



Certification's role in corporate responsibility in the forest products sector

**UNECE Timber Committee
Market Discussions
27 September 2005**

Timbmet Group

- UK's largest hardwood importer/distributor
- broad product range, including clear softwoods, panel products, flooring, doors, other manufactured products – sourced from all regions
- significant international trading activity
- respected timber product innovator
- strategic commitment to sustainable development

Corporate responsibility

sustainable development in practice

- conducting our business responsibly to:
 - provide sustainable economic benefit
 - maintain environmental values within the forest sources of our products; avoid, minimise and mitigate environmental effects of company UK operations
 - ensure within source forests and within company UK operations that local community and employee interests and rights are served

Why the commitment?

- Ethical
 - problems of forest loss and degradation, illegal logging, social threat
 - driven by the CEO
- Business risk management
 - controversial sources
 - pressures from stakeholders
- Business opportunity: emerging markets
 - UK Government and Local Authority timber procurement policy
 - new Code for Sustainable Building under development
 - voluntary commitments of contractors, retailers, house builders, sub-contractors to buy sustainable timber product
- Strategic business importance
 - differentiation through being a first mover, supply chain development, product innovation

Private sector demand

- **Retailers – Travis Perkins**
 - 75% of all timber & wood product to be certified by end 2006
 - more demanding targets for tropical species product
- **Main contractors – Balfour Beatty**
 - demand independently certified, legal and sustainable sources
 - hierarchy of requirements where not possible – independent verification of 'risky' sources
- **House builders – Countryside Properties**
 - independently certified, legal and sustainable sources – evidence requirements demanding

Public sector demand

Three categories of timber:

1. Legal
2. Legal and progressing to sustainable
3. Legal and sustainable

Current requirements:

1. Legal as a condition of contract
2. Sustainable as an optional extra
3. Independent verification of evidence may be required, depending on supply

Government policy guidance clarifications

- what is legal; what evidence is required; when is independent verification required
- clear definition of 'progressing to sustainable' and evidence requirements
- clear definition of 'sustainable' and evidence requirements
- timetable for moving condition of contract from 'legal' through 'progressing' to 'sustainable'

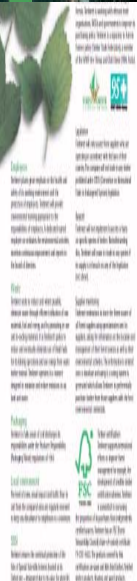
Timbmet's responsible business policy commitment

- acknowledges goal of economic growth
- sets out environmental and social policies
 - timber purchasing policy
 - carbon emissions management policy
 - waste management policy
 - general purchasing policy
 - local community policy
 - employee responsibility policies

Timber purchasing policy

Our goal is that all our timber and wood products will derive from legally and sustainably managed forests. To achieve this goal we are committed to:

