



International Plywood

PRODUCT SOURCING GUIDE

International Plywood (Importers) Ltd import wood-based panel products from around the world and as a successful and growing Company we are focused on meeting our customer's needs and their increasing requirements for a high quality product.

The environmental, social, and legal issues linked to the source of forest-based materials are now part of the product quality equation. International Plywood is working closely with its suppliers to ensure these new qualities are built into the panel products we distribute.

This document describes International Plywood's approach, actions, and achievements with regard to how these new qualities are being managed. It demonstrates the level of commitment and the steady continual improvements that are being made.

Only Manufacturers and Supply Companies that can demonstrate their ability to comply with our Product Sourcing Guide and then satisfactorily complete our Supplier Questionnaire will be considered as a potential new supplier. Please read this document to ensure that you understand our Product quality criteria before you contact us.

IP Product Sourcing Guide Version 3: Last reviewed November 2015

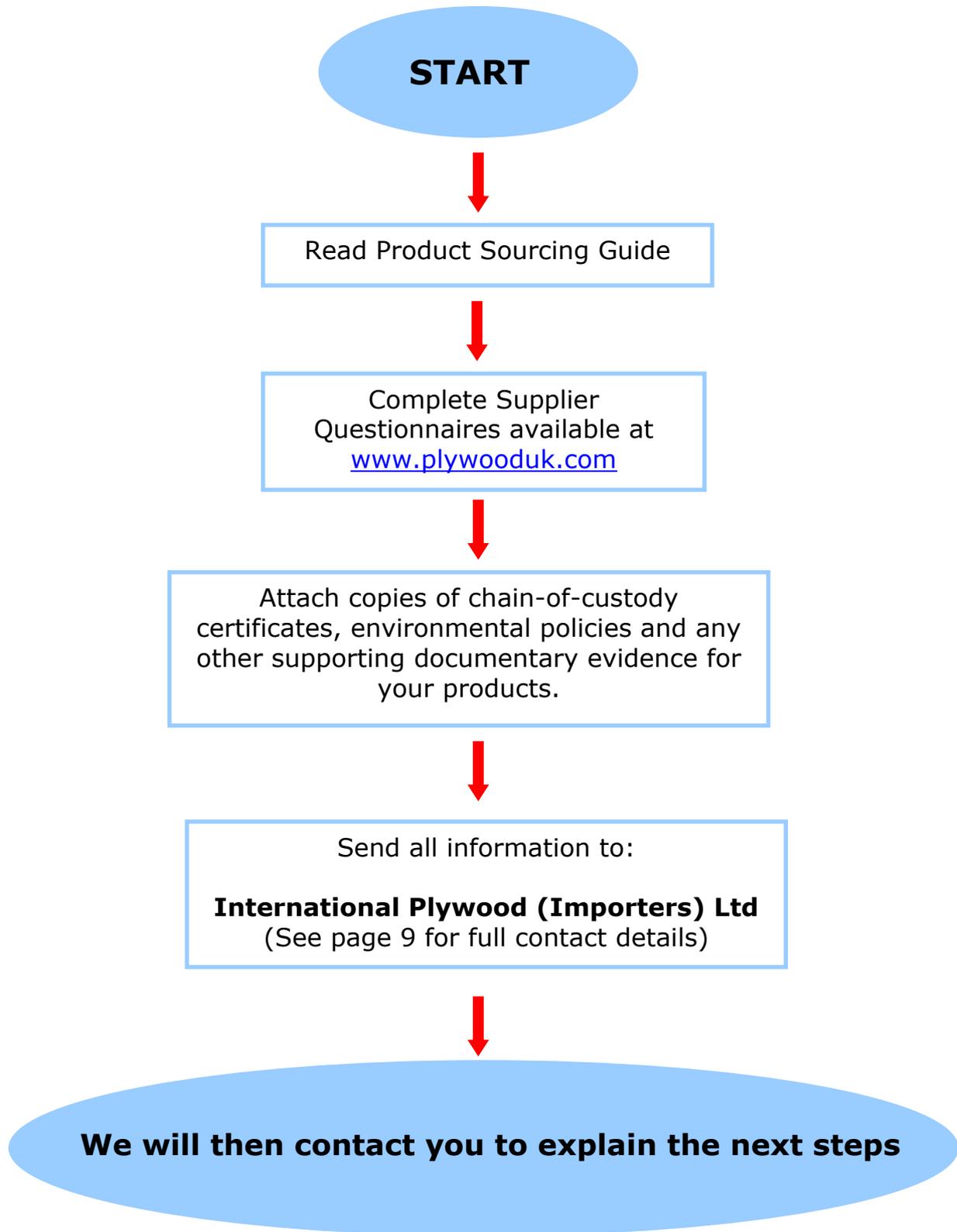
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Flowchart

