



WWF®

REPORT

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Climate change Conservation Sustainability

What wood you choose?

Tracking forest products on sale in the
UK back to their forest source



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Acknowledgements

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Executive summary

Illegal and unsustainable logging is a key driver of forest destruction and contributes up to one fifth of global carbon dioxide emissions¹. It also has a devastating impact on biodiversity and on the lives and livelihoods of forest-dependent people.

WWF campaigning helped lead to a new European Union (EU) Regulation in November 2010, banning illegal timber and certain wood products from being placed on the EU market. This will come into force in March 2013 and is one of a number of measures the EU is putting in place to tackle illegal and unsustainable trade in timber and wood products.

In 2010 Chatham House calculated that around 2.6% of the total import volume of timber and wood products into the UK were illegal. This equates to around 1.5 million cubic metres (RWE) of timber². The illegal timber trade continues to damage forests, communities and wildlife in forests around the world.

Between August and December 2010, WWF-UK commissioned Earthsight Investigations to work alongside us to carry out a timber tracking study of a range of products on sale in the UK. The purpose of the study was to track timber products back down the supply chain to the forest/concession where the original tree was felled. Using a combination of formal requests, discussions with timber growers, traders and retailers, phone calls and visits to saw mills in Indonesia and Malaysia, the study attempted to track timber products on sale in the UK back to the forests they came from.

The research highlighted how difficult it is to track uncertified timber products back to their source. The key finding of the study is just how little companies know about their supply chains. The research also highlights the potential pitfalls these companies face in being able to prove the environmental credentials of their products and/or suppliers. It raises serious questions about how prepared UK retailers are for the new EU Illegal Timber Regulation.

Other key findings were as follows:

- There is a need for greater consumer awareness. There is clear evidence that customers can and are being misled about the sustainability of timber and wood products because retailers are providing them with incorrect or unclear information on the products' source. By taking claims at face value, customers could be buying high-risk timber and contributing to negative environmental and social impacts in the tropics. Products need to be accurately labelled and consumers who want to buy responsibly sourced products need to be vigilant and look for the Forest Stewardship Council (FSC) logo on the specific products they buy.

¹ e.g. Stern, N. 2007. *The economics of climate change: the Stern review*. Cambridge University Press, UK

² Lawson, S and MacFaul, L. July 2010. *Illegal Logging and Related Trade Indicators of the Global Response*. Chatham House, London, UK. Available from <http://www.chathamhouse.org.uk/publications/papers/view/-/id/911/> [Accessed 03 February 2011]

- Some retailers are not challenging their supply chain enough. They need to work with their suppliers to find and clean up the high risk elements of their supply chain. This will become ever more urgent over the next two years as we count down to the illegal timber Regulation coming into force.
- There is a misrepresentation of the FSC and what certification means. There is evidence that FSC Chain of Custody certification is being misrepresented and misunderstood by companies. We found companies were falsely claiming or implying to customers/clients that because a company has FSC Chain of Custody, all the wood they sell is low risk. In some cases, company staff themselves appeared to genuinely believe this to be the case. In fact, unless the timber or wood product itself is FSC certified, a company having FSC Chain of Custody bears no relevance to the likelihood of the wood it sells being legal and sustainable. Such misleading claims undermine the significant investments made by more responsible companies to procure FSC certified timber and wood products and can put them at an economic disadvantage.
- Transparency is lacking. Companies were extremely reluctant to share information on their supply chains and the origin of their products with both investigators posing as buyers and WWF. Given the complexity of supply chains, it is likely that in most cases this was down to companies simply not knowing the ultimate origin of the timber. In some cases it can be explained by companies wanting to avoid being 'caught out' using unsustainable or illegally sourced wood. Another reason was commercial confidentiality – buyers spend a lot of resources finding suppliers and vice versa. Neither wants to risk giving an advantage to a competitor. Companies in middle-man/trader positions in long supply chains may also be concerned about being bypassed.
- Companies are unwilling to pay. Companies are not prepared to pay or pass on the costs of sustainable forest management, but are increasingly expecting forest growers to be certified. An outcome of the illegal timber trade is that consumers are used to paying what are effectively subsidised prices for timber. Timber grown without due regard to social, economic and environmental viability costs less and has been around for so long that consumers aren't used to paying the real costs of growing and harvesting trees. The challenge is whether companies will pass on any increased revenue to the point in the supply chain where the additional costs are actually incurred.
- Companies are still selling cheaper non-FSC products. For some wood products, companies are offering both FSC and non FSC alternatives, but in reality they appear to be selling almost all non FSC because it is cheaper. Companies are under pressure to offer cheaper goods for their customer range and switching the market to responsibly-sourced goods is a challenge when price competition is high. Some companies are willing to sell FSC products but are under pressure to continue offering cheaper goods for their customer range because of price competition. But if they sell both FSC and non-FSC versions of similar products, consumers will always be tempted by the cheaper price.
- Stockpiling /old stock. There is some evidence that companies have supplies of old stock which won't meet the requirements of the Illegal Timber Regulation. There's a two year window for companies to dispose of this stock. There's also a risk that some companies will or have stockpiled illegal or unsustainable timber or wood products. Such companies

will be looking to dispose of these products in the next two years or even import more illegal stock for sale before the law comes into effect.

Conclusions and recommendations

- Consumers who want to buy responsibly sourced products need to look for the FSC logo on a specific product. This is the best guarantee that it has been sourced from forests managed to the highest environmental and social standards.
- Customers should be cautious about claims made about the sustainability of non-certified products and be vigilant – just because a company is licensed to handle FSC wood (known as being FSC Chain of Custody certified), this does not mean that all or even any of the wood products they sell are made from FSC wood. What matters is that the product itself is made from FSC wood. Ensure that the labels for the wood product, and the invoice or receipt, specifically state that it is FSC certified.
- Companies need to make sure they understand what FSC Chain of Custody certification means and communicate this clearly. If companies are genuinely committed to acting responsibly, it is not enough just to get Chain of Custody certification and promote this. An FSC Chain of Custody allows a company to use the FSC logo on its FSC certified goods, if it trades in them. Having FSC Chain of Custody in itself, without any FSC certified products, is meaningless in terms of green credentials. Training on Chain of Custody is not expensive and available from FSC-UK.
- If companies want to do the right thing, they must have FSC Chain of Custody *and* make sure as much of their stock as possible is FSC certified. Offering non-certified products of uncertain origin, which are identical to and cheaper than FSC certified products, is not acceptable.
- Those placing high risk timber and/or wood product on the European market must challenge their suppliers to know which concession the product comes from. The final language of the new Illegal Timber Regulation states that information on country of harvest is always required and “where applicable”, the specific concession. It is expected that it will cover all cases where the source country is “high risk” to ensure that the concession can be identified in every case where it’s needed.
- Legal does not always mean sustainable. It is critical that key consuming countries continue to push for certified products once the Regulation banning illegal timber and wood products comes into force.
- The FSC themselves need to monitor and crack down on the misrepresentation and misuse of FSC and Chain of Custody certification. From March 2011, the remit of the UK’s Advertising Standards Authority (ASA) will be extended to deliver more comprehensive consumer protection against misleading advertising.

- For the Illegal Timber Regulation, the implementing regulations governing due diligence procedures and monitoring need to counter any potential stockpiling of high risk products before the law comes into force. Companies will also need to manage their stock carefully in the run-up to the new legislation.
- A large number of wood products enter the UK via importers and suppliers based in Europe. These major importers will play a key role in tackling the inflow of illegal timber onto the European market. It is therefore important that the new Illegal Timber Regulation is enforced consistently across all member states to eliminate imports of illegal wood and ensure a “level playing field” for companies from different EU countries.

1. Introduction

1.1 CONTEXT

In November 2010, after more than seven years of negotiation, the European Union published "Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 Laying Down the Obligations of Operators who Place Timber and Timber Products on the Market." This banned the placing of illegal timber and certain, listed wood products on the EU market and put an obligation of due diligence on the operators who import them.

In a study commissioned by WWF-UK in 2007, which was based on import source analysis, it was found that around 7%³ or 3.2 million cubic metres, of the total imports of timber and wood products into the UK were illegal. This analysis covered illegal wood imported from 17 different countries. It was estimated that the UK spent more than £712 million each year – i.e. £11.76 per person.

It was judged at the time that this might not even have been the full extent of the problem. Given that the UK imports timber and wood products from more than 60 countries, the actual proportion of illegal wood could stand at 10-12%⁴. A 2010 study put the figure at 2.6%, equating to around 1.5 million cubic metres (RWE) of timber⁵. This study was done by the international affairs think tank Chatham House, and based on a wood balance analysis.

Irrespective of the figures, the 2010 *Illegal Logging and Related Trade* report from Chatham House highlighted that illegal logging remains a major problem. Worldwide, more than 100 million cubic metres of timber are still being cut illegally each year, leading to the degradation and possible eventual destruction of five million hectares of forest. The illegal logs cut each year, laid end to end, would stretch ten times around the Earth⁶.

Illegal and unsustainable logging is a driver of forest destruction and degradation and contributes up to one fifth of global carbon dioxide emissions⁷. It has a devastating impact on the livelihoods of forest-dependent people and fosters corruption and conflict. It also takes vital revenue away from some of the world's poorest economies – money that could otherwise be spent on social service infrastructure, community welfare and future sustainable forest management. It devastates biodiversity too, as well as degrading water-shed and ecosystem functions which support communities and maintain regional and global climate systems.

European consumers have limited awareness of these issues and can feel disempowered about their ability to take action to help reduce global deforestation. WWF launched the *What Wood You Choose?* campaign in July 2010 to address this issue. The campaign is funded under the

³ WWF. 2007. *Illegal Logging: Cut it Out!. The UK's role in the trade in illegal timber and wood products*. WWF, Godalming, UK.

