

# Forest to Floor

How Japan's Housing Construction is Driving Forest Destruction and the Dispossession of Indigenous People in Sarawak.



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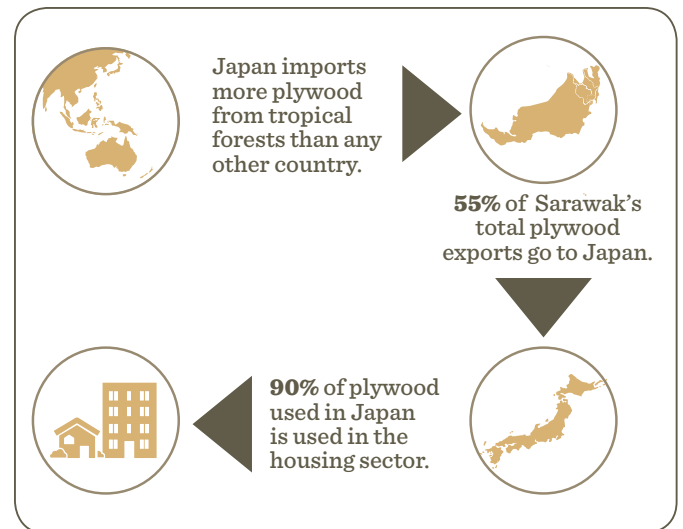
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## Executive Summary

Japan imports more plywood from tropical forests than any other country, primarily this feeds its huge construction and housing industries. Half of this comes from the rainforests of the Malaysian state of Sarawak, on the island of Borneo. Sarawak is losing its tropical rainforests faster than anywhere else on earth, driven by a timber industry riddled with corruption, irreversible environmental damage and illegality. Nearly all timber production in Sarawak has been from natural forests; that state accounted for nearly 60 per cent of total natural forest production in Malaysia in 2012. Increasingly plantation grown timber is also exported from Sarawak, but such plantations result from conversion of natural forests, with adverse environmental and social impacts. Asia is the major export market destination for Malaysia's timber products, notably Japan.

Sarawak's logging industry is documented as one of the most environmentally destructive and corrupt industries in the region, and has by far the worst environmental and human rights record compared to the other Malaysian states. The environmental impacts of continued logging and plantation conversion have a devastating effect on the natural environment and the local Indigenous population. It is also a major contributor to climate change. This report outlines the severity and impact of logging and plantation conversion in Sarawak and the role that Japanese housing and condominium companies may play in this ongoing destruction. Japanese markets are a driving

force behind the ongoing timber trade from Sarawak, creating conditions which encourage many problematic aspects of logging in Sarawak in relation to Indigenous people, the environment, biodiversity, endangered species and greenhouse gas emissions, as well as a deeply entrenched system of corruption.



Japan is the largest importer of plywood from Sarawak, accounting for a 55% share of all plywood exports from that state. 95% of imported plywood is used in the building industry for either concrete formwork or flooring. Industry sources report that 90% of plywood used in Japan is used in the housing sector. A handful of major housing and condominium construction companies build a substantial proportion of new housing, which may contain plywood flooring originating from Sarawak in addition to the use of plywood formwork in construction. Many companies



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in this supply chain claim environmental credentials and an ongoing commitment to ethical environmental practise, whilst simultaneously being a major driving factor behind logging in Sarawak. These claims are clearly problematic considering the well documented issues with logging in Sarawak and it is clear that Japan's construction industry, including house and condominium building companies need to stop buying timber originally sourced from Sarawak until they can put into place measures to check that the wood they use is sustainable, legal, and free of land rights violations

## What Japanese Companies Should Do

Japanese companies in all parts of the supply chain should take immediate steps to ensure that timber they are using does not contribute to the illegal logging trade, human rights violations and environmental destruction.

Measures that they should take include:

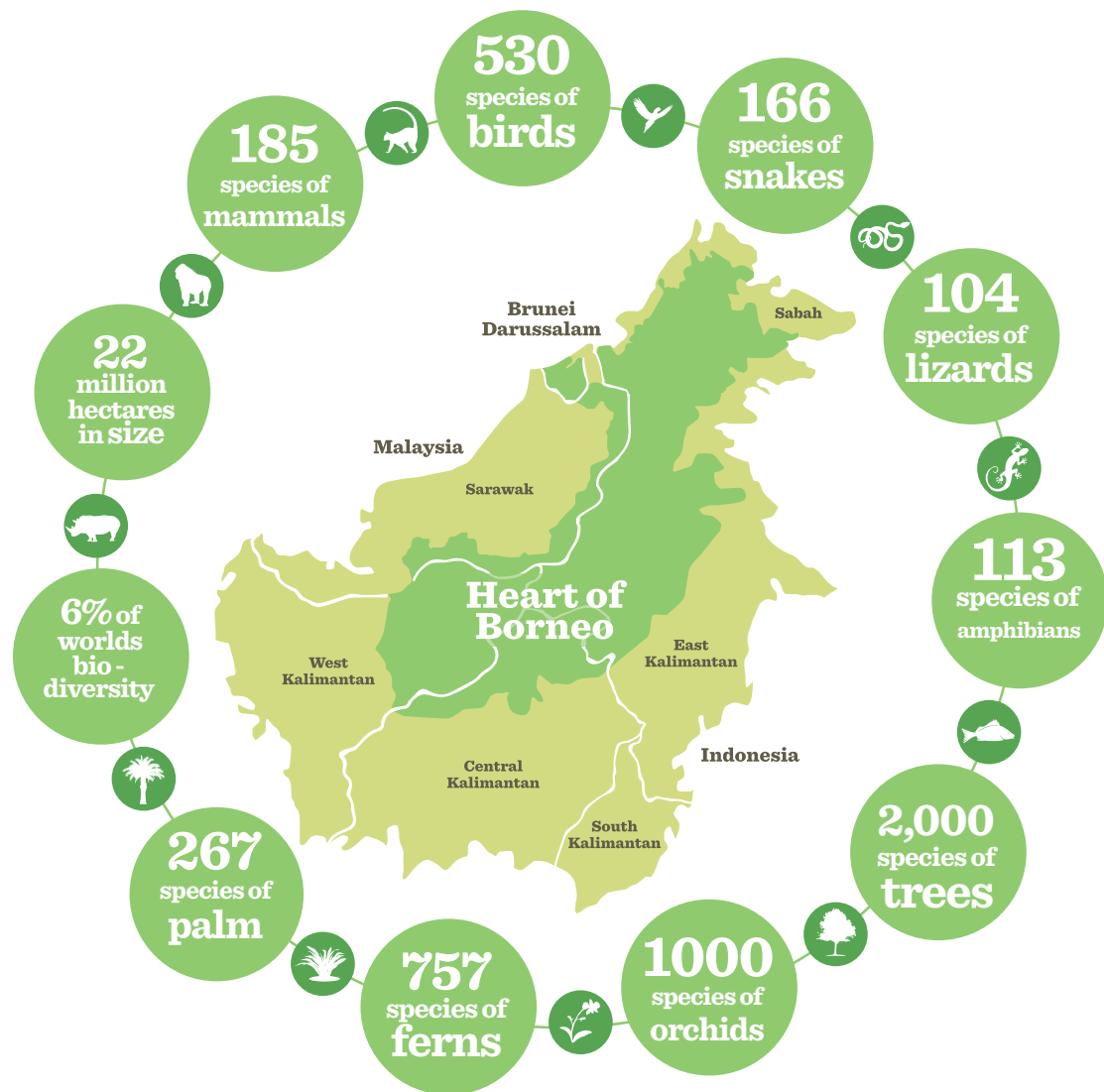
- ✔ Identifying timber products coming from Sarawak. Immediately stop procuring timber products from Sarawak until such products can be independently verified as legal, sustainable and free of corruption and human rights violations
- ✔ Conducting robust due diligence analysis on their supply chains to ensure that corruption, illegal logging, human rights violations, and

environmental degradation are not associated with the timber products they buy, and immediately cease sourcing where this cannot be guaranteed

## What Consumers Should Do

- ✔ Consumers should ask about the origins of the timber products they buy and should ensure that timber products they are buying do not come from Sarawak.
- ✔ Do not buy any timber product unless the retailer can verify it was produced legally, sustainably and without human rights violations. Seek evidence of such verification by a respected and independent expert body.





