



The Timber Retail Coalition
Perspectives on the EUTR

Secretariat via:
 **European Retail Round Table**









Timber Retail Coalition (TRC)

Launched in 2010 to:

- Support efforts to create workable and effective EU-wide regulation;
- build on voluntary measures to which its members have long been committed;
- ensure a uniform operating environment in the markets.



June 11, 2015



Ian Cheshire, Group CEO, Kingfisher plc, said: "Kingfisher is proud to have pioneered retailer initiatives on sustainable timber, led by B&Q UK's efforts as a founding member of the Forest

Stewardship Council. The TRC's ultimate aim is to provide our customers with the reassurance

that every single wood product they buy has been ethically sourced. We now need Brussels to take the action necessary to achieve this, by regulating against imports of illegal timber to the EU."

Mikael Ohlsson, CEO & President, IKEA Group, said: "Wood is one of the most important raw materials for IKEA. It is an excellent choice from an environmental point of view, provided it comes

from responsibly managed forests. We have worked for almost ten years to curb illegal logging,

increasing the share of wood coming from responsibly managed forests. It is now important that decision makers take their responsibility, and act to introduce strong and efficient legislation without creating hindrance to trade or unnecessary administrative burdens."

Lars Olofsson, CEO and Board member, Carrefour Group, said: "As a leading retailer, we must

set an example. Since 1998, Carrefour has been committed to promoting responsible forest management with WWF through its sourcing of timber products and paper for its commercial publications. Most recently we have announced the launch of 100 million packaging certified by one of the most renowned and credible forest management systems – FSC. We are keen to share

this experience in setting a pragmatic and workable EU regulation that tackles illegal logging."

Sir Stuart Rose, Chairman, Marks & Spencer, said: "...Under Plan A, our eco and ethical plan, M&S is committed to sourcing key raw materials such as wood, from the most sustainable resources available to us. Whilst we and our fellow TRC members are committed to responsible

procurement, a lack of regulation means illegally harvested timber products can still enter the European market. Working together, the TRC aims to send out a clear message that this is not acceptable."

Timber Retail Coalition (TRC)

Relevance:

- Present in **26** EU countries;
- Employing **<700,000>** people;
- Combined annual turnover **c.€129 billion.**
- The TRC is a '*consensus based collaboration platform and a clearing house for disseminating information*'.



Timber Retail Coalition (TRC)

Present in:

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom



The background of the image is a close-up, high-resolution photograph of several stacked logs. The logs are cut into cross-sections, revealing the intricate patterns of the wood grain. The colors range from light tan to deep brown, with some logs showing prominent radial cracks. The lighting is warm, highlighting the natural textures and imperfections of the wood.

Million's m³ RWE / year

Timber Retail Coalition (TRC)

Relevance:

IKEA depends on 18,6 million m³ RWE per annum

= 1 % world industrial wood consumption

Visualization (estimated):

= 465 000 Timber Trucks
(24 meter long)

= 11160 Kilometers
(distance Älmhult, Sweden –
Surabaya, Indonesia)



Wood - an essential part of retail

Our love of wood:

- Wood is an excellent material
- Well managed forests = natural capital
- DD of basic legality = level playing field
- Staying engaged = positive force
- Strategic sourcing = sustained business



How forest trends impact product lines



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Due Diligence can work

Interventions:

- Carrefour: FSC outdoor furniture; 1st French retailer to deploy FSC beverage cartons at scale.
- IKEA: Internal auditing (IWAY); Forestry projects; >40% FSC or Recycled.
- Kingfisher: 92% certified product; Minimum entry criteria; Forestry projects.
- M&S Plan A: avoided deforestation & 98% of M&S wood materials being FSC, recycled or from sources that otherwise protect forests and communities



The world of timber – An IKEA chest of drawers

Wood species:

Chamaecyparis nootkatensis

Tsuga (heterophylla & mertensiana)