⁴ Ibid.

⁵ Lawson, S and MacFaul, L. July 2010. *Illegal Logging and Related Trade Indicators of the Global Response*. Chatham House, London, UK. Available from <http://www.chathamhouse.org.uk/publications/papers/view/-/id/911/> [Accessed 03 February 2011]

⁶ WWF. 2007. *Illegal Logging Cut it Out. The UK's role in the trade in illegal timber and wood products*. WWF, Godalming, UK

⁷ e.g. Stern, N. 2007. *The economics of climate change: the Stern review*. Cambridge University Press, UK

EC's *Non-State Actors and Local Authorities on Raising Public Awareness and Education for Development in Europe* programme. The campaign aims to raise awareness of the economic, social and environmental consequences of purchasing illegal and unsustainable timber and wood products. Through this campaign, WWF seeks to empower UK consumers, the corporate sector, local authorities and policy makers to take positive action by changing their consumption patterns and market behaviour in favour of timber and wood products from sustainable/well managed sources.

To support the *What Wood You Choose?* campaign, WWF-UK commissioned Earthsight Investigations to work alongside us from August to December 2010 to carry out a timber tracking study of a range of products on sale in the UK. The purpose of this study was to track timber products in the UK back down the supply chain to the forest/concession where the original tree was felled. The geographic focus was on the priority regions for the *What Wood You Choose* campaign – the Congo Basin, Indonesia and Malaysia.

Using a combination of formal requests, discussions with timber growers, traders and retailers, and visits to saw mills in Indonesia and Malaysia, the study attempted to track timber products on sale in the UK back to the forests they came from.

1.2 SELECTING THE PRODUCTS TO TRACK

An initial scoping exercise helped identify the following products as having good potential for the study:

- Flooring from tropical hardwoods from Central Africa or Indonesia – for example, Doussie (*Azelia spp.*) or Merbau (*Intsia spp.*)
- Decking made from Indonesian hardwood – for example, Bangkirai (*Shorea spp.*)
- Kitchen worktops made from tropical hardwoods from Central Africa – for example, Wenge (*Millettia laurentii*) or Iroko (*Milicia excelsa* or *Milicia regia*)
- Doors/door sills made from Indonesian hardwood – for example, Meranti (*Shorea spp.*)

The study set out to track FSC certified, verified legal and unknown/high risk items for each product type so comparisons of their forest source could be made. It was recognised that tracking unknown/high risk products along their supply chains would present a number of challenges.

Flooring does not feature in this final report because it was not possible to get enough information from companies on the supply chains of flooring products. Although one potentially high risk uncertified Merbau flooring product was found on sale in the UK, the company

supplying the product did not reply to WWF's requests for information and it was not possible to track this back through the supply chain. Other suppliers of Merbau flooring told WWF that they had decided to discontinue the product (Parador, Panaget) or had stopped buying this wood until FSC Merbau was available (Tarkett).

During the initial phase of the study, a number of interesting leads on tropical plywood were identified from the research into door products. Plywood was therefore added to the list of products investigated.

The tropical hardwood products featured in this report are:

- Hardwood doors – Meranti (*Shorea spp.*)
- Kitchen worktops – Wenge (*Millettia laurentii*), or Iroko (*Milicia spp.*)
- Decking – Bangkirai (*Shorea spp.*)
- Plywood – Mixed sources

1.3 METHODOLOGY

Tracking timber/wood products from their retailer back through the supply chain to the forests they came from was the main focus of the research. Where Earthsight found significant leads and it was necessary and appropriate, they worked the other way around, starting their investigation in the source country to join up the supply chain.

Working backwards from the UK

Earthsight researched retailers supplying the target products via the internet, visits to shops, and informal contact by phone/email (i.e., posing as an interested customer thinking about buying). In some cases involving brand-name goods, this research led them to identify the supplier one step back in the supply chain. They then sought information from this company too.

Once Earthsight identified products, retailers and supply chains, to the extent possible using the above means, formal letters were sent to suppliers from WWF-UK asking for full information on the source company, source country, and source forest of the product. In the letters we assured companies that we understood the importance of commercial confidentiality and would not publish any names of suppliers they provided to us.

We tracked products from a diverse range of UK retailers to adequately represent where consumers may get these types of goods.

Working forwards from source countries

Our research identified timber companies in source countries which supply the chosen products and export globally. Investigators from a “cover company” posed as potential buyers to establish whether these companies were exporting the product concerned to the UK. If they were, the investigators tried to identify UK clients by saying that they would like to contact them for references.

Where a link was made between a non-verified or certified product and a source company of interest, we sought further information on UK clients from that company again using the cover company. We made initial contact remotely and arranged field visits and face-to-face meetings where possible.

Field visits to manufacturers in source countries

In order to get further confirmation of supply chains and explore the forest origin of timber used, investigators carried out field visits to a number of manufacturers in Malaysia and Indonesia during December 2010. They were looking to find out the origin of timber used based on observing log yards, discussions with company staff and inspection of official documents.

2. Hardwood doors case study



Leeds Plywood & Doors “adorable hardwood” external doors

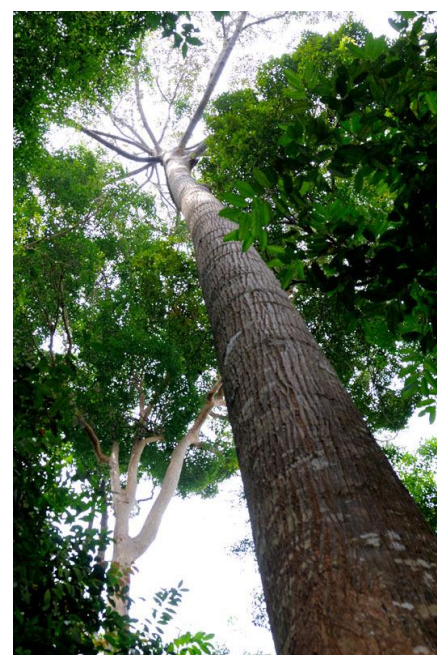
We investigated Leeds Plywood & Doors’ (LPD) “adorable hardwood” external doors, which are stocked by independent outlets in the UK. Research established that these doors are made from Red Meranti – a tropical hardwood from south-east Asia.

LPD have been by far the most co-operative company to engage with the study. The information they have shared with WWF has enabled us to use this case study to highlight some of the key issues facing other companies in their situation.

2.1 WHAT IS “ADORABLE HARDWOOD”?

Red Meranti comes from a number of different tree species in the *Shorea* genus, which grows across south-east Asia. The various species of *Shorea* grow to around 45m with a diameter of 1.2m. They have long, cylindrical trunks above small buttresses.

Of the 32 *Shorea* tree species which supply red Meranti, nearly all of them are considered threatened on the International Union for Conservation of Nature’s (IUCN) Red List of endangered species. This is down to intensive logging. A 2008 report by Friends of the Earth International⁸ stated that at the then logging rate, all of the Meranti in Indonesia’s lowland forest could be depleted within ten years. In 2008, the supply of legal red Meranti was estimated to be only a quarter of the amount required by manufacturing industries and sawmills in Indonesia⁹. This resulting gap between the supply and demand for red Meranti stimulates illegal logging in Indonesia.



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Fig 1. Shorea tree from Borneo – a source of Red Meranti



Many other forest products are derived from Meranti, including oils, resins known as “dammar” in the manufacture of varnishes, and fruits that can be used as a substitute for cocoa butter and in cosmetics, soaps and candles¹⁰.

⁸ Milieudefensie, Friends of the Earth International. 2008. *Building on forest destruction Timber use in EU-financed building projects*. Friends of the Earth International, Amsterdam, Netherlands. Available from http://www.foeeurope.org/activities/forests/Building_on_forest_destruction_Mar08_EN.pdf [Accessed 03 February 2011]

⁹ Ibid

¹⁰ The Columbia Encyclopaedia, Sixth Edition. 2008. Encyclopedia.com. [Accessed 28 January 28 2011]

Meranti is harvested from natural forests. It can either be sourced from long-term forest concessions or from land clearance (for oil palm, for example).

2.2 THE MARKET FOR RED MERANTI

Red Meranti is a light to medium weight wood. It's almost as strong as oak¹¹. It's widely used for joinery, panelling, doors, window frames and furniture – notably for veneers.

The UK has extensively imported Meranti from Indonesia and Malaysia. Although Red Meranti imports have declined since 2007, the UK is still importing around 20,000 cubic metres a year¹². Approximately 10% of this Meranti comes from Indonesia, with the remainder from Peninsular Malaysia.

2.3 HOW ARE THESE DOORS BEING SOLD?



Fig 2. “adorable hardwood” doors made from Meranti

LPD is one of a number of companies supplying uncertified Meranti hardwood doors in the UK. The doors are available direct from LPD or via other outlets such as Emerald Doors.

Earthsight investigators posing as interested buyers asked LPD staff about their range of “adorable hardwood” doors and were told that they’re made with a Meranti face and a plantation wood core. Initially the staff said they believed the doors were made from FSC certified timber, but because LPD are not FSC Chain of Custody certified, they could not sell them as FSC. However, upon further questioning staff later retracted this and said they were not sure whether the doors were certified.

In response to a request for information on the products sent by WWF, LPD replied identifying the Indonesian manufacturer of the doors¹³. Although this supplier was FSC Chain of Custody certified, it was not clear whether the specific door products in question were actually made from certified wood.

