Challenges faced by Exporters & Operators

*Implementation of DD Procedures*

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Tradelink Wood Products Ltd.
Who is Tradelink

• Tradelink Group was formed in 1989
• Privately owned business dedicated to **procuring, manufacturing, shipping** and **marketing** of hardwoods, plywood and allied timber products
• Management with extensive experience.
• Centralized administration Head Office in **London** with
  • **worldwide procurement offices** at source in the hardwood timber-producing regions of: North America, Brazil and South East Asia
  • to **marketing organizations** in the UK, USA, France, China, Canada, South Africa, and Portugal.
  • Manufacturing and processing plant / factory in Belem, Brazil
• The Group has a Responsible Purchasing Policy audited by the UK TTF and ensures environmental compliance in accordance with the USA’s **Lacey Act** and the **EU Timber Regulation** (EUTR)
• MSA Statement
Tradelink is Global
Tradelink Source of Tropical Timber ("Higher Risk Areas")

- Brazil: 62%
- Malaysia: 24%
- Congo: 5%
- Cameroon: 3%
- Ghana: 2%
- Panama: 1%
- Paraguay: 1%
- Columbia: 1%
- Peru: 2%

www.slideproject.com
Belém: Capital city of Pará state
Pop. 2.2m

Pará: 1,247m² KM² (5 x size of UK)
Tradelink Factory in Belém, Brazil
Decking
Solid Flooring
Rough Sawn Lumber
What does DD mean to our organisation

- We Adhere to strict Lacey Act and EUTR laws where onus and liability is on the Directors of our Group
  - Exercise Due Care / Due Diligence

- Onus to implement appropriate, robust and consistent DDS to assess and minimise risk of placing illegally harvested timber on market

- THREE Key Elements of our DDS:
  1. Information
  2. Risk Assessment
  3. Risk Mitigation

- Showing transparency to the relevant stakeholders, including NGO’s at all levels
What makes good Due Diligence

1. **Know** your Suppliers
   - **Visit them**… *regularly*! DD Starts *before* orders are placed
   - Establish good relationships

2. Understand **Laws & regulations** at Source
   - Local input / consultancy / lawyers / trade associations
   - Understand where Loopholes exist. How are systems are bypassed intentionally (i.e. fraud)

3. Use **Local resources**
   - Employ or use 3rd party F.E.’s to do **Field Audits**
   - 3rd Party Chain of Supply auditors

4. **Record** and **Archive**
   - Always make a record of checks (date & sign).
   - Use “cloud” storage to archive. Make docs easily accessible.

5. Show **Consistency** and **Transparency** in DDS

6. **Understand** what each type of risks *means*
   - So that you can Mitigate the risk appropriately

7. **Update** DDS frequently

8. Keep up to date with **NGO Reports**!
What are our Challenges

1. **Supplier acceptance** of new rules and procedures
   • Long term business relationship.
2. Reliability of Documents provided
   • Lack of Tools / Resources to verify docs
3. Due Diligence departments with **limited funds** / budget
   • How to implement Cost effective DD.
   • Eg. [Satellite Imagery](#) vs [Field Audits](#)
4. **Wood rejected** by our DD is bought by *some else*!
   • Still ends up on the US / Euro markets!
   • Ends up in markets that have no / little legislation on Legality
5. Cases of corruption & bureaucracy in Competent Authorities
6. Market still very price driven – reluctant to pay more
7. Lack of **FLEGT licenced** Source Countries
   • After nearly 10 years – only **ONE** Country
8. **Competent Authorities** – inconsistent enforcement
Consequences of DD implementation

- **Reduction of Supplier base**
  - Eg. Brazil factory has reduced 70% nr of suppliers. 2009: 50 mills / 2017: 12-15

- Doubled our volumes sourced via **certification programs** such as FSC, PEFC, SVLK, MYTLAS etc

- **Reduced Complexity** of supply chains.
  - *Verticalization* of Chain (eg. Concessions and using **SCC**)

- Increased DD and Focus on **High Risk / High Value** species
Thank you

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