

Sourcing Legal Timber: The Next Step

A Proposal for a Common Auditing Framework

Why is this important to the UK trade?

We need to;

1. make sure that trade in legal timber is encouraged by working with stakeholders to establish realistic progressive targets for our suppliers
2. ensure changing UK market requirements are taken into account in setting these targets
3. make sure the engagement approach prevails over boycott by working effectively with a wide range of like-minded partners
4. continue to demonstrate that we are doing what we can as part of our commitment under the TTF Code of Conduct, Forest Industry Sustainability Strategy, and Indonesia MoU, and our various partnerships under the EU Action Plan on Illegal Logging (the “FLEGT”), and build on the success of the completed Indonesia Action Plan.
5. ensure that a Common Auditing Framework emerges so that there is a single, simple, marketable standard for legal timber for our customers.

What’s the Problem? (... and it’s not just Indonesia)

From our experience in Indonesia, the new legality standard (final draft released in May 2004) is comprehensive and thorough, and is the right target to aim for in Indonesia. However the TTF Scoping Study suggests it is not achievable immediately for the vast majority of European suppliers. Closing the gap will require application, guidance and significant investment for suppliers¹, together with a continuous improvement approach involving incremental steps towards full legality. **This is going to be a problem for all timber coming from controversial sources, not just Indonesia.**

The size of this gap has two impacts: (i) it discourages suppliers from starting any initiative in this direction and (ii) it leaves TTF members purchasing their timber without being able to confidently describe it as ‘verified legal’ – a product for which there is growing demand.

What we can do

The purpose of the Common Auditing Framework (CAF) is to provide assurances to customers in the supply chain, in particularly the UK Government and corporate housebuilders, that timber products from tropical sources are legal.

This proposal will help deliver a credible general framework for auditing legality wherever doubts exists and, in the first instance, a credible system for verifying the legality of Indonesian timber. For this approach to succeed we will need to get agreement from a wide range of stakeholders (NGO’s, government, private sector) both internationally and in the countries concerned, and particularly in other markets in order to build buyer power and ensure consistency. The TTF cannot do this alone, but should be a partner in this process and work with others, and ensure that our market needs are taken into account. If needs be we will instigate processes and broker meetings as we have successfully done for the EU initiative on illegal logging.

Continuous Improvement: a progressive system

The CAF is a process and **not** a standard. The legality standard already exists but from a suppliers perspective it currently represents an obstacle to trade with the UK (and elsewhere). To overcome that obstacle suppliers will have to invest in tracking systems, verification and in legality compliance. The CAF will help build the stairway for suppliers – practical, steady, measured steps to help them achieve the necessary process and performance requirements.

¹ Significant support for supplier wood tracking and chain of custody has been designed into the EC grant application (EU Timber Trade initiative on illegal logging) for Indonesia, Malaysia, Gabon and Cameroon.

To drive the process and maintain momentum, it will be critical that suppliers see the rewards of compliance – this means recognition in terms of market access, as they achieve each intermediate step. Achieving full legality will thus be a phased process. Achievement of each step would be recognized publicly through the CAF after an audit, but a supplier could only maintain it with objective proof of continuous improvement. Any supplier seeking recognition under the CAF system would have to set their own timetable (within agreed limits) stating when they would expect to complete each step.

Auditing

The credibility of the system will depend on the quality of the verification process and the verifiers. The audit component of the CAF will be highly robust in all respects.

Methodology

As already stated CAF is a system, not a standard. The system will be established by:

- **Identification of key interest groups and establishment of a consultation process;**
- **Preparation of procedures and systems - a manual for suppliers;**
- **Identification and training of CAF auditing companies – a manual for auditors;**
- **System testing – test report.**

Deliverables and financing (for TTF members) by December 2004

The key deliverables and financing for this work will be:

- Agreement on the CAF steps and approach (£6,000 travel)
- Manual for suppliers to comply with CAF (£5,000 consultancy)
- Manual for auditors to follow to assess CAF (£5,000 consultancy)
- A test report (£5,000 consultancy and travel)

Costs

- TTF will meet the overhead and salary costs of TTF staff engaged in consultation and standard development
- Travel will be to Indonesia and the Netherlands
- Consultancy
 - £15,000 to develop the prototype general and Indonesia-specific CAF
 - £15,000 to refine both general and Indonesian CAF in 2005
- Co-financing from the Dutch through their consultants (TFT, AidEnvironment, Form Ecology)
- Other stakeholder consultation/participation costs will be met by other partners, notably TNC, DFID and the Dutch TTA.

Reporting

- TTF will report on progress through regular meetings of the enlarged Sourcing Legal Timber group
- The consultant will attend these meetings and provide reports on progress
- CAF Manuals and test reports will be delivered by December 2004
- Visit reports to all sponsors

Implementation

Once sufficient funds are available TTF will hire a consultant with experience of auditing forest companies for legality and sustainable forest management with Terms of Reference based on the above proposal.

TTF London,
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