



global witness

Pandering to the loggers

Why WWF's Global Forest and Trade Network isn't working



A briefing by Global Witness, July 2011

Contents

Executive summary.....	3
Recommendations.....	4
Summary findings.....	5
The Global Forest and Trade Network explained.....	6
Lack of transparency.....	7
CASE STUDY 1: Ta Ann Holdings Berhad – clear-cutting orang-utan habitat in the ‘Heart of Borneo’.....	8
Low expectations	11
CASE STUDY 2: Jewson’s long history with GFTN and allegations of illegally sourced timber.....	12
Poor oversight & enforcement	13
CASE STUDY 3: The Danzer Group – a controversial partnership	14
Misleading claims	16
Conclusions	17
Annex 1: Examples of allegations against GFTN members.....	18
Endnotes.....	20

A log in Sete, France, in 2001, belonging to Danzer’s subsidiary InterHolco (IHC). Inland Logging Company (ILC) supplied timber to Danzer during Liberia’s civil war.



Greenpeace

Executive summary

Time is running out to protect the world's forests. Half have already been destroyed¹ and just 20 per cent of what remains is intact.² Each year an area of forest almost twice the size of Ireland completely disappears, while much larger areas are subjected to logging, leaving them vulnerable to further destruction.³ Protecting the world's remaining intact forest, and transforming how vulnerable forests are managed, is crucial to sustaining the livelihoods of forest-dependent people, preserving biodiversity and preventing further increases in forest carbon emissions.

The World Wide Fund for Nature's (WWF) Global Forest and Trade Network (GFTN) is one of the world's largest schemes to promote trade in legal and sustainable timber products.⁴ It has not been without controversy, facing frequent criticisms regarding the practices of some GFTN member companies (see Annex 1 and the three case studies in this briefing). Despite this, the scheme has never, in Global Witness's opinion, been adequately evaluated in terms of its rules, operation, membership and, crucially, its impact on forests.

In this, GFTN's 20th anniversary year, Global Witness undertook a basic evaluation of the operation and effectiveness of the scheme. This assessment found serious systemic problems, including a lack of transparency and accountability, wholly inadequate rules for membership, instances of weak performance, monitoring and enforcement and an absence of adequate procedures to assess whether the scheme is actually making a positive contribution to forest sustainability.

In light of this, and in considering GFTN receives significant amounts of public funds from government and aid agencies, Global Witness believes it is in the public interest for GFTN to be rigorously evaluated by means of a comprehensive independent audit with full access to all information on the operation of GFTN. Donor governments using public-sector funds to finance GFTN should make further support conditional on such an evaluation being carried out, along with the implementation of any resulting recommendations being realised.

Global Witness has found that flaws in the GFTN model allow some of its member companies to reap the benefits of association with WWF and its iconic panda brand while continuing unsustainable logging, conversion of forests to plantations, or trading in illegally sourced timber. Although the GFTN scheme is intended to reduce and eliminate such practices over time, Global Witness believes that permitting companies which conduct these practices to join the scheme at all is not consistent with the kinds of urgent, systematic reforms that WWF should be demanding, and indeed do advocate in other work⁵ and public-facing fundraising materials.⁶

Global Witness examined the operations of three paying members of WWF's GFTN scheme in detail, finding that:

- Malaysian company Ta Ann Holdings Berhad has wider operations which are logging and clear-cutting orang-utan habitat in the Heart of Borneo (see case study 1)

- It emerged that ten years after joining GFTN UK company Jewson was still trading in illegally sourced timber (see case study 2)
- Swiss-German company the Danzer Group is facing new allegations of involvement in conflict between communities and authorities in an area of operation of one of its subsidiaries in the Democratic Republic of Congo (see case study 3)

The systemic problems identified in this briefing, exemplified in the three case studies presented, suggest that the ability of GFTN to achieve its stated objectives is fundamentally undermined. Indeed, given current practice, including the allowance for illegally sourced timber in GFTN for up to five years after trade members join, GFTN rules are less stringent than US and EU laws prohibiting the importation of illegal timber.

Global Witness is calling on WWF and GFTN to overhaul the scheme's rules to prohibit member companies from trading in illegally sourced timber, to significantly improve the transparency, accountability and monitoring of the scheme, and to regularly evaluate GFTN's actual impact on forest sustainability rather than simply measuring and reporting the size of the scheme itself. It may be prudent to further evaluate the underlying approach underpinning GFTN, in regard to any limitations that voluntary trade initiatives may have in seeking to avoid intact forest loss altogether.

It is hoped that this briefing will provide useful feedback and lessons not only for GFTN but also for the many other initiatives that seek to engage those entities responsible for the destruction of natural forests through voluntary programmes intended to encourage incremental improvements in business practice.

Although GFTN aims to eliminate illegal and unethical practices by having a low threshold for initial membership, that approach could provide companies who operate illegally or unethically with public image and marketing benefits through partnering with a world-renowned conservation brand. This also risks tarnishing the reputation of those member companies who are genuinely committed to legal, ethical and sustainable business operations through GFTN, and hampers the efforts of other organisations and programmes campaigning for higher standards in the forestry sector.

Global Witness is aware of the drawbacks of openly criticising the work of colleagues in other NGOs who undertake commendable work and who share objectives in the realisation of sustainable resource use. While Global Witness does not take these concerns lightly, it has concluded that public critical evaluation is essential, not least because current strategies in the forest sector are simply not stopping the continued deforestation and degradation of the world's remaining forests.

We have put the points made in this report to WWF and others and incorporated responses where appropriate.⁷

Recommendations

1. GFTN must undergo an independent, comprehensive evaluation, providing full access to all GFTN information not publicly available; this evaluation should assess:

- membership rules, transparency, performance and monitoring
- performance of all past and present GFTN member companies
- criteria and coordination gaps between GFTN and its country offices
- impact of the scheme on the livelihoods of forest-dependent communities
- impact of the scheme on actual forest sustainability

2. GFTN must adopt vastly improved transparency, performance and monitoring procedures, ensuring the following information is publicly accessible:⁸

- a register of all participating companies, past and present, listing their membership status (for example applicant, participant, left, suspended, terminated), including a summary explanation of any surrounding circumstances or reasons for ended participation
- clear standardised information on all GFTN participants including updated information about their agreement terms and operations and progress reports including comparable performance indicators
- improved metrics to monitor the overall performance of the scheme, over time, on forest sustainability rather than simply detailing the size of the scheme itself

3. GFTN must introduce strict minimum standards for all companies entering and continuing their participation in GFTN (starting with a consistently applied baseline assessment). Companies involved in the felling, buying or selling of wood products should be excluded where:

- timber has been illegally sourced or is of unknown origin
- operations are associated with human rights abuses
- operations contravene the rights of affected communities
- operations involve the clearance of natural forest
- operations involve the logging of intact forest

4. GFTN must rigorously strengthen its policies to avoid being abused by those companies not genuinely committed to performance improvement. GFTN should:

- require companies to achieve the minimum standards in recommendation 3 prior to allowing members any public association
- insist on clear and improved performance expectations, within shorter timeframes so that participating companies demonstrate clear progress early on or risk having their membership publicly terminated
- ensure penalties for exploiting GFTN are proportionate to the publicity gains which can be made by joining. At a minimum, each time a company is suspended or leaves the scheme without achieving targets or is ejected for failing to do so, WWF should publicise the fact, including a summary of the circumstances surrounding any suspension or termination
- not permit participating companies to pick and choose which parts of its operations are subject to GFTN rules. This could otherwise allow companies to benefit from GFTN association without all of their operations being GFTN-compliant

5. Donor governments and aid agencies providing GFTN with public funds must require, as a condition of continued support:

- a full independent, comprehensive evaluation as described in recommendation 1
- implementation and continued achievement of resulting recommendations to improve the rules, transparency and operation of GFTN
- more appropriate indicators of success, rather than the size of the scheme itself, to ensure that GFTN focuses on improving standards and performance of existing members rather than growing the scheme by accepting new members with low standards

Summary findings

1. GFTN lacks transparency and accountability; the scheme is opaque with little or no information in the public domain about the performance of individual participating companies or the impact of the scheme itself

- Public funds via government development agencies are subsidising the operation of GFTN without sufficient assurance of the scheme's actual effectiveness.
- Agreements between GFTN and member companies, including 'time-bound Action Plans', are not systematically available and member companies can require that progress reports to determine whether companies are meeting commitments are kept confidential. Around 45 per cent of participant companies listed on the GFTN website did not even have a Public Information Document accessible, or any information, beyond the company name.
- While companies joining GFTN benefit from public relations advantage through highlighting their partnership with WWF, companies who fail to meet targets and are suspended or terminated from the scheme are rarely subjected to any public announcement by GFTN or WWF. Global Witness found only two cases of WWF publicly announcing the departure of a named company in the past 20 years.

