

Australian Industry Timber Due Diligence System

AITDD-01

Due Diligence System Guide

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About this document

This document has been developed by Timber Development Association (NSW) Ltd on behalf of Forest and Wood Products Australia Limited. It is based on currently available information from the text of the Australian *Illegal Logging Prohibition Act 2012 (Cth)*, the *Illegal Logging Prohibition Regulation Amendment 2013 (Cth)* and the accompanying Explanatory Statement as well as consultation and information documents issued by the Commonwealth Department of Agriculture.

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- Australian Timber Importers Federation (ATIF)
- Customs Brokers and Forwarders Council of Australia Inc. (CBFCA)
- NSW Forest Product Association (NSW FPA)
- Queensland Timber Importers Association (QTIA)
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Contents

Acknowledgements	3
1 Introduction	5
1.1 How to use this guide	5
1.2 Abbreviations.....	8
2 Scope	9
2.1 Do the due diligence requirements apply to you?	9
3 Undertaking due diligence	11
3.1 Establish a due diligence system - Step 1	11
3.2 Gather information - Step 2.....	13
3.3 Assess risk or compliance - Step 3	19
3.4 Mitigate risk (if not low) - Step 4	37
4 Declaration to Australian Customs	40
4.1 Notification/authorisation of customs broker.....	40
5 Record keeping and supplying information to compliance staff	40
Annex 1: Terms	41
Annex 2: Legal Timber Purchasing Policy Template	44
Annex 3: Communications Guidance	45
Annex 4: Assessing risk flowcharts	46
Annex 5: Supplier Letter Template	51
Annex 6: Information Sources	52
Annex 7: Importer Due Diligence - Overview	56
Annex 8: DRAFT Importer declaration to customs broker	61

1 Introduction

This document provides templates and guidance that can be used to develop your company's own due diligence system and guidance on how to undertake due diligence. It explains the steps that should be taken in the due diligence process and a description of proposed actions and the tools and templates available to carry out each step.

The objective of developing an Australian Industry Timber Due Diligence (AITDD) system is to develop a clear and unambiguous system that can be applied in all situations by companies importing regulated timber products into Australia or processing domestic raw logs to comply with the *Australian Illegal Logging Prohibition Act 2012* (the Act) and the *Illegal Logging Prohibition Amendment Regulation 2013* (the Regulation).

Under the Regulation, which takes effect on 30th November 2014, importers of certain timber products to Australia will be required to assess whether the products they intend to import have been – or are likely to have been – illegally harvested. The requirements are that importers of regulated timber products must develop a due diligence system and undertake due diligence of these regulated timber products before they import them to Australia.

From 30th November 2014, importers of these products will also be required to declare to the Australian Customs and Border Protection Service whether they have met the requirements of this law.

1.1 How to use this guide

This document provides stepwise guidance for developing a due diligence system and for undertaking due diligence for illegally logged wood. It contains background information, an overview of the available tools and templates as well as a number of annexes that contain key supporting documents for implementation of the due diligence system.

If you choose to use the AITDD system, your due diligence system will be comprised of parts listed in Table 1 with a number of annexes. Figure 1 is an overview of the due diligence stepwise process.

Some of the components of this system, such as a Purchasing Policy or the Communications Protocol, are not required under law. These are provided here to support the integrity of your business practices.

If you choose to use this system it will need to be adapted to particular circumstances, for example to streamline with your business practices. This guide indicates where the system can be adapted.

The user of this system will also need to adapt and implement the templates found in the annexes to their own circumstances and operations. Further guidance is given in the description of the specific template.

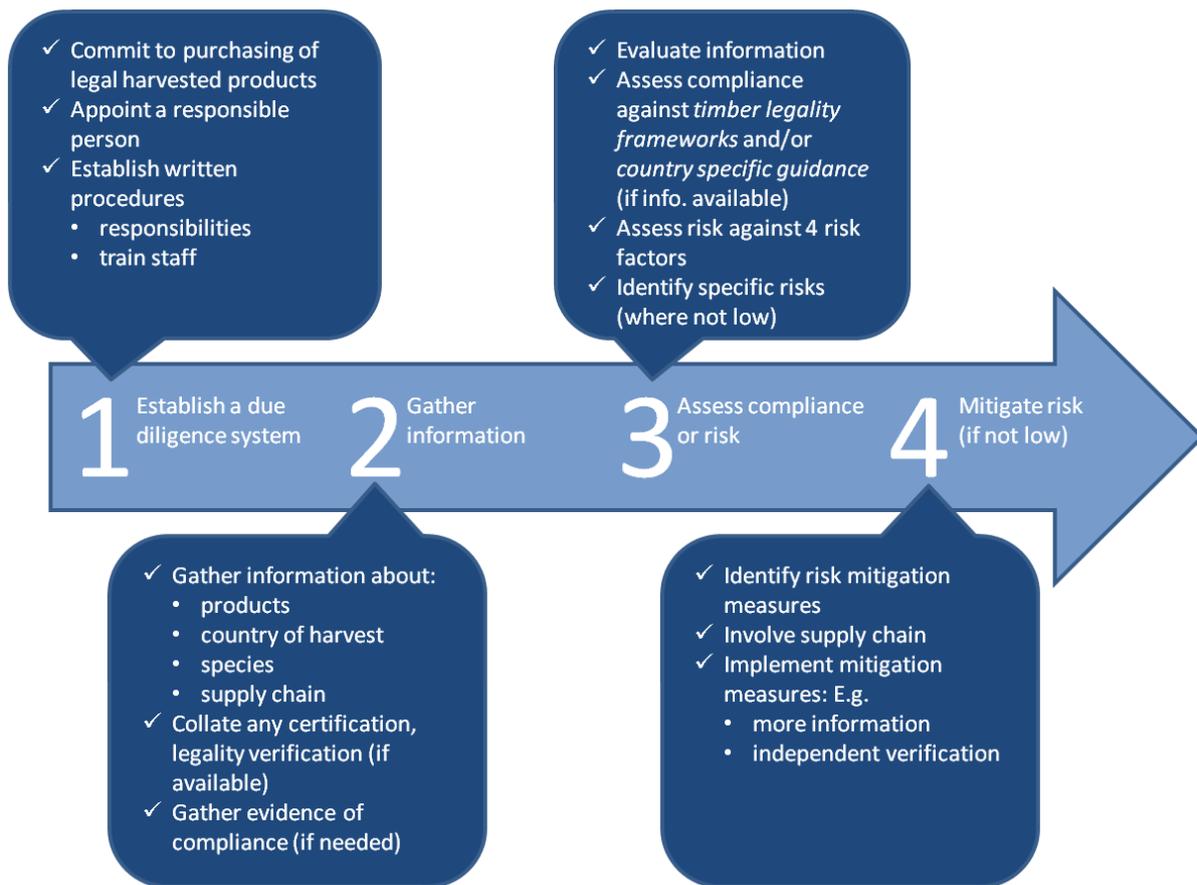


Figure 1: AITDD Due diligence system implementation - key steps

Table 1: List of the AITDD system documents

Document Number and Name	Description
AITDD-01 Due Diligence System Guide	This document. A guide for implementing the AITDD system.
Annex 1 Terms	Explanation of some of the jargon used in these documents
Annex 2 Company legal timber purchasing policy template	A template of a policy for those using this due diligence system to commit the company to sourcing timber products that are legally logged.
Annex 3 Communications guide	Guidance for company communications to other businesses and to the public for those using this due diligence system.
Annex 4 Risk assessment flowcharts	A visual guide to each of the risk assessment methods
Annex 5 Template letter for a supplier	A template of a letter for importer informing suppliers about your due diligence requirements and asking for information about supply of timber and timber products. The template is not necessarily for all suppliers and should only be used where necessary and as described.
Annex 6 Information sources	Additional sources of information on all aspects of due diligence for illegally logged timber
Annex 7 Importer due diligence overview and summary	A template for importers to overview their due diligence system and summarise their due diligence for particular suppliers and/or regulated timber products.
Annex 8 DRAFT Importer customs broker authorisation	A DRAFT declaration for importers to complete to authorise their customs broker to answer the required Customs Community Protection Question
AITDD-02 Company due diligence system manual template	An MS Word template of a manual for due diligence for a company. The use of the manual is OPTIONAL. If it is used it must be adapted and revised by a company as their circumstance demands.
AITDD-03 Supplier and product due diligence spreadsheet template	An MS Excel spreadsheet template to be used to record the due diligence undertaken for all suppliers. It includes supplier, product and supply chain information, the risk assessments and tracking information.
AITDD-04 Supplier questionnaire template	A MS Word questionnaire template used to collect relevant <u>additional</u> information from suppliers for products which are not certified or legally verified or material where information is lacking.
AITDD-05 Guidance on evaluating legal conformance at a forest level	Guidance on assessed specific risks at the forest harvesting unit (FHU) level and a FHU audit is chosen as a risk mitigating measure.

1.2 Abbreviations

AITDD	Australian Industry Timber Due Diligence
CERT/VER	Requesting certified/verified material
CITES	Convention on International Trade in Endangered Species
CoC	Chain of Custody
CPI	Corruption Perception Index
DDS	Due diligence system
ETTF	European Timber Trade Federation
EU	European Union
EUTR	European Union Timber Regulation
FSC	Forest Stewardship Council
FLEGT	Forest Law, Enforcement, Governance and Trade program
FHU	Forest Harvesting Unit
FHUA	FHU audit
FHUD	FHU documentation
GFTN	Global Forest and Trade Network of WWF
PEFC	Programme for Endorsement of Forest Certification
SCA	Supply chain audit
SCM	Supply chain mapping
SKU	Stock-keeping unit
SREP	Supplier replacement
VLC	Verified Legal Compliance
VLO	Verified Legal Origin
VPA	Voluntary Partnership Agreement

2 Scope

This document is applicable to importers of timber and timber products into Australia which are regulated under Australia's Illegal Logging Prohibition legislation who are seeking to minimise the risk that these products are made from wood that has been illegally harvested. These regulated timber products include sawn timber, moulding, flooring, veneer, plywood, most pulp and paper products and timber furniture.

2.1 Do the due diligence requirements apply to you?

The Regulation requires that importers of regulated timber products exercise due diligence before importing these products and ensure this through the implementation of a system of procedures. The following questions can be used to establish if the Regulation applies to you.

2.1.2 Are you, or do you intend to be, an importer?

Due diligence is only required for the import of regulated timber products into Australia. If your company does not, or will not, directly import a regulated timber product into Australia you are not obliged to meet the specific due diligence system requirements in the Regulation.

The term importer is not included in the Act or the Regulation however the Australian *Customs Act 1901 (Cth)* defines an importer as "the beneficial owner of the goods at the time of their arrival within the limits of the port or airport in Australia at which they have landed."

Agents and brokers who will not be the beneficial owners of the goods when they land in Australia are not importers.

2.1.3 Do you import, or intend to import, regulated timber products?

There is a defined list of products that are regulated under the Regulation - these are called *regulated timber products*. The actual list of regulated timber products is in Schedule 1 of the Regulation. Most timber and wood-based products such as sawn timber, veneer, mouldings, wood panels, plywood, pulp and paper and wood furniture are included in this list. Before embarking on all due diligence steps; ensure that the products you import are a regulated timber product.

The due diligence system can of course be applied to all wood based material, but at a minimum it is obligatory for the import of products scheduled as a regulated timber product.

The *IMPORTERS INFORMATION SHEET: Regulated Timber Products* supplied at www.timberduediligence.com.au explains in more detail what products are regulated, which are exempt, as well as the more common timber products which are not regulated.

2.1.4 Are the products you import, or intend to import, exempt or not regulated?

Even if a good you import, or intend to import, is a regulated timber product, it may be exempt or outside the scope of the due diligence requirements. There are three categories of these:

- a) Goods that are recycled material.
- b) Goods with a combined customs value less than \$AUD 1,000.
- c) Goods not regulated.

a) Recycled content

Recycled material is timber that has been part of another product, and that product was no longer used for its intended purpose and was a genuine waste material. By-products from manufacturing processes¹ are not regarded as recycled material.

It is quite clear that if a regulated timber product is made from 100% recycled material then due diligence is not required.

If a product is partially made from recycled material (for example a 70% recycled content paper product) only the proportion that is recycled is exempt from the due diligence requirements. For example for a 70% recycled content paper product due diligence needs to be done on the 30% virgin wood fibre. The reality of course is that due diligence on a portion of the product may be impractical on just the non-recycled portion of the product so either all or part of the due diligence steps may have to be done on the timber used in the product.

b) Combined customs value less than \$1 000

If the *combined* customs value of a regulated timber product imported as part of a consignment is equal to or less than \$1 000 then you do not have to conduct due diligence on the timber products. For example two regulated products worth \$400 and \$500 respectively in a consignment would be exempt. Two regulated products worth \$400 and \$700 in a consignment would not be exempt.

c) Goods not regulated

Regulated timber products that are outside the scope of the regulation are products that are imported under product Scheduled tariff code but have no timber content. For example pre-fabricated buildings (Tariff heading number 9406.00.00) are regulated timber products but due diligence is only required on the timber if they are made from, or include, timber.

A number of imported goods made of timber or that are made from a significant proportion of wood fibre are not regulated.

All packaging material used exclusively to support, protect or carry another product (whether or not that product is regulated) are not regulated timber products. This includes wood boxes, pallets and dunnage as well as cardboard and paper packaging.²

Note that while importers of exempt goods or goods that are not regulated are not required to undertake due diligence for illegally harvested wood content they may fall foul of the *Illegal Logging Prohibition Act 2012* if they actually import a product that has illegally harvested wood content. To be successfully prosecuted under the Act the Commonwealth would have to prove the timber or the timber contained in these goods was illegally harvested and an importer knowingly, intentionally or recklessly imported these goods.

If you are intending to import regulated timber products that are not exempt and are not outside the scope and you are the importer, then the Regulation applies to you.

¹ For example products such as particleboard, paper or furniture made from offcuts, sawdust and woodchip generated by the cutting of new sawn timber.

² Wood boxes and packaging imported as goods under 4415 are also not regulated however cardboard and paper packaging imported as goods under tariff heading 4819 are regulated timber products.

