



The world leader in birch plywood



SVEZA: Complying with the Lacey Act

# Why SVEZA?



## Stable supply of large volumes of plywood

- 900,000 m<sup>3</sup> of plywood annually;
- SVEZA share in the world is 22%;
- 70 purchasing countries



## Wide product range of high-quality plywood

- 100% birch veneer;
- all popular formats: 5x5, 4x8x4, 5x10; raw and film-faced;
- 200+ sizes and thicknesses;
- ISO 9001, CE marking, BFU-100, CARB, FSC, DDS EUTR\*



## Access to raw materials

- 6 mills are located in the regions rich in birch forests;
- European competitors cannot increase their production



# **Lacey Act and Russian law**

**How to control lawfully sourcing in Russia?**

# Legality control in Russia: general terms\*



- “Forest Code of Russian Federation, dated 04.12.2006 #200-FZ” (Federal Law) –a generic law, which defines the forest management in Russia.
- Forests in Russia are situated on the lands of forest fund. Forest areas within the lands of forest fund are in federal ownership of Russia.
- Legal logging in Russia is performed:
  - According to the leasing agreement of the forest plot, possessed as governmental or municipal property.
  - According to purchase agreement of the forest stand.
- Logging operations can be performed by the bodies, which are registered in Russia in accordance with federal law #128-FZ dated 08.08.2001.
- Forest management of forest plots is performed in accordance with forest exploitation plan. Content and design principles of this plan are defined by authorized federal executive body. Expertize of the forest exploitation plan is carried out by authorized State government body of a constituent entity of the Russia.
- Annual logging operations on the forest plots is performed in accordance with forest declaration, which represents a notification about forest utilization in accordance with forest exploitation plan. Form of forest declaration and its filling order are defined by authorized federal executive body – Federal Agency for Forestry. Forest declaration clearly defines compartments where logging is allowed (till sub-compartments), as well as allowable cut for each tree species
- Forest operator (body which lease a forest plot) filing forest declaration annually in to the Governmental authorities. If authorized Governmental authorities determines inconsistency or mistakes in field forest declaration, then within 5 working days this authority sending our written notifications of refusal to accept filed forest declaration. Otherwise forest declaration shall be taken to be accepted and logging operations according to this declaration are legal.
- Implementation of the logging operations according to the forest declaration performed by the forest operator under surveillance of Forestries and Municipal forests.

# Legality control in Russia: general terms\*

- “Forest Code of Russian Federation, dated 04.12.2006 #200-FZ” (Federal Law) – a general forest management in Russia.
- Forests in Russia are situated on the lands of forest fund. Forest areas within the lands of forest fund are in federal ownership of Russia.

## Conclusion:

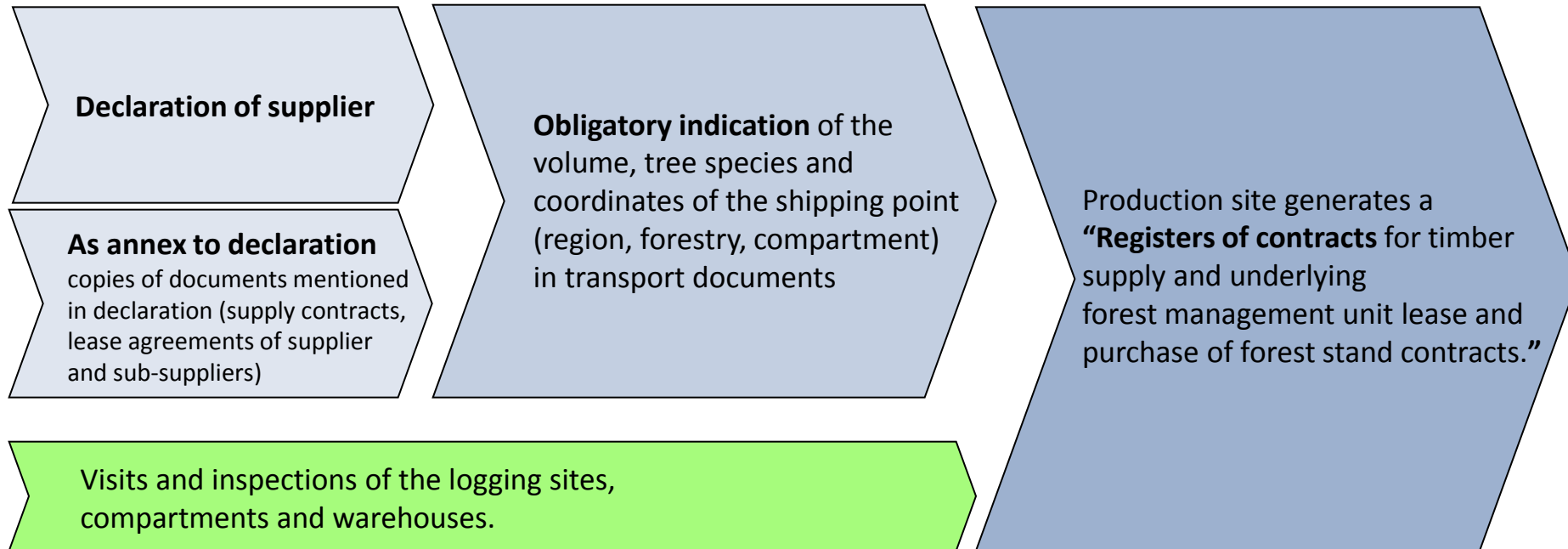
Legality control of the logging operations (location of origin, tree species and volume) in Russia is possible to realize by checking **the Forest declarations** and **the Purchase agreement of forest stand** of the terminal forest operators (last in a chain of custody).