2. GFTN's membership and participation rules are wholly inadequate, allowing some companies to systematically abuse the scheme

- There are few minimum standards required for companies joining GFTN, meaning that even companies involved in highly destructive activities, such as clearing natural forests to make way for plantations or buying wood products from illegal sources, can join and benefit from their association with WWF.
- Trade member companies (GFTN members who process, trade or retail wood products) are permitted to handle 'unwanted sources' for up to five years – a category which includes illegally sourced timber as well as timber driving violent armed conflict or violations of human rights; in practice, it appears that some companies have continued to source illegal timber products even beyond the five-year point.
- Forest member companies (GFTN members who extract timber from forests) are allowed up to five years to achieve their first credible forest certification and 10 years to achieve certification of all operations in countries with GFTN offices.

3. GFTN lacks proper monitoring and enforcement mechanisms

- It is impossible to assess fully the level of GFTN oversight due to a lack of systematic, comparative information about monitoring procedures and activities. The limited information that is publicly available suggests monitoring and enforcement varies greatly between participants in both scope and quality.
- The capacity of GFTN to adequately monitor the progress of its participants is highly questionable, and evidence from at least one GFTN country office suggests serious differences in standards are applied between GFTN and its country offices.

4. There is no adequate procedure in place for independently evaluating the impact of the scheme on forest sustainability

- A lack of public information on the content of Action Plans and progress towards achieving agreed objectives prevents any independent systematic assessment of the effectiveness of GFTN interventions with individual companies, GFTN country offices or the global GFTN network.
- GFTN places too great an emphasis on increasing the number of companies participating in GFTN, the forest area under agreement, and volume of wood products traded, rather than on the quality of participation or outcomes.
- Global Witness found examples of inaccurate information relating to the size and effectiveness of GFTN, including potentially misleading claims about the area of certified forest achieved by GFTN participation.

The Global Forest and Trade Network explained

The Global Forest and Trade Network (GFTN) is WWF's flagship programme to promote the global trade in legal and sustainable timber products. The scheme's stated objective is to 'transform the global marketplace into a positive force to save the world's most valuable and threatened forests'⁹ by helping companies to produce and trade in 'credibly certified' wood products.¹⁰ In return for commitments to improve the legality and sustainability of the wood products they harvest, buy or sell, companies pay WWF to participate in GFTN and benefit from technical assistance and the market advantages through association with WWF and its world-famous panda brand.

GFTN's 2010 annual report states that its 288 members trade 252 million cubic metres of wood products,¹¹ representing around 16 per cent of the globally traded volume of forest products, with combined annual sales of US\$68 billion.¹² There are currently around 75 'forest members' – logging companies – from Russia, Latin America, Africa and Asia, which between them hold the rights to log an area of forest larger than the UK.¹³ The remaining members are classed as 'trade members' – processors, traders and retailers of wood products.

When the precursor to GFTN – the WWF '1995 Group' – was founded in 1991, the members (all traders of wood products) committed 'to phase out all products not sourced sustainably by the end of 1995'.¹⁴ This target was not achieved, and in 1995 the name of the group was changed to the 95+ Group, and 'set a new target for complete certification by the year 2000'.¹⁵ This target was also not achieved. Meanwhile, equivalent WWF 'Buyers Groups' were founded in a number of other consumer countries, each with different targets. In 1999, the Buyers Groups, including the 95+ Group, became known collectively as the Global Forest and Trade Network. From 2002, WWF began including companies involved in harvesting timber as well as trading it, referred to as 'forest' as opposed to 'trade' members.

The network expanded dramatically between 2002 and 2006, supported by nearly US\$10 million in funding from USAID,¹⁶ and other donors followed, including governments of the UK, Spain, Germany, Sweden, Italy, France and the Netherlands, as well as the European Commission and the World Bank, along with corporate sponsors. Government and aid agency grants represented the largest single source of funds at 27 per cent of the scheme's US\$19.3 million operating costs for the three year period up until 2010.¹⁷ Corporate donations (17 per cent), core WWF funds (16 per cent) and GFTN participant fees (14 per cent) accounted for the other major sources over the same period.

In responding to a letter Global Witness sent to GFTN and WWF detailing the findings of this briefing, WWF said that they believe 'the Global Forest & Trade Network (GFTN) has made a major contribution to conservation through its ability to engage with industry around the world.' The statement continued, 'WWF takes all criticism regarding our organisation very seriously and endeavors to cooperate fully with those who seek to understand or enquire of our work and achievements.'¹⁸

There have been numerous examples over the years of illegal and unsustainable logging and purchases of illegally sourced wood products by GFTN member companies (see Annex 1 and the case studies in this briefing). GFTN members have also been criticised in the past for using GFTN for public relations 'greenwashing'.¹⁹ As early as 2003, in an external report commissioned by WWF, GFTN was criticised for a lack of transparency, as well as the lack of measurable objectives and enforceable rules.²⁰ Though WWF has taken steps at various points in the history of GFTN to improve standards, Global Witness believes the system remains fundamentally flawed and open to abuse.



Screen shot of WWF website explaining the benefits of GFTN participation for forest-related businesses

Lack of transparency

The GFTN system is opaque, making it hard for third parties, including consumers of wood products and local forest dwellers, to call it to account. Publicly available information on GFTN members via the GFTN website does not consistently provide detail on the scope of company commitments, the agreed targets for progress or to what extent these are being met.²¹ The GFTN participation rules require that a Public Information Document is written about each participant, but there are few minimum standards required regarding what information this document must contain.²² Furthermore, participants can require WWF to sign confidentiality agreements to prevent the organisation from revealing additional information about the company apart from the limited information defined in the participation rules.²³

Global Witness assessed the information publicly available on the GFTN website relating to all 277 members as of June 2011. It was striking that 45 per cent of member companies listed had no accessible link to information beyond the name of the company.²⁴ Despite GFTN participation rules requiring an annual update on the performance of members towards their achievement of action plans, Global Witness's evaluation showed a systemic failure to provide such information. Of the documents that were publicly available, information contained within them varied wildly in both scope and quality. Apart from a few notable exceptions, most company public documents lacked any meaningful quantitative data on which to assess

performance or progress, while one simply contained a link to a Sarawak Forest Department information leaflet. The content of Public Information Documents according to GFTN participation rules are jointly agreed between the company and a GFTN Manager, and are required to be updated annually.²⁵

Responding to Global Witness's concerns, WWF told Global Witness that they rejected the allegations of inadequate transparency and monitoring of GFTN. *All GFTN participants are listed on the website, and information is available concerning the scope of their participation. GFTN's Rules are available on the GFTN website.*²⁶ WWF also stated: *'Levels of transparency for participants in GFTN today are the highest in the programme's 20-year history, and GFTN continues to be one of the few market participant forums in environmental conservation governed by neutral, written, rigorous participation rules and procedures. Since 2008, GFTN has used its website to identify all participants and to disclose information regarding the nature of the relationships. GFTN publishes an annual review of its work and of the progress made by participants.'*

Global Witness's experience in campaigning in the natural resource sector suggests that rules and procedures alone are not sufficient in systematically changing corporate practice. High standards of transparency, strong implementation, monitoring, verification and enforcement in any such system are critical to effective outcomes.



Aerial of cleared forest in Sarawak. Logging in Sarawak is a known precursor to the conversion of natural forest into plantations, including palm oil.

