

China-UK Collaboration on International Forest Investment and Trade (InFIT) Program--Output 1

Project Result Briefing

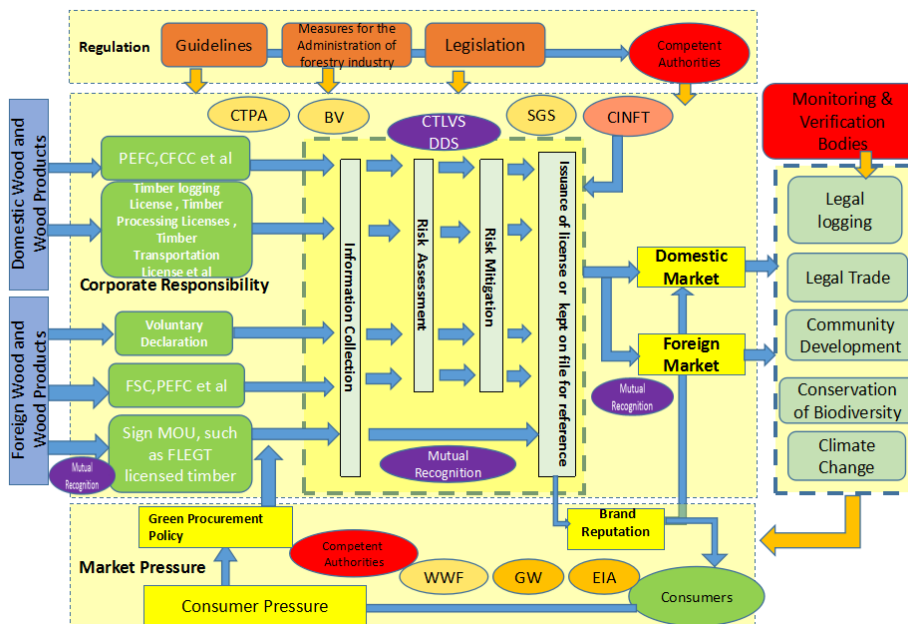
Chinese Timber Legality Verification System (CTLVS) and Its Policy Framework

Overview

The global verification systems designed to address the legal timber sources often see problems of complex procedures, high cost, shortage of consistent standards, and difficult implementation in developing countries. Considering the international timber legality verification development and the Chinese realities, the CTLVS is proposed to be designed as a voluntary, government-guided due-diligence-based verification system, with which we could crack down illegal logging, regulate the forest products production in China, meet the global requirements on timber legality, effectively increase the global market share, and advance the legalization of forestry in China. In the past 4 years, the project team analyzed the logical basis for CTLVS, formulated the key parts of it, and figured out the way of implementation. In promoting its implementation by associations and enterprises, the project team proposed the policy of strengthening management on imported timber legality, and established the preliminary framework of timber legality policy.

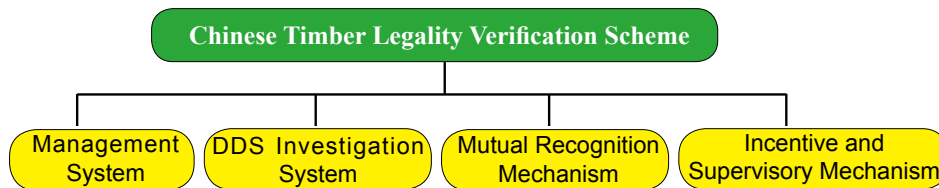
Logical Framework of CTLVS

Timber supplies in China is composed of domestic productions and international imports, so the legality of timber source is facing dual pressures from Chinese regulators, and the market and consumers. Thanks to the strict laws and regulations, as well as law enforcement on forest management, domestic timbers are less controversial than imported timbers, whose legality cannot be fully guaranteed due to many reasons. Given the fact that there is no standard identification measures and management guidelines available worldwide, the project team, based on the “reform” theory, adopted different measures, e.g. voluntary declaration, compliance with the inter-governmental agreement or internationally recognized verification system, to verify the legality of imported timbers. However, such measures required the enterprises to establish the timber legality tracking system and to keep the documentary evidences as specified by the due diligence system. Meanwhile, the whole process needs to be done with the involvement and under the supervision of relevant monitoring and evaluation agencies to ensure the objectiveness and fairness.