To be considered as a potential supplier to

International Plywood (Importers) Ltd



1. Product Sourcing Strategy

Manufacturers and Suppliers of Panel Products are advised to review our Product Sourcing Strategy as outlined below, prior to contacting our Company. A full explanation of our Sourcing Strategy is included in this document. We would be very happy to hear from suppliers who believe they can fulfil our requirements and successfully complete our Supplier Questionnaire. Our full contact details are shown on page 9 of this document.

Our Product Sourcing Strategy:

Short Term

- To source from mills selling certified Product wherever possible.
 - Assess all Suppliers against the requirements of both the Timber Trade Federation's Responsible Purchasing Policy (RPP) and the Company's own Product Sourcing Strategy.
 - To ultimately cease to trade with Suppliers that do not co-operate with the assessment process.
 - Always insist on *legal quality* as a minimum. *Sustainable quality* is preferred but not as critical as being able to prove legality. International Plywood will always consult experts if there is any lack of clarity with regard to the legal status of a Supplier and their Products. All products must comply with the requirements of the European Timber Regulation 995/2010. The full text of the Regulation (in English) is available at the EUTR website <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0023:0034:EN:PDF>
 - Wherever possible to source from mills with an integrated raw material supply rather than those that buy on the open market.
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Medium to Long Term

- Identify and build commercial relationships with mills that may be currently uncertified but are keen to progress and build environmental quality into their products.
 - Select mills that consistently source all logs from a single forest source or readily identifiable forest sources; where there are long term agreements between the mill and the forest management company(s).
 - To ensure that the source forest, if not already certified for legality, at least has the potential for being certified. This can best be done by employing an independent forest management inspection company that will be able to identify any critical issues that may prevent future legal certification.
 - Develop medium term contractual arrangements with these types of mill.
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2. Our Customer's Requirements

International Plywood's customers make purchases based on cost, service, and Product quality criteria. Product quality is ultimately determined by the panel product manufacturer and International Plywood will look to prioritise those manufacturers who are consistent in their Product quality.

The number and complexity of these Product quality criteria are constantly increasing. This is a normal factor of market differentiation. At this moment in time the market recognises both **physical** and **environmental** quality attributes.

2.1 Physical Quality

Physical quality can refer to many plywood attributes. CE marking is one means of defining a particular type of quality. There are other attributes that those with expertise in plywood, such as International Plywood (Importers) Ltd, can readily identify just from physical appearances and are affected by the species of timber used and the quality of the veneers used by the manufacturer.

2.2 Environmental Quality

Environmental quality can be more difficult to define. Environmental quality has no physical manifestation and relies on obtaining credible information about the forests where the original trees grew that form the raw material for the veneers from which the plywood is manufactured. Environmental quality attributes include component issues such as *legality* and *sustainability*.

2.2.1 Sustainable Quality

As a UK based trading company, it is appropriate for International Plywood (Importers) Ltd to define sustainability along the same lines as the UK Government Timber Procurement Policy. A 'sustainable source' in the context of the UK Government procurement policy refers to a forest source where management minimises harm to ecosystems, maintains forest productivity, ensures forest ecosystem health and vitality and maintains biodiversity. The details of the interpretation must be decided based on the balanced participation of social, environmental and economic interests. Forest certification schemes provide a way of defining sustainable forest management.