## The Heart of Borneo

Borneo has some of the most unique forests in the world. They are host to an incredible array of plants and animals and have one of the highest concentrations of biodiversity in the world, accounting for an incredible 6% of the worlds biodiversity.

The Heart of Borneo covers 22 million hectares and is a transboundary collaboration among Brunei, Indonesia and Malaysia designed to enable conservation and sustainable development that improves the welfare of those living on the island while minimizing deforestation, forest degradation and the associated loss of biodiversity and ecosystem services.

There are 185 species of mammals, 530 species

of birds, 166 species of snakes, 104 species of lizards, 113 of amphibians, 2,000 tree species, 1000 species of orchids, 757 species of ferns, 260 species of palm.

These forests are also home to a number of endangered animals including the Borneo pygmy elephant, proboscis monkey, orangutans and rhinoceros.

The principles of the Heart of Borneo project are being continually violated by Sarawak's logging companies who continue to log within its boundaries, threatening the values of the forest and driving countless species of animals and plants towards the endangered species list.

At this point it is no longer acceptable to undertake industrial logging in any forests that constitute part of the Heart of Borneo.

# Upper Barum Peace Park

18 Penan Villages united to call for the creation of the 'Penan Peace Park' in 2009. The proposed park would see a self-administered 1,628 sq km conservation area in the upper Baram River area, close to the Sarawak-Kalimantan border. The area represents one of the last areas of intact natural forest in Borneo and has more than 300 species of Animals. At least 56 of which are endemic to Borneo and 52 are listed on the International Union for the Conservation of Nature (IUCN) Red List of Threatened Species.

The proposed Penan Peace Park has a number of active logging concessions on it, including some owned by Samling and Shin Yang. The Penan have called for the Sarawak government to stop issuing timber licenses in the area and asked for the immediate cessation of current logging activities. The proposal would see the sustainable management of the biodiversity rich area and promote sustainable economic practices which could maintain and promote the wellbeing of the Penan people.

The proposal was rejected outright under the former chief minister Taib, who refused to even meet with the Penan to discuss it, however there are signs of hope with the current chief minister Adenan recently making a commitment to meet with the Penan representatives and discuss their proposal. Any successful resolution would have to see the immediate cancellation of logging licenses (which currently run to 2023). Initiatives like this should receive the full support of companies in the supply chain from Sarawak.



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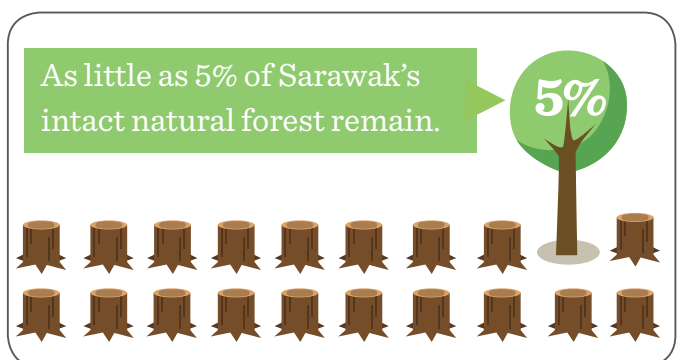




## Long running issues with logging in Sarawak

Sarawak's timber industry is infamous for its environmental destruction, corruption, illegal logging practices and ongoing dispossession of Indigenous people. As little as 5 percent of Sarawak's intact natural forest is left.<sup>2</sup> Despite the commitment to the 'Heart of Borneo' reserve by multiple governments, logging companies are still operating within its designated boundaries. These tropical forests are important habitat for a range of endangered species, including orangutans and the clouded leopard. Secondary forest is being further degraded by excessive logging, rapid harvest rotation and conversion into oil palm and timber plantations. Other factors affecting both intact natural forest and secondary forest include mining and dam building. Decades of intensive industrial activity including logging and plantation conversion have had a devastating effect on Sarawak's biodiversity.<sup>3</sup> Logging roads long enough to encircle the globe twice, carve into Sarawak's remaining forests.<sup>4</sup> Sarawak now has the highest deforestation rate of any tropical timber

producer in the world.<sup>5</sup> This is particularly alarming given the region's important biodiversity, which includes endangered animals such as orangutans, elephants, and rhinos.<sup>6</sup>



Historically most of the timber production in Sarawak has been from natural forests, but with the development of plantations and policies to increase the plantation estate, plantation products have an increasing share of the market. Sarawak accounted for nearly 60 per cent of the total natural forest production in Malaysia in 2012, while Peninsular Malaysia accounted for 28 per cent and Sabah for 12 per cent.<sup>7</sup>



**“Logging activity is an activity that causes very extensive damages to the forest, to the environment and to the life of our people.”<sup>1</sup>**

**- Harrison Ngau**

(Harrison Ngau is a Malaysian environmentalist and politician, a member of the Dayak Kayan tribe, he was awarded the Goldman Environmental Prize in 1990 for his work to prevent deforestation of the Sarawak region.)



Composite Images: (Left) © Mattias Klum, (right) © Matt Newton/Markets For Change

Logging companies and the Sarawak government are intimately connected. The former Chief Minister of Sarawak Abdul Taib Mahmud, instituted a corrupt system of governance which allowed logging companies, some of which were under his control, to log the forests of Sarawak virtually unchecked.<sup>8</sup> Profits in the billions of dollars from illegal logging have been documented as flowing to the Taib family and their associates.

The major logging companies operating in Sarawak: Samling, Shin Yang, Ta Ann, WTK, Rimbanuan Hijau and KTS have all been complicit in the ongoing destruction of Sarawak’s environment, corruption and illegal logging practices.<sup>9</sup>

## Intact Natural Forest Logging

With less than 10% of Sarawak’s intact natural forest remaining and estimates that it could be as low as 5%, further logging is clearly problematic. Intact natural forest is extremely important to the survival and wellbeing of Indigenous people and to the maintenance of biodiversity and as habitat for animals, including a number of endangered species.

These forests are also large carbon stores, and logging releases a big emissions pulse to the atmosphere that can take decades or centuries to recapture in growing forest, if the forest is allowed to regenerate without further disturbance.

“Secondary forest, there are more species of trees or plants that are growing there. In the primary forests, there are few trees and plants and the trees are very tall and it’s easy for the Penan to hunt, they can easily see animals and easier for hunting.

For the secondary forest, logged areas, it is covered with wood or undergrowth, they said it is very difficult to hunt in that area, the secondary forest.”<sup>10</sup>

- Interview with Dominic Langat

## Secondary Forest Logging

A secondary forest is a forest area degraded as a result of a major disturbance such as timber harvesting. It remains classified as secondary forest until a long enough period has passed so that the effects of the disturbance are no longer evident and the forest has naturally restored itself. In Sarawak areas of secondary forest are not allowed to recover but are instead maintained in logging cycles that exacerbate the loss of biodiversity and carbon emissions. In secondary forests the ecosystem services provided by intact natural forests, including maintenance of water quality and regulation of water flows, and soil stabilisation, are also disrupted. This leads to dramatic adverse impacts such as landslides, siltation of rivers and flooding.

Dense growth in secondary forest makes hunting harder for Indigenous people.

