

1. Where do the products come from?

Sourcing and legality aspects

Origin

Where do the products come from?

Information accuracy

Is information about the products credible?

Legality

Have the products been legally produced?

Environmental aspects

Sustainability

Have forests been sustainably managed?

Special places

Have special places, including sensitive ecosystems, been protected?

Climate change

Have climate issues been addressed?

Environmental protection

Have appropriate environmental controls been applied?

Recycled fiber

Has recycled fiber been used appropriately?

Other resources

Have other resources been used appropriately?

Social aspects

Local communities and indigenous peoples

Have the needs of local communities or indigenous peoples been addressed?

1. Where do the products come from?

Traceability is the ability to track sources of wood from final products through the supply chain to – as close as is practical – their origins. A clear sense of all the links in the products' supply chain will be useful for the procurement manager to assess:

- Whether the sources of wood can be accurately identified.
- Whether the products have the properties they are claimed to have. For instance, whether:
 - The wood was harvested and processed in compliance with relevant laws
 - The wood comes from sustainably managed forests
 - The unique ecological and cultural features of the forest where the wood was sourced have been maintained
 - The products were manufactured with environmental controls in place
 - Harvesting and manufacturing processes complied with social standards.

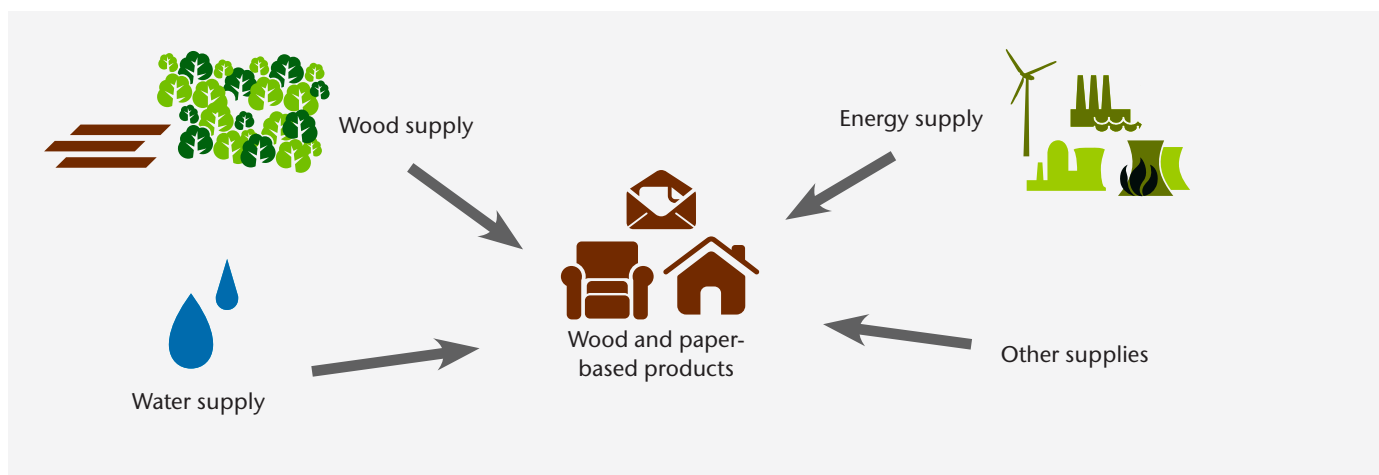
Tracing the origin of wood and paper-based products is not always straightforward. Supply chains can sometimes

link many wood producers and dealers across several countries, and procurement portfolios can be complex, with multiple supply chains (Figures 2 and 3).

It may be easier to establish traceability for solid wood products than for paper-based products. Paper products are manufactured in pulp mills that typically draw wood from many sources. In the most complex cases, a network of dealers buying wood from many different loggers, landowners and sawmills may supply a pulp mill (Box 1). In a sawmill, logs usually lose their link to individual landowners in a sorting yard in the same way an agricultural business would combine grain from individual farmers in a common silo. The wood collected from sawmills – often chips that are by-products of solid-wood products manufacturing – further lose their individual identity during the paper making process.

