

Comment by Mari Momii for the presentations by Mr. Kamikawa and Dr. Naito

(1) DD and legitimate business

- The paper association is currently developing the Due Diligence (DD) tool. They are starting with something reasonably simple and easy for companies to use, but (through helping them develop this tool) challenges we had were surprisingly few, since especially the bigger companies already sources certified timber mostly.
- Mr. Kamikawa's presentation illustrated that for companies that are trying to do legitimate, sustainable business, the cost of DD may not be as high as some would fear, and DD can be introduced reasonably low effort.
- We shouldn't forget that the DD should be an organic process, and it is partly about finding out how much you would need to do to feel 'comfortable' with what you are buying by working with your suppliers.
- The example of the paper industry may be a little special since their supply chains are relatively straight forward.
- But there are some challenges like SMEs.

(2) DD and new legislation

- It's a problem if your government doesn't regulate illegal timber, as you have to do all the work.
- Japan is considering a new bill to regulate illegal timber, and it's expected to be ready before the G7 Summit in June.
- It is uncertain what it will look like yet, but it'll have to be something that would be able to stop illegal timber from entering into companies supply chains, so that they don't have to do it all on themselves. It also has to provide a level playing field for the companies that are trying to be better about their supply chains.

Dr. Naito's presentation

- The presentation illustrated the real, deeper challenges of the timber legality issue, which include conversion timber, pluralism of regulations, smallholders, legality standards and certification systems not being coherent or competing even in some cases.
- With regard to certified timber, it is not a free-pass under EUTR or Lacey, but generally companies would like to feel that they don't have to go through such a detailed process if they source certified timber.

- So it presents this picture of consumer countries making effort to clean up their supply chains, thinking that it will improve the situations on the forest side, whereas maybe these efforts are creating unexpected results at times.
- It appears, however, that DD and new regulations are having gradual ripple effects.
- We are learning that the time now is very different from when Lacey was first introduced- Major markets shifting to Asia, and purchasing behaviours in Asia will be the key if we want to at least stop all the high risk timber from producer countries flowing into the market there without any scrutiny.
- It is interesting that China, Korea and Japan are all considering to adopt a new legislation to address the issue of high-risk timber.
- So it seems that the dynamics of the world are really changing, and DD is not just for sensitive markets, but becoming the new 'norm' of major consumer countries.
- But to address deeper problems that Dr. Naito's presentation illustrated, is a major challenge and perhaps we could discuss this further.

Lastly...

- It is not possible for the timber industry alone to solve these deep-seated problems, obviously.
- If we looked at what's happening in general with supply chain management, DD is becoming more and more of a standard practice
- Some sectors –minerals, apparel, food.etc. have been implementing DD processes
- International tools: the new ISO supply chain management standard, UN Global Compact, OECD Guidelines, Raggie Framework, Dot-Frank, various certifications to address social issues.
- At least in consumer countries companies are expected to do as much as they can to manage their supply chains with more responsibilities
- The timber DD system could be part of the series of similar systems introduced to create 'paradigm shift' to change how we manage natural resource and work forces, etc.