## Plantations and peat land conversion in Sarawak

Conversion of carbon rich peat-land and secondary and intact natural forests to monoculture plantations is an increasingly urgent environmental problem in Sarawak. Draining peat-land causes continual carbon emissions and subsidence that can only be mitigated by re-wetting. Large-scale peat land conversion for oil palm plantation is one of the biggest contributors to climate change in Sarawak. Approximately 44% of Sarawak's oil palm plantations are on peat land.<sup>11</sup>



It is estimated that oil palm plantations could risk all of Sarawak's peat forests by 2020.<sup>12</sup> A recent report by Wetlands International found that drainage and subsidence are affecting the hydrology of areas next to plantations and this is increasing the fire risk in remaining natural forest and peat areas. Further to this, drained pulp wood and oil palm plantations will inevitably suffer from severe land subsidence,

and increasing flooding and production loss. The researchers concluded that pulp wood and oil palm plantations on peatlands cannot be managed sustainably.<sup>13</sup>

Further to oil palm plantations, Sarawak has considerable Acacia Plantations.<sup>14</sup> There were nearly 700,000 ha of timber and pulp plantations in 2012. The national timber industry policy (NATIP) predicts the total area is to more than double by 2020.<sup>15</sup> Plantation conversion entails further degradation and greenhouse gas emissions and the complete loss of natural values from the natural forest that is converted, whereby any opportunity to restore degraded natural forest is lost. Government targets in Sarawak aim to see 2.8 million hectares of forested land converted to plantation with an aim to reach 1 million by 2020.<sup>16</sup>



**There were nearly 700,000 ha of timber and pulp plantations in 2012, which is predicted to double by 2020.**

These government targets represent a serious environmental concern in Sarawak. Plywood produced in Sarawak from a combination of intact natural forest or secondary forest and plantation is marketed as 'Hybrid'.<sup>17</sup> As has been documented, the degradation and conversion of primary forest through excessive harvesting and regular rotations is the primary factor behind increasing plantations. 'Hybrid' ply products are being developed with the intention of marketing them as 'eco' friendly by companies such as Ta Ann, Daiken and Eidai.<sup>18</sup> Shin Yang has also stated that their rapidly expanding plantation holdings are socially and environmentally responsible.<sup>19</sup> Claims as to the environmental credentials of 'hybrid' plywood and plantation products being produced in Sarawak are clearly misleading.

In some cases plantation concessions have been allocated on Native Customary Right land (NCR). It has been expressed that Indigenous people were not informed, not consulted and never gave their permission.<sup>20</sup> The effect is to destroy the values of the forest that sustain these peoples, and to finalise the alienation of their customary lands, destruction of food sources, culture and ultimately their dispossession.

*Images (right): © Mattias Klum*



**“When the company first log in to our area they said they would bring development, bring into your community, so we of course did not know what development they would bring so we just look and see. So after the timber had all gone, the water had been polluted, and we suffer. We really suffer cause the food is less and less and the river had been polluted and so we asked where is the development? They really kill us, they kill us because if we drink the polluted water we will die and our food getting less and less, because the forests had been destroyed so how can they say they bring development.”<sup>21</sup>**

- Jepery Moyong, Chief of Ba Puak village



## Impact on Indigenous people

Logging in Sarawak has a negative impact on Indigenous people who rely on Sarawak's forests for sustenance, shelter, cultural maintenance and their livelihoods. There are over one million Indigenous people living in Sarawak. The Malaysian federal state recognises Indigenous peoples' native customary rights (NCR), however the Sarawak government has failed to enshrine these rights in its Land Code.<sup>22</sup> Timber concessions are often awarded on land that is claimed by Indigenous people.<sup>23</sup> Government interference with local Indigenous councils has pressured already persecuted Indigenous groups into conceding more forest to logging. These issues have been investigated by the Malaysian Human Rights Commission (SUHAKAM), who made a number of recommendations including in relation to administration and remediation of alienation of NCR land, but it is reported that the Sarawak government has failed to act.<sup>24</sup>

Indigenous groups such as the Kenyah, Kayan, Iban, Bidayuh, Kedayan, Murut, Bisayah, Kelabit, and Berawan peoples typically live in kampongs (villages), some in longhouses, and practice shifting cultivation. They engage in fishing to supplement their diet if they live near a river. A number of Penan who are traditionally nomadic have been forced to settle

owing to the incursion on NCR land and the ongoing disruption of food sources associated with industrial logging and other environmentally destructive activities.

The Indigenous people of Sarawak have resisted the logging companies with protests, legal actions and international outreach campaigns for decades. Often these acts of resistance from the Indigenous peoples are met with police violence. Hundreds of cases contesting the government's allocation of ancestral lands for the purposes of logging and plantations have come before the court. Indigenous people have consistently attempted to challenge logging companies and the government on their abuse of NCR land. In the minority of cases when there have been favourable findings in a judicial system which is not responsive to traditional Indigenous rights and interests, the judgements have not been acted upon by government and therefore the degradation of ancestral lands has continued.<sup>25</sup>

Any disturbance of natural forest has adverse impacts on the traditional lifestyles of Sarawak's Indigenous people. Secondary forests offer substantially less opportunity than intact natural forest. Cultural Survival has reported on the extensive health problems logging and environmental destruction cause for Sarawak's Indigenous population.<sup>26</sup>



Images: © Matt Newton/Markets For Change

### **They include:**

#### **Malnutrition**

Malnutrition is attributed directly to deforestation, construction of logging roads, timber camps, and large-scale cutting. Damage to residual uncut trees and crude methods of extraction all significantly depreciate the wildlife and wildlife habitat upon which the settled and nomadic native people depend.<sup>27</sup>

#### **Infectious Diseases**

The high levels of infectious disease are attributed to the concentration of traditionally nomadic people in settled villages. Other causal factors include decreased resistance through malnutrition and the shift to a non-traditional diet. Inadequate community health education and inadequate health services further compound the infection rate. In contrast, nomadic Penan are reported to have better nutrition and less infectious disease than their settled counterparts.<sup>28</sup>

#### **Cultural Damage and ‘Lifestyle Disease’**

As Indigenous peoples are increasingly resettled, urbanized, and integrated into cash economies, diseases related to the use of and addiction to sugar, alcohol, and tobacco abound. Sugared drinks and foods have led to poor nutrition, poor dental hygiene,

and diabetes. Alcohol problems - not as extensive as in the West - are really only seen to any extent in the cities. Aggressive tobacco advertising is increasing the number of smokers.<sup>29</sup>

#### **Prison Conditions**

Indigenous people being held for blockading logging roads were reported to be receiving poor treatment. Their bail was exorbitant and the blockaders were held in remand (as opposed to sentencing) for up to two months awaiting their scheduled court hearings. Their jailing experience included an inadequate diet, lack of bedding, overcrowding, and mosquito infestation. Some jailed Penan were taken to hospital for treatment during their remand, but hospital staff declined to provide information on the reasons for their medical transfer.<sup>30</sup>

Japanese timber importers have a moral obligation to purchase timber from countries that have sound environmental and cultural policies with respect to logging operations.

– Cultural Survival website

“They have no regard for the rights of the natives in regards to our customary land.”<sup>31</sup>

-Harrison Ngau

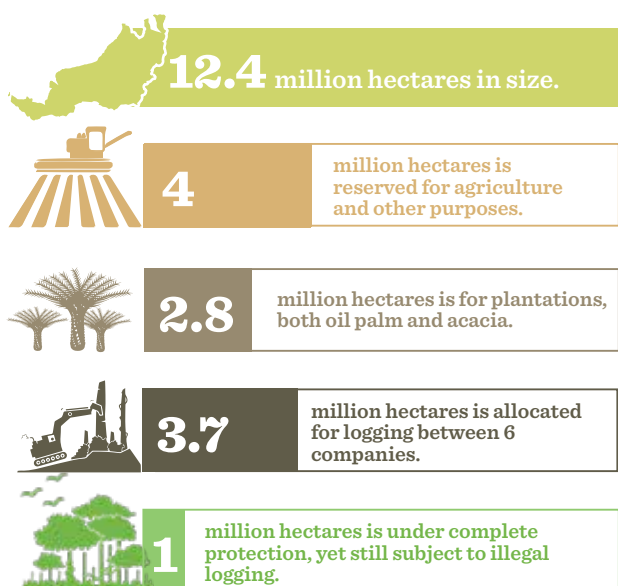


Image: © Matt Newton/Markets For Change

## Sarawak’s Logging Companies

Sarawak has a total land mass of 12.4 million hectares. Of this, 10 million hectares is under forest, of which 1 million is under complete protection, yet still subject to illegal logging. 4 million hectares is reserved for agriculture and other purposes, notably this includes 2.8 million hectares of plantations, both oil palm and Acacia.<sup>32</sup> Of the remaining 5 million hectares of forest in Sarawak, 3.7 million is allocated for logging between 6 companies.<sup>33</sup>

### Land use in Sarawak



The major logging companies operating in Sarawak are, Samling Group, Rimbunan Hijau Group, WTK Group, Ta Ann, KTS, Shin Yang Group. Together these companies account for 76% of Sarawak’s total export earnings.<sup>34</sup>