For example, all FSC® chain-of-custody holders must comply with FSC® rules regarding the sourcing of materials – this is an extract from FSC® Standard FSC-STD-40-004 V2-1 EN

1.5.2 The organization shall declare not be directly or indirectly involved in the following activities:

- a) Illegal logging or the trade in illegal wood or forest products;*
- b) Violation of traditional and human rights in forestry operations;*
- c) Destruction of high conservation values in forestry operations;*
- d) Significant conversion of forests to plantations or non-forest use;*
- e) Introduction of genetically modified organisms in forestry operations;*
- f) Violation of any of the ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work, 1998.*

The full text of the Standard can be found at:

<http://www.fsc-uk.org/chain-of-custody-coc-certification.12.htm>

International Plywood (Importers) Ltd has been registered as FSC® Chain-of-Custody certified since 2003 – Certificate Number SA-COC-001305 and PEFC™ Chain-of-Custody Certified since 2006 – Certificate Number SA-PEFC/COC-001305. The implication is therefore that ALL product lines at International Plywood will be monitored prior to and during an FSC® Chain of Custody Audit so that FSC® is not indirectly associated to any products from the above. We are therefore fully committed to screening all existing and new suppliers to ensure they comply with both our internal and external environmental controls. The PEFC™ Certification scheme has similar rules set out in the PEFC™ Chain-of-Custody Standard:

<http://pefc.org/standards/technical-documentation/pefc-international-standards-2010/1193-chain-of-custody-of-forest-based-products-requirements-pefc-st-2002-2013>

2.2.2 The Physical Quality of Certified Material

In some instances certified Products have been found to be of poor physical quality. This may be due to them originating from relatively young plantation species of timber. International Plywood will not purchase certified sheet materials manufactured from sub-standard veneers or sheet materials which have been poorly constructed. Repeated experiences prove they will not sell and this is one factor undermining the certification initiative within the UK and European markets.

2.2.3 Legal Quality

All forest management certification programmes have a sub-component that considers the legality of the operation being assessed. Legality compliance is the first step towards sustainability and a forest management operation cannot be certified for best practice forest management if it is operating illegally!

For UK Government procurement, legal timber and wood derived products are those which originate from a forest where the following requirements are met:

a)	The forest owner/manager holds legal use rights to the forest.
b)	There is compliance by both the forest management organisation and contractors with local and national legal requirements including those relevant to:
	• Forest management
	• Environment
	• Labour and Welfare
	• Health & Safety
	• Other parties tenure and use rights
c)	All relevant royalties and taxes are paid.
d)	There is compliance with the requirements of CITES.

See www.gov.uk/government/groups/central-point-of-expertise-on-timber for more details.

2.2.4 Sanctions for Trading in 'Illegally Sourced Timber'.

The European Timber Regulation (EUTR) came into force on the 3rd March 2013. This is an important consideration for all Companies that deal with Timber and Timber-based products such as Plywood and other Panel Products made of timber. The aim of the regulation is to ensure that all timber based products imported into the EU do not contain illegally sourced timber. Failure to comply with the EUTR will mean that penalties may be incurred by the importing Company which could involve confiscation of the products and/or financial penalties such as fines. International Plywood recognises the importance of the EUTR and agrees with the aims of its introduction. As the first hand importer for most of our stock, it is our responsibility to carry out the necessary "due diligence" to mitigate the "risk" of illegal wood being imported. All our suppliers must demonstrate that the raw materials from which their products are made meet the requirements of the EUTR. See the full text of the EUTR regulations using this link – select from all the available language versions:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010R0995>

or use this link to the English version:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0023:0034:EN:PDF>

3. Factors that International Plywood takes into account when considering Suppliers

A Timber Product's environmental quality attributes are initially identified at forest source. For plywood traders this means that the primary manufacturing mill has to be buying peeler and veneer logs from forests with the right environmental qualities. There are a limited number of forests that can be proved to have the right qualities and therefore there are limited supplies of plywood with appropriate sustainability and legality attributes. Yet these attributes are required by end customers including central government, local government and their sub-contractors and suppliers. The competition for product from these sources has become intense. This reflects the:

- Increased levels of awareness amongst the end consumer concerning the trade in illegal timber and the need to protect the environment.
- Specific buyer linked compliance based programmes like WWF's GFTN, the UK Govt's CPET, and the UK Timber Trade Federation's Responsible Purchasing Policy.
- EU FLEGT inspired initiatives such as European Timber Regulation to prosecute EU companies suspected of importing illegal timber and the VPA programme.

