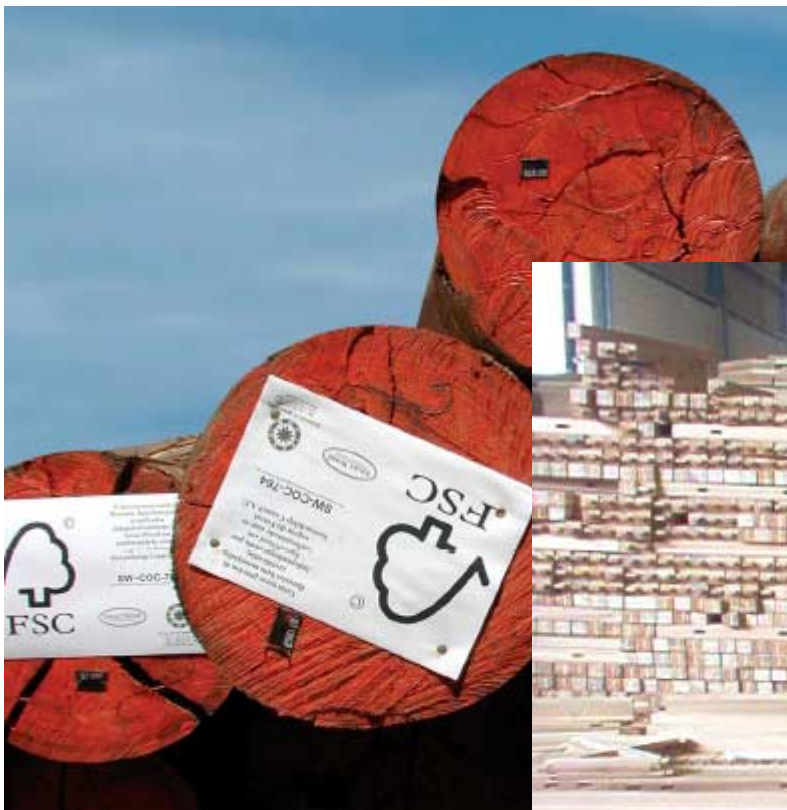


CERTIFIED & LABELED WOOD TRADE

Benefits and Obstacles from a “Southern” perspective

Who is ScanCom?



June 8th, 2005

ScanCom Group of Companies
Ms. Le Thi Nhu Hoa – International Environment Manager



Moving to good wood

ScanCom's history is that of turning a situation of confrontation with environmental organizations into a state of cooperation and responsible leadership.

We did not escape criticism and we have acted very strongly to ensure that our environmental performance as well as overall profitability improved.

Today we are the worldwide leader in the wooden outdoor furniture industry using FSC certified wood.