**Samling Group** has a long track record of illegal logging and severe environmental damage that is well documented. They have the largest timber concession holdings in Sarawak, consisting of 1,288,389

hectares.<sup>35</sup> The Council on Ethics reporting for Norwegian Government Pension Fund divested from Samling on the basis that they had “committed serious transgressions in logging outside of concession areas and destroying protected rainforests.” And that they posed an “unacceptable risk of contributing to current and future severe environmental damage.”<sup>36</sup> Samling is rapidly expanding its destructive logging in forests claimed by the Penan and appears to have made recent inroads into an existing national park.<sup>37</sup>



**Rimbunan Hijau Group** is one of Malaysia’s largest multi-industry companies with significant investment in logging and oil palm plantations. They hold at least 1,000,000 hectares in timber

concessions in Sarawak.<sup>38</sup> They have been heavily criticised by environmental and human rights organisations for human rights abuses, ignoring Indigenous people’s rights, perpetrating political



Image: © Mattias Klum

corruption and neglecting the environment.<sup>39</sup> Concerns are also held in relation to Rimbunan Haijau Groups operations in Papua New Guinea and elsewhere.<sup>40</sup>



**WTK Group** hold 357,017 hectares of timber concessions in Sarawak.<sup>41</sup> They operate three plywood and veneer mills. They are also a key player in the oil palm industry. They have been noted for human rights abuses and illegal logging operations in the Amazon.<sup>42</sup> WTK group has been logging destructively and most likely illegally in pristine mountain rainforest in the “Heart of Borneo”. These operations triggered a series of catastrophic landslides that blocked Sarawak’s largest river for a 50km stretch in 2010.<sup>43</sup> The Norwegian Government Pension Fund (GPF) recommended exclusion of WTK Group from its investment portfolio because of an “unacceptable risk that the company is responsible for severe environmental damage through its logging operations.”<sup>44</sup> There are also concerns about WTK’s operations in Papua New Guinea.<sup>45</sup>



**Ta Ann** hold approximately 557,000 hectares in timber concessions in Sarawak.<sup>46</sup> The company is closely tied to Taib and is linked to corruption and environmental destruction. Ta Ann group have been clear-cutting rainforest confirmed as habitat for the critically endangered orangutan in the ‘Heart of Borneo’.<sup>47</sup> In 2012, The Norwegian Government Pension Fund (GPF) excluded Ta Ann from its investment portfolio due to significant

long term environmental damage that has a considerable impact on human life and health, violations of national laws and international norms, and found that the company had not implemented adequate measures to prevent or rectify the damage and that it is probable that the company’s unacceptable practices will continue.<sup>48</sup>



**Shin Yang Group** hold more than 500,000 hectares of timber concessions in Sarawak.<sup>49</sup> Amongst other business interests they are engaged in logging, timber processing and pulp and oil palm plantations. Shin Yang group is logging and clearing pristine rainforest in an area proposed by the Malaysian authorities for national park status, this includes instances of illegal logging on steep slopes and along river banks. Local communities and ex-staff of Shin Yang have independently alleged the company hires armed gangsters to intimidate and assault those who voice concerns or act against the company’s interests.<sup>50</sup> In 2009 Shin Yang were investigated by the Human Rights Commission of Malaysia (SUHAKAM).<sup>52</sup> Within the Heart of Borneo, Shin Yang is decimating over forty soccer pitches of virgin rainforest a day, in an area the Sarawak government has proposed as a national park. They are currently aggressively venturing into oil palm.



**KTS Group** have approximately 150,000 hectares of timber concessions in Sarawak.<sup>53</sup> The company has been linked to illegal logging and human rights violations in Sarawak and elsewhere.<sup>54</sup>

## Norwegian Divestment



Norway is at the forefront of efforts to protect tropical forests internationally. As a nation leading on these issues, they have shown leadership by divesting from Sarawak. Acting on advice from its Council on Ethics, the Norwegian Government Pension Fund, the world's largest sovereign wealth fund, has divested from three major logging companies in Sarawak. Based on extensive research, the Council on Ethics found that Ta Ann, Samling and WTK were all involved in large-scale forest destruction, non-compliance with environmental laws and poor forest management practices, this includes examples of logging in breach of regulations outside concession boundaries, in buffer zones along river banks and roads, and on steep slopes. All three companies were found to be operating in breach of national laws and international norms.

The Council found that WTK was responsible for severe environmental damage from plantation conversions, logging and illegal logging practices. They further found that destructive WTK logging operations inside primary forests in the 'Heart of Borneo' may have contributed to the log-jam disaster that made international headlines in 2010, when a 50 kilometre stretch of the Rajang river was blocked by logs.<sup>55</sup>

Samling was found to have violated a number of laws and conditions in their Sarawak operations. These include logging and road construction outside of licenced boundaries, harvesting of protected tree species, re-entry logging without environmental impact assessments, logging and clearance near streams, polluting rivers and streams, cutting undersized trees and logging and constructing roads on steep terrain.<sup>56</sup>

Ta Ann was guilty of instances of shocking forest destruction in the 'Heart of Borneo' including re-entry logging without required Environmental Impact Assessments. The report also suggested that Ta Ann's measures to limit environmental damage, which include a partnership with the World Wildlife Fund (WWF), were falling short and that given that the conversion of tropical forests involves the complete, irreversible alteration of affected ecosystems, the Council concluded that measures implemented by Ta Ann to "mitigate the adverse effects are insufficient to secure a material reduction in the risk of severe environmental damage now and in the future."<sup>57</sup>

The actions of the Norwegian Government Pension Fund demonstrate clearly that logging in Sarawak is highly problematic, environmentally destructive and often in breach of domestic and international laws. These findings send the clear message that timber produced in Sarawak is neither environmentally responsible nor sustainable.

## Sarawak Government

In 2014 the new Chief Minister of Sarawak Adenan Satem made a public commitment to tackle illegal logging, stating "Let me make it very clear in no uncertain terms that we will tackle illegal logging with all commitment and dedication as I treat it as a menace to society, state and country. Corruption is a menace." and "Illegal logging activities have jeopardised our efforts to promote sustainable forest management practices - not only does it incur losses in revenue to the state but more seriously it causes long-lasting environmental degradation. So, don't mess with me and I mean business."<sup>58</sup>

Whilst he has officially acknowledged the serious issues surrounding logging in Sarawak, the Chief Minister has failed to follow up these commitments effectively, and in October 2015 admitted that it would be impossible to stop illegal logging in Sarawak.<sup>59</sup> Furthermore Adenan Satem failed to act on a commitment to contain expanding oil palm plantations.<sup>60</sup> Some minor action has been taken at wood processing facilities in relation to illegal activity, but this is insufficient to address all the problems.

In 2015 Adenan said the Sarawak State government had been in talks with NEPCon and WWF-Malaysia about implementing a 'strategic conservation plan' for Sarawak. Adenan said "For the timber industry, forest management certification is the best available way forward."<sup>61</sup> The State government also urged timber



companies who hold timber concessions within the Heart of Borneo boundary to obtain forest management certification by 2017. With as little as 5% of the original intact natural forests of Sarawak surviving it is not appropriate to seek to certify the logging of some remaining areas, including the Heart of Borneo. Instead these forests should be placed off limits to industrial logging.

The introduction of a new forest ordinance 'Cap 71' in 2015 was designed to provide stronger deterrents to illegal logging activities.<sup>62</sup> Actions being taken to halt illegal logging, prosecute small illegal operations, confiscate illegally harvested timber and seek commitments from the major logging companies that they will operate within the law are positive steps, however legality issues continue to underpin the very structure of the logging industry in Sarawak. Although government is finally recognising that elements of corruption and illegality are rife, they are failing to cohesively address the structural problems. The Chief Minister's rhetoric aside, logging in Sarawak appears to be business as usual.

## Timber products being produced in Sarawak

There is a variety of timber products being mass produced in Sarawak. A large percentage of harvested timber either gets processed into plywood and graded for a number of different uses or chipped and manufactured into MDF. There are also a number of operational pulp mills in Sarawak with Chinese investments currently driving major expansions in the pulp and paper industry.

