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Due Care Training Course for Sourcing Legal Timber

APFW 2016

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Who is IWPA

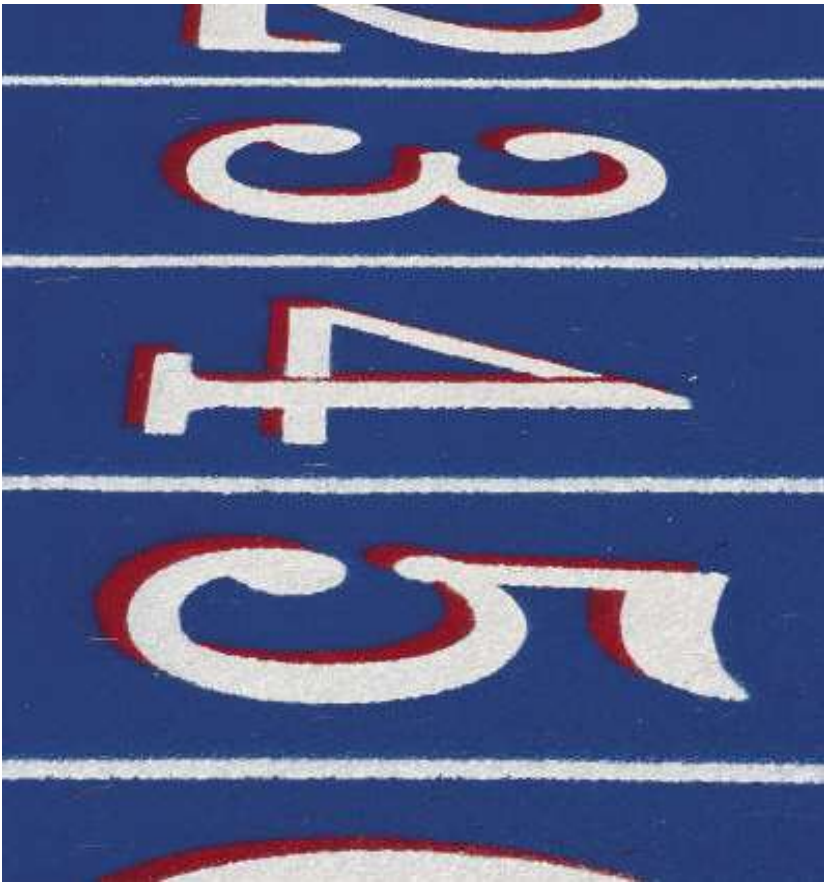
- Only U.S. based trade association dedicated to the interests of wood importers. Founded in 1956.
Membership categories:
 - North American Importers -- manufacturers, retailers of wood products
 - Overseas Members -- Producers
 - Associate Members -- Service providers, trade facilitators & NGOs

IWPA Core Purpose

To build acceptance and demand in North America for globally sourced wood products from sustainably managed forests.



Steps Forward



- Proactive in engaging with industry, customers & government
- Seek new market opportunities
- Continue to Provide Education, Updates & Support

Lacey: Legality *and* Declaration

Legality is both simple & complex under Lacey

“Due care simply requires that a person facing a particular set of circumstances undertakes certain steps which a reasonable man would take to do his best to insure that he is not violating the law.”

-Lacey Act Primer, APHIS (Oct. 2009)



Lacey Due Care/ Gibson Case

1. Does supplier have long standing relationships with the supplier/s (exporter) of this product? How long?
2. Do the supplier/s of this supplier buy this product from 'spot markets'?
3. Does supplier regularly question their suppliers regarding the origin of this product?
4. Did supplier provide you with all required documentation?

11. If yes, verify that additional required procedures were followed, e.g.,

- a. product is certified against a Chain of Custody or Traceability Standard,
- b. the supplier certificate is valid and the scope includes the product supplied,
- c. the product has been traced by Gibson along an unbroken and verified chain of custody from the purchaser back to the source entirely by obtaining supplier certification codes on documentation for that product down to forest level, and
- d. the harvest and export of the species is not restricted or prohibited in the source country.