2.4 IN DETAIL: TRACKING THE TIMBER BACK TO SOURCE

Earthsight visited the Indonesian manufacturer of these doors. They found that that the company is a major supplier to LPD of a large range of doors, including Meranti engineered

¹¹ TRADA. 2011. *Technical Information>Timber Species Database > Meranti, light red*. [online]. Available from <http://www.trada.co.uk/techinfo/> [accessed 31 January 2011]

¹² Volumes based on dark Red Meranti, light Red Meranti and Meranti Bakau sawnwood – HS codes 440725**

¹³ For commercial confidentiality reasons, WWF-UK agreed not to reveal the name of the supplier.

doors. None of the timber used for these doors was certified or legally verified by a third party. Both the faces and the cores of the doors are made from Meranti.

The field visit found that LPD's supplier buys their Meranti as both logs and sawn timber from various timber traders in Java. Staff provided copies of official purchasing records and transport documents showing the logs and sawn timber arriving at the factory from suppliers in Java¹⁴. The documents showed that the company purchased logs from at least nine different log traders and sawn timber from another 11 traders in the last 2-3 years. Only one of these 20 companies – PT Kayu Lapis Indonesia – is known to have a licence to harvest. The rest are timber traders who get the wood from third parties. Staff at LPD's supplier confirmed that they are uncertain of the forest origin of the timber used because of this purchasing pattern. They believe the log traders would be unlikely to tell them even if they asked. This is because the traders would worry that they would get bypassed or the information could be used by their competitors. Staff estimated that LPD's supplier is currently using 800m³ of Meranti per month.

EarthSight investigators saw copies of recent purchasing records for this company. These showed that on the occasions for which copies of records were available, the timber arrived at the mill with the correct legal paperwork, signed by the appropriate forestry officials¹⁵. The legal timber transport documents are issued to the supplier company if it can in turn show that it got the timber legally itself. As such, this paperwork should ensure only legal logs are being used.

However, the reality can be different. Firstly, there have been numerous allegations in the past of illegal wood being "laundered" to get legal transport documents¹⁶. Secondly, even if the system was not circumvented in this way, the legality at source theoretically guaranteed by this government system is restricted. The system only shows the timber came from a licensed concession. It can't guarantee that the concessionaire didn't cut the timber illegally within or outside their concession.

Of the 20 companies known to have supplied timber to LPD's supplier in the last 2-3 years, only PT Kayu Lapis Indonesia (PT KLI) appears to have its own logging concessions. The others are likely to be buying from unidentified third parties. PT KLI has previously been the target of a number of NGO allegations of illegal logging and community exploitation. Most recently, investigations in 2009 by Environmental Investigation Agency and Telapak documented evidence of apparent illegal logging and the exploitation of local "Mooi" tribal communities in Papua by the oil-palm plantation companies within the KLI group involved in clearing forest¹⁷.

2.5 INTERPRETATION

The research established that LPD's "adorable hardwood" doors – made from Meranti – are supplied by an Indonesian company which uses largely untraceable timber from third party log

¹⁴ FAK-B and FAK-O transport documents.

¹⁵ RPBBi purchasing records.

¹⁶ Personal communications with NGO staff and consultants based in Indonesia.

¹⁷ Environmental Investigation Agency, Telapak. 2009. *Up For Grabs: Deforestation and Exploitation*

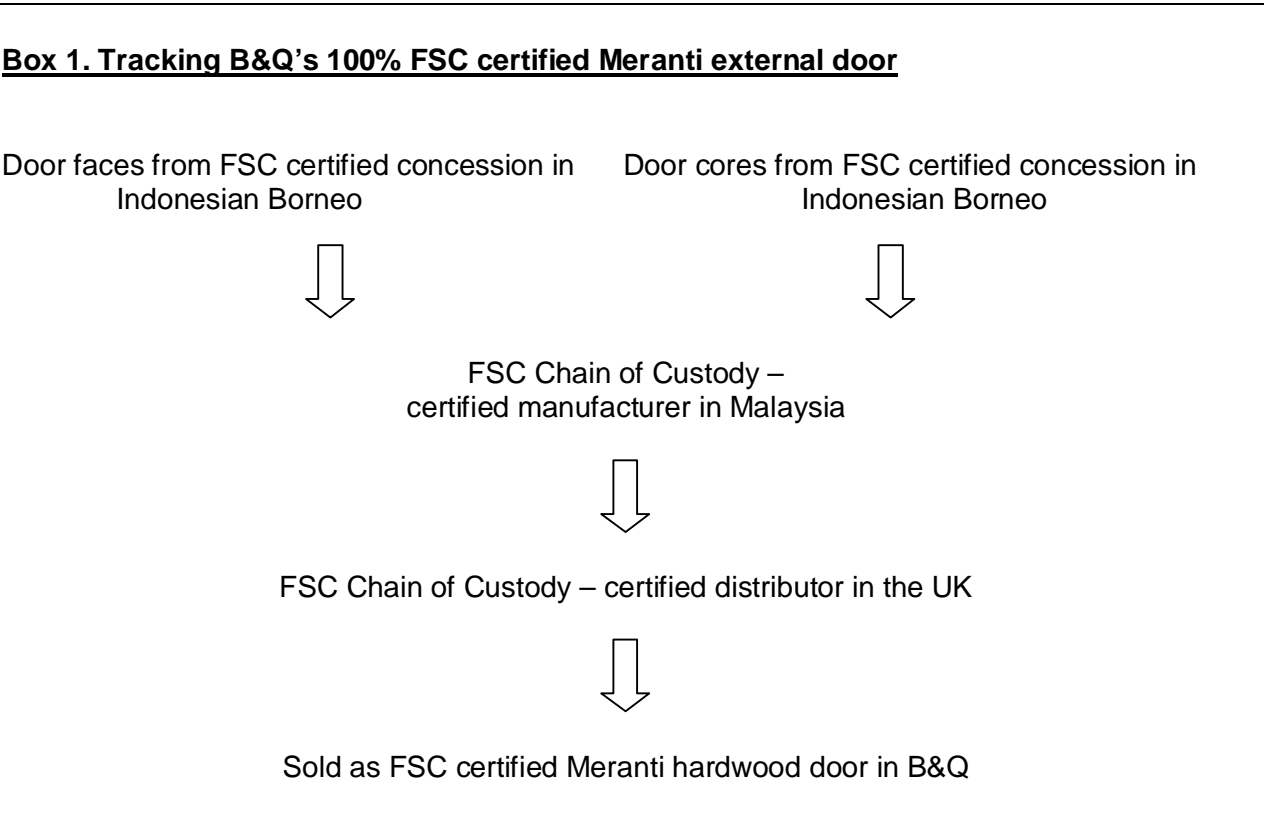
in Papua's Plantations Boom. Available at <http://www.eia-international.org/files/news566-1.pdf> [Accessed 03 February 2011]

and sawn timber traders. The supplier admitted to investigators that it does not know the concession origin of the timber.

For LPD, this case study shows the classic pitfalls of not knowing enough about a product's supply chain. The information gathered in our research suggests that they did not thoroughly check the origin of the timber used in these doors, and then felt pressured into making claims about the wood being certified when asked by an interested buyer, misleading customers. This undermines the efforts of more responsible companies who have made large investments to deliver responsible forest management, implement measures to clean up their supply chains, and inform the public about the choices they've made.

LPD are far from the only UK company in this situation, and staff at LPD were very helpful in providing information to WWF-UK and engaging in this research. We also found that one of the largest distributors of doors in the UK, Jeldwen – whose products are stocked in many major retail chains – were also supplying doors made with uncertified Indonesian timber which had not been independently verified for legality. Jeldwen did not reply to WWF's formal request for information.

This case study highlights the challenges facing companies ahead of the new Illegal Timber Regulation coming into force in 2013. Companies need to invest resources into tracing their products back to forest source. Those without significant leverage in the supply chain may find it difficult to get the information they need from their suppliers. Some smaller companies may be unfamiliar with the legal paperwork at source which shows the legality of timber. Over the next two years, it is important that the UK government supports smaller companies to ensure they are compliant with new European legislation.



For the consumer, this case study shows that the origin of uncertified hardwood doors on sale in the UK is not always clear. By looking for the FSC logo on a hardwood door product, a customer

can be confident that the timber used has come from a forest managed in an environmentally and socially responsible way.

You can buy FSC certified Meranti hardwood doors from a number of well known high street retailers. For example, B&Q sell 100% FSC certified Meranti external doors (see Box 1).

During the field visit, staff from the company supplying LPD claimed to investigators that they had offered to manufacture LPD's external hardwood doors using FSC certified material, but LPD had rejected this. This was because using FSC certified Meranti from an FSC certified Indonesian concessionaire, would increase the price of the finished door by 23%. LPD were unwilling to pay the premium. The company also offered to make the doors using plantation-grown FSC certified eucalyptus, which would not have required a premium. LPD rejected this because they didn't like the pattern of the grain on the door fronts.

2.6 RESPONSE FROM LPD

An employee for LPD expressed concern that a member of staff would suggest to a potential customer that any of their products were FSC certified, because they do not have FSC Chain of Custody certification. The company told us that they are currently pursuing Chain of Custody certification, and that this will include staff training on environmental systems.

LPD told us that they regularly visit their suppliers and ask about timber sources to ensure their sources are legal. This suggests that while their intentions are well-founded, they may not be asking the right questions of their suppliers.

While the company does not currently buy FSC certified doors from Indonesia, it has previously given preference to suppliers which have FSC Chain of Custody certification. They concede that in the past, they may have taken this as a guarantee of good practice, whereas a more in depth approach was needed. An FSC Chain of Custody certification only shows that a company has the right to handle a specific product or products made from FSC wood and should not be taken as proof of legality, or responsible forest management for non-FSC timber being supplied by a company. Many companies with FSC Chain of Custody certification do not handle any FSC certified wood at all¹⁸.

