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China Risk Mitigation Guide

Timber



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COUNTRY SPECIFIC
TOOLS



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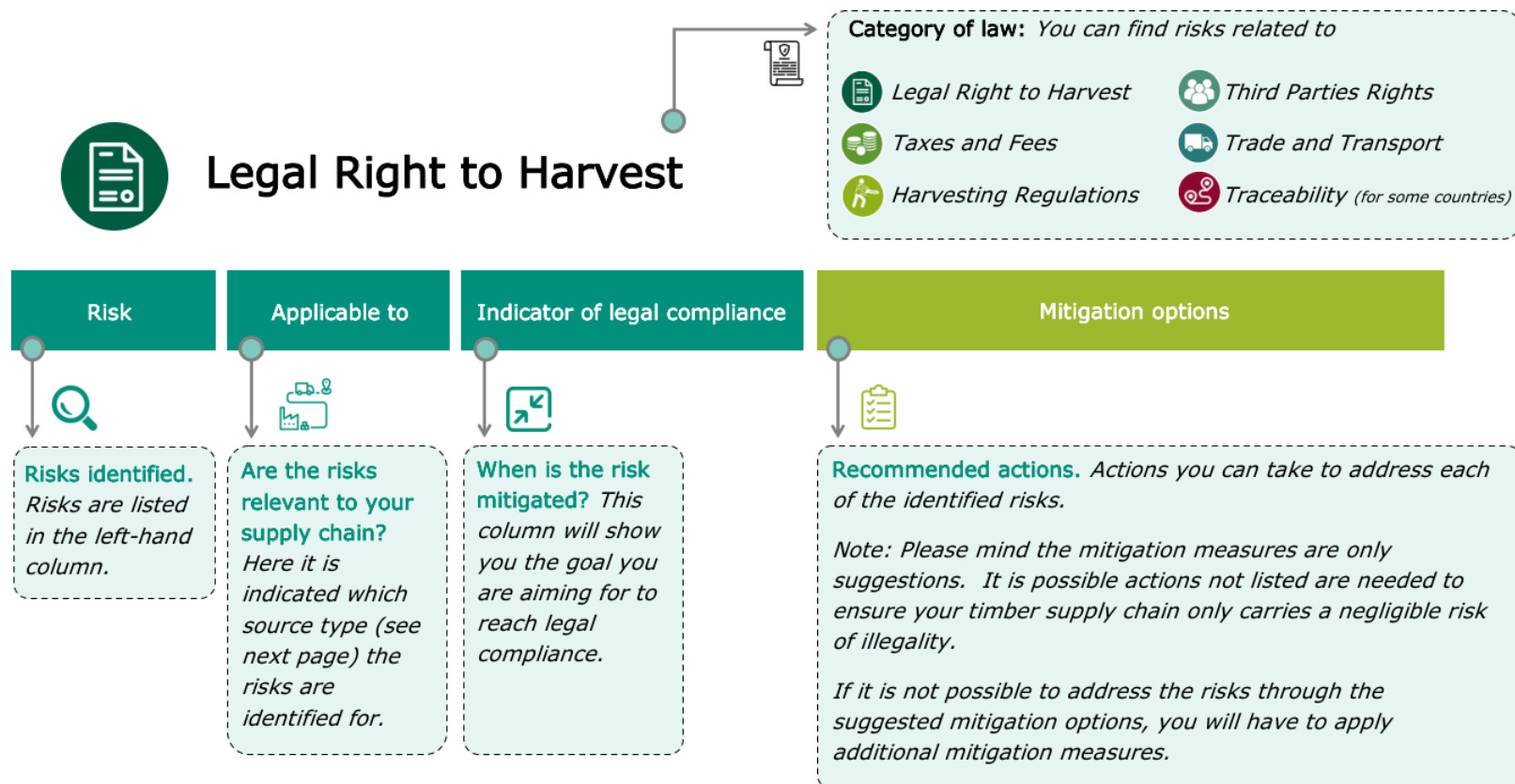
History

V2.0: Published April 2021.

V2.1: Published 21 May 2021. Updated link to Taxation authority's VAT database (<https://inv-veri.chinatax.gov.cn/>); p. 9.

China Forestry Risk Mitigation Guide

This guide provides a series of mitigation options to assure low risk of illegality of timber harvested in China.



Timber Source Types

To understand what risks are relevant for your supply chain, you will first need to identify the origin of your timber. In general, it is often helpful to know not only the country of origin, but also other information about the origin, such as legal ownership, management regime, forest classification and permits in order to select the Timber Source Type(s) that applies to your supply chain. Identifying the right Timber Source Type is important to detail which risks are related to your supply chain and your timber products and how you can mitigate them.