CASE STUDY 1:

Ta Ann Holdings Berhad – clear-cutting orang-utan habitat in the ‘Heart of Borneo’

Case study 1 details how GFTN admitted a company whose wider activities include clear-cutting orang-utan habitat in WWF’s own Heart of Borneo project area, under the banner of ‘implementing sustainable forest management’. Ta Ann Holdings Berhad (Ta Ann) pays WWF for membership to GFTN while WWF and the US government support the company’s supposed reforms. GFTN and WWF Malaysia provided Global Witness with contradictory accounts of Ta Ann’s membership category, while references to the company were removed from WWF’s website after Global Witness started making enquiries.

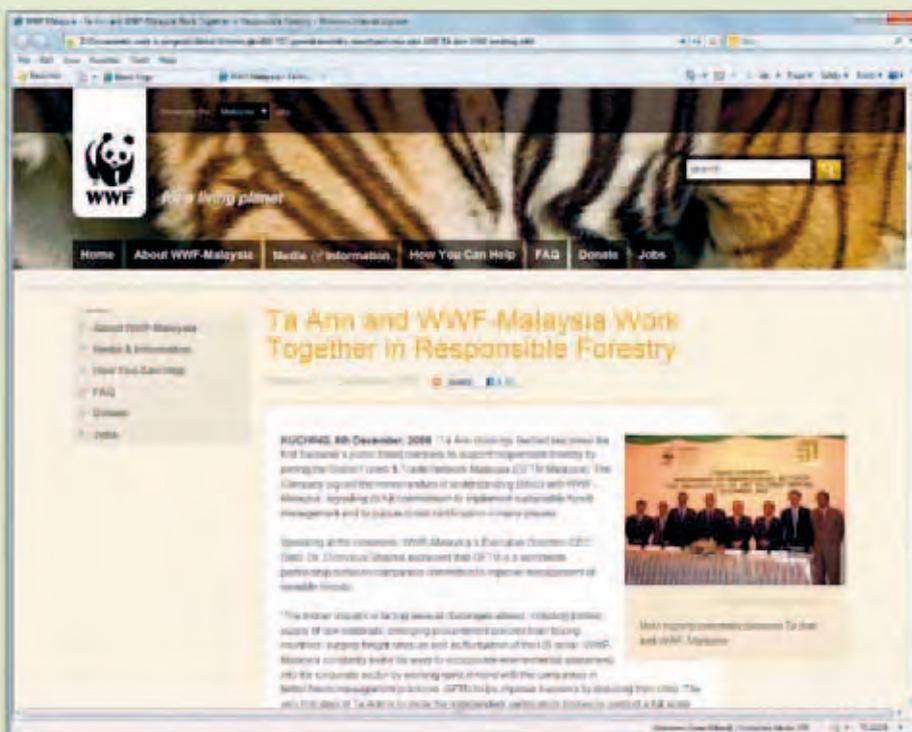
Ta Ann joins the Global Forest and Trade Network

In December 2009, WWF held a press conference and ‘signing ceremony’ to announce that Ta Ann Holdings Berhad, listed on the Kuala Lumpur stock exchange, had joined GFTN.²⁷ Ta Ann is one of the largest logging companies in Sarawak, Malaysia, holding five timber concessions covering 362,439 hectares of rainforest and three forest plantation (LPF) licences covering 313,078 hectares.²⁸ The event was attended by WWF Malaysia’s Executive Director, Dato’ Dr Dionysius Sharma, and by Ta Ann Holdings Berhad’s Executive Chairman, Datuk Abdul Hamed bin Haji Sepawi, one of Malaysia’s richest men²⁹ and cousin of Chief Minister Abdul Taib Mahmud, who has held Sarawak’s highest office for 30 years.³⁰

What wasn’t announced

What none of the publicity surrounding the signing ceremony mentioned is that in the same year, Ta Ann’s 2009 Annual Report confirmed the company’s intention to clear Bornean rainforest for timber plantations at the equivalent rate of 20 football pitches a day throughout 2010.³¹ Ta Ann has been licensed to clear-cut 156,000 hectares of forest in Sarawak, to make way for timber plantations³² – an area more than twice the size of Singapore. As of the end of 2010, more than 30,000 hectares had already been destroyed.³³ Most of the forest Ta Ann is in the process of clearing for timber plantations falls within the boundaries of the WWF ‘Heart of Borneo’ project, described by WWF as the ‘one place remaining in South East Asia where tropical forests can still be conserved on a grand scale’.³⁴ In Global Witness’s opinion, it is an apparent contradiction for GFTN to partner with a company that is responsible for destroying the very same area of rainforest WWF actively works to conserve and fundraise for.

While the Bornean rainforests which Ta Ann is clearing have previously been selectively logged, so are not in an intact state, they do retain significant ecological value. Ta Ann was required to commission an Environmental Impact Assessment in 1999 for its plantation licence in the Heart of Borneo, which noted the presence of a wide range of endangered species, including orang-utans, clouded leopards and Bornean gibbons in area F of Ta Ann’s operations.³⁵ The assessment predicted ‘major adverse impacts’ for such animals and other flora and fauna as a result of the plantation development, since ‘their habitats will be destroyed’.³⁶



Screen shot of WWF press release showing WWF-Malaysia Executive Director alongside Ta Ann’s Chairman at the signing ceremony. This press release was removed from WWF’s website shortly after Global Witness contacted WWF in May 2011 in relation to its dealings with Ta Ann.

Map 1: Ta Ann logging and plantation licences, orang-utan habitat and the 'Heart of Borneo'⁶⁰

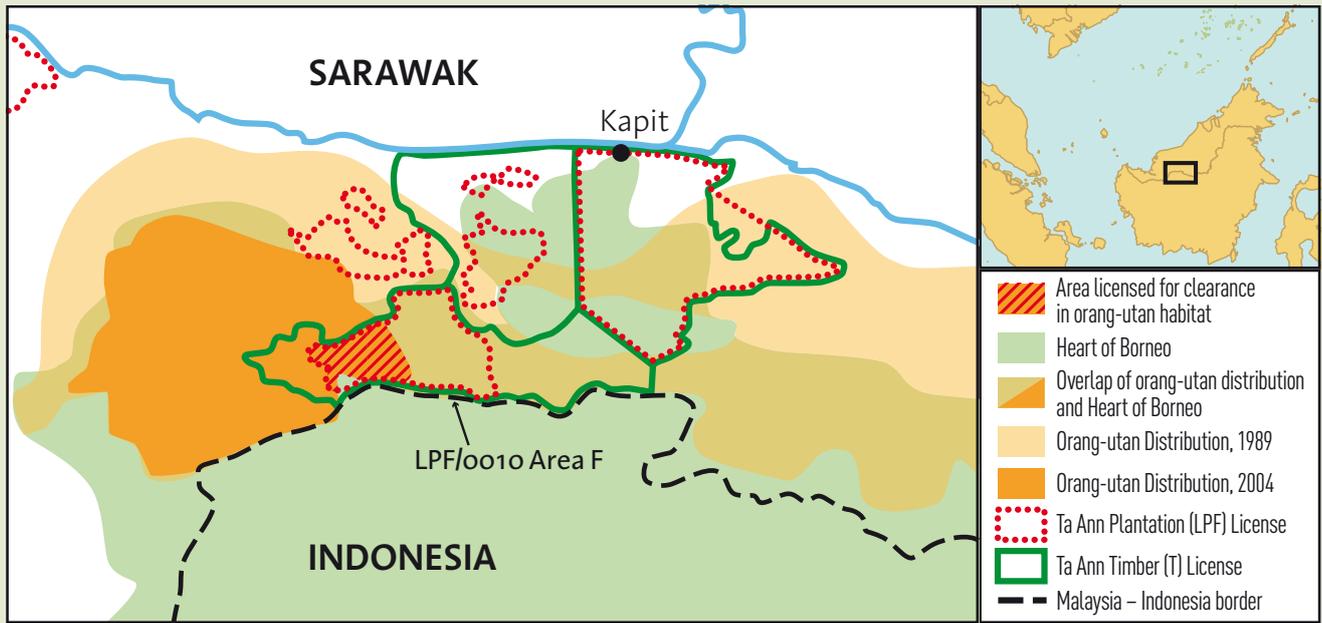


Image 1: Forest clearance in Area F of Ta Ann operation during the period of Ta Ann's membership to GFTN (red denotes clearance of forest 2009 – 2011, small white box denotes close-up area of images 2 and 3)