A review of LPD's environmental systems is currently underway. They plan to put systems in place to allow them to produce reports on demand, giving details of timber source, volume and species. Regular monitoring will include quarterly written returns as well as monitoring visits to all suppliers.

¹⁸ Lawson, S and MacFaul, L. July 2010. *Illegal Logging and Related Trade Indicators of the Global Response*. Chatham House, London, UK. Available from <http://www.chathamhouse.org.uk/publications/papers/view/-/id/911/> [Accessed 03 February 2011]

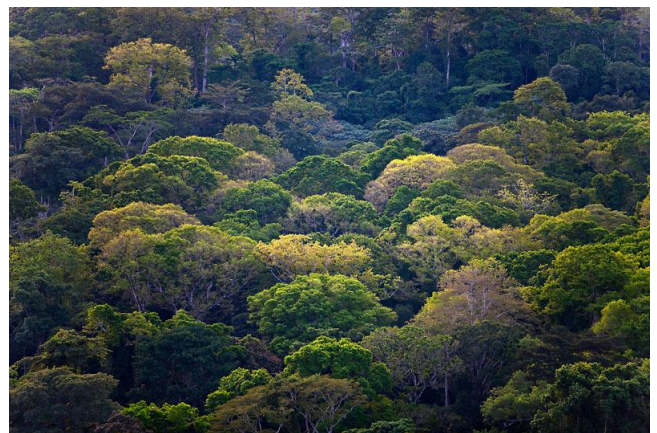
3. Kitchen worktops case study

“Barncrest” Iroko kitchen worktops

The kitchen worktop research looked at worktops made from two African tropical timber species – Iroko (*Milicia excelsa*) and Wenge (*Millettia laurentii*). Both Wenge and Iroko have been heavily exploited for timber across their ranges.

3.1 THE TREES THAT PRODUCE IROKO AND WENGE

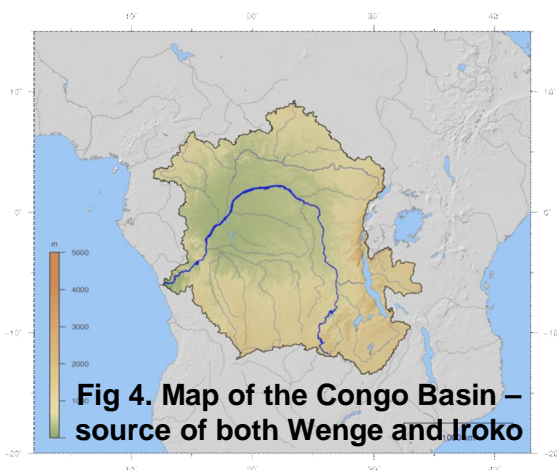
Millettia laurentii, the tree that produces Wenge timber, is listed as endangered on the IUCN Red List. It is found in the swampy forests in Cameroon, Congo, The Democratic Republic of the Congo (DRC), Equatorial Guinea and Gabon, all in the Congo Basin¹⁹. It is a medium-sized tree which produces an abundance of rose-pink flowers during its flowering season²⁰.



© Brent Stirton / Getty Images / WWF-UK

Fig 3. Congo Basin forests – home to the tree that produces Iroko

Also known as “African Teak”, Iroko comes from the trees *Milicia excelsa* and *Milicia regia*. These species are classified as “near threatened” and “vulnerable” respectively on the Red List and have protected status in a number of the countries where they grow. The trees are found across tropical Africa, from Sierra Leone in the west to Tanzania in the east.



The Iroko tree can grow to a very large size, reaching 45m or more in height and up to 2.7m in diameter. The tree produces an abundance of fruit. It appears to have a close symbiotic relationship with fruit bats, which are largely responsible for the dispersal and germination of its seeds²¹.

¹⁹ Map created by <http://en.wikipedia.org/wiki/User:Imagico> and is licensed under the Creative Commons Attribution-Share Alike 2.5 Generic license.

²⁰ Allen, EK. 1981. *The Leguminosae, a source book of characteristics, uses, and nodulation*. University of Wisconsin Press, Wisconsin.

²¹ Taylor, DAR et al. The role of the fruit bat, *Eidolon helvum*, in seed dispersal, survival, and germination in *Milicia excelsa*, a threatened West African hardwood. Forestry Research Institute of Ghana. Available from <http://www.for.nau.edu/cms/content/view/521/715>

3.2 IROKO AND WENGE TIMBER

Iroko is a very strong, durable timber, similar to teak. It is light-brown or sometimes a golden-yellow colour, which turns darker over time. Iroko is popularly used for door and window frames, decking, stairways, furniture (including kitchen worktops), flooring and in yachts.

Wenge is a hard and heavy wood with an attractive dark finish. It is expensive and used for furniture and flooring.

The harvesting of Wenge and Iroko can have significant social impacts – the sawdust of both woods has been associated with health hazards including skin allergies and respiratory problems. FSC certification ensures that the people who harvest timber and handle wood through the supply chain have the necessary safety equipment, including dust masks for those working in the saw mills. In less responsible forestry operations and saw mills, workers may not be provided with this equipment and are exposed to Wenge and Iroko dust.

The illegal logging of Iroko in DRC has been linked to conflict in the region. A 2007 Forests Monitor report found some evidence that unofficial taxes on timber were helping to fund armed groups in eastern DRC²².

The volume of Iroko sawnwood imported into the UK since 2007 has fluctuated up to 12,000 cubic metres a year²³. However, it is likely that more Iroko is imported into the UK in the form of mouldings and joinery. Most of the Iroko imported into the UK comes from the Ivory Coast. Cameroon is another exporter of Iroko to the UK.



© Brent Stirton / Getty Images / WWF-UK

Fig 5. Iroko timber being cut in Cameroon

3.3 HOW ARE THESE WORKTOPS SOLD?

Iroko worktops are cheaper than oak and have grown in popularity recently as a result. While Iroko worktops are relatively cheap and commonly sold, Wenge worktops are high-end and expensive.

The study identified a number of importers of kitchen worktops made from uncertified Wenge and Iroko wood. Barncrest is one such company, selling Iroko kitchen worktops directly from its website (see Fig 6).

²² Forests Monitor, June 2007. *The Timber Trade and Poverty Alleviation, Upper Great Lakes Region*. Available at http://www.forestsmonitor.org/uploads/2e90368e95c9fb4f82d3d562fea6ed8d/Timber_Trade_and_Poverty_Alleviation_in_the_Upper_Great_Lakes.pdf [Accessed 03 February 2011]

²³ Volume of Iroko sawnwood - HS codes 440728**

Barncrest reassures customers about the source of its Iroko timber with the following on its website:

“Our Iroko timber is sourced from Africa where, at present, there are no sustainability programmes in operation. However, Barncrest is totally committed to purchasing all timber from legal sources and seeks evidence of compliance from suppliers that they are operating in accordance with the laws of their country...”

...We understand the temptation for our customers of buying wood at the cheapest price possible on the internet. But we ask you to consider both the environmental [sic] impact of your decision [sic] and the reduced quality of the product you will end up with.”²⁴

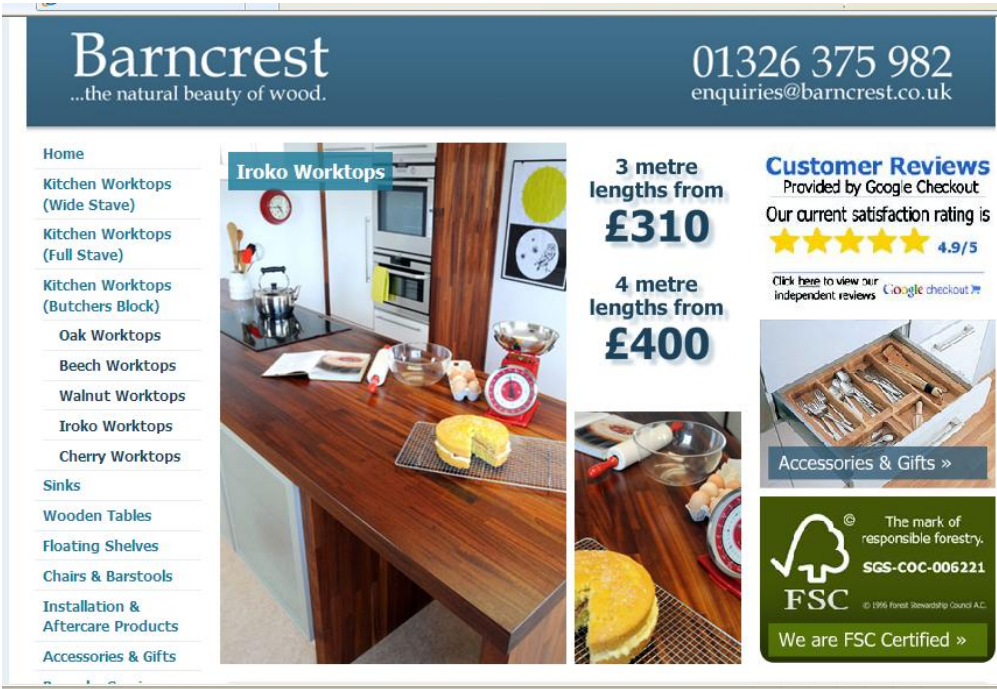


Fig 6. Iroko worktops on sale direct from the Barncrest website – note the use of FSC logo in close proximity to this non-certified product²⁵

3.4 IN DETAIL: TRACKING THE TIMBER BACK TO SOURCE

The study originally identified a number of kitchen worktops made from uncertified Wenge and Iroko wood on sale in the UK. Most are sourced via third party manufacturers in China and Europe and have long, complex and opaque supply chains. During the research it became clear that the information provided by some retailers on the sourcing of their wood can be misleading.