**Figure 1. Types of Timber Products being produced in Sarawak.**

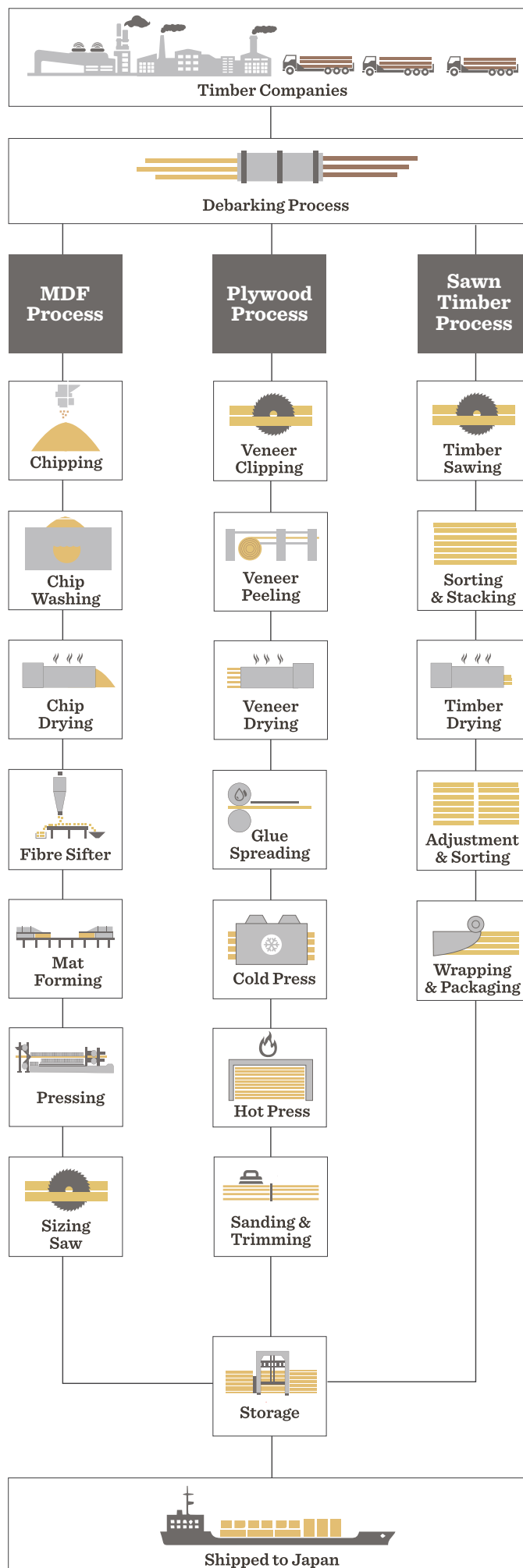




Image: © Matt Newton/Markets For Change

## The Timber Trade to Japan



Excerpt from interview with Harrison Ngau

**Q** Are international customers of Sarawak timber receiving a product that is illegally sourced?

**A** I don't think you can describe or term or categorise the timbers that were logged from customary land of our peoples as legal timbers because the land and the timbers or anything on the land belong to our people, to the natives, so they are actually stolen timbers, illegal timbers, and whatever products derive from these timbers are all illegal products from our land.

**Q** Are international customers of Sarawak timber receiving a product that is socially and environmentally responsible?

**A** They are not because what I have just described it involves a whole range of illegalities, particularly the violation of the rights of our people of our customary land, our forest land.

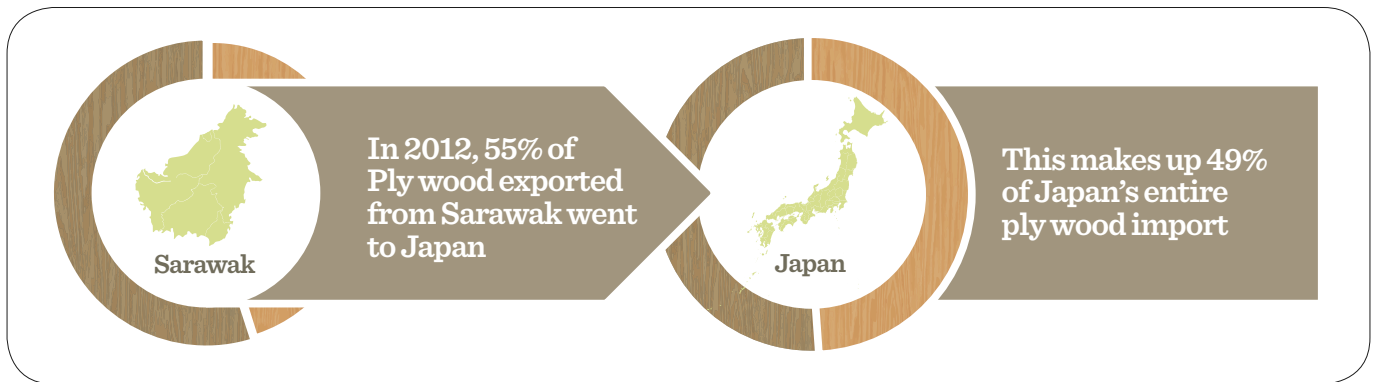
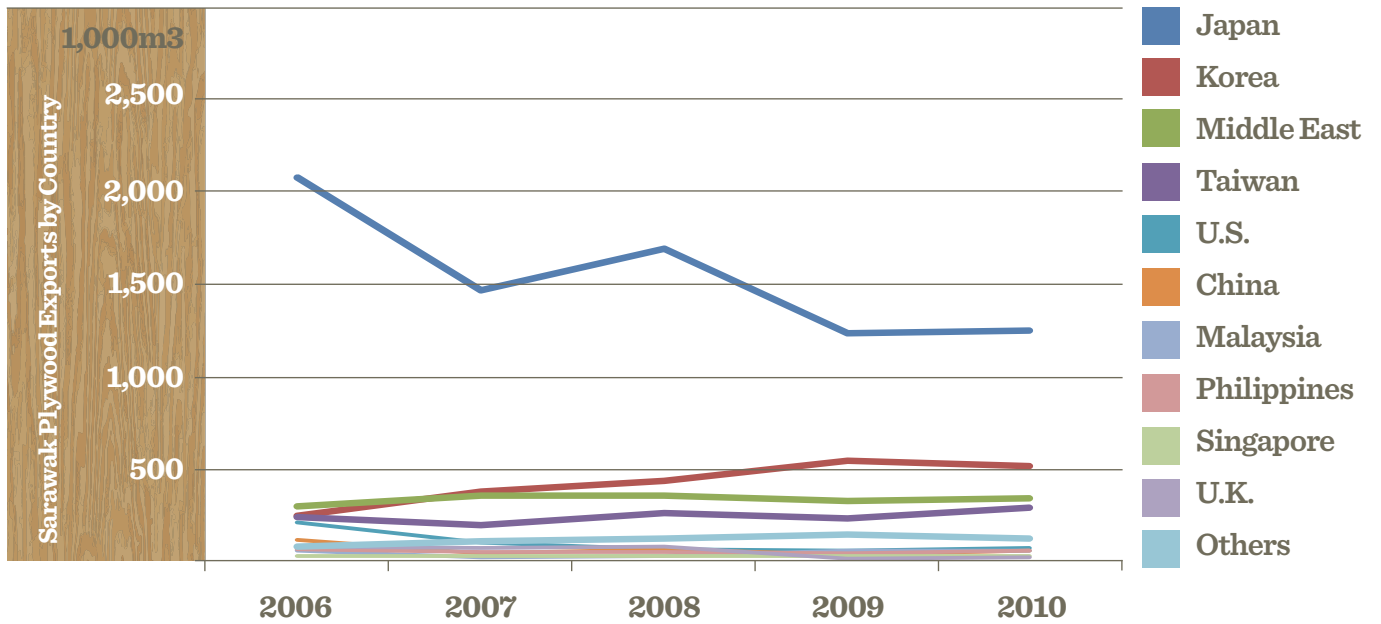
**Q** If you were in a board room with Japanese buyers of Sarawak timber what would you like to say to them?

**A** I would like to ask them to think very very hard and be conscious of this fact that the timbers that are exported from Sarawak are stolen from the people of Sarawak and they should question and thoroughly check where these timbers they are importing are coming from. If they are from Sarawak they should be very, very careful not to continue to buy our timbers and the timber products from this state because of these illegalities, because of this continual violation of our rights, of our land and forest and the destruction of our environment in the process and that the benefit made out of all these timbers from our land are not coming back to us, benefiting us or the state of Sarawak, they are going somewhere else outside the countries. This is the grave injustice done which Japanese buyers should be concerned about and they must do something, act now before it is too late and before everything is gone.