Image 2: Enhanced 2009 satellite image in part of Area F showing no disturbance to the forest (white outlines denote areas that were subsequently cleared by 2011; black bars due to satellite image interference)

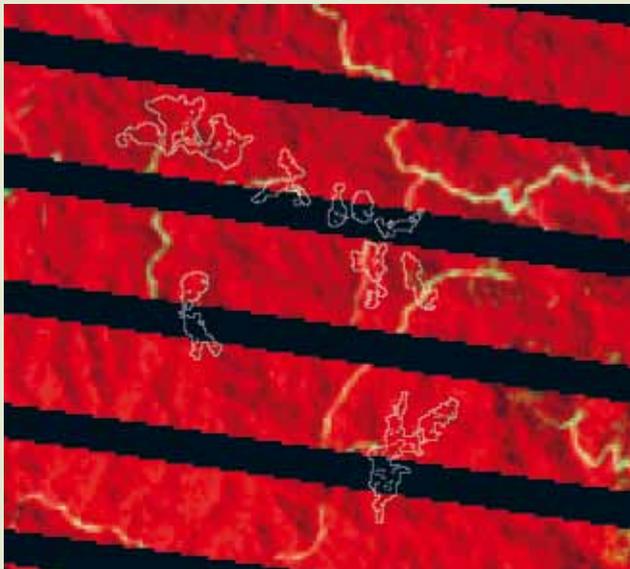
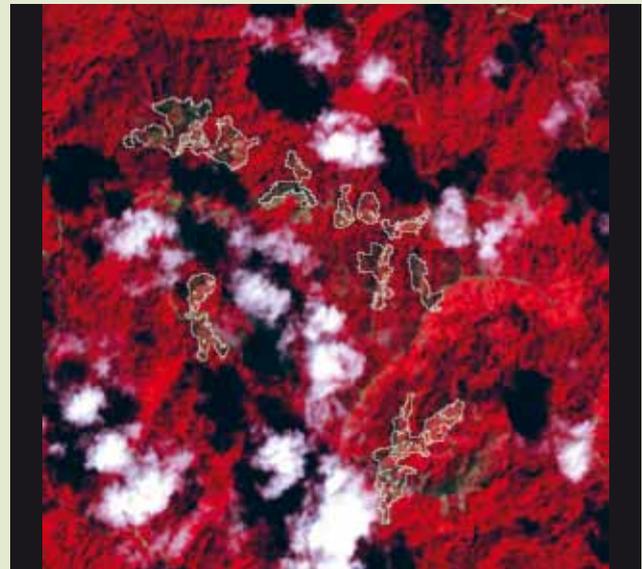


Image 3: Enhanced 2011 satellite image in part of Area F showing forest clearance since 2009 (white outlines denote cleared areas; white and black shapes due to clouds and shadows)



A comparison of Ta Ann's clear-cutting licences against WWF's own maps indicate that approximately 14,500 hectares of orang-utan habitat, identified in 2004, fall under a Ta Ann licence for conversion,³⁷ and a further 12,800 hectares of orang-utan habitat fall under an operational Ta Ann timber concession (see map 1, page 9).³⁸ A recent International Union for Conservation of Nature (IUCN) study published jointly with the UN in 2009 also confirms orang-utans in the same area³⁹. By the end of 2010, while a member of GFTN, Ta Ann had cleared and planted almost 11,000 hectares in Area F⁴⁰ – almost 40 per cent of the plantable area.⁴¹ Recent satellite imagery analysed for Global Witness confirms large areas of forest within Ta Ann's Area F have been cleared since 2009 (see satellite images on page 9).⁴² These risks should have been known considering that WWF maps suggest orang-utans became extinct between 1989 and 2004 in a 135,000 hectare area where Ta Ann was licensed or contracted to log during at least part of that period.⁴³

Evident contradictions

GFTN rules of participation should not allow a company to join GFTN whose operations include clear-cutting tropical rainforest. Under GFTN rules for 'forest' members, Ta Ann should be required to achieve 'credible forest certification' for all of the areas covered by its participation agreement within 10 years.⁴⁴ It is technically impossible for the company to meet GFTN requirements since no credible certification scheme would certify Ta Ann's clearance operations.⁴⁵

Despite a WWF response to Global Witness stating Ta Ann are only 'trade' members to GFTN, the Head of GFTN-Malaysia explicitly confirmed to Global Witness, in two separate instances, that all of Ta Ann's timber concessions and plantation licences fall under the scope of its agreement with Ta Ann, and that Ta Ann are both 'trade' and 'forest' members.⁴⁶ A specific agreement covering the scope of trade and forest operation was cited as being valid until December 2011, although Global Witness was not supplied with the agreement itself. Ta Ann's 'forest' member status appears to be corroborated by a WWF Heart of Borneo Newsletter from December 2009, stating prominently on its front page that Ta Ann has a 'full commitment to implementing sustainable forest management'⁴⁷, a term only applied to forest operations. In response to Global Witness's enquiries two contradictory statements were provided.

*'The participation application from the forestry operations of Ta Ann was not accepted, as their forestry operations would clearly breach GFTN Rules concerning ongoing active conversion of forest and therefore are un-certifiable under FSC standards.'*⁴⁸

Head of GFTN, on behalf of GFTN and WWF International, June 2011

*'Ta Ann group participated in December 2009 as both forest and trade members. 5 Timber license (natural forest management) and 3 LPF license (licensed planted forest) areas with 2 timber processing facilities were included as the participation. The agreement is valid for 3 years until December 2011.'*⁴⁹

Head of GFTN-Malaysia, WWF, May 2011

Plenty of publicity, little accountability

It is a deep concern that Malaysia's flagship partnership between Ta Ann and GFTN lacks the most basic clarity on the company's membership status. It indicates a lack of coordination or agreement on participation standards between GFTN and at least one of its country offices. In response to an enquiry by Global Witness as to the absence of any reference to Ta Ann in GFTN membership lists, the Head of GFTN-Malaysia replied that Ta Ann engagement 'was not approved by GFTN',⁵⁰ yet an agreement is evidently in place, twice confirmed by WWF-Malaysia.

Global Witness believes the terms of agreement between GFTN and participants is a matter of public interest. In addition to the significant level of public funds making up GFTN's general operating costs, the US Responsible Asia Forestry and Trade (RAFT) program is specifically providing Ta Ann, through WWF-Malaysia, US\$29,000 for the period up until September 2011 for baseline assessments and Action Plan Development.⁵¹

The partnership between WWF and Ta Ann received extensive coverage in both mainstream and trade press⁵², and was highlighted in Ta Ann's 2010 annual report.⁵³ A press release about the partnership entitled '*Ta Ann and WWF-Malaysia Work Together in Responsible Forestry*' remained on the WWF-Malaysia website until shortly after Global Witness contacted WWF requesting information about its dealings with Ta Ann in April 2011, when the page was taken down (see image on page 8).⁵⁴ Despite recent actions by WWF to remove references to Ta Ann from its websites, Ta Ann has already enjoyed the public relations benefits of association with WWF.⁵⁵ This benefit is no doubt excellent value for Ta Ann considering it's GFTN membership fee is under US\$5,000 per year⁵⁶ while the Ta Ann group market capitalisation is more than US\$400 million.⁵⁷

WWF stated '*The facts behind this example actually demonstrate GFTN's value and effectiveness, and Global Witness's conclusion is false and misleading ... The first year of work with Ta Ann's mills (as a trade participant) has resulted in improvements in their sourcing profile and they have been retained as a participant for the current year. As with all participants, longer term compliance with the agreed action plan will be critical to their continued participation.*'⁵⁸