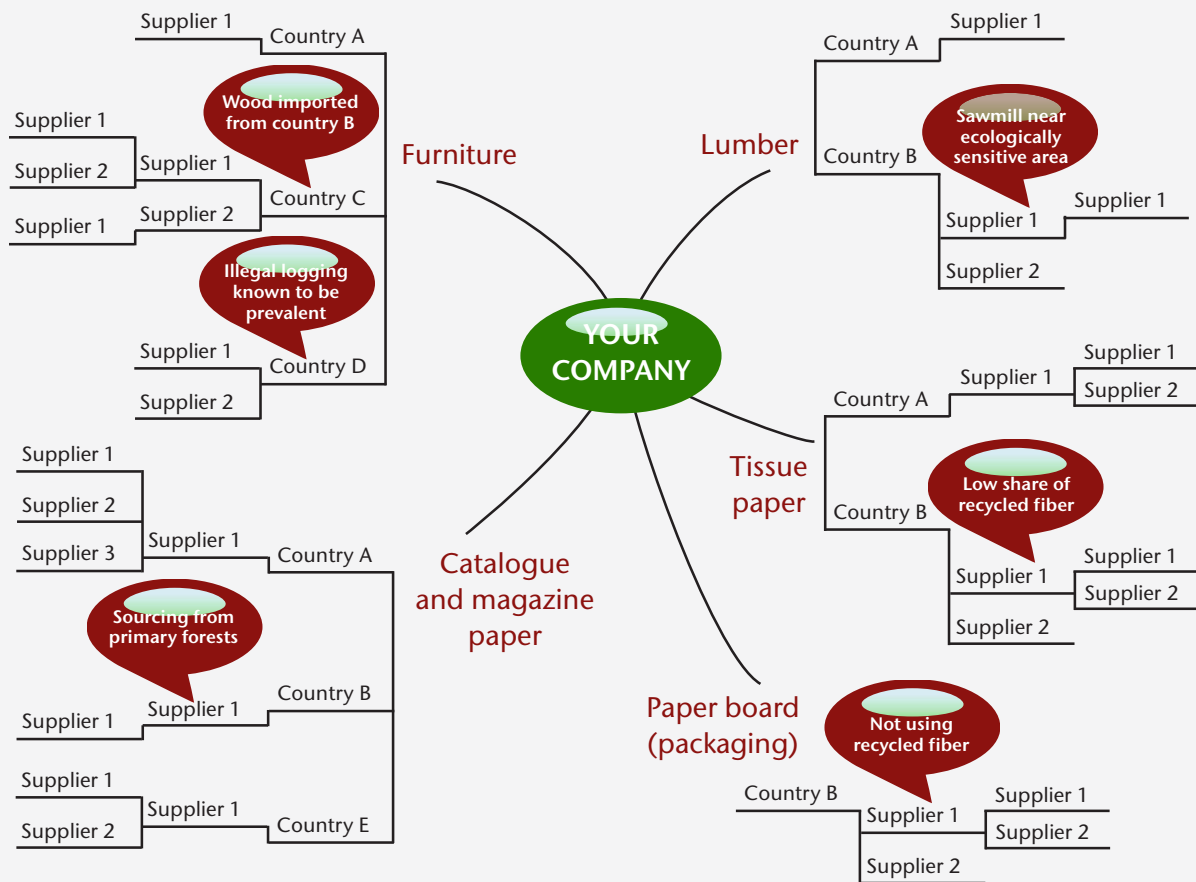
Understanding the position of a company in the supply chain can help identify priorities and key areas of influence. Also, depending on the location and/or complexity of the supply chain, the need for due diligence is greater in some places than in others.

Figure 2. Wood and paper-based products have many inputs



Wood and paper-based products have many inputs. The inputs can be very different for different products, both in terms of the amount used and the characteristics of the supply chain.

Figure 3. Example of a company's portfolio of wood or paper-based products



The supply chain associated with each product varies depending on the product, the location of the purchaser in the supply chain, and the context of the procurement. This figure shows an example of how a company may engage in a number of different supply chains, each with its own challenges and opportunities.

