



China Forestry Transparency Forum – 2019 Report

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1. Introduction

The 2019 China Forestry Transparency Forum was held on 19 March 2019 in Beijing. This Forum was organised by the Zoological Society of London's (ZSL) [SPOTT initiative](#) in partnership with [IUCN China](#). This report provides an overview of the presentations and discussions that took place as participants debated how to increase the trade of legal and sustainable tropical timber in China and the role of transparency.



1.1 The SPOTT initiative

ZSL launched [SPOTT](#) in 2014 for the palm oil sector and expanded to cover the tropical timber and pulp sectors in 2017. SPOTT – Sustainability Policy Transparency Toolkit – is a free, online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice. SPOTT assesses commodity producers and traders on the public disclosure of their policies, operations and commitments related to environmental, social and governance issues. SPOTT scores tropical forestry and palm oil companies annually against over 100 sector-specific indicators to benchmark their progress over time. It will also begin assessments of the natural rubber sector in 2019.

Through a recent grant from DFID's¹ [Forest Governance, Markets and Climate](#) (FGMC) programme, SPOTT is expanding to assess and engage a greater number of timber and pulp companies. This expansion will primarily target [FLEGT](#)²-partner countries at various stages of Voluntary Partnership Agreement (VPA) development – specifically, Indonesia, Cameroon, Republic of Congo and Gabon. At the same time, SPOTT has started to assess timber traders in China that source from Africa. Key activities in 2019 include the development of SPOTT indicators on legality and gender issues, SPOTT assessments of 100 timber and pulp companies (up from 50 in 2018), the development of a SPOTT Supporter Network for investors and other users, and direct support to companies looking to increase their transparency.

1.2 Objectives of the Forestry Transparency Forums

The 2019 Forestry Transparency Forums were developed to help SPOTT engage with forestry sector stakeholders in each of its target geographies (Gabon, Cameroon, Republic of Congo, Indonesia and China). The Forums enabled participants to meet the SPOTT team and increase their understanding of SPOTT's approach, processes and users. The SPOTT team also had the opportunity to hear stakeholders' feedback and concerns, helping to improve the SPOTT initiative.

Key forestry sector stakeholders were also provided with opportunities to discuss issues associated with varying levels of transparency in the forestry sector. The participants considered the opportunities and benefits associated with responsible sourcing of timber, identified the challenges associated with responsible sourcing of timber and discussed potential actions to overcome them, including increasing transparency in the sector.

A further series of Forestry Transparency Forums will be organised in the same countries in 2020 to support continued debate and knowledge sharing.

¹ United Kingdom's Department for International Development.

² Forest Law Enforcement, Governance and Trade – FLEGT is a European Union Action Plan established in 2003.

1.3 Agenda and participants

In China, the 2019 Forum focused on how to increase the trade in legal and sustainable tropical timber in China and featured presentations from industry bodies and civil society on this topic (see [Presentations by local stakeholders](#)). ZSL provided a detailed presentation on SPOTT to the companies, who could then ask questions and provide feedback and suggestions (see [SPOTT questions and answers](#) below). A series of breakout discussions were also held. These asked participants to identify the opportunities, challenges, and actions that could support more responsible sourcing of timber in China (see [Discussion sessions](#)).

Representatives from the following organisations attended the Forum:

Industry bodies:

- China National Forestry Products Industry Association (CNFPIA)
- Chinese Academy of Forestry (CAF)

Civil society:

- Carbon Disclosure Project (CDP)
- Client Earth
- European Forest Institute (EFI)
- Forest Trends
- IUCN China
- NEPCon
- The Nature Conservancy (TNC)
- TFT China
- WWF China
- Zoological Society of London (ZSL)

Other:

- British Embassy Beijing
- InFIT
- Vermont Law School



Participants in the China Forum (Beijing, 19 March). Image credit: ZSL

2. Speaker presentations

2.1 Presentation of SPOTT

During the Forum, ZSL presented the objectives, audience, and methodology underpinning [SPOTT](#). ZSL explained how SPOTT helps to respond to demands for greater transparency, why SPOTT is relevant and can be useful to companies, how the SPOTT team can help companies increase their transparency and score on SPOTT, who uses SPOTT and how. Key findings from the [2018 SPOTT Timber and Pulp assessments](#) were also provided and discussed. A question and answer (Q&A) session was then held to address any questions stakeholders might have about the SPOTT initiative.

The questions and answers covered during all of the Forestry Transparency Forums held by ZSL in 2019 have been collated below. The SPOTT team also took note of the feedback and suggestions participants made during the Forums to inform the future development of the initiative.