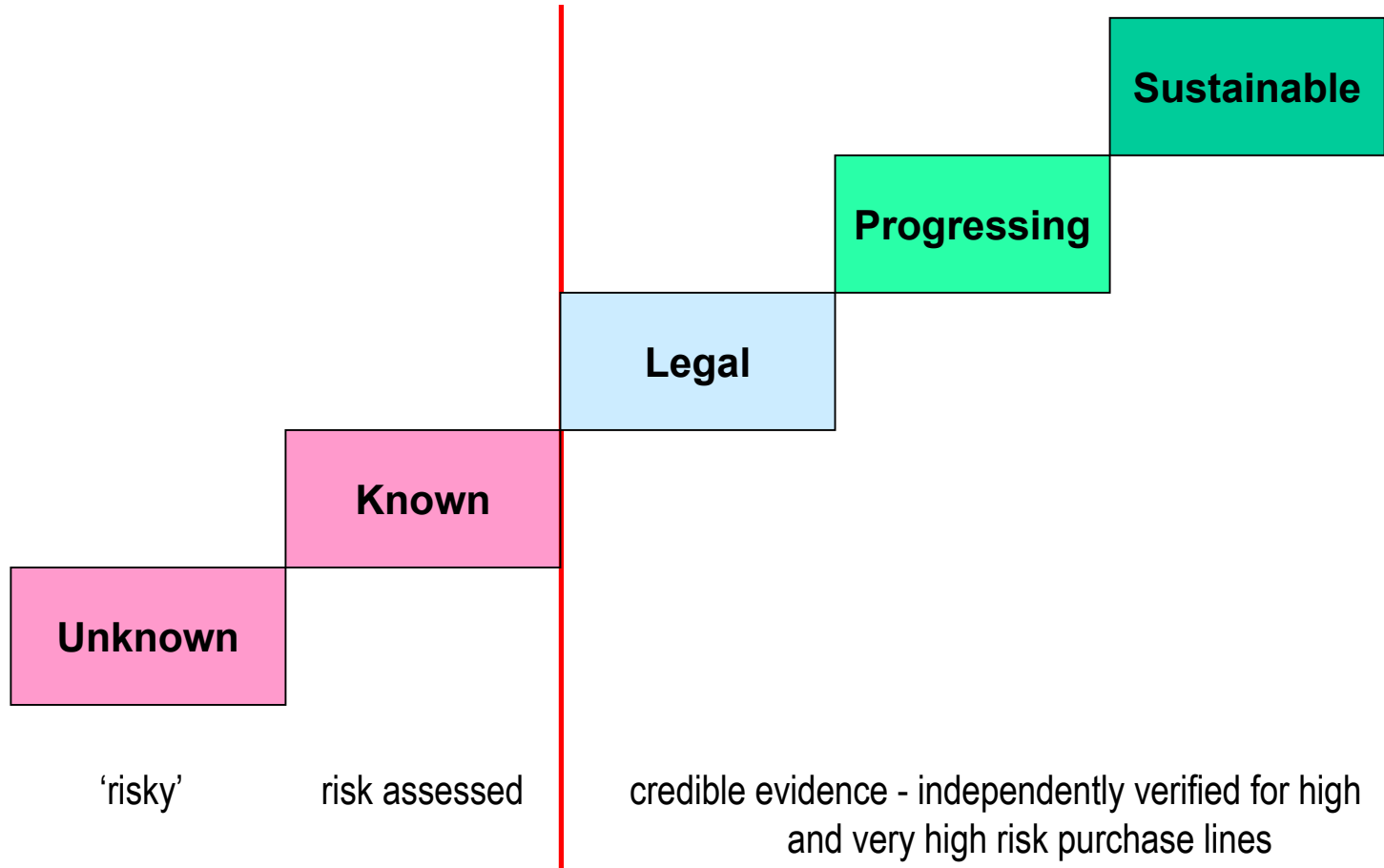
- progressively increasing the proportion of our timber and wood products that come from credible, independently certified legal and well-managed forest sources;
- working with suppliers worldwide to increase the proportion of our timber and wood products that come from independently verified legal forest sources that are actively progressing towards credible independent certification;
- eliminating timber and wood products originating from illegally-harvested trees, uncertified high conservation value forest, and forests that are being inappropriately cleared or converted;
- continually improving our performance according to explicit targets set within our environmental management system; and
- regularly reporting our performance to internal and external interested parties.



Purchasing challenges: elements of risk

- country-related risks: levels of illegal logging
- species-related risks: overexploitation/
ecological status
- producer practices:
 - traceability from forest of origin
 - legal right to harvest, relevant legal
compliance post-harvest
 - planned, sustainable forest management

Supply risk: assessment



Risk management

- product purchasing decision takes account of product-specific source 'risk' category
- cross-functionally determined targets for reduction of overall 'risk'
- regular performance measurement and review
- intensely data driven process
- active development in collaboration with producers of low and no risk sources

Credible solutions

Independently guaranteeing to end users explicit timber product supply performance:

- **traceability from source forest to end use**
- **legal origin and compliance**
- **sustainable forest management**
 - economically sustainable yields of timber and non-timber forests products
 - protection of the ecosystem, maintaining ecological stability
 - ensuring that local community and worker interests and rights are served

