limited aspects of legality)
- source in progress to credible certification
- credibly certified source
- material from a recycled source

A cycle of continuous improvement

The stepwise approach cannot operate in isolation and needs a supporting process that seeks continuous improvement, similar to that used by environmental management systems. The supporting process requires that a number of key elements be in place. The remainder of this document discusses these elements in detail.

Responsible Purchasing Program Elements

Implementation of a responsible purchasing program requires several key elements, which form the essential building blocks:

1. Reviewing where the organization is starting from
2. Gaining support and commitment from senior management within the organization
3. Setting policies that describe the boundaries within which the organization will operate (that is, its values)
4. Communicating its values and objectives to key audiences
5. Establishing traceability
6. Assessing the environmental status of supplies
7. Reviewing and improving

These seven elements form the basis for the remainder of this document. Appendices provide more detail where needed. The stepwise approach is mainly contained in elements six and seven, though all elements need to be in place for the system to operate correctly.
Purchasing organizations seeking to adopt a responsible purchasing policy should assess its starting point—its baseline conditions. This will involve three steps:

1. Setting the bar
2. Doing a baseline assessment
3. Identifying key players

Setting the Bar

The initial review should identify three things:

- standards of best practice within the industry
- stakeholder expectations
- any other relevant requirements or guidelines (e.g., Trade Association Codes of Conduct or FTN Participation Requirements)

Once this information has been collected, it will be possible to define what needs to be achieved in terms of overall targets, policies, and processes.

The review should include analyzing the expectations of the following stakeholder groups:

- customers
- investors
- regulators
- staff/colleagues
- competitors
- nongovernmental organizations (NGOs)

From this investigation it will be possible to develop a set of draft policies that reflect the purchasing organization’s values and stakeholder expectations. These can be formalized when senior management support has been obtained.

Doing a Baseline Assessment

A preliminary analysis of the organization’s current sources of forest products must be undertaken to broadly categorize supplies according to the level of traceability and the environmental status of source forests. This analysis should include investigation of key suppliers to identify any issues or concerns that will require further investigation. This analysis may form the basis for prioritizing certain supply chains or source countries when the fuller process of assessment commences.

The baseline assessment is very likely to reveal gaps, sometimes major, in the picture of the supply chain. These gaps are the priority areas for future target setting and activity.

The baseline assessment should match the information-gathering and assessment systems that are discussed in more detail with elements five and six: establishing traceability and determining the environmental status of supplies. This will help ensure that only one system will need to be developed and suppliers will not face a variety of different processes that will lead to confusion.

The baseline assessment is very likely to reveal gaps, sometimes major, in the picture of the supply chain. These gaps are the priority areas for future target setting and activity. The baseline assessment provides a snapshot of the current situation and may reveal large areas where transparency and policy compliance is poor. Without this assessment it is not possible to identify targets for improvement in the short, medium, and long term.

Companies that are applicants to Forest & Trade Networks will routinely be asked to complete a baseline assessment prior to developing their first action plan.
Identifying Key Players That Need to be Involved

It is essential to identify key roles within the purchasing organization that are critical to the success of the policy and program. The roles will include senior management across a range of functions, including purchasing, environmental management, technical support and communications.

Key Points

A supply chain review involves the following elements:

- Identifying what needs to be achieved in terms of overall targets, policies, and processes by referencing standards of best practice and consulting stakeholders
- Conducting a baseline assessment to determine the level of traceability of supplies and environmental status (where known) of source forests
- Identifying key roles within the purchasing organization that are critical to the success of the policy and program
Turning policy and values into a program that promotes the responsible purchasing of forest products inevitably requires management support. Any activity that is seen as not being central to operations stands little chance of succeeding. Like all environmental and ethical programs, a program of responsible sourcing will succeed only when it is supported at the highest levels of management.

For smaller purchasing organizations, a program of responsible sourcing will require the support of a partner or owner to ensure that the necessary resources are made available and to ensure that conflicts over policy enforcement are resolved. In larger purchasing organizations, a member of the board of directors or vice president should be made accountable for the program. In all cases the support of the head of the buying or trading function should be sought.

Management Roles

The senior member of management should
- support the program and its policies at the highest level of management in the purchasing organization and
- resolve any major conflicts that may arise relating to the work.

A member of middle management should
- manage the relationship with stakeholders,
- set and agree to targets,
- develop policies, and
- negotiate with key internal stakeholders.

A program manager should
- manage relationships with buyers and traders,
- manage relationships with suppliers, and
- develop tools to assess the environmental status of forest products in the supply chain.

Key Points

- The organization will not achieve its goals without the support of senior management.
- A senior member of management should be designated as responsible for policy setting and compliance. The senior manager should have sufficient seniority to ensure that all commitments are realised.

Support for the program at lower levels of management is also important, as it is at these levels that the day-to-day management of the program must be established. Ideally, this role should be given to a department (or individual) that has influence in and knowledge of the supply chain while also retaining a level of objectivity, such as the person or group responsible for quality assurance or other technical functions.

Any activity that is seen as not being central to operations stands little chance of succeeding. Like all environmental and ethical programs, a program of responsible sourcing will succeed only when it is supported at the highest levels of management.
This section deals with the critical issue of how to develop a policy to promote responsible sourcing. It is this policy that will dictate the activities that must be undertaken to deliver the objectives of the program as a whole.

Where to Start

There is no right, wrong, or perfect set of policies to underpin the effort to achieve more responsible sourcing of forest products. However, it is important that the policy be aligned with SMART targets (see page 37); these types of targets are discussed later. It is also important that the policy makers consider the consequences of their policy prior to its implementation. Strong policies, for example, may have a financial cost that renders them unsustainable; weak policies may attract criticism from stakeholder groups. A workable balance must be struck. It is important for the values of stakeholders to be reflected within the policies developed.

Main Policy Elements

Responsible purchasers should develop an environmental policy or set of policies that exclude unacceptable timber sources. The list of unacceptable sources, and the precise terminology used to describe them, will vary according to the social and environmental issues of concern to the organization and its stakeholders.

WWF recommends that, at a minimum, purchasing organizations regard timber as unacceptable if the following conditions exist:

1. The source forest is known to or suspected of containing high conservation values, except where
   - the forest is certified or in progress to certification under a credible certification system, or
   - the forest manager can otherwise demonstrate that the forest and surrounding landscape is managed to ensure that those values are maintained.
2. The source forest is being converted from natural forest to a plantation or other land use, unless the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.
3. The timber was illegally harvested or traded.
4. The timber was traded in a way that drives violent armed conflict or threatens national or regional stability (i.e. what is commonly called conflict timber).
5. The harvesting or processing entity, or a related political or military regime, is violating human rights.
6. The timber is from genetically modified trees.
7. The source forest is unknown.

Note: The seven categories of excluded sources eliminate most activities from the supply chain that preclude credible certification. These items also are closely linked to the requirements for the Forest Stewardship Council (FSC) Controlled Wood Standard. This list is a minimum, and other elements should be introduced to reflect stakeholder concerns that are identified. More information on these categories is available in Appendix 1.
A key role of the policy is to establish the framework upon which a culture of responsible purchasing can be built. A good policy will define exactly all of the issues it seeks to address and will identify what is and what is not acceptable to the purchaser. The policy will clearly convey the values of the organization and show how those values will be upheld.

The scope of the policy therefore is flexible and can expand over time. Best practice dictates that the scope of the policy be set to apply to the largest impact area of the business; for example, a retailer should consider its largest selling range of forest products before its office copier paper.

The policy should also include reference to:

- periodic review of the policy and its associated targets (possibly as part of a larger environmental or Corporate Social Responsibility reporting agenda),
- communication to key audiences of the policy and its associated targets,
- commitment to public reporting and transparency of process, and
- promotion of the use of recycled wood and fiber, preferably postconsumer (where this is relevant).

The policy and any associated documents should be the responsibility of senior management within the purchasing organization and should have the same level of endorsement as any other of the purchasing organization’s policies (such as those on health and safety or discrimination, for example).

The scope of the policy may vary from one purchasing organization to the next, for example, through the inclusion or exclusion of:

- forest products intended for resale only,
- forest products sold under “own brand” or “store brand” only,
- forest products procured for service use and not for resale (for example, copier paper), and
- forest products used within the fabric of buildings (for example, wooden doors or floors in new offices or factories).

Key Points

- A key role of the policy is to establish the framework upon which a culture of responsible purchasing can be built.
- A good policy will define exactly all of the issues it seeks to address and will identify what is and what is not acceptable to the purchaser.
- The policy will clearly convey the values of the organization and show how those values will be upheld.
**An Example of a Responsible Forest Products Purchasing Policy**

This organization is committed to the responsible purchasing of forest products. Our long-term intention is that all timber used in products that we purchase or specify is sourced from well-managed forests that have been certified to credible certification standards, and/or are from post-consumer recycled materials.

This commitment will be realized through a stepwise approach to responsible purchasing that uses the best available techniques and information.

This organization will not source products containing timber, fiber, and other raw materials if the following apply:

- The source forest is known or suspected of containing high conservation values, except where the forest is certified or in progress to certification under a credible certification system, or the forest manager can otherwise demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained.
- The source forest is being actively converted from natural forest to a plantation or other land use, unless the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.
- The material was illegally harvested or traded.
- The material was traded in a way that drives violent armed conflict or threatens national or regional stability (i.e., what is commonly called conflict timber).
- The harvesting or processing entity, or a related political or military regime, is violating human rights.
- The material is sourced from genetically modified trees.
- The source forest is unknown.

To ensure that these goals are achieved, this organization will

- Scrutinize all suppliers of forest products for all purchases of goods for resale, not for resale, and in all new construction activities.
- Seek information on the source of the wood, fiber or other forest materials in the products we harvest and the circumstances under which they were harvested.
- Seek information on the chain of custody of the forest products we purchase, including the circumstances under which they were manufactured and traded.
- Evaluate chain-of-custody information against this policy and supporting operational procedures.
- Continually improve the level of compliance with these policies, using annual reviews, reports, and actions agreed upon with our suppliers.
- Work with and encourage suppliers and forest sources that are actively engaged in a process of time-bound, transparent, stepwise commitment to credible certification (such as WWF Forest and Trade Network participants in producer countries).
- Work with key stakeholders to ensure that best practice is followed.
- Set annual, publicly communicated targets regarding our performance.
- Maximize the use of post consumer recycled timber.
Communicating Policy

Once a purchasing organization has developed a responsible forest products purchasing policy and implemented a program of work, it is extremely important that it widely disseminates the information about its policy and all associated activities. At the very least, the policy must be communicated to

- colleagues and staff (most crucially, the organization’s buyers of forest products), and
- suppliers that will be affected by the policy.

The purchasing organization may also choose to communicate the policy to other stakeholder groups identified in the review.

The mechanisms for communicating the policy are varied and are best determined by the issuing organization. Examples of ways to communicate the policy include the following:

- training sessions for buyers and for the technical teams required to implement the policy
- booklets or guidance notes
- an Internet or intranet site devoted to the issues addressed by the policy and to the purchasing organization’s activities in relation to pursuit of the policy
- publication of the policy in annual environmental/corporate social responsibility reports and on associated Internet sites, and consultation with suppliers.

Communicating Progress

Having developed policies and associated activities to deliver them, the organization will then communicate its progress. The mechanisms for communicating progress are the same as for communicating policy.

It is strongly recommended that public reporting of progress against targets be on an annual basis and be subject to some form of external verification. The report should indicate

- progress against targets,
- the general status of the supply base (using the stepwise approach advocated in this guide), and
- new targets for the next reporting period, or longer if required.

Key Points

- Clear, accurate, and truthful communication of policy and activity can be a valuable tool.
- The integrity of the organization and its supply chain are at risk if the nature, role, scope, and achievement of the policy are poorly communicated.
- The policy should become an everyday function in the organization.
- The policy should be understood by entities that interact with the organization.
- Public reporting of performance demonstrates integrity.
When implementing a responsible purchasing policy, an organization should draw up an action plan and define SMART targets to serve as steps toward achieving stated policy goals. The use of annual targets will ensure that activities and progress can be defined, measured, and reported as required.

The action plan and targets may be a combination of actions to gather more information about suppliers and timber origin, as well as to improve the traceability and environmental status of supplies.

Stakeholders and management will be expecting the purchasing organization to annually show incremental improvements, with fewer “unwanted” (as defined by the purchaser’s policy) or merely “known” forest products in the sourcing mix. Ultimately, the goal should be to achieve full sourcing of certified forest products. It is important to prioritize planned improvements that address all of the issues identified by the program. Focusing solely on increasing the volume of certified material could undermine the overall effort, for example, if the question of the legality of other sources is overlooked.

### Timber Origin (Traceability)

This section provides practical guidance on ways of gathering and assessing data on suppliers and timber origin.