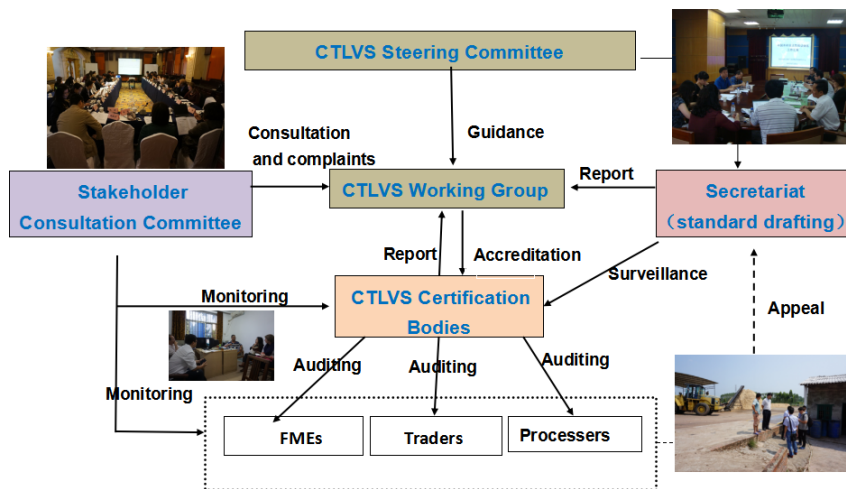
Systematic Framework of CTLVS

CTLVS features the organic combination of 4 parts: management system, DDS investigation system, mutual recognition system (MRM), as well as incentive and supervisory mechanism. The management system consists of not only the management rules for CTLVS itself, but also the standard requirements to strengthen timber legality management for authorities. The DDS investigation system is based on CTLVS standard, and designed to perform due diligence with the international DDS approach. The MRM takes into account the fact that the legality cannot be realized by any country alone, but proves feasible only through the joint efforts of countries across the supply chain. Specifically, the legality never turns out effective without consistent idea and standard, mutually recognized verification channels and coordinated law enforcement among the countries. The incentive and supervisory mechanism is designed in the principle of “rewarding legality and punishing illegality” to encourage the lawful operations, and to discourage the unlawful in the industry.



Organizational Framework of CTLVS

In framework, CTLVS is a three-tier organization, which consists of a steering committee, a working group and a verification bodies. In addition, a secretariat is set up to release verification standards, guidelines and guidance, authorize and manage verification bodies, together with a consulting committee, to serve the China Legality Committee, and monitor verification bodies and enterprises which already passed the verification.



Creation of the Policy Framework for Chinese Imported Timber Legality Management

CTLVS is intended to legalize timbers on domestic and international markets. Its implementation requires the policy to guide and drive up the process. On top of that, the timber legality work needs to be legalized in the long run. For this reason, laws and regulations on management of timber legality constitute an important means to realize the system’s objectives. By working together with the Chinese and American law experts, the project team analyzed the implementation of Chinese laws and regulations on management of timber legality, drafted the opinions on strengthening the imported timber management, defined the guiding ideology, main principles, overall objectives, mechanisms and tasks, and safeguard measures in the management, and thus initially founded the policy framework for Chinese imported timber legality management.

Opinions on Strengthening Imported Timber Legality Management

- 1.Guiding Ideology
- 2.Main Principles
- 3.Overall Objectives
- 4.Imported Timber Legality Management Mechanisms & Tasks
- 5.Safeguard Measures for Strengthening the Imported Timber Legality Management

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Establishment of the Inter-country or Regional Timber Legality MRM

Overview

Though combating illegal logging and associated trade is already listed top on the agenda of international society, neither common understanding nor standard coordination mechanism are there to address the issue of timber legality. For some countries without clear legal definition but with conflicting legal provisions, it is not easy to define, since it requires multilateral negotiations, and approval from the government where the operation happens. Therefore, to make sure that it is universally acceptable and beneficial to timber trade, the project team proposed an initiative of the inter-country or regional timber legality MRM in establishing the CTLVS. Through negotiations and coordination, the project team, in the spirit of seeking for common ground while reserving differences, clarified the legality evidence or legal measures accepted by both parties or governments in the regions concerned, and provided enterprises with country-specific guidelines to facilitate legal logging, sourcing and trade in the country concerned, and guide them onto the track of sustainable development.

Build a Communication Platform for Legality Issues by the Bilateral and Multilateral Cooperation

Through bilateral cooperation in China-American Bilateral Forum on Illegal Logging and Associated Trade, China-European Bilateral Coordination Mechanism (BCM) for Forest Law Enforcement and China-Australian EGILAT) and multilateral cooperation as APEC EGILAT, the project team has participated in the discussion on solutions for illegal logging and associated trade; organized governmental officials, researchers and enterprise representatives to attend visits, meetings and training on illegal logging and associated trade in the UK, the U.S., Australia, the EU, Japan, Indonesia and other countries; established an effective exchange mechanism to discuss timber legality trade policy and practices with the major timber producers and consumers, through which we demonstrated China's latest progress in advancing the sustainable forest products trade and the timber legality verification system, exchanged information in each other's efforts and action in strengthening law enforcement and the fighting against illegal logging, and enhanced the common ground and the mutual trust between China and the other countries on the issue of legality.