Requesting documentation from suppliers is a common method of tracing the origin of raw materials. A supply chain can be regarded as a chain of legally binding contractual relationships; purchasers can trace the supply chain through contracts, and require that their suppliers commit to providing raw materials that were harvested in compliance with the law, or meet other customer specifications.² In places where the law – both background law and contract law – is strong and properly enforced, sales contracts can be a good compliance mechanism.

In addition to sales contracts, other documents for tracing the origin of raw materials include:

- Licensing permit(s) from the relevant authorities giving permission to harvest
- Certificate of a sustainable forest management standard
- Certificate of origin
- Chain-of-custody (CoC) certificate
- Certificate of legality
- Harvesting/management plans
- Phytosanitary certificates – issued by state/local authorities regarding the plant health requirements for the import of non-processed products
- Bill of lading – a receipt for cargo and contract of transportation between a shipper and a carrier that describes the goods being transported and is issued when the shipment is received in good order.
- Export documents
- Transportation certificates

² In some cases competition laws may limit the amount of information that customer and supplier may exchange. In the US, for instance, a pulp mill owned by a company may buy chips from sawmills owned by one or more companies. All these companies may compete against each other to buy logs from landowners, and the information about their respective suppliers may be highly proprietary business information; sharing this information directly or through a common customer may be improper and perceived as anti-competitive.

All of these documents should carry appropriate stamps and seals from the relevant governmental agencies. However, false documentation can be common in certain countries and additional systems to trace the raw materials back to – within the limits of feasibility – their origins (Question 1) may be needed in some cases. Working with those directly involved in the supply chain will help develop a better understanding of the challenges, costs and other impacts associated with implementing additional tracking systems. Forest managers, forest

owners, government agencies and certification bodies active in the area can provide useful information.

A high degree of vertical integration makes traceability simpler. However, in some countries such as in the United States, companies are becoming less integrated, selling off their forest lands and thereby externalizing traceability.



Factors to consider regarding traceability

- Purchase contracts can be useful to trace the origin of the wood. They can also be used as safeguards to require that raw materials be harvested and products be manufactured in compliance with the law, where laws are properly enforced.
- Tracing wood through the supply chain back to the regions of origin is becoming common in many parts of the world, and new technologies are emerging to aid this practice. Forest certification schemes are often able to track certified and recycled content as well as uncertified content in the product line. For the uncertified content certification schemes are increasingly placing requirements and safeguards to avoid supply from unwanted/controversial sources.
- Different levels of detail may be needed depending on the risk of encountering unacceptable practices. More information and verification is typically needed for high-risk areas than for low-risk areas (Box 2). In areas where illegal activity may be occurring, for instance, detailed information on the specific location of harvesting may be needed while for other areas knowing the general origin of the wood may suffice.
- Chain-of-custody systems have been established by different stakeholders to document the wood flow between various steps of the supply chain. Most forest certification schemes include a chain-of-custody standard that reaches from the forests up to certain processes in manufacturing. Not all chain-of-custody systems cover 100% of the certified product, and all systems allow mixing of certified and non-certified materials. In some cases it may be pragmatic for the end user to ensure that its suppliers maintain proper records and make them available upon request, subject to appropriate confidentiality agreements.