- Legal logging
  - Logging
  - Logging #128
- Forest principles carried
- Annual notification filling clear tree s
- Forest authorities. If authorized governmental authorities determines inconsistency or mistakes in field forest declaration, then within 5 working days this authority sending our written notifications of refusal to accept filed forest declaration. Otherwise forest declaration shall be taken to be accepted and logging operations according to this declaration are legal.
- Implementation of the logging operations according to the forest declaration performed by the forest operator under surveillance of Forestries and Municipal forests.

# How SVEZA controls an origin of the raw wood

GFA Certification\*, an international company and forestry expert, developed for SVEZA a system of control of legality of raw wood – Due Diligence System (DDS). The system works since March 2013.

## 1. Control of wood raw materials supplied by non-certified suppliers:



2. Control of wood raw materials supplied by FSC certified suppliers – is the same procedure, but all wood suppliers has FSC certificates proved by annually inspections by independent company.

\* [www.gfa-certification.de](http://www.gfa-certification.de)



---

# Tracing of chain of custody of SVEZA

# SVEZA is the world leader in birch plywood

- SVEZA uses Birch (*Betula* spp.) as an **only** species of wood.
- The raw wood supplied to production sites **only** from the territory of Russia.
- SVEZA sells plywood **only** from own 6 production sites in Russia.



According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0579-0148. The time requirement to provide this information collection is estimated to average 0.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

OMB APPROVED 0579-0148 Exp. Date:

**SECTION 1 - Shipment Information**

1. ESTIMATED DATE OF ARRIVAL (MM/DD/YYYY): 10/31/2012

2. ENTRY NUMBER: 231-11111116-2

3. CONTAINER NUMBER: EYX12345  See Attachment

4. BILL OF LADING: DGY232345

5. NID: CN1237U/YB654

**Plant and Plant Product Declaration Form**  
Section 3: Lacey Act Amendment (16 U.S.C. 3372)

**APRIS**  
U.S. DEPARTMENT OF AGRICULTURE  
ANIMAL AND PLANT HEALTH INSPECTION SERVICE

6. IMPORTER NAME: IMPORT COMPANY INC

7. IMPORTER ADDRESS: 12345 Clayton Rd Houston, TX 77003

8. CONSIGNEE NAME: IMPORT COMPANY INC

9. CONSIGNEE ADDRESS: 12345 Clayton Rd Houston, TX 77003

10. DESCRIPTION OF MERCHANDISE: Antler Mounting Kit style # HGTW1234 POP# 45124

**SECTION 2 - Compliance with Lacey Act Requirements (16 U.S.C. 3372(f))**

For each article or component of an article, provide the following:

11. HTSUS NUMBER: (6-digits/optional)	12. ENTERED VALUE:	13. ARTICLE/COMPONENT OF ARTICLE:	14. PLANT SCIENTIFIC NAME: (Genus)	15. COUNTRY OF HARVEST:	16. QUANTITY OF PLANT MATERIAL:	17. UNIT:	18. PERCENT RECYCLED:
4420908000	1,148	Pine Base	Pinus	Mexico	814.32	kg	0