We made a decision to try to track Barncrest’s Iroko worktops because of the information provided on their website. Although the Iroko worktops on sale from Barncrest’s website are not certified, the FSC logo is used in close proximity to the product. If a potential customer clicks on

²⁴ Barncrest environmental policy. Available at http://www.barncrest.co.uk/environmental_policy.php [Accessed 22 January 2011]
²⁵ Barncrest, Iroko worktops. Available at http://www.barncrest.co.uk/iroko_worktops.php [Accessed 22 January 2011]

the logo. They are directed to a page explaining FSC certification. At the bottom of the page it says:

"...sadly, most manufacturers and retailers claims of 'certified from sustainable sources' or 'FSC approved' are simply untrue. Try requesting a copy of certification, details of the scheme or a registration number and you will receive a lot of assurances and bluster but no firm details.

A simple way to check the validity of their claims (and ours while you are there) is to input the company details at the FSC certification-search website <http://www.fsc-info.org>."²⁶

The FSC website confirms that Barncrest have FSC Chain of Custody certification for kitchen worktops made from Northern Red Oak and Southern Beech. Their other worktops, including the Iroko product, are not FSC certified.

Speaking to Earthisght investigators posing as concerned buyers, Barncrest staff claimed that the company buys its uncertified Iroko worktops from a European supplier. On its website, Barncrest claim to seek evidence of legal compliance of suppliers. However, when queried by investigators, staff from Barncrest admitted that all they do is ask their suppliers to use authorised sources for timber – they do not require evidence of this.

Staff told investigators that they did not believe the company's European suppliers would be willing to provide information on the wood source, or evidence of legality. Staff said that if more reassurances were needed, the company could try to source Iroko worktops from a different supplier.

This appears to contradict the claims made by Barncrest on its environmental policy web page, where it maintains that the company seek evidence of compliance from suppliers that they are operating in accordance with the laws of their country. The company's claim on its website that there are "no sustainability programmes" for Iroko from Africa – implying that it cannot provide FSC Iroko as it doesn't exist – is also misleading. There are many concessions in Africa supplying FSC certified Iroko, plus a number of others which have been independently verified as supplying legal wood.

Initially, Barncrest didn't reply to a letter sent by WWF asking for more information on the source of its Iroko kitchen worktops. They have subsequently told us that this was because of commercial confidentiality reasons. However, before the release of this report, Barncrest told us that their Iroko worktops are in fact sourced directly from the Ivory Coast. They have stated to WWF that they are more than satisfied with the evidence of compliance provided by their existing Iroko supplier and will continue to trade with them with confidence.

Overall, the response from companies to the research on kitchen worktops was poor: letters were sent by WWF to eight suppliers of Iroko and/or Wenge worktops. Only one company – Paterson Timber Ltd. – responded to initial requests for information. They did not supply

²⁶ Barncrest, FSC certification. Available at http://www.barncrest.co.uk/fsc_certified.php [Accessed 22 January 2011]

details of the country, company or concession source of the uncertified Iroko. As members of the UK's Timber Trade Federation, the company said it was following the Timber Trade Federation's Responsible Purchasing Policy, the Iroko is sourced according to these principles and they are "actively encouraging a supply source that can offer" Timber Legality and Traceability verification. The company did not expand on exactly what it was doing to encourage this legal supply source. Most suppliers contacted by investigators admitted that they did not know the concession origin of their timber.

PWS Distributors, Wood and Beyond Ltd, Design Interior Solutions (DL Greaves & Partners Ltd), MAK Distributors and Top Worktops did not respond to letters from WWF on the origin of their Wenge and/or Iroko worktops. All were found during the research to be supplying uncertified wenge and/or Iroko worktops.

The research found that many retailers in the UK offering both Iroko and Wenge worktops get them from a large distributor called PWS. This company told investigators it was using FSC certified wood, but said it cannot sell worktops as such because it does not have FSC Chain of Custody certification. PWS refused to provide details of suppliers to investigators or in response to a letter from WWF, but retailers and industry sources have confirmed that PWS's worktops are part of a range called "Second Nature" supplied by Swiss multinational Danzer through its local UK branch Karl Danzer Ltd. PWS did not deny this when it was suggested to them by investigators. Danzer have a 1.1 million hectare logging concession in Congo-Brazzaville, Industrie Forestiere de Ouessou (IFO), which was FSC certified in 2009 and which contains both Iroko and Wenge. So it is likely that a number of Iroko and Wenge worktops on sale in the UK are sourced from this Congo-Brazzaville concession.

3.5 INTERPRETATION

Research into Barncrest's Iroko worktops confirmed that they were made from uncertified wood from a high risk country – Ivory Coast.

Due to recent conflicts and civil unrest, there has been little research on logging operations in Ivory Coast. In 2004, evidence emerged showing that rampant illegal logging was helping fuel the country's ongoing civil war²⁷. Recent news articles suggest that illegal logging remains a serious concern²⁸. In 2010, the then Environment Minister for Ivory Coast confirmed that the military had been drafted in to protect national parks, classified forests and reserves from illegal logging because of the scale of the problem²⁹. Since the armed rebellion of 2002, Ivory Coast has effectively been split in two³⁰. With most of the forest concessions in the north of the country, it is not clear how timber can be harvested or transported legally through to the south. Due to the high risk of illegal timber entering the supply chain in Ivory Coast, it is crucial that companies which source timber from the country ask for third party verification of the legality of the wood.

²⁷ IRIN. 23 December 2004. *Cote D Ivoire: Civil War Allows Rampant Illegal Logging*. IRIN. Available from <http://www.irinnews.org/report.aspx?reportid=52512> [Accessed 03 February 2011]

²⁸ Illegal logging. 30 April 2010. *Cote d'Ivoire military may intervene against deforestation/ Illegal logging*. Available at http://www.illegal-logging.info/item_single.php?it_id=4398&it=news [Accessed 03 February 2011]

²⁹ Ibid

³⁰ BBC. 2001. Ivory Coast country profile. Available at http://news.bbc.co.uk/1/hi/country_profiles/1043014.stm [Accessed 03 February 2011]

There are currently no FSC certified forests in Ivory Coast and only one company has FSC Chain of Custody certification. This is to handle Sapele sawn timber. In terms of third party verification for timber legality, there are no forest concessions classified as Verified Legal under any of the established schemes (SGS, Smartwood or BV-OLB). Barncrest claim to be satisfied by the evidence of compliance provided by their Iroko supplier, but have not disclosed the nature of this evidence to WWF.

During the course of the investigations, we found that the assurances on the Barncrest website about their checks on the legality of timber were misleading. For consumers, this shows that claims on websites can be unreliable. From 01 March 2011, the remit of the UK's Advertising Standards Authority (ASA) is to be extended significantly to deliver more comprehensive consumer protection online. From 01 March, the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing will apply in full to marketing messages online, including the rules relating to misleading advertising. In the meantime, customers need to be vigilant and look closely at retailers' claims if they're buying FSC or non-certified products.

Barncrest is one of the largest suppliers of these types of worktop products in the UK, and presents itself as more trustworthy and reliable than its competitors. In the quotations we have cited, the company presents itself as acting responsibly, whereas its competitors may not be. If Barncrest can't provide clear evidence on the origin of their timber, it is possible that smaller, independent companies supplying Wenge and Iroko kitchen worktops may have greater difficulty in providing assurances about their products. They may not have the resources needed to ensure traceability systems are in place or the leverage to push their suppliers into providing that information.

The broader research into kitchen worktops identified a number of large suppliers of Iroko and Wenge worktops in Europe. These major importers play a key role in tackling the inflow of illegal timber onto the European market. That means it's important that the new Illegal Timber Regulation is enforced consistently across all member states to eliminate imports of illegal wood and ensure a "level playing field" for companies from different EU countries.

Iroko and Wenge are also supplied from China, Malaysia and Turkey. Two Chinese companies confirmed to investigators that they are currently exporting to buyers in the UK, although they would not reveal the identity of these companies. Neither Chinese company normally supplies FSC worktops, and one provided copies of two Certificates of Origin for logs imported into China, claiming these as evidence of legal source. These Certificates of Origin are actually standard shipping documents covering two individual shipments of logs from Africa. They do not provide proof of timber legality, let alone sustainability.

The information on Chain of Custody provided by PWS to investigators posing as potential buyers was misleading. As a large kitchen worktop distributor, PWS are likely to supply a number of UK companies. Again, as with the hardwood doors case study, misrepresentation of FSC Chain of Custody undermines the efforts by responsible companies in the sector.

FSC alternatives for Wenge and Iroko timber are available from UK retailers. For example, certified Wenge kitchen worktops are available through some of the large high street retailers (See Box 2).

Box 2. Tracking B&Q's FSC certified Wenge kitchen worktops

FSC certified integrated mill and forest management concession in the Congo Basin



FSC Chain of Custody certified manufacturer in Poland



FSC Chain of Custody certified distributor in the UK



Sold as FSC certified Wenge kitchen worktop in B&Q

3.6 RESPONSE FROM BARNCREST

Barncrest said that they understand and share WWF's concerns about the global market of Iroko timber, and have not purposefully attempted to mislead consumers on the certification of their Iroko products. They told us that the information collected by investigators in this research was not from an authorised manager.

Barncrest claim to be more transparent than any of their direct competitors on their environmental policies and credentials. Barncrest told us that the company follows best practices (and incurs the additional costs involved), and that they often struggle to compete on price against non-certified and illegally sourced products.

Barncrest maintain that they are clear that their Iroko is not FSC certified, but *is* legally sourced. However, they accept that there is an FSC logo displayed on the rolling menu of the Iroko page. They say that this was in no way designed to confuse or mislead consumers who wish to purchase Iroko and they will remove the FSC box from the Iroko page.