Timber Source Types identified China:

Plantation	<p>Plantations are the main source of timber from China. These include timber from collectively, individually, or corporately owned commercially operated plantations, and state managed plantations. A harvesting permit is required.</p> <p>Timber from forests planted for other purposes, i.e., orchards, are known as “economic forests”. When the forest is no longer producing yield, the trees may still be harvested for its wood. A harvesting permit is required for this.</p> <p>Note: A harvest permit is not required if the plantation is cultivated on designated non-forest land, such as trees on farm allotments and private residences.</p>
Natural Forest	<p>Natural forests are not considered a significant source of supply after China implemented its nationwide Natural Forest Logging Ban. The only exceptions are for tending or sanitary cuttings to maintain and enhance the health of the natural forests. Even under these circumstances are there additionally limitations to the maximum dimensions of the trees which may be harvested.</p> <p>A Harvesting Permit for tending or sanitary cutting is required.</p>
Bamboo Forest	<p>Bamboo forest refers to the forest community dominated by the bamboo species (<i>Bambusoideae (Poaceae)</i>). A harvest permit is not required for the bamboo forest except those within nature reserves.</p>



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Legal Right to Harvest

Risk	Applicable to	Indicator of legal compliance	Mitigation options
<p>Lack of tenure certificates.</p> <p>Timber Legality Risk Assessment reference; 1.1. Land tenure and management rights</p>	<p>Forest management enterprises which have contracted / leased collective forest plantations or land, only in:</p> <p>Hainan, Yunnan, Guangxi, Guangdong, Hunan, Jiangxi, Fujian, Zhejiang, Hubei.</p>	<p>The forest management enterprise shall hold a tenure certificate.</p>	<p>Review documents and verify:</p> <p>Legal tenure registration can be checked through relevant documents:</p> <ul style="list-style-type: none"> • Forest tenure certificate Contractors leasing forest land shall hold a forest tenure certificate with the tenure registration ID/number (Note: The certificate can carry different names, e.g., Immovable Property Certificate for forest land). • Forest leasing or transfer contract Contractors shall have a valid contract signed by all legal land tenure owners in the area of operation. If the area is owned by a village committee or sub-village, then 2/3 of the household representatives of the village should sign the contract. • Harvesting permits A harvest permit can be helpful to confirm ownership or land tenure.

Illegitimate transfer of forest tenure of plantations between the forest management enterprise and local community

Timber Legality Risk Assessment reference; 1.1. Land tenure and management rights

Forest management enterprises which have contracted/leased collective forest plantations or land, only in:

Hainan, Yunnan, Guangxi, Guangdong, Hunan, Jiangxi, Fujian, Zhejiang, Hubei.

Forest tenure or use right shall be transferred in compliance with legal requirements.

Review documents and verify:

Legal tenure registration can be checked through relevant documents:

- Forest tenure certificate
Contractors leasing forest land shall hold a forest tenure certificate with the tenure registration ID/number (Note: The certificate can carry different names, e.g., Immovable Property Certificate for forest land).
- Forest leasing or transfer contract
Contractors shall have a valid contract signed by all legal land tenure owners in the area of operation. If the area is owned by a village committee or sub-village, then 2/3 of the household representatives of the village should sign the contract.
- Harvesting permits
A harvest permit can be helpful to confirm ownership or land tenure.

Internet search:

Search for sources of information in the public domain (e.g., internet search via Baidu.com or other search engines) for evidence of community conflict relating to land tenure of the forest management enterprise. Suggested key words for internet search could be: forest management enterprise name + land dispute. Search should be conducted in Chinese. Stakeholder consultation should be conducted where there is evidence or indication of conflict.

Consult:

In case that the internet search – or other research or consultations identify concerns – implement a stakeholder consultation process with local communities and other stakeholders to confirm that:

