



global witness

Responsible Timber Sourcing for the Tokyo Olympics

DECEMBER 2, 2015

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SENIOR POLICY ADVISOR

OVERVIEW OF PRESENTATION

- Risks in the Sarawak timber supply chain
- Due diligence as a global standard
- Recommendations

SARAWAK TIMBER IN JAPAN



- Sarawak supplies nearly half of Japan's plywood imports
- Key uses:
 - Construction (concrete molding)
 - Housing (floor base)

Image: Plywood from mill operated by **Shin Yang Plywood (Bintulu) Sdn. Bhd.** found at Tokyo construction site, October 2014



SHIN YANG PLYWOOD (BINTULU) MILL

Photo taken November 2015

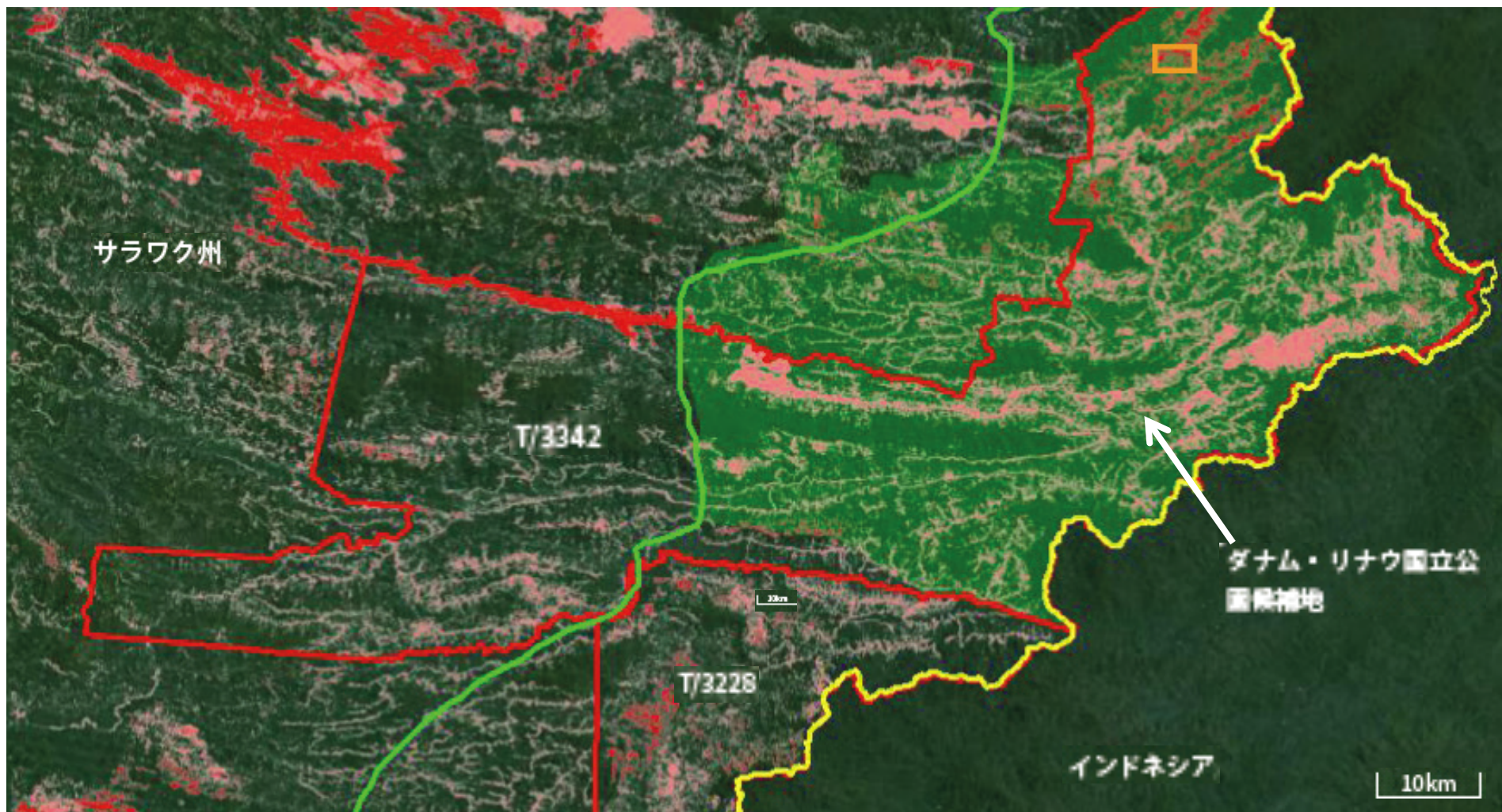
ORIGIN OF TIMBER SUPPLIED BY SHIN YANG PLYWOOD (BINTULU)

Description of the Supply Chain:

Shin Yang Plywood (Bintulu) Sdn Bhd purchases raw material (logs) from Shin Yang Timber License and LPF areas within Sarawak; about 60% comes from Shin Yang concession areas while other logs are purchased from local suppliers.