Barncrest also said they will ensure that greater clarity of what is, and isn't, FSC certified is provided on their website. They are aware of the recent EU ruling concerning due diligence in investigating supply chains and have been carrying out their own internal operations for the past three years.

4. Garden decking case study

Timbmet Bangkirai decking and DLH Bangkirai decking

4.1 BANGKIRAI TIMBER

Also known as “Yellow Balau”, Bangkirai is a wood from a range of *Shorea* tree species found across Indonesia, Malaysia, Myanmar and Thailand. Many of these *Shorea* species are considered as threatened on the IUCN’s Red List of endangered species.

Bangkirai wood is hard, heavy and strong. Because of its durability, it’s used for heavy structures, marine or freshwater constructions, and decking.

Most Bangkirai originates primarily from Kalimantan (Indonesian Borneo). Bangkirai is one of the most valuable timber trees in Kalimantan and has long been a key target of illegal loggers in the region. In the past, Bangkirai trees have been illegally harvested from the world famous Tanjung Puting National Park, key orang-utan habitat³¹.



© Tanyo Bangun / WWF-Canon

Fig 7. A species of Shorea tree - source of Bangkirai timber

4.2 HOW IS THIS DECKING BEING SOLD?

Many of the largest timber retail chains sell both FSC and uncertified Bangkirai decking. These include Timbmet, Jewson, James Latham, Brooks Brothers and Alford Timber. According to one retailer, buying FSC Bangkirai decking from a supplier can be up to 20-30% more expensive than buying an uncertified product.



Fig 8: Bangkirai decking on sale in the UK

³¹ Environmental Investigation Agency, Telapak. 1999. *The Final Cut*. Available at <http://www.eia-international.org/old-reports/Forests/Indonesia/FinalCut/tanjung07.html> [Accessed 03 February 2011]

4.3 IN DETAIL: TRACKING THE TIMBER BACK TO SOURCE

Timbmet

Timbmet supply both FSC and non FSC Bangkirai decking. They initially told investigators that the latter comes from Indonesia. However, they later replied to a WWF letter saying that the timber is in fact sourced from the Philippines, via a UK Agency, who get the timber from a supplier in the Philippines³². In turn, this supplier in the Philippines gets the timber from a plantation concession in Mati, on the island of Mindanao.

They supplied a copy of the original permit, which dates back to 1992. Timbmet say that since it is a plantation concession they assume the Bangkirai must be coming from clearance of natural forest to make way for the plantation. Information from the Philippines Forest Authority website shows the Integrated Forest Management Agreement (IFMA) for the 4000 hectare area remains valid, but that only about a third of the area had been planted so far.

This evidence shows although it is legal, this Bangkirai is from an unsustainable source (i.e. from natural forest clearance which will not be regenerated). In our opinion, it is also questionable how the sufficient volumes of Bangkirai could be sourced from this small IFMA. In the past, illegal Indonesian wood has sometimes been “laundered” through the Philippines. The main source of Bangkirai in Indonesia is not far from the island of Mindanao. The danger for Timbmet is that without independent verification or certification and associated auditing, it is impossible for their UK agents to be certain that such wood is not entering their supply chain.

DLH decking

During the research, we found that much of the decking on sale in major UK retail chains is supplied by Danish timber trading giant DLH. DLH’s “iDeck” range of decking is available in a range of tropical species including Bangkirai. DLH state that the timber is from Indonesia or Malaysia; the Bangkirai comes as non FSC as standard, but is listed in the iDeck brochure (from May 2009) as available FSC certified as a special order.

DLH’s uncertified Bangkirai is sourced according to DLH’s “Good Supplier Programme” – this is self-declared simple information from suppliers, including what percentage is from known concession origin and whether the supplier has their own concessions. It does not appear to include any minimum standards of third party verification.

This falls short of the WWF Global Forest and Trade Network standards for credible certification, which are as follows³³:

³² For commercial confidentiality reasons, WWF-UK agreed not to reveal the details of the source or suppliers

³³ WWF GFTN. 2011. Practical Guide to Legal and Responsible Sourcing. Available from http://gftn.panda.org/practical_info/timber_buyer/#guide [accessed 31 January 2011]

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.

DLH's FSC Bangkirai is credibly certified and is sourced from the FSC certified concession PT Sari Bumi Kusuma in Indonesia. However, according to one retailer, the DLH FSC Bangkirai decking costs them around 20-30% more than the uncertified product. It appears that the companies offering both non FSC and FSC decking sell much more non FSC than FSC product – presumably because this additional cost is passed on to the customer.

4.4 INTERPRETATION

During the research, one major supplier – Timbmet – provided us with information to indicate that their Bangkirai came from a concession in the Philippines where natural forest is being legally cleared to make way for plantations.

This case study provides a striking example of the differences between apparently legal and FSC certified wood. Although the Bangkirai timber being used for this decking product is legal, it is not sustainable because it comes from the clear felling of natural tropical forest – in this case to make way for a tree plantation. Clear felling has dramatic environmental impacts. The forest being cleared could potentially contain high concentrations of biodiversity, endemic and endangered species and/or threatened ecosystems. Because natural forest helps regulate local climate, water cycles and soil erosion and provides a ready supply of non-timber forest products for subsistence use, clear felling could also be having a significant impact on local communities. Most plantation forests are mono-cultures using alien species, and have very little ecological value.

A consequence of the new Illegal Timber Regulation may be to focus the industry on “legal” rather than “sustainable” timber supply chains. Timber from clearance of natural tropical forests may be legal but is certainly isn't sustainable. Many producers may only aim to prove that their timber is legally sourced. Because the market demand for this verified legal material is likely to grow, producers may not have the incentive to go further to pursue more rigorous environmental standards, such as FSC.

WWF believes that FSC is currently the only credible forest certification system that ensures environmentally and socially responsible management of forests. For consumers wishing to buy Bangkirai decking, there are FSC alternatives available. For example, Jewson's FSC Bangkirai decking comes from PT Sari Bumi Kusuma, an FSC certified forest concession in Central Kalimantan on Borneo. The FSC Chain of Custody passes through DLH, and then International Timber before it reaches Jewson and the UK market (see Box 3).

Box 3. Tracking Jewson’s FSC certified Bangkirai decking

PT Sari Bumi Kusuma, an FSC certified forest concession in Central Kalimantan on Borneo



DLH, an FSC Chain of Custody certified timber trader



International Timber, an FSC Chain of Custody certified timber trader



Sold as FSC certified Bangkirai decking in Jewson in the UK

An issue we identified during the research was that some retailers highlight products as being FSC when in fact they are available as both FSC and non FSC, and almost all sales are of the non FSC option (for example, the DLH decking that is supplied to retailers).

For the customer choosing a product, the initial impression given is that the retailer has a “clean” supply chain by stocking FSC wood, when in fact this may not be the case for the majority of sales of the relevant product.

But with FSC Bangkirai decking carrying a price premium of up to 20-30% for traders, the product in turn is more expensive for a customer. As a result, the non FSC product will be more popular as customers go for the cheaper option. Retailers should only offer FSC products – it is a self-fulfilling prophecy for retailers to say that there is no demand for credibly certified products if they continue to offer cheaper, non-certified alternatives.

5. Plywood case study

Jewson's Far East exterior plywood (WBP BB/CC grade)

Following our research into door products, a number of interesting leads on tropical plywood were identified. Plywood was therefore added to the list of products we investigated.

5.1 WHAT IS PLYWOOD?



Plywood is a manufactured wood made from sheets of wood veneer. Sometimes referred to as a “throwaway product”, plywood is versatile and can be used in walls, floors, sheds and roofing.

There are many types of plywood, including specialist tropical plywood such as “marine plywood”, which is known to have good weather resistance and strength.

Tropical plywood is made from a mixture of tropical species. It usually comes from Asia. Plywood from Indonesia or Malaysia can contain Meranti from endangered *Shorea* species. The outer ply of tropical plywood is most commonly made from Meranti. Plywood manufactured in China may use a tropical species such as Meranti in the outer ply on top of a core made from Poplar, Eucalyptus or Pine.

Fig 9. Tropical plywood

Plywood can also come from the Congo Basin. Okoumé (*Aucoumea klaineana*) is the most commonly used African species found in plywood. Ayous (*Triplochiton scleroxylon*) and Sapele (*Entandrophragma cylindricum*) can also be used³⁴.

5.2 THE MARKET FOR PLYWOOD

In recent years, high profile campaigns by organisations including Greenpeace have highlighted the illegality of some Indonesian and Chinese-sourced plywood³⁵. As a result, many large UK traders have looked for alternative sources. However, plywood remains the most common tropical hardwood product imported into the UK.

Because some plywood contains both tropical and non-tropical species, it is very difficult to assess the total volume of tropical plywood currently imported into the UK. However, based on the import data available, it is possible that as much as 0.4 million cubic metres of tropical plywood was imported into the UK in 2010³⁶.

³⁴ James Hewitt, personal communication.

³⁵ Greenpeace. 2008. *Alternatives to unsustainable plywood in the UK construction industry*, Greenpeace, London, UK.

³⁶ James Hewitt, personal communication.

Previous research found that plywood makes up a very large proportion of the estimated illegal wood product imports coming into the UK. Research by Chatham House estimates that in 2008, the UK imported 400,000 cubic metres of illegally sourced plywood, worth £75 million³⁷.

Local authorities continue to source large volumes of uncertified tropical plywood from Asia – in particular, external plywood from the Far East (Indonesia, Malaysia or China)³⁸.