Version 08-15-2011-8856  
APHIS FORM 502  
AUGUST 2011

Identify under penalty of perjury that, to the best of my knowledge and belief, the information furnished is true and correct:

(123) 456-7890 John Smith John Smith 10/2/2012

Signature Date

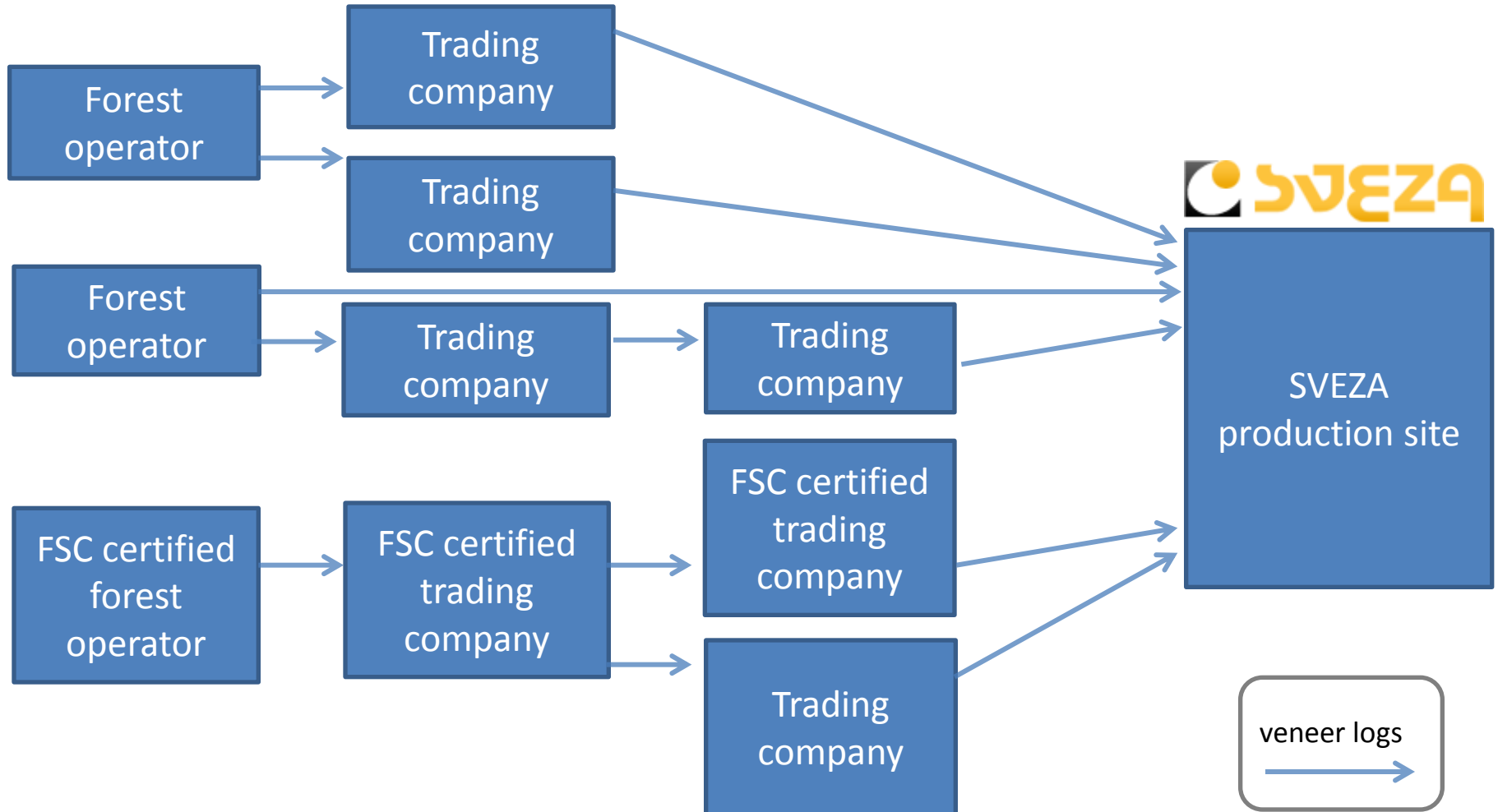
Page 1



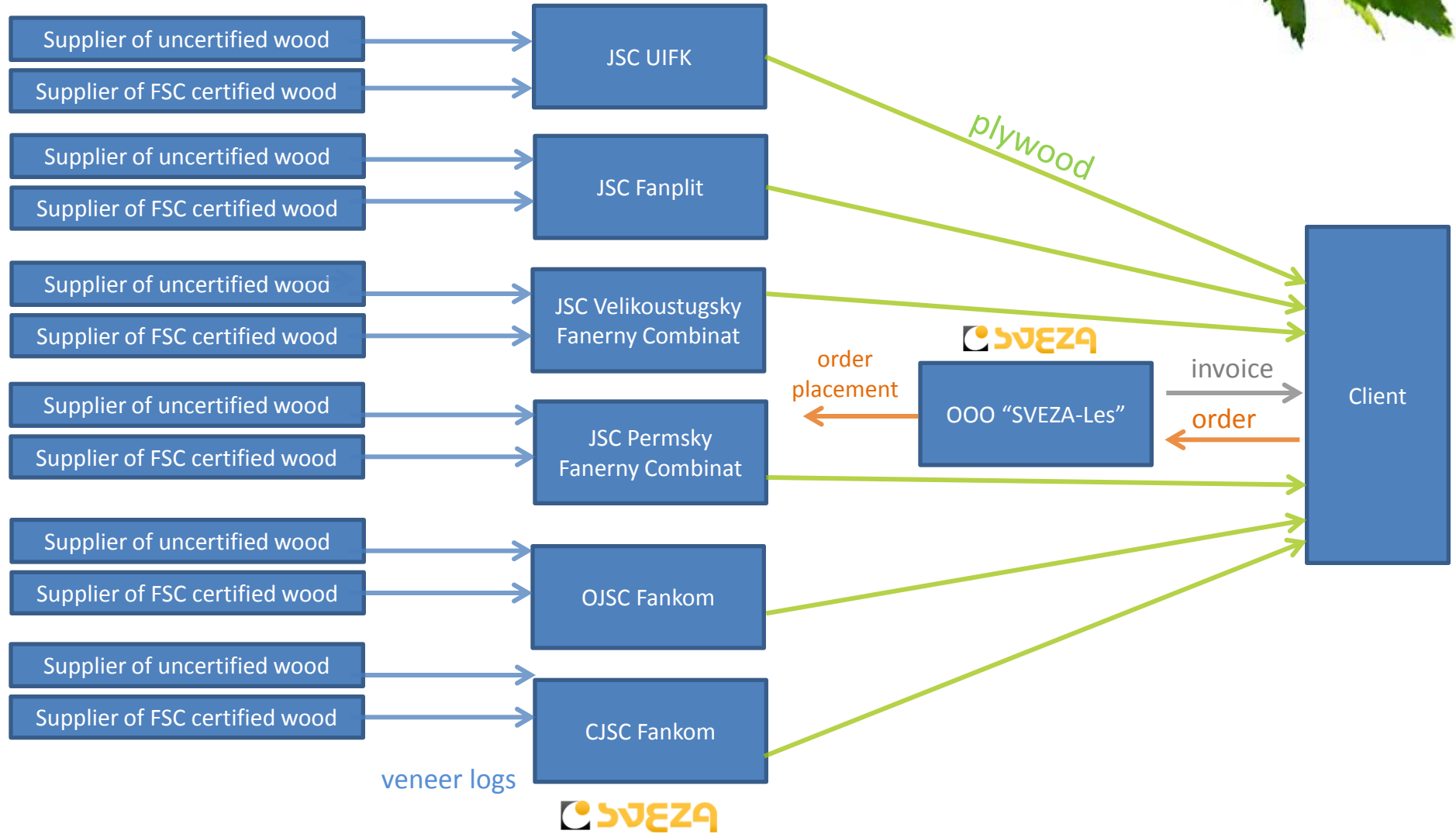
# Chain of custody of the production site of the SVEZA



There are different types of suppliers: forest operators or trading companies which resale raw wood. Direct supplier of production site provide SVEZA with declaration with records concerning all contractors in between. Declaration trace all contracts from forest stand.