Compliance with each of these programmes provides a means of identifying and confirming that environmental and legal qualities have been built into the Product.

Figure 1. Plywood Mill compliance with EU Environmental and Legal Requirements

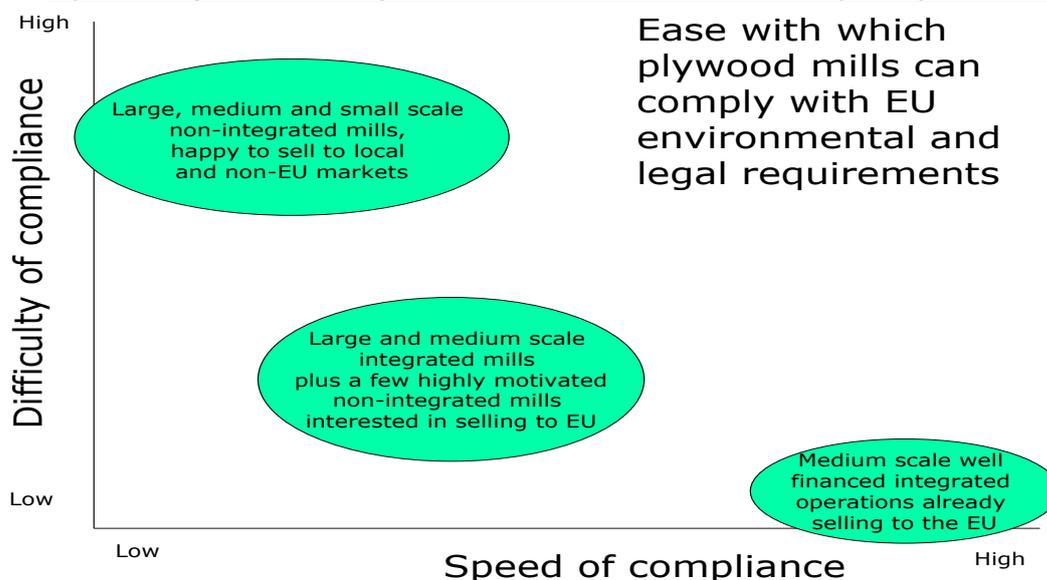


Figure 1 summarises the attitude of primary mill management with regard to compliance with environmental quality issues

Plywood manufacturers who have experience of the EU market place (who tend to be well financed) find it far easier in terms of time and money to comply with EU environmental and legal quality requirements. Mills that are older, less well connected with the EU, or that buy raw material on the open market, find it far more difficult to comply.

3.1 Supplier Differentiation

Panel Products manufacturers can be divided in a number of different ways; by ownership, scale of operation, proximity to raw material supply, forest harvesting rights, etc. In terms of the manufacture of goods with the right environmental and legal quality attributes, the most critical issue is for the mill to have an integrated raw material supply.

Large Scale Manufacturers

The majority of large-scale manufacturers, if not already FSC® or PEFC™ certified, will have had their raw material supplies contracted for the near to medium term. When the EU FLEGT VPA (see box below) licensing scheme is implemented, these organisations, if based in a Voluntary Partner country, will be first in line to receive permission to export. Large mills that do not have secured raw materials supplies will find it increasingly difficult to source timber from forests that classify as legal or sustainable.