Abies (grandis & amabilis)

Picea (glauca, marian, engelmannii, abies & obovata)

Tseudotsuga menziesii

Thuja plicata

Pinus (contorta, monticola, ponderosa, sylvestris, cembra, nigra, brutia, halepensis & peuce)

Betula (pendula & pubescens)

Fagus silvatica

Quercus robur

Populus nigra



Countries of harvest:

Canada, Sweden, Finland, Latvia, Lithuania, Russia, Estonia, Ukraine, Norway, Poland, Switzerland, Austria, Slovenia, Bulgaria, Serbia, Turkey, Slovakia and Czech Republic.

In total 26 different wood species from 18 countries

Materials



Board, 3 types

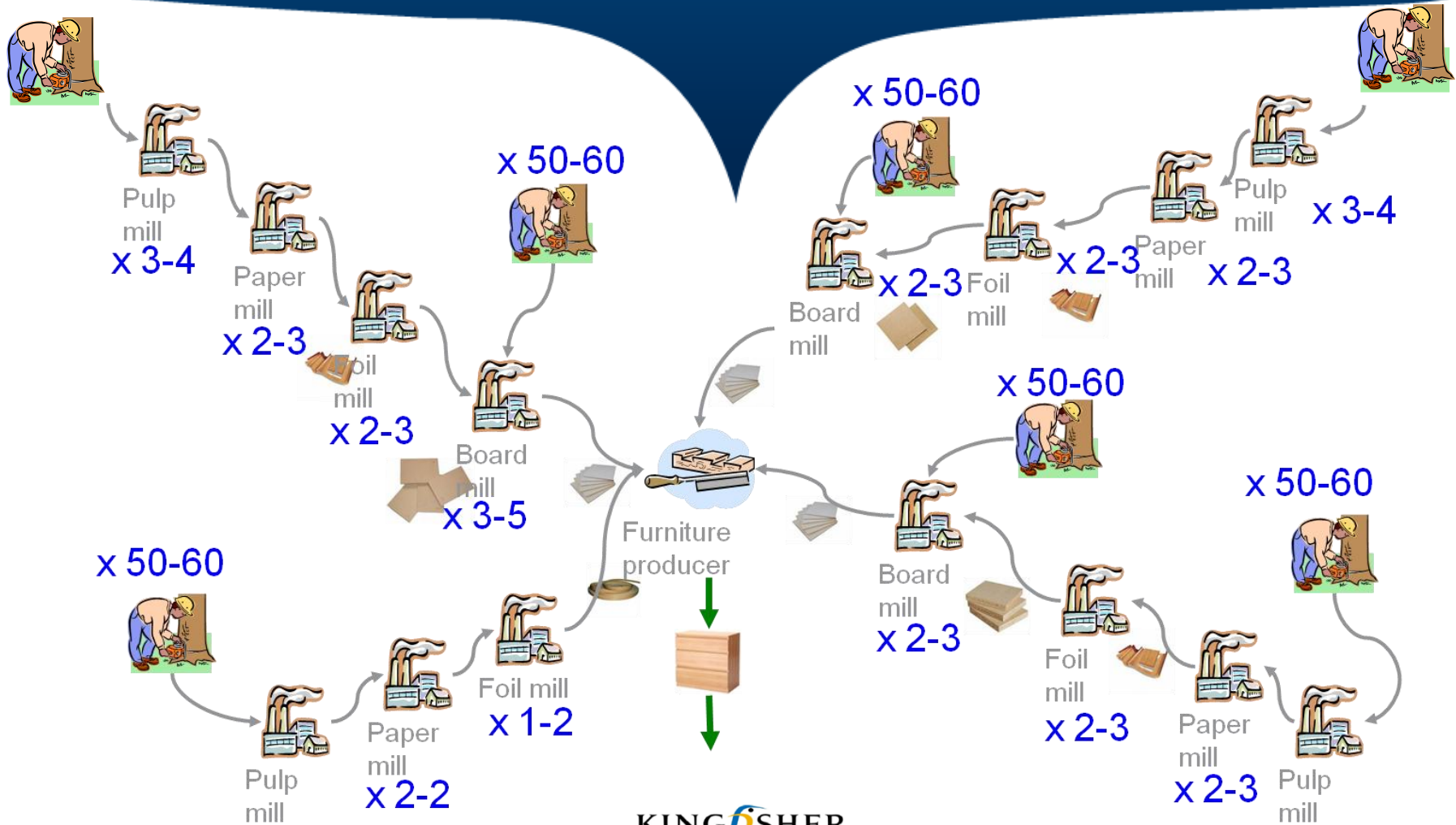
Paper core foil,
3 types

Paper core
edge band

**7 composite
wood based
materials**

June 11, 2015

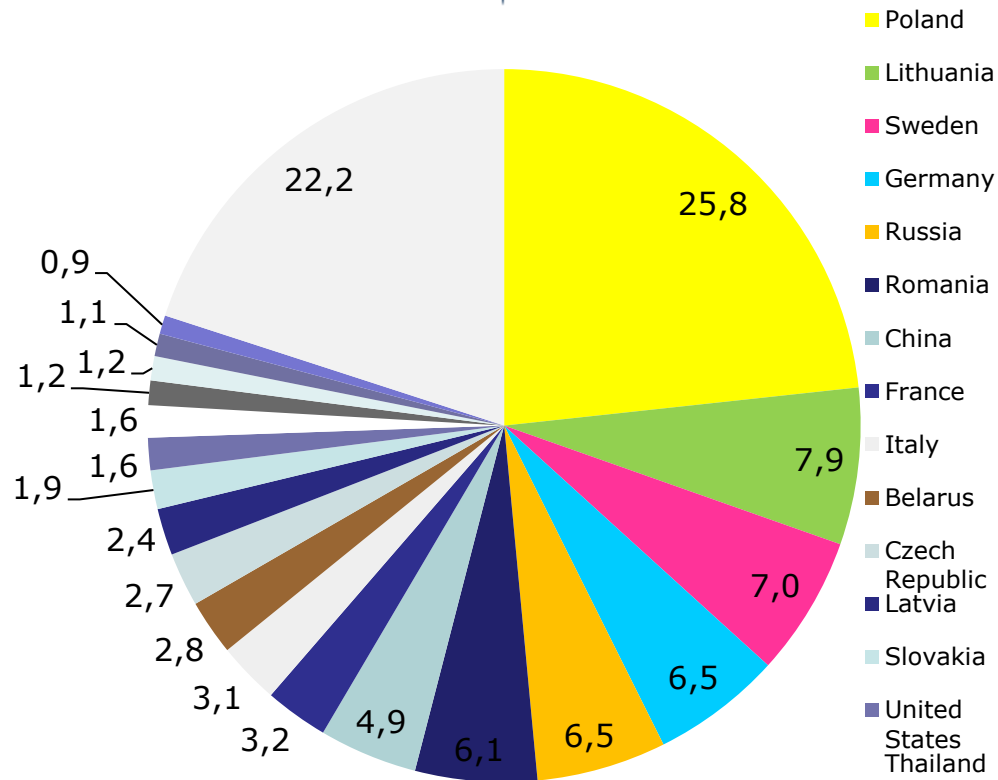
Sourcing



KINGFISHER



Provenance



The TRC supports the EUTR . . .

- The TRC supports the objectives of the EUTR;
- Support is based on the EUTR being:
 - ✓ a 'due diligence' and risk management approach
 - ✓ in-line and complimentary to voluntary, market-based measures
 - ✓ applicable in such a way that it creates a uniform operating environment

However...