# Japan is the major consumer of Ply products from Sarawak

**Figure 2. Sarawak Plywood Exports by Country**

Source: Mokuzai Kenzai Weekly



Japan imports approximately three quarters of its wood supply.<sup>63</sup> The majority of plywood produced in Sarawak is exported to Japan, with the next most important export markets Taiwan and Korea.<sup>64</sup> In 2012, 55% of Ply wood exported from Sarawak went to Japan. This makes up 49% of Japan's entire ply wood import.<sup>65</sup> In 2010, Japan imported 1,245,661 cubic metres of plywood from Sarawak.<sup>66</sup> 40% (\$482 Million US) of Sarawak's total revenue for the export of wood products in 2014, came from Japan. Plywood and sawn wood account for the bulk of Malaysia's timber exports. The majority of plywood is produced in Sarawak (about 70 per cent), while 20 per cent comes from Sabah and the remaining 10 per cent from Peninsular Malaysia. 90% of plywood in Japan is used in the housing sector.<sup>67</sup> While the majority of plywood imported from Malaysia is for concrete formwork, a significant proportion is for use in flooring.



# From Forest to Floor:

Conceptual outline of supply chain in Japan of plywood flooring originating from Sarawak timber



**The Timber Corporations**

- Samling
- Shin Yang
- Ta Ann
- Sanyan Wood
- WTK
- Rimbunan Hijau
- KTS



**Major Trading Companies of Sarawak timber**

- Itochu Kenzai Corporation
- Sumisho & Mitsuibussan Kenzai (SMKC)
- Sojitz
- Marubeni
- Toyo Materia
- Sumitomo Forestry



**Major Flooring Manufacturers**

- Daiken
- Eidai
- Panasonic
- Noda
- Asahi Woodtech
- Wood One



**Major Distributors & Wholesalers of Building Material**

- Japan Kenzai Co., Ltd
- Nice Corporation
- Jutec Corporation



**Major Housing Companies**

- Daito Trust
- Sekisui House
- Daiwa House
- Asahi Kasei Homes
- Sekisui Chemical
- Misawa Homes
- Token Corporation
- PanaHome
- Sumitomo Forestry
- Tamahome
- Others



**Major Condominium Housing Companies**

- Nomura Real Estate Development
- Mitsui Fudosan
- Sumitomo Realty & Development
- Mitsubishi Jisho Residence
- Daikyo
- Daiwa House
- Tokyu Fudosan Holdings
- Tokyo Tatemono
- Takara Leben
- Kintetsu Real Estate

## Supply Chain From Sarawak to Japan.

Japanese trading companies tend to have business partnerships / share holdings with specific logging companies in Sarawak and vice versa. This interest allows for vertical integration of the supply chain, leaving Japanese companies with significant influence over logging companies in Sarawak. This arrangement is evident Daiken's business relations, for example. Daiken receive timber products from their own plantations and directly from a number of Sarawak logging companies including Samling and KTS. The rest of the timber product is supplied to Daiken by Itochu Kenzai Corporation. Itochu Corporation has a 26% stake in Daiken. And Daiken have a long standing interest in Samling.

Timber is harvested and exported from Sarawak by several major logging companies. These include Samling, Shin Yang, Ta Ann, WTK, Rimbunan Hijau and KTS.

These timber products are imported to and by major Japanese trading houses including: Itochu Kenzai Corporation, Sumisho & Mitsuiibussan Kenzai (SMKC), Sojitz Kenzai, Marubeni Kenzai, Toyo Materia and Sumitomo Forestry.

The product is then distributed to major flooring manufacturers and to wholesalers of building material including: Daiken, Eidai, Panasonic, Noda, Asahi Woodtec, Wood One, Japan Kenzai co. Ltd, Nice Corporation and Jutec Corporation.

Plywood flooring material is further distributed from those manufacturers and wholesalers to housing companies and condominium companies for its final use in their buildings.

It is likely that major Japanese companies are using plywood flooring made from material that originated in Sarawak. Housing companies and condominium developers may therefore be using timber imported from Sarawak in their plywood flooring.

It is vital for these companies to understand their supply chain and to apply procurement policies that do not allow the use of timber products arising from illegal or unsustainable logging, including deforestation or conversion of natural forests to plantation. In particular they should identify whether their supply originates in Sarawak, and if so, ensure that they no longer utilise that product.

## Procurement policies

Japanese companies should ensure the timber they put on the Japanese market and into Japanese homes is legal and sustainable.

Recent exposure of the involvement of Japanese companies in trading timber of dubious origins in Sarawak has prompted the beginnings of change in some companies, whilst others such are yet to act.

Companies developing procurement policies aim to provide a commitment to tackling environmental destruction, social disruption, and illegality in their supply chain. Such policies for wood and paper products are an important first step, but the key is implementation.

Commitments may offer 'in principle' support for better practices but make no binding commitment, give no time frame for achieving results, and fail to make a commitment to cease sourcing timber products from notorious regions such as Sarawak. Where there are risks in the supply chain companies must carry out or obtain credible, independent verification that the timber they source is responsibly harvested. Where such verification is not possible, they must stop sourcing.

While developing procurement policies is an important step towards a socially and environmentally responsible practice, they are meaningless unless they address all relevant issues and are strictly adhered to. They should be monitored and regularly evaluated for compliance and for effectiveness in achieving their goals.

Companies using wood products sourced from trading companies cannot yet rely on existing procurement policies of those trading companies to guarantee the legality or sustainability of such products. In any case, each company should develop their own policies and ensure that they are implemented.

## Japan's Import Controls

Illegal logging has been widely recognized as a global problem with negative impacts on the environment, human rights, development, trade, and governance. INTERPOL estimates that illegal logging accounts for over half of the volume of forestry activities in key producer tropical countries.<sup>68</sup> Illegal logging and its associated trade is a significant driver of deforestation in places such as Sarawak.

Japan has taken steps in recent years to introduce verification measures known as the 'Green Purchasing Law' (GPL) to assure that timber imports are from legal sources.<sup>69</sup> However, Japanese import controls remain seriously deficient and do very little to ensure that products on the Japanese market are legal, let alone sustainable and free from human rights violations. The GPL applies only to purchases made by the Federal Government, which comprise a mere 5% of timber use in Japan. The private sector has no overarching legal parameters under the GPL by which they 's must verify the legality or sustainability of the timber they source. The private sector accounts for about 95% of the consumption of timber in Japan, and currently operates without any credible procurement policies.<sup>70</sup> The GPL was amended in 2006 to require the procurement of timber products verified as 'legal' and to give preference to 'sustainable' products. The Basic Policy covers paper, stationary, office furniture, interior fixtures and bedding, and public works materials, but has excluded plywood used for molding concrete.<sup>71</sup> That product was very recently included in the GPL.

Guidelines developed by Japan's Forest Agency allow for: verification by forest certification and chain of custody systems; verification by companies authorized by an industrial association; and verification by independent systems developed by each company. Verification by industrial associations is the most prominent "verification" system in Japan, and many industry groups have developed their own codes of conduct and recognition schemes. The best known is the "Goho-Wood" scheme developed by the Japan Federation of Wood Industry Associations.<sup>72</sup> For industry-driven schemes, the Guideline simply requires suppliers to pass on the proof of legality to their immediate customers to maintain the chain of custody. Under this system, any document that 'proves' legality issued by the country of origin is usually acceptable as proof of legality, and there is no risk assessment required as, for instance, under the EU Timber Regulation (EUTR).

This verification system has serious shortcomings and allows for the Sarawak Timber Industry Development Corporation (STIDC), the Sarawak government entity overseeing timber export procedures, to provide proof of legality. However, serious issues in Sarawak's forestry sector, which include well-documented and systematic illegal logging, corruption and ongoing disputes over customary land rights, call into question the reliability of Sarawak's system for verifying the legality of its timber.<sup>73</sup> A legality certificate issued by Sarawak is not acceptable proof of legality. For example, as outlined elsewhere in this report the government of Sarawak fails to implement court judgments which have found their allocation of Indigenous land subject to NCR to timber companies to be illegal.

Companies who voluntarily abide by GPL standards, including the Goho-wood scheme, in relation to product from Sarawak, still have no legitimate claim to sustainable procurement policies given the documented corruption in the Sarawak timber industry and Sarawak's reluctance to deal with illegal logging and corruption.