			<ul style="list-style-type: none"> • There is no dispute over Land tenure rights and – where applicable – lease of land has been agreed by a representative majority of the households in the village; • The legal status of the enterprise conducting forestry operations is not subject to court orders or other pending legal proceedings to cease activities.
<p>Lack of appropriate implementation of management plans</p> <p>Timber Legality Risk Assessment reference; 1.3 Management and harvesting planning:</p>	<p>State-own forest management enterprises in plantations and natural forest.</p>	<p>Management plan shall be implemented in compliance with legal requirements.</p>	<p>Review documents and verify:</p> <ul style="list-style-type: none"> • Confirm the approval of Forest Management Plan, including: <ul style="list-style-type: none"> ○ If the plan has been approved by a relevant forest authority. ○ If the growth rate is estimated by reasonable inputs and the planned harvest volume does not surpass the estimated growth rate. ○ If it includes all legally required elements, such as forest resources status quo, growth rate, planned harvest volume, regeneration plan, biodiversity protection, forest fire prevention, pests and disease control. • The Annual Harvest Quota has been approved by the regional forest authority and aligns with the Forest Management Plan. <ul style="list-style-type: none"> ○ Annual harvest quota document should be compared to the Forest Management Plan to confirm there is no significant discrepancy in harvest volume. • Harvesting permits are aligned with the Forest Management Plans <ul style="list-style-type: none"> ○ A harvesting permit can indicate if the harvest activities follow the objectives set out by an existing Forest Management Plans. <p>Consult resources for relevant information:</p> <ul style="list-style-type: none"> • Forest authorities responsible for approving management plans for the State Forest. Visit their websites to check:

			<ul style="list-style-type: none"> ○ If the Forest Management Plan and Annual harvest quota have been approved by a legitimate forest authority. ○ If the state forest management enterprise in question is following the objectives of the approved Forest Management Plan. ○ Please note the relevant authority differ depending on administrative level of the State forest.
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Taxes and Fees

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions
<p>Value added taxes (VAT) are not paid appropriately</p> <p>Timber Legality Risk Assessment reference; 1.6. Value added taxes and other sales taxes</p>	<p>Processing and trading companies for the domestic market (excluding exporters).</p>	<p>VAT shall be paid on timber products</p>	<p>Review documents and verify:</p> <ul style="list-style-type: none"> ● VAT invoices are valid. <ul style="list-style-type: none"> ○ Request copies of VAT invoices for products sold or traded along the relevant supply chain and check that they compare correctly against corresponding documents with regards to product descriptions, volumes, qualities, and species. Other relevant documents include delivery notes, contracts, bills of lading etc. ○ Sales prices shall be in line with market price. ○ Verify information through database confirmation (See below).

			<p>Database confirmation</p> <ul style="list-style-type: none"> • Verify VAT invoices on the Taxation authority’s VAT database: https://inv-veri.chinatax.gov.cn/¹. <ul style="list-style-type: none"> ○ If information is verified through the database this will indicate that VAT has been paid correctly by the companies. ○ All information included in the copy of VAT invoice must be identical to information found in the database, including production descriptions, volumes, qualities, species, date, invoice number, etc.
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Timber Harvesting Activities

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions
<p>Lack of availability of personal protective equipment (PPE) and training in the use of these</p> <p>Timber Legality Risk Assessment reference; 1.11 Health and safety</p>	<p>Plantations and natural forest</p>	<p>PPE must be available and used by workers in forest activities.</p> <p>Health and safety (H&S) procedures must be followed</p>	<p>Onsite verification</p> <p>Inspection of Forest Management Enterprise and harvesting sites shall verify that PPE, safety training and H&S procedures are in place:</p> <ul style="list-style-type: none"> • Interviews with relevant staff/workers shall provide confidence that they are aware of H&S procedures and have participated in training. • Interviews with staff/workers engaged in special areas of work shall provide confidence that they have attended specific training

¹ Note: In some countries the security certificate of the site might not be accepted. It is up to the user to decide if it is safe to access the site.

			<p>applicable to their role and responsibilities, have obtained the relevant level of qualification for the task they perform, have access to required PPE and it is being used in all relevant situations.</p> <ul style="list-style-type: none"> • Field observations from visits harvesting sites shall verify: <ul style="list-style-type: none"> ○ PPE shall be available and worn as required by the law. ○ Health and safety procedures are implemented in accordance with requirements. <p>Review documents and verify (to be checked during onsite verification):</p> <ul style="list-style-type: none"> • Health and safety procedures are in line with national laws and regulations. • Training Records for Safe Operation • Employees are covered by an accident insurance policy. • An accident record system is in place. In addition, it is recommended to review accidents records to identify root causes. • Purchase records for appropriate PPE (if applicable)
<p>Lack of employment contracts and payment of injury insurance for forest workers</p> <p>Timber Legality Risk Assessment reference; 1.12 Legal employment</p>	<p>Plantations, natural forest, and bamboo.</p>	<p>Forest workers shall have legal employment contracts and be covered by an accident insurance policy</p>	<p>Onsite verification:</p> <ul style="list-style-type: none"> • Verify whether the forest workers onsite have signed labour contracts. • Verify that employees are covered by an accident insurance policy by conducting interviews. Use this opportunity to inquire about unpaid and illegal overtime work, missing social security benefits, insurance coverage, contractual employment issues or other inappropriate working conditions. <p>Review documents and verify during onsite audits:</p>