- a. e.g., for non high risk countries, a written and signed document from supplier identifying companies included in the full supply chain of the product back to the harvesting entity/ies, including name and location of the harvesting entity/ies and Forest Management Unit.
- b. A list of supplying companies harvesting wood from source forests and copies of the associated harvesting permits for supplied product and/or other form of authorization from the forest owner, including, for example:
 - i. species, district of origin information and any other related harvesting or purchasing agreements.
- c. Evidence of compliance with timber transportation documents: Copies of transport or sales permits with specification of species and volumes as applicable.

**Importers and U.S.
Consuming Industries
Continue to Struggle
with the How of Due
Diligence**

5. Have you reviewed the documents and verified that they meet Gibson requirements?
6. Is there any reason for supplier to believe that paperwork from their suppliers may not be authentic for this product?
7. Is there a ban on exports from this region/country?
8. Have you checked on approved species/products with State/Province for that supplier?, etc.)
9. Have you retained copies of required documentation?
10. Is this supplier sourcing from a high risk country?

Supply Chains Are Complex



- Supply Chains were designed for high utilization, grade, and efficiency
- Mixing is a normal part of lumber distribution and especially occur during manufacturing
- Now we are retrofitting on top of this system due diligence systems for CoC, tracking species and country of harvest
- Creates challenges to effective adoption

Audits / Guidance

- UK NMO Report Provided *specific* helpful guidance that can be instructive to compliance staff
- Such actual case studies, examples & guidance from voluntary audits can be powerful instructional tools
- Remember no tool, vendor, standard or system provides an iron clad assurance to U.S. businesses.



Challenge

- Keeping up with trends in due diligence, country specific developments & U.S. regulatory requirements can be daunting for large companies and even more so for small to medium sized enterprises.
- Staff turnover & need to keep veteran staff updated calls for ongoing training offerings.
- Compliance staff want to network and learn from each other.
- Need more than another standard.
- Must be cost effective



Solution

- *Solution:* IWPA partnership with the World Resources Institute & USAID to create a training program and forum for front-line Lacey, CITES & trade compliance staff.
- Phase 1 – Needs Assessment
- Phase 2 – Develop Course & Workshop Materials
- Phase 3 – First Test Workshop in Oct. 2015
- Phase 4 -- National Rollout

Needs Assessment Preliminary Data

- Conducted phone interviews with industry members June 2015.
- Small sample not statistically valid but illustrative
- Included
 - Importers
 - Distributors
 - Wholesalers
 - Retailers
 - Brokers
- Firm Size Varied – 51-100 employees (30%); 26-50 (20%); over 101 (20%); 1-10 (10%); 11-25(20%)

Knowledge & Views

- Majority – 70% are “extremely familiar” with the declaration requirements of the Lacey Act.
- Based on sample respondents are importing covered products (sawn wood, plywood, flooring)
- **72.22%** of respondents views **compliance with the Lacey Act as a challenge.**
- Do you have a Lacey *specific* **standard operating procedure?**
 - **Yes** – 65%
 - **No** – 35%
- Lacey for many has been integrated into other compliance processes

Compliance Challenges

- **Top 5 Challenges** Ranked in order of most difficult:
 - **Identification** of foreign laws / regulations
 - **Acquisition** of documents for legal chain of custody
 - **Validation** of Documentation
 - **Supplier Cooperation**
 - **Internal Data** management & Retention

Interestingly, **75%** listed CITES compliance as a **least difficult** area of compliance

Respondents also reported **relying on Customs Brokers** for Lacey Declaration

77.78% report **no difference** with the compliance process with **certified wood**. While, **16.67%** reported it was easier.

Current Sources Used?