The purpose of gathering data on timber origin is to enable detailed assessment of the sourcing situation. The data gathered are more comprehensive than those of the initial review, permitting the purchasing organization to demonstrate how policy is being realized through the supply chain and to demonstrate how over time the purchasing organization is improving its forest management.

<table>
<thead>
<tr>
<th>Achieving traceability</th>
<th>Defining the environmental status of the material</th>
</tr>
</thead>
<tbody>
<tr>
<td>From the time the policy is implemented and, specifically, to set a baseline from which progress and compliance might be demonstrated, a tracking system must be developed that identifies:</td>
<td>Each forest source should fall into one of the following categories:</td>
</tr>
<tr>
<td>- the forest(s) of origin of the timber,</td>
<td>- recycled source,</td>
</tr>
<tr>
<td>- the species of timber, and</td>
<td>- known source,</td>
</tr>
<tr>
<td>- the volume or value of that timber.</td>
<td>- known licensed source,</td>
</tr>
<tr>
<td></td>
<td>- source in progress to certification, or</td>
</tr>
<tr>
<td></td>
<td>- credibly certified source</td>
</tr>
<tr>
<td>Data field description</td>
<td>Comment on data required</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Supplier name</td>
<td>Name or code used within the purchasing organization’s accounting system</td>
</tr>
<tr>
<td>Supplier contact details</td>
<td>Name of contact who supplied the requested data</td>
</tr>
<tr>
<td>Products supplied</td>
<td>List of products obtained from this supplier, or generic description of products supplied</td>
</tr>
<tr>
<td>Forest sources used</td>
<td>The name of the forest management unit (FMU) or major processing unit</td>
</tr>
<tr>
<td>Timber species used</td>
<td>The trade name and Latin name of each timber species used</td>
</tr>
<tr>
<td>Evidence of forest management provided</td>
<td>Information from first, second, or third parties that provides information on the quality of forest management</td>
</tr>
<tr>
<td>Policy compliance</td>
<td>Confirmation that all the purchasing organization’s policies are complied with</td>
</tr>
<tr>
<td>Chain of custody (COC)</td>
<td>Information regarding use of third-party COC systems, including COC number(s)</td>
</tr>
<tr>
<td>Status of forest sources</td>
<td>One of the following:</td>
</tr>
<tr>
<td></td>
<td>- credibly certified source</td>
</tr>
<tr>
<td></td>
<td>- source in progress to certification</td>
</tr>
<tr>
<td></td>
<td>- known licensed source</td>
</tr>
<tr>
<td></td>
<td>- known source</td>
</tr>
<tr>
<td></td>
<td>- unwanted source</td>
</tr>
<tr>
<td></td>
<td>- recycled source</td>
</tr>
<tr>
<td>Volume or value of material supplied</td>
<td>Measured in cubic meters, tons, or financial value supplied over a defined period</td>
</tr>
<tr>
<td>Date information supplied</td>
<td>To allow periodic reviews</td>
</tr>
<tr>
<td>Review date</td>
<td>The date at which this information must be updated by the supplier</td>
</tr>
<tr>
<td>Action plan for this supplier</td>
<td>Not every supplier will satisfactorily complete the questionnaire at the first attempt. Missing information should be obtained through an action plan, with timelines and deliverables, that is mutually agreed to with the supplier. Action plan should contain targets in the SMART format.</td>
</tr>
<tr>
<td>Risk rating or performance rating</td>
<td>Based on the information supplied (or not), an assessment of the risk to the organization presented by the supplier.</td>
</tr>
</tbody>
</table>
Databases

For large and complex supply chains there can be a similarly large and complex set of associated data. This leads to the need for a supply chain database, which can range from a simple paper record to complex software. Generally speaking, the more complex the supply chain (that is, the greater the number of suppliers and products involved), the greater the need for a database. The most cost-effective way to proceed can often be through the adaptation or use of existing systems, such as quality control or accounting systems.

The database should, through associated questionnaires, identify the species, source, and volume or value of forest products for each product, supply chain, and process.

A database can only be as good as the data entered. The best source of data for a purchaser of forest products is the supplier.

Questionnaires

Sending out questionnaires can be a laborious and lengthy process. The number of suppliers that an organization uses and the complexity of the data required have a significant bearing on how long it takes to assemble the database.

Three primary approaches can be used to gather the required data. All are types of questionnaires:

- Traditional questionnaires are paper based. The supplier completes the questionnaire after reading any accompanying notes, and entering the data can be a lengthy process. Questionnaires can be distributed electronically, in spreadsheet or simple text format, which can be printed or set up for electronic data entry (the latter method offering the advantage of reducing data entry to a single step). The disadvantage of the traditional questionnaire is that the purchasing organization has no control over what is entered: suppliers may enter misleading, inaccurate, or incomplete data.

- Online or Web-based questionnaires are increasingly popular. Data are entered only once, and the purchasing organization has the advantage of being able to exercise some control over responses, for example, by offering a menu of possible answers to each question. Furthermore, additional resources can be provided to the respondent online.

- Supplier visits are the most time consuming, but often the most reliable, method of data gathering. An interviewer visits the supplier and works through a series of questions. This option can be used when the organization has only a small number of suppliers and is constrained by the availability of resources. However, it can be combined with other techniques, such as for use with key suppliers.

Rating of Suppliers’ Compliance with Policy

In an ideal world, once an organization has defined a timber purchasing policy, it could present it to suppliers and they would then follow it. The outcome would be the delivery of products that fully comply with the organization’s policies and specifications. However, the reality is that suppliers can find it difficult to comply with the most basic requests for proof of policy compliance for a number of reasons.

Suppliers’ compliance with the purchasing policy requirements may take considerable time and effort, and noncompliance may be the rule in the early stages of an organization’s policy implementation.

A questionnaire suitable for organizations purchasing solid wood, sheet material, furniture, pulp and paper is available in the *Keep It Legal* Manual. A database has been developed by GFTN to allow FTN participant companies to standardize their data gathering, assessment and reporting. The GFTN Forest Products Tracking Database is available to FTN participant companies. For further information please contact your national Forest & Trade Network manager.
The first step for any buyer is therefore to identify which suppliers are most likely to be able to comply with the policy, that is, present the lowest risk of supplying noncompliant products, and which suppliers are least likely to comply with the policy and therefore present the highest risk of supplying noncompliant products.

By using systematic risk-rating methodologies, it is possible to:
- develop future purchasing strategies based on the risk rating of suppliers,
- highlight actions that would help suppliers reduce their risk rating, and
- monitor suppliers’ progress toward being able to supply policy-compliant product.

In an imperfect world, rating suppliers based on risk presents the best way forward and the next step toward achieving full implementation of the purchasing organization’s responsible purchasing policy. More information on a risk-rating methodology, with a particular emphasis on legality, can be found in the Keep It Legal manual.

Rating suppliers is done using a range of information, some of it available in the public domain and some of it provided by the suppliers themselves. The rating process is really an assessment of the characteristics of a supplier that can be trusted to do its best to avoid noncompliant trading of products.

The basic system relies on the following actions:
1. Sending a standardized questionnaire out to all suppliers
2. Making sure the questionnaire is completed by the suppliers and returned
3. Making sure that, where possible, suppliers provide appropriate objective evidence to support the questionnaire answers
4. Using a straightforward and justifiable means of systematically assessing each returned questionnaire and giving the supplier a risk rating accordingly
5. Giving suppliers feedback that lets them know what they need to do to improve their risk rating
6. Implementing a means for monitoring continuous improvement, that is, whether or not suppliers are improving their rating over time
7. Using a set of procedures that can be independently verified in order to underpin the thoroughness and credibility of the whole approach

This process helps send a clear message to suppliers as to what is important to you as a buyer. It gives them direction when they are probably receiving many mixed signals from the downstream end of the supply chain.

### Key Points

<table>
<thead>
<tr>
<th>Key considerations when deciding how to collect data from suppliers include</th>
</tr>
</thead>
<tbody>
<tr>
<td>- the data-collecting resources available,</td>
</tr>
<tr>
<td>- the level of technology available for processing data,</td>
</tr>
<tr>
<td>- the adaptability of existing systems,</td>
</tr>
<tr>
<td>- the integrity of the supply chain (the stronger an organization’s trust in its suppliers, the more streamlined its process can be)</td>
</tr>
<tr>
<td>- public reporting requirements, which may include external verification of data,</td>
</tr>
<tr>
<td>- Forest and Trade Network reporting requirements, and</td>
</tr>
<tr>
<td>- the need to assess risk (likelihood) of suppliers’ ability to deliver their product in accordance with policy requirements</td>
</tr>
</tbody>
</table>
Having established its data-gathering and storing mechanisms, the purchasing organization can begin to assess the data received. It is likely that the data will be incomplete or difficult to understand, particularly after the first round of data gathering, but subsequent rounds should be able to address these problems (see Appendix 2).

Each source identified should be placed in one of the following environmental status steps:

- recycled material
- known source
- known licensed source
- source in progress to certification
- credibly certified or recycled source

Unknown sources are easy to identify. They can be categorized early in the process of gathering data and are simply those sources that are not traceable. The organization will need to decide how long to give suppliers to achieve the level of traceability before an assessment is made, but the cutoff date should be clear. After that date the organization should no longer purchase forest products for which it has no information regarding the source.

Unwanted sources may have a high degree of traceability or be simply unknown. Where the source is identified, the key information is that the source clearly does not comply with the requirements of the organization’s policies and there is no remedy for this situation. Where remedies can be identified, these should be included in action plans developed with the supplier. The progress of these action plans should then be reviewed periodically, and if improvements are made the source may be categorized as a known source or higher. If improvements are not made, the source remains Unwanted and should be removed from the supply chain. See Table 2 and Appendix 2 for more information.

Unwanted sources can be identified virtually at any stage in the assessment process and a source that was previously regarded as acceptable may on further investigation be regarded as unwanted. This may be through obtaining further information direct from the supplier or through other parties.

Unknown may not be regarded as unwanted initially, but if the source remains unknown after SMART targets have been set, it must inevitably become regarded as unwanted and be dealt with accordingly.
There is a large overlap between the policy elements and their compliance checks as seen under the sections Known Source and Known Licensed Source and the draft Forest Stewardship Council “Standard for Forest Management Enterprises Supplying non-FSC-Certified Controlled Wood” (FSC-STD-30-010). Organizations that want to explore compliance with this standard in order to achieve chain-of-custody certification to FSC standards should consult the FSC Controlled Wood Standard and related standards (www.fsc.org). Subject to confirmation from an accredited certifier, known licensed sources have a strong likelihood of meeting the Controlled Wood Standard. The following is adapted from the FSC standard.

What is controlled wood?

Controlled wood is uncertified wood that has been evaluated and is not:

- Illegally harvested wood,
- Wood harvested by forest management enterprises in violation of traditional or civil rights,
- Wood harvested in forests in which global environmental conservation priorities are threatened by management activities,
- Wood harvested from forest management units being actively converted to plantations or non-forest uses,
- Wood from forest management units in which genetically modified trees are planted.

Controlled wood has been evaluated to meet the requirements of the FSC standard for forest management enterprises supplying non-FSC-certified controlled wood (FSC-STD-30-010). It does not meet the FSC Principles and Criteria for FSC-Certified Wood.

Steps for controlling wood sources

There are three ways a company can control its non-FSC-certified wood sources. In each case, the company should identify and record documents that show that the supplier is FSC certified or verified by an FSC accredited certification body to meet the requirements of FSC-STD-30-010.

1. Purchase controlled wood from FSC chain-of-custody certified suppliers.
2. Purchase wood from forest enterprises that have been verified by an FSC-accredited certification body to meet FSC-STD-30-010 for controlled wood.
3. Internally verify its wood sources through sampling and evaluation.

Where the company is internally verifying its wood sources, the company needs to do the following:

- Determine and list the origin of all incoming wood and fiber that the company wishes to control, to the country and district level.
- Identify and record documents from suppliers to confirm the wood and fiber origin, to the district level.
- Check that the information is correct by sampling transport documents and purchase documents.
- Evaluate and classify each forest district as low or high risk.
- As a result of the evaluation, identify the wood source as controlled or uncontrolled.

For all three of these cases, the company needs to have written systems and procedures in place for controlling wood. Companies need to do the following:

- Have a publicly available, written commitment to control specified wood sources to keep out material that is from the five wood sources listed above.
- Have one person or position responsible for ensuring that the controlled wood requirements are met.
Have documented procedures for all elements involved in acquiring controlled wood or controlled fiber for the company.

- Keep a list of all incoming wood and fiber that the company wishes to control. This list should include species, volume, country and district of origin, and the name and address of the supplier.

Ensure that all key personnel (employees and contractors) understand their role in controlling incoming shipments of wood and fiber. The company needs to identify, provide, and document any necessary training for staff.