Shin Yang Forest Area	License #	Total Area (ha)	Expiry	Risk Assessment
Anap Muput Zedtee Sdn Bhd	T/4317	83,535	18 Feb 2068	PEFC/MTCs Certified FMU 0006 Expiry: 24 July 2016
Shin Yang Forestry	LPF 0018	Total: 195,126 Planted: NA	18 Nov 2059	Low Risk planted species: <i>Albizia falcataria</i>
Shin Yang Forestry	LPF 0019	Total: 36,840 Planted: NA	18 Nov 2059	Low Risk planted species: <i>Albizia falcataria</i>
Shin Yang Industry	T/3342	NA	NA	High Risk
Danum Sinar	OT/4377	NA	NA	High Risk
Shin Yang Trading	T/3228	NA	NA	High Risk

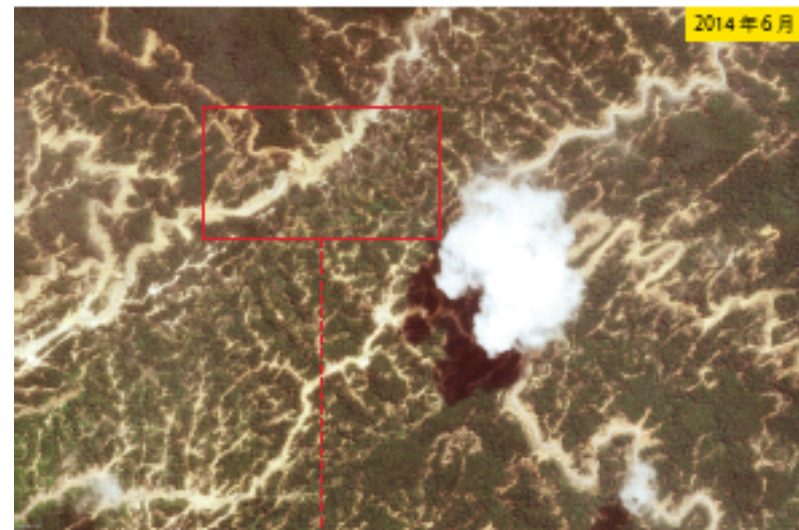
Excerpt from Chain of Custody report for Shin Yang Plywood (Bintulu) Sdn Bhd issued by Global Forestry Services in May 2015



SHIN YANG CONCESSIONS T/3342 AND T/3228 IN THE HEART OF BORNEO

- ダナム・リナウ国立公園候補地と拡張地域候補地
- ハート・オブ・ボルネオ
- 伐採権区域の境界線
- サラワク州・インドネシアの国境
- 2001年～2013年の森林消失
- 2014年の森林消失

SHIN YANG'S DESTRUCTION OF THE HEART OF BORNEO



TOP: High Resolution (50 cm) Satellite Image of T/3342 in Dec 2012 and June 2014

BOTTOM: Enlargement of area in red box. Major river indicated by the blue line.

Photo: DigitalGlobe, CNES





SHIN YANG'S CONFLICTS WITH INDIGENOUS COMMUNITIES

**Road blockade by Penan community of Long Jaik in 2013
to stop Shin Yang's operations in LPF 0018 (photo: Survival)**

RISKS IN THE SARAWAK TIMBER SUPPLY CHAIN

Key problems in Sarawak

- Corruption deeply entrenched in the forest sector
- Concession licensing often neglects the rights of indigenous peoples, leading to legal disputes over ownership and use of land
- Illegal logging facilitated by poor oversight of logging operations
- Highly unsustainable logging

**Sarawak Chief Minister Adenan admits forest sector enforcement was
“very weak because ...some of the officials are corrupt”**

2015 International Anti-Corruption Conference, Sept..2, 2015

THE NEED FOR REFORM

合法性等証明を確認できる書類 (C) つづき

マレーシア

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合法性証明書

表

合法性証明書

裏

Declaration of Goods to be Exported
Customs No. 2 Rev. 8/89
(輸出申告書)

(中略)

税関による許可

Sarawak Timber Industry Development Corp.
(STIDC)
(サラワク木材産業開発委員会)

HAYATTY W. RAZALI

Current Japanese system:

- No requirement on private sector to purchase legal wood
- “Legality” confirmed if STIDC stamps the export document

Better system:

- Mandatory risk-based due diligence
- “Legality” definition that includes third party rights

DUE DILIGENCE STANDARDS

- 1. OECD Guidelines on Multinational Enterprises & Due Diligence Guidance for Responsible Supply Chains of Minerals**
- 2. Guiding Principles on Business and Human Rights**
- 3. EU Timber Regulations (EUTR)**

DUE DILIGENCE: OECD

OECD Guidelines for Multinational Enterprises

II. A. 10. Carry out risk-based due diligence... to identify, prevent and mitigate actual and potential adverse impacts.

Five-Step Framework for Risk-Based Due Diligence in the Mineral Supply Chain

- 1. Establish strong company management systems**
- 2. Identify and assess risks in the supply chain**
- 3. Design and implement a strategy to respond to identified risks**
- 4. Carry out independent third-party audit of supply chain due diligence at identified points in the supply chain**
- 5. Report on supply chain due diligence**

DUE DILIGENCE: HUMAN RIGHTS

GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

17. Human rights due diligence

In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence.

The process should include

- assessing actual and potential human rights impacts
- integrating and acting upon the findings
- tracking responses
- and communicating how impacts are addressed

DUE DILIGENCE: EUTR

EUTR Art. 6

- 1. Access supply chain information**
- 2. Assess risk of illegal timber being placed on the market**
- 3. Mitigate risk unless risk is negligible**

Key risk assessment criteria:

- assurance of compliance with applicable legislation, including third parties' legal rights concerning use and tenure affected by timber harvesting
- prevalence of illegal harvesting of specific tree species
- prevalence of illegal harvesting and armed conflict
- UN or EU sanctions on timber imports or exports
- Complexity of the timber supply chain

RECOMMENDATIONS

Companies directly sourcing timber from Sarawak should:

- **Develop and disclose a corporate timber procurement policy and time-bound action plan**
- **Obtain supply chain information, including**
 - Information specific to the forest concession
 - Presence of third party disputes over land
 - Reports on supplier, illegal logging or corruption in the area
- **Identify and assess risks in the supply chain that include on-site field audits and consultation with affected communities**
- **Mitigate identified risks, including substitution of products**
- **Audit the due diligence process**
- **Publicly disclose the due diligence process and findings**

THANK YOU

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