Global Witness believes that the apparent contradictions and confusion surrounding Ta Ann's membership signifies a worrying lack of consistency and communication within GFTN, exacerbated by a lack of transparency. Given the serious ecological impacts of Ta Ann's forestry operations in Area F – an area of rich biodiversity – Global Witness does not agree that the inclusion of Ta Ann in GFTN represents either value or effectiveness for forest sustainability.⁵⁹

Low expectations

Global Witness's assessment has found the current GFTN participation rules to be extremely weak. At the time of joining, trade participants do not have to meet any minimum standards for the wood they buy and sell, while forest participants have only to demonstrate a legal right to harvest in the concessions included in the scope of membership. Companies do have to undergo a baseline appraisal by a third-party auditor prior to joining, but there are no minimum standards. If a baseline appraisal finds illegal wood or wood fuelling armed conflict in the supply chain of a trade applicant, the company can still join.⁶¹ Forest participants cannot be members if they are found to be logging illegally within their concessions, but the baseline appraisal does not specifically seek to establish whether or not this is the case.⁶²

WWF stated to Global Witness that *'GFTN does not see it as a weakness that trade participants are able to participate in the programme from a low threshold of achievement prior to entry. A stepwise programme by its nature has a low entry level... Many trade participants have little or no knowledge of their supply chain and the inherent risks they face prior to working with GFTN.'*⁶³

Global Witness believes that a scheme designed to achieve sustainability in the forest sector should not be setting standards to suit the worst practices of the industry. Having phased membership, for example, could encourage increased standards prior to gaining full membership as well as weed out members not genuinely committed to reform.

All of the more significant membership rules involve commitments to achieve certain things in the future.

Trade participants are given five years to stop using wood from 'unwanted sources', a term that is defined in the participation rules to include wood that is sourced illegally, drives violent armed conflict, or supports human rights abuses.⁶⁴ Forest participants, meanwhile, only have to get one concession area credibly certified within the same amount of time – and even that requirement is allowed to be deferred. Though trade members are also required to progressively increase the proportion of wood from more desirable sources in line with an action plan, there are no minimum standards for these action plans.⁶⁵ Companies can also fail to meet their agreed targets and remain members if they can show that this is due to *'circumstances beyond the control of the Participant'* – a vague clause open to interpretation.⁶⁶

Appreciating the need for a stricter regulatory approach to the problem of illegal timber, some consumer country governments have recently passed legislation to force companies to take more meaningful action to stop supporting illegal logging. The US amended the Lacey Act in 2008 to make it an offence to import wood products illegally sourced in the country of origin; the EU followed suit in 2010 with a new Regulation which is due to take effect in 2013.⁶⁷ Australia is in the process of implementing similar legislation.⁶⁸ Yet, perversely, GFTN rules continue to allow participant 'trade' companies to handle illegal wood for up to five years after joining. This has created the bizarre situation where GFTN has lower standards than prescribed in law.



Forest cleared for up to 50 metres at the side of the road, in breach of normal limits, Samling logging license T/0411, Sarawak

© Earthsight Investigations

CASE STUDY 2:

Jewson's long history with GFTN and allegations of illegally sourced timber

Case study 2 evaluates Jewson, one of the largest members of the longest-established GFTN networks in the world, and finds the company was selling what turned out to have been illegally sourced tropical plywood 10 years after joining the scheme. GFTN membership rules proved ineffective in stopping these purchases in any reasonable timeframe. Global Witness believes that basic due diligence checks by either Jewson or GFTN could have alerted Jewson to obvious concerns with its controversial suppliers abroad. Jewson has stated its commitment to progressively source well managed timber and remains a member of GFTN today.

From exposé to GFTN

Major UK building suppliers chain Jewson joined the WWF 95+ Group, the precursor to GFTN, in 1998 soon after Friends of the Earth staged protests about its sale of mahogany from the Amazon basin.⁶⁹ Five years later, a Greenpeace investigation accused Jewson of selling large volumes of uncertified Indonesian tropical plywood of likely illegal source.⁷⁰

Following the Greenpeace exposé in 2003, Jewson halted purchases from Indonesia, but this did not mean the company had eliminated high-risk wood products from its supply chain. According to a WWF report, Samling – a Malaysian multinational logging giant – said they forged a close working relationship with Jewson in 2003 for the supply of large volumes of uncertified tropical hardwood plywood from Samling's mills in Sarawak.⁷¹

Samling has attracted controversy since the 1980s, when indigenous people began protesting and setting up road blockades against the company's logging in virgin forests in Sarawak on which they depend.⁷² Since then, there have been frequent allegations of human rights abuses perpetrated by security forces against communities in conflict with Samling, including beatings, detention and ill-treatment in custody,⁷³ and land rights cases against the company have been working through the courts since 1998.⁷⁴ Evidence has also been published detailing the involvement of Samling subsidiaries in illegal logging in Cambodia⁷⁵, Papua New Guinea⁷⁶, and Guyana.⁷⁷

More concerns, delayed action

A group of Penan leaders wrote to Jewson in 2006, noting the pending court cases against Samling and alleged the company's logging was polluting their water sources and destroying fish populations in their customary lands.⁷⁸ In spite of this, Jewson continued to purchase from Samling. The following year, a Samling subsidiary in Guyana was fined millions of dollars for illegal logging.⁷⁹ In 2008, the federal Malaysian Auditor-General published evidence of illegal logging in two Samling concessions in Sarawak.⁸⁰

Jewson told Global Witness that they 'subsequently became aware of a court case brought by the Penan people

against the Malaysian Government which claimed that Samling were logging a particular forest area illegally... in 2008, a decision was made to stop sourcing timber from Samling in Sarawak'.⁸¹ According to WWF, 'in September 2009, Jewson formally terminated its pan-European contract with Samling'.⁸²

In 2010, the Council on Ethics of the Norwegian government's Pension Fund Global found what would seem 'to be extensive and repeated breaches of the licence requirements, regulations, and other directives governing [Samling's] forest operations in Sarawak, Malaysia and Guyana'. They concluded that 'the company's forest operations in the rainforests of Sarawak and Guyana contribute to illegal logging and severe environmental damage' and that 'this indicates systemic conduct on the part of the company, where regulatory breaches appear to be a normal part of daily operations'.⁸³ Some of the illegalities identified stretched back as far as 2003/4. During this time, Jewson had been buying the company's plywood. Most of the illegalities uncovered related to concessions which were supplying logs used in manufacturing plywood sold to Jewson.⁸⁴

Jewson responded to Global Witness's concerns stating 'Jewson is committed to progressively sourcing forest products from well managed sources ... We have continued to work hard since then to improve our timber procurement process'.⁸⁵ WWF stated to Global Witness that the facts behind the Jewson case study actually demonstrate the positive impact of GFTN. WWF said 'GFTN-UK, on numerous occasions, drew attention to the issues with the participant during the period in question'.⁸⁶

Global Witness is of the opinion that the experience of Jewson falls far short of standards GFTN should demand. Jewson, as a member of GFTN, continued sourcing wood of likely illegal origin even beyond the already tolerant five-year allowance under GFTN rules. GFTN should ensure that there are sufficiently stringent due diligence requirements to identify and prevent illegally sourced wood in supply chains prior to companies joining GFTN, as well as ensuring effective monitoring procedures are in place to prevent illegally sourced timber entering GFTN member supply chains.