The next sections discuss each of these categories in more detail to assist in the process of designation (see also Figure 1). The remainder of this section deals with the criteria and means of assessing whether a source meets an organization’s purchasing policy and with categorization for sources that go beyond minimum compliance.

**Known Source**

For the purpose of responsible purchasing, having a known source is an important objective and should be well defined. If the source is considered to be known, the purchaser knows where the timber was grown, and as far as the purchaser is aware, the source is not unwanted.

This designation should be used in the following instances:

- The source forest is identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low the location could be as broad as a district; where risk is higher, the specific forest management unit (FMU) should be identifiable.

- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.

- Documentation is provided that identifies the source location, the source entity, and each intermediary in the supply chain.

- The purchaser has systems in place that periodically check the authenticity of this documentation.

In cases in which a collection of resource owners supply a single mill, these suppliers can be grouped as a single source if conditions are common and if the management controls on forest products are common across all supply points (sawmills). Traceability within the forest product supply chain is also critical to improving forest management practices. Without traceability there is no mechanism through which to send market signals or to generate a market incentive for responsible producers.

For solid wood products it is possible to identify the forest of origin, because the supply chain can be relatively straightforward. In some circumstances, pulp and fiber products are also relatively straightforward to identify. For most forest products, however, the supply chain is much more difficult to identify, because many primary mills use raw materials from a variety of forests to manufacture their product.

An important consideration is the degree of verification required to establish that any given product originates from where the supplier has stated. For low-risk countries, a simple self-declaration from the supplier may suffice. In high-risk situations the degree of scrutiny and verification required will be much greater, and third-party verification may be required (that is, a chain-of-custody certification for the supply chain). Table 1 outlines a hierarchy of steps that may be followed to establish whether a source can be described as known. Table 2 contains a checklist for ensuring that the source complies with the purchasing organization’s policy and assists in identifying under which category a source can be placed.
Table 2. Identifying Known Sources of Forest Products

<table>
<thead>
<tr>
<th>Product Traceability</th>
<th>“Known” Source?</th>
<th>Detail and Improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traceable to direct supplier. Supplier is not a forest owner or manager (not an integrated company).</td>
<td>No</td>
<td>Agree on an action plan with the supplier to deliver more traceability.</td>
</tr>
<tr>
<td>Traceable to secondary processor. Processor is not a forest owner or manager (not an integrated company).</td>
<td>No</td>
<td>Agree on an action plan with the supplier to deliver more traceability. If this processor also supplies material through another direct supplier, consider a direct approach to the processor for more information.</td>
</tr>
<tr>
<td>Traceable to primary mill. Mill is not a forest owner or manager (not an integrated company).</td>
<td>Maybe</td>
<td>If the mill has complete traceability for all sources and can identify the source for given batches of material, this is acceptable. If the mill cannot offer this degree of traceability, agree on an action plan with the supplier to determine (initially) the major suppliers to the primary mill and to identify what plans the mill has to improve traceability.</td>
</tr>
<tr>
<td>Traceable to an integrated forest products company (a company that is involved in forest management and forest products processing).</td>
<td>Maybe</td>
<td>If the supplier can demonstrate that it has a good degree of traceability at all levels and that it sources only from its own forestry operations, this is an acceptable level of traceability. If the integrated supplier draws from beyond its own sources, it will need to demonstrate similar traceability. If it can, this is acceptable. If it cannot demonstrate such traceability, agree on an action plan with the supplier to identify (initially) its own suppliers and to identify what plans the mill has to improve traceability.</td>
</tr>
<tr>
<td>Traceable to the forest management unit.</td>
<td>Yes</td>
<td>Documentation and confidence in systems is high, and all materials can be traced to this forest or forests.</td>
</tr>
</tbody>
</table>
Known Licensed Source

The classification “Known Licensed Source” involves a basic level of legality checking that involves verifying that the timber in a product originated from a forest management unit in which the harvesting entity had a legal right to harvest. The process requires the purchasing organization to (a) know the geographic source of the timber, and (b) confirm that the harvesting entity had a legal right to harvest. It does not involve verification that the timber in a consignment was actually harvested legally (e.g., the timber may have been cut in breach of the permit conditions, royalties may not have been paid, or the timber may have been exported illegally) and does not involve third-party verification of the chain of custody.

For high-risk situations, a higher level of due diligence may be required, involving a higher level of scrutiny and assigned the label “Verified Legal Timber.”

That designation requires the purchaser to obtain proof not only that the harvesting entity had a legal right to harvest, but also that the entity complied with the law when harvesting the timber in question. It also requires a higher degree of scrutiny over the chain of custody. WWF recommends that purchasers undertake this higher level of compliance checking where there is a high risk of illegal timber entering their supply chain. Forest management certification under certification systems that require independent chain-of-custody audits can also provide this level of assurance on legal compliance. See Table 2 for more information.

The purchasing organization should assess the issues and risks associated with the illegal trade in forest products and should develop policies and definitions that are a balance between stakeholder expectations, the level of risk, and the practicality of enforcement.

That designation requires the purchaser to obtain proof not only that the harvesting entity had a legal right to harvest, but also that the entity complied with the law when harvesting the timber in question.

The types of information and documentation available will vary by country, as will their reliability. Specific guidance for several major exporting countries is given in the Keep It Legal manual. If the material is sourced from other countries, the purchasing organization should establish, through discussion with the supplier, WWF or other NGOs, or the relevant forestry department, which documents are required. Guidance on assessing the credibility of the documents and information supplied is covered in the next section.

Refer to the Keep It Legal Manual for more detail

© WWF-Canon / WWF-Switzerland / A. della Bella
### Basic legal compliance check

<table>
<thead>
<tr>
<th>Known licensed source</th>
</tr>
</thead>
<tbody>
<tr>
<td>The purchaser knows where the timber was grown and can identify the harvesting entity.</td>
</tr>
<tr>
<td>The timber originates from an entity that has a legal right to harvest timber in the forest management unit where the timber was grown.</td>
</tr>
</tbody>
</table>

**Verification requirements**

- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Each delivery of timber-based products to the purchaser is supported by documentation that identifies the source forest management unit and source entity and each intermediary in the supply chain.
- The purchaser has documentation demonstrating the source entity’s legal right to harvest.
- The purchaser, and/or its suppliers, has systems in place that periodically check the authenticity of the documentation and integrity of the chain-of-custody control points.
- If the purchaser is made aware of any dispute over the entity’s legal right to harvest, the purchaser will inquire into the status of the dispute. An entity’s claimed right to harvest should not be regarded as having been verified while legal proceedings are in progress alleging that the entity is in breach of the law governing the acquisition of
  - harvesting rights from resource owner(s), or
  - regulatory approval (i.e., a permit, license, or similar instrument) for the harvesting of timber.

### Full legal compliance check

<table>
<thead>
<tr>
<th>Verified legal timber</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
</tr>
<tr>
<td>The source is a known licensed source.</td>
</tr>
<tr>
<td>The source entity harvested the timber legally.</td>
</tr>
<tr>
<td>All harvesting charges have been duly paid.</td>
</tr>
<tr>
<td>The timber was legally traded.</td>
</tr>
</tbody>
</table>

**Verification requirements**

- A third-party auditor has confirmed that the timber was legally harvested and legally traded and that all harvesting charges were duly paid.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.
Assessing a Known Licensed Source

To assess the credibility of the information from the supplier, the purchasing organization should consider the following:

- Does the supplier operate systems that prove the origin of its timber?
- Does the supplier have systems to exclude illegal and other unwanted timber?
- How good are these systems?
- Can the supplier be trusted?
- Is the supplier audited, and if so, by whom?

Proof that wood has been harvested and sold by a forest company from a known licensed source should include the demonstration of the legal right to harvest. Suppliers should provide the following:

- A copy of the license with the official boundary map showing that the company has the right to harvest wood from the area in question.
- A permit from the relevant forestry authorities, with the official management unit map, giving permission to harvest from a specific area (coupe) within the forest in that harvesting period.
- Log lists showing the tree number and dimensions and identifying the cutting area within the forest where the log was produced. (This is not appropriate for a plantation or for many salvage logging operations, where only the coupe or compartment number may be recorded, and not the tree number.)
- A copy of a Timber Harvesting Plan or equivalent document and a copy of the Forest Management Plan, both approved by the relevant authorities, that prove a company's right to harvest a particular area (may be included as evidence).

Additional information on documentation requirements for a number of countries is in the *Keep It Legal* manual.
A third-party verification aiming to demonstrate that a product contains “verified legal” timber must first check the source forest operation to confirm the timber was harvested legally. It must then also check that the timber was legally traded and not mixed with timber from illegal sources. This would require a review of at least the following documents:

- A bill of lading identifying when and by whom the wood was exported
- Contracts of sale showing when and to whom the wood was sold and demonstrating that the exporter legally owned the wood
- A certificate of origin stamped by the relevant government authority for the consignment in question
- Customs documentation from the country where the wood originated, to show that it was legally exported and that all export taxes were paid
- Customs documentation from the country to which the wood was imported, indicating that the wood was legally imported with all relevant duties paid (this document should match the export documents)
- CITES documentation (from both the exporting country and the importing country) if the wood is from a CITES-listed species.

Additional information on documentation requirements for a number of countries is in the Keep It Legal manual.

**Documents That Can Demonstrate Verified Legal Timber**

**Species and Origin Labeling**

Some organizations may see benefits in the labeling of products with the species and origin of the timber. Example:

**Timber Type:** Acacia (*Robinia* species)

**Origin:** Romania

For this type of label to be considered credible, the organization must achieve compliance to at least the “Known Licensed Source” level for the timber under consideration.

**Ensuring Due Diligence—Have All the Risks Been Considered?**

Before describing or reporting on sources that have the status as a known licensed source or verified legal timber, the purchasing organization should decide whether sufficient checks have been made and if due diligence—the fair, proper, and appropriate degree of care and activity—has been practiced to demonstrate that the forest products in question have been legally obtained. A prudent buyer will conduct due diligence investigations and begin to integrate this into risk assessment procedures.
The more an organization digs into the issues, the more information will come to light that may have a bearing on the status of the source. Sufficient information may be available at the initial baseline investigation to determine if a source is to be given the status “Unwanted.” Further rounds of information gathering may affect the status of a source previously categorized as “Known” or “Known Licensed,” which will force a reevaluation and perhaps a downgrading to Unwanted.

The table below can be used as a checklist to identify whether a source is Unknown, Unwanted, Known, or Known Licensed. It is also a useful checklist for compliance against the draft FSC Controlled Wood Standard.

Using information on an individual source plus information on the supplier of the material, work through the table to identify the most appropriate status.

Table 4. Choosing the appropriate status for a source

<table>
<thead>
<tr>
<th>Policy Issue</th>
<th>Unknown Source</th>
<th>Unwanted Source</th>
<th>“Wanted” Source (Known Source / Known Licensed Source)</th>
<th>Relevance for Draft FSC Controlled Wood Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legality:</strong></td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed upon period: The supplier cannot identify that the harvesting entity has a legal right to harvest (has a harvesting permit and authorization from the resource owner).</td>
<td>The supplier can identify where the timber was grown and can identify the harvesting entity. <strong>Known Licensed Source</strong> The supplier identifies the harvesting entity and that the harvesting entity has a legal right to harvest (has a harvesting permit and authorization from the resource owner).</td>
<td>Similar to first criterion for controlled wood (see page 18): Illegally harvested wood.</td>
</tr>
<tr>
<td><strong>High-conservation-value Forest (HCVF):</strong></td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: If HCVs are only suspected or are not evaluated—  No special management to maintain or enhance is adopted for high conservation values.  If HCVs are identified—  (a) lack of willingness to recognize values, assess values, or engage in any form of HCV forest management; or  (b) lack of willingness to adopt a precautionary principle for HCVs.</td>
<td>If HCVs are only suspected or are not evaluated—  the precautionary approach shall be adopted and no timber shall be supplied until the presence of high conservation values (HCVs) has been assessed and appropriate management (to maintain or enhance) can be planned accordingly.  If HCVs are identified, evidence is provided that (a) the forest is certified, or in progress to certification (and a comprehensive HCV forest assessment has been done and an action plan developed to ensure the maintenance and enhancement of the identified HCVs, OR  (b) the forest manager can otherwise demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained (usually this will involve a comprehensive HCV forest assessment in the site/landscape and a commitment to management actions and monitoring to ensure the HCVs are maintained and enhanced).</td>
<td>Similar to third criterion for controlled wood (see page 18): Wood harvested in forests in which global environmental conservation priorities are threatened by management activities.</td>
</tr>
</tbody>
</table>

