



Code of Conduct Project

for the
Purchase & Supply of
Legally Harvested Timber
and Wood-based
Products

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Timber Development Association

The project

- DAFF funded and in-kind industry contributions



Project Objective

- Develop a cross-sectoral code of conduct for relevant industry sectors and supply chains for verification of lawfully harvested timber and wood-based products
- Apply to Aust. imports and exports
- Build on existing codes and procurement policies

What is a Code of Conduct?

- A set of conventional principles and expectations that are considered binding on any person who is a member of a particular group. www.wordnetweb.princeton.edu/perl/webwn
- Sets out specific standards of conduct in relation to the manner in which it deals with its members as well as its customers. These standards are voluntarily agreed to by its signatories. www.accc.gov.au

What a Code of Conduct isn't!

- Not another Certification scheme
- Not Chain-of-Custody

Project components

1. Est. project steering group
2. Identify and classify key industry sectors
3. Stocktake of codes, purchase policies other systems
4. Assess compliance systems / analysis strengths and weaknesses
5. Assess capacity of sectors to audit
6. Identify key elements of a Code of Conduct
7. Industry consultation
8. Develop generic Code of Conduct and implementation plan

1. Project Steering Group

- DAFF - Phil Townsend
- A3P - Richard Stanton
- NAFI - Allan Hansard
- TDA - Andrew Dunn
- ATIF - Nils Koren
- Independent - Tony Maher (Food and Grocery Council)

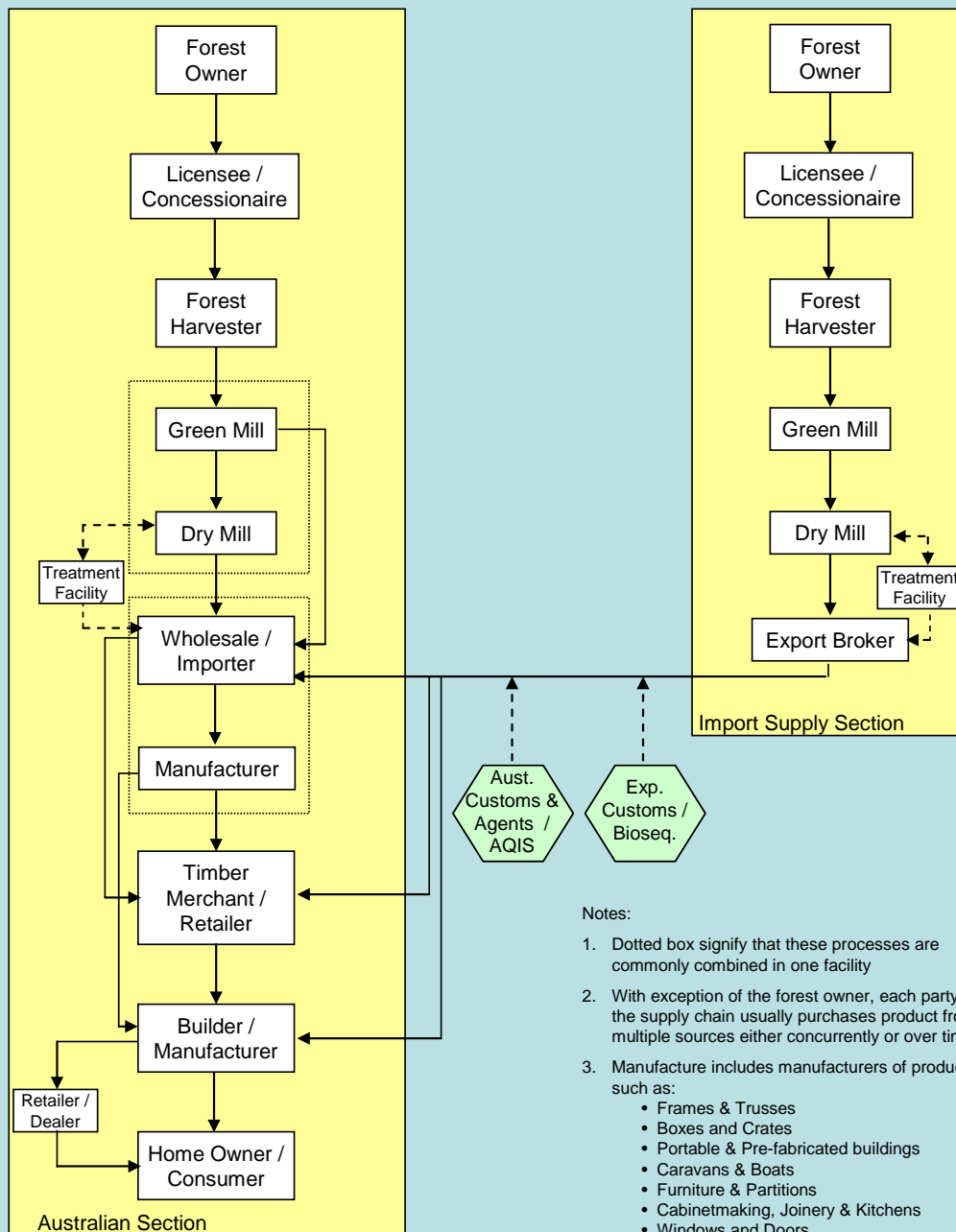
2. Identification and Classification – Included