3 Undertaking due diligence

3.1 Establish a due diligence system - Step 1

A number of actions are needed by an importer before due-diligence for illegally harvested wood can be undertaken. Some of these actions below are requirements of the Regulation while others are recommended good business practices.

3.1.1 Appoint a responsible person

Nominating a person who is responsible for maintaining an importer's due diligence system is a requirement of the Regulation. The person should be a person with the authority to either undertake the due diligence themselves or ensure that the appropriate due diligence is undertaken by the importer.

➤ Appoint a person responsible for maintaining the companies due diligence system

3.1.2 OPTIONAL - Adapt the Legal Timber Purchasing Policy template and sign

The Legal Timber Purchasing Policy/Statement template (Annex 2) is a key document to adapt and sign as this sets out the overall objectives of the importers purchasing practices. It can also be a formal record of the decision by the company to appoint a person responsible to maintain the due diligence system. While such a statement is not an explicit requirement of the Regulation it is considered good practice to have such a statement dated and on the record.

This policy can, once adapted, be incorporated into existing policies and either made publicly available by the importer or kept as an internal document for staff only.

➤ Adapt and formally adopt the Legal Timber Purchasing Policy template in Annex 2

3.1.3 Read the Communications Guidance

The Communications Guidance attached (Annex 3) will help in managing a company's public communications about your implementation of this AITDD System.

Misrepresentations and incorrect claims are easy to make in this field as the concepts of sustainability and legality can vary across cultures and languages and the requirements and rules of the various certification and verification bodies can also be complex. As all companies operating in Australia are subject to Australian Consumer Law and/or could infringe the rules and copyright of certification/verification bodies it would be prudent to familiarise oneself with the Communication Guideline.

3.1.4 Establish written procedures to undertake due diligence

An importer must establish written procedures to undertake due diligence. This is a requirement of the Regulation. The procedures must incorporate the process by which the importer will meet the due diligence requirements and contain, importers business or company name, ABN or ACN as well as a number of other items.

An organisation's ISO quality (ISO 9001), environmental management system (ISO 14001) or Chain of Custody (FSC and/or PEFC endorsed) documentation system may be adapted and used to implement the requirements for written procedures.

3.1.5 OPTIONAL - Establish written procedures in the provided Due Diligence Manual

The **Company due diligence system manual template (AITDD-02)** sets out the basic procedures of a company due diligence system and incorporates the requirements of the Regulation. Having a manual such as this is not an explicit requirement of the Regulation however adapting the one provided here will provide a sound basis for a due diligence system.

If a company decides to use this template it needs to be filled in with relevant company specific information and adapted to the company's other procedures.

➤ Adapt the **Company due diligence system manual template AITDD-02**

3.2 Gather information - Step 2

The Regulation requires that importers of regulated timber products exercise due diligence before importing these products and ensure this through the implementation of a system of procedures. The first action in the actual due diligence process is the gathering of information about the products being imported, or proposing to be imported. Guidance on gathering the necessary information is provided below.

3.2.1 Method: how to collect and store information

Information can be gathered using a variety of methods including: site visits, email, web information, questionnaires sent to suppliers, audit reports and so on. Importers can use existing systems to collect and store data for all their timber products.

A **Supplier and product spreadsheet template (AITDD-03)** is provided to collect and store the information for all suppliers and the products purchased from them. This is a working document and can be adapted as needed to suit an importers circumstance.

3.2.2 Source: mapping supply chains

Information needs to be gathered for all regulated timber products imported. Mapping the supply chain can help identify the key contact points / suppliers, sub-suppliers and, ultimately the source of timber used in the product. Since supply chains vary in their complexity this approach needs to be flexible.

3.2.3 Frequency: when to gather or review timber data

There are a few key points in a purchasing cycle when data should be collected:

- a) when a new supplier (or new product) is selected
- b) when sources of timber or fibre change
- b) as part of a regular review.

a) New supplier (or product)

Ideally information should be gathered before an order is placed, the risk of the timber in the product being illegally harvested assessed and any risk (other than if it is low), mitigated. Where this is not possible this process should definitely take place before the product is shipped and imported into Australia.

Be aware that some timber products may already be produced before the Regulation comes into effect on November 2014 and before your due diligence system is in operation. Importers have to have a system in place by November 2014 and undertake due diligence on their imports from that date. If your product is being shipped and you haven't undertaken all the due diligence steps you will be in breach of the Regulation.

Some timber product importers have a risk committee which reviews decisions about prospective purchases before a new supplier is and/or purchasing decisions are made. The review of the information by people other than the purchasing officer/manager directly involved in the decision may be a useful risk mitigating measure.

b) When sources of timber or fibre change

Importers may buy the same product year after year. If the specifications for the product don't change some may think it reasonable to assume that the forest sources for the timber haven't changed. However, many timbers and fibre are globally traded commodities so suppliers and their suppliers may change forest sources depending on price, or many other variables, including adverse weather in the forest making the usual wood used unavailable.

Suppliers should be asked to sign a declaration stating that if they intend to change the forest source of their product they should notify the buyer (i.e. the importer) immediately and supply sufficient information to allow risk assessment/mitigation for approval before shipping.

c) As part of a regular review

Even if an importer has not engaged new suppliers, new products, or timber/fibre sources have not changed an annual review of the supply chain is advisable. This is to ensure the information is up to date and subsequent risk assessments and mitigation (if needed) is still valid.

If importing from a source where the risk is not low, or a particular area where illegal logging is very prevalent, more frequent reviews may be appropriate of all or part of the information.

3.2.4 Data: types of data to collect

For all regulated timber products, information needs to be collected where it is "reasonably practicable". Below is a list of the information the Regulation requires you to gather with some guidance for each.

While importers can use their own existing systems to record the information a **Supplier and product spreadsheet (AITDD-03)** is provided in which this information can be centrally recorded.

a) Type of product and trade name.

A description of the type of product and a trade description of the product (i.e. the name it is sold under), e.g. Bookcase and Family Range Bookcase. As the same product may come from multiple suppliers the trade name may also include a SKU or product or catalogue number that links individual products to individual suppliers.

b) Common name, genus and scientific name of tree species in the product

A single tree species can have multiple common names. The full scientific name of the tree species the timber or timber product is comprised of is required to be sought. Where a product is comprised of multiple species, the importer should endeavour to collect names of all the species likely to be used to make the product. This includes species used in paper products, and even in any particleboard, medium density fibreboard (MDF), plywood imported in its raw state or imported in other products such as furniture. If the full scientific names are not "reasonably practicable" to collect then only the Genus name needs to be collected.

c) Country, region and forest harvesting unit

Information about where the timber in the product was harvested is required to be gathered, where "reasonably practicable", down to forest harvesting unit level. Some suppliers may be able to provide information down to a particular forest harvesting unit. Many suppliers will not be able to

provide this information. The particular region or country of harvest may be the only information they can provide. Information on which country the timber in a product was harvested should be sufficient in most circumstances to assess origin risks.

If this information is not “reasonably practicable” to obtain then this needs to be taken into account when undertaken subsequent risk assessment and mitigation undertaken if this risk of timber being illegally harvested is not low.

d) Country where the product is manufactured

This information should be readily available. In many cases an importer will have obtained a Certificate of Origin which certifies that the product is manufactured in a particular country. However the country where the product is manufactured may not be the country where the timber or fibre in the product was harvested so this information may be fairly meaningless when it comes to actual risk assessment stage.

e) Supplier details

Supplier details such as name, address, trading name and any business and company registration members should be available on current documentation and recorded in the importers due diligence system.

f) Quantity

This is the quantity purchased and imported and should already be on current documentation such as invoices. For due diligence purposes the Regulation says that information must be gathered before importation, which implies that it must be done per consignment. While no guidance is available on this point the quantity over a set period of time (say annually) may be entered in the **Supplier and product spreadsheet (AITDD-03)**.

g) Any documentation

Imports of any product into Australia require a mountain of documentation such as commercial documents including invoices, packing lists shipping documents, origin certificates, inspection certificate, phytosanitary certificates as well as transport and insurance documents. This of course is filed in the normal course of importing business. This part of the Regulation is not requiring anything more here than that which accompanies the shipment in the normal course of business.

h) Legality Framework Certificates / Licenses

If an importer is relying on one of the prescribed *timber legality frameworks* (See Risk Assessment Step 3) to substantiate that the timber is low risk of being illegally harvested then an importer will need to check that the framework covers the product in question and collect any evidence. Currently these may be FSC or PEFC Forest Management certification numbers and/or FLEGT licence numbers. FSC and/or PEFC Chain of Custody certification numbers of the supplier(s) and products may also be collected at this stage as can details of any third party legality verification assessments.

i) Documents specified in Country Specific Guidelines

If an importer is relying on one or more of the prescribed *country specific guidelines* (See Risk Assessment - Step 3) to substantiate the timber is low risk of being illegally harvested then an

importer will need to collect the relevant documentation accompanying the product that is covered in the relevant guideline. Currently no Guidelines exist so no assistance can be provided here on what this entails but it may be a particular export document.

j) Evidence that timber in product hasn't been illegally logged

According to the Regulation and the Explanatory Statement the importer has to endeavour to obtain evidence that the timber in the product was legally harvested (i.e. that is has not been illegally harvested).

Evidence can be documentation or other forms of information that could assist in justifying a conclusion that the timber was unlikely to be illegally harvested. Evidence may include a record of site visits to a supplier (and/or their sub-suppliers) and any relevant observations that were made, photographs of stock control, analysis results of testing for particular species, file notes of conversations, records of any site or forest audits or verification audits, supplier declarations, Chain of Custody (CoC) certificates and/or invoices of timber delivered. Supplier self-declarations should be supported by sufficient evidence.

If evidence does not meet requirements of any of the risk assessment methodologies, the timber product is not readily assessable as low risk, or risk mitigation measures are required, additional primary harvesting information may be needed. For example copies of valid forest concession licenses, harvesting permits or approvals from forest management or other legal authorities, log transport/delivery documents and royalty payment records. If a supplier takes delivery of multiple wood types from many sources it may be necessary to do a mass balance on volumes and dates. For example, ask to review monitoring books which record volumes in and volumes out - allowing for wastage, volumes and dates should match. Suppliers should be able to provide sufficient evidence on request.

3.2.5 How much information is needed?

Under the Regulation you are expected to obtain as much information as is “reasonably practicable”. This means that you are expected to make reasonable efforts to obtain the information needed for the **AITDD-03** spreadsheet. Guidance on what is “reasonably practicable” is provided below.

How much and what sort of evidence you need to gather will vary on an importers circumstances.

It is suggested that in the first instance that the information be as much as you can gather easily. If this is insufficient to utilise one of the scheduled *Timber Legality Frameworks* or does not match the documentation set out in the relevant *Country Specific Guideline* then more information will be needed. In short, any information that supports an argument that the timber was low risk of being illegally harvested will be useful.

Sheer quantity of information is not always the best approach. In some parts of the world the credibility of documentation is doubtful. A crucial step in the due diligence process is assessing the accuracy and reliability of documentation. More documentation means more work assessing its accuracy and reliability! Therefore it is often better to have a smaller amount of good quality information than a stack of documents that are irrelevant or of dubious authenticity.

3.2.6 What about complex products or products with complex supply chains?

Information must be gathered for each product and supplier combination. Information may also be need for different timber components within a product if they are comprised of different species and/or from different countries of harvest.

In the Excel spreadsheet provided (**AITDD-03**) a row of the spreadsheet may need to be completed for each component or single-component product.

The country of harvest of the timber used in the product, the species, the complexity of a supply chain and any certification or 3rd party legality verification will determine the level of information needed.

Much of the required information may already be known to your company, or could be readily provided by your current or potential suppliers. This will particularly be the case if your suppliers also supplies customers in the European Union or the United States as the governments in these jurisdictions have similar regulations and requirements for importers from many areas.

For supply chains where there are critical gaps in the information, request additional information from your supplier. A **Supplier letter template (Annex 5)** and **Supplier questionnaire template (AITDD-04)** is provided which can be adapted and sent to suppliers for gathering additional information.

Realistically, if the information cannot be obtained, and a low risk cannot be the concluded as a result of the risk assessment step, risk mitigation measures will have to be undertaken. Many companies, if they don't have the capacity to closely detail the supply chain, chose certification or verification against third party legality assurance schemes if they want to continue to import the product. An alternative is to use a specialised importer who is experienced in that product and/or country to import the product.

- Use the **Supplier and product spreadsheet (AITDD-03)** and complete the gathered information in each of the relevant columns. Further guidance is provided in each column of the worksheet on how to complete. This spreadsheet can form part of your due diligence records. Due diligence records and any supporting evidence must be kept for 5 years from the time regulated timber products are imported.

If further information is needed:

- Adapt and use the **Supplier letter template (Annex 5)** in combination with **Supplier questionnaire (AITDD-04)** and send these to the relevant suppliers or use them as a basis for gathering additional information from your suppliers.
- Once additional information has been received, update the **Supplier and product spreadsheet (AITDD-03)**.
- As an importer has to gather all information where reasonably practicable - Where a supplier is unable to provide information, record the fact the request has been made and any response (or lack of response).

NOTE: Working with suppliers in all steps of due diligence is essential. Without a close working relationship it will be more difficult to gather the required information, assess risk and mitigate any risks.

Box 1: What does “reasonably practicable” mean?

In the Explanatory Statement to the Regulation the Australian Government has provided some limited clarification and gives a couple of examples of what the term “reasonably practicable” means. They intend develop government guidance on this phrase however until then this document includes excerpts from the Explanatory Statement and some further guidance below

- “An importer must obtain as much of the prescribed information as is reasonably practicable.” Point #7 - Explanatory Statement on page 4.
- “Under subsection 10(1), before importing a regulated timber product into Australia, the importer must obtain as much of the information set out in subsection 10(2) as is reasonably practical. In practice, an importer must endeavour to obtain all the information listed, but they do not have to obtain it all, if it is not reasonably practicable to do so (for example, where the information does not exist).” Point #12 Explanatory Statement on page 6.
- “The intention is that an importer must obtain as many of these pieces of information as possible. For example, if an importer is only able to obtain the common name of the tree species and has taken measures to obtain the genus and scientific name that are reasonably practicable, but unsuccessful, then that importer is justified in only obtaining the common name.” Point #14 Explanatory Statement on page 7.
- “Paragraph 10(2)(b) requires that the country of harvest, the region within the country and the forest harvesting unit within the region. An importer must attempt to obtain as much of this information as is reasonably practicable. Point #14 Explanatory Statement on page 7.