See Keep It Legal manual

See Appendix 1
Table 4. (continued) Choosing the appropriate status for a source

<table>
<thead>
<tr>
<th>Policy Issue</th>
<th>Unknown Source</th>
<th>Unwanted Source</th>
<th>“Wanted” Source (Known Source / Known Licensed Source)</th>
<th>Relevance for Draft FSC Controlled Wood Standard</th>
</tr>
</thead>
</table>
| **Unjustified forest conversion:** | The supplier cannot identify where the timber was grown and cannot identify the harvesting entity. | After an agreed-to period: No evidence is provided that  
- a transparent multi-stakeholder planning process has been conducted;  
- there are no outstanding conflicts with local and indigenous peoples regarding the clearance;  
- the forest is classified as being of high conservation value and these values are not being maintained or enhanced;  
- an environmental impact study has been conducted and its recommendations implemented. | Evidence is provided that  
- a transparent multi-stakeholder planning process has been conducted;  
- there are no outstanding conflicts with local and indigenous peoples regarding the clearance;  
- the forest is classified or suspected of being of high conservation value and these values are maintained or enhanced;  
- an environmental impact study has been conducted and its recommendations implemented.  
See Appendix 1 | Similar to fourth criterion for controlled wood (see page 18): Wood harvested from forests being actively converted to plantations or non-forest uses. |
| **Conflict timber:** | The supplier cannot identify where the timber was grown and cannot identify the harvesting entity. | After an agreed-to period:  
The source is clearly or strongly suspected of, originating from a country or operation that is not acceptable according to the purchasing policy. | Clear evidence is provided that the source is not listed as unacceptable according to the purchasing policy.  
See Appendix 1 | No direct equivalent in FSC Controlled Wood Standard. |
| **Human rights:** | The supplier cannot identify where the timber was grown and cannot identify the harvesting entity. | Internal and external stakeholder concerns identify specific issues, countries, or companies that are extremely controversial or out of step with generally accepted practices. | Where concerns have been identified; clear evidence is provided that the source is not linked to specific issues, countries or companies which are linked directly to human rights abuses. | Similar to second criterion for controlled wood (see page 18): Wood harvested by forest management enterprises in violation of traditional or civil rights. |
### Table 4. (continued) Choosing the appropriate status for a source

<table>
<thead>
<tr>
<th>Policy Issue</th>
<th>Unknown Source</th>
<th>Unwanted Source</th>
<th>“Wanted” Source (Known Source / Known Licensed Source)</th>
<th>Relevance for Draft FSC Controlled Wood Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Endangered species:</strong></td>
<td>The supplier cannot identify the species of timber supplied or where it was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: Species is identified as CITES Appendix I. CITES Appendix II or III trade (where permitted under the purchasing policy) is <strong>not</strong> backed by all relevant export and import documentation as required by relevant CITES management authorities. CITES species that lack required documents can be considered “illegally traded” and thus should be regarded as unwanted under the “Legality” criterion.</td>
<td>CITES Appendix II or III trade (where permitted under the purchasing policy) is backed by all relevant export and import documentation as required by relevant CITES management authorities. See Appendix 1</td>
<td>No direct equivalent in draft Controlled Wood Standard.</td>
</tr>
<tr>
<td><strong>Genetic modification (GM):</strong></td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: Evidence or a statement that the forest management enterprise <strong>does not</strong> supply timber from GM trees.</td>
<td>Evidence or a statement is provided that the forest management enterprise does not supply timber from GM trees.</td>
<td>Similar to fifth criterion for controlled wood (see page 18): Wood from forests in which genetically modified trees are planted.</td>
</tr>
</tbody>
</table>
| **Local conflicts:** | The supplier cannot identify where the timber was grown and cannot identify the harvesting entity. | After an agreed-to period: Absence of a process for conflict resolution and absence of clear evidence that demonstrates that a process has been developed (as for Wanted Source). | Clear evidence is provided that demonstrates that a process for the resolution of the conflict has been, or is being developed:  
(a) identification of all local communities or traditional and indigenous peoples in the forest management unit and adjacent area;  
(b) documentation showing the forest management unit’s ownership or legal right to harvest;  
(c) documentation recording traditional rights as identified by the communities and peoples groups identified in (a);  
(d) documented evidence of consultation with local communities or traditional and indigenous peoples groups identified in (a);  
(e) documented evidence of the process by which any disputes are being resolved, which has the broad support of the parties to the dispute, and which outlines an agreed-to interim process for addressing the dispute and for the management of the forest area concerned. | No direct equivalent but could be relevant to first or second criteria for controlled wood (see page 18). |
<table>
<thead>
<tr>
<th>Policy Issue</th>
<th>Unknown Source</th>
<th>Unwanted Source</th>
<th>“Wanted” Source (Known Source / Known Licensed Source)</th>
<th>Relevance for Draft FSC Controlled Wood Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traceability:</td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: The supplier has not returned the questionnaire or has failed to complete it sufficiently within the specified time.</td>
<td>Product is traceable to the forest management unit. Clear evidence shows that the source is not listed as unacceptable according to the purchasing policy.</td>
<td>Relevant. Standard cannot be achieved without this. See “Steps for controlling wood sources” (page 18).</td>
</tr>
<tr>
<td>Information disclosure:</td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: The supplier will not disclose the source (forest) of the forest product within the specified time.</td>
<td>Product is traceable to the forest management unit. Clear evidence shows that the source is not listed as unacceptable according to the purchasing policy.</td>
<td>Relevant. Standard cannot be achieved without this. See “Steps for controlling wood sources” (page 18).</td>
</tr>
<tr>
<td>Integrity:</td>
<td>The supplier cannot identify where the timber was grown and cannot identify the harvesting entity.</td>
<td>After an agreed-to period: Other sources of information continue to dispute the information provided by the supplier, and the supplier is unable to sufficiently refute these allegations to the purchasing organization’s satisfaction.</td>
<td>Product is traceable to the forest management unit. Clear evidence is provided that the source is not listed as unacceptable according to the purchasing policy.</td>
<td>Relevant. Standard cannot be achieved without this. See “Steps for controlling wood sources” (page 18).</td>
</tr>
</tbody>
</table>
Source in Progress to Certification

For a source forest to be categorized as “in progress to certification”, it must be:

- a known licensed source, and
- a participant in a time-bound process of progressing toward credible certification with third-party verification.

There are three main ways in which an organization can demonstrate that it is meeting these requirements:

- Purchasing timber from a WWF Global Forest & Trade Network (GFTN) participating company.
- Purchasing timber from a member of other credible step-wise certification programs.
- Purchasing timber from suppliers and forests managers who are formally and contractually committed to credible, independent forest certification.

These processes are described in more detail in the following sections.

WWF GFTN Forest & Trade Network Participants

Under the GFTN, purchasing organizations can best demonstrate that they are sourcing from forests that are progressing toward credible certification by purchasing timber from companies that are participants in Forest & Trade Networks (FTNs). FTNs are based in producer countries (see Appendix 3 for more detail). Since the first FTN was established in 1991, growth has been tremendous thanks to the support of far-sighted producers and clear market demand from responsible purchasers. Over 16 million hectares of production forest are now committed to credible certification through FTN participants, and this area will continue to grow with support from WWF, its partners, and participants.

FTNs are made up primarily of forest owners and managers (“Forest” participants) and processors and manufacturers (“Trade” participants) that have achieved or have committed themselves to achieving credible forest certification or that have, or aim to have, a certified supply chain. These participants agree to an action plan with a time table for achieving certification, in coordination with the staff of the FTN, and consent to periodic audits of their practices and progress toward certification.

Companies that wish to source timber exclusively from well-managed and legal forest operations can do so by buying from independently certified forests. Today there is a multitude of forest certification schemes; WWF supports only those schemes that are credible. Credibly certified and labelled timber products give customers reliable, independent assurance of sustainability.

GFTN member demand for credibly certified timber has led to many millions of forest hectares achieving certification. Yet, despite an exponential growth in demand for credibly certified wood and pulp from the tropics and Russia, there is still only a minimal reliable supply, and significant trade in wood and pulp from illegal or controversial sources continues. The shortage of certified wood and the strong illegal market generate corporate risk for buyers and suppliers and threaten the economic viability of responsible producers. Wood and pulp producers working in valuable and threatened forests—remote from international markets and in complex settings—are often unsure of how to achieve credible certification and reap its benefits. To do that, producers need significant investments in time and resources.

The GFTN provides a framework mechanism to overcome these obstacles, working in partnership with buyers, suppliers, producers, independent experts, and certification support service providers in the key consuming and producing countries worldwide. Through its affiliated FTNs, GFTN member companies receive the following core benefits:

1. Independent, reliable, and practical guidance and support to develop and put into practice responsible forestry or timber purchasing policies and chain-of-custody systems for establishing traceability of timber origins.
2. Active facilitation of trading or market links between member buyers, suppliers, and producers across the network and access to the best available market information and intelligence from around the world

3. High-profile communications work at national, regional, and global levels to enhance recognition as an industry leader

In return, participants are required to make the following core commitments:

1. Develop a public, documented responsible forestry or timber purchasing policy, prepare a time-bound action plan to implement it, and undergo periodic monitoring of progress

2. Put in place a chain-of-custody system for establishing traceability of timber origins, phase out all timber from unknown, illegal, and controversial sources and replace with timber from credibly certified sources or sources in progress to certification through the stepwise approach

3. Achieve credible forest management certification for all owned or managed forests

Responsible buyers are increasingly finding this approach attractive because in many cases it allows them to work with existing supply chains or with new supply chains in which much of the risk is being managed through a credible mechanism.

The full participation requirements for GFTN are available from www.panda.org/gftn.

Other Stepwise Certification Programs

A number of stepwise approaches to forest certification have been developed, as described below.

TROPICAL FOREST TRUST (TFT)

The Tropical Forest Trust is working to transform the international trade in tropical hardwood into an agent for forest conservation. To that end, the TFT is striving to expand the area of natural tropical forest certified by the Forest Stewardship Council (FSC), thereby helping to ensure that forest management is environmentally appropriate, socially beneficial, and economically viable. Investors need a pragmatic approach that secures an ethical wood supply and protects their corporate image. The Tropical Forest Trust offers an investment vehicle to secure FSC-certified tropical hardwood timber. Companies that trade in tropical wood or fiber need a process through which they can engage tropical forest managers and help them get their operations FSC certified. By doing so, timber and wood or fiber trading companies invest in their long-term sustainable future by securing both an ethical wood supply chain and their corporate image.

Certification has failed to take hold in the tropics for many reasons. Foremost is that forest owners and managers are often unaware of the FSC scheme. This is slowly changing, but two key prerequisites for expanding FSC certification in the tropics are

- raised awareness of what forest certification involves and its multiple advantages, and
- practical engagement in partnerships with forest managers to help them progress step by step to FSC certification.

The TFT was established as a UK not-for-profit company in August 1999 with the specific purpose of fulfilling these two prerequisites.

The TFT links the supply chain from the forest to the consumer through its three membership categories: producing, supplying, and buying members. The TFT works by linking the producers of forest products to manufacturers and companies that trade in wood products, which are sold to buyers (wholesalers).

Essentially, any company wishing to invest in a more ethical supply chain can do so through the TFT. Members do so because they have neither the time nor the human resources within their own organizations to manage the very complex process of moving forests toward FSC certification. The TFT manages this process for them.

TFT members invest a fixed percentage of their product’s gross margin to fund TFT activities that are tailored to suit their investment needs. TFT members get a return on their investment by securing a more ethical wood supply. Members also gain access to timber and wood products generated by specific projects they are supporting. Thus, before the project achieves FSC certification, members have the security of knowing that their supply chain originates in a project that is demonstrably moving toward certification with TFT assistance and monitoring. Having established such a close relationship with these projects, TFT members have the opportunity to secure a long-term supply of FSC-certified timber and wood products once the project is certified.

A forest operation or project supported by TFT is also eligible to become a noncertified Forest participant in a WWF FTN. Depending on the specific TFT project and the level of progress, this type of source can usually be assessed as belonging to one of the categories “known licensed source” or “in progress to certification.”

(Contact TFT for guidance at www.tropicalforesttrust.com.)
RAINFOREST ALLIANCE’S SMARTSTEP

To provide forest management operations (FMOs) more opportunities and incentives for pursuing FSC certification, Rainforest Alliance has developed an innovative new service called SmartStep. SmartStep offers public or private landowners’ FMOs a clear path to achieving FSC certification while giving them access to potential market benefits before achieving certification. SmartStep is available globally and is provided by the SmartWood Program.

The Rainforest Alliance’s SmartWood Program pioneered global, independent third-party forest management certification in 1989. The Rainforest Alliance was one of the founders of the Forest Stewardship Council (FSC) in 1993 and has been providing FSC-accredited certification services since 1996. Many forest management operations find the FSC certification standards challenging to achieve in a single step. Elements of their forest management system do not conform to the FSC principles and criteria (P&C). Challenges to attaining FSC certification may be the result of internal factors (e.g., lack of resources or absence of a senior staff decision to move forward) or external factors (e.g., insufficient clarity as to legal tenure or related conflicts). External limitations are particularly common in developing or transitional economies, and resolution of such challenges will likely take several years.