- **Solid wood products** - Sawn timber, raw veneer, roundwood, plywood and other EWPs
- **Composite wood products** - MDF, particleboard, veneered panels
- **Manufactured wood products** - Furniture, windows & doors etc, flooring, pre-fab
- **Pulp, paper and paperboard** - Newsprint, printing & writing, packaging & industrial, household & sanitary

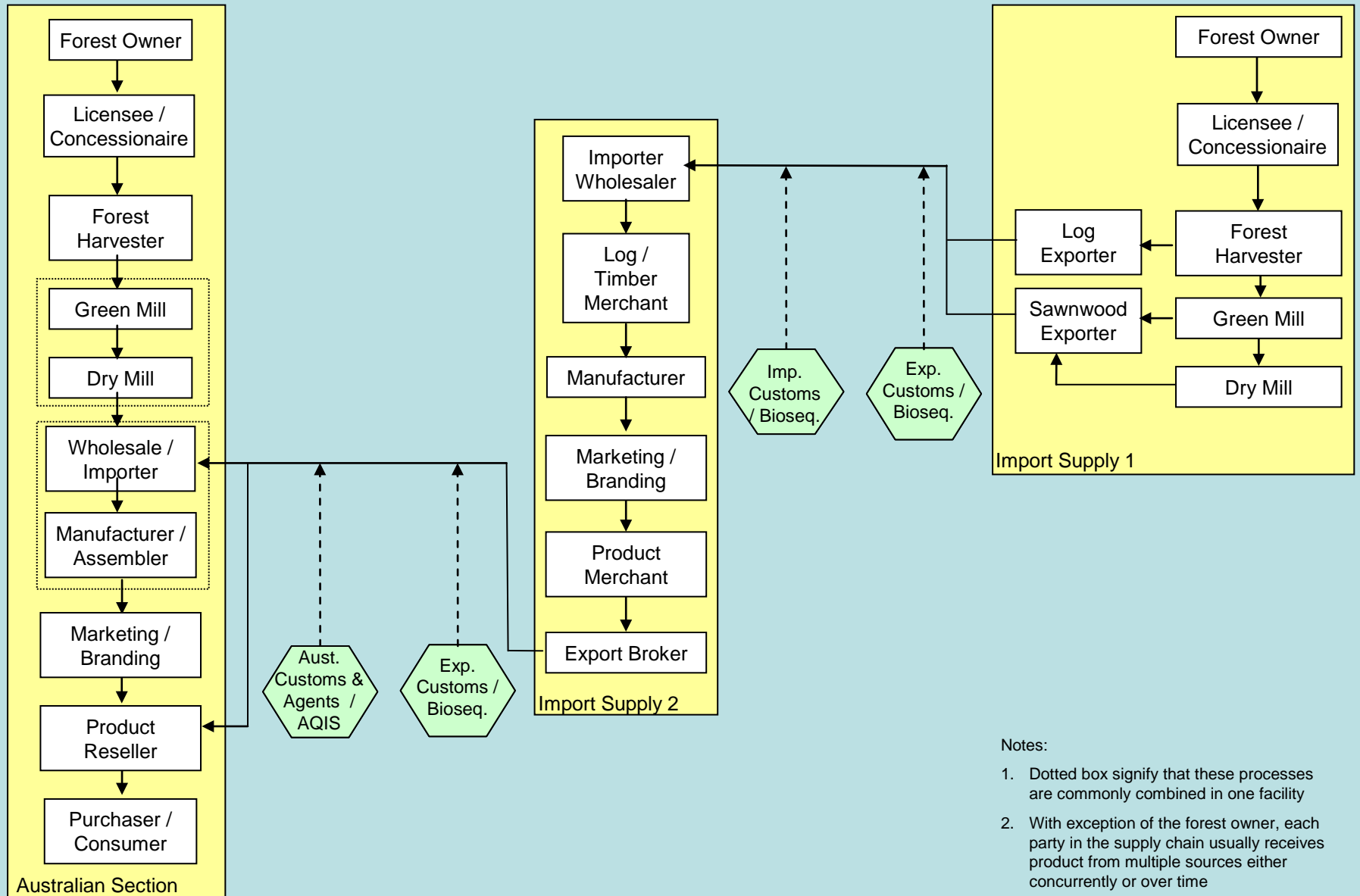
2. Identification and Classification - Excluded