Poor oversight & enforcement

It is difficult to see how GFTN can effectively monitor compliance with even the limited requirements it does place on member companies through its participation rules. The information used to monitor performance is self-reported by trade members and although the rules allow for inspections by GFTN, these are not mandatory. According to WWF inspections only happen 'where appropriate'.⁸⁷ It is unclear how often inspections occur or how thorough they are, as this information is not publicly available. Global Witness asked GFTN for the number of progress reports checked by inspections, this information was not provided,⁸⁸ making it difficult to determine the effectiveness of GFTN's monitoring. WWF stated 'GFTN uses a combination of our own staff and third parties to monitor the reporting to ensure quality and consistency... WWF is continuing to develop levels of transparency regarding GFTN...'⁸⁹

Even if current GFTN rules are implemented to their fullest extent, however, there is nothing to prevent a company from joining GFTN, obtaining high-value marketing for up to five years at low cost through association with the WWF name and its iconic panda brand, then quietly resigning or having its membership terminated without meeting stated commitments. Though a failure to make any progress at all might be picked up and dealt with within a couple of years, companies can also stretch things further by certifying low-risk products (such as temperate softwoods) while doing little about their supplies from high-risk sources (such as those from tropical forests). WWF disagreed that this could happen, stating 'GFTN's participation rules are actually designed to dissuade companies who seek public recognition without making genuine performance commitments.'⁹⁰

While 'membership fees vary greatly by country'⁹¹, annual membership fees average around US\$3500 per company per year,⁹² a negligible expense for the roughly 300 member companies, which sell a combined US\$68 billion of forest products annually, according to GFTN.⁹³ With very low up-front costs for joining GFTN, the immediate marketing value of association with WWF, and a very low risk of being 'shamed' in the event of failure to fulfil obligations five to ten years down the road, it is easy to see why some companies would be quick to sign up regardless of their genuine long-term commitment to sustainability.

The GFTN website offers prospective applicants 'a wealth of benefits to forest-related businesses representing all parts of the supply chain' and emphasises the 'positive corporate image' attained. Further benefits advertised include: 'Increased potential for positive media coverage'; 'Improved relations with NGOs, local forest users, and others'; 'Access to affordable, long-term financing (subject to local availability)'; and 'Improved levels of legal compliance'.⁹⁴

While WWF often publicises companies joining GFTN, in 20 years there are only two instances that Global Witness could find where WWF publicly named a company that had left⁹⁵. Yet data that was provided by GFTN to Global

Witness reveals that from 2008 to April 2011, 11 companies had their membership terminated for failure to meet targets, out of an average membership of about 340 companies during that time.⁹⁶ GFTN told Global Witness 'Companies leave GFTN for a variety of reasons ... When companies do leave the programme, in some cases the agreement is terminated by GFTN for a breach of the Rules, in other cases the company has achieved or largely achieved its targets and can gain little more from the programme. It has not been GFTN policy to publicly announce when a company has not renewed its agreement (for any reason) or where GFTN itself has terminated the agreement.'⁹⁷

None of GFTN's reports to donors seen by Global Witness include any information on the numbers of companies which have left or had their membership terminated before achieving their stated commitments.⁹⁸ Nor do any include sufficient data with which to measure the extent to which current members are meeting targets by increasing their proportion of more sustainable wood (i.e. from unknown/unwanted, through to legal and certified).⁹⁹ When UK think-tank Chatham House approached GFTN for such data in 2006, GFTN staff admitted that they had data only for the UK.¹⁰⁰ Though GFTN did begin collecting data for other countries in 2007, it was still not analysing individual company data collectively in a way which would allow useful conclusions to be drawn about overall impacts. This was evident when Chatham House asked for such data again in 2010.¹⁰¹ GFTN did not provide such data to Global Witness in May 2011 on the grounds of commercial confidentiality.¹⁰²

This lack of information makes it impossible to assess to what extent companies are making significant progress and are likely to meet GFTN objectives, or to say how many companies may have abused the scheme by leaving without achieving stated goals. A number of case study examples of apparent failures by GFTN companies are outlined in Annex 1, however, and some additional evidence has also emerged. Commenting on the progress of GFTN's work in China for example, a Chatham House report in 2010 noted that 'although some of the companies have been GFTN members for five years, and most of the manufacturer members are FSC CoC-certified [Chain of Custody], the majority still sell no certified timber at all, and those which do use very little. Almost 70 per cent of member production remains from unknown (and therefore possibly illegal) sources.'¹⁰³ In 2009, Chatham House also attributed a dramatic decline in wood volumes handled by GFTN member companies in Vietnam the previous year to 'members leaving the scheme prematurely while the majority of their timber remained of unknown origin'.¹⁰⁴

CASE STUDY 3:

The Danzer Group – a controversial partnership

'if it's good enough for WWF it's good enough for us'
Head of the Agriculture & Natural Resources
Division, Sub-Saharan Africa at KfW Bankengruppe
(German Development Bank), 2007¹⁰⁵

Case study 3 details how GFTN enables companies such as the Danzer Group (Danzer) to benefit from improving their corporate image whilst continuing to supply and trade in timber of non-GFTN origin. Following recent conflicts between communities and Siforco (a Danzer subsidiary logging in the Democratic Republic of Congo), security forces are alleged to have violently suppressed protests and carried out heinous human rights abuses against the community, including rapes and beatings, resulting in the death of one villager. While WWF has temporarily suspended its dealings with Siforco (as a GFTN applicant), WWF confirmed that its two ongoing relationships with companies in the Danzer Group, including the parent company, continue to meet the requirements of GFTN.

A history of illegally sourced timber and associated human rights abuses

Danzer has long attracted controversy since it purchased significant quantities of 'conflict' timber from Charles Taylor's Liberia throughout the civil war, which had left 250,000 people dead by the end of the conflict in 2003.¹⁰⁶ Despite strong evidence at the time that some of Danzer's timber suppliers in Liberia (the Oriental Timber Company, Maryland Wood Processing Industries and the Inland Logging Company¹⁰⁷) were engaged in a range of illicit activities during this period, including UN arms sanctions violations,¹⁰⁸ corruption,¹⁰⁹ environmental degradation,¹¹⁰ illegal logging¹¹¹ and human rights abuses,¹¹² Danzer continued buying right up until United Nations Security Council sanctions on Liberian timber came into force in July 2003. Several Danzer Group personnel with key management roles in Danzer's trade with Liberian suppliers during the civil war currently occupy board-level positions in the Danzer Group.¹¹³

Danzer joins GFTN, still the allegations mount up

According to WWF, the Danzer Group's GFTN memberships, beginning in 2006, only apply to its trading operations based in Germany and a subsidiary logging in the Republic of Congo.¹¹⁴ According to Danzer however, *'Danzer Group as a whole is member of GFTN as a trading partner for all operations involving timber products of African origin.'*¹¹⁵ This statement confirms Danzer's view that, amongst others, its subsidiary Siforco is also covered by GFTN membership.

In 2006, a petition¹¹⁶ from a local community affected by Danzer's subsidiary Siforco, was submitted to the DRC government, claiming that Siforco had not fulfilled its contractual social agreements. Danzer denied the

allegations¹¹⁷ and proceeded to sue the 29 Congolese community members for libel in March 2007. The Senior Officer for Tropical Forests at WWF Germany, Markus Radday, robustly defended the company against the allegations in an April 2007 email sent to various NGO representatives and World Bank staff. In the email, WWF simultaneously denounced one of Congo's leading human rights groups, La Voix des sans Voix (VSV), who supported the petition, as lacking any credibility.¹¹⁸ In fact, VSV, founded in 1983, is one of DRC's longest established, award-winning and most respected human rights organisations.¹¹⁹ Remarkably, some of the text from this email was reproduced almost word for word by Danzer, responding to the same allegations in a 2008 statement (see below).¹²⁰

'The accusations of VSV against Siforco are false. Siforco is being brought into discredit. No private company would accept this. Siforco is therefore defending itself through legal process ... The so-called NGO is unregistered and operating outside the statutes and is primarily pursuing the personal interests of its chairman.'

Senior Officer for Tropical Forests, WWF Germany, 2007¹²¹

'The accusations levelled by VSV against SIFORCO are false. SIFORCO was brought into discredit. No private company would accept this. SIFORCO therefore defended itself through legal process ... The so-called NGO is unregistered and operating outside the statutes and is primarily pursuing the personal interests of its chairman.'