From the importer’s perspective there are two elements that they must consider:

- What is possible information to be gathered?
- What is reasonable information to be gathered given the circumstances?

In simple terms *reasonably practicable* means that where the information can’t be gathered the importer would have to show, if requested, through reasoned and supported arguments, that either:

- the information does not exist; or
- if the information does exist, that the importer took reasonable and practical steps to gather the information yet the information still could not be obtained.

Cost may not be the key factor in determining what it is reasonable for a importer to do unless it can be shown to be ‘grossly disproportionate’ to the risk. In similar Australia laws where the term “reasonably practicable” is used (such as in Workers Health and Safety laws) there is a clear presumption in favour of reducing risk over cost.

What information exists and is reasonably possible to obtain and what information is reasonable to gather will vary in each importer’s circumstance. For example, for an importer of sawn timber products information on the common name and scientific name will exist and it is reasonable to expect that information to be gathered and recorded. For an importer of furniture made from MDF and particleboard which may be manufactured from different timber species from different forests with different risk profiles the actual species used (and their common and scientific names) may be impossible for the manufacturer to provide. What is important is that an importer has made reasonable attempts to gather all the information necessary to make an informed risk assessment.

Either way, if the information cannot be gathered then this must be taken into consideration in the subsequent risk assessment stage, and hence mitigated against if the risk is not low.

3.3 Assess risk or compliance - Step 3

Using the information gathered in Step 2, a risk assessment must be undertaken. This process should identify products which are either:

- Certified or verified legal by 3rd party assessment
- Low risk of being from illegally logged sources;
- Not low risk of being from illegally logged sources; or where
- The risk of being made from illegally harvested timber cannot be determined.

There are three options under the Regulation to undertake the risk assessment for a given product. An additional method, using chain of custody certification and/or third party verification is not scheduled in the Regulation but is commonly used by the timber, pulp and paper as well as furniture trade.

METHOD 1 - Assess compliance with a scheduled *timber legality framework*

METHOD 2 - Assess compliance with relevant scheduled *country specific guideline*

METHOD 3 - FSC / PEFC Chain of Custody Certification and/or 3rd party verification.

METHOD 4 - Assess risk against four risk factors.

Which method an importer chooses to use will depend on the where the timber product is from and/or what documentation accompanies or will accompany the product and any other evidence available. If no certification or other documentation accompanies the product that satisfies Methods 1, 2 or 3 than Method 4 will be the only method that will be able to be used.

Importers are able use any of these methods. Importers of multiple regulated timber products may use one or all of these methods.

Where a product contains, or could contain multiple species, you will need to obtain information and undertake risk assessment for each species. The final risk should be assessed based on the lowest common denominator. For example for a paper product where 90% of the fibre is from low risk sources and 10% from high risk or indeterminate risk sources then the risk is not low.

The following table can be used to guide the process of assessing risks for each regulated timber product. To start an evaluation, simply start at risk category number 1 and evaluate the risks based on each of the Risk Assessment Questions. The guidance text should be used to guide the decision making process and also provide supporting links to relevant information.

The Risk Assessment tables are a simple string of questions that will lead the user through risk assessment criteria. NOTE: Risk assessment is a process that requires the user to make an informed decision about risks. The tables and flowcharts cannot provide a decision for all cases and the user is advised to use best judgment and apply a precautionary approach when assessing risks.

3.3.1 Method 1 - Assess compliance against a scheduled timber legality framework

Regulated timber products that can be shown to comply with the requirements of a *timber legality framework* recognised in Schedule 2 of the Regulation are considered to be no or low risk of being illegally logged. The *timber legality frameworks* currently recognised are:

- a) FLEGT licensed timber products; and
- b) Timber products certified to FSC or PEFC forest certification standards.

a) *FLEGT licensed timber products*

FLEGT (Forest Law Enforcement, Governance and Trade) is a program of the European Union. A FLEGT licence is one issued by a timber-producing country that has a Voluntary Partnership Agreement (VPA) with the European Union, the timber legality assurance system (TLAS) that is the basis for the FLEGT licence is endorsed by the European Union, and the FLEGT licensing has been declared as fully operational. The FLEGT licence verifies that the timber product is legal.

Currently, none of the countries that have finalised a VPA with the EU has a fully operational FLEGT licensing system. Thus no FLEGT licensed timber is available in the market. However experts expect the first FLEGT-licensed timber to be available in 2014 from one or more countries in the late stages of implementing their timber legality assurance systems. There are currently six countries at this stage: Ghana, Cameroon, Indonesia, Liberia, Republic of Congo (Brazzaville) and the Central African Republic.

Six countries are in the negotiations stage: Democratic Republic of Congo, Gabon, Malaysia, Vietnam, Guyana and Honduras. These countries are some way off from being able to supply FLEGT licensed timber products.

When those systems are in place, independent auditors have checked them, and the EU endorsed the system then a country will issue FLEGT licences.

The relationship between VPAs and FLEGT licensing is described on the website of the European Forest Institute at www.euflegt.efi.int/portal

Good information on the status of the various countries progress is available on the UK Government's Central Point of Expertise at www.cpet.org.uk/flegt-regulation/vpa-partner-countries#partner-countries

Once the system is fully operational and the EU have endorsed the system and it is declared fully operational it will automatically also be an Australian recognised *timber legality framework*. See Table 1 below for the process to follow for the import of product covered by a FLEGT license when this is the case.

Risk assessment conclusion

Risk is considered low when the product complies with the requirements of FLEGT. The different questions to consider are in Table 1 below. The risk assessment conclusion should be recorded in the **Supplier and product spreadsheet (AITDD-03)**.

Table 1: Assessing compliance / risk for FLEGT licensed product

Question	Guidance	Action
Is the timber product imported from a country with a VPA with EU concluded, fully implemented and the product exported within the scope of the VPA?	All countries with which EU have concluded a VPA and have a fully implemented system will be on the Department of Agriculture website as they become available at www.daff.gov.au/illegallogging Further guidance on product within the scope of the VPA will be provided in guidance material.	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is the FLEGT license number valid and does it match other information gathered?	The FLEGT licence number will need to be checked for validity with the relevant government authority once it is issued to the certified exporter.	If YES = Go to next question NO = Use another compliance/ risk assessment method
Can the license be relied on?	Is there any reason to doubt the authenticity of the licence documents? Does the product included in the scope of the license match the product shipped?	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there little likelihood of the timber product getting mixed with timber that is not assessed as low risk?	In order to answer Yes to this question, you need to have a clear and justified explanation.	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there any other information available indicating the product is, or includes illegally logged timber?	For guidance on sources of “other information” and how to consider it if it becomes known see Section 3.3.5	If NO = Low risk – OK to import If YES = use another compliance/ risk assessment method

b) Timber products certified to FSC / PEFC forest management certification standards

The forest management certification standards of FSC (Forest Stewardship Council) and those mutually endorsed by PEFC (Programme for Endorsement of Forest Certification) are also recognised scheduled *timber legality frameworks*.

There are over 30 forest management standards endorsed by PEFC. More information on these endorsed standards can be found a <http://www.pefcregs.info/search1.asp>

Note: Chain of custody certification of the supply chain to FSC or PEFC CoC standards and FSC Controlled Wood Standard are not currently scheduled *timber legality frameworks*. If an importer’s regulated timber product does not come solely from forests that are certified against either the FSC or PEFC endorsed forest management standards then other risk assessment methods must be used.

See Table 2 below for the process to follow for the import of product covered by a FSC or PEFC endorsed forest management standard when this is the case.

Risk assessment conclusion

Risk is considered low when the product complies with the requirements of the relevant timber legality framework (i.e. FSC or PEFC endorsed certification standard). The different questions to consider are in Table 2 below. The risk assessment conclusion should be recorded in the **Supplier and product spreadsheet (AITDD-03)**.

Table 2: Assessing risk / compliance for product from FSC or PEFC certified forest

Question	Guidance	Action
Is 100% of the timber used in the product from forest(s) certified against FSC or PEFC endorsed forest management standards?		If YES = Go to next question NO = Use another compliance/ risk assessment method
Is the certificate number valid and does it match other information gathered?	The FSC and/or PEFC FM certificate number will need to be checked for validity with the relevant certification body. FSC forest management certificates can be checked at http://info.fsc.org/ PEFC endorsed schemes forest management certificates can be checked at http://www.pefcregs.info/search1.asp	If YES = Go to next question NO = Use another compliance/ risk assessment method
Can the certificates be relied on?	Is there any reason to doubt the authenticity of the certificates?	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there little likelihood of the timber product getting mixed with timber that is not assessed as low risk?	In order to answer Yes to this question, you need to have a clear and justified explanation.	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there any other information available indicating the product is, or includes illegally logged timber?	For guidance on sources of “other information” and how to consider it if it becomes known see Section 3.3.5	If NO = Low risk – OK to import If YES = use another compliance/ risk assessment method

3.3.2 Method 2 - Assess compliance with a relevant scheduled country specific guideline

For *regulated timber product* where the information accompanying the product is in accordance with a relevant *country specific guideline* the product is considered no or low risk of being illegally logged. This conclusion can be made provided there is no other information indicating illegal logging. If this is the case then no further risk assessment or mitigation is needed. Once you record your risk assessment as complying with the relevant *country specific guideline* in the templates provided, your due diligence for that product-supply chain is completed.

The Department of Agriculture have indicated that they will co-develop *country specific guidelines* with the Governments of a number of countries before the November 2014 implementation date. At this stage the countries may include Canada, New Zealand, Solomon Islands, Papua New Guinea, Malaysia, Indonesia, Italy, China, Vietnam, United States, Thailand, Finland, Germany, Chile and possibly Sweden.

Risk assessment conclusion

Risk is considered low when the product complies with the requirements of the relevant guideline. The different questions to consider are in Table 3 below. The risk assessment conclusion should be recorded in the **Supplier and product spreadsheet (AITDD-03)**.

Table 3: Assessing risk against a relevant country specific guideline

Question	Guidance	Action
Is the product in question covered by a scheduled <i>country specific guideline</i> ?	All Country specific guidelines will be available on the Department of Agriculture website as they become available at www.daff.gov.au/illegallogging	If YES = Go to next question NO = Use another compliance/ risk assessment method
Does the information match that set out in the guideline?	Before material covered by a <i>country specific guidance</i> is imported companies need to check the documents provided match those in the <i>country specific guidance</i> .	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there little likelihood of the timber product getting mixed with timber that is not assessed as low risk?	In order to answer Yes to this question, you need to have a clear and justified explanation.	If YES = Go to next question NO = Use another compliance/ risk assessment method
Is there any other information available indicating the product is, or includes illegally logged timber?	For guidance on sources of "other information" and how to consider it if it becomes known see Section 3.3.5	If NO = Low risk – OK to import If YES = use another compliance/ risk assessment method

3.3.3 Method 3 - Assess and mitigate risk using FSC or PEFC Chain of Custody Certification / FSC Controlled Wood or 3rd Party legality verification

Many importers will have Chain of Custody (CoC) certification and are (or will be) importing regulated timber products that are certified to FSC and/or PEFC CoC standards. Credible certification and third party assessment /verification schemes are those which give a high level of assurance that the suppliers and wood products covered by the scheme meet all the requirements of the Regulation. The following checklist is provided to assist in clarifying if the certification/3rd party legality assessment actually cover the importer's supplier and/or product and any certification/assessment is accurate and reliable.

Certification or verification against credible certification and/or 3rd party legality verification schemes standards is considered an important factor in mitigating risks. Suppliers providing 100% of product that is from credibly certified/3rd party verified sources can be considered low risk. Regulated timber products that are supplied as being certified under the Chain of Custody standards of credible certification or verification schemes can be also be considered low risk.

Risk assessment conclusion

Risk is considered low when the product complies with the requirements of the relevant CoC certification scheme standard, FSC Controlled Wood Standard or third party legality verification. The different questions to consider are in Table 4 below. The risk assessment conclusion should be recorded in the **Supplier and product spreadsheet (AITDD-03)**.

