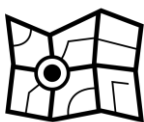


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China Risk Mitigation Guide

Timber



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COUNTRY SPECIFIC
TOOLS



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China Forestry Risk Mitigation Guide

This guide provides an overview of the risks that timber was harvested, transported or traded illegally in China and the actions that can be taken to mitigate those risks. The guide can be used by any company wishing to reduce the risk that the timber it is buying is illegal. The guide relates only to timber harvested in China – not to material imported into China.

To use this document, you should:

- Look up the legality risks that exist for the timber source types in China using the left-hand column of the table below. The risks are listed by type of law-category (first column) and the timber source type (second column).
- Determine whether or not there is a chance that this risk applies to your supply chain. Use the second column in the table below to help you determine whether this risk is applicable, and the third column in the table below to show you the goal you're aiming for. If there is a risk in your supply chain, you have to carry out risk mitigation activities to the point where you can demonstrate that the risk of illegality is negligible.
- Look up the potential actions that you could take to address each of the specified risks using the two right hand columns of the table below. This list provides suggested actions that you could take. Note that it is possible that there are other actions – not listed below – that you could take to assure yourself that your timber has negligible risk of illegality.

Navigate this document through Timber Source Types

To use this risk mitigation guide, you will first need to determine the origin of your timber. You have to identify not only the country, but also the type of forest the timber comes from in terms of ownership, management, classification and permits – this is called the Timber Source Type. This information is very important in order to find out which risks are related to your specific supply chain and your timber products, and how you can mitigate these risks.

Here is a description of the different kinds of Timber Source Types, you will find in China:

- **Natural forest:** Natural State forest are not a source of timber, except for timber from tending. Natural forest managed by collectives, individuals or corporation can be a source, but for logging ban is increasingly implemented through contracts with forest owners.
- **Protected forest:** Limited source of timber. State or collectively owned
- **Timber plantation – planted forest:** Collectively, individually or corporately owned. Provide main source of timber in China.
- **Trees/bamboo planted around farm house and households:** Trees or bamboo planted close to farm houses and households in China.
- **Bamboo forest:** Bamboo forest refers to the community composed of advantageous bamboo species, generally including timber bamboo forest, shoot bamboo forest and timber-shoot bamboo forest.
- **Economic Forests Plantation - Cash tree:** End of lifecycle trees, initially planted for other purposes



In column two below, you can see what Source Types the risks are applicable for. The majority of risks in China are related to all source types. Only for tenure and land rights the risk only relates to collective forest plantations in specific provinces. For State Forest Enterprises especially, there is a risk of lack of management plans. Other than that, all risks listed applies to all timber sources. For more information see below.

Overview of Legal Categories



Legal Rights to Harvest

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Third Parties' Rights

(N/A)



Taxes and Fees

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Trade and Transport

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Timber Harvesting Activities

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Traceability

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Land Tenure and Management Rights

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Lack of registration and tenure certificates	Collective forest plantations only in; Hainan, Yunnan, Guangdong, Hunan, Jiangxi,	The forest management entity shall be legally registered and hold tenure certificate.	Review documents and verify Check legal registration through relevant documents: Valid business registration Check legal tenure through relevant documents: <ul style="list-style-type: none"> Forest tenure certificate Harvesting permit 	Find relevant key document examples in the China Document Guide <ul style="list-style-type: none"> Harvesting permit may be used to confirm the ownership or tenure. To verify legal tenure, contractors shall have a valid contract signed by all land tenure owners involved in the area.

	Fujian, Zhejiang, Hubei		<ul style="list-style-type: none"> Valid contract for contractors 	<ul style="list-style-type: none"> Contractors leasing forest land shall hold the forest tenure certificate (or similar document) to show the tenure transfer registration. Valid business registration documents (Business Registration Certificate and Tax Registration Certificate)
Conflicts in relation to land rent	<p>Collective forest plantations only in;</p> <p>Hainan, Yunnan, Guangdong, Hunan, Jiangxi, Fujian, Zhejiang, Hubei</p>	There shall be no conflicts on land rent.	<p>Consult</p> <p>You need to consult with neighbours, local communities, landowners and other stakeholders to find out if A) land tenure rights are clear and – where applicable – lease of the land has been agreed by all the landowners; and B) if there are any court orders or other legal decisions that mean that the company is not allowed to operate due to conflicts of land tenure.</p>	<ul style="list-style-type: none"> Records/minutes of consultation showing no land use conflicts; or, alternatively, that conflicts of land tenure are managed