Presentation of SPOTT during the China Forum. Image credit: ZSL

2.1.1 SPOTT questions and answers

How does SPOTT select companies? We want to be assessed on SPOTT, what should we do?

SPOTT selects companies according to their size in the sector and potential impact on tropical forests, biodiversity and communities. Criteria considered include, amongst others, size of market capitalisation (if a listed company), extent of concession areas or volume traded, proximity of concessions to high value ecosystems (e.g. national parks), and evidence of poor social or environmental practices (e.g. in industry or media reports). Companies can be nominated by a third party or volunteer for inclusion on SPOTT by filling the dedicated [form on the SPOTT website](#). SPOTT then selects companies on the basis of the above criteria. Companies can request that they are not assessed on SPOTT, but this is only allowed in exceptional circumstances – for example, if a company sells all of its forestry operations.

How does SPOTT conduct assessments? Do assessments involve field work or verification? Should companies provide information to SPOTT in order to be assessed?

SPOTT assesses companies on the public disclosure of their policies, operations and commitments. During each annual assessment, the SPOTT team examines each company's websites, public reports, and other publications against the SPOTT indicator framework.

The SPOTT team is unable to go into the field to verify if companies respect their commitments and the companies do not send information directly to ZSL. However, companies are given the opportunity to provide feedback on their assessment and improve their disclosures before the results are finalised and published on the SPOTT website.

SPOTT also provides a 'media monitor' that collates any news stories and reports on company activities, helping users to understand whether companies are implementing their commitments in practice. These news stories and reports are not scored in the assessments but provide important contextual information to users.

How are the SPOTT indicators developed?

SPOTT's indicators focus on the key environmental, social and governance issues associated with timber and pulp production. They reflect and complement the expectations set out in other frameworks, guidelines, principles and criteria for sustainable production, such as the Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC).

ZSL has developed the SPOTT Timber and Pulp indicators following extensive consultation with various stakeholders including timber and pulp producers, finance and manufacturing sector representatives, non-governmental organisations, and other industry experts. Each year, companies selected to be assessed on SPOTT and wider stakeholders are also given an opportunity to feedback on a draft version of the SPOTT Timber and Pulp indicator framework before it is finalised. SPOTT also benefits from the inputs of a [Technical Advisory Group](#), which provides guidance on indicator framework development and company selection.

Do all indicators have the same weight in the assessments? Does SPOTT use the same indicators for all companies whatever the country in which they operate?

All SPOTT Timber and Pulp indicators are worth one or two points. These indicators are the same for all companies wherever they operate. However, some indicators can be disabled according to the companies' scope of operations. For example, a company which only extracts wood from natural forests will not be assessed against indicators dedicated to plantation-based production. In the 2019 assessments, 107 out of 131 SPOTT Timber and Pulp indicators can be disabled to fit each company's characteristics and scope of operations. For example, SPOTT's legality indicators are linked to [Open Timber Portal](#), which is only currently available in certain Congo Basin countries.

How does SPOTT support companies to improve their score?

Companies are contacted at various stages of the assessment process and the SPOTT team invites them to send feedback and ask questions. The SPOTT team often meets companies to discuss their assessments and provide advice on how they can improve. The indicator framework, research protocols and assessments published on SPOTT also serve as guidelines for companies to identify gaps in the information they publish and to learn about environmental, social and governance best practice.

Does SPOTT publish sensitive or confidential data?

SPOTT assesses companies based on information that the companies themselves have published or using third-party websites which are listed in SPOTT's research protocol, such as initiatives or programs of which

companies are members. The data itself is not verified but sources of information are considered by SPOTT and its stakeholders as trustworthy. In addition, ZSL offers companies and other stakeholders the opportunity to review and feedback on the SPOTT indicators before they are used for assessments. This helps to ensure that no indicator requires the publication of sensitive data or data that is prohibited from publication.

Who are SPOTT users? How does SPOTT work with its users? Does SPOTT reach out to the local banks of the countries where the Forums were organised?

SPOTT was designed at the request of financial sector stakeholders, to support constructive engagement between the financial sector and palm oil and forestry companies. SPOTT allows its users to identify areas in which a company excels or progresses, and where it should be more transparent or adopt best practice. SPOTT's primary target audiences are financial institutions (investors, asset managers, banks, research institutes) and buyers who are interested in the companies' environmental, social and governance practices. In 2018, over 18,000 users visited the SPOTT website and viewed pages more than 134,000 times. The SPOTT Dashboard, a free portal on the website (registration required) where users can download SPOTT assessment data and additional analyses, has seen over 500 registrations since its launch in January 2018.