5.3 IN DETAIL: TRACKING THE TIMBER BACK TO SOURCE

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Fig 10. Logging debris and cutting along the Kelapang River in Samling's Merawa Sdn. Bhd concession (2009)

Working back from Malaysia, the study investigated plywood being supplied by the Malaysian logging conglomerate Samling Global.

In 2010, the Ethical Council of the Norwegian government's Pension Fund Global found Samling Global to be involved in systematic illegal logging within and around their licensed harvesting concessions in Sarawak, Malaysian Borneo³⁹. In 2009, detailed evidence was collected by Earthsight Investigations on behalf of the Ethical Council showing, among other things, logging without required Environmental Impact Assessments, undersized logs, logging outside concession boundaries, in prohibited steep terrain and along rivers (see Fig 10 and Fig 11).

Evidence was also found of logging in an area officially declared as a National Park. The in depth research – which included independent, unaccompanied field investigations and detailed analysis of satellite images and official logging plans – uncovered evidence of systematic illegal logging going on over a number of years and stretching back to 2003/4.

In 2009, Malaysia's own federal Auditor-General also published evidence of illegal cutting on steep slopes and along river banks in two additional Samling logging concessions in the Kapit Division⁴⁰.

As part of this study, investigators visited Samling Plywood (Baramas)'s mill at Kuala Baram near Miri in Sarawak in December 2010. Staff claimed that they supplied plywood to a number

³⁷ Lawson, S and MacFaul, L. 2010. Import-source illegal wood product import analysis conducted for *Illegal Logging and Related Trade Indicators of the Global Response*. Unpublished report.

³⁸ Information gathered by WWF-UK from Freedom of Information Act requests to 368 Local Authorities, Sept – Dec 2010.

³⁹ Council of Ethics, Pension Fund Global, Norwegian government. 2010. *Recommendation of 22 February 2010*. Available at http://www.regjeringen.no/upload/FIN/etik/Recommendation_Samling.pdf [Accessed 03 February 2011]

⁴⁰ Malaysian Auditor-General. 2008. Laporan Ketua Audit Negara, Aktiviti Kementerian/Jabatan/Agensi Dan Pengurusan Syarikat Kerajaan Negeri Sarawak, Tahun 2008. Cited in Council of Ethics, Pension Fund Global, Norwegian government *Recommendation of 22 February 2010*.

of UK companies. The staff confirmed that almost all the wood used at the mill is still sourced from Samling's own logging concession estate in Sarawak – the logging concessions upstream from the Miri plywood mill where most of the serious evidence of recent illegalities was uncovered. Staff told investigators that none of the company's products were certified or verified legal under a third party scheme.

In 2007, Samling published a detailed prospectus for the company's new share offering. In this report the company stated that in the UK it had developed "a close working relationship with one of the leading building product distributors, which has more than 450 distribution outlets throughout the U.K"⁴¹. The report stated that the relationship had been going since 2003 and included "a sales excellence award to provide incentives to the branches to sell more of our products". The Marketing Manager of the Miri plywood mill identified this UK company to investigators as Jewson, and claimed that

Samling continue to supply Jewson with products, though in smaller quantities than in the past. However, on further investigation direct with Jewson, it was established that the claim of continued sales to Jewson was false. Presumably, the claim was made to impress the investigators because they were posing as potential buyers.



© Earthsight Investigations Ltd.

Fig 11. Samling's "log pond" at Camp C in T/0411. Undersized logs can be seen (2009)

Jewson confirmed to WWF that it used to source uncertified tropical plywood from Samling for its uncertified "Far Eastern external WBP BB/CC" plywood. But in September 2009, Jewson formally terminated its pan-European contract with Samling.

Every six months, Jewson carries out risk assessments on all of their major suppliers. Though Jewson were unaware of the systematic ongoing illegalities later uncovered by the Norwegian in depth research, by 2009, the risk of continuing to source from Samling was nevertheless considered too great. Jewson told WWF that their UK board decided to stop using Samling because of a combination of factors including reports of local girls being sexually abused by loggers, clashes over the barricading of roads by local people and concerns about the origin of some of the timber being used following site visits.

The last shipment of plywood from Samling to Jewson was in March 2009. Timber traders are historically not good at clearing through old stock. Jewson said that although it's unlikely, there was a very small chance that this Samling plywood might still be on sale in some of their smaller branches. Jewson have informed us they will soon be offering certified hardwood plywood in all their depots. Jewson have also told us that they are regularly increasing the quantity of certified

⁴¹ Samling Global Ltd. 2007. *Global Offering February 23, 2007*. Available at <http://202.66.146.82/listco/hk/samling/prospectus/pro070223.pdf> [Accessed 03 February 2011]

plywood they are selling into the UK market and they are committed to achieving 100% certified.

5.4 INTERPRETATION

As part of the Global Forest Trade Network (GFTN), Jewson's parent company SGBD is committed to increasing the availability of forest products from well managed forests, and ending the purchase of forest products from illegal and controversial sources. The stepwise approach of the GFTN helps companies such as Jewson phase out products from unwanted timber sources, and increase those from certified sources.

Following Greenpeace's 2003 campaign on Indonesian plywood and concerns about their suppliers, Jewson became the first major UK importer to switch its plywood away from Indonesian sources. It was at this point that Jewson started sourcing tropical plywood from Samling in Malaysia. Though Samling had a poor reputation for its logging operations in other countries, and there had been a well-documented simmering conflict with indigenous people in the company's concessions in Malaysia, at the time there was nothing to suggest that the company was involved in systematic illegal logging in its Sarawak concessions.

As large companies, UK retailers such as Jewson have considerable resources available to carry out risk analyses on their supply chains and regularly monitor their suppliers. Yet even with such resources, it took the company some time to realise the risks involved in buying from Samling and to drop the company as a supplier. Much smaller companies may not have the necessary resources to do this and uncover the types of issues which led Jewson to drop Samling.

The additional challenge for all companies – including large ones like Jewson – is that on the surface, Samling's operations appear perfectly legal. Paperwork can be provided to show that the company has a legal right to harvest, the concession itself is legal and all the logs leaving it have official tags. The export paperwork for the plywood is signed off by the government and in order.

However, this is still not necessarily a guarantee that the timber is legal. Illegalities can be hidden in the way that companies with a licence to harvest operate. For example, they could be logging outside of concession boundaries. Illegally harvested timber is usually laundered into legal supply chains at some point before being exported to the UK. It is very difficult even for large companies to be fully confident about the legality of the timber they buy from high risk countries, unless it is independently certified or verified through a reputable scheme.

Companies have two years to clean up their supply chains and be able to show the legality of the timber in their products before the new Illegal Timber Regulation comes into force. While the businesses participating in the WWF Global Forest and Trade Network in the UK have committed over several years to phasing out "unwanted" products via a stepwise approach, other companies still have to start this process. The companies starting from scratch will need to move very quickly to comply with the Regulation.

The plywood case study also highlights that for businesses such as Jewson, old stock could potentially be a problem. Old stock from high risk sources needs to be processed before the new

Timber Regulation. Jewson told WWF that they experienced a similar challenge with new EU Regulation on solvents and had two years to push through the sales of old paint and adhesive stocks. For the Timber Regulation, the implementing regulations governing due diligence procedures and monitoring need to counter any potential stockpiling of high risk products before the law comes into force. When the US Lacey Act was amended to include timber products in 2008, it came into force immediately and was not sympathetic to businesses which had stockpiled timber for which due diligence could not be demonstrated. In applying the Illegal Timber Regulation, European member states must take a similar stance to remove this potential loophole.

6. Conclusions and recommendations

6.1 CONCLUSIONS

This study has shown how difficult it is to track timber on sale in the UK back to its forest source. It has highlighted how little some companies know about their supply chains, and raised serious questions about how prepared UK retailers are for the new Illegal Timber Regulation. Companies approached during the research were extremely reluctant to share information on the origin of their products – either because they did not know the ultimate origin, because of concerns of being “caught out”, or because of commercial confidentiality reasons. For the UK customer, the study has shown that they cannot necessarily assume that a wood product has come from legal and responsible logging.

A recent WWF and Friends of the Earth survey showed that 93% of EU citizens polled think it is important that wood and wood based products sold in Europe are legally harvested and traded⁴². A follow up UK consumer survey by WWF found that 50% of consumers had no idea that wood for sale in the UK could be from illegal sources⁴³. Consumers expect retailers to take steps to ensure their wood products are legal.

This research has found clear evidence that customers can be misled about the sustainability of timber and wood products on sale in the UK. This is because in some cases, retailers are providing incorrect or unclear information on the source of their products – for example, on their websites or the claims made in conversations with sales staff. Consumers wishing to purchase responsibly-sourced products need to be vigilant and look for the FSC logo on the specific product they want to buy. By taking some of these claims at face value, there is a risk that consumers could be buying high risk timber and contributing to negative environmental and social impacts in countries such as Indonesia.

It's not just customers on the shop floor who may be misled. The study found evidence that suppliers of wood may be misleading their buyers in the supply chain. Companies need to be aware of the significant risks of not having risk analysis systems in place and not taking care to check the ultimate origin of a wood product. While the larger UK timber traders and retailers have more resources to conduct appropriate risk analyses on their supply chains, smaller retailers may find this hard. Without the market leverage in the supply chain, these smaller companies may struggle to obtain the necessary source information. Those with less experience may also not know what documentation to ask for as proof of legality. By falling into these classic pitfalls, companies can in turn end up misleading their customers.