Table 4: Assessing risk using FSC/PEFC chain of custody or third party legality assurance

Question	#	Guidance	Action
Is the supplier and product covered by a credible certification which meets all applicable requirements of the Regulation?	1	<p>Credible certification and third party legality verification schemes are those schemes which give a high level of assurance that the suppliers and wood products covered by the scheme meet all the requirements of the Regulation.</p> <p>Department of Agriculture have commissioned independent assessments on the rigour and robustness of various timber legality certification and assurance systems by URS Pty Ltd. These reports are available at http://www.daff.gov.au/forestry/policies/illegal-logging/background</p> <p>Certification that was rated as rigorous and robust were:</p> <ul style="list-style-type: none"> • FSC forest management & chain of custody certification • PEFC forest management & chain of custody certification • AFS forest management & chain of custody certification • Products certified against the FSC controlled wood standard. 	<p>If YES = Go to question 3</p> <p>NO = Go to next question</p>

Question	#	Guidance	Action
Is the supplier <u>and</u> product covered by an legality verification which meets all applicable requirements of the Regulation?	2	<p>Proforest, an independent UK based company working with natural resource management and specialising in practical approaches to sustainability, has carried out an analysis of existing voluntary certification and legality verification schemes. The assessment was undertaken for the European Timber Trade Federation against criteria to meet the European Union’s Timber Regulation, which has almost identical requirements to the Australian ILP Regulation. See http://ettf.info/third-party-schemes-tested-against-eutr In addition to FSC and PEFC certification, the following 3rd party legality verification schemes were assessed.</p> <ul style="list-style-type: none"> • BV Origin and Legality of Wood (OLB) • Certisource Legality Assurance System (CLAS) • GFS Wood Tracking Programme (WTP) • Rainforest Alliance /SmartWood Verification of Legal Origin (VLO) & Verification of Legal Compliance (VLC) • Soil Association Forest Verification of Legal Compliance (FVLC) • SCS LegalHarvest Verification (LHV) • NEPCon LegalSourceTM Standard (LS). <p>The conclusion was that, despite some partial non-compliance the following would “provide acceptable assurance and credibility”:</p> <ul style="list-style-type: none"> • NEPCon LegalSourceTM Standard (LS) • SCS LegalHarvest Verification (LHV) • Soil Association Forest Verification of Legal Compliance (FVLC) • Rainforest Alliance / SmartWood Verification of Legal Compliance (VLC). 	<p>If YES = Go to next question</p> <p>NO = Use another compliance/ risk assessment method</p>
Is the product received accompanied with the required information that can confirm the certification / verification status of the material /product?	3	<p>In order for certified material to be received as such it needs to be accompanied by appropriate claims on the invoice, bill of lading or similar transport related documents in order to enable identification of the certification or verification status.</p>	<p>If YES = Go to next question</p> <p>NO = Use another compliance/ risk assessment method</p>
Is the CoC system unbroken and can the active certification status of the supplier be confirmed?	4	<p>When products are received from a certified supplier the products shall be included in the scope of the certification and the certification status of the supplier shall be active.</p> <p>For information check the relevant certification/verification systems website for information about the status of certificates. In order to verify if your supplier/material is covered by a valid certification or verification certificate you can refer to the following websites:</p>	<p>If YES = Go to next question</p> <p>NO = Go to next question</p>

Question	#	Guidance	Action
		<p>CERTIFICATION SCHEMES:</p> <ul style="list-style-type: none"> – FSC Certification: www.fsc-info.org – PEFC Certification: http://register.pefc.cz/search1.asp <p>3rd PARTY LEGALITY ASSESSMENT/VERIFICATION SYSTEMS:</p> <ul style="list-style-type: none"> – Bureau Veritas Origin and Legality of Wood (OLB): http://www.bureauveritas.com/wps/wcm/connect/bv_com/group/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products – Certisource Legality Assurance System (CLAS): http://www.certisource.co.uk/ – Global Forestry Services Wood Tracking Programme (WTP) http://www.gfsinc.biz/programmes/wood-tracking-program/ – NEPCon LegalSource Standard (LS): http://www.nepcon.net/4871/English/Certification/Timber_legality_services/ – Rainforest Alliance Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC): http://www.rainforest-alliance.org/forestry/verification/transparency/verification-clients – SCS Legal Harvest Verification (LHV): http://www.scs-certified.com/nrc/legal_harvest_verified_clients.php – Soil Association/Woodmark - Forest Verification of Legal Compliance (FVLC): http://www.sacert.org/woodmark/whatwedo/forest-management/legalandmodularverification 	
Is there little likelihood of the timber product getting mixed with timber that is not assessed as low risk?	5	In order to answer Yes to this question, you need to have a clear and justified explanation.	<p>If YES = Go to next question</p> <p>NO = Use another compliance/ risk assessment method</p>
Is there any other information available indicating the product is, or includes illegally logged timber?	6	For guidance on sources of “other information” and how to consider it if it becomes known see Section 3.3.3(v) under Method 4.	<p>If NO = Low risk – OK to import</p> <p>If YES = use another compliance/ risk assessment method</p>

3.3.4 Method 4 - Risk assessment against four (4) factors

This method requires assessing the information gathered (in Step 2) and considering the risk against the following factors:

- i. Prevalence of Illegal logging in area of harvest
- ii. Prevalence of Illegal logging of species in area of harvest
- iii. Any armed conflict in area of harvest
- iv. Complexity of the product.

(i) Consider prevalence of illegal logging in area of harvest

The risk that timber has been harvested contrary to legislation in the country of harvest is a key risk factor. Fortunately there are many areas of the world where occurrences of illegal logging are negligible. Assessing the prevalence of illegal logging will be beyond the scope of most importers, and, in place of better information, it is recommended to use existing sources of information and more generic indicators of risk, such as the Corruption Perception Index (see below) and those provided by NEPCon on the FSC Global Forestry Registry.

For those who have the capacity and need to delve more deeply there are a few sources of general information available that can guide the process of determining risks of illegal harvesting activities in a given country of harvest. In principle the evaluation of risks of illegal harvesting in a certain area needs to take into consideration relevant legislation as has been defined by the Regulation as legislation in force in the country where the timber was harvested covering the following matters:

- rights to harvest particular timber species;
- requirements for harvesting to be authorised;
- payments for harvest rights and timber including duties related to timber harvesting;
- legal rights concerning use and tenure that are affected by timber harvesting.

This is probably one of the most challenging areas for risk assessment, since it requires knowledge on the risks for illegal harvesting activities on a national level. This can be done through the following process:

- 1. Define relevant legislation in the country.** Develop a full list of legislation applicable to forest harvesting in the area.
- 2. Identify sources of information for legal compliance.** For each legal requirement identified in Step 1, identify information sources from where it is possible to obtain information about the level of compliance. The sources can be specific organisations, public bodies, reports or even individuals.
- 3. Risk assessment – evaluate the level of legal compliance.** Using information from the sources identified in Step 2, evaluated for each legal requirement, how wide-scale are legal violations in relation to this requirement.

The document **Evaluating legal conformance at a forest level (AITDD-05)** elaborates on this area of risk assessment.

Perceived level of corruption as an indicator of illegal logging

The level of corruption in an area is commonly used as an indicator of risk of illegal logging activities. A risk evaluation based on the Corruption Perception Index (CPI) of a country (see 9 in the table below), while not perfect, is commonly used. The CPI has a scale of from 1 to 100 with 100 being the least corrupt. For a country of harvest where the index is above 50 forest governance issues are usually not significant and many organisations advise that these countries can be classified as low risk. However it has to be underlined that risk of illegal activities may also occur in countries with a CPI index above 50 and that this scale therefore does not provide a definite measure of illegal harvesting activity; only an indicator of risk.

For countries where illegal harvesting activities are prevalent, it is considered sufficient mitigation of the risk to request certified or 3rd party verified supplies. In cases where this is not feasible it is recommended to further evaluate the specific risks related to legal harvesting violations, in order to focus the auditing efforts towards the specific areas where there are non-low risks. For example if the specific risk relates to lack of legally required harvesting permits, endeavouring to ensure the harvesting permits are obtained before harvest and production of timber.

(ii) Consider prevalence of illegal logging of species in area of harvest

Many species are not associated with illegal harvesting however certain timber species in certain regions of the world have been connected with illegal harvesting. The timber species can therefore be an indicator of risk. A number of species of trees have been associated with overharvesting.

The species alone may not allow a conclusion about risk status. For example, Teak (scientific name *Tectona grandis*) is associated with illegally harvested where it is harvested in forests where it is a native species however it is also commonly grown in plantations in tropical areas around the world where it is rarely associated with being illegally harvested. Therefore the area of harvesting risk must always be considered.

Generally speaking for all hardwood and softwood species of timber harvested in developed countries, whether they be from native forests or plantations, less diligence is required as any incidence of illegal logging are generally very low.

Hardwood and softwood species of timber, harvested from plantations and settled areas (for example from agro-forestry or villages) where the timber resource is usually closely monitored and often privately owned, are less likely to be associated with illegal harvesting.

Species which are indigenous to the area they are harvested in developing countries, where no chain of custody, certification or legality assurance system exists, higher levels of care are required as risks may be greater.

See Figure 2 for visual guidance on the level of diligence required as a function of timber type, source forest, state of development of country of harvest and presence of chain of custody certification or a 3rd party timber legality assurance system.

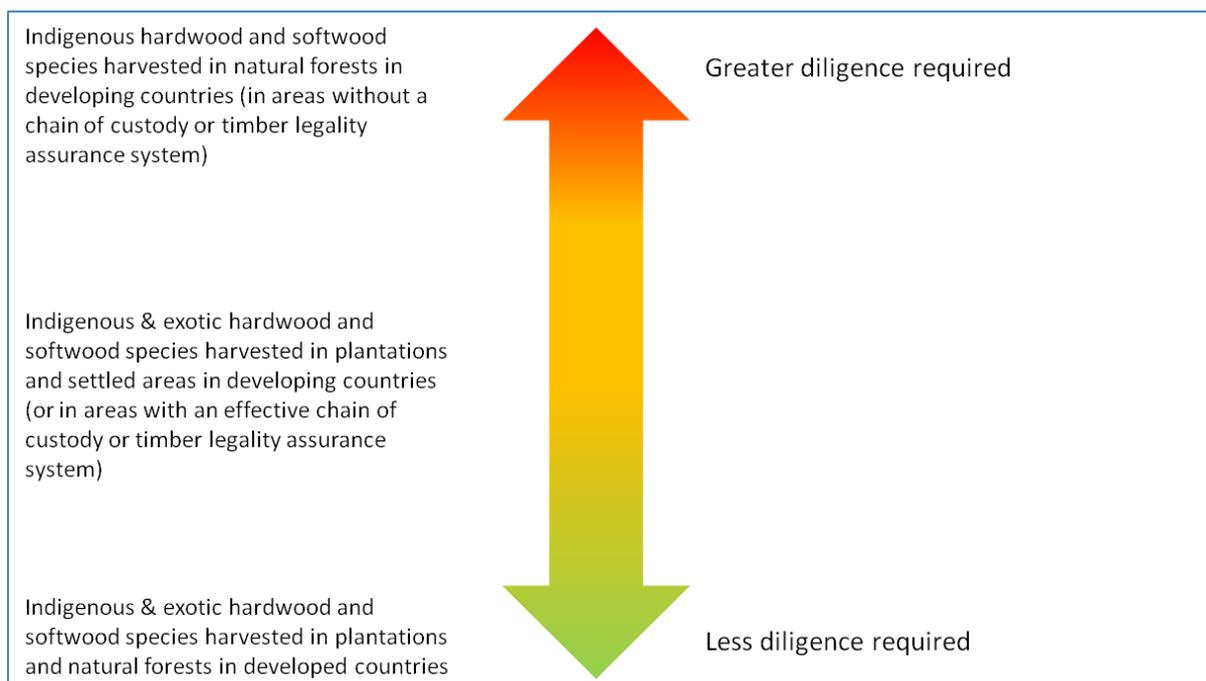


Figure 2: Level of diligence required as a function of timber type, source forest, state of development of country of harvest and presence of chain of custody certification or timber legality assurance system

(iii) Consider any armed conflict in area of harvest

Armed conflict is recurrent violence with arms between nation states or between governmental forces and non-governmental armed groups, or between such non-governmental armed groups. Natural resources such as timber and minerals can be used to fund armed groups in conflict areas around the world and armed conflict may increase the risk of illegal logging of timber in those areas. If there is no armed conflict in the area of harvest then this risk is no or low risk.

Fortunately armed conflict is not currently widespread – really confined to a few “hotspots”. The following are sources of information on where armed conflict is currently occurring and also where timber may be harvested and on the market as a result of such conflict.

- Conflict Map.org - a news aggregator for armed conflict worldwide - www.conflictmap.org/
- Global Witness – an NGO - www.globalwitness.org

It is still possible to source timber from countries where armed conflict is occurring. However an extremely clear and detailed chain of custody will be needed to ensure that the product supply chain involved is not associated with the conflict. Having a very short, contained and transparent supply chain as well as mitigating any risk of timber from the armed conflict infiltrating the supply chain by sourcing only independently certified or verified supplies may be additional measures that need to be undertaken. In cases where this is not feasible it recommended to further evaluate the specific risks related to legal harvesting violations in order to focus auditing efforts by people with the relevant expertise towards the areas where specific risks are identified.

(iv) Complexity of the product

For a product with inputs from many different sources and/or many types of wood from a large number areas there may be higher risks associated with aspects of the supply.

Risks originating in the supply chain include the risk that the *regulated timber product* received does not correspond to the information and evidence accompanying the shipments. This may include that the material has been mixed or substituted with material with unknown or illegally harvested material.

Again mitigating the risk by requesting certified or verified supplies may be a measure that needs to be undertaken. In cases where this is not feasible it recommended to further evaluate the specific risks related to legal harvesting violations, in order to focus auditing efforts towards the areas where there are non-low risks.

For example it may only be a small proportion of the wood product that is used as an input that is from an area where illegal harvesting is prevalent, or one species used in the product that increases the risk.

Supply chain mapping is a common tool used to narrow down the problem areas and to assist in identifying specific mitigating actions.

Risk assessment conclusion

Risk is considered low where the risks at the area of harvest / origin level are considered low and the risks at the product supply chain level are also considered low. The different factors in the regulation to be considered are aggregated into different types in Table 5 below.

A risk matrix (Figure 3) is also provided to illustrate the relationship between these factors, risk levels and risk assessment conclusion.

This risk assessment conclusion should be recorded in the **Supplier and product spreadsheet (AITDD-03)**.

Table 5: Relationship between ILP Regulation factors and risk types.