SmartStep has four essential elements:

(1) A SmartStep gap analysis provides forest operations with an evaluation of current forest practices as compared with the requirements of the FSC principles and criteria. (2) Where gaps between FSC requirements and forest practices exist, the candidate FMO will develop a multiyear SmartStep action plan for attaining FSC certification, which will be reviewed and approved by SmartWood. (3) Using the milestones and timelines set forth in the approved SmartStep action plan, and a written contract with mutual obligations, SmartWood will perform and publicly report on, at a minimum, annual on-site progress audits. (4) Public reporting on the candidate FMO’s progress through SmartStep will include an annually updated “SmartStep Public Summary” and a “SmartWood Verification Statement” confirming that the FMO is a SmartStep participant with clear milestones and timelines for attaining FSC/SmartWood certification.

WOODMARK FOREST AND CHAIN-OF-CUSTODY PROGRAM

Woodmark is committed to the promotion of responsible forest management and control of responsibly sourced wood products through the supply chain. Woodmark supports FSC standards in this respect and has a proven track record of working with forest managers and producers worldwide to help them achieve FSC certification.

Woodmark’s FSC Modular Verification is a framework for a phased approach to full FSC forest certification. Using third-party verification, the framework combines a basis for assessing progress and communicating that progress from business to business. Modules are based on the full FSC requirements for the region and are arranged in four broad categories: legal, technical, environmental, and social. The legal element comprises verification of operational legal compliance and verification of legal origin and tenure. Modules may be evaluated at the same time TFT or GFTN evaluations or other national or non-FSC standards. Taken together the modules form a full FSC pre-evaluation in preparation for a final FSC audit. Output is a series of audit reports and certified audit statements.

Because of potential conflicts of interest, certification bodies are not permitted to give direct advice on how FMOs can become fully certified. However, Woodmark can provide general training, and through an international network of independent consultants familiar with FSC and Woodmark systems, FMOs are given access to the specialist advice required to achieve full FSC certification.

OTHER MECHANISMS

Numerous organizations are now offering support for forest management operations, particularly in tropical regions and in the southern hemisphere. In addition to the WWF FTNs and similar mechanisms, there are a variety of means by which sources and suppliers can be encouraged to achieve certification of their forests. In cases in which the relationship between the forest source and the purchaser is strong, it is appropriate that the two organizations enter into a contractual agreement to supply certified forest products within an agreed-upon time frame. A general recommendation is to have a time frame not exceeding five years and to use a credible certification process. For such a mechanism to be credible to third parties, including stakeholders in the purchasing process, the purchasing organization should ensure that such activity is transparent. Third-party verification of progress should be used.

Other Methods for Checking That a Source Is Progressing to Credible Certification

Claims about progress made by applicants for FSC certification can be checked at the following Web sites:

GFTN: www.panda.org/gftn
TFT: www.tropicalforesttrust.com
SmartWood: www.rainforest-alliance.org/programs/forestry/smartwood
Woodmark: www.soilassociation.org
Sourcing from forests which are engaged in a stepwise and transparent process toward credible certification can have a number of benefits for an organization.

The certification process should tackle all substantive issues associated with the management of the forest. In many countries and for many product types, such approaches to forest certification are likely to prove the only cost-effective and reliable means of achieving credible forest certification.

Stepwise approaches to credible forest certification are well established and should be considered when credibly certified material is not available.

Working with the stepwise approach can provide clear benefits to the purchaser through increased transparency of process and reduced risk.

Stepwise approaches are often the only way that certification will be achieved in some countries.

**Credibly Certified Source**

The term “credibly certified forest product” refers to timber originating in forests that have been independently assessed and certified as being well managed; that is, they are managed in an environmentally responsible, socially beneficial, and economically viable manner. The independent certification process requires that standard setting, accreditation, and auditing all be performed by different independent bodies.

Forest certification inspections or audits are carried out by third-party certification bodies. These certifiers in turn are accredited by an independent accreditation body. The forest audits must be site-specific and should assess management at the level of the forest management unit against measurable, recognized performance standards. These standards must include minimum thresholds for economic, social, and environmental criteria.

Final customers (purchasers of goods not for resale, consumers) seek assurance in the form of a chain-of-custody certificate that the timber products they are purchasing are from credibly certified forests. This form of certification requires that businesses that handle certified forest timber demonstrate that their certified timber and raw materials are produced under a credible chain-of-custody system. Chain-of-custody certification can be coupled with a logo or label that can be used, where desirable, to identify timber from well-managed and certified forest operations.

Independent forest certification and the associated market in certified forest products are both market-driven and stakeholder-driven processes.

**Credible Forest Certification Systems**

Forest certification aims to provide reliable information for end users and consumers of forest products, assuring them that the forests from which the timber originated are managed according
What Does Credibly Certified Mean?

Criteria

- The source forest is certified as being well managed under a credible system for forest certification.

Verification requirements

- Confirm that the source forest is covered by a forest management certificate issued under a credible system for forest certification at the time of harvesting.
- Confirm that a valid chain-of-custody certificate number, issued by an accredited certification body under a forest certification system, is printed on the relevant invoices and attached to the product.

Recycled Material

The raw material used should be designated recycled if it is either a forest product made from postconsumer recycled fiber (for paper) or wood-based material that is sourced from a recovery process. The definition of recycled varies in different countries and markets. To ensure that the policy and definition used are robust, a purchasing organization should check with its stakeholder groups. In most countries the term recycled infers that the wood or fiber has been used previously by an end consumer (this is also termed “postconsumer” recycling).

It should be noted that not every purchasing organization will want to include recycled wood and fiber within its purchasing policy. For many purchasing organizations, however, and particularly those that have identified recycling as a key issue among their stakeholders, there is much value to be gained through the use of recycled materials. A number of organizations have developed systems to certify recycled materials and have developed certification standards, including the FSC. More information on standards and definitions of recycled materials is available at the FSC Web site: www.fsc.org.
Working through the Steps of Environmental Status

Relevant Purchasing of Forest Products

<table>
<thead>
<tr>
<th>RECYCLE</th>
<th>Recycled</th>
<th>Yes</th>
<th>Recycled?</th>
</tr>
</thead>
<tbody>
<tr>
<td>KNOWN SOURCE and UNWANTED SOURCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KNOWN LICENSED SOURCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROGRESSING TO CERTIFICATION SOURCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CREDIBLY CERTIFIED SOURCE</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Recycled?**
  - Yes/No
  - Full traceability?
  - Complies with policy?
  - Known
  - Licensed source?
  - Unknown or Unwanted

- **Licensed**
  - High Risk?
  - Complies with Policy?
  - Progressing to Certification?
  - Verified legal timber

- **Progressing**
  - Continued Progression?
  - No

- **Credibly Certified**

FINISH

Refer to the Keep It Legal Manual for more detail
The purchasing organization should develop a series of annual targets to serve as steps toward achieving its stated policy goals. The use of annual targets can ensure that activities and progress can be defined, measured, and reported as required.

The preceding pages have elaborated on a process that helps define where a purchasing organization is with respect to the policy commitments and targets that have been set. The picture will not be perfect: not all sources will be categorized at the highest level, nor will all be certified. Stakeholders and management will be looking for the purchasing organization to show annual incremental improvements, with fewer unwanted or merely known forest products in the sourcing mix. Ultimately the goal should be to achieve full sourcing of certified forest products. It is important to prioritize planned improvements, addressing the whole spectrum of issues that are identified. Focusing solely on increasing the volume of certified material could undermine the overall effort, should the question of the legality of other sources be overlooked.

**Improving Supply Chains and Supplier Performance**

There are numerous ways by which to improve the supply chain. This section highlights some of the more common methods and their benefits.

**The Same, But Better**

Working with an existing supply chain has the major benefit of keeping out new and unknown suppliers or materials, with all the risks that these can entail. If the chain has developed successfully, a degree of understanding and trust already exists among the organizations that make up the chain. Therefore, working with existing supply chains to achieve more responsible sourcing is a desirable option when

- heavy investment has been made in establishing the chain or in the timber it supplies;
- the suppliers involved have unique skills, technology, or sources of raw material; or
- a change in suppliers may have an adverse impact on business.

If working with existing supply chains is to be a viable option, they need to be able to demonstrate

- a commitment to, and acceptance of, the purchasing organization’s policy and targets;
- a willingness to improve transparency in sourcing;
- a commitment from the forest sources involved to achieve certification within an agreed-upon period;
- a commitment from the intermediaries in the supply chain to achieve chain-of-custody certification within an agreed-to period; and
- the commitment of forest owners to seek participation in a stepwise approach program (such as GFTN) to otherwise attain credible certification.

The ability to challenge, innovate, and ultimately change can be extremely useful when pursuing the goal of responsible purchasing.
New Sources, Same Suppliers

Manufacturers or processors supplying directly to the purchasing organization may have difficulty tracing the sources of their forest products, or it may become evident that these sources are illegal or include HCVFs. Where the direct supplier demonstrates sufficient commitment and it is evident that the forest sources involved are unwilling to improve their practices, re-sourcing is the only option.

Re-sourcing while using existing suppliers offers the following benefits:

- maintenance of existing relationships and quality and investment, although perhaps with new materials,
- the ability to carefully scrutinize new sources of forest products to ensure that operations are acceptable,
- the potential to source from a participant in a stepwise approach program (such as GFTN), and
- the potential to source from certified forests.

All-New Supply Chains

Radically altering supply chains to improve the responsible sourcing of forest products can be the quickest way to ensure such improvements, but it is also the riskiest.

The following are potential risks:

- The quality and capacity of the new supply chain may not match expectations.
- The efficiencies arising from long-term relationships will be lost.
- The change may result in the use of different species of timber or other types of forest product, and this change may meet resistance in the marketplace.
- Costs may be higher.

The potential benefits include

- higher quality;
- greater efficiency in the supply chain, achievable through streamlining;
- the potential to develop new markets through the use of new species and types of timber;
- realization of lower costs through competitive tendering;
- an opportunity to negotiate the required degree of transparency and traceability at the outset; and
- the possibility of sourcing from higher-category, or certified, forests.

Other Ways of Improving

The ability to challenge, innovate, and ultimately change can be extremely useful when pursuing the goal of responsible purchasing. Not every purchasing organization can change its sourcing or its products easily or quickly, but some purchasing organizations have this ability and can benefit from such changes.

The exploitation of alternative species of timber provides opportunities to source more responsibly, although if the purchasing organization lacks experience or familiarity with the timber some risks may be involved. As with all timber species, secondary (or nontraditional) species have inherent characteristics that can make them excellent substitutes for primary (traditional) species for some uses but unsuited for others. In fact, up to 70 percent of output in some major producing countries consists of nontraditional species, and these species command considerably lower prices than the primary species. This potential provides a financial incentive to organizations able to develop markets for such timber species.

Initiating funding or research into the process of certification and the requirements of supply chains is an option for responsible purchasers. Not all purchasing organizations have the resources necessary for such work, but some major corporations have provided funding in the past. This type of initiative has direct benefits, not just to the donor organization but to all aspiring purchasers in a position to gain by using the findings of the research.

Setting Targets

The purchasing organization should set two types of targets: for their supplier, and for themselves.
**Action Plans and Targets for Suppliers**

The action plan for an individual supplier should be based on the responses given to the questionnaire. To fully understand the issues raised by the questionnaire, the suppliers should discuss them with the purchasing organization and develop a mutually agreed-upon action plan.

A good action plan should be SMART.

- **Specific.** Different requirements will need to be set, depending on what is lacking in the supplier-purchaser relationship. There is no need for a complete overhaul of the relationship if the problems highlighted by the questionnaire relate only to a narrow area of the business. The action plan should define exactly what is required for the supplier’s business to meet the needs of the purchasing organization.

- **Measurable.** The purchasing organization should define in quantitative, measurable terms exactly what it requires of the supplier.

- **Achievable.** Deadlines and requests for information, for example, should be realistic. As a rule of thumb, take smaller steps, more often.

- **Realistic.** The purchasing organization should discuss with the supplier what can be achieved and by what date. Clearly, not all suppliers have the same resources, and this fact should be taken into account when targets are set.

- **Time bound.** The action plan should include target dates for the completion of each and every element of the plan.

**Internal Action Plans and Targets**

It is important that progress be demonstrated to internal and external audiences. Progress in two areas in particular is measurable and demonstrable, namely

- increases in the proportion of credibly certified forest products in the purchasing organization’s portfolio of sources, and

- decreases in the proportion of unwanted or illegally sourced forest products.

The purchasing organization’s performance against its policies and programs should be reviewed periodically, and new targets should be set for the next period of activity. A purchasing organization that is a member of a WWF FTN will have an opportunity to agree on an action plan with the FTN manager.