SELECTED RESOURCES: TRACEABILITY

Procurement requirements

Danish Government Procurement Policy for Tropical Forests (under review)	Draft criteria include requirements to track products throughout the supply chain and verification through the certification process.
German Government Procurement Policy	Accepts FSC and PEFC certificates although the systems can be excluded if the complete traceability of the product cannot be guaranteed.
Japanese Government Procurement Policy	Requires that relevant documentation and evidence (e.g., invoices, contract sales, logging notification, etc.) be preserved during definite terms.
CEPI Legal Logging Code of Conduct	Members commit to set up and use reliable verification/tracking systems and use third-party certification chain-of-custody to document the wood flow.
Timber Trade Federation Responsible Purchasing Policy	Provides assistance to members to evaluate the supply chain of their products, the levels of risk of their suppliers and country of origin for their products.
FSC Controlled-Wood Standard	Includes specifications to ensure the tracking of wood to the country and district level.
PEFC Guide for Avoidance of Controversial Timber	Provides specifications to ensure traceability in chain-of-custody standard.
LEED	Promotes the use of locally manufactured materials.
Green Globes	Promotes the use of locally manufactured materials.
SFI Procurement Objective	In the US and Canada, requires an auditable system to characterize the lands from where raw materials are procured and improve rates of compliance with best management practices. For sources outside North America, it requires participants to assess and address risk of acquiring materials from unwanted sources.

Resources to assess requirements

CPET	Provides advice to evaluate supply chains, including contractual requirements. CPET's framework to assess compatibility of forest certification systems with UK government procurement policy covers chain-of-custody standards.
Paper Profile	Provides information on how the origin of wood fiber is documented and whether the mill receives wood from certified forests.
FCAG	Includes considerations about explicit performance requirements including chain-of-custody. FCAG assesses certification systems' provisions for the control of chain-of-custody from the forest of origin to the final product.
GFTN	Provides guidance on gathering information and assessing supplier data regarding the origin of wood products. Provides sample questionnaires and advice on setting up supplier databases (White and Sarshar, 2006).
Good Wood. Good Business guide	Provides advice for companies to identify the sources of their wood (e.g., sending questionnaires, interviewing suppliers, etc). Provides an overview of options for wood tracking, chains-of-custody, and potential issues.
EPAT®	Rates percentage of new fiber input that can be traced back to its origin to the forest management unit. Upcoming EPAT® upgrade allows members to compare and assess different supplies along the supply chain.
WWF Tissue Scoring	Rates the implementation of transparent process(es) for the systematic tracking of materials in order to compile evidence to ensure that the origin of commodities traded and/or processed is known.
WWF Paper Scorecard	Rates percentage of fiber from certified sources.
WWF Guide to buying paper	Promotes the use of Environmental Management Systems (EMS) and third-party verification; showcases a company tracking supply chain.