Regulation factors	Type	Description
1. Prevalence of illegal logging in area 2. Prevalence of illegal logging of species 3. Armed conflict in area	Area of harvest / origin level	Risk of illegal harvesting in the Forest Harvesting Unit (FHU) or species in a given area or armed conflict in the area of harvest
4. Product complexity	Product supply chain level	Risk of illegally harvested timber in the supply chain (mixing of timber products)

Figure 3: Risk matrix

High	Factor 4. Product complexity	Likelihood on supply chain level	Significant risk	Significant risk
			Low risk	Significant risk
			Likelihood on origin level	
			Factor 1. Prevalence of illegal logging in area Factor 2. Prevalence of illegal logging of species Factor 3. Armed conflict in area	
			Low	High

Table 6: Assessing risk against risk factors

Question	Guidance	Action
<p>Can the harvest practices in the country of harvest and/or sub-national region where the timber was harvested, largely free of illegal logging activities?</p>	<p>The Corruption Perception Index published by Transparency International provides a score representing the perceived corruption level in each country and is readily available for all countries. The indicator is useful at a broad level as there is usually a high correlation between the level of corruption and the risk of illegal logging. It should be underlined, that in countries where the risk of illegal logging varies significantly between sub-national regions, the CPI index may be less useful and more detailed information may be necessary. See http://www.transparency.org</p> <p>A CPI index of <50 is regarded as an indicator that risk of illegal harvesting is high at the origin level.</p> <p>Voluntary Partnership Agreements (VPAs) are bilateral legally binding agreements between the European Union (EU) and timber exporting countries, which aim to ensure trade only in legal timber and support countries in improving their own regulation and governance of the forest sector. VPAs are negotiated with countries with low levels of forest governance and law enforcement.</p> <p>A country that is in negotiations with the EU over a VPA is regarded as an indicator that risk of illegal harvesting is high.</p> <p>The Global Forestry Registry (www.globalforestryregistry.org) is a free source of information on the risk of sourcing controversial timber throughout the world. The registry covers more than 150 countries worldwide, however for many countries, the information is incomplete and rather limited.</p> <p>Countries listed as “low risk” in the Global Forest Registry for Category 1 (Legality) are countries where there is low levels of illegal logging activity. (NOTE: There may be areas in country listed as “indeterminate risk” where risk only some areas are associated with illegal logging.)</p> <p>Global Witness has published reports on a limited number of countries related to illegal logging activities in the forest sector. See http://www.foresttransparency.info/</p>	<p>If YES = Go to next question</p> <p>NO = Specific risk needs to be identified and mitigated against</p>

Question	Guidance	Action
Is the species of timber included in the product largely free of risks of illegal logging?	Does a web-based search of the common and species name of the timber used in the product not reveal any issues with illegal logging or illegal harvesting in the area the timber species was harvested?	If YES = Go to next question NO = Specific risk needs to be identified and mitigated against
Can you access information about the supply chain to a level that allows you to confirm the origin of the material and establish the level of control?	For supply chain information from countries with a low harvesting risk it is necessary to identify the supply chain to a level where it is possible to confirm the area of harvest of the material.	If YES = Go to next question NO = Specific risk needs to be identified and mitigated against
Can it be confirmed that there is little risk or possibility that material is mixed or substituted with non-low risk material during transformation and transport?	In order to answer Yes to this question, you need to have a clear and justified explanation.	If YES = Go to next question NO = Specific risk needs to be identified and mitigated against
Is there little likelihood of the timber product getting mixed with timber that is not assessed as low risk?	In order to answer Yes to this question, you need to have a clear and justified explanation.	If YES = Go to next question NO = Specific risk needs to be identified and mitigated against
Do the classification of species, quantities, and qualities tally?	<p>In order to evaluate this, the following issues has to be considered:</p> <ul style="list-style-type: none"> ✓ does the description of the product type, quality and quantity correspond on all related documentation received from the supplier? ✓ are there any restrictions or specific rules regarding processing and exporting of the species, products or materials in the countries in which the products has been handled in? ✓ can the species of the product be confirmed and identified as the same species on all related documentation? 	If YES = Go to next question NO = Specific risk needs to be identified and mitigated against
Is there any other information available indicating the product is, or includes illegally logged timber?	For guidance on sources of “other information” and how to consider it if it becomes known see Section 3.3.5 under Method 3.	If NO = Low risk – OK to import If YES = don’t import / change product or change supplier

3.3.5 Any other information that indicates timber was illegally logged

For all risk assessment methods the Regulation requires importers to:

“ ... consider any other information the importer knows, or ought reasonably to know, that may indicate whether the product is, is made from, or includes, illegally logged timber.”

Illegal Logging Prohibition Regulation Amendment 2013 (No. 1)

The following example is provided by the Government about this when using the timber legality framework or country specific guideline methods:

“For example, an importer may be aware of a court case where their supplier was found to be dealing with illegal logged timber. In this instance, the importer should consider the findings of the court case in their assessment of the legality of the product. The intention is that an importer may not use a timber legality framework [or a country specific guideline] to assure them of the legality of a product if there is information known to them that would otherwise call into question the legality of that product.”

Illegal Logging Prohibition Regulation Amendment 2013 (No. 1) – Explanatory Statement

Basically an importer has to be vigilant for other information and cannot solely rely on Certification, a FLEGT license, or documentation that complies with a *country specific guideline*. What an importer “ought reasonably to know” is what a reasonable person in the same position (e.g. a person in the same industry) would reasonably be expected to know. The higher the risks identified considering the other factors the more vigilant an importer will need to be for other information. The scale of a importers activities would also be a factor as a larger operator may be more likely to come across illegally logged timber.

Sources of other information

There are numerous sources of other information including:

- consulting others in the industry (e.g. through industry associations)
- analysing previous incidents of illegal logging in the areas/species an importer sources from)
- the compliance regulators and its inspectors (i.e. Department of Agriculture in Australia and those of EU and USA)
- reputable technical bodies (such as FSC and PEFC certification bodies)
- industry publications, and
- published scientific and technical literature.

There are a number of international illegal logging information sources that are easily monitored or who offer enews subscription services. Membership of relevant Industry Associations who issue regular updates or run networking events where this issue is discussed may be another source of information. FSC or PEFC forest management certification auditors are a good source of information. There are also a number of specialised supply chain consultants which operate in high risk regions Local sources of other information are court documents and local newspapers are also good sources of information.

The level of vigilance should be in proportion to the risks identified of country of harvest and species, and complexity of the supply chain.

A common low cost vigilance tool used is to use Google Alerts to monitor news items on particular areas, countries, suppliers and or news about enforcement of European Union, Timber Regulation, US Lacey Act and/or Australian Illegal Logging Prohibition Act.

If operating in countries where English is not the primary language it may be necessary to monitor news in other languages. In high risk areas it may be necessary to hire local people with good access to and knowledge of local information sources. Some importers employ staff who either have, or develop expertise or they hire external consultants who can advise on the in country situation.

A number of international environmental and social non-government organisations (NGOs) operate forest legality programs and/or covert investigations in high risk countries. Some groups may also send information direct to an importer, or make it available to enforcement authorities.

While good vigilance for other information is required and hopefully an importers due diligence will pick up information before it becomes public for high profile companies and companies supplying users who are highly sensitive to reputational risks, having a plan on how to respond to specific allegations of illegal logging in an importer's supply chain is probably advisable.

In the event that an importer becomes aware of other information an importer may choose to accept any information at face value and assess the risk as high. Some importers may choose to dig deeper. In these circumstances the following questions may be asked:

Is the information credible?

If information is found or received about an importers source of timber the credibility of the information should be assessed. Is the information source honest and reliable? Is the information believable?

Is the information applicable?

If the information is from a credible source an importer should assess its applicability. Does it directly relate to an importers product supply chain?

Sometime information is incorrect and can be addressed by suppliers. Additional enquiries by an importer may reveal information that is more credible and applicable to the importers supply.

Does the information indicate risk other than low?

As a general rule, if instances of legal non-compliance are at the forest harvesting unit level and are:

- a) temporary lapses;
- b) unusual/non-systematic; or
- c) limited in temporal and spatial impact.

These can be considered low risk.

Conversely, it cannot be considered as low risk if non-compliances:

- a) continue over a long period of time;
- b) affect a wide area and/or causes significant damage;
- c) indicate the absence or break down of enforcement of the legal system;
- d) are not corrected or adequately responded when identified; or

e) have a significant negative impact on the production of forest products and other services, the forest ecosystem and directly or indirectly, any people.

Documenting the decision

If importing is undertaken despite the “other information” the subsequent enquiries undertaken by the importer and additional supporting information obtained, as well as any conclusion should be well documented.

3.3.6 Risk assessment conclusion

Risk is considered low where after the processes assessment of compliance or risk undertaken in Step 2 an importer can justifiably conclude that each of the factors considered are low.

This conclusion should be recorded.

If the product is not compliant with any of the Methods or the risks cannot be justified to be low, then a process of risk mitigation must be undertaken. See Risk Mitigation - Step 4.

3.4 Mitigate risk (if not low) - Step 4

If the conclusion of the risk assessment process is that the product is not ‘low’ risk, risk mitigating actions need to be taken. The Regulation requires that these activities must be proportional to the risk identified and of sufficient strength to actually reduce the risk to an acceptably low level.

The Regulation only identifies a few measures such as obtaining further information, certification or 3rd party assurance. Other measures are possible depending on an importers circumstances, expertise and capacity.

3.4.1 Identify risk mitigation actions

For different types of risk the most appropriate types of mitigating actions are different. The table below lists recommended risk mitigation measures for different risk types.

Table 7: Regulation factors, risk types and possible mitigation measures

Regulation factors	Type	Description	Possible risk mitigation
1. Prevalence of illegal logging in area 2. Prevalence of illegal logging of species 3. Armed conflict in area	Area of harvest / origin level	Risk of illegal harvesting in the Forest Harvesting Unit (FHU) or species in a given area or armed conflict in the area of harvest	<ul style="list-style-type: none"> • FHU audit - document based • FHU audit - onsite • Requesting certified or verified material • Supplier replacement • Product replacement
4. Product complexity	Product supply chain level	Risk of illegally harvested timber in the supply chain (mixing of timber products)	<ul style="list-style-type: none"> • Supply chain mapping - desk based • Supply chain audit - onsite • Requesting certified or verified material • Supplier replacement • Product replacement

The type of mitigating action chosen should always be the one that can be confirmed to mitigate the specific identified risks.

It is advised to apply the mitigating measure that provides the strongest possible assurance of legality.

Table 7 below contains an overview of the different possible mitigating actions and their relative strength.

3.4.2 Plan risk mitigation actions

In order to keep track of risks and their current mitigation status, it is recommended to record any mitigating measures that you have undertaken. This can be done in **Supplier and product spreadsheet (AITDD-03)**.

3.4.3 Implement risk mitigation actions

A series of potential risk mitigating actions have been identified that can be applied depending on the type of risk identified and depending on the level of assurance needed. See Table 2 above for the different types of risk mitigation.

3.4.4 Frequency of risk assessment and mitigation measures

The risk assessment has to be carried out before importation of the regulated timber products and at least once a year after this. If the inputs to the product are changed (i.e. species, area of harvest) or supply chain alters the product will need to be reassessed.

Products will also need to be reassessed if any critical mitigating measures change. For example, certification or legality verification documentation dates expire, certificates are withdrawn for any reason or a supplier dissociated from a certification scheme if these are relied on as mitigating actions.

3.4.5 Record the risk reassessment conclusion

After mitigation actions the Regulation requires that a reassessment against the factors in Method 4 be undertaken.

In practice, if the mitigation action undertaken is gathering more information and that additional information meets the requirement of Method 1 (using a *timber legality framework*) or Method 2 (matches the documentation indicated in the relevant *country specific guideline*) or Method 3 (CoC Certification or 3rd Party verified) then the product is now low risk and can be imported.

Whatever method is chosen the conclusion from the risk reassessment should be documented.

➤ Record the risk reassessment conclusion and the basis for the conclusion
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Table 8: Risk mitigation actions and their relative strengths

Mitigation measure	Description	Relative strength*
FHU audit Legal compliance in the FHU may be checked via desk based audit, or onsite audit or a combination of both. The most appropriate way also depends on the types of legality risks and violations that are most common in the country.	Document based Collecting additional information about the legality of the activities in the Forest Harvesting Unit from which timber is sourced from, may contribute to evaluating the legal status of the material. The possibility to implement this measure depends on the ability to contact and communicate with the FHU (directly or through suppliers). Also communication with stakeholders (public bodies or other stakeholders) may be done remotely in some cases, via desk based audit. The decision to choose desk based audit, should be related to the consideration about the types of legal violations that are common within the country and what is the most effective way to check those. Often, information can be collected remotely for example about: <ul style="list-style-type: none"> ✓ Concession licence and harvest permit ✓ Forest management planning documents ✓ Removal passes and transport documents ✓ Royalty and tax receipts ✓ Land tenure rights and proper legal registration of the FHU 	WEAKER Collecting information about legal compliance from stakeholders or directly from the Forest Harvesting Unit may enable mitigation of certain risks that are related to documents. This may also be the best way to check compliance regarding some legal aspects. In general however a desk based FHU audit is considered weaker than onsite audit. Also it is a prerequisite here that the documentation can be linked to the actual material in question.
	Onsite On-site auditing of FHUs involves evaluating the FHU compliance to relevant legislation (See Annex 5) in areas where risk has been identified. This process can involve document control onsite, stakeholder consultation and field verification, depending on the risk identified.	STRONGER Onsite auditing and verification is considered the strongest mitigating action for risks identified at the forest level.
Supply chain mapping, desk based (requesting additional information)	Mapping supply chains involves requesting information from suppliers about their sources of timber, including sub-suppliers. Information can be collected using a simple form to gain an overview of the full supply chain and the ability of supply chain entities to manage and control material flow. Documents collected may include: <ul style="list-style-type: none"> ✓ Sales documents and custom declarations. ✓ Transport and removal permits ✓ Import and exports permits 	WEAKER Collecting additional information from suppliers is considered to be a weak measure of risk mitigation especially if there is no established connection between the material being purchased and the documents.
Supply chain audit, onsite (focusing on the chain of custody)	Onsite verification of suppliers can add to the credibility of information received from suppliers, as it will allow first hand witnessing of the suppliers ability to provide relevant and current information and trace products (CoC) through the processing. Documents reviewed may include: <ul style="list-style-type: none"> ✓ CoC system documents and volume summaries ✓ Sales documents and custom declarations. ✓ Transport and removal permits ✓ Import and exports permits 	STRONGER Verifying suppliers onsite is considered a strong mitigating action for risks originating from the supply chain.
Requesting certified/verified material	Where the option of implementing onsite audits for risk mitigating is not feasible or possible, the possibility of requesting the products to be certified under credible certification or verification schemes should be explored.	STRONGER
Supplier replacement	If the species or product type is not available from a supplier that can be identified to have low risk and the material cannot be sourced from an already certified/verified source; replacing the supplier with an alternative should be considered. New suppliers should undergo risk assessment before purchasing and it should be confirmed that the risk for the specific product is low.	STRONGER

*the strength of verification depends on the competence of the persons involved in the audit.

4 Declaration to Australian Customs

It is a requirement of the Act that an importer of a *regulated timber product* will have to answer a question asking them if that they have met the due diligence requirements under the legislation. This question will be an additional Community Protection (CP) question on the import declaration.

Importers using this AITDD system who have implemented the system and have undertaken due diligence for legality of harvest for the *regulated timber product* before it is imported should be confident enough to answer (or authorise their customs broker to answer on their behalf) that they have complied with the due diligence requirements.

4.1 Notification/authorisation of customs broker

Many importers authorise a customs broker to act on their behalf for the importation of goods into Australia. If this is the case your customs broker may require you to complete and sign a form indicating the answer you authorise them to give to the CP question. You may also be required to release your customs broker from any liability for answering the CP question on your behalf.