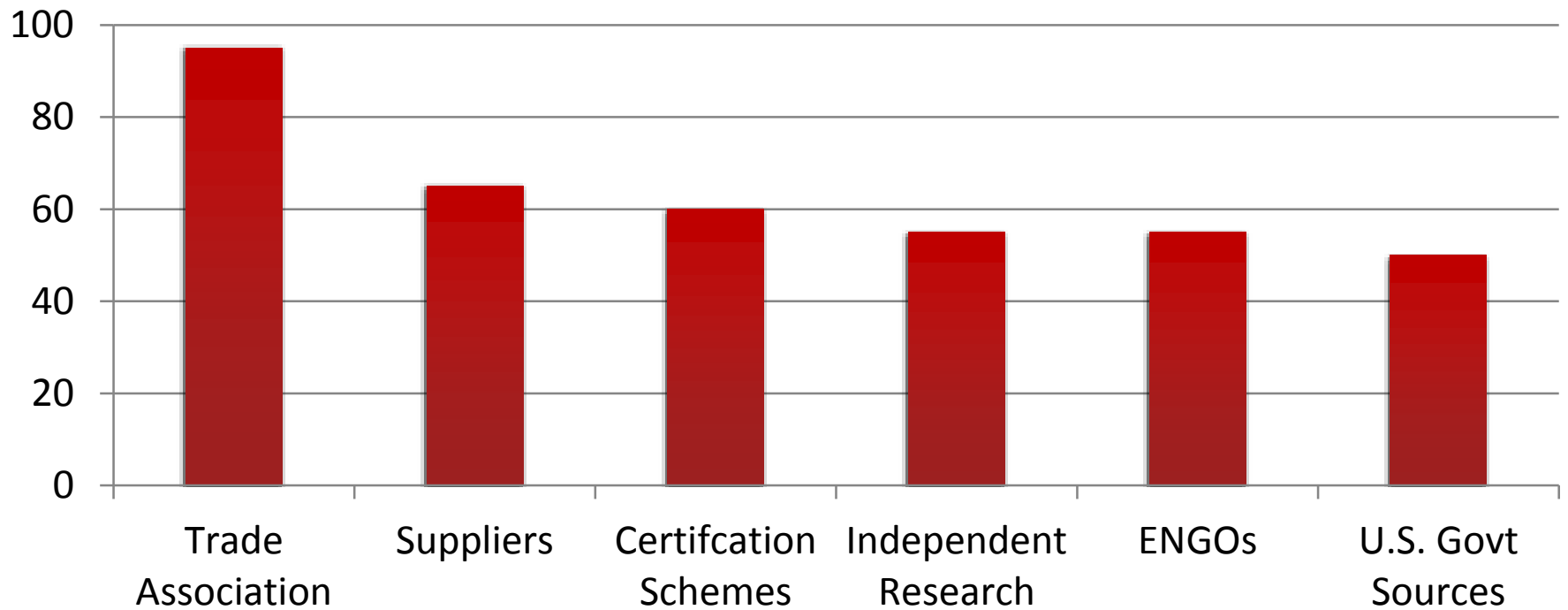
- Forest Legality Alliance Risk Tool
 - **Yes** – 25%
 - **No** – 60%
 - Don't Know – 15%

- IWPA Lacey Compliance Information
 - **Yes** – 85%
 - **No** – 10%
 - Don't know – 5%