- No FLEGT licensed wood so far;
- Uneven implementation of the EUTR;
- EUTR is difficult to implement for companies and hard to enforce for authorities (DDS);
- Companies have not been mobilised fully (especially not SMEs);
- Potential to distort trade routes;
- Investment in technology is needed.



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4 key messages for the 2015 review:

1. Uniform enforcement across all EU Member States;
2. A harmonised performance of Competent Authorities across the EU;
3. More clarity about, and appreciation of, the role and value of certification as part of a DDS;
4. Once the above has been achieved, an extension of product scope should be considered.

What's not working (Uniform enforcement):

To-date, the EUTR has not worked as a market equalizer for the following reasons:

- Numerous Member States have not fully implemented the regulation;
- Several important import/transit countries for timber are yet to begin inspections in earnest;



What's not working (harmonised CA performance):



The EUTR is at risk of distorting trade routes and accentuating unfair market competition as a result of:

- Uneven administrative burdens of compliance and penalties in MS's;
- The differing interpretations of the requirements by Competent Authorities;
- Proficiency in timber issues and understanding of concepts such as the role of Chain of Custody within supply chain Due Diligence is lacking.

Shattering the myths of 'control'

- **More documents** = happy auditors but \neq \uparrow **legality**.
 - A Competent Authorities *risk-based approach* is not only about deciding which companies/sectors need further scrutiny but **which product batches warrant further diligence**.
- The assumption of causation is false when the only evidence available is simple correlation.
 - Further scrutiny of product with a CoC is a waste of our collective effort.



Timber Retail Coalition (TRC)

Our request:

That the EC ensures a uniform, homogenous implementation of the EUTR across all Member States in order to achieve an equal operating environment for the timber industry.

Our offer:

The TRC would be happy to help the EC identify areas of irregular implementation and its implication for below optimum business operations in the EU



What's not working (role & value of certification):

The EUTR explicitly recognises that certification 'may be taken into account' in both assessment and mitigation of risk but:

- Understanding of basic concepts such as the role of Chain of Custody within supply chain Due Diligence is lacking;
- Traceability and CoC are frequently confused;
- Lack of understanding of DD behind certification schemes;
- Resulting in an overemphasis on the need for documentation *upfront* regardless of certified status.

Role of certification

- TRC considers the legal due diligence systems in certification as best practice;
- Control points are in the right place. In the forest or at the forest gate (where the wood leaves the forest);
- FSC is a preferred scheme due to its additional safeguards (PfA, HCVF assessments and risk registers), implicit DDS (CW), NGO scrutiny and civil society involvement.



Timber Retail Coalition (TRC)

Our request:

Clear, unambiguous acknowledgement by all Competent Authorities that timber products sourced through a verified chain of custody system and products sourced from independently audited forest units should be considered to be acceptable tools for risk mitigation and risk assessment within a DDS.

Our offer:

The TRC would be glad to support and advise the Competent Authorities with regards to a comprehensive understanding of how, within business best practice, chain of custody systems and certification is used.



What's not working (product scope):

The product scope of the EUTR contains illogical exemptions. The TRC sees no reason why many of these products would be excluded:

It is logical to expand the scope but hand-in-hand with;

- A uniform enforcement
- Harmonised CA performance
- Recognition of certification (Chain-of-custody)
- ✓ Best Practice DDS
- ✓ Contributing to sustainable forest management



Timber Retail Coalition (TRC)

Suggestions:

CN Codes may not be the best basis for defining product inclusion/exemption.

Could perhaps exempted products be listed in the Annex?

TRC recommends that any inclusion of further products should take into account:

- ✓ the of capacity of Member States to implement;
- ✓ operational practicalities in the market place;
- ✓ desired impact on the forest ecosystems involved.