Including in Annex 8 is a DRAFT of a form that can be used to do this by importers and their custom brokers.

Importers may choose to providing an annual declaration or one per consignment depending on their circumstances and level of importation.

In communicating with a broker, importers should ensure that brokers provide them with the Customs Full Import Declaration (FID) number for consignments of regulated timber products for their records.

5 Record keeping and supplying information to compliance staff

An importer is required to keep written records of the due diligence undertaken for five (5) years from the date of import. These written records include records of the due diligence system, the information collected, any supporting evidence, risk identification and assessment and any mitigation measures that have been undertaken. Written records include records kept on computers.

Under the Regulation the Secretary of the Department of Agriculture may request, in writing, information about an importers due diligence system and about compliance with the importers due diligence system in relation to the import of a regulated timber product. An importer will have up to 28 days to comply with such a request.

The request may be made for a particular consignment number. It will be more efficient for importers if records of importers consignment numbers are kept up to date.

The completed **Supplier and product spreadsheet (AITDD-03)** is intended to provide the basis for detail sufficient to meet such a request from Department compliance staff. Provided in Annex 7 is an **Importers Due Diligence System Summary (Annex 7)** which may be completed and supplied to the Department's compliance staff in reply to such a request. Compliance staff are likely to request further information and supporting evidence used by importers to complete the due diligence requirements.

Annex 1: Terms

For the purposes of this document the following definitions apply:

Act	Illegal Logging Prohibition Act 2012 (Commonwealth)
Australian Industry Timber Due Diligence (AITDD)	A due diligence system of which this document is a component
Armed conflict	Recurrent violence with arms between groups belonging to rival political units, state or non-state, which is sanctioned by the political units.
Due diligence	Reasonable steps taken by importers to reduce the risk of sourcing illegally harvested timber and timber products.
Due diligence system	A set of written guidelines and procedures that describe the detailed steps taken in order to ensure that due diligence is undertaken.
Chain of Custody (CoC)	The sequence of timber product supply from the forest through all stages of ownership and control. Usually associated with the two major forest management certification schemes FSC and PEFC.
Common name (species)	A frequently used name for a species of timber or group of timber species.
Corruption Perception Index (CPI)	A global index of the perceived level of corruption in individual countries. The index has been developed by Transparency International and is available at www.transparency.org/research/cpi/
Country of harvest	The country where the wood comprising, or incorporated into, the <i>regulated timber product</i> was harvested.
Country of manufacture	The country where the last substantial transformation of the <i>regulated timber product</i> took place. If a <i>regulated timber product</i> is wholly obtained or produced completely within one country, the <i>country of manufacture</i> is the same as the <i>country of harvest</i> .
Country specific guideline	A guideline jointly prepared by the Australian Government with trading partners to define legal harvesting in that country. Applying the guideline can be an optional step of due diligence. If the information obtained by the importer matches the information in the <i>country specific guidance</i> , and no other information indicates otherwise, compliance with a <i>country specific guideline</i> the <i>regulated timber product</i> is regarded as having no or a low risk of being illegally logged. A list of <i>country specific guidelines</i> will be maintained in Part 2 of Schedule 2 of the Regulation.
Illegally logged	Timber harvested in contravention of laws in force in the place (whether or not in Australia) where the timber was harvested.
Illegally harvested	See illegally logged.
Importer	The beneficial owner of the <i>regulated timber product</i> at the time of their arrival within the limits of the port or airport in Australia at which they have landed.

Indeterminate risk	A risk that cannot be determined due to a lack of information (such as the country of harvests is unknown or species is unknown).
FLEGT license	A document issued by an exporting country (which has an voluntary partnership agreement (VPA) with the European Union) for export of timber products to an EU member country on the basis of evidence of legal compliance provided by verification systems. The document confirms the legal harvest of timber product exports from the VPA partner country.
Forest harvesting unit	A broad, overarching term that is intended to be read expansively to apply to all jurisdictions where timber is harvested. The 'forest harvesting unit' may be, for example, a concession, forest management unit or coupe of harvest – the relevant term will be identified by reference to the jurisdiction of the country where the timber was harvested.
FHU documentation	Additional documentation for evidence of legal activities in the FHU.
Genus	The first part of the recognised Latin name given to a tree species, consisting of a genus and species. For example the Genus of the Australian River Red Gum tree is <i>Eucalyptus</i> . <i>Note:</i> The abbreviation "sp." is used after the Genus name to denote a singular species and "spp." is used to denote a group of species in a given genus. For example, <i>Eucalyptus</i> sp. denotes a particular (unnamed) species of <i>Eucalyptus</i> and <i>Eucalyptus</i> spp. denotes a group of species in the genus <i>Eucalyptus</i> .
Low risk	A conclusion, following a risk assessment, that there is no or little likelihood that illegal harvested wood is sourced or traded in a supply chain. Risk mitigation actions are not required for <i>regulated timber product</i> with a low risk.
PEFC endorsed	A national standard endorsed by the Programme for Endorsement of Forest Certification (PEFC). PEFC endorses a large number of Forest Management and Chain of Custody standards of over 30 countries including those of the Australian Forestry Standard (AFS), PEFC Canada and the Malaysian Timber Certification Council. For a full list see: http://www.pefc.org/resources/organizational-documents/other-documents/422-pefc-endorsed-national-forest-certification-systems
Reasonably practicable	What is, or was at the time, reasonably able to be done, taking into account and weighing up relevant matters.
Regulated timber products	A timber or timber product for which importers must undertake due diligence as required in the Regulation. A list of regulated timber products is in Schedule 1 of the Regulation.
Regulation	Illegal Logging Prohibition Amendment Regulation 2013 (Commonwealth)
Risk mitigation	Actions to minimise risk identified to an acceptable level.
Scientific name	The recognised Latin name given to a tree, consisting of a Genus and species. For example the scientific name of the Australian River Red Gum tree is <i>Eucalyptus camaldulensis</i> . (By common convention the genus is usually capitalized and both the Genus and species are usually written in italics).
Sub-supplier	Any entities further down the supply chain than the supplier that are supplying <i>regulated timber products</i> or wood-based material that is subsequently incorporated into a <i>regulated timber product</i> , to a supplier or other sub-suppliers.
Supplier	The entity that sells regulated timber products to the importer.

Supply chain	The entities that take legal ownership of the forest products from the forest where the tree is harvested to the importer.
Supply chain audit	An audit done on the site of the supplier and/or sub-suppliers focusing on the chain of custody of the timber products being, or proposed to be, supplied.
Supply chain mapping	A review and mapping exercise, desk based involving the requesting of information and the preparation of a map or flowchart of suppliers.
Third-party legality assessment	An evaluation of compliance by an independent assessment body. Evaluation verify that a supplier is compliant with publicly transparent legality criteria defined in a standard.
Third-party assessment body	An independent auditor that conduct reviews of producers to verify that they meet defined criteria in a publically available standard (such as FSC / PEFC or verified legal origin (VLO) or verified legal compliance (VLC))
Timber legality framework	A legality assurance system recognised by the Australian Government and an optional step of due diligence. Provided the information obtained is assessed as accurate and reliable, and no other information indicates otherwise, compliance with the requirements of the <i>timber legality framework</i> for the <i>regulated timber product</i> is regarded as having no or a low risk of being illegally logged. A list of recognised <i>timber legality frameworks</i> will be maintained in Part 1 of Schedule 2 of the ILP Regulation.
Timber product	A thing that is, is made from, or includes, timber.
Trade name (species)	The name used by a business for a timber species or group of timber species with certain common properties to facilitate sales. This may be the same as common name.
Trade name (product)	The name used by a business for a timber product or group of timber products with certain common properties to facilitate sales. This may be the same as trade name (species).
Verified Legal Origin (VLO)	Verifies that producers have the right to access and harvest, complying with the relevant timber harvesting laws and regulations. This includes possession of required approvals and permits, adherence to production quotas and allowable species, and that they have paid all relevant fees, charges, taxes and royalties
Verified Legal Compliance (VLC)	Verifies that legal origin (see above) has been demonstrated <u>and</u> that producers have complied with all relevant local, national and international forestry, environmental, social and labour regulations, codes of practice and conventions.
V-legal documents	The documentation accompanying the export of many timber products from Indonesia that indicate that the products comply with all Indonesian logging, timber trade and customs laws.

Annex 2: Legal Timber Purchasing Policy Template

Sample Legal Timber Purchasing Policy/Statement

[COMPANY NAME] recognises that it has a responsibility to the environment, customers, suppliers and staff to base its commercial activities on legally harvested forests.

We are committed to purchasing all timber from legal harvested sources and will seek evidence of compliance, where needed, from suppliers by operating a due diligence system.

We are committed to complying with the Australian Illegal Logging Prohibition Act 2012 and, where applicable, the Illegal Logging Prohibition Regulation.

We recognise that credible independent certification and 3rd party verification of forest management and chain of custody significantly reduces the risk that the timber is illegally harvested when purchasing timber from sources that are anything other than a low risk.

Our company will not encourage boycotts or bans on specific species of timber. Notwithstanding this, the company will cease to purchase any timber and timber products whose supply is in breach of any national legislation in the country of harvest.

We have appointed [SENIOR COMPANY REPRESENTATIVE] to be responsible for the implementation of this Policy and our company's due diligence system and will ensure that relevant legality issues are discussed regularly at the highest level of management.

We will ensure that all employees associated with timber purchasing are aware of the Policy commitments, and are given appropriate education and training to allow its full implementation.

Signed by:

[INSERT SIGNATURE OF CEO / MANAGING DIRECTOR / BUSINESS OWNER]

[INSERT POSITION / TITLE]

[INSERT DATE]

Annex 3: Communications Guidance

This communications guidance is to protect the reputation of users of the AITDD system and ensure that communications about due diligence are meaningful, of value to all Users, consistent with Australian Consumer Law and the rules of the sustainable forest management certification schemes and legality verification systems.

Guidance for all companies using the AITDD system

All Users should ensure that communications pertaining to the AITDD system avoid misleading and unsubstantiated claims relating to their use of the system. All references to the system, which directly or indirectly imply that adherence to the AITDD system certifies timber products and/or companies using the system in some way are strictly prohibited. Such prohibited references include for example, but are not limited to, any claims on invoices, packaging and the timber products themselves. Such prohibited terms to be included on the documents include but are not limited to, 'risk assessed', 'risk assessed timber', 'low risk timber', 'independently audited timber' 'AITDD certified' 'AITDD approved.'

Companies may wish to incorporate a description of the way the due diligence system operates at a company level for example in leaflets, brochures, advertisements and other sales materials. The term 'independently certified timber' should never be used in connection with uncertified products which have been risk-assessed under the AITDD system. It should only be used in connection with those timber products which are certified against a credible certification scheme that meets the ILP Regulation requirements. Communication materials must not confuse verified legality with certified sustainability, nor imply that legal timber is in effect the same as sustainable timber. The terms 'progressing towards legality' or 'progressing towards certification' should be used in a way which makes it clear whether it is legality or certification which is being pursued. This includes reference to suppliers who may be members of WWF's Global Forest and Trade network (GFTN).

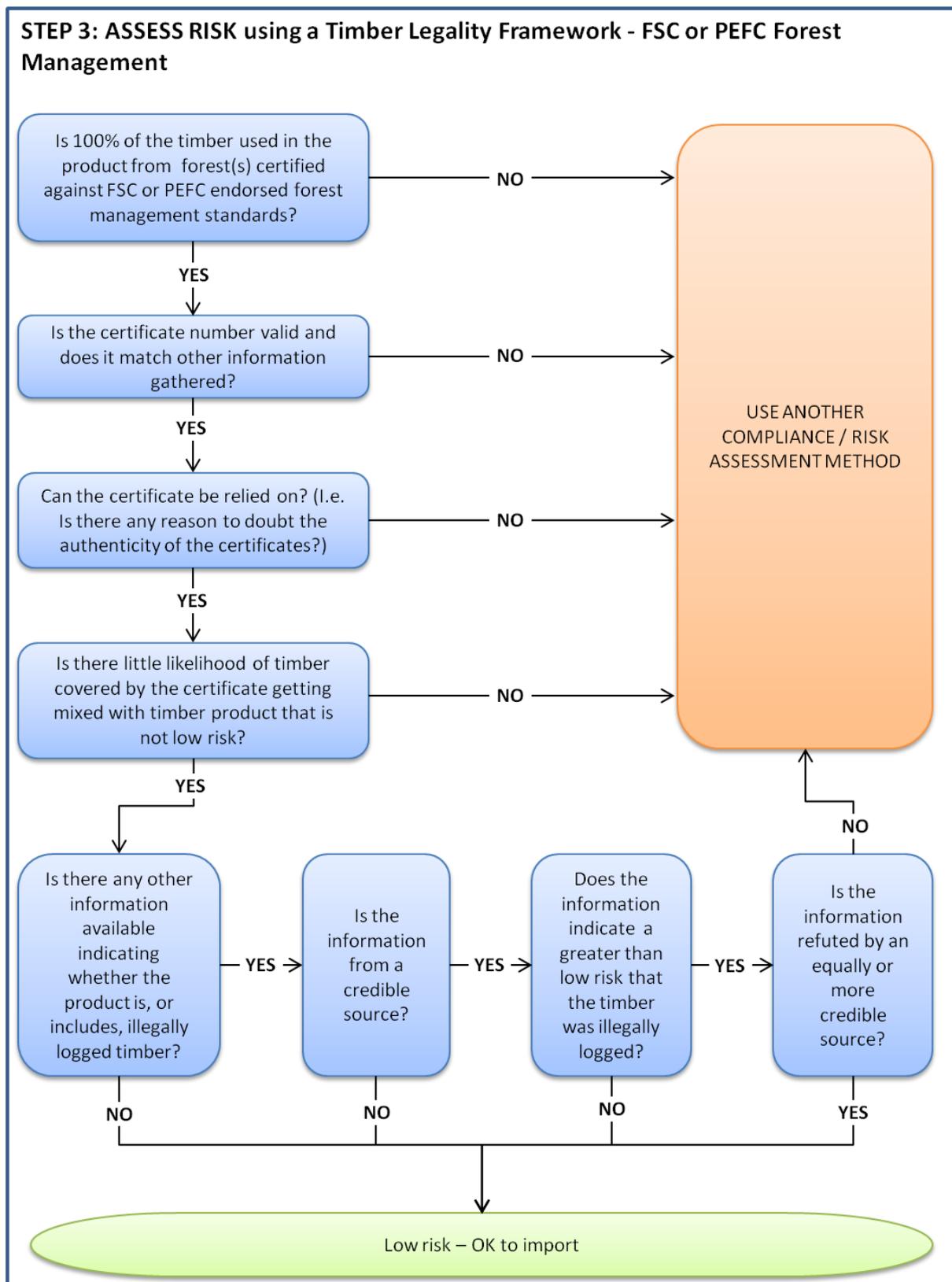
The terms "low risk" should only be used to explain the risk rating of products in relation to the risk of illegal timber entering the supply chain, under the risk assessment process of the due diligence system; **these are not product claims.**