The Japanese Agricultural Standard (JAS) certification system does not cover legality or sustainability in its scope, although it applies to timber imports to Japan. This certification system is purely concerned with quality control and offers no assessment of sustainable practice or environmental credentials. No one should make the mistake of relying on this system to address environmental and legality concerns.





**“Japan has the highest level of consumption of likely illegal (high-risk) wood-based products per capita in the world.”**

Image: © Mattias Klum

## Illegal Timber Imports

Japan has the highest level of consumption of likely illegal (high-risk) wood-based products per capita in the world.<sup>74</sup> It is estimated that Japan imported illegally-sourced wood products valued at \$2.4 billion in 2008. Malaysia is a significant supplier of high-risk products into Japan, The bulk is accounted for by plywood, most of which comes from Sarawak.<sup>75</sup>

Although the Japanese government has implemented a public procurement policy for timber and has also conducted joint work with Malaysia and Indonesia to try to ‘verify’ the legality of timber imported into the country, the procurement policies remain very weak. The ‘legality verification’ being conducted in source countries is of such a poor standard that it is failing to prevent illegally sourced wood entering the country.

This is evidenced in reports from Sarawak, where there is firm evidence to show that plywood being imported into Japan as ‘legally verified’ was actually made from timber that was illegally sourced.<sup>76</sup> Any efforts to legitimately verify the legality of timber exported from Sarawak cannot rely on Sarawak government information or verification in relation to the legality of timber. This issue also extends to timber sourced from NCR land, as there are numerous examples where the customary rights of indigenous peoples have been violated, and the required legal reforms to ensure indigenous customary law is recognised have not been made. This has implications for the legality of timber

harvested from land where indigenous peoples claim their customary land right.<sup>77</sup>

Government and opposition parties in Japan have recently supported the concept of new legislation to address illegality which is a welcome development. This may take some time to be developed, legislated, and become operational however, and the strength and adequacy of the provisions future legislation may contain is unclear at this stage.

## Unsustainable timber imports

Satisfying legality requirements is not sufficient to ensure that timber products have been produced in an environmentally and socially sustainable way.

Companies in Japan are already aware of consumer demand that they assure themselves and their customers that their products have not caused unacceptable damage. It is a fact of business in the 21st century that a company ethic of achieving high sustainability standards can be positive for brand image and market advantage.

Companies typically respond with various corporate social responsibility (CSR) and procurement policies. They may favour some type of forest certification. Policies often contain aspirational goals that are not met routinely for every product. It is important that the policies actually be implemented and efforts made to ensure that other companies in the supply chain are aware of, and acting, upon these requirements.

Such policies should address the following principles in relation to forest management:

- ✔ respect all applicable laws of the country in which they occur, and relevant international treaties and agreements;
- ✔ long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established;
- ✔ the legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognized and respected, applying the United Nations Declaration on the Rights of Indigenous People;
- ✔ forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities;
- ✔ forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest;
- ✔ activities in high conservation value forests shall maintain or enhance the attributes, which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach;
- ✔ plantations shall be planned and managed in accordance with these principles. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests and not be established by conversion of natural forests.
- ✔ a management plan - appropriate to the scale and intensity of the operations is written, implemented, and kept up to date. The long-term objectives of management, and the means of achieving them, shall be clearly stated;
- ✔ monitoring shall be conducted - appropriate to the scale and intensity of forest management - to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts;

It is clear that wood products originating in Sarawak fail to fulfil many of these criteria.<sup>78</sup>

## Detailed examination of the supply chain in Japan

In February 2016, in conjunction with JATAN, MFC developed a preliminary version of this report and met a variety of companies in Japan to discuss our findings and conduct further research. We investigated the knowledge and actions of companies in relation to timber in their supply chain and suggested that companies immediately stop procuring timber from Sarawak. We met with Housing and Condominium construction companies, as well as Trading Houses and Flooring Manufacturers. Meetings were followed by a questionnaire which was sent to 67 companies in the Japanese supply chain.









### Our Questionnaire











The MFC - JATAN questionnaire encompassed several areas of enquiry. Firstly it asked whether companies had procurement policies on environmental and social issues relating to their timber products and, if so, the scope and parameters of this policy. The Questionnaire then sought information about each company's knowledge of their wood supply, knowledge of issues associated with Sarawak and whether companies had any plans to verify, and if necessary, upgrade the implementation of their procurement policies. The questionnaire also investigated details of the supply chain in Japan and the degree to which companies understood the origins of products they acquired and provided, including whether any of their flooring product originated in Sarawak.



### Response of companies in the supply chain in Japan



Of the 67 companies contacted, 23 replied to our questionnaire. Transparency is a vital component of proper ethical purchasing, but for the purposes of this report we have been unable to assess the procurement requirements and actions of companies who did not respond. They have not supplied any information that they have made efforts to address the serious human rights and environmental issues associated with Sarawak products in their supply chain. The companies who did not respond are listed on the table (see overleaf). We thank those companies who did respond, and ask readers to be aware that these companies have exposed their practices to examination whilst others have not yet done so.




 Trading Companies	Yes	No
Itochu Kenzai		
SMKC		
Sojitz Kenzai		
Marubeni Kenzai		
Toyo Materia		
Sumitomo Forestry		
Butsurin		







 Flooring Manufactures	Yes	No
Daiken		
Eidai		
Panasonic		
Noda		
Asahi Woodtech		
Wood one		
Sattsuru Plywood		
Toyo Tex		
Sorachi Veneer		
Ishinomaki Plywood		
LIXIL		
Hokuzaishoji		











 Plywood Manufacturer	Yes	No
Tokyo Board Industries		

 Concrete Panel Manufacturer	Yes	No
Sanki Katawaku		

 Wholesalers	Yes	No
Japan Kenzai		
Nice Corporation		
Jutec		

 General Contractor	Yes	No
Kajima Corporation		

 Housing & Condominium Companies	Yes	No
Nomura Real Estate Development		
Mitsui Fudosan Residential		
Sumitomo Realty & Development		
Mitsubishi Esatate		
Daikyo		
Tokyu Fudosan Holdings		
Tokyo Tatemono		
Takara Leben		
Kintetsu Real Estate		
Daito Trust Construction		
Mori Building		
Sekisui Heim Real Estate		
Odakyu Real Estate		
The Sankei Building		
Meiwa Estate		
Nisshin Fudosan		
STARTS		
Toray Construction		
Hankyu Realty		
Sekisui House		
Tama Home		
Daiwa House		
Asahi Kasei Homes		
Sekisui Chemical		
Misawa Homes		
Panahome		
Iida Sangyo		
Iida Group Holdings		
Aqurahome		
Odakyu Housing		
Sanyo Homes		
Yamada SXL Home		

 Building/Flooring Contractors	Yes	No
Uchiyama Corporation		
Fujita Shouji		
With Flooring		
Bismcompany		
Edogawa Mokuzai Kogyo		
Yamataku		
Daiko		
Marukoma		
Top Kogyo		

**Figure 3. Response of companies in the supply chain in Japan.**



Image: © Mattias Klum

Several companies claim to have a non-disclosure agreement with suppliers, including Sekisui House, but answered other questions relating to their procurement policies.

Some companies have made promising advances in developing and implementing procurement policies which address environmental and human rights issues associated with timber in their supply chain. Companies such as Sojitz Kenzai are in the process of implementing systems which have the potential to go a long way to addressing these concerns. Daiwa House is also actively making efforts to improve the environmental and human rights characteristics of their plywood flooring products.

Many companies have expressed an awareness of the issues associated with timber from Sarawak, but none have explicitly stated an intention to immediately stop procuring such timber products and few will curb their use. Other companies had no knowledge of issues associated with products from Sarawak before receiving our report. A few of these would review their situation but others were explicit in their position that they had no intention of acting, such as Uchiyama Corporation. We suspect that this is a more general approach of companies who did not answer the questionnaire.

Other companies said that since they dealt with timber products obtained from trading companies, they were comfortable that the timber would be legal. Some of the companies prepared to rely on trading companies to ensure legality, such as Sorachi Veneer, did not express further concern over the environmental or human rights issues associated with timber products from Sarawak and no current intention of developing procurement guidelines of their own.

## Legality – a fraught issue

Many companies with whom we had communication expressed that legality was their main concern when it came to procurement policies. There was a general misunderstanding amongst companies that if products had been certified legal by the Sarawak government then there were no further issues.