Fulfilling the EUTR's full potential



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Perspectives on the EUTR

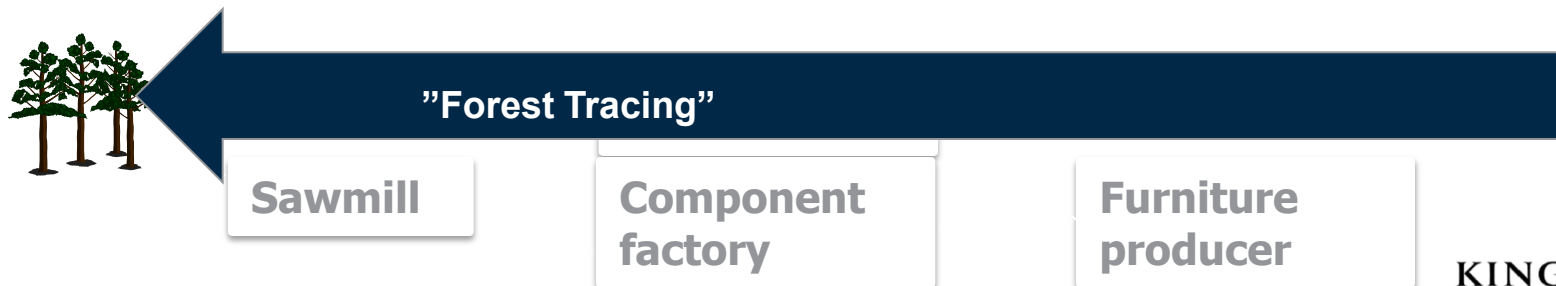
The EUTR could:

Concentrate on what's important by ..



Acknowledging Chain of Custody

- Mixed sources involve DD and risk assessments;
- Considerably reduces risk of unwanted wood entering the supply chain.
- Chain of Custody \neq physical traceability;



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YOUR M&S
marksandspencer.com/PlanA

The EUTR could

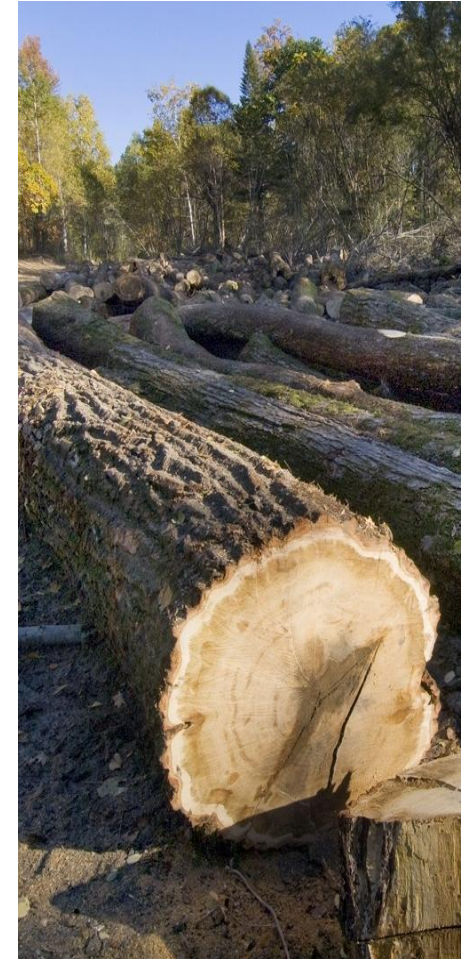
See the wood for the trees by ..



Focusing on illegal logging hot spots

Russia Far East example

- Timber theft by wildcat loggers is becoming less common but ...
- Brigades using “Illegal logging with paperwork” is more popular of late
- Overlogging on timber leases or logging of high-grade in place of low-grade material
- Abuse of “Intermediate” and “sanitary” logging
- Export of stolen timber under the “mask” of timber lease documents