- **Other manufactured wood products** - Toys, tool handles, kitchenware, wine barrels, coffins
- **Wood packaging** - Pallets, crates, dunnage
- **Other paper products** - Books, newspapers, magazines, calendars, maps, printed pictures
- **Other wood derived products** - Interior panels of cars, fibre-cement sheeting, rayon, tall-oil

Sawn Wood Supply Chain

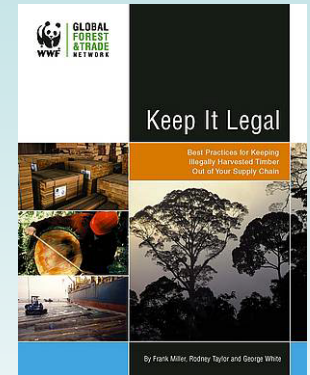
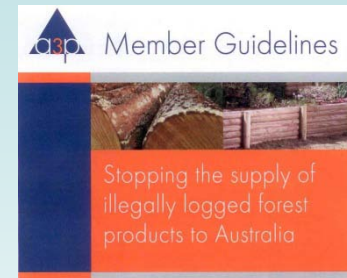


Furniture Supply Chain



3. Stocktake - Existing Codes, Guidelines and Purchasing Policies

- ATIF – Code of Ethics
- A3P Member Guidelines
- WWF – GFTN
- Numerous company procurement policies:
 - TLB Timber, Gunnersen, Hume Doors, Bunnings, IKEA, Kimberley-Clark, Fuji-Xerox, Woolworths



3. Stocktake - Legal verification systems used

- None
- Company risk management systems
- AFS/PEFC (non-controversial wood)
- FSC (controlled wood)
- Certisource, Smartwood VLO/VLC, TFT, SGS TLTV

4. Existing Compliance Systems

- ATIF and A3P Guidelines
 - None and survey (self-enforcement)
- WWF-GFTN
 - Audit by WWF or their representative
- Companies
 - Chain of custody and self-enforcement

5. Capacity of Sectors to Audit

- Depends on code requirements
- Full verification – very wide range of costs
- Capacity of 3rd party strong (AFS/FSC auditors)
- 1st/2nd Party –variable capacity