Whilst legality should be an important aspect of all procurement policies, there are a number of issues with this in relation to Sarawak:

- ✓ In many cases legality certificates can be forged or issued without following correct procedure.
- ✓ Even valid legality certificates that are genuinely issued do not reflect good practice. Legality certificates in Sarawak do not reflect the wellbeing of Indigenous people or sustainable environmental practice, instead they reflect poor standards of legality. The Sarawak government has consistently demonstrated that they have little or no interest in protecting the forests of Sarawak, they have shown no commitment to legitimate sustainable practices, and have shown disregard to the rights of Indigenous people in their laws.

A genuine legality certificate is necessary, but alone it is not sufficient to ensure against environmental damage, violation of indigenous rights, or corrupt conduct in relation to wood products from Sarawak.



The Goho-Wood scheme conducted by the Japan Federation of Wood Industry Associations, which some companies say they rely upon, is inadequate as it accepts any document from the country of origin that ‘proves’ legality, with no risk assessment conducted.

## Procurement of sustainable timber

Of the companies that did have procurement guidelines in relation to the sustainability of timber products, there was a great degree of variation.

For companies with more developed procurement policies such as Sekisui House and Daiwa House, the use of timber products certified by bodies such as FSC, PEFC and SGEC establish the highest in a series of benchmarks by which they aim to acquire timber products. Other companies who preference FSC and PEFC certified timber products are Misawa Home, Sumitomo Forestry, Itochu Kenzai, Sojitz Kenzai, Wood One and Nice Corporation, whilst others such as Panahome also stipulate the procurement of recycled timbers. In relation to these certification schemes FSC is superior to PEFC certification which achieves lesser results on the ground. These two different types of certification should not be given equal status by companies in their CSR and procurement policies, rather FSC should be preferred.

However, it is also important to note that none of these companies have stopped or made any commitment to stop procuring timber from Sarawak, and there is no evidence to suggest that timber from Sarawak doesn’t still contribute to a large proportion of their flooring products. A preference for such certifications does not indicate that no

other uncertified wood is accepted. No company has informed us that they limit supply to certified timber only.

Further, in the particular case of Sarawak, concerns cannot be mitigated by the use of certified timber because it is clear that any certification system which allows for timber or timber products from Sarawak to be certified in relation to forest management is not adequately addressing the myriad of environmental, human rights or legality issues facing that country. The development of legitimate and effective procurement policies must take all of this into consideration and companies should immediately act to stop procuring timber products from Sarawak until such time as these issues are adequately addressed.

## Companies importing timber from Sarawak

**Trading Companies:** Of the companies who responded to the questionnaire, only Sumitomo Forestry and Itochu Kenzai said that they get timber directly from Sarawak. We understand from our other research and our meetings that all the major trading companies source timber from Sarawak. These include SMKC, Sojitz Kenzai, Marubeni Kenzai, and Toyo Materia.

**Flooring Manufacturers:** Some flooring manufacturers are also sourcing timber directly from Sarawak according to our previous research and personal communication, but others told us that they get Sarawak timber indirectly via trading companies. We met with Noda who confirmed our previous research that they have an ongoing trade relationship with Sanyan Wood Industries, a Sarawak company who source timber from small to medium size logging companies in Sarawak.



Image: © Matt Newton/Markets For Change

## Companies indirectly receiving timber from Sarawak

Companies responding to the questionnaire who are indirectly receiving timber from Sarawak and prepared to publicly share that information include Edogawa Mokuzai Kogyo, Sumitomo Forestry, Wood One, Sekisui Chemical and Asahi Kasei Homes. We understand from other industry sources, as well as meetings, that many companies building houses and condominiums in Japan are using timber products from Sarawak. These include most of the companies we approached including Daiwa House and Misawa Home. This is unsurprising considering Sarawak plywood products make up almost half of Japan's entire plywood import and the majority of flooring products in Japan originate from a small number of major trading houses who all deal directly with Sarawak.

Some condominium construction companies we spoke to expressed that they relied on contractors to source timber products used in their building projects and were therefore unaware of its origins. One company was prepared to now ask their contractors to explore other sources of supply having become aware of the issues surrounding Sarawak, but others were complacent about leaving such matters to their contractors.

All companies in the Japanese supply chain have a responsibility to act. Many companies divulged that they depend on the procurement policies of their trading partners and suppliers of timber. Others said that these matters are dealt with by their contractors. It is crucial that companies develop appropriate procurement policies of their own to address environmental, legality, and human rights issues as it is insufficient to rely on the policies of other companies, which are generally proving inadequate.

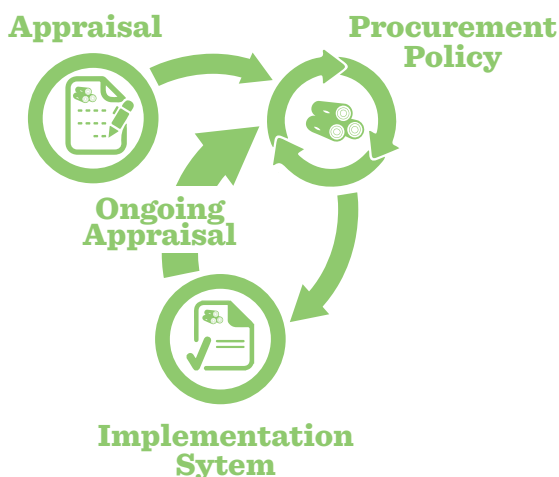
## Implementation of procurement policies and guidelines

While companies may develop procurement policies which sound like they will address issues with timber in their supply chain, implementation and ongoing analysis of the effectiveness of policies when implemented, is the key to their effectiveness. As conditions on the ground and in the market change regularly, or implementation of policies reveals deficiencies, procurement policies must adjust to meet these changing dynamics. This should include regular consultation with third parties, including ENGOs, so that environmental and social challenges continue to be met. It is important that procurement policies address the range of social and environmental issues. This means that companies must look beyond issues such as the performance of the building itself in relation to energy efficiency to encompass upstream matters such as the origin of wood products.



There are some companies who have understood the importance of ongoing analysis of procurement policies and guidelines and put in place systems of continual or regular review to assess whether their procurement policies are doing the job that was intended and to ensure they can address issues and demands as they arise. Some trading companies have chosen to review their procurement policies once a year, some of these companies do so with the assistance of third parties such as industry associations and certification bodies, however it is unclear how many currently engage or consult ENGOs as part of this process, although some have indicated that they intend to do so.

Many housing and condominium companies appear not to have procurement policies which address any of the environmental or social issues associated with timber products they use. Of those that do, only a small number have indicated that they intend to involve ENGOs as part of ongoing procurement policy assessments. It is clear that many others who do have procurement policies which relate specifically to their trade in timber products don't have a regular or sufficient system of review and verification. This problem should be rectified. It is strongly suggested that Japanese companies develop effective systems of review in relation to their procurement policies which



- ✔ Ensure that these policies cover all aspects of environmental and social concerns relevant to the products they trade
- ✔ Continue to formulate policies which are relevant
- ✔ Actively engage third parties, including ENGOs to assess the efficacy and relevance of the implementation of procurement policies and guidelines
- ✔ Are publicly available so as to allow customers companies, consumers and investors an informed choice

**Figure 4. What a good procurement Policy Process looks like.**



Image: © Mattias Klum

## What Japanese Companies Should Do

Japanese companies in all parts of the supply chain should take immediate steps to ensure that timber they are using does not contribute to the illegal logging trade, human rights violations and environmental destruction. Measures that they should take include:

- ✔ Identifying timber products coming from Sarawak. Immediately stop procuring timber products from Sarawak until such products can be independently verified as legal, sustainable and free of corruption and human rights violations
- ✔ Conducting robust due diligence analysis on their supply chains to ensure that corruption, illegal logging, human rights violations, and environmental degradation are not associated with the timber products they buy, and immediately cease sourcing where this cannot be guaranteed

## What Consumers Should Do

- ✔ Consumers should ask about the origins of the timber products they buy and should ensure that timber products they are buying do not come from Sarawak.
- ✔ Do not buy any timber product unless the retailer can verify it was produced legally, sustainably and without human rights violations. Seek evidence of such verification by a respected and independent expert body.

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