# Chain of custody of "SVEZA-Les"





---

# **Bad practice of Lacey Act compliance control**

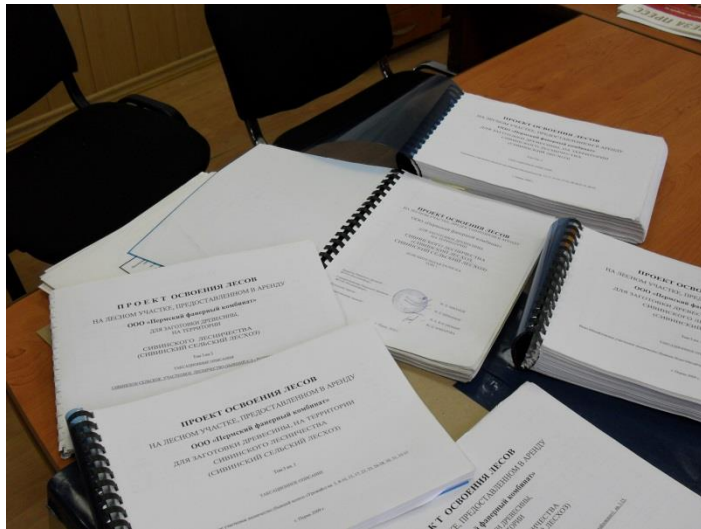
## Request for documents from USA client confirming a legal capacity of the company

---



1. Extract from EGRUL (Unified State Register of Legal Entities), decision on appointment of the General Director, etc).
2. Lease agreement with a registration stamp and all attachments (the lease period may vary from 1 to 49 years).
3. Basis for a lease agreement (if it was concluded on the basis of auctions than minutes of the auction).
4. Forest exploitation plan (valid during the period prescribed in the plan itself) with positive findings of the State appraisal.
5. Forest declarations with attachments (information on types and volumes of using forest and location plans of work zones).
6. Confirmation of lease payments (in the form of bank transfer order or in the form of a statement issued by competent forest authorities that confirms the absence of the debt).
7. Cutting areas logging charts.
8. Inspection certificates of felling areas.
9. The inspection certificates shall be issued not later than 2 months after the last day of timber harvesting.
10. Reports on the use of forest.
11. Phytosanitary certificate.
12. Customs declaration, other transportation documents (e.g. bill of lading, certificate of origin).

# How it looks like



The package of documents for each shipment just for one raw wood supplier of one SVEZA production site:

12 books of 900 A3 size pages each + 8 maps

This production site today has **167** contracts and sub-contracts with suppliers.

So, the question is: «If it is even possible to scan and send all documents, do You **really** able to read and check all of them?»