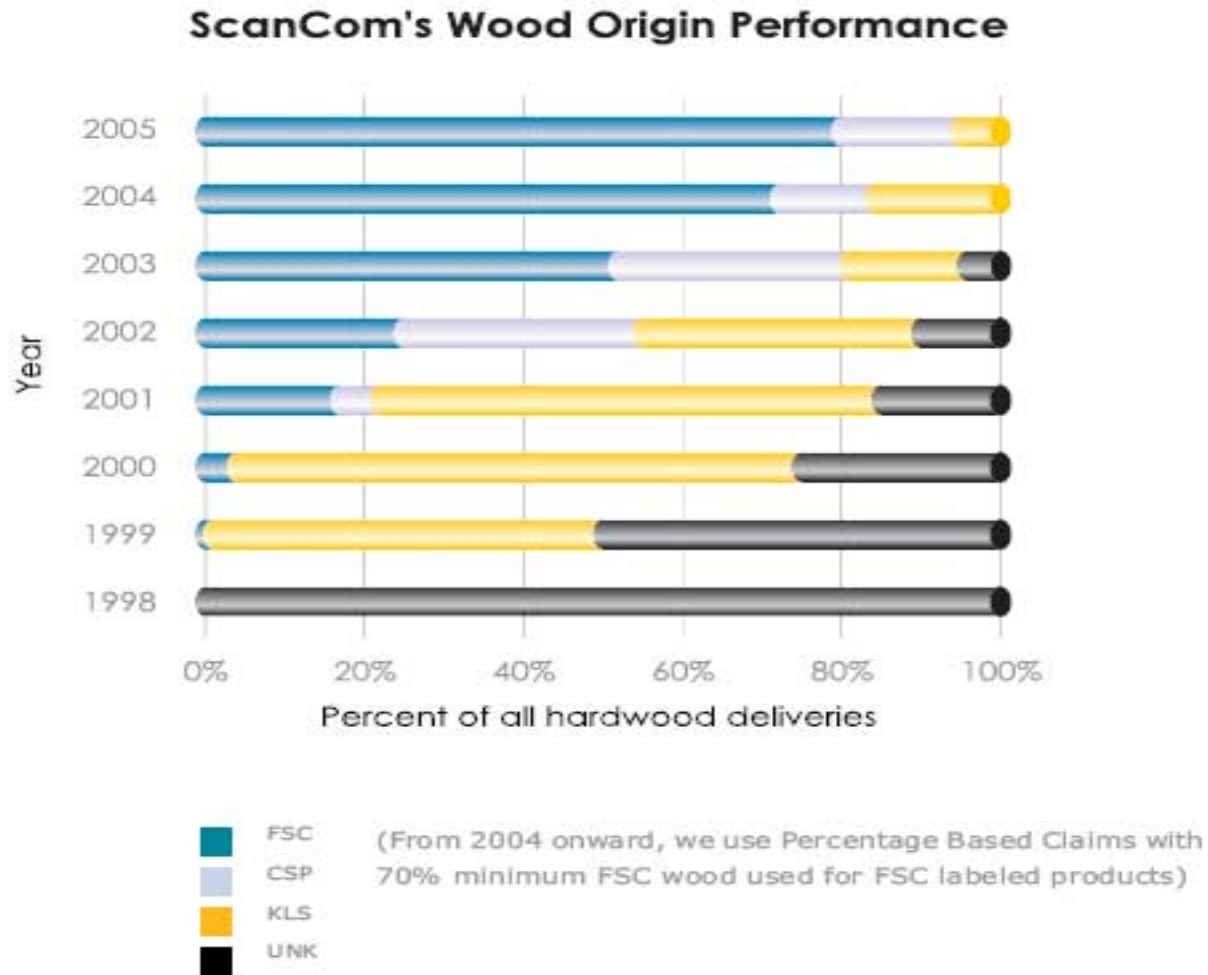
Moving to good wood

- 1998: ScanCom committed to a Company Environmental Policy, but we were not able to prove wood origin.
- First container of FSC certified products is shipped in November 1999, but still 50% of the timber is from unknown sources.
- In December 2000, we introduced Chain of Custody systems in all our production facilities to trace origin of our products. As a result, the volume of legal wood was increased to 82% with approximately 1500 shipped containers by June 2001.

Business expansion

- In 2002 the procurement of large volumes of FSC wood from Klabin, Brazil and the Solomon Island was started.
- By 2003 unknown wood was reduced to less than 2%. 50% of 3000 containers carried FSC labeled products.
- In 2004 75% of our production capacity was dedicated to producing FSC labeled products.
- In 2005 approximately 80% of our products (around 5,000 containers) is FSC labeled.

Growing ScanCom with FSC wood



June 8th, 2005

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1. Why FSC but no other schemes?
2. Is it easy to find enough FSC wood?
3. Is it easy to focus on one brand?

Why FSC but no other schemes?

- ScanCom conducted a study 6 years ago and found that among many forestry certification schemes, FSC was the most credible one.
- Since then we committed to our environmental program which includes developing and maintaining Chain of Custody system, increasing the volume of FSC wood used while also focusing on social accountability within our business.

Is it easy to find enough FSC wood?