6. Identify elements of a Code of Conduct - existing

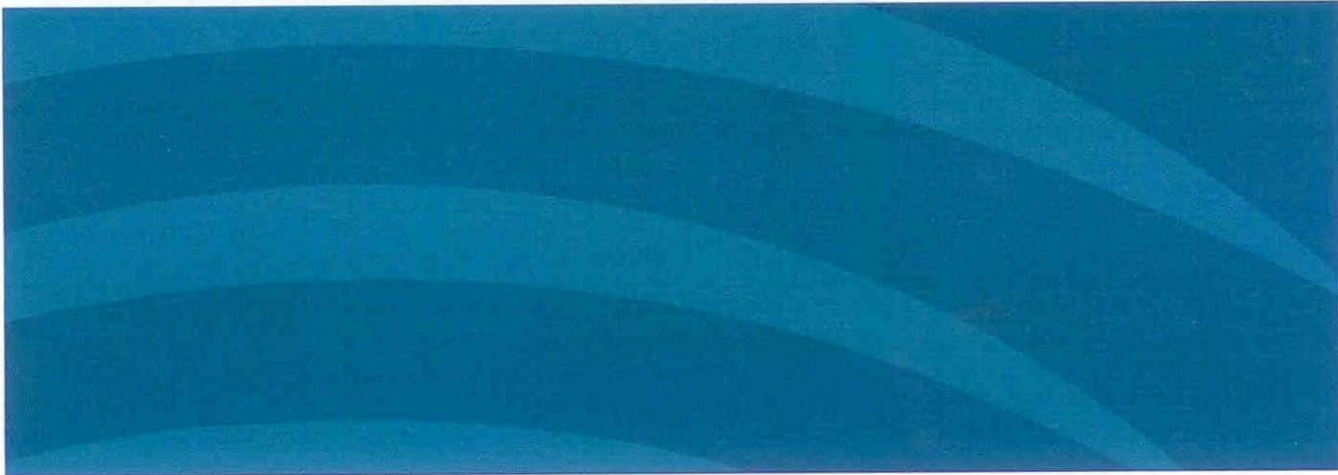


- ~30,000 codes of conduct/practice already in existence in Australia

6. Identify Elements of a Code - ACCC



Guidelines for developing effective
voluntary industry codes of conduct



6. Identify Elements of a Code - ACCC

- Codes more likely to be effective if:
 - Has widespread support of industry
 - Perceived as good company practice
 - Comprised of key stakeholders
 - Operates an effective system of complaints handling

6. Identify elements of a Code - International

European Union

- Timber Trade Federations of Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Spain, UK (since 2003)
- European paper industry

Nth America - Canada/Quebec, USA (local production and exports)

Japan

New Zealand - Tropical Timber Charter

7. Industry Consultation

- July & August - Workshop in Sydney, Melbourne, Brisbane and Perth
- 100 attendees from sawn timber, furniture, paper, plywood, veneer, windows and doors, flooring industries
- Importers, manufacturers, wholesalers and merchants

7. Industry Consultations

Key outcomes:

- Cover all wood-based products
- Impact on suppliers / producing countries needed consideration
- Code requirements should 'kick in' as high as possible in the supply chain
- Generic code options and associated costs be addressed in final report
- Implementation program with milestones and associated costs to support funding applications

7. Industry Consultations

Key outcomes (cont):

- Funding from the Fed. Government for advocacy and publicity activities to promote the benefits of the code
- Include reporting achievements of code to demonstrate transparency and effectiveness

8. Generic Code of Conduct

- Analysis and incorporate comment from workshops
- Peer review by Timber Trade Federation in the UK
- Resources and implementation plan for industry sector codes
- To support applications for development of specific code and tools/capacity building

8. Generic Code - Status

- Has no standing
- To progress needs to be 'adopted' by industry
- A specific sector/association Code of Conduct needs to be developed
- Plus specific governance arrangements and tools for implementation