Prepare Country-specific Timber Legality Handbook

Internationally, there is still not a standard definition for “illegal logging and associated trade”, nor a unified coordination system to cope with the issue of timber legality. Illegal logging and associated trade can only be verified in accordance with the laws and regulations of the country where the operation is conducted, and mutual recognition of timber legality between countries can only refer to the existing laws and regulation and administrative systems in countries concerned. In order to better understand laws and regulations of all countries, and to provide clarified guidance to timber producers and traders, the project team actively advocated all countries to prepare their own timber legality guidelines on different bilateral and multilateral meetings, and to reach in basic consensus on content and form through consultations. Now, the project team has prepared ready the APEC Timber Legality Guideline (China), and conducted multiple communications with Australia to discuss the content of the timber legality guidelines of the two countries. Recently, it communicated with South Korea on the preparation of the South Korean legality guidelines.

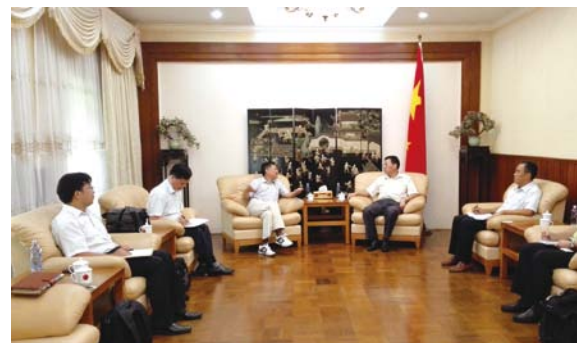
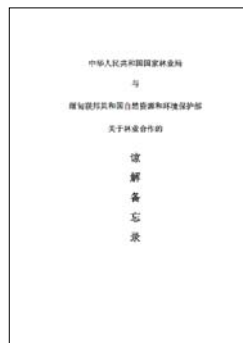
Main content of guidelines

- Definition of timber legality of a country
- Laws governing timber logging and development?
- Use of timber logging laws running in the country?
- License, permit and verification systems
- Legality of domestically produced wood products
- Other non-governmental resources
- Contact for more information?
- Appendixes



Boost the Signing of Inter-governmental Agreements on Jointly Fighting Against Illegal Logging and Associated Trade

The agreements on fighting against illegal logging and associated trade in collaboration with timber source countries have been highlighted in CTVLS, since it will incorporate the action into high-level bilateral cooperation. For some timber producer countries with legality management incompatible or inconsistent with the Chinese practice, a consensus over timber legality regulations on the basis of given principles, standards and methods will facilitate and serve as a legality foundation for the development of forest product trade between two countries. The project team facilitated the signing of China-Myanmar timber legality bilateral agreement in Myanmar through holding the China-Myanmar workshop on forestry management and timber legality verification, and assisting the field survey on the timber legality management activities for forestry officials, researchers, and corporate representatives. All the efforts effectively bridged both parties' different understandings, built the consensus in jointly fighting against illegal logging and associated trade, and boosted the signing of MoU on forestry cooperation between the State Forestry Administration of China and Ministry of Natural Resources and Environmental Conservation of Myanmar in 2017. Among them, fighting against illegal logging and associated trade will be our focus in future cooperation.



Project Result Briefing

CTLVS Standards System and Association Standards

Overview

CTLVS standards serves as the foundation of implementing the due diligence system (DDS). The project team developed the CTLVS standards system to help enterprises conduct DDS according to the standards. Considering the fact that the CTLVS standards need to meet the requirements of international community, the Chinese reality, as well as the enterprise and market acceptance, the project team worked with verification bodies as BV and SGS to carry out pilot application in different product manufacturers to test whether the standards are rational and practical, and improved the standards with reference to the results of pilot work. In recent years, civil societies in China, including industrial associations and chambers of commerce, are encouraged to work with relevant market players in preparing the corporate standards, in order to meet the market and innovation demands, and provide the market with an option at free will, as well as an effective standard. Thus the project team joined hands with China National Forest Products Industry Association (CNFPIA) and China Timber & Wood Products Distribution Association (CTWPDA). The 3 parties discussed, tested, drafted and published the CNFPIA Corporate Standards on Timber Legality, and preliminarily formulated the CTWPDA standards. Such cooperation has laid a solid foundation for associations to play their roles in promoting enterprises' self-regulation, awareness of legality and CSR.

CTLVS Standards System

The CTLVS contains of system documents and technical specifications. And the technical specifications consists of 4 documents: CTLVS standard, CTLVS operation guidelines, CTLVS implementation procedures and CTLVS audit guidelines.