Danzer Group Statement, 2008¹²²

Danzer's 2008 statement referring to VSV as a 'so-called NGO' remained on Danzer's website as this report went to publication, on 19 July 2011. Global Witness asked Danzer whether they stood by their 2008 statement, and in their reply of 13 July 2011, Danzer stated *'The misunderstanding between VSV and Danzer group is already resolved.'*¹²³

A few days after Danzer had commenced libel proceedings against the 29 villagers, an official from the German Development Bank KfW, in justifying their potential involvement with Danzer, told Global Witness that, despite having been sent information by Greenpeace regarding Danzer's activities, *'if it's good enough for WWF it's good enough for us.'*¹²⁴ This illustrates the benefits for a company being associated with such a strong conservation brand, regardless of serious allegations concerning the ethical practices of the company.

In 2008 Greenpeace accused Danzer of tax evasion through off-shoring profits in its report *Conning the Congo*.¹²⁵ Danzer denied all the allegations made by Greenpeace¹²⁶ and cite a report by Ernst and Young in their defence, stating to Global Witness in 2009 that the report is not a public document and would only provide it if the recipient signed



DANZERGROUP

PRESS RELEASE

Danzer Group and the WWF to co-operate

Danzer to join WWF's Global Forest and Trade Network – The most comprehensive FSC certification of African forest concessions begins in 2008 – Certificates also planned for Danzer's procurement and trade in African timber

2006 joint WWF/Danzer Group Press release announcing partnership

GETTING CLOSER 1-117

DANZERGROUP

“Danzer and the WWF subscribe to the same important objectives”

Quote from WWF Officer for Tropical Forests, Germany, in the Danzer Group 2007 newsletter

a confidentiality agreement.¹²⁷ Since then, Danzer told Global Witness that they have implemented a transfer pricing system that *‘will be audited annually (first time for the fiscal year 2011). The audit statement will be made public.’*¹²⁸

New conflict, same company

Most recently, in May 2011, community members along the edge of another Siforco logging operation (area ‘K8’) protested against the company following delays in the implementation of agreed social projects (Cahiers des Charges). These protests were violently suppressed by security forces following Siforco requesting *‘the administrative authorities of Bumba, to help resolve the conflict.’*¹²⁹ The security operation was carried out at night and allegedly resulted in the rape of three women and three minors, and the detention and beatings of 16 men, one of whom died after having suffered beatings.¹³⁰ In view of the local authorities’ propensity for extreme violence in the Democratic Republic of Congo, and Danzer’s previous experience in similar situations, Global Witness believes that Danzer should have identified these risks and taken greater responsibility to avoid human rights abuses relating to its operations.

Danzer stated to Global Witness that as its workers were under threat they had to ask the authorities for help, and that, after two weeks of negotiations, the decision to send a joint mission of police and public forces *‘was taken autonomously by the local authorities without informing us and without our consent. Much to our regret this resulted in detriment to the community of Yalisika.’*¹³¹

In another statement issued on 28 June 2011 Danzer admitted that the social projects had been delayed *‘... due to limitations in our capacities to implement social projects accompanied by low levels of cash availability caused by the world economic crisis in 2008 to 2010.’*¹³² It also stated that new time schedules for the contracts were agreed with community leaders.¹³³

Danzer does not provide systematic financial information on its website, but the most recent figures available show a turnover of EUR410 million in 2007.¹³⁴ There is insufficient

information about how hard-hit Danzer was by the economic crisis, but it is regrettable that they chose to delay the social projects that their website so persistently headlines. As their Corporate Social responsibility ‘Values’ page of their website puts it, *‘You are not only responsible for what you do, but also what you do not do. (Lao-Tse, Chinese philosopher and founder of Taoism).’*¹³⁵

In response to a letter from Global Witness, WWF stated that *‘A second Danzer subsidiary, SIFORCO, has applied to participate in GFTN in the Democratic Republic of Congo, and their application is under evaluation. In May 2011, WWF became aware of an incident involving a community associated with SIFORCO’s operations.’* WWF further stated they are *‘participating in a commission to investigate the events. Whilst WWF-DRC continues to investigate the case, no further engagement will be taken between SIFORCO and WWF in DRC.’*¹³⁶ Whilst WWF have stated they will have *‘no further engagement’* with Siforco throughout the investigation, it continues to defend Danzer’s purchasing and trading arm in Germany which *‘... continue[s] to meet the requirements of the GFTN Rules.’*¹³⁷

This illustrates one of the major flaws of GFTN. A company that would not even meet GFTN requirements, as highlighted by WWF’s decision to suspend further engagement with Siforco for the duration of the investigation, can still supply timber into the GFTN supply chain with GFTN’s full knowledge. In the case of Siforco, which is a major supplier to Danzer’s German trading arm¹³⁸ under GFTN, this problem is particularly evident.

Given that Danzer is procuring timber from Siforco, which is under investigation and WWF has disengaged from them, then logically its association with the Danzer Group in entirety should be similarly suspended for the duration of the investigation.

Misleading claims

The headline figures in GFTN’s annual reports almost all relate to the scale of the scheme, not its actual effectiveness. The numbers highlighted as indicators of success include increasing numbers of participant companies, area of a company’s operation certified, the amount of wood companies trade and the proportion that their total trade represents globally.¹³⁹ In a GFTN report to USAID for the six-month period to September 2008, seen by Global Witness, all the ‘key achievements’ mentioned related to the size of the scheme, while none related to the progress made by participant members.¹⁴⁰

Considering GFTN uses growth rather than performance measures, there would appear to be little incentive to closely monitor, let alone suspend or terminate, existing members lest this reduce the participation numbers. USAID’s RAFT program includes GFTN’s Asia offices as partners and uses as an indicator of success the number of hectares of logging concession under improved management. GFTN membership, however, requires only a promise of future improvements, where the area of forest included in such membership is used as a measure of success.¹⁴¹

The success that GFTN has had in encouraging logging companies to achieve certification for their operations is inflated in GFTN marketing and in reports to donors. GFTN claim to ‘have achieved 20.5 million hectares of credibly certified forest’,¹⁴² yet analysis of member data by Global Witness shows that over 40 per cent of this area was FSC certified before the companies concerned joined GFTN.¹⁴³ Similarly, GFTN claimed in a 2008 progress report to its funder USAID to be ‘vastly exceeding’ the annual target for certification, a key indicator of success,¹⁴⁴ yet much of the reported increase for the year came from companies joining GFTN which were already certified.¹⁴⁵

GFTN responded to Global Witness concerns by saying that ‘GFTN does not mislead donors or supporters. All reports to donors are assessed and verified depending on donor requirements and subject to the network’s own standards for reporting and accounting ... WWF has claimed that GFTN’s participants [Global Witness emphasis] have achieved over 20 million hectares of FSC certified forest.’¹⁴⁶ Global Witness found that the GFTN programme factsheet on the GFTN website, dated January 2011 and accessed in June 2011, clearly stated that **GFTN ‘have achieved 20.5 million hectares of credibly certified forest’.**¹⁴⁷ This subtle but crucially important difference should be rectified in all current GFTN literature and reporting, and retracted from previously published material.

Another major error in GFTN reporting, identified by Global Witness and subsequently corrected by GFTN four days after receiving Global Witness’s concerns, inflated the total claimed volume of timber traded by GFTN member companies in Indonesia by 1,000 per cent.¹⁴⁸ Since correction, the volume of timber traded by GFTN member companies in Indonesia has been downgraded, reducing the GFTN total global figure by around 5 per cent. The incorrect data, however, is still listed in GFTN factsheets on its website as of June 2011.¹⁴⁹ The mistake had existed unnoticed since 2009, when the false figures were reported to donors as evidence of success.¹⁵⁰ The incorrect data for Indonesia also appears to have been incorporated into global figures in GFTN annual reports in 2009 and 2010. WWF told Global Witness ‘The data entered, in error, was the actual number of pencil slats, rather than a figure converted to cubic metres.’¹⁵¹ While factual errors do of course occur, this represented a magnitude of such vast inflation, at 1,000 per cent, that it is worrying that the error was not picked up earlier, particularly considering the figure listed for a single GFTN member was in excess of Indonesia’s entire allowable quota of timber from natural forests.¹⁵²

Software indicating changes made to GFTN website showing the correction of amount of wood traded by Indonesia GFTN participants following Global Witness’ letter highlighting the 1000 per cent inflation in figures



Conclusions

There are few more pressing or important issues of global public interest than the preservation of a planetary life-support system. But as one of the world's biggest forest sustainability schemes, WWF's Global Forest and Trade Network is a program under strain. In this its 20th anniversary year, GFTN must be able to answer the following critical question: what effect has GFTN had on the rate of deforestation and forest degradation of the world's remaining forests?