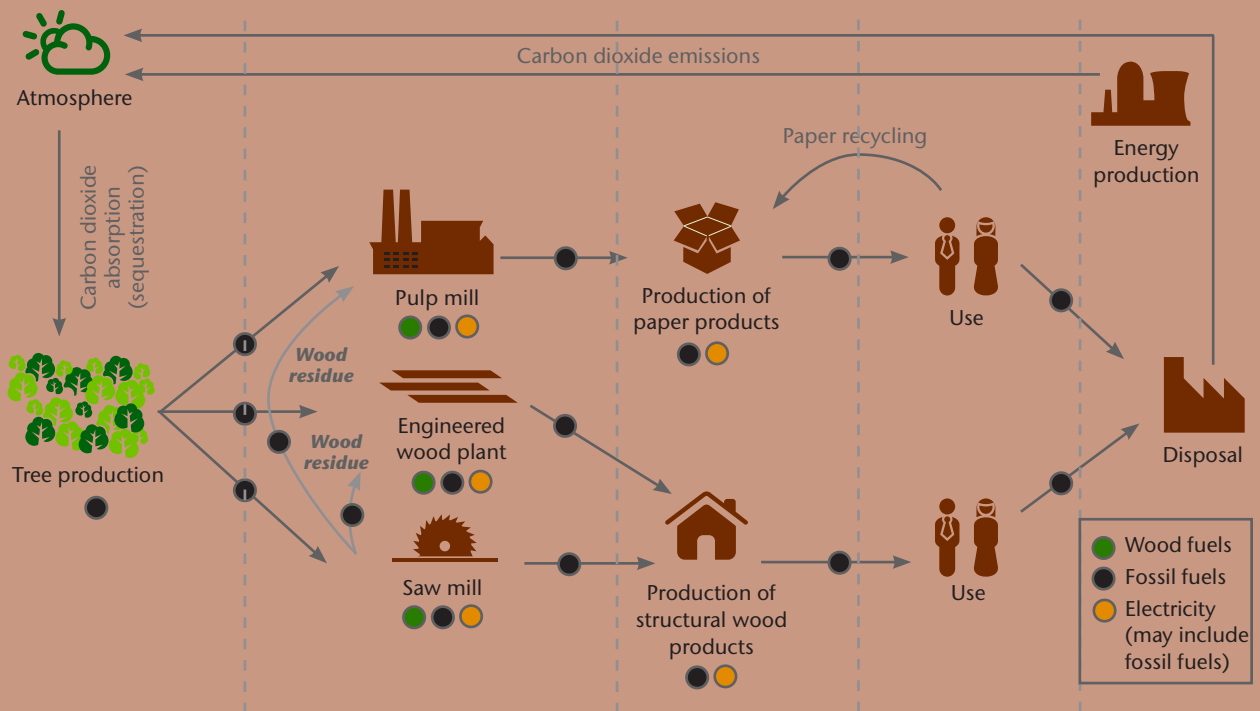
Box 1. The wood supply chain

There is no single standard supply chain for wood and paper-based products and all supply chains are different. There are, however, common elements that can be useful to clarify the connections among various manufacturing points, the product flows, and the environmental and social issues associated (figure below).

Solid wood, engineered wood, and paper-based products are manufactured using different technologies, but they may all come from the same forest or even the same tree. Some forest-based industries often use all parts of the tree for different products in a system of integrated processing facilities. In other instances, only the most valuable portions of the best trees are used. Raw tropical hardwoods are often produced under these circumstances.

There is great variability in supply chains depending on the country, region, or local circumstances. In the most complicated cases, a sawmill, pulp mill and engineered wood plant are fed by a network of product flows and business relationships. Mills frequently incorporate wood from various sources involving a large number of actors. For instance, a pulp mill in the Eastern United States that produces 860,000 tons (Mt) of paperboard per year uses 2,720,000 tons of wood chips. The mill procures these chips directly from 60-70 landowners, some 600 suppliers, 120 sawmills and 10 shipping operations (MeadWestvaco estimates for 2006). Tracking these wood flows can be challenging, but it is possible to do it to a degree that is satisfactory for sustainable procurement (e.g., district level; see traceability discussion).

Generic supply chain and related environmental and social issues



Environmental and social issues throughout the supply system

Primary Sector	Secondary Sector	Tertiary Sector	Use	Disposal
<ul style="list-style-type: none"> SFM; special places, conversion Climate effects Harvesting in traditional and community lands without proper permission Logging in sites important for traditional & local populations Worker's health & safety Fair wages 	<ul style="list-style-type: none"> Efficiency Pollution Climate effects Source reduction Worker's health & safety Fair wages 	<ul style="list-style-type: none"> Efficiency Pollution Climate effects Recycling Worker's health & safety Fair wages 	<ul style="list-style-type: none"> Recycling Climate effects Efficiency Source reduction 	<ul style="list-style-type: none"> Efficiency Pollution Climate effects Recycling Worker's health & safety Fair wages

Dots representing energy inputs do not quantify amounts of energy used in processing or transportation.

Box 2. Areas of high and low risk of encountering unacceptable practices

Areas with higher risk of encountering unacceptable practices require more due diligence and more detailed information than areas with lower risk.

High-risk source areas may include:

- Areas that have unique ecological and socio-cultural features (special places) (addressed in Question 5, protected areas).
- Areas of political and social conflict.
- Areas where avoidance and violations of workers and/or indigenous rights are known to be high.
- Areas where the incidence of forestry-related illegal activity is known to be high.

Low-risk source areas may include:

- Sites that have been independently certified to appropriate credible standards. Not all certification labels are perceived by all stakeholders to offer the same level of protection against the risk of sourcing from controversial and unwanted sources.
- Sites where there are no ownership disputes or clear processes to resolve them fairly, and where illegal activity in the forestry sector does not typically occur.
- Areas known to have low corruption and where law enforcement exists.