Category	Name of Standards (TBD)	Object of Standardization & Main Content
Technical Specifications	Standards of Defining Legal Timber	Set forth provisions and explanatory notes on the concept, inner meaning, connotations, scope of application, terms and definitions, principles, verification criteria and main indicators of legal timber.
	CTLVS Implementation Procedures	With reference to the due diligence system, management measures on the implementation of CTLVS.
	CTLVS Audition Guidelines	Provide guidance for the auditors on the audition.
	CTLVS Operation Guidelines	Provide guidance for verification bodies in the application of CTLVS to conduct legality verification.
System Documents	CTLVS Label Management Measures	Set forth management rules on the use of CTLVS labels, including the use of authorization, conditions and methods on the use of labels.
	China Timber Legality Due Diligence Technical Guideline	Provide step-based guidance for enterprises, including templates of supplier information list and supply chain information list, as well as the guidelines of due diligence procedures, risk assessment, risk mitigation, and supplier risk assessment.

Standards of Defining Legal Timber		
Requirements	Principles	
Due Diligence System Management	commitment to legal procurement; responsibilities and authorities; retaining of documented evidence; monitoring of due diligence system implementation; scope of due diligence system; supply chain and materials information; risk assessment; and risk mitigation; statement	
Criteria Index	Forest Management	forest land ownership; legal registration; payment of taxes abiding by law; legal harvesting; environmental protection; community and workers' rights
	Supply Chain	legal registration; legal import; legal transportation; legal export
	Chain of Custody	management system; procurement of raw materials; receiving storage of raw materials; processing; sales; timber legality statement

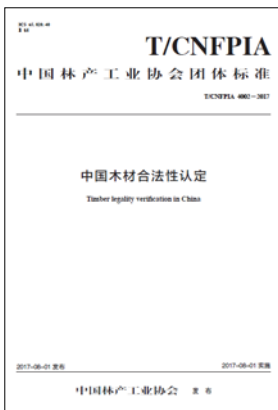
Testing CTLVS Standards by Enterprises

In order to discover CTLVS standards' applicability to Chinese enterprises and market acceptance, the project team, in cooperation with the Bureau Veritas (BV), reviewed the Phase I and II pilot programs of timber legality from 2015 to 2017 at 6 importers and exporters trading wood-based panels, wood furniture, wood floor, pulp and paper, namely Guangxi Jingui Pulp & Paper Co., Ltd., an affiliate of Asia Pulp & Paper Co., Ltd. (APP), Hainan Jinghai Pulp & Paper Co., Ltd., Furen Wood Industry (Fuzhou) Co., Ltd., Dalian Iris Home Products Co., Ltd., International Wood Products (Kunshan) Co., Ltd., and Hunchun Xingjia Wooden Floor Inc., from 2015 to 2017. Through interview, document, field survey at storage yard, warehouse and production site, enterprises are verified on compliance with the standards of timber legality, and establishment of timber legality tracking system. The applicability of the standards are reviewed, and whether the enterprises have improved their operations according to the suggested adjustments and changes last year is examined as a priority. The project team prepared the standards testing report on the basis of the results of pilot work, held a summary meeting to conclude the pilot work, and invited the expert committee to review and propose suggestions on detailed rules of the CTLVS standards.



Association's Timber Legality Group Standard

In order to fully explore the functions of associations in the process, the project team worked with CNFPPIA and CTWPDA in implementing CTLVS in their daily work, and facilitated the launch of CNFPPIA group standards on timber legality. In March 2017, the project team tested the corporation standards at 3 member corporations producing wood-based panels and wooden floors, namely Xuzhou Anlian Wood Co., Ltd., Jiangsu High Hope Arser Co., Ltd. and Jiangsu Senmao Bamboo & Wood Trade Co., Ltd. By interview, document examination and patrol check, on-site test and assessment were fulfilled to verify whether the enterprises had met the requirements of international market. Experts from the UK Timber Trade Federation (UKTTF) and The Nature Conservancy (TNC) also provided suggestions on how to revise the standards. Based on the findings of the audit, the project team and industrial associations worked together to revise the standards, and enabled its publishing on the 4th Wood-based Panels World Congress in Linyi, Shandong on September 22, 2017. Besides, the project team and CTWPDA jointly drafted the timber legality group standards.



Promotion of CTLVS

In order to promote CTLVS' application in Chinese enterprises, the project team provided technical supports and consulting services. From 2015 to 2017, the project team worked with BV, Société Générale de Surveillance (SGS), and CNFPPIA to promote the CTLVS concepts and experience in enterprises by holding CTLVS workshops in Beijing, Chengdu, Shenzhen, Changchun, and Guangxi. Representatives and managers from enterprises, traders, retailers and forest farms in wood and paper products industry discussed over CTLVS related topics, and the project team answered their questions. By all these efforts, the project team further improved their capacity.