- WWF On-Line Course on Lacey Compliance?
 - **No** – 75%
 - **Yes** - 25%

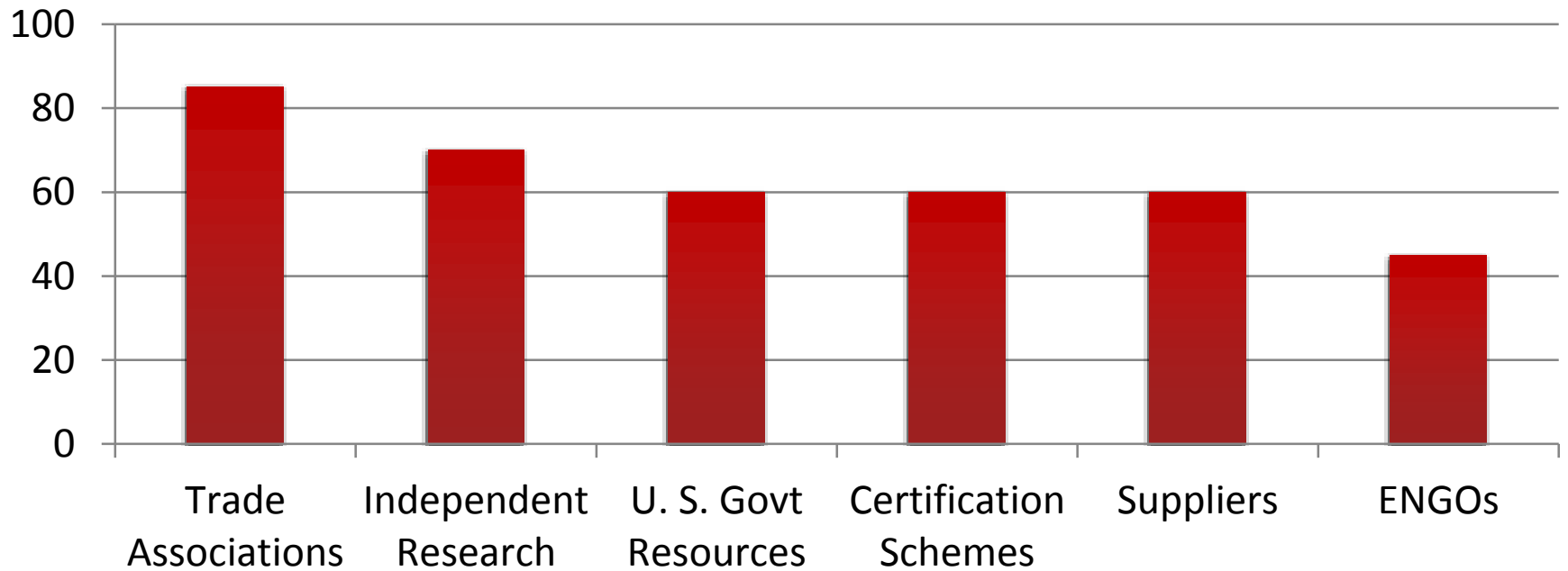
Sources Continued

How do you find out about new regulatory / compliance developments re Lacey?



Sources Continued

How do you get answers to your questions about compliance policies, procedures or systems?



Need for training?

- **95%** reported they would be interested in training from IWPA on Lacey Act Compliance for staff.
- 60% reported that they do *not* have a defined training and education process for staff.
- 63.16% report Lacey Compliance staff have been specifically trained on Lacey compliance.
- **63.16% would include overseas suppliers** in the training event. (Note 95% ask for statement of compliance from suppliers).

Top Topics of Interest for Training

- **Identification of foreign laws / regulations**
- **Document acquisition for legal chain of custody**
- **Validation of documentation**
- Standard Operating Procedures & Best Practices
- Data management & retention
- Supplier cooperation
- Anti-Corruption policy development
- CITES & Phytosanitary Regulations
- Declaration submission

Priorities

- Train employees new to Lacey compliance
- Expose attendees to global resources – perhaps develop new resources
- Help staff develop and refine company standards operating procedures (SOPs)
- Provide for Continuous Improvement & Cross-Pollination



Wood Trade Compliance Training

Seeing the
FOREST
AND THE
TREES



Wood Trade
Compliance Training
and Due Diligence Tools



USAID
FROM THE AMERICAN PEOPLE



WORLD
RESOURCES
INSTITUTE

Course Map



Partnerships are Key

Supplier & Buyer

Industry & ENGO

Trade Associations --
Both Supplier & Buyer
Federations

Trade & Regulators





Thank You

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