			<ul style="list-style-type: none"> • Review the list of permanent and temporary employed workers and verify that employment contracts with the organisation is in place. • That payslips represent the number of employees. • Invoices relating to accident insurance coverage.
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Trade and Transport

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions
<p>Misreporting of tree species during export.</p> <p>Timber Legality Risk Assessment reference; 1.19 Custom regulations</p>	Natural forests	Species name and quantity of exported and imported species shall be declared correctly	<p>Review documents and verify:</p> <ul style="list-style-type: none"> • That customs declarations correctly identify product descriptions, HS custom code, species, quantities, qualities, etc. • Information (species, quantity, date, etc) on the customs declarations shall match the commercial invoice, packing list and phytosanitary certificate (if applicable). <p>Conduct targeted timber testing (on samples of purchased material to verify the species or origin of timber). See Preferred by Natures Thematic article No 1 on Timber Testing Techniques:</p>
<p>1.19 Custom regulations: False reporting (effectively smuggling) of imported CITES species</p>	Imported wood-products	Species shall be correctly declared and CITES import certificate shall	<p>Obtain and review documents and verify:</p> <ul style="list-style-type: none"> • CITES export (from the country of harvest), import and re-export certificates relevant along the supply chain.

<p>1.20 CITES: CITES species declared as non-CITES</p> <p>Timber Legality Risk Assessment reference; 1.19 Custom regulations and 1.20 CITES</p>		<p>be in place for CITES species</p>	<ul style="list-style-type: none"> ○ All cross border-trade of CITES-listed species shall be documented and accompanied by the certificates issued by competent authorities (CITES Management Authorities), as well as correctly classified (type, HS custom code, species, quantities, qualities, etc.). ● Information (species, quantity, date, etc) on the customs declarations shall match the commercial invoice, packing list and phytosanitary certificate (if applicable). <p>Conduct targeted timber testing (on samples of purchased material to verify the species or origin of timber). See Preferred by Natures Thematic article No 1 on Timber Testing Techniques:</p>
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Supply Chain Transparency and Traceability

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions
<p>False declaration of origin, species, or transport route</p> <p>Falsification of documentation by processors and traders</p>	<p>Plantations and Natural forest,</p> <p>Imports</p>	<p>Origin, species, or transport route shall be declared correctly</p>	<p>Supply Chain Mapping</p> <ul style="list-style-type: none"> ● Conduct non-linear supply chain mapping. ● Request evidence of traceability and segregation measures to provide clarification on tracking and handling of the material within the facilities. <p>Review documents and verify:</p>

Mixing of declared species/origins with wood-supply from unknown sources or species in production and trade

Supply chain mapping is particularly difficult

- Collect supply chain information and verify information provided is consistent with previous records. Relevant supply chain information is that which helps to confirm the supply chain, incl. origin, species and volume of the material sourced. Examples are, but not limited to: Forest Tenure Certificate, Harvesting permit, VAT Invoices or Self-billing invoice/receipt for smallholders, custom declaration, delivery note/packing list, bill of lading, Quarantine (phytosanitary) documents.

Database confirmation to confirm:

- The authenticity of Business License (e.g. <http://www.gsxt.gov.cn/index.html>, <https://www.tianyancha.com/>).
- The authenticity of VAT invoices (via <https://inv-veri.chinatax.gov.cn/>²), which is a vital document to mapping the supply chain.

Conduct targeted timber testing (on samples of purchased material to verify the species or origin of timber). See Preferred by Nature's [Thematic article No 1 on Timber Testing Techniques](#).

Onsite verification of upstream suppliers:

- Review supply chain information,
- Volume reconciliation; check if the volume from the supply chain in question is sufficient to ensure the needed input for the volume of products manufactured.

² Note: In some countries the security certificate of the site might not be accepted. It is up to the user to decide if it is safe to access the site.

			<ul style="list-style-type: none">• Interview staff to collect additional information and assurance of the origins of the wood used in wood-based products, e.g., country of origin, forest of harvest.• Check if a functioning and effective traceability and segregation system is in place. <p>Simplify supply chains:</p> <ul style="list-style-type: none">• If possible, avoid purchasing material from complex supply chains which cause difficulty in mapping supply chain, gathering information and addressing the risk of mixing. <p>Avoid situations where wood material is sourced via spot markets or auctions, where traceability may be lost.</p>
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About LIFE Legal Wood

[LIFE Legal Wood](#) is an initiative that aims at 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 initiative is funded by the LIFE Programme of the European Union.



Preferred by Nature (formerly NEPCon) is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate.

We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.