The study found evidence that FSC Chain of Custody certification is being misrepresented within the supply chain and to customers buying products. Some companies were found to be falsely claiming or implying to customers or clients that because a company has FSC Chain of Custody, all the wood they sell is low risk. In some cases, company staff themselves appeared to

⁴² EU Poll on the illegal timber trade, March 2009, WWF and Friends of the Earth
http://assets.panda.org/downloads/wwf_foe_poll_factsheet_1.pdf

⁴³ Poll of a 1,000 consumers in the UK, June 2009, WWF-UK

genuinely believe this to be the case. Unless the timber or wood product itself is FSC certified, the fact that a company has FSC Chain of Custody bears no relevance to the likelihood of the wood it sells being legal and sustainable. Such misleading claims undermine the significant investments made by more responsible companies to procure certified timber and wood products and can put them at an economic disadvantage.

In the broader context, taking assurances from suppliers at face value can also undermine efforts being made by producer countries. The Indonesian Government's new Timber Legality Assurance Scheme (TLAS), set up to tackle illegal logging issues in the country, has become mandatory since September 2010 for all forest concessions and timber producers in Indonesia. Currently, only a small number of companies in Indonesia are registered for the system as it is relatively new in its implementation. However, this system will provide better proof of legality for buyers importing wood products from the country. As this is a mandatory system, it is completely reasonable that as a minimum buyers request TLAS certification from its Indonesian suppliers. The success of the scheme will depend on buyers from countries such as the UK demanding robust proof of timber legality – if they don't, Indonesia may lose out to other producer countries without such strong controls. The volume of illegal timber being cut in Indonesia has fallen dramatically in the last few years. Following major countrywide enforcement operations launched by the Indonesian government, the illegal logging rate has fallen from a peak of over 80% to as low as 40% by 2006⁴⁴.

The hardwood doors and decking case studies reveal that some companies are not willing to pay a premium for FSC certified products. Yet on the other hand, companies are increasingly expecting forest growers to be certified. This highlights one of the key long-term impacts of the illegal and unsustainable timber trade: retailers are used to paying effectively "subsidised" prices for timber and it will be hard for them to adjust and remain price competitive. Timber grown without due regard to social, economic and environmental viability costs less and has been around for so long that consumers are not used to paying the real costs of growing and harvesting trees. The challenge now is whether companies will pass on any increased revenue to the point in the supply chain where the additional costs are actually incurred.

The study intentionally focused on wood products made from tropical hardwood. However, the key issues raised by the research aren't restricted to hardwoods, nor timber being produced in the tropics. While illegal logging in the tropics has a higher profile, a large amount of suspicious timber from temperate regions enters the UK market from countries such as Russia, Latvia and Estonia. WWF's 2007 report *Illegal Logging: Cut it out!* estimated that timber imports from these three countries alone could add up to 1.7 million m³ of round wood equivalents and accounted for the majority of illegal wood entering the UK⁴⁵. Companies preparing for the new Illegal Timber Regulation need to provide evidence of legality and due diligence for all their timber, not just tropical hardwoods. Timbers such as pine, birch, spruce and oak coming from Russia, Latvia, Estonia may provide the same or even greater challenges for traders looking to prove legality.

⁴⁴ Lawson, S and MacFaul, L. July 2010. *Illegal Logging and Related Trade Indicators of the Global Response*. Chatham House, London, UK. Available from <http://www.chathamhouse.org.uk/publications/papers/view/-/id/911/> [Accessed 03 February 2011]

⁴⁵ WWF. 2007. *Illegal Logging: Cut it Out!. The UK's role in the trade in illegal timber and wood products*. WWF, Godalming, UK.

6.2 RECOMMENDATIONS

A lot of work needs to be done to help both business and consumers understand and play their part in tackling illegal and unsustainable trade.

To ensure that the benefits of FSC certification are passed up the supply chain from the forest, more companies need to get FSC Chain of Custody certification. This will help address situations such as that of the Wenge and Iroko timber coming from the large FSC certified concession in Congo-Brazzaville. While Wenge and Iroko kitchen worktop wood may ultimately be coming into the UK market from this FSC concession, it is not sold as FSC because companies in the supply chain are not FSC Chain of Custody certified.

End retailers need to work closely with their suppliers to clean up the high risk elements of their supply chain. At the moment, end retailers are not challenging their suppliers enough on the origin of timber. Before the new Illegal Timber Regulation comes into force, it is critical that the companies placing timber and/or wood products on the market know which concession the product has come from. If they don't know this, they will not be able to demonstrate "due diligence" as required by the law. See Box 4 for guidance steps for businesses ahead of the new legislation.

Box 4. Guidance steps for businesses ahead of the new Illegal Timber Regulation

1) Find out how the new legislation will apply to your business

If you place forest goods on the market in the EU, you will soon be required to meet a regulation designed to prove that your products come from legal sources. Otherwise you will risk prosecution. This regulation is in development, but will come into force on 03 March 2013. You can find more information as it becomes available from:

- WWF-UK's website – www.wwf.org.uk
- CPET website – www.cpet.org.uk
- The official EU website – <http://ec.europa.eu/environment>

2) Review the sources of your products and ask yourself the following questions:

- ***Can your suppliers provide details and evidence of where the products you're buying come from?*** Ask them for this information for everything you buy, and point out that they will be required to do this from March 2013 if they are the first person to place those goods on the European market

- ***Which countries are you buying from?*** Make a full list, and ask each of your suppliers if they know whether their product are made from local timber or timber imported from elsewhere for processing. Look at the GFTN Online Guide to Responsible Purchasing for information about different countries – <http://sourcing.gftn.panda.org/>

- ***Do you think you're buying from countries that could be risky?*** Research the situation in the countries you're buying from in terms of illegal trade in forest goods. Work with your existing suppliers to find out details for your goods. Try to validate sources in this way in the first instance – they may be able to provide you with all the necessary information about legality. If you have concerns, make an action plan to track and manage your sources to exclude products that cannot be proved as legal.

- Do you think you're buying at risk species? Some species are protected by CITES while others are threatened and subject to national restrictions. You may require specific permits for vulnerable species. Greenpeace has an online guide which can help you understand the risks of certain species, and what some more sustainable alternatives might be – <http://www.greenpeace.org.uk/MultimediaFiles/Live/FullReport/6759.pdf>

3) Buy certified forest products in preference.

Have you bought, or been told you have bought, certified forest products? Check these details to be certain:

- Is the certificate from an easily identifiable certification system? The main certification systems are FSC and PEFC.

- Does the certificate you have been shown or given cover your products?

- Is the certificate valid and issued for the company you are actually buying from?

- If you can check the details online, do they match up as correct?

- When you received your delivery – did you check that you actually received certified products?

- Does your invoice confirm that you received certified products?

4) Be a responsible business

It's up to you to make sure your customers can get the correct information on products. Make sure your website is clear about the nature of your products and their sources. As of 01 March 2011, additional Advertising Standards rules will apply to websites.

Through the decking case study, this research has demonstrated that legal does not always mean sustainable. It is therefore critical that key consuming countries continue to push for sustainable products once the EU Regulation prohibiting illegal timber and wood products comes into force.

At the customer level, the Advertising Standards Agency (ASA) needs to tighten the rules around the use of eco-labelling, especially with regards to web based advertising. In the case of some wood products, it is not clear which products are FSC and which are not. The FSC label is being abused. This can result in customers being misled about the standards to which timber for a product has been harvested. In March 2011, the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing will apply in full to online marketing messages. This may help address this issue, although the onus will still be on consumers themselves to identify and report any concerns about wood product advertising to the ASA.

For customers wanting to know whether the wood product they are buying is helping, not harming, the first thing to do is to try to find out where it has come from. Looking for the FSC logo on a specific product is the best guarantee that it has been sourced from forests managed to the highest environmental and social standards (see Box 5).

Box 5. Key questions for customers to ask their retailers

1) Ask for your product to be FSC certified or equivalent.

- Be aware that just because a company is licensed to handle FSC wood (known as being FSC Chain of Custody certified), this does not mean that all or even any of the wood products they sell are made from FSC wood. What matters is that the product itself is made from FSC wood. Ensure that the labels for the wood product, and the invoice or receipt, specifically state that it is FSC certified.

- Some FSC products are “mixed source” certified. This means that only 70% of the wood used has to be from FSC sources. Where possible you should choose 100% FSC products over mixed source products.

- If the product is not available FSC certified, ask if it is available PEFC certified. The same provisos as above apply – the product itself must be certified.

- While a retailer may not have the exact product you want available certified, you may find that there is a similar product which would satisfy your needs which is available certified. Ask staff for advice. You may also want to try different retailers – it is often possible to check on their websites before deciding which shop to visit.

2) If you absolutely must buy a new wood product or piece of timber which is not FSC or PEFC certified, you are risking buying unsustainably or illegally harvested wood.

- Don't be too easily swayed by the reassurances given by sales staff and retailers, because these can be misleading.

3) Be sure to tell a retailer – preferably a manager – when you decide not to buy their product because it is not certified and you are not convinced of its sustainable and legal origin.

- Raising the issue with sales staff can help affect company practice in future more than simply not buying.

Raising public awareness of the differences between FSC certified wood and non certified wood – as this study set out to do – will help empower people to help reduce global deforestation through the consumer choices they make. By demanding credibly certified products, UK consumers can help drive change back down the supply chain and support the efforts of responsible companies and governments to eliminate illegal logging

Acronyms and abbreviations

ASA – Advertising Standards Agency

BV-OLB – Origine et Légalité du Bois (certification scheme)

CoO – Certificates of Origin

DRC – Democratic Republic of Congo

FSC – Forest Stewardship Council

GFTN – Global Forest & Trade Network

IFMA – Integrated Forest Management Agreement

IUCN – International Union for Conservation of Nature

LPD – Leeds Plywood & Doors

NGO – Non-Governmental Organisation

PT KLI – PT Kayu Lapis Indonesia

TLAS – Timber Legality Assurance Scheme

VLO – Verified Legal Origin



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- conserving the world's biological diversity
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