International Plywood already has and wishes to maintain business relationships with mills of this type. Finding new mills to source from in this category will become increasingly important as the competition for Product increases. Large mills are more likely to face difficulties of continuing to source sufficient log raw material volumes with the right environmental quality. These difficulties will increase with time, particularly if the mills are not directly linked with a major source forest and are forced to buy raw material on the open market. Large mills are often highly geared in terms of finance and the pressure to maximise volume throughput is high. In such circumstances their log procurement managers are potentially more focused on procuring sufficient volumes and much less selective with regard to environmental quality.

Medium Scale Integrated Mills

Mills that have secured forest resources have a significant advantage over those that buy on the open market. Medium scale integrated mills are much less likely to have to buy raw material from an unknown source on the open market than large scale mills. There are still likely to be mills of this structure that are not yet part of the well established group that already sell to the EU, and are therefore not yet subject to restrictive commercial contracts with importers. These are the mills that will become certified over the next few years and may be in the second tier of mills to become licensed under the VPA scheme enabling them to export to the EU.

For International Plywood, medium sized mills that have their own dedicated source of raw material are the suppliers presenting an opportunity for future co-operation. These are the mills that will get certified and will get licensed to export when VP agreements are signed. These are the mills that are most likely to be highly conscious of the environmental quality of the raw material that they purchase. Most importantly, these are the mills that will be most interested in entering into a long-term strategic alliance with an EU based distributor such as International Plywood.

Mills of all sizes that are forced to buy on the open market

If a mill is not part of an integrated operation with direct links to a forest for 100% of its supplies, it has to buy logs on the open market. In order to sell certified product (certified for sustainability or legality) or licensed material (under any recognised VPA programme) then each of the source forests has to be certified or licensed. In addition there has to be a fully operational traceability system running from each source forest to the mill. Whilst by no means impossible to do, it does place a significantly greater administrative burden on those responsible for the procurement of raw materials for the mill.

It is difficult for mills with this type of log procurement strategy to ever provide certified material because of the number of other parties involved. To make this sourcing approach function in terms of guaranteeing environmental quality, there has to be serious co-operation from all the log suppliers. One of International Plywood's aims is to ultimately cease buying from mills with this type of raw material sourcing profile.

4. Selling To International Plywood (Importers) Ltd

The ultimate aim of International Plywood (Importers) Ltd is to only buy and supply independently certified panel products. Currently, this is impractical as there are insufficient volumes of sheet materials with the right environmental qualities available in the international market place. Much of what there is cannot be supplied at a price that end-users would be prepared to pay. International Plywood therefore is committed, when buying non-certified panel products, to carrying out all the appropriate checks to make sure these products meet *legal quality* requirements as a minimum. International Plywood has been a signatory to the UK Timber Trade Federation's "Responsible Purchasing Policy" since 2005 (see <http://www.ttf.co.uk> for more information) as well as ensuring to only supply products that are fully compliant with the European Timber Regulation (EUTR).

In the first instance, product Suppliers who wish to sell to us must complete the relevant questionnaires.

There are 2 questionnaires;

Questionnaire 1 is for CERTIFIED Products,

Questionnaire 2 is for NON-CERTIFIED products.

Both are available for downloading from our website: www.plywooduk.com

Completed questionnaires should then be sent to:

The Environmental Manager,
International Plywood (Importers) Limited,
Innsworth Technology Park,
Innsworth Lane,
Gloucester,
GL3 1DL,
United Kingdom

Or Email to: eutr@plywooduk.com

Our due-diligence process for all potential suppliers

We work with UK Based Track Record Global Ltd. Track Record verifies and stores product information and compliance documents linked to products and their supply chains, helping their customers sell their products legally and with confidence within the EU and internationally. You can find more information about Track Record at their website:

www.trackrecordglobal.com All new products from existing or potential suppliers must be assessed by them before we can proceed with a purchase.

Once a supplier's product has been assessed for the first time, any subsequent purchase of the same product will probably be acceptable, but only if the goods are from the same origin and the timber species are the same. If the goods contain a different species or are from a different Country or Forest source, they will be re-assessed as though they were a new product. All our suppliers and their product supply chains are re-assessed on a regular basis by Track Record.

All goods are assessed according to the evidence that has been presented to Track Record.