The SPOTT team currently has no or very limited links with local banking institutions in the Congo Basin, Indonesia and China but invites these stakeholders to use the data published by SPOTT in their decision-making processes and in their engagements with clients where relevant. Local banking institutions are also encouraged to contact the SPOTT team if they would like additional information.

How is legality considered in SPOTT assessments? Which certification standards are considered in SPOTT assessments and how?

Several SPOTT indicators assess certification and/or legality. Points can be obtained by companies if the legality of their operations has been verified by a third party (e.g. Rainforest Alliance's Forest Legality Verification). In 2019, SPOTT added new indicators dedicated to legality, including eight indicators based on the legal documents companies have uploaded to the [Open Timber Portal](#) (for companies operating in the Republic of Congo, Cameroon, and the Democratic Republic of the Congo (DRC)). Points can also be obtained for companies that are FSC or PEFC certified.

What is the added value of SPOTT compared to certification?

Certification is an extremely valuable tool for defining the nature of environmental and social best practice and ensuring its delivery on-the-ground. SPOTT is complementary and supportive of efforts to maintain and increase levels of certification in tropical forests.

SPOTT covers environmental, social and governance (ESG) issues that are both within and beyond the remit of certification. Certified companies assessed on SPOTT can therefore highlight the benefits of certification to its ESG practices, along with the companies' work to address ESG issues that sit beyond the scope of certification, such as efforts to include women across forestry operations (SPOTT Timber and Pulp indicator 94). For non-certified companies, SPOTT can highlight commitments and evidence of good practice outside of certification. In both cases, companies can use SPOTT to help structure their communication and to demonstrate their efforts to stakeholders.

How does SPOTT fit in with the European Union FLEGT Action Plan?

The link between SPOTT and FLEGT is indirect. SPOTT is funded by DFID through the [Forest Governance, Markets and Climate](#) (FGMC) programme. This programme and its funding aim to improve forestry governance and reduce deforestation and illegal logging, in line with the objectives of the FLEGT Action Plan. SPOTT contributes to reaching these objectives by promoting greater transparency in the forestry sector. Among the 50 new companies selected by SPOTT in 2019, the majority operate in countries at various stages of Voluntary

Partnership Agreement (VPA) development. SPOTT has also included more indicators dedicated to legality in the assessments, including eight linked to company disclosures on the [Open Timber Portal](#). Assessed companies can therefore use SPOTT to better communicate their performance on issues linked to legality.

2.2 Presentations by local stakeholders

Dr. Zhu, Country Representative of IUCN China

Dr. Zhu provided introductory remarks covering the objectives of the Forum and key points of interest for the attendees. He noted that China has started to import large quantities of timber due its logging ban and that novel solutions were needed to assist the Chinese government, conservation organisations, and companies in their efforts to conserve forests.

Li Fei, Carbon Disclosure Project (CDP)

Li Fei spoke about the power of procurement policies and investor engagement to remove deforestation risks from commodity supply chains. He highlighted CDP's work on increasing information disclosure from companies around carbon, water and forest conservation. CDP works across the 'big four' commodities of timber, soy, livestock, and palm oil. He noted that of the nine Chinese companies that have responded to CDP, they generally have a low awareness of risk management in forestry. To address this there is a need to increase consumer demand for more sustainable products in China. Investors are also under greater pressure on sustainability issues and so are increasingly engaged with companies.

Qin Liyi, European Forest Institute (EFI)

Qin Liyi discussed EFI's work on promoting timber legality in China. She noted that new acts, regulations and requirements have been emerging in consumer markets, such as the FLEGT Action Plan and EUTR and the US Lacey Act. Such steps may help to increase demand for legally produced timber including in China. Another identified priority is direct engagement with the government in China to encourage the targeting of illegal logging and promotion of legal timber through policy mechanisms. EFI has also been working to increase China's capacity to address legality issues, for example assisting the Chinese Academy of Forestry (CAF) with preliminary research on the recognition of V-legal documents³ between Indonesia and China.

Shi Feng, China National Forestry Products Industry Association (CNFPPIA)

Shi Feng highlighted the importance of transparency and CNFPPIA's work supporting information exchange with industry and the development of forestry related standards. He noted that there was much attention on China's timber imports from other countries, for example the use of rare timber species. CNFPPIA is working on a new project with the Department of Planning and Finance on how to standardise overseas forest exploitation and establish rare and precious species. A key area of focus of CNFPPIA is promoting international cooperation. This will be supported through a forthcoming Global Forestry Trade and Development Forum that will promote collaboration between ASEAN countries.