> *certification* as the (theoretical) off-the-shelf solution



A categorisation of certified & verified timber

Sustainable



FSC (generally considered by timber users to be the benchmark standard, and certainly the most credible standard for tropical forestry)

CSA

PEFC

SFI

Progressing to sustainable



Verified Progress (independently audited timbers from Timbmet Silverman: traceable, legal harvesting and active progress to FSC)

Semi-sustainable



MTCC (considered to be traceable and 'legal' for government contracts)

Traceable and legal

Independently audited (eg SGS, Eurocertifor)

Supply constraints: availability

- Disagreement among stakeholders about what certification standards are acceptable as evidence of sustainable forestry
- Certified forest worldwide is only about 6% of forest area
- Tropical certified forest is only about 1% of forest area (and much of this forest provides lesser known species)



Building on NGO initiatives: Verified Progress

- limited supply of credibly certified timber from the tropics – need a value chain solution
- consultation with NGOs, government and industry – stakeholder approval
- traceable from source forest to Timbmet Silverman customers
- from legally harvested forests
- from forests where forest management practices are actively improving to achieve credible certification, with FSC as the target certification scheme



Verified Progress guarantees

- Legality and traceability checks: SGS
- Assurance of progressive improvement towards FSC forest management certification
 - WWF's Global Forest and Trade Network Producer Groups
 - Tropical Forest Trust
 - SGS Certification Support Program
- UK Chain of Custody guarantees: BM TRADA Forest Products Chain of Custody certification (registration code BMT-COC-0001)
 - checks on robustness of audits confirming traceability, legality and forest management improvement



Market constraints: costs

- cost differentials for softwood species are negligible in most cases
- hardwood species often cost more to purchase when certified; differences can be high for tropical species
- an independent study indicated that tropical forestry requires a 10-25% premium to offset direct and opportunity costs of certification
- but significantly higher costs of sawn timber translates into marginal increase in costs of value-added manufactured goods such as windows and doors

Market constraints: communication

- disagreement among stakeholders about which certification schemes are credible
- poor communication of public and corporate procurement policy requirements
- poor understanding among end users about the economic, environmental and social benefits of specifying certified timber

Society initiatives: regulation and demand

- **Government policy** – increasingly national procurement policy requiring purchase of timber and wood products from “sustainable and legal sources”
- **Commission for Africa** – central issue to Africa's future development is the legal and sustainable use of natural resources such as forests
- **G8 nations** – commitment to support forest law enforcement, take steps to halt the import and marketing of illegally logged timber, work with all stakeholders to develop and promote legally sourced timber products

Timbmet initiatives: supply-side

- Verified Progress supply of 'progressing to sustainable' timber from the tropics
- evolution of forest management certification standards: industry-supported project to integrate wildlife management criteria and indicators
- timber producer initiative, through UK's Presidency of the G8, to integrate transparency criteria into certification standards

Timbmet initiatives: demand-side

- drive demand for certified timber product – concerted effort of progressive industry in collaboration with NGOs, and through policy consultation
- education of timber specifiers about cost implications of sustainable supply (hardwoods) and specification challenges (Timbmet-Greenpeace seminar, workshop and interactive CD)
- develop supply and drive demand for engineered (value-added) wood products – economic and environmental efficiencies are significant

Certification and corporate responsibility

- certification is a key means for addressing corporate responsibility (CR) in the forest products sector, especially for riskier tropical supply
- independent credibility of guaranteed performance (traceability, legality, sustainable forest management) against an explicit standard is essential
- certification provides opportunities for CR improvement
 - integration of producer transparency criteria
 - integration of wildlife management criteria and indicators
- certification provides opportunities for sophisticated product development and market innovation
- potential future markets for carbon offsets and ecosystem services may rely on credible forest management certification

Certification and a discerning market

- without a discerning market (one which will demand and pay for certified product), the CR performance opportunities provided by certified timber cannot be realised
- value-adding, efficient use of raw material, appropriate quality expectations, composite materials – among many – can contribute to development of value chain solutions
- ultimately, progress is in the hands of timber end users, public and private