Rules for companies using their own due diligence system

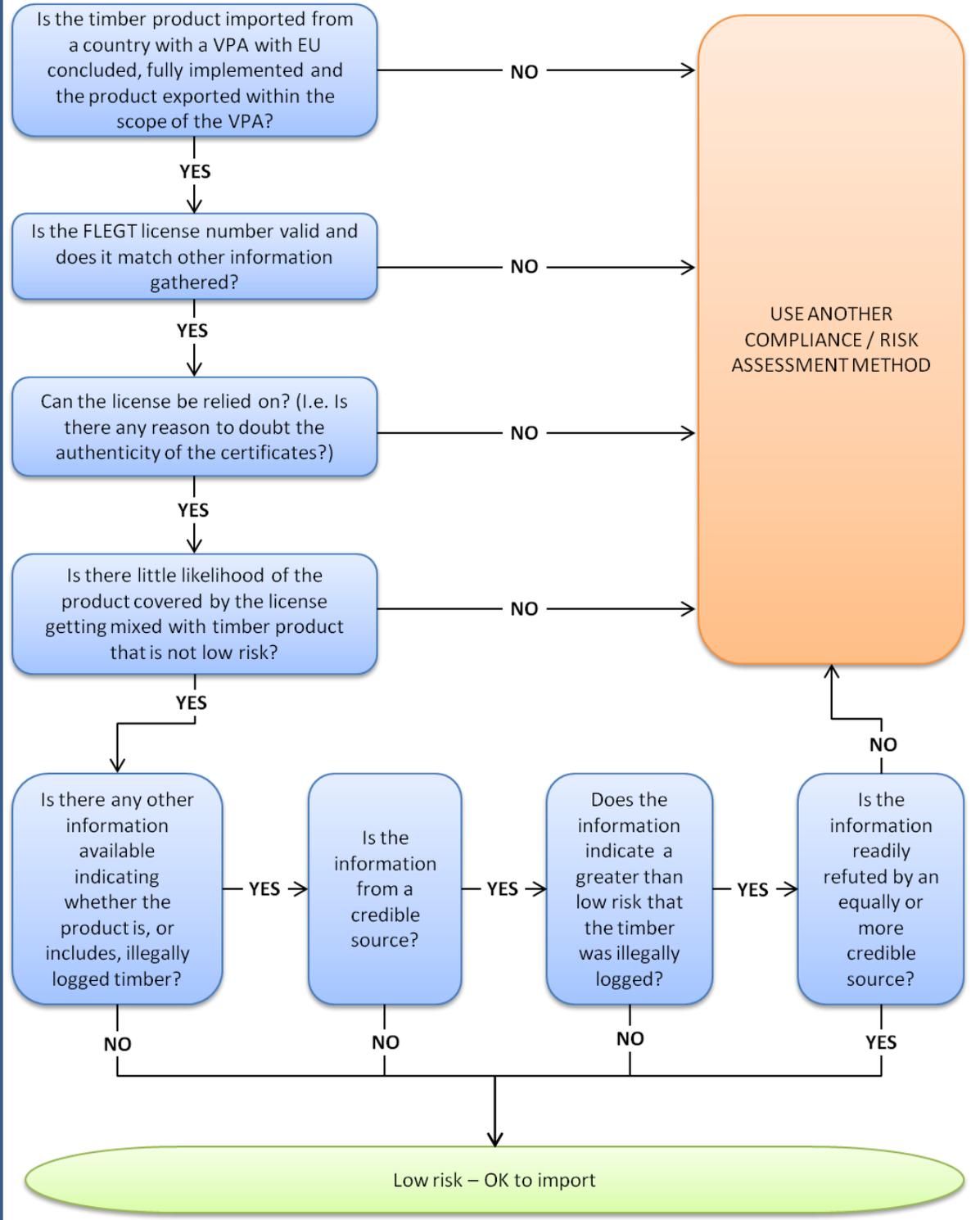
For systems implemented instead of the AITDD system, all parties should ensure that communications which refer to their equivalence to the AITDD system, avoid misleading and unsubstantiated claims relating to this equivalence. All references to the equivalent system which directly or indirectly imply that the AITDD due diligence system-equivalent system certifies timber products and/or the company operating the equivalent system in some way are forbidden, for example on, but not limited to invoices, packaging and the timber products. Such terms include but are not limited to, 'risk assessed', 'risk assessed timber', 'low risk timber' 'independently certified timber', 'independently audited timber' 'AITDD certified' 'AITDD approved,' 'AITDD equivalent system.'

Operators with equivalent systems may wish to incorporate a description of the way their system operates at a company level for example in leaflets, brochures, advertisements and other sales materials. In such cases, when describing the risk categories designated by the system, care should be taken in referring to any links with the AITDD System.

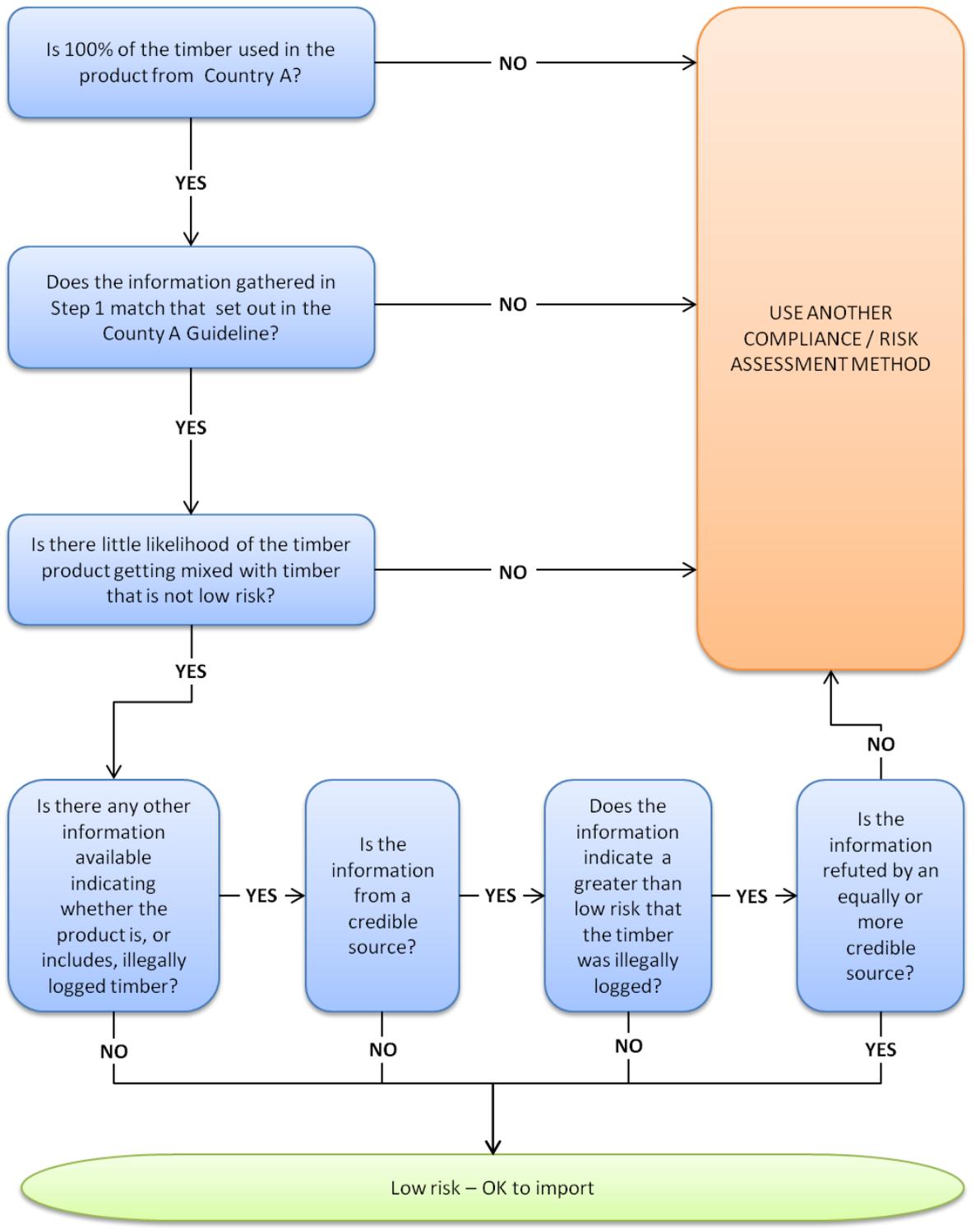
Annex 4: Assessing risk flowcharts



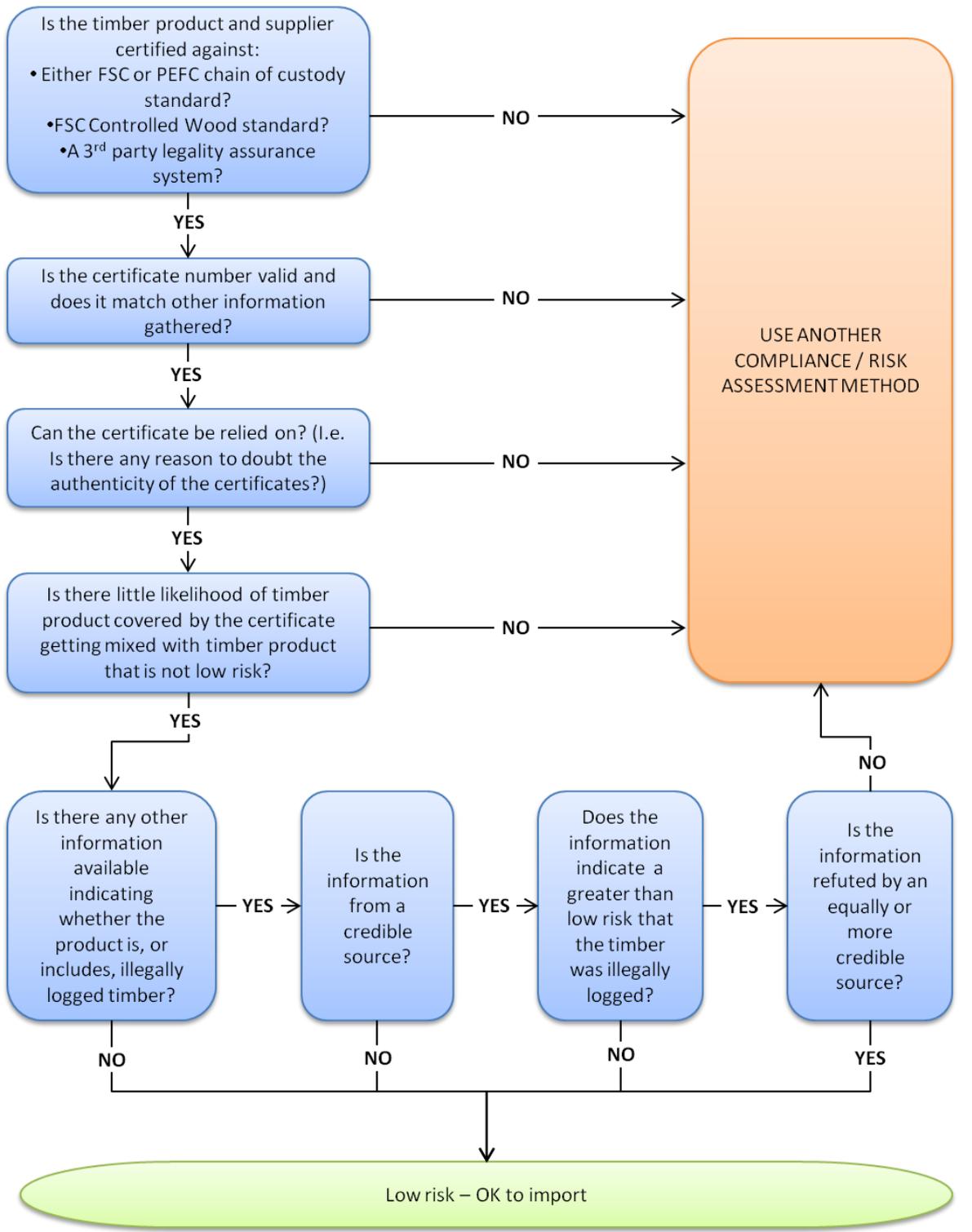
STEP 3: ASSESS RISK using a Timber Legality Framework - FLEGT Licensed