Sun Xiufang, Forest Trends

Sun Xiufang provided an in-depth analysis of China's timber imports and exports. China's imports of logs and sawnwood have exceeded domestic production since 2014, with just 15 companies accounting for 93% of timber imports in 2017. Tropical hardwood accounted for 18.9% of total log imports and 20% of sawnwood imports. In 2014, Chatham House estimated that 25% of China's timber imports were from illegal sources –

³ V-legal documents are export licences issued in Indonesia attesting that timber complies with the Indonesian timber legality assurance system SVLK.

down from 40% in 2000, although absolute volumes have been increasing. Poor governance, conflict, and a log export ban present the highest risks of illegalities. In 2017, 19% of China’s hardwood imports come from countries on the World Bank’s list of fragile states. Top buyers of Chinese wood products include the US (35%) and EU (16%), which are relatively sensitive markets.

Huang Wenbin, WWF China

Huang Wenbin spoke about WWF China’s work on promoting legal and sustainable timber. He highlighted the need to support countries in developing their own processing capacity, given that lots of source countries are trying to escape poverty, but still exporting raw products. Industrial parks in source countries could result in increased processing with higher utilisation rates, build local capacity, and support sustainable management, employment, and community cooperation. New ways are needed to cooperate with African countries, for example the Memorandum of Understanding (MoU) between China and Mozambique, which includes processing.

Max Zhen, TFT China

Max Zhen discussed TFT’s perspectives and practical experience of demonstrating legal and sustainable timber sourcing in China. TFT’s member companies, from sectors such as pulp, palm oil, cotton, soy, and textiles, want to redesign their supply chains to meet market demands for environmentally sustainable products. He highlighted TFT’s Values, Transparency, Transformation, and Verification approach, which helps companies to identify their values and create appropriate policies. This approach also encourages greater traceability, as there is a need to better understand upstream risk levels by supply chain level through to source. TFT also provides satellite monitoring and independent monitoring systems for companies.



Presentation session during the China Forum. Image credit: ZSL

3. Discussion sessions

During the Forum, participants held discussions in breakout groups to answer the following questions:

- What are the opportunities associated with responsible sourcing of timber in China?
- What are the challenges associated with responsible sourcing of timber in China?
- What are the actions that could be taken by all parties to overcome the identified challenges and seize opportunities?

The outcomes of the exchanges and discussions that followed are set out below.

3.1 Opportunities

Growing requirements in consumer markets

- EU, US, Japan, Australia, and Republic of Korea have increasingly stringent requirements, and companies in China are increasingly aware of these regulations.
- Client driven requirements for forest product certification, such as FSC, is increasing awareness and demand for more sustainably produced forest products.

Companies are responding to NGO pressure

- NGO campaigns are generating public awareness of environmental and social issues associated with the illegal timber trade – this is being heard by large companies that are under pressure.

Shifting policy environment in China

- The overall environment in China is moving towards the promotion of green development, with the Belt & Road initiative and FOMAC seen as offering policy opportunities.

3.2 Challenges

Economic concerns

- The economic slowdown in China imposes greater challenges and a need to contextualise efforts to tackle illegal logging within the wider context of trade.
- Efforts to tackle illegal logging cause additional costs for industry, especially small and medium enterprises in less developed regions of China.

Difficulties engaging government

- There is no consolidated ministry to engage with and so multi-pronged approaches with detailed technical plans are required before engaging ministries.

Limited incentives to act

- There's a lack of compulsory regulations on timber sourcing in China and still generally low consumer awareness in the internal market for forest products.
- Responsible sourcing policy focuses on large scale companies, but most companies are small and medium enterprises. It is therefore difficult to promote good practice among such companies as incentives are low for them to act.

Technical difficulties in addressing illegality

- There are numerous technical issues involved identifying upstream illegality. Traceability is needed to fully understand the risks, but this is difficult to achieve.

3.3 Actions

Develop incentives

- Businesses can be short sighted so it's important to show them the benefits of sourcing legal and sustainable timber – engagement with businesses with high purchasing power is important.
- Traditionally the focus of consumers was on cost rather than responsible sourcing, but this is changing over time – it is important to encourage ongoing change in this direction.
- Flagship companies can serve as a role model and help to leverage the whole sector.

Targeted technical support

- Companies could be provided differentiated levels of technical support depending on their size and supply chain position, so increasing their capacity in terms of responsible sourcing.

New policies and guidance

- Top-level policy design and detailed and practical policy guidance are required. Trade bodies can assist in this by bringing in the views of industry and encouraging business engagement.