It should be noted that certified products do not automatically qualify as EUTR compliant goods. Full due diligence procedures will still be performed whenever these goods are purchased. Certified products may well be inherently less "risky" than non-certified products but checks will still be made. Our in-house chain-of-custody checks regarding the validity of the certification will be made to ensure the supplier can genuinely supply certified products to us but these checks in themselves are not sufficient for EUTR purposes.

Once a potential new supplier has met our initial criteria regarding the suitability of their products, we will refer them to Track Record to perform all the necessary checks to ensure the legality of the source materials. Until Track Record gives us a 'low risk' assessment, we will not proceed with a purchase from a new supplier.



International Plywood

Environmental Policy 2016

International Plywood (Importers) Ltd recognises that it has a responsibility to the environment and will endeavour to carry out business in ways that are as “environmentally friendly” as possible.

- 1) The Company will not knowingly act in ways which damage the environment or engage in activities which promote such damage by its suppliers or sub-contractors.
- 2) As an ISO 9001:2008 approved organisation, International Plywood (Importers) Ltd regularly appraises its suppliers to ensure their products and service meet the exacting standards demanded by the Company. Where appropriate a supplier’s environmental policy is investigated before approval to supply the Company is granted.
- 3) The Company will encourage its staff, suppliers and sub-contractors to adopt sound environmental practices and will promote energy efficiency and waste minimisation. Furthermore, all Company staff will be empowered to review their activities within the business in order to improve the performance of the Company in this respect.
- 4) The Company will not knowingly purchase goods which are illegally produced or which are manufactured contrary to current legislation. Wherever possible the Company will source its supplies of panel products from manufacturers which have achieved 3rd party certified approval, such as FSC® or PEFC™ or which are known to obtain their raw materials from verifiable well managed forests. All our purchases will comply with the EU Timber Regulation.
- 5) The Company will comply with all current legislation regarding the disposal of waste materials and packaging and will ensure that only approved sub-contractors are employed to carry out the removal and safe disposal of such waste in an environmentally responsible manner.
- 6) The Company will provide a safe working environment for its staff and will comply with all relevant legislation relating to a workplace. All staff will be provided with the necessary training and information to enable them to carry out their duties in a safe and environmentally responsible manner.
- 7) The Company will review its environmental policy on a regular basis to ensure that it continues to comply with all relevant legislation.

www.plywooduk.com



International Plywood

Responsible Forest Products Purchasing Policy 2016

International Plywood (Importers) Ltd is committed to the responsible purchasing of forest products. Our long term intention is to source all forest products that we purchase from well-managed forests that have been certified to credible certification standards. This commitment will be realised through a stepwise approach to responsible purchasing that utilises the best available techniques and information.

International Plywood (Importers) Ltd will abide by all relevant national legislation and international conventions (such as EUTR and CITES) relating to our purchases of forest products and we will never knowingly purchase products which have been manufactured from illegally sourced materials.

Furthermore, International Plywood (Importers) Ltd will not knowingly source forest products from;

- Suppliers that do not comply with all relevant national legislation relating to the trade in forest products, or who source products from forest areas that are protected or have high conservation value unless the forests are progressing towards credible forest certification in a time-bound, stepwise and transparent manner.
- Suppliers that operate in forests which are in areas of armed conflict or civil unrest where there is a direct relationship between the suppliers business and the funding of the conflict.

To ensure that these goals are achieved, International Plywood (Importers) Ltd will;

- Appoint a Director to be responsible for the implementation of our Responsible Purchasing Policy.
- Assess all of our suppliers to ensure that the purchase of their products does not breach our purchasing policy and encourage them, wherever possible, to actively engage in a process of time-bound, transparent, stepwise commitment to credible certification.
- Continually monitor our level of compliance with our purchasing policy.
- Carry out an annual review and produce written reports detailing our activities. Analysis of these reports will enable us to monitor our progress towards our long term goals and set targets for further improvements.
- Work with our suppliers and encourage the promotion of best practice in all aspects of our business relationships.

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