8. Generic Code - Objective

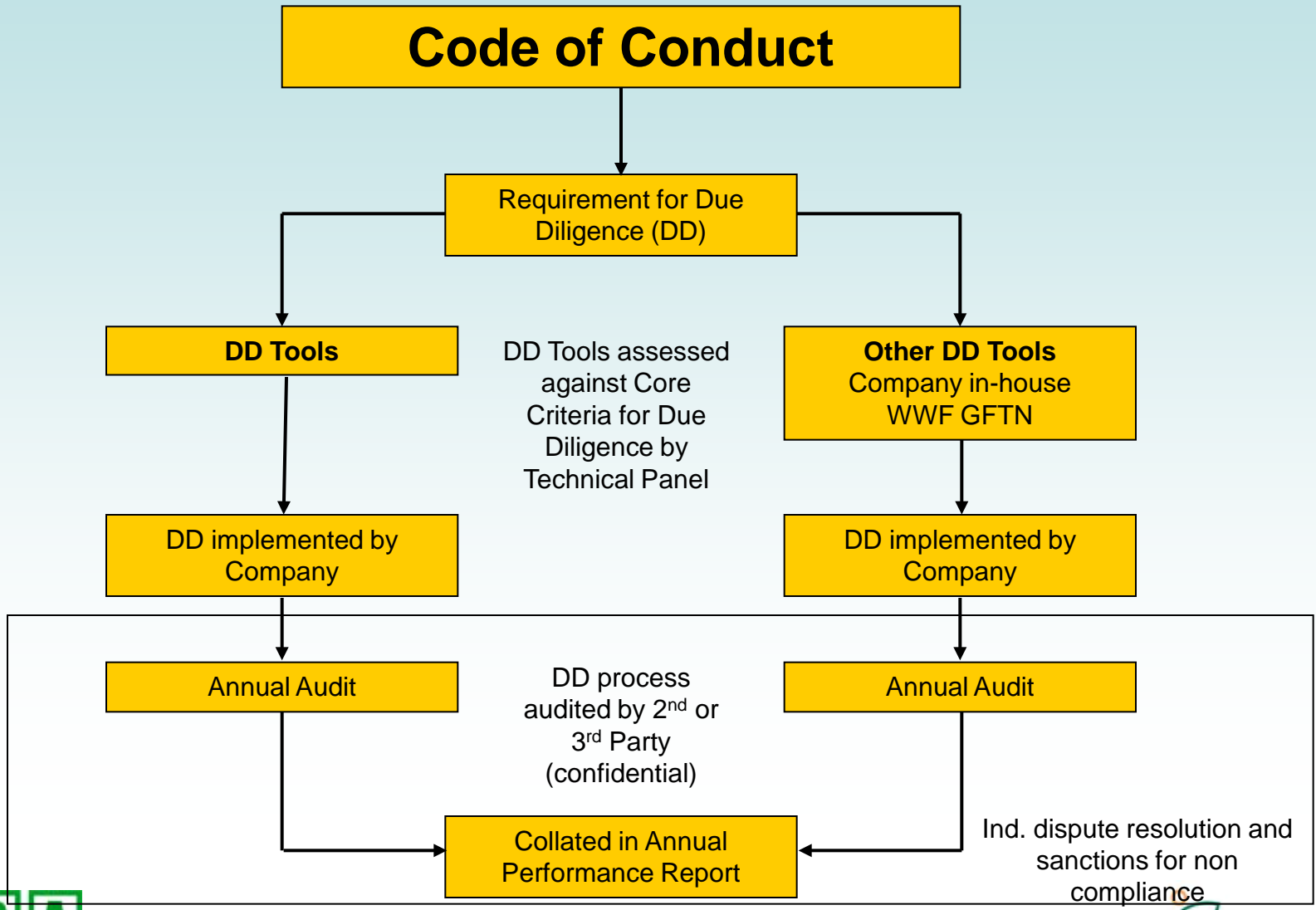
- Minimise the risk of illegal timber and wood-based products entering the Australian supply chain.
- Underlying principle is that the Code is cost effective and credible

8. Generic Code - Requirements

- Companies exercise due diligence
- Execution verified by a third party
- Comply with communications protocols
 - (to prevent conflict with Certification)

8. Generic Code - Due diligence components

- Commitment (director level)
- Supply chain review
 - All products
 - Species, country of harvest
 - Certified / non-certified
- Allocate risk (of illegal harvest)
- Mitigate if risk is high
- Compliance corroborated by third party
- Sanctions for non-compliance