Collaboration

- Bringing about more responsible sourcing in China requires consolidated efforts, with government, industry, and civil society working together.

4. Conclusions

SPOTT seeks to promote constructive dialogue between the forestry industry, government, financial institutions and civil society organisations. In line with this approach, the 2019 China Forestry Transparency Forum gathered a wide range of stakeholders linked to China's forestry sector. The Forum included presentations and breakout group discussions on the current status of responsible sourcing in China and how it might be improved over time, including the role of greater transparency.

Participants agreed that there was a growing move towards more responsible practices internationally. Increasingly stringent requirements on the trade of forest products in international markets are resulting in increased awareness and action by Chinese companies. Meanwhile, NGO campaigns are increasing public awareness of the environmental and social issues associated with the illegal timber trade. China is also moving towards the promotion of green development. However, continued progress is contingent on making clear the business case for responsible trade in the context of China's economic slowdown, including the ongoing development of economic incentives for action. Novel solutions are needed to overcome complex institutional and technical barriers to progress.

Cross-sector collaboration will be required to continue to increase understanding and implementation of sustainable timber sourcing in China. Differentiated technical support should be offered to companies to help them increase their capacity in this area. The identification and engagement of flagship companies on this issue may also help to transform the marketplace by demonstrating the reputational and competitive advantages of sustainable best practice. Consumer demand must also be grown to support the economic case for such business engagement. Finally, the development of detailed top-level policies and guidance is required to drive change and will require multi-stakeholder input. All these actions require great levels of transparency for all stakeholders to effectively collaborate and achieve intended outcomes.

ZSL will organise another Transparency Forum in China in 2020. This event will build on the 2019 Forum and will take stock of the actions taken by stakeholders to increase transparency and responsible sourcing, the obstacles they have faced in trying to do so, and the support they need to continue and strengthen their efforts. Until then, SPOTT and its partners will continue to support forestry companies in their efforts towards greater transparency and sustainable best practice.

Annex. Participants and feedback

Number of participants

a. By category of stakeholders

Forestry companies	0
Industry associations and trade bodies	5
Total number of participants from the forestry private sector	5
International and local NGOs	14
Multilateral organisations and initiatives and international administrations	2
Local governments and administrations	0
Others (e.g. consultancy, academia)	2
Total number of other participants	18
Total number of participants	23

b. By gender

Total number of participants	23
Number of female participants	14
Number of male participants	9
Percentage of female participants	61%

Number of organisations

Forestry companies	0
Industry associations and trade bodies	3
Total number of participants from the forestry private sector	3
International and local NGOs	10
Multilateral organisations and initiatives and international administrations	2
Local governments and administrations	0
Others (e.g. consultancy, academia)	2
Total number of other participants	14
Total number of participants	17

Summary of feedback

Percentage of respondents	56.5%
Q1 - Transparency issues were adequately captured during the forum	4.4 / 5
Q2 - I found the presentations useful	4.5 / 5
Q3 - I found the breakout sessions useful	4.6 / 5
Average "Presentations and breakout sessions"	4.4 / 5
Q4 - SPOTT's objectives are clear	4.8 / 5
Q5 - SPOTT's methodology is clear	4.5 / 5
Q6 - SPOTT (findings, data) could be useful to my work/activities	4.5 / 5
Average "About SPOTT"	4.6 / 5
Q7 - I found the event efficiently organised (logistics, transport, venue, information...)	4.8 / 5
Q8 - I found the facilitation efficient (welcome, moderation of sessions)	4.7 / 5
Average "Organisation and facilitation"	4.7 / 5
Average all questions	4.5 / 5

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About SPOTT

Developed by the Zoological Society of London (ZSL), SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

SPOTT assesses commodity producers and traders on the public disclosure of their policies, operations and commitments related to environmental, social and governance (ESG) issues. SPOTT scores companies annually against sector-specific indicators, allowing them to benchmark their progress over time. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage risk, and increase industry transparency.

For more information, visit [SPOTT.org](https://www.spott.org).



The SPOTT initiative is funded by UK aid from the UK government; however, the views expressed do not necessarily reflect the UK government's official policies.

About ZSL

ZSL (Zoological Society of London) is an international conservation charity working to create a world where wildlife thrives. From investigating the health threats facing animals to helping people and wildlife live alongside each other, ZSL is committed to bringing wildlife back from the brink of extinction. Our work is realised through our ground-breaking science, our field conservation around the world and engaging millions of people through our two zoos, ZSL London Zoo and ZSL Whipsnade Zoo. For more information, visit www.zsl.org