Source: B. Milakovsky, WWF Amur

The EUTR could

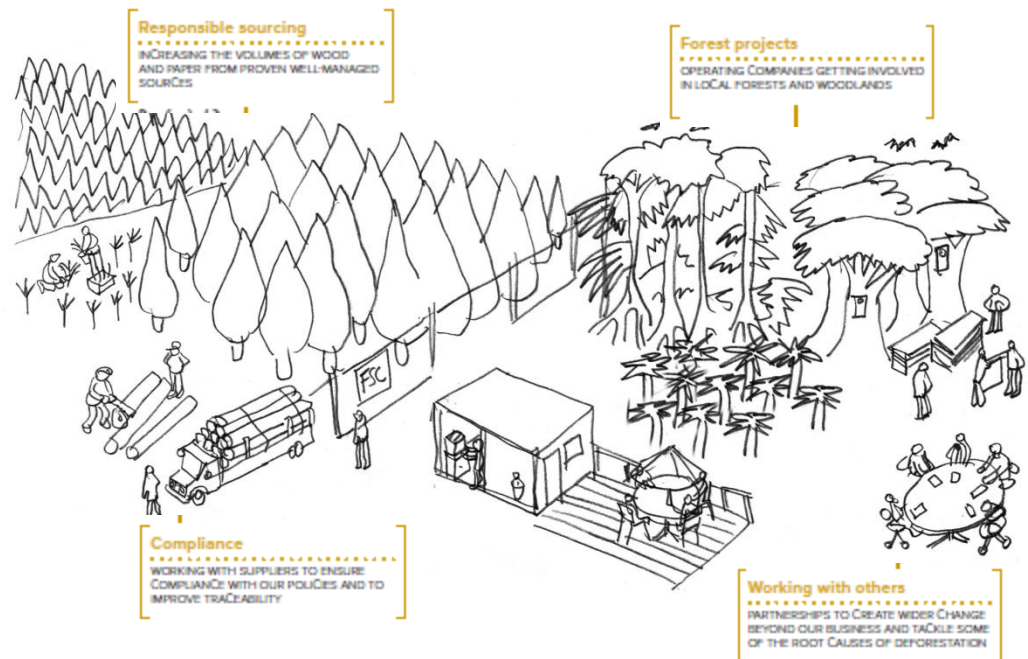
**Be the
cornerstone to
confidence in
wood products
by..**



Aligning all the tools in the box

VPA's, certification etc.

- EUTR has the potential to be both complementary to voluntary certification as well as have a coherent approach to existing legislation.
- Governments should be seen as leading by example in responsible timber procurement.
- **Mobilise all businesses!**
- Technology improves the performance of authorities and companies' DDS
- Cooperation is the key!



4 solutions (EC) :

1. Introduce mechanisms to ensure uniform enforcement across all EU Member States & public bodies;
2. Upskill MS's capacity to ensure harmonised performance of Competent Authorities across the EU (encourage via guidance, templates, collective learning platforms);
3. The stated aim of the EUTR is SFM, so introduce a harmonisation process to ensure EUTR works to compliment other tools such as VPA's, certification;
4. Clarify documentary requirements of "may be taken into account" ref certification (text change Article 4 Implementing Reg & Art 6 reg?)



3 solutions (Competent Authorities) :

1. Focus on DD best practice not over reliance on documents to satisfy an audit tick box (admin burden, ineffective);
2. Focus on illegal logging hotspots not low risk sources;
3. Take a risk based approach to which product batches warrant further; diligence (clue: independently audited/verified lines with a CoC = low risk)



3 solutions (work with industry to):

1. Increase understanding of CoC and industry best practice;
2. Approach an extension of product scope deliberately and thoughtfully, once the EUTR is enforced and implemented in a harmonious manner across EU;
3. Identify areas of irregular implementation and its implication for below optimum business operations in the EU;



Thanks

Images courtesy of:

- Kingfisher Plc
- B&Q UK
- IKEA
- ERRT
- NepCon

Content courtesy of:

- Jamie Lawrence
- Anders Hilderman
- B. Milakovsky

Stats courtesy of:

- Kingfisher Plc
- IKEA
- M&S
- Carrefour
- WWF Int