The GFTN is proud of its successes; but as this briefing shows, some are over-stated and some are not successes at all. Global Witness believes that GFTN rules are weak, incentive structures flawed, and penalties and monitoring inadequate. The scheme's woeful lack of public accountability means that it is almost impossible for forest communities, donors, NGOs, the press or members of the general public to know whether GFTN is working.

This briefing raises questions not just about GFTN however, but the underlying approach of initiatives designed to solve globally significant problems through voluntary, incremental business reform. While improving business practice is good in itself, for some prominent GFTN members this is little more than gloss – a camouflage for highly destructive activities directly resulting in human rights abuses and loss of some of the world's most valuable biodiversity. Those participants in GFTN who are genuinely committed to socially responsible and sustainable business should be the first to demand its clean-up. Neither forests nor consumers are being served well by this approach any longer.

As a matter of course, most global industries are expected to be able to operate to high social and environmental standards and, on pain of judicial sanction, legally. Not so for large parts of the timber industry. There is a fundamental ethical and economic issue at stake here: that a charitable organisation uses philanthropic, public and corporate funding to assist a profit making industry to do its job properly. This perpetuates a perverse tolerance of the timber industry's ongoing illicit and unethical operations by major stakeholders, especially the international donor community.

Recent legislation banning the importation of illegal timber into the US and the EU will do more to reform the timber industry than any voluntary approach, but a major focus on regulating timber demand globally is essential if we are to preserve the forests that are left and to relieve the pressures forced upon forest-dependent communities in the process.

Forests are once again centre stage in international policy making due to their important role in mitigating climate change. This focus was perhaps only rivalled when the plight of the world's forests was first thrust onto the public political agenda in the 1990s. Then, threats of mass consumer boycotts loomed, to which the industry and some conservation organisations responded with voluntary certification, dissipating public outrage in the process. Despite the billions of dollars spent since then and countless technical reforms, deforestation continues unabated. The political opportunities that once again exist must not be squandered again – the world is unlikely to get another chance to save the 20 per cent of intact forest remaining today.



Yambenga community, near Danzer subsidiary SIFORCO's K8 logging area, Bumba District, DRC

Annex 1: Examples of allegations against GFTN members

Company	Country	Joined	Allegation	Details	Company's response	Remained a member?
Tesco	UK	1995	2003	– selling garden furniture made from illegally sourced timber from Indonesia ¹⁵³	'We didn't knowingly buy timber from illegal sources... We haven't done such a great job of checking where this material is coming from, and our ability to track it isn't up to our usual standards.' ¹⁵⁴	No
Jewson	UK	1998	2003	– selling Indonesian plywood of uncertain and likely illegal source ¹⁵⁵	'during 2003 Jewson will import at least 80% of its plywood product from alternative sources which can demonstrate a clear commitment to sustainable development. Furthermore, going forward Jewson is committed to importing zero plywood from Indonesia' ¹⁵⁶	Yes
			2006	– selling flooring made from merbau of likely illegal source from Indonesia ¹⁵⁷	A report published in 2006 states that Jewson ceased trading in merbau flooring products with suppliers Armstrong and Junckers and sought further assurances that other products provided by the companies were legally sourced. ¹⁵⁸	Yes
			2011	– selling Malaysian plywood between 2003 and 2009 of likely illegal source ¹⁵⁹	'In 2008, a decision was made to stop sourcing timber from Samling in Sarawak as a result of further concerns relating to the impact of logging in this area.' ¹⁶⁰	Yes
Dai Thanh	Vietnam	2006	2008	– using logs imported illegally from Laos and Indonesia to manufacture garden furniture ¹⁶¹	In April 2008, Dai Thanh responded claiming they hadn't had orders for yellow balau and keruing for three years and stated that the report was 'completely untrue'. ¹⁶² Following Dai Thanh's response to the allegations, the Environmental Investigation Agency provided video evidence on their website showing the Sales Manager of Dai Thanh saying that they did have yellow balau in their factory, which was imported from Laos, Indonesia and Malaysia. Export of these logs from Laos and Indonesia was banned at the time and therefore illegal. ¹⁶³	Yes
Travis Perkins	UK	2003	2006	– selling flooring made from merbau of likely illegal source from Indonesia ¹⁶⁴	Travis Perkins stated at the time that its 'policy is only to take timber from sustainable sources and that timber as a minimum should be legal'. They did not however comment on checks they use to confirm the status of timber or how they came to be selling uncertified merbau flooring. ¹⁶⁵	Yes

Company	Country	Joined	Allegation	Details	Company's response	Remained a member?
Timbmet	UK	1999	2007	– In 2007 the Burma Campaign UK welcomed Timbmet's announcement they would phase-out imports of Burmese teak by 2008. However in 2009 Timbmet had still failed to eliminate their purchasing of Burmese teak ¹⁶⁶	In late 2007 Timbmet announced they would no longer sell teak from Burma. ¹⁶⁷ Timbmet stated to Global Witness in June 2011 that they 'do not knowingly sell teak from Burma'. ¹⁶⁸ After Global Witness alerted Timbmet to their continued listing of Burmese teak on its website ¹⁶⁹ , Timbmet stated to Global Witness this was out of date and would be changed. ¹⁷⁰	No
Junckers		Prior to 2004	2006	– selling flooring made from merbau of likely illegal source from Indonesia ¹⁷¹	According to the NGOs Environmental Investigation Agency and Telepak, Junckers' own investigation confirmed the allegations, however the company continued to source merbau from the very same suppliers as before, but insisted on stringent new independent audits and evidence of legality. ¹⁷² As of June 2011, Junckers' website states they 'only buy trading products of wood that has, as a minimum, been legally harvested (VLO-certified, Verified Legal Origin)'. ¹⁷³	Unknown
Danzer Group	DRC	2006	2006	– a petition from a local community affected by Danzer's DRC subsidiary Siforco (GFTN applicant) was filed with the government, claiming that Siforco had not fulfilled its social agreements	Danzer denied the allegations ¹⁷⁴ and issued libel proceedings in March 2007 against the 29 Congolese community members (see case study 3).	Yes
	DRC and Republic of Congo		2008	– Greenpeace accused Danzer of tax evasion through offshoring profits, in its report <i>Conning the Congo</i> . ¹⁷⁵	Danzer denied all the allegations made by Greenpeace (see case study 3). ¹⁷⁶	Yes
	DRC		2011	– violent clashes, including alleged rapes, detention and beatings by security forces upon a local community next to a Siforco concession (GFTN applicant) ¹⁷⁷	Danzer issued a statement in response to the events where they expressed their shock at the violence that took place (see case study 3). ¹⁷⁸	Yes

Endnotes

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- 16 Metafore and WWF, *Sustainable Forest Products Global Alliance Year 4 Quarter 4 Report*, 3 November 2006, p20
- 17 GFTN, *Annual Report 2008*, p17; *Annual Report 2009*, p42; *Annual Report 2010*, p34. In the three years to June 2010, GFTN's total operating budget was US\$19.3 million
- 18 Letter from GFTN and WWF International to Global Witness, 24 June 2011
- 19 ENDS Report, *Ethical investors turn spotlight on Tesco's CSR commitment*, 1 August 2003. In August 2003 Friends of the Earth stated about GFTN member Tesco, 'It was obvious that Tesco was using its membership of the 95+ Group as a "greenwashing" exercise'
- 20 ENDS Report, *WWF to cut out 'dead wood' from sustainable timber group*, 1 July 2003. In a review of GFTN rules commissioned by WWF, consultancy Proforest criticised the level of transparency in the GFTN
- 21 GFTN, participants list, Company Profiles, http://gftn.panda.org/about_gftn/current_participants/. Accessed 12 April 2011
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