



6 October 2006

## **Timber and Wood Products Purchasing Policy Review Update**

Bunnings is committed to ensuring that the wood and wood products we sell are sourced from legal and well-managed forest operations.

“In 2003 we led the Australian market in adopting a policy which set this as a goal to be achieved in annual steps” said Managing Director John Gillam.

“We did this because we shared justifiable public concern about issues of legality and sustainability of forest operations in some of the countries from which we are supplied.

“We believe that action at our end of the chain from forest to consumer will make a positive contribution in the countries of origin.

“But we always knew that there was no overnight solution and that Bunnings would need to work cooperatively with a range of other parties to help bring about desirable change.

“Since then we have been communicating with hundreds of suppliers, obtaining expert advice on the best way to proceed and having discussions with environmental organisations concerned about these issues and with government.

“In New Zealand, we have been and we remain, an active member of the New Zealand Imported Tropical Timber Group (ITTG), which formed in 1994 under a charter of understanding between tropical timber importers, retailers and environmental organisations, with appropriate government observers, committed to the sourcing of sustainable timber products.

“Our work to date has made us even more aware of the complexity of these matters and reinforced the need to proceed as we have been doing using a ‘step-wise’ approach.

“We have recently conducted an extensive review of our progress within Australia in implementing the policy to determine the best way forward.

“As a result we have decided to focus our efforts on:

- higher risk countries and products; and
- establishing a verifiable legal basis as a condition of future supply.

“The main findings from our review and our decisions on future actions are set out below.”

- We outlaid about \$370 million in 2005 on purchases of whole wood products (excluding manufactured products with wood components such as garden tools).

- We have classified a little over 90 per cent of this as being low to very low risk in that the overwhelming majority (86 per cent) is derived from Australian and New Zealand native and plantation operations and the balance is made up of other softwood imports. This does not imply certification has been achieved for all these products but we have confidence in the legality of the supply source.
- A little under 10 per cent of our purchases are comprised of tropical hardwoods which are classified as higher risk. These purchases are mainly solid timber sections but also can include components of garden furniture, doors, door and window frames, ply, panel and laminated flooring.
- Suppliers of tropical hardwoods will be required to agree, by the end of this calendar year, to commit to a two year programme to achieve certified legal verification for their products.
  - They will have to report progress on an ongoing basis.
  - Products that do not comply with the requirements will be taken off range.
  - Any new suppliers must immediately accept the obligation to commit to legal verification.
  - The basis for the required certification procedure is expected to be established by the initiative detailed below.
- We have engaged SGS Forestry Services, an independent arm of one of the world's leading inspection, verification, testing and certifying authorities, to conduct a pilot study involving suppliers sourcing tropical hardwood flooring and decking from Indonesia.
- SGS auditors will in the next few weeks be visiting several mills which process this product, much of it sourced from the West Papua province of Indonesia, and which ultimately makes its way to our stores via three suppliers.
- Using experience gained from implementing its Timber Legality and Traceability verification (TLTV) service in Indonesia and Africa, SGS will map the supply chain and verify an effective chain of custody from forest source to the point of export.
- We will also continue to engage with other credible third party organisations that can provide reliable timber certification services from higher risk areas.
- We will then determine a model to be applied to the broader range of products and suppliers in this category.

“The refocusing of the implementation of the Policy outlined above reflects the recommendations of advice received from URS Forestry earlier this year,” said Mr Gillam.

“This recognised the fact that only relatively small quantities of certified wood products are currently available, despite the best efforts of organisations such as the Forest Stewardship Council (FSC) over the past 10 years. URS noted that while certified sustainable forest management should remain the objective – as it does for us – the focus had shifted to using legal verification as a starting point.

“It suggested the process of risk assessment and verification of high risk sources leading to chain of custody certainty that we have since followed and which we will bring closer to finalisation through the SGS-commissioned work.

"I want to make it clear we have not resiled in any way from our 2003 policy objectives. Regrettably we have not progressed as rapidly as we would have liked and it is certainly the case that the complexity of the issue has become more obvious as we have gained more understanding of the issues.

"But we are proud to have led our industry with this initiative and we intend to see it through. We have suffered some commercial pain already because of a premium attached to some certified products which we have been stocking. Equally evident is the fact that it is impossible to make a near-term switch to stocking only certified products because they don't exist in quantities that go anywhere near meeting demand.

"That having been said, the amount of certified products in our stores continues to increase. For instance, we have recently procured a significant quantity of FSC-certified outdoor furniture as part of our 2006 spring range. That trend will continue."

Mr Gillam said Bunnings' 2003 initiative had had an impact outside the company's own operations.

"A review prepared for the Australian Timber Importers Federation and released in June found the 'predominant driver' of interest in or action by importers on determining legality of supplies was our policy stand taken in 2003 and the fact that we had been communicating our requirements to suppliers," he said.

"Over this period we have valued an ongoing dialogue with organisations such as Greenpeace and WWF Australia. We have cooperated with Greenpeace in the development of The Good Wood Guide which advertises the availability of certified wood products and some of the products we sell are included in the guide.

"We will be having further discussions with WWF Australia which, I hope, will lead us to becoming a member of the Australian Forest and Trade Network, an association of companies, non-government organisations and others committed to promoting responsible forestry and certification.

"There is no doubt that if real progress is to be made there must be cooperation between the private sector, environmentally-concerned organisations and government. It is too big and complex an issue for any one company or agency or organisation to tackle alone and the success of New Zealand's ITTG demonstrates that a collaborative approach has worked well in that country to encourage a level playing field for legal and sustainable timber products.

"We understand the Australian government will in the future be releasing a discussion paper as the basis for developing a policy position and we look forward to working with it and all other interested parties over the long term.

"We will continue to do what we can to achieve workable outcomes and I believe the measures we are taking will produce tangible results."

**- Ends -**