**In all cases, the purchasing organization should look for ways to**

- eliminate unwanted sources and

- increase all other source categories.

Pursuit of this policy should, step by step, enable all sources other than those that are credibly certified to be eliminated from the supply chain.

When agreeing on an action plan with the supplier, the purchasing organization should be realistic in setting targets. An action plan can be determined and agreed to only when the first period of data collection and assessment of sources is complete. This may be as late as the end of the first year of operating a responsible purchasing policy. Ultimately, a realistic plan is one that is based firmly on the aspirations of the organization’s own policies and on the informed assessment of the status of the supply chain.

The overall intentions of the internal targets can perhaps be visualized as in the diagram. This example is for a period of seven years and is for illustrative purposes only.
Table 5. Example of an Action Plan and Targets for a Responsible Purchaser

An initial assessment of a sourcing plan indicates that the supply chain is based on volume, as shown below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Baseline data</th>
<th>Year 1 target</th>
<th>Year 2 target</th>
<th>Year 3 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unknown/Unwanted</td>
<td>45%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Step 1: Known sources</td>
<td>25%</td>
<td>20%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Step 2: Known licensed sources</td>
<td>25%</td>
<td>50%</td>
<td>35%</td>
<td>10%</td>
</tr>
<tr>
<td>Step 3: Sources in progress to certification</td>
<td>5%</td>
<td>15%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Step 4: Credibly certified sources/Recycled</td>
<td>0%</td>
<td>15%</td>
<td>30%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Table 6. Year One Action Plan

An example of an action plan based upon the results of the above assessment (page 38).

<table>
<thead>
<tr>
<th>Action no.</th>
<th>Action</th>
<th>Activities</th>
<th>Target date</th>
</tr>
</thead>
</table>
| 1.        | Reduce unwanted sources to zero from 45%                               | ■ Resend questionnaires to suppliers that have not responded.  
■ Ensure that all suppliers that have responded have fully completed the questionnaire.  
■ Re-source to known and managed operations any forest products that come from (1) HCVFs that are neither certified nor scheduled for certification or (2) inappropriate land clearance projects.  
■ De-list suppliers that do not conform to this policy.  | End of Year 1          |
| 2.        | Reduce the known sources category to 20%                               | ■ Require all suppliers with unknown sources to provide documents and assurances to confirm that their timber is from known sources.  
■ Within six months, hold a seminar for suppliers (with the help of third parties such as WWF) to discuss methods of improving traceability to established a minimum of known sources.  | End of Year 1          |
| 3.        | Increase the “known licensed source” category to 50%                   | ■ Require all current suppliers with known sources to provide documents and assurances to confirm that their timber is from known licensed sources.  
■ Within six months, hold a seminar for suppliers (with the help of third parties such as WWF) to discuss methods of ascertaining the legality of forest products.  
■ Fund research to identify legal compliance best practice for suppliers in key countries where issues have been raised.  | End of Year 1          |
| 4.        | Increase the “sources in progress to certification” category to 15%    | ■ Require major suppliers to bring pressure on their affiliates to join a producer country WWF Forest & Trade Network.  
■ Require medium-size suppliers to ensure that their sources proceed with certification. This will require that the secondary source first undergo successful preassessment from an independent certifier. All parties will enter into a contractual agreement on this basis.  | End of Year 1          |
| 5.        | Increase the “certified” category to 15% or more                       | ■ Identify potential new suppliers of certified forest products and requesting that they tender for existing business.  
■ Undertake new product development that permits the early consideration of the use of certified forest products.  
■ Attend at least two major trade shows at which certified forest product suppliers are present.  
■ Contact certified suppliers to identify potential opportunities for doing business with them.  | End of Year 1          |
| 6.        | Increase transparency and capacity                                      | ■ Publicly report data and performance year on year (in annual report/Web site)  
■ Publicly report targets (in annual report/Web site)  
■ Publicly report policies (in annual report/Web site)  
■ Verify all externally presented data (using a third party)  
■ Hold supplier and staff training and conferences (all trading and technical staff, 50% of suppliers, and two conferences)  | End of Year 1 and on-going. |
This document describes a series of steps that may be taken toward the development of a responsible purchasing program, emphasizing the importance of an effective management system driven by clearly defined values and policies. The later sections of the document describe in detail how such a program can be driven through the supply chain to improve the environmental performance of the chain.

The implementation of a responsible purchasing program is a major undertaking for any organization and requires a high degree of commitment to achieve results. This guide outlines a set of processes and procedures by which a purchasing organization can begin to address the problems that are common to many supply chains.

The first edition of this guide has been widely distributed in a number of languages and is currently used by several hundred companies representing the whole supply chain from forest gate to retail store. It has been adopted by companies sourcing products as varied as paper and plywood to sawn timber and furniture. Although designed primarily for companies that are participants in WWF’s Global Forest & Trade Network, it has also been welcomed by companies choosing to work outside this network.

The GFTN urges all organizations that purchase forest products to read this guide and adopt the principles it espouses. We all can benefit from this, for what is good for business can also be good for the environment.
APPENDIX 1

Working with Potentially Controversial Sources—Buyer Beware

High Conservation Value Forests (HCVFs)

HCVFs may be defined as one or more of the following:

- Forest areas characterized by globally, regionally, or nationally significant concentrations of biodiversity values, such as endemism, endangered species, or refugia.
- Forest areas containing globally, regionally, or nationally significant large-landscape-level forests, contained within or containing the forest management unit, in which viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution or abundance.
- Forest areas that are in or that contain rare, threatened, or endangered ecosystems.
- Forest areas that provide basic services of nature, such as watershed protection or erosion control, in critical situations.
- Forest areas fundamental to meeting the basic needs, such as subsistence of health needs, of local communities.
- Forest areas critical to the traditional cultural identity of the local communities. Such areas may, for example, be areas of cultural, ecological, economic, or religious significance, as identified in cooperation with the local communities.

An HCVF may be a small part of a larger forest. For example, it may be a riparian zone protecting a stream that is the sole source of drinking water for a community, or it may be a small patch of a rare ecosystem. In other cases—an example might be of a forest in which a threatened or endangered species ranges throughout the forest—the HCVF may comprise the entire area overseen by a forest management unit.

Any forest type—boreal, temperate, or tropical, natural or plantation—potentially can be an HCVF, as the HCVF designation relies solely on the presence of high conservation values within the forest.

Although in many cases it is not illegal to source forest products from an HCVF, in the context of responsible purchasing such sourcing should be discouraged. Exceptions include where

- The forest is certified under a credible certification system, or the forest is in progress to certification (e.g., where the forest manager is a participant in a WWF Forest & Trade Network).
- The forest manager can demonstrate that the forest and/or surrounding landscape is managed to ensure those values are maintained and that any logging or clearing within the forest can be justified on grounds of net social and environmental gain.

There is no definitive list of HCVFs and it is accepted that it is difficult for purchasing organizations to assess whether or not forest products originate in such forests. The WWF and Ikea (a global retailer of furniture and household goods) Co-operation on Forest Projects has produced the document “Identifying High Conservation Values at a National Level: A Practical Guide” to provide a practical methodology by which to define HCVFs. As that is evaluated and used around the world, it is expected to provide a useful checklist for responsible purchasing. Additional information on HCVF as a concept, and progress on its identification, can be found at the Web site www.hcvf.org, funded by WWF/World Bank Global Forest Alliance & Ikea.

For practical purposes, purchasing organizations are advised to discuss the latest information regarding HCVFs with WWF and other environmental organizations working in this field. One approach would be to highlight key areas and regions in which it would be inappropriate to harvest forest products. A more positive approach, generally encouraged by WWF, would be to engage with the producer to assess the high conservation values demonstrated within a forest area and to manage the forest appropriately within the context of credible forest certification.

WWF calls on producers, retailers, and investors in the forestry, agriculture, mining, and petroleum sectors and governments to ensure that their business activities promote the maintenance and enhancement of high conservation values.
Assuming transparency in the supply chain, a responsible purchaser should, through research or dialogue with stakeholders, be able to identify potential areas of concern regarding high conservation values.

When a potential or known high-conservation-value forest is identified in the supply chain, a number of options are available to the purchaser. Key among these are the following:

- Obtain the material from a less controversial source.
- Encourage the supplier to become involved in a program that works with the WWF/Ikea High Conservation Value Forest Toolkit (www.proforest.net) to establish HCVF areas and management practices within the country or region in question.
- Begin a dialogue with the forest management to seek forest certification. Ideally, the forest manager should be encouraged to join a WWF Forest & Trade Network (where one exists in the region).
- Check the Web site www.hcvf.org for national/international activities which may be available to assist.

Sources of information relating to HCVFs include Global Forest Watch (www.globalforestwatch.org), which has produced a number of reports, studies, and maps that indicate areas of forest which are regarded as “intact natural forest” and which are likely to be HCVFs.

Another practical way of assessing whether or not a forest is of high conservation value is to use the protected areas definitions developed by the World Conservation Union (IUCN; www.iucn.org). Although not exclusively developed for forest assessment, these definitions indicate the types of conditions likely to qualify a forest as an HCVF and therefore as worthy of further investigation.

**CITES-Listed Species**

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is a global response to concern over the trade of endangered species. CITES was enacted in 1975, and 160 countries have ratified the treaty. CITES regulates the trade in live animals, animal parts, ornamental plants, medicinal plant parts, and timber species. It seeks to identify threatened species and create increasingly strong legal barriers to their harvest and trade, depending on their conservation status (see also www.cites.org).

CITES lists threatened or endangered wood species under three classifications, known as the Appendices. The restrictions on trade within these appendices vary depending on the extent to which the species is threatened with extinction. The CITES listing includes species that are traded for timber, traded for medicinal purposes, and rare but not commercially traded. The species listed below are those that are traded most often in the international timber market.

**Appendix I.** Species in this list face an imminent threat of extinction and are banned from all international commercial trade. Trade is permitted for artificially grown species, products
that were created before the species was added to the list, and specimens used for scientific purposes. Permits are required from both the exporting and importing countries to verify that an example of the species was obtained legally.

Alerce (*Fitzroya cupressoides*)
Brazilian rosewood (*Dalbergia nigra*)

**Appendix II.** International trade in these species is allowed as long as the country of origin issues documents ensuring that the harvesting of the species was undertaken legally and that it is not detrimental to the survival of the species. These species should be used only when accompanied by a valid chain-of-custody certificate ensuring that they come from an independently certified well-managed forest.

African rosewood (*Pericopsis elata*)
Lignum vitae (all species of *Guaiacum*)
Cuban mahogany (*Swietenia mahagoni*)
Bigleaf mahogany (*Swietenia macrophylla*)

**Appendix III.** The third appendix is a voluntary mechanism that any country may invoke simply by verifying that its exported specimens were legally harvested. Once a species is listed (by any country) on Appendix III, all exporting countries are required to issue a certificate of origin with shipments of that species. Export permits are required only if a country has included the species on Appendix III.

Almendro (*Dipteryx panamensis*)
Spanish cedar (*Cedrela odorata*)
Ramin (all species of *Gonystylus*)

**Note:** CITES listing is an ongoing process. Please check the WCMC Web site (www.unep-wcmc.org) or the IUCN Web site (www.iucnredlist.org) for regular updates.

**Human Rights Violations**

Internal and external stakeholder concerns may identify specific issues, countries, or companies that are extremely controversial or out of step with generally accepted practices. Sourcing forest products from such countries or companies does not so much raise questions of forest management practices; rather, it introduces the moral dilemma concerning support for regimes and practices that have a wider impact on civil society or human rights. In extreme cases, the United Nations will call for trade embargoes on such countries, as will individual national governments.

Individual responsible purchasing organizations will need to be aware of such issues and should be ready to adjust their purchasing policy accordingly.

CITES Listing—Relevance for Responsible Purchasers

CITES Appendix I-listed species should be avoided at all times.

For Appendix II and III species, a high degree of caution must be exercised. First, there is a legal obligation on any importer and trader in these species that ensures that all imports and trades are registered with the relevant authorities. Penalties are often large for failure to register imports of Appendix II and III species.

The second question concerns the endangered nature of these species. Trade in these species may be legal, but it is important to recognise that, in many cases, it is trade that has led to the need and requirement for close monitoring. CITES-listed species are subject to being removed from trade (through removal to Appendix I or through a reduction in quotas), so in many cases there is no guarantee of the long-term availability of species on Appendices II and III.

Best practice with CITES species is to closely monitor the status of the species involved and ensure that all legislative requirements are met. Be 100 percent certain of which species is being purchased.
Conflict Timber

“Conflict timber” is a term used to describe timber that is produced and sold to finance armed conflict. The definition used by the NGO Global Witness is “timber that has been traded at some point in the chain of custody by armed groups, be they rebel factions, regular soldiers, or the civilian administration, either to perpetuate conflict or to take advantage of conflict situations for personal gain” (see www.globalwitness.org).