Management and Harvesting Planning

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Lack of management plans and	State-owned forest	Management plan shall be in place and drafted in	<p>Review and verify documents</p> <p>Check that the forest management plan has been approved and signed by the applicable</p>	<p>Find relevant key document examples in the China Document Guide</p> <ul style="list-style-type: none"> Approved forest management plan Approved harvesting plan

failure to meet the requirements for drafting management plans

management enterprises

compliance with legal requirements.

authority (local forest authority at county level or above).

Consult

Consult county forestry authorities to ascertain whether there are specific local regulations on forest management plans that shall be followed for individuals, private companies and collective forest.



Harvesting Permits

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Harvesting without permit and unlawful issuing of harvesting permit	All timber sources	Harvest area shall be covered by a valid and legally issued harvesting permit	<p>Review and verify documents</p> <p>Check whether the permit is legally issued by determining if the document has been sealed by the applicable issuing authority.</p> <p>Verify that the forest harvesting permit matches the corresponding documents (transportation permits, VAT invoices, delivery notes, contracts, etc.). All information should</p>	<p>Find relevant key document examples in the China Document Guide</p> <ul style="list-style-type: none"> • Forest harvesting permit, issued by the relevant forestry authority, shall be made available. • Transportation permit • VAT invoice • Records of applicable issuing authority confirming validity of licence and seal

match. Note especially origin, material descriptions, volumes, qualities and species.

Consult

Ask the applicable issuing authorities to confirm the validity of harvesting permit and seal.

The applicable issuing authority differs depending on the timber source (see China Document Guide for more information on applicable issuing authority).

The applicable authority's contact information can usually be found through an online search. Lower level authorities, however, can at times be difficult to identify through an internet search. In such cases, the upper level authority in the applicable province can be contacted to identify the applicable authority.



Value Added Taxes and Other Sales Taxes

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Value-added taxes (VAT) are not paid appropriately	Trade and processing companies	VAT shall be paid on timber.	Review and verify documents Request copies of VAT invoices and check that they compare correctly against corresponding documents with regards to product descriptions, volumes, qualities and species; e.g. harvesting permits, transportation permits, delivery notes, contracts, etc.	Find relevant key document examples in the China Document Guide <ul style="list-style-type: none"> VAT invoices



Health and Safety

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Lack of use of safety equipment	All timber sources	Safety equipment shall be used in the field according to legal requirements.	<p>Review documents and verify Review health and safety procedure documents, as well as safety records and permits. Ensure that safety equipment has been considered in procedures and that any recorded accidents were not due to lack of safety equipment.</p> <p>Consult: Interview relevant staff/ workers and confirm that they are aware of health and safety procedures and have participated in training; Interviews staff/ workers engaged in special areas of work and confirm that they A) have attended specific training applicable to their special work area; B) have secured the relevant qualification or certificate for the work and C) have access to safety equipment and that is used.</p> <p>Onsite verification</p>	<p>Find relevant key document examples in the China Document Guide</p> <ul style="list-style-type: none"> • Health and safety procedures document, in line with national laws and regulations. • Organisation shall be able to demonstrate, upon request, the existence and maintenance of the following documents: <ul style="list-style-type: none"> • Training records for safe operation; • Evidence of accident insurance to cover all workers; • Work permits for special occupations, e.g. chainsaw operator; • Accident records and related administrative procedures and measures • Records/ minutes of consultation showing that health and safety equipment has been distributed and employees have received training in its use. • Records/ minutes of onsite verification showing that health and safety equipment is used during harvesting.

Verify the implementation of safety training and health and safety procedures through Inspections of FMEs and harvesting sites.