DD Tools assessed against Core Criteria for Due Diligence by Technical Panel

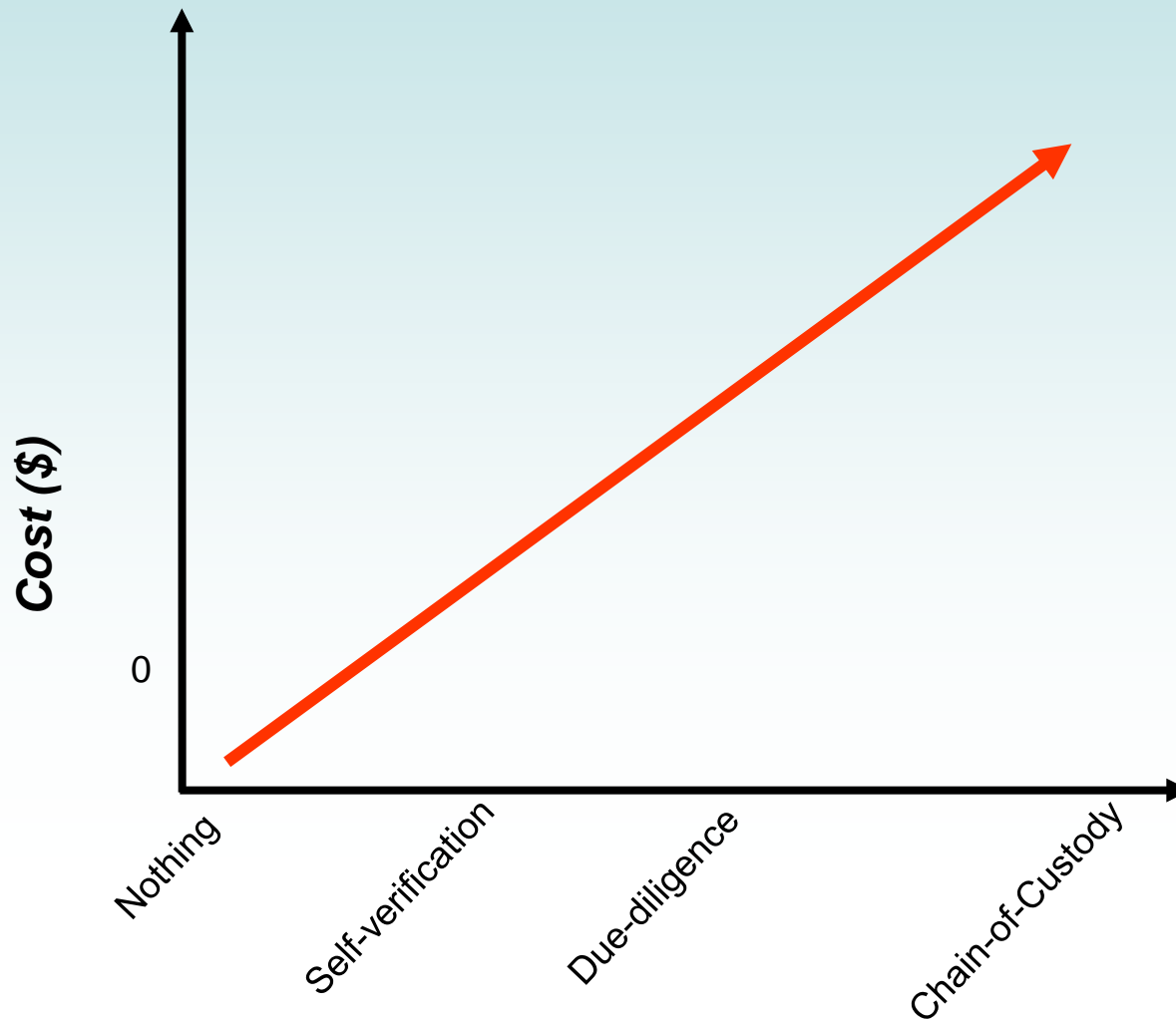
DD process audited by 2nd or 3rd Party (confidential)

Ind. dispute resolution and sanctions for non compliance

8. Generic to Specific Code - Implementation Issues

- Needs to be adopted by specific industry sector or sectors
- Lack of Drivers - Options:
 - Voluntary – industry driven
 - Mandatory – co-regulation
 - Mandatory – explicit regulation
 - Government, industry purchasing policies

8. Code of Conduct – Costs compared to alternatives



8. Generic to Specific Code - Implementation

- ATIF written to CIE (draft RIS author) advocating a mandatory code
- Industry driven specific code (and tools for implementation) will take long time to develop
- Assistance from Government will speed up this process significantly
- Encourage other Associations to make submissions to the CIE

Code of Conduct - Summary

- Set of minimum rules - enforceable
- Rules decided by industry – not government
- Extra work yes – possibly cheaper than alternatives
- Conforms with international practice
- Next stage up to industry

Questions?

Due Diligence USA Flooring Importers

- Every business should create a written company policy stating the intent to buy/sell only legal wood products.
- Back that up with:
 - a standard operating procedure
 - checklist and
 - questions for buyers to follow.
- Do not allow wood products that have not passed those standards into inventory.
- Document actions. In the event of an investigation written policies, checklist and documented actions will be primary evidence that due care was exercised.
- Ask suppliers to explain the due diligence they exercised in sourcing the wood products.
- If the price is well below market, recognise there is a reason and ask more questions.
- Know where the wood was harvested
- if it's coming from a higher-risk country then realise the risk is greater. If it comes from a low-risk country verify that it was not first imported from a high-risk area.
- Use third party certifications when you can.
- Given the difficulty of proving chain of custody, it may rarely be possible to know for certain that wood is legal but what is possible to prove is that you set standards, asked the right questions and did what a reasonable person would do to comply with the law.”

Benefits of a Code

- Sets minimum standards
- Even the negotiating balance between multiple suppliers and large customers
- Greater transparency and confidence in industry by customers/community/government
- Can offer competitive advantage over non-signatories
- Can be lower cost than alternatives
- Minimises breaches of legislation (Trade Practices, future legislation)
- Less intrusive/prescriptive than government legislation
- More flexible and can be amended easily