Conflict timber is not necessarily illegal, though this will depend on governmental sanctions that may be in place at any given time.

Sources Linked to Human Rights Violations—Relevance for Responsible Purchasers

Examples of issues identified by the UN organizations that should be considered in a responsible purchasing policy include

- the systematic violation of human rights, including civil, political, economic, social, and cultural rights;
- extrajudicial killing, rape, and other forms of sexual violence carried out by members of the armed forces;
- torture;
- political arrests and detentions, including those of prisoners whose sentences have expired;
- forced relocation, the destruction of livelihoods, and forced labor;
- denial of the freedoms of assembly, association, expression, and movement;
- discrimination on the basis of religious or ethnic background;
- wide disrespect for the rule of law and lack of independence of the judiciary;
- unsatisfactory conditions of detention and systematic use of child soldiers; and
- violations of the right to an adequate standard of living, in particular to food, medical care, and education.

This set of indicators can be used to identify specific regimes, countries, or companies which, if sourced from, would directly undermine the overall effort to source responsibly. Furthermore, sourcing from such entities or places may undermine the wider integrity of the organisation.

It is arguable that it is possible to source forest products responsibly from such places, but this would require that the purchasing organisation identify and prove the benefits of such trade to the people of the country involved, while at the same time proving that the trade does not directly support the regime under scrutiny. This may not be possible in practice. It is extremely important that a purchaser that would choose to source from controversial regimes or countries first consult its stakeholders to ensure that such a policy has the required degree of integrity and support. If this approach is adopted, it is extremely important that consulted stakeholders’ viewpoints be taken into account and acted upon.

Particular attention is drawn to Burma/Myanmar, where forest products are directly associated with many of the issues identified above. A number of countries currently have severe, if not total, restrictions on sourcing forest products from Burma/Myanmar. Organizations wishing to source from Burma/Myanmar will certainly find that stakeholder support for continued sourcing will be extremely difficult to gain and that a phased withdrawal (until political and social circumstances change) is the best option. Burma/Myanmar campaign groups exist in a number of consumer countries, and it is best practice to engage with these stakeholder organizations when considering options.
WWF believes that forests are among the most diverse and valuable ecosystems around the globe. They provide a wide range of products and benefits for humans and nature that can rarely be substituted through other means. Therefore, in general every effort should be made to prevent any forest, but especially HCV forests, from being converted. WWF recognizes that under certain conditions, planned and targeted conversion can be beneficial or necessary to reach specific goals of public interest without endangering the overall functionality of forests.

Where conversion is planned, the following conditions shall be fulfilled:

- High conservation values should be identified, and the forest and surrounding landscape managed and monitored to ensure that those values are maintained and enhanced.
- At a minimum, conversion must not contribute in any way to the extinction of species, or to the loss of significant sub-populations of an endangered species.
- The total forest cover within a country or region should not be below an agreed-to long-term goal described in a national forest program or planning documents developed through a multistakeholder process.
- There should be proven and agreed-to public interest and benefits from the new land use that surpasses public interest in forest conservation.
- A transparent planning process should be reflect a landscape level and involve all relevant stakeholders.
- Independent environmental and social impact assessments should be conducted and the necessary measures to prevent negative impacts of the conversion implemented.

Countries that have regional variations (i.e., the conflict is regional) need to use an extremely clear and detailed chain of custody to ensure that the supply chain involved is not associated with the region in conflict. The complicated nature of conflicts may undermine this process and not satisfy stakeholders that the issues can be sufficiently separated.
APPENDIX 2
Improving the Quality of Data from Suppliers

Below is a list of common issues that arise when suppliers are asked questions regarding their sourcing of forest products. The list is not exhaustive but gives remedies for the major issues.

**Information from the supplier is missing**

Major gaps in data make it difficult to make any form of assessment. Talk to the supplier and find out why it cannot or did not provide the data requested. If the supplier does not have the technical expertise, ask that it request that its own suppliers furnish the missing data, and ask that it collate these data for you. Agree on a date by which the data will be provided.

**The supplier misunderstood the question**

Make contact with the supplier and explain why you are asking the question and what sort of answer you require.

**Supplier refuses to complete the questionnaire**

The supplier may refuse to complete questionnaires or provide data. Lack of resources is a common excuse, as is “company policy.” Explain to the supplier that your requests are valid and that they are routinely made of all your suppliers. Small suppliers may have genuine concerns about committing time and resources to providing data; in such circumstances agree that the data can be provided in small segments over an agreed-to period of time.

Suppliers that continue to avoid supplying data should be given an ultimatum, and after this point they should removed from the chain of supply. However, this is a last resort, and the intervention of senior management on both sides may be useful to maintain a dialogue and avoid this.

**Supplier expresses concerns about confidentiality**

In some industries and in some countries it is common to encounter concerns over the confidentiality of supply chain data. This can be overcome in a number of ways; for example, suppliers can be given verbal assurance that the data are used for environmental purposes and will not be used in a commercial context, or they could be given a signed confidentiality agreement. The provision of data may have to be made in a manner that furnishes the required information without revealing the names of commercial intermediaries or processors. Full disclosure is preferred, however, and may come in time as part of an action plan.

**Supplier “does not feel responsible”**

Some suppliers do not feel obliged to respond to requests for supply chain data. Arguments can vary from a position of “being too small to have any effect” to “it is none of your business.”

Suppliers in this situation should be given an opportunity to reflect on their position. Experience has shown that companies with little regard for their customers’ expectations and requirements usually fail. If a supplier cannot change its opinions and recognize your point of view it should have no place in your supply chain.

**Supplier cannot prove high-risk sources are licensed**

A range of techniques can be used to assess the legality of forest products, and a number of documentary proofs are mentioned within this text. Depending on your supplier’s place within the supply chain, obtaining such proofs may prove difficult. Those supply chain elements farthest removed from the forests or primary processors will experience the greatest difficulty in obtaining the required documentation. Options to address this difficulty include

- giving the supplier time to obtain the required documents,
- encouraging the supplier to source forest products in less controversial areas,
- encouraging the supplier to seek independent certification for its forest products, or
- encouraging the supplier to obtain a third-party legal verification audit (verified legal timber).
Supplier cannot prove that sources are not HCVFs

HCVFs often are difficult to assess, but there are organizations that monitor the existence and exploitation of HCVFs and the organizations involved. Both your own purchasing organization and the supplier involved can draw on these sources to rudimentarily assess the sources identified. Information regarding a definition of HCVFs and sources of information on their role in trade can be found in Appendix 1 and elsewhere in this document.

Many areas lack HCVF identification processes, which by definition involve participation of multiple stakeholders. Even if the HCVFs in a particular area have not been identified, the supplier can contribute constructively to an HCVF process; larger suppliers can even initiate and help fund such processes. As part of the action plan, suppliers should state what contribution they are making to further the HCVF identification and management process in the regions where they are sourcing. When neither the supplier nor the purchasing organization can identify a source as HCVF or non-HCVF, you will have to take a judgment based on the best information available. WWF and other stakeholders should be contacted for the latest information available on particular forests.

A third party has indicated that a supplier may be using timber from conversion land

Request information from the supplier, such as a summary of the management plan for the forest, that indicates the land use and prescribed management practices. If the land is designated for conversion to agriculture or faces a similar threat, investigate further to ensure that the clearance is appropriate (see page 45). If the supplier is unable to provide suitable assurance, agree on an action plan to remedy or change the source.
**APPENDIX 3**
The WWF Global Forest & Trade Network

**What Is the Global Forest & Trade Network?**

The Global Forest & Trade Network (GFTN) is a WWF-led partnership between leading nongovernmental organizations and approximately 300 companies and communities that are committed to demonstrating leadership and best practice in responsible forest management and trade. The participants, who represent a wide range of actors including forest owners, timber processors, importers, traders, construction companies, retailers, and investors, are organized in affiliated national and regional Forest & Trade Networks (FTNs) operating across nearly 30 producing and consuming countries in Europe, the Americas, Africa, and Asia.

Since the first FTN was established in the United Kingdom in 1991, GFTN participants together have generated the demand that has created a new kind of global market—the market in environmentally responsible forest products.

**How Does the GFTN Work?**

The demand of GFTN participants for responsible forest products has led to millions of independently certified well-managed forest hectares worldwide. Yet despite the rapid growth in demand for credibly certified timber and pulp from producing regions, reliable sources of supply are still limited. Wood and pulp producers working in valuable and threatened forests are facing complex obstacles and are often unsure of how to achieve and benefit from certification. Worse, significant trade in wood and pulp from illegal or controversial sources continues, generating corporate risk for buyers and suppliers and providing unfair competition for responsible actors by ensuring a supply of discounted timber to a generally undiscerning market.

The GFTN provides a supporting framework to overcome these obstacles in the following ways:

- Works with buyers, suppliers, and producers from across the spectrum of forest products sectors to eliminate illegally harvested and traded forest products and drive improvements in the quality of forest management.
- Develops and promotes credible certification as a vital tool to improve forest management and make purchasing of forest products more responsible.
- Works with companies to initiate and monitor a stepwise approach to achieve responsible forest management or forest products sourcing.
- Creates mutually beneficial partnerships between the private sector, community-based operations, NGOs, trade regulators, funders, and others to mobilize the technical, financial, and human resources necessary to achieve transformation.
- Focuses activities to improve forest management in forests that are valuable and threatened.
- Links responsible producers of forest products with buyers interested in purchasing responsibly with lower environmental risk.

The business case for responsible and certified forestry begins with the need to sustain supplies of raw materials, but also includes the need to satisfy shareholders, build a positive corporate profile, and establish strategic supply relationships that will differentiate businesses. To satisfy the needs of its producing, supplying, and buying members, the GFTN provides an assortment of services and benefits to members of its FTNs, such as help with developing responsible purchasing policies, giving advice on certification, and facilitating contact between important stakeholders.

**GFTN—Working with Responsible Buyers**

GFTN participation will help you develop a responsible purchasing policy and deliver on it by giving advice on environmental concerns and facilitating contacts with responsible suppliers. GFTN participation can also give your company recognition as an industry leader.

Encouraging your existing suppliers to join the GFTN or buying from new suppliers who are participants of the GFTN helps you to manage risks, particularly when sourcing high-risk species or from high-risk countries. GFTN participation ensures that producers and suppliers are genuinely committed to responsible forestry and receive the technical support and guidance they need to achieve certification. Although some suppliers may need time before they can offer credibly certified products, their progress will be ensured through regular monitoring.
GFTN—Working with Responsible Producers and Suppliers

Participation in the GFTN can give your company significant local, national, or international recognition as an industry leader. GFTN participation is not a substitute for credible certification and responsible forest management; it will help you achieve and sustain it. As a GFTN participant you can benefit from practical advice, training, and technical support on responsible forest management, forest and chain-of-custody certification, and responsible supply chain management.

The GFTN will also help you establish new contacts with GFTN buyers. GFTN buyer companies are genuinely committed to buy from sources that are either credibly certified or in progress to certification and to report regularly on the implementation of their commitments.

Networks Around the World

GFTN works with over 300 companies around the world and operates in the following places:

Europe: Austria, Belgium, Bulgaria, France, Germany, Italy, Netherlands, Romania, Russia, Spain, Sweden, Switzerland, United Kingdom
Africa: Central Africa, Ghana
Asia: China, Indonesia, Japan, Malaysia, Vietnam
Americas: Bolivia, Brazil, Central America/Caribbean, North America, Peru

All FTNs are affiliated with the Global Forest & Trade Network and all have common minimum requirements. The networks are fundamentally similar in their objectives, but the activities and services of each network will differ depending on the mix of participating companies.

What GFTN Asks of Participant Companies

To qualify for participation, a participant is required to do the following:

Operate responsibly: As a condition of participation, the participant shall undertake to adhere to business principles for responsible forestry that go beyond the scope of forest certification, including transparency when participating in concession allocation processes and avoidance of bribery and other corrupt business practices.

Define the participation scope: The participant shall define an initial participation scope that clarifies which forest management units (FMUs), processing facilities, factories, trading businesses, and product range are within the initial scope of its participation.

Nominate a senior manager: The participant shall nominate a senior manager who will be responsible for realization of commitments made by the participant and who has sufficient seniority to do so. The participant may choose to identify another person for day-to-day contact with the FTN.

Comply with the communications code: The participant must agree to follow the GFTN Communication Code of Practice.

Pay participation fees: The participant is required to pay an annual participation fee to the FTN. The fee contributes to the cost of managing and promoting the FTN and providing services to participants. Participants must pay their fees by the due date and can expect the FTN to be accountable for monies raised in this manner.

Comply with competition laws: The participant must undertake to respect the competition and antitrust laws relevant to the country in which the FTN operates and not use any forum arranged under the auspices of the FTN to discuss customers, suppliers, or activities in any way that may be construed as anticompetitive.