- Limited locations (South America, South Africa, Pacific)
- Shortage of volumes at reasonable price
- Gaps in the supply chain

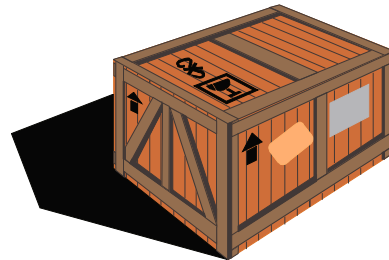
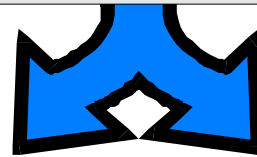
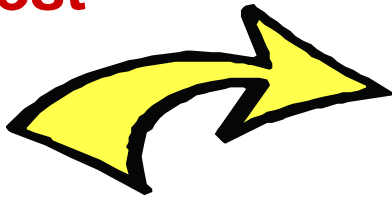
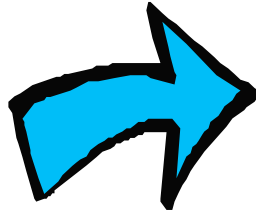
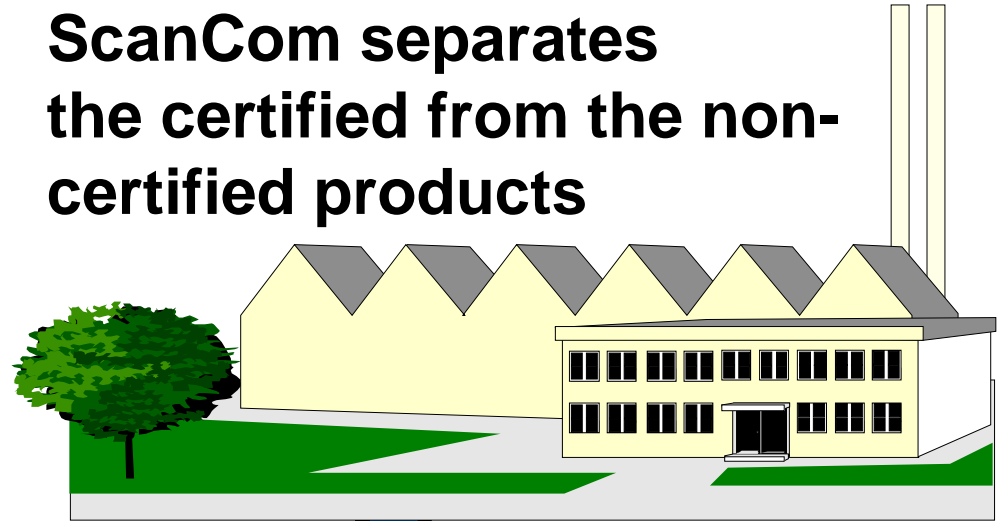
Is it easy to focus on one brand?

- **FSC trademark integrity is challenged**
- **TFT (Tropical Forest Trust) advertise their own brand although they can only provide labeled wood but not certified wood**
- one of the reasons that the awareness of the FSC brand among consumers is low is that there are so many brands and standards out there. We have FSC, TFT, MTTC, CERFLOR, PEFC and many others. The consumer cannot distinguish between FSC and TFT. Or between MTTC and PEFC.
- In essence marketing of TFT to consumers undermines FSC and since it is far easier to meet TFT requirements, producers and retailers may be inclined to aggressively market TFT, so they don't have to go through all the troubles associated with FSC. This could lead to a decline in what is acceptable and FSC has to realize that their position is seriously threatened and unfortunately by a lesser standard, that they should not at all endorse.

How does ScanCom procure wood?