Legal Employment

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Lack of employment contracts	All timber sources	Employers shall be contracted under legal labour contracts.	<p>Review and verify documents Check the list of (permanent and temporary) workers as well as their contracts with the organization. Check also salary payment records to confirm whether workers are legally employed.</p> <p>Onsite verification Verify whether staff onsite are covered by labour contracts.</p> <p>Consult Verify through interview with organization employees/ workers that there is no illegality in terms of overtime work, social security,</p>	<p>Find relevant key document examples in the China Document Guide</p> <ul style="list-style-type: none"> • List of (permanent and temporary) workers • Employment contracts • Salary payment records • Records/ minutes of consultation showing no issues with lack of labour contracts, or other contractual violations • Records/ minutes of onsite verification confirming that staff are covered by labour contracts

			insurance, contract or other statutorily required working terms and conditions.	
Lack of social security payments	All timber sources	Employees shall be covered by social security.	<p>Review and verify documents Check the list of (permanent and temporary) workers and verify that all have a social security card as evidence that social security and other insurances are paid.</p> <p>Consult Consult the local social security authorities to verify that the organization pays the social security insurance for its staff and that there are no outstanding disputes over employee social security payments.</p>	<ul style="list-style-type: none"> • List of (permanent and temporary) workers • Copy of social security card for each worker • Records/ minutes of consultation with social security authorities showing payment of social security.



Customs Regulations

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Mis-/ under reporting on customs declarations	All timber sources	Products shall be correctly classified (type, HS customs code, species, quantities, qualities, etc.).	Review and verify documents Check information on all import/ export documentation (including Customs Declaration Registration Approval Certificate and phytosanitary certificate (where applicable)) and verify that information corresponds to material received.	Find relevant key document examples in the China Document Guide <ul style="list-style-type: none"> • Customs Declaration Registration Approval Certificate • Phytosanitary certificate (where applicable)



Traceability

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Risk of false declaration of origin	All timber sources	Correct origin of timber shall be declared	<p>Review and verify documents Request documentation on origin.</p> <p>Review documents and verify that information on harvesting permit, transportation permits, VAT invoices, delivery notes, contracts, etc. matches correctly with regards to material descriptions, origin, volumes, qualities and species.</p> <p>Timber testing Use timber testing (if applicable) to verify the species and origin. The following types of timber testing can be used to determine origin and species:</p> <ul style="list-style-type: none"> • DNA analysis • Stable isotope analysis • Wood anatomy (macro- and microscopic) analysis (for species identification only) 	<p>Find relevant key document examples in the China Document Guide</p> <ul style="list-style-type: none"> • Harvesting permit, transportation permits, VAT invoices, delivery notes, contracts showing matching information • Timber testing results

Risk of mixing timber in production and trade

All timber sources

The material reported shall correspond to actual inputs in production and trade.

Review documents and verify

Request documentation on species input.

Review documents and verify that information on harvesting permits, transportation permits, VAT invoices, delivery notes, contracts, etc. matches correctly with regards to material descriptions, origin, volumes, qualities and species.

Production facility shall declare, on sales invoice or other physical documentation, the input material used for production.

Timber testing

Use timber testing (if applicable) to verify the species and origin. The following types of timber testing can be used to determine origin and species:

- DNA analysis
- Stable isotope analysis
- Wood anatomy (macro- and microscopic) analysis (for species identification only)

Supply chain management

Avoid spot- and open-market purchasing within supply chains (these are traceability black holes).

Shorter supply chains with greater traceability are to be encouraged (including limiting the number of sub-suppliers).

- **Harvesting permits, transportation permits, VAT invoices, delivery notes, contracts** showing matching information
- **Timber testing results**
- **Physical documentation** on species input
- **Records from onsite verification** confirming information provided on invoice and document on origin.

			<p>Onsite verification</p> <p>Suppliers/ sub-suppliers may implement generic Chain of Custody systems to track material traceability and ensure against mixing. Check production facility to verify timber is available for production; and what timber is used in production of the traded product.</p>	
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About

Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint initiative run by NEPCon with the aim of supporting timber-related companies in Europe with knowledge, tools and training in the requirements of the EU Timber Regulation. Knowing your timber's origin is not only good for the forests, but good for business. The joint initiative is funded by the LIFE Programme of the European Union and UK Aid from the UK Government.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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