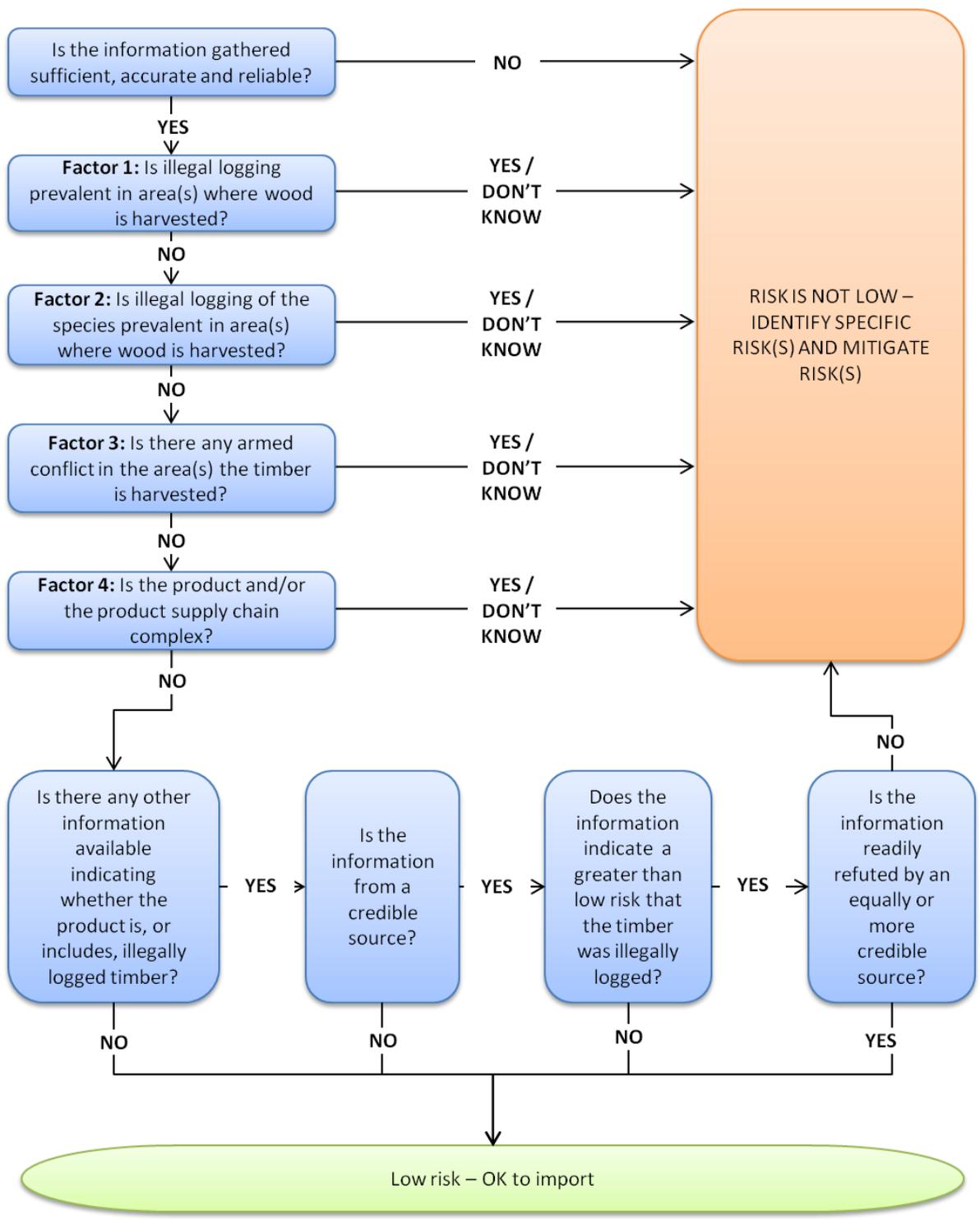
STEP 3: ASSESS RISK using Country Specific Guideline (CSG)



STEP 3: ASSESS and MITIGATE RISK using FSC or PEFC Chain of Custody Certification / FSC Controlled Wood or 3rd party legality verified



STEP 3: ASSESS RISK using against four (4) risk factors



Annex 5: Supplier Letter Template

[PLACE ON YOU COMPANY LETTERHEAD]

[DATE]

[SUPPLIER REP NAME

REP. POSITION

SUPPLIER COMPANY NAME

SUPPLIER ADDRESS]

Subject: Request for information to satisfy Australian Illegal Logging Prohibition legislation

Dear [SUPPLIER REP NAME],

[OUR COMPANY] is firmly committed to only purchasing legally harvested timber products. We expect the same commitment from our suppliers.

Your answers to the attached questions help us meet our requirements under the Australian Illegal Logging Prohibition legislation. This Australian legislation requires us, as importers, to undertake a process of due diligence to assure ourselves that the timber and timber products we import have been harvested in compliance with legislation and regulations in the country where the timber was harvested.

This legislation places similar requirements on us to those required on importers into the United States (under the Lacey Act) and member countries of the European Union (under their European Union Timber Regulation).

We encourage you to incorporate any of the following information with your suppliers.

Thank you for taking the time to complete these questions.

Yours sincerely,

Best regards,

[SIGNATURE]

[SIGNATORY NAME]

[SIGNATORY POSITION]

Annex 6: Information Sources

Illegal Logging Prohibition Legislation and Industry Information

Australian Government - Department of Agriculture

www.daff.gov.au/illegallogging

Australian Industry Due Diligence Information

www.timberduediligence.com.au

The following is a list of Industry information sheets and other documents available at

www.timberduediligence.com.au

- Importers Overview
- Domestic Processors Overview
- Regulated Timber Products
- Country of Harvest Risk
- CITES, Australia and Timber and Timber Products
- PEFC Endorsed Forest Management Standards
- Indonesia TLAS / SVLK / FLEGT and V-Legal

Australian timber, paper and furniture products industry associations

Australian Forest Products Association (AFPA)

www.ausfpa.com.au

Australian Timber Importers Federation (ATIF)

www.atif.asn.au

Engineered Wood Products Association of Australia (EWPAA)

www.ewp.asn.au

Timber Veneer Association of Australia (TVAA)

www.tvaa.asn.au

International timber trade associations

European Timber Trade Federation

www.ettf.info

International Wood Products Association (US)

www.iwpawood.org

Timber species information (Australian and imported)

WoodSolutions (Australia)

www.woodsolutions.org.au

Timber Development Association (NSW)

www.timber.net.au

Timber Merchants Association (VIC)

www.timber.asn.au

Identifying species (Australian and imported)

Gary Hopewell - Principal Scientist,
Forest Product Innovations, Agri-Science Queensland,
Department of Agriculture, Fisheries and Forestry

Tel: 07 3277 6340

Mobile 0417 742 386

Gary.Hopewell@daff.qld.gov.au

Dr. Jugo Illic
Know Your Wood

Tel: 0499 300 208
knowyourwood@gmail.com

Australian Timber Flooring Association, c/- Planet Timbers
www.atfa.com.au/consumerservices/productsservices/

Identifying species names/common names and likely area of harvest

A simple tree species reference is available at
<http://www.worldagroforestrycentre.org/sea/Products/AFDbases/af/asp/CommonSearch.asp>

Forest laws and regulations

A broad spectrum of laws and regulations typically apply to legal harvesting and trade in a country. Lists of laws and regulations applying to legal harvesting and trade of timber and wood products in many of the world's countries are available at a couple of sources. For example preliminary lists are now available for 76 countries at the Global Forest Registry at www.globalforestregistry.org.

Many of the PEFC endorsed forest management standards also have in their appendix a list of laws and regulations (see Importers: Industry Information Sheet - PEFC Endorsed Forest Management and Chain of Custody Standards for links to these).

NOTE - While the sources noted previously will be very useful they may or may not be complete. Forest laws and regulations also change constantly and local expertise in the country of harvest may need to be engaged for up to date information.

Risk assessment and other illegal logging / due diligence information sources

Google Alerts www.google.com/alerts

Suggested general alert terms "Illegal logging", "timber due diligence", "lumber due care", "illegal harvesting" together with the name of the particular country/region and/or suppliers that an importer may source timber product.

Chatham House - Illegal Logging Information website www.illegal-logging.info/

Environmental Investigation Agency (EIA) - US/Washington www.eia-global.org

Environmental Investigation Agency (EIA) - UK/London www.eia-international.org

Forest Legality Alliance www.forestlegality.org

Global Forest Registry www.globalforestregistry.org

Global Witness www.globalwitness.org

Interpol – Environmental Crimes Unit- Project LEAF www.interpol.int

The Forest Trust (TFT) www.tft-earth.org

Transparency International <http://cpi.transparency.org>

WWF Global Forest and Trade Network (GFTN) <http://gftn.panda.org>

Forest management certification schemes

Forest Stewardship Council (FSC)	www.fsc.org
Programme for the Endorsement of Forest Certification (PEFC)	www.pefc.org
Australian Forestry Standard (AFS)	www.forestrystandard.org.au
Malaysian Timber Certification Council (MTCC)	www.mtcc.com.my
Sustainable Forestry Initiative (SFI)	www.aboutsfi.org
The Canadian Standard Association (CSA)	www.pefccanada.org

For other PEFC endorsed forest management schemes see Industry Guidance: *PEFC Endorsed Forest Management Standards* and PEFC International at www.pefc.org

Chain-of-custody certification bodies

A contact list of certification bodies for AFS / PEFC COC are listed on Australian Forestry Standard's website at:

www.forestrystandard.org.au/get-certified/certification-bodies

Certification bodies for FSC CoC are listed on FSC Australia's website at:

au.fsc.org/fsc-accredited-certification-bodies.228.htm

3rd party legality assurance/verification systems

Bureau Veritas Origin and Legality of Wood (OLB)
www.bureauveritas.com/wps/wcm/connect/bv_com/group/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products

Certisource Legality Assurance System (CLAS) (Associated with Double Helix DNA tracking))
www.certisource.co.uk/

Global Forestry Services Wood Tracking Programme (WTP)
www.gfsinc.biz/programmes/wood-tracking-program/

NEPCon LegalSource™ Standard (LS)
www.nepcon.net/4871/English/Certification/Timber_legality_services/

Rainforest Alliance Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC):
www.rainforest-alliance.org/forestry/verification/transparency/verification-clients

SCS Legal Harvest Verification (LHV)
www.scscertified.com/nrc/legal_harvest_verified_clients.php

Soil Association/Woodmark - Forest Verification of Legal Compliance (FVLC)
www.sacert.org/woodmark/whatwedo/forestmanagement/legalandmodularverification

Other associated services

The Forest Trust (TFT)

www.tft-earth.org

Global Timber Tracking Network

www.globaltimbertrackingnetwork.org

Timber due diligence standards and further guidance

The following list is not exhaustive but highlights standards and other guidance that may be useful

A LegalSource™ Standard for compliance with European Union Timber Regulation has been developed by NEPCon. More information at:

www.nepcon.net/4871/English/Certification/Timber_legality_services/

BSI and WWF-UK Global Forest & Trade Network (GFTN) have launched a good practice guidance to support industry efforts in the responsible sourcing of forest goods and sustainable forest management to and to meet the European Union Timber Regulation. PAS 2021:2012 Exercising due diligence in establishing the legal origin of timber and timber products – Guide to Regulation (EU) No 995/2010 is available at: <http://shop.bsigroup.com/Navigate-by/PAS/PAS-2021/>

The British Retail Consortium has prepared a *EU Timber Regulation: Overview of a Due Diligence System*. More information:

www.brc.org.uk/brc_policy_content.asp?iCat=678&iSubCat=688&spolicy=Responsible+Retailing&subPolicy=Timber

Client Earth has prepared a number of resources on how the EUTR works. More information:

www.clientearth.org/climate-and-forests/illegal-timber/

An American National Standard for Due Diligence in Procuring/Sourcing Legal Timber, sponsored by the Hardwood Plywood & Veneer Association is currently being developed under the procedures for development of American National Standard. Updates and more information at: www.hpva.org

A Due Care Standard was developed as part of the agreement between US Department of Justice and Gibson Guitar Corporation. More information at: www.corporatecrimereporter.com/wp-content/uploads/2012/08/gibson.pdf

Compliance Specialists LLC have prepared a *Complying with the Lacey Act: A real-world guide*. Order via <http://laceyactresources.com/>

Annex 7: Importer Due Diligence – Overview

Importers Details

Importer name or Business/company name _____

ABN or ACN _____ CCID number _____

Street address _____

Postal address _____

Principal business activity _____ CoC Cert #(s)¹ _____

Site Details

Street address _____ CoC Cert #(s)¹ _____

Person responsible for maintaining the due diligence system

Name _____ Position _____

Telephone number _____ Email _____

Due-diligence system used (tick)

Company system Australian Industry Timber Due Diligence (AITDD) System

Other (name) _____

Suppliers of regulated timber products (add as necessary)

1. Supplier ID² _____ Supplier name _____

Business number _____ Address _____

Timber product(s) (incl, tariff code) _____

2. Supplier ID² _____ Supplier name _____

Business number _____ Address _____

Timber product(s) (incl. tariff code) _____

Documentation for consignments from each supplier can be supplied on request.

Signed _____ Date _____

Checklist

Supplier/Country:

Date:

Risk rating:

Product:

Species:

Risk rating:

Raw material country of harvest:

Risk rating:

Forest origin information:

Certification/legality verification (and subsequent checks):

Supporting paperwork/information/mitigation (if risk not low):

Due diligence status:

RISK ASSESSMENT - Four factors method

Risk factors	Evaluation	Justification	Risk
1. Prevalence of Illegal logging in area of harvest?			
2. Prevalence of Illegal logging of species in area of harvest?			
3. Any armed conflict in area of harvest?			
4. Complexity of the product?			
Any other information that indicates timber was illegally logged?			

RISK ASSESSMENT - Timber Legality Framework method

Criterion	Evaluation	Justification	Risk assessment
Is the certification/ verification a scheduled <i>timber legality framework</i> ?			
Is the certification accurate and reliable?			
Any other information that indicates timber was illegally logged?			

RISK ASSESSMENT - Country Specific Guidance method

Criterion	Evaluation	Justification	Risk assessment
Is 100% of the timber in the product from a country covered by a Country Specific Guideline?			
Does the information provided / to be provided match that set out in the CSG?			
Any other information that indicates timber was illegally logged?			

Annex 8: DRAFT Importer declaration to customs broker

(Annual/consignment) importer declaration to authorised customs broker

In accordance with the requirements of the Illegal Logging Prohibition Act 2012 and the Illegal Logging Prohibition Regulation Amendment 2013 (the Illegal Logging Prohibition Legislation)

I / we {insert customer/importer name and ABN or CCID number} hereby authorise {insert customs broker's name and ABN} to answer

YES / NO *[strike out whichever not applicable]*

to the following Community Protection Question number XXX:

.....
.....

for the following timber products/supplier/consignment {insert/attach as appropriate}:

.....

If the answer above is YES then:

I / we further declare that this due diligence system complies with the requirements of the Illegal Logging Prohibition Legislation.

This declaration operates for a period from XX/XX/XXXX to XX/XX/XXXX

I / we absolve {insert customs broker's name and ABN} from any liability in relation to this declaration.

Name of authorised customer/importer company representative

Signature of authorised customer/importer company representative

Date of Declaration

05/02/2014