ScanCom is managing FSC and legal timber

ScanCom separates the certified from the non-certified products



**(Percentage-based)
Certified Product**

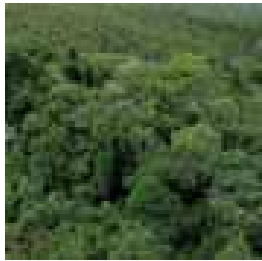


**Certified Forest
with FSC.**

**Non-certified forest,
but controlled
legal source.**

Non-certified product
(slide taken from GTZ)

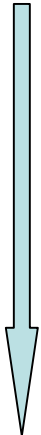
FSC based CHAIN-OF-CUSTODY at ScanCom Group



Klabin forest SW-FM/COC-NTFP038
NCT plantations SGS-FM-0348
Siya Qhubeka SGS-FM/COC-0870

Wood trader
SCC Brazil SW-COC-0764
Safind SGS-COC-1758
Trade Africa SGS-COC-1793

Wood trader to Vietnam:
SCC Hong Kong SW-COC-911



SCC customers

Furniture traders
SCC International SW-COC-932
SCC Hong Kong SW-COC-911
SCC Germany SW-COC-1170

Manufacturers:
Group certificate for 20 members:
SW-COC-726
SGS certified factories

Wood Importers:
ScanCom Logistics
SW-COC-1258



ScanCom Group of Companies

Ms. Le Thi Nhu Hoa – International Environment Manager

Wood Procurement Policy at ScanCom

Wood Procurement Policy at ScanCom

- FSC certified or all below needed:
 - Legally harvested and traded
 - Not harvested from genetically modified trees
 - Harvested without violation of traditional or civil right
 - Not harvested from forest where the management poses a threat to high conservation values present

Wood Procurement Policy at ScanCom

1. The key point is that ScanCom buys wood and supplies it to our contracted manufacturers (CMs).

ScanCom buys wood under an evaluation program to make sure that the wood is legal. When we cannot have personnel /information to verify the wood, we hire third party auditors.

For the evaluation program, we start with the exact location of the forests of a particular supply and collect information from trustable sources like WWF, SmartWood, SGS and other NGOs to verify the legality of the logging and environmental conflicts (if any) of this area.

Wood Procurement Policy at ScanCom

- **If ScanCom cannot provide enough wood to our CMs, and if our CMs can find sources of wood for themselves, we send auditors to their factory to audit wood origin documents and the wood itself.**

The following documents are required: **invoice/commercial invoice, sales contract, bill of lading, log list, certificate of origin, custom/ forest police inspection declaration, harvest license and tax receipt (for non-FSC wood) and FM - COC certificates of the forest and wood traders (for FSC wood).**

Location of the forest also has to be clarified.

If wood document inspection shows good result, they can use the wood for ScanCom products.

Wood Procurement Policy at ScanCom

- Constantly we update a black-list of countries we can not approve as legal wood source. At the moment wood from Indonesia, Cambodia, Myanmar, Laos and Sarawak-Malaysia is not allowed to enter our suppliers' factories in Vietnam.
- Wood from controversial sources is not accepted within ScanCom although wood origin documents can prove its legality.

ScanCom's procedure for wood purchasing/approval

ScanCom's procedure for wood purchasing/approval

- Identification of optional sources
- Collection of information
- Verification of documentation
- Optional field inspections
- Approval of potential sources
- Maintenance of positive/negative list
- Continuous audits of physical timber

ScanCom's procedure for wood purchasing/approval

- Wood buyers send the list of potential sources to the International Environment Manager of ScanCom for a source evaluation process.
- Needed information should also be provided to enhance the evaluation process (location, any environmental or civil right conflicts, forest management situation,).
- Wood purchasing procedure has to be applied at the start of identifying a source – ScanCom's requirements for wood are sent to suppliers prior to any business negotiation.

ScanCom's procedure for wood purchasing/approval

- Purchasing documents: purchase order, sale contract, bill of lading, log list, certificate of origin, commercial invoices, custom/police forest inspection declaration, forests' certifications (for FSC and CSP wood) and harvest license/permit, tax receipt for controlled non-FSC wood.
- Stakeholder consultation to approve additional information to evaluate legality.
- Field inspection if required.
- Final decision will be issued by the International Environment Manager and the Management Board of ScanCom. If in doubt: reject!



**Thank you
for your
attention!**

**Comments?
Questions?**

Good bye! Hope to see you in Vietnam