Specific Requirements for Trade Participants

A stepwise approach to responsible purchasing is fundamental to this set of requirements. A trade participant shall be required to do the following:

Commit to responsible forestry and timber sourcing:
The participant must submit a public written statement of policies and practices relevant to its operations for the promotion of responsible forestry and wood/fiber sourcing.

Eliminate timber from unwanted sources:
The public written statement of policies and practices for the promotion of responsible forestry must include a commitment to eliminate, within five years, timber in the products procured by the participant that originates from unwanted sources (as defined in Element 6).
Provide copies of chain of custody certificates and related reports:
For each certified site covered by the scope of participation, the participant must submit a copy of a valid certificate from a credible certification scheme, the main certification report and reports of any subsequent monitoring visits carried out by the certification body.

Increase the proportion of timber from responsible sources:
The public written statement of policies and practices for the promotion of responsible forestry must include a commitment to progressively increase the proportion of timber in the products procured by the participant that originates from sources that can be designated as
- known and complying with policy,
- known licensed source,
- in progress toward certification, or
- credibly certified.

Commit to certification of chain of custody:
Where the participant is a manufacturer, trader, or processor, they must include a commitment to achieve credible chain of custody certification for at least one processing facility, factory, or mill owned or managed by the participant within one year and for all facilities, factories, or mills owned or managed by the participant within five years.

Undergo a baseline appraisal, develop and implement an action plan, and meet time-bound targets:
For each processing or manufacturing facility covered by the scope of participation, the participant must do the following:
- Undergo a baseline appraisal to determine whether the chain-of-custody system is certifiable and to identify all areas of noncompliance with requirements of the nominated, locally operational, credible chain-of-custody certification system, and to determine the environmental status categories of the entire timber supply. The appraisal must be carried out by a suitably qualified and experienced assessment team.
- Submit a comprehensive baseline appraisal report and report summary.
- Submit an action plan that sets out time-bound targets and steps to be taken to implement the participant’s responsible timber purchasing policies and practices and to meet the commitments described above.
- Implement the action plan and meet the specified progress targets.

Subject to prior notification of the participant, the GFTN reserves the right to make the baseline appraisal report summary and the action plan publicly available.

Provide progress reports and permit inspections:
The participant shall provide regular progress reports (at a frequency specified by the FTN, usually every six or 12 months) and report summaries on action plan implementation, and shall permit periodic monitoring visits, inspections, or data reviews from the FTN coordinator or his or her nominated assessor to verify the claims made in the progress reports. Subject to prior notification of the participant, the GFTN reserves the right to make progress report summaries publicly available.

Report production volumes:
The participant shall provide an annual summary on its timber production. This data shall be supplied in a format agreed to with the FTN coordinator and will include data on
- Species of timber handled,
- Volume of each species harvested annually,
- Form and volume of all products sold annually (logs, sawn timber, machined timber, etc.), and
- Environmental status of products.

Specific Requirements for Forest Participants
A stepwise approach to credible forest certification is fundamental to this set of requirements. A forest participant shall be required to accept the following conditions:

Commit to responsible forestry:
The participant must submit a public written statement of policies and practices relevant to its operations for the promotion of responsible forestry.
Commit to certification of all forest management units:
Where the participant is responsible for managing several FMUs, the public written statement of policies and practices must include a commitment to achieve and maintain
- credible forest certification for at least one FMU within five years and for all FMUs within 10 years, and
- credible chain-of-custody certification (covering the timber tracking system from the forest to first point of sale) within one year.

Provide copies of forest certificates and related reports:
For each certified FMU covered by the scope of participation, the participant must submit a copy of a valid certificate from a credible certification scheme, the main certification report, and reports of any subsequent monitoring visits carried out by the certification body.

Undergo a baseline appraisal, develop and implement an action plan on uncertified forest management units:
For each uncertified FMU covered by the scope of participation, the participant must
- Undergo a baseline appraisal to determine whether the FMU is certifiable and to identify all areas of non-compliance that preclude certification under the nominated locally-operational credible certification scheme (also called “gaps”, preconditions or major non-compliances) or membership of the FTN. The appraisal must be carried out by a suitably qualified and experienced assessment team.
- Submit a comprehensive baseline appraisal report and report summary. The appraisal report must provide clear evidence that the participant has a legal right to harvest in the FMU. Where the participant’s legal right to harvest is disputed by another party, the participant shall either provide evidence of prior resolution of the dispute through a voluntary settlement or court order or undertake to satisfactorily resolve the dispute within 12 months, subject to the right of the FTN coordinator to suspend the participant if the undertaking is not fulfilled.
- Submit an action plan with time-bound progress targets for achieving credible forest certification within five years and credible chain-of-custody certification (covering the timber tracking system from the forest to first point of sale) within one year.
- Implement the action plan and meet the specified progress targets.

Subject to prior notification of the participant, the GFTN reserves the right to make the baseline appraisal report summary and the action plan publicly available.

Comply with relevant laws:
The participant must
- undertake to supply only timber that has been legally harvested; and
- undertake to pay all forest charges as they become due.

Provide progress reports and permit inspections:
The participant shall provide regular progress reports (at a frequency specified by the FTN—usually every six or 12 months) and report summaries on action plan implementation, and permit periodic monitoring visits and inspections from the FTN coordinator or his or her nominated assessor to verify the claims made in the progress reports. Subject to prior notification of the participant, the GFTN reserves the right to make progress report summaries publicly available.

Report production volumes:
The participant shall provide an annual summary on its timber production. This data shall be supplied in a format agreed to with the FTN coordinator and will include data on
- Species of timber handled,
- Volume of each species harvested annually,
- Form and volume of all product sold annually (logs, sawn timber, machined timber, etc.), and
- Environmental status of products.

The full participation requirements for GFTN are available from www.panda.org/gftn.
**Glossary**

*Credibly certified*—Source category for FSC or other forest certification, with specified criteria and requirements.

**Criteria**
- The source forest is certified as well managed under a *credible forest certification* system.

**Verification requirements**
- Confirmation that the source forest is covered by a forest management certificate issued under a credible forest certification system at the time of harvesting.
- Confirmation that a valid chain-of-custody certificate number, issued by an accredited certification body under a credible forest certification system, is printed on the relevant invoices and attached to the product.

*Credible chain-of-custody certification*—Certification of specified products as traceable back to raw material source by a third party (for example, an accredited certification body).

*Credible forest certification*—Certification by a third party that a forest is well managed, under a certification system requiring

(a) participation of all major stakeholders in the process of defining a standard for forest management that is broadly accepted;
(b) compatibility between the standard and globally applicable principles that balance economic, ecological, and equity dimensions of forest management; and
(c) an independent and credible mechanism for verifying the achievement of these standards and communicating the results to all major stakeholders.

**Environmental status**—The source category designation of the timber in a given product. WWF GFTN recognizes the following categories:
- Unwanted
- Known
- Known licensed
- In progress to certification
- Credibly certified
- Recycled

*Forest participant* (in a Forest & Trade Network)—A participant who is a forest owner or manager. The participant may or may not possess credibly certified forest management units (FMUs).

**Harvesting charges**—The charges due to the resource owner or official body, such as a regional or national government, arising as a result of the harvesting of forest resources.

**High conservation values** (as defined by the Forest Stewardship Council)—Any of the following values:
- Forest areas containing globally, regionally, or nationally significant concentrations of biodiversity values (e.g., endemism, endangered species, and refugia).
- Forest areas containing globally, regionally, or nationally significant large-landscape-level forests contained within, or containing, the management unit where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- Forest areas that are in or contain rare, threatened, or endangered ecosystems.
- Forest areas that provide basic services of nature in critical situations (e.g., watershed protection, erosion control).
- Forest areas fundamental to meeting basic needs of local communities (e.g., subsistence, health).
- Forest areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic, or religious significance identified in cooperation with such local communities).

*Illegal logging (and related trade and corruption)*—Harvesting or trading of in violation of relevant national or subnational laws, or access to forest resources or trade in forest products that is authorized through corrupt practices.

**In progress to certification**—Source category with specified criteria and requirements denoting environmental status of source.

**Criteria**
- The source is a *known licensed source*.
- The source entity has made a public commitment to achieve *credible certification* of the source FMU.
A site inspection has been carried out by a suitably qualified and experienced assessment team to determine whether the source FMU is certifiable and to identify all areas of noncompliance with certification requirements.

The source entity
- has agreed to a time-bound, stepwise action plan to achieve certification of the source FMU;
- provides periodic progress reports on implementation of its action plan, and is open to third-party inspection to verify that progress is being made as reported;
- is participating in an initiative that supports and monitors stepwise progress toward credible forest certification (e.g., the entity could be a forest participant in an FTN or a project of the Tropical Forest Trust).

Verification requirements
- Confirmation from information issued by the certification support initiative that these criteria are satisfied with respect to a given source.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A second- or third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.

**Known Source**—Source category with specified criteria and requirements denoting environmental status of product source.

**Criteria**
- The purchaser knows where the forest material was grown and can identify the harvesting entity.
- As far as the purchaser is aware, the source is not unwanted, as described in the purchasing organization’s policy.

**Verification requirements**
- The source forest is identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district; where risk is higher, the specific forest management unit should be identifiable.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Documentation is provided that identifies the source location, the source entity, and each intermediary in the supply chain.
- The purchaser has systems in place that periodically check the authenticity of this documentation.

**Known licensed source**—Source category with specified criteria and requirements denoting environmental status of source.

**Criteria**
- The purchaser knows where the timber was grown and can identify the harvesting entity.
- The timber originates from an entity that has a legal right to harvest timber in the forest management unit where the timber was grown.

**Verification requirements**
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- Each delivery of timber-based products to the purchaser is supported by documentation that identifies the source forest management unit and source entity and each intermediary in the supply chain.
- The purchaser has documentation demonstrating the source entity’s legal right to harvest.
- The purchaser, and/or its suppliers, has systems in place that periodically check the authenticity of the documentation and integrity of the chain-of-custody control points.
- If the purchaser is made aware of any dispute over the entity’s legal right to harvest, the purchaser should inquire into the status of the dispute. An entity’s claimed right to harvest should not be regarded as having been verified while legal proceedings are in progress alleging that the entity is in breach of the law governing the acquisition of either harvesting rights from the resource owner(s), or regulatory approval (i.e., a permit, license, or similar instrument) for the harvesting of timber.

**Legally harvested**—Timber that was harvested
- (a) pursuant to a legal right to harvest timber in the forest management unit in which the timber was grown, and
- (b) in compliance with national and subnational laws governing the management and harvesting of forest resources.

**Legally traded**—Timber, or products made from the timber, that was
- (a) exported in compliance with exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;
(b) imported in compliance with importing country laws governing the import of timber and timber products, including payment of any import taxes, duties, or levies or in contravention of exporting country laws governing the export of timber and timber products, including payment of any export taxes, duties, or levies;

(c) traded in compliance with legislation related to the Convention on International Trade in Endangered Species (CITES), where applicable.

**Legal right to harvest**—Authorization to harvest in the forest management unit

(a) from the resource owner(s), and

(b) under a valid permit, license, or similar instrument issued pursuant to the laws and regulations governing the management and harvesting of forest resources.

**Protected area**—An area of forest especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means.

**Resource owner(s)**—The holder(s) of property and usufruct rights over the land and/or trees within a forest management unit, including legally recognized rights held according to customary law.

**Source**—A combination of the supplying entity and the place from which the timber in a product originates. The source comprises the location where the timber was grown and the entity that was responsible for harvesting the timber.

**Timber**—Wood, fiber, and other woody materials harvested from trees.

**Trade participant (in a Forest & Trade Network)**—A participant who is a processor, manufacturer, trader, specifier, or end user of timber or paper products.

**Unknown source** Source category with specified criteria and requirements denoting environmental status of product source.

- The purchasing organization does not know where the timber was grown and cannot identify the harvesting entity. The source forest is not identifiable to a degree of precision that is commensurate with the risk that the source may be unwanted. For example, where the risk is low, the location could be as broad as a district, and where risk is higher, the specific forest management unit (FMU) should be identifiable.
- The timber cannot be traced along an unbroken chain of custody from the participant back to the source entity.

**Verified legal**—Source category with specified criteria and requirements denoting environmental status of product source.

**Criteria**

- The source is a known licensed source.
- The source entity legally harvested the timber.
- All harvesting charges have been duly paid.
- The timber was legally traded.

**Verification requirements**

- A third-party auditor has confirmed that the timber was legally harvested and legally traded and that all harvesting charges were duly paid.
- The timber can be traced along an unbroken chain of custody from the purchaser back to the source entity.
- A third-party auditor has confirmed the integrity of the chain-of-custody documentation and control points.
WWF is one of the world’s largest and most experienced independent conservation organizations, with almost 5 million supporters and a global network active in more than 100 countries.

WWF’s mission is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world’s biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.