# **The optimal way to control SVEZA Lacey Act compliance**

# Best practice in legality control

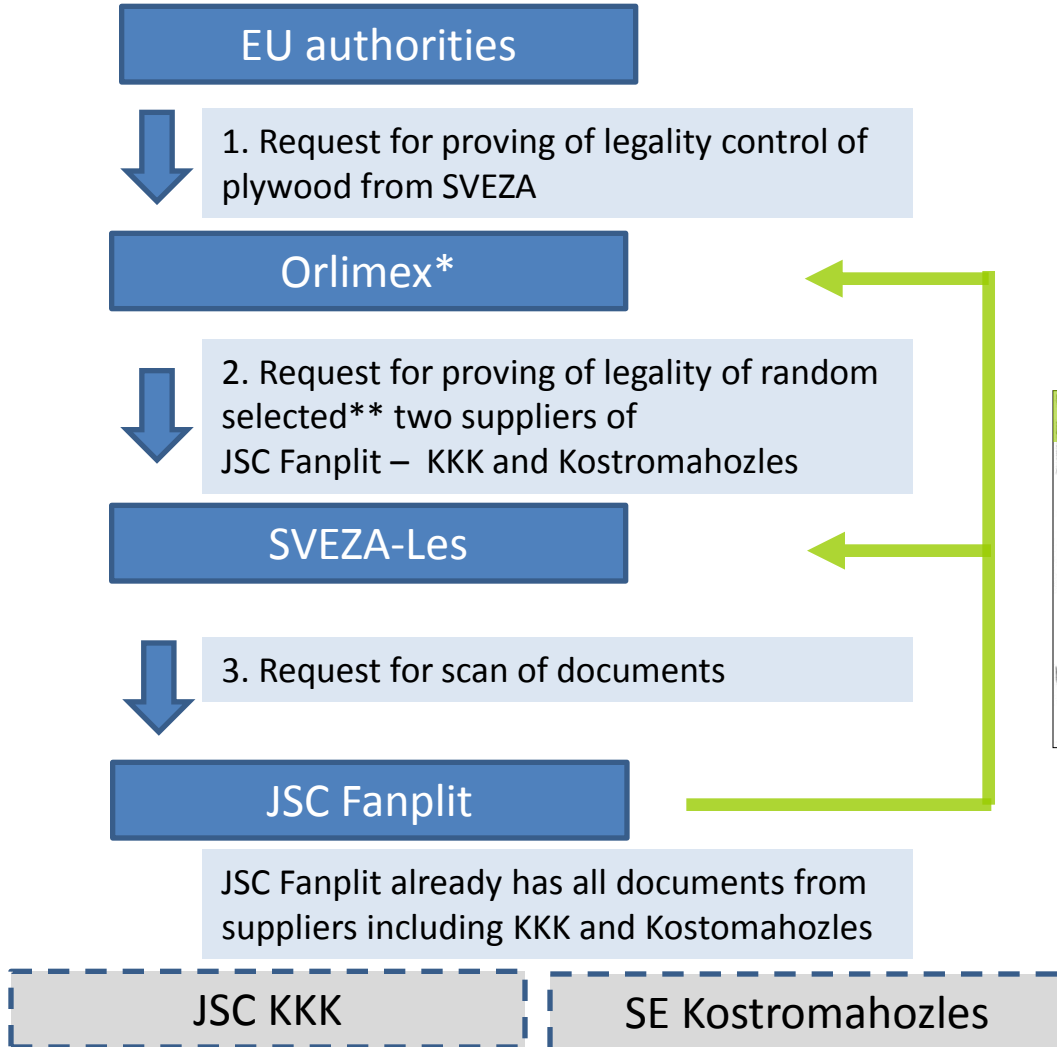
---

1. SVEZA signs an addendum to supply contract to declare Lacey Act compliance
2. SVEZA sends on a regular basis Registers of contracts for timber supply and underlying forest management unit lease and purchase of forest stand contracts.
3. SVEZA provides the possibility for the client to conduct verification of the information via selective control method. That means that SVEZA by the request obliged to provide 5 documents:
  1. Leasing agreement of the forest plot
  2. Forest declarations
  3. Supplier declaration
  4. Purchase agreement
  5. Invoice and transport documents

As was mentioned this pack of documents is enough to control the legality of wood sourcing.

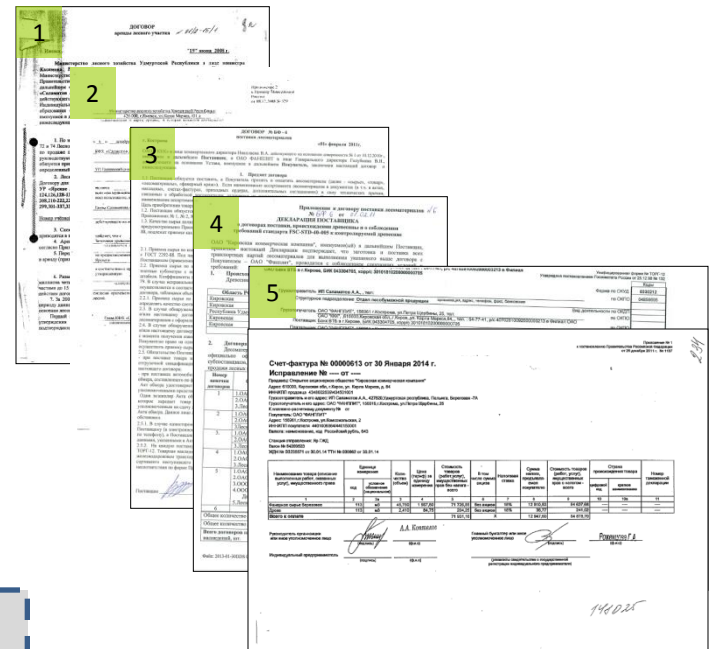
# An example of audit made in February 2014 for EU

The process of legality control already works in SVEZA for EU.



## Standard pack of documents:

1. Leasing agreement of the forest plot
2. Forest declarations
3. Supplier declaration
4. Purchase agreement and self-issuance
5. Invoice and transport documents



\*SVEZA's client in EU

\*\* Suppliers are selected from Register of contracts for timber supply and underlying FMU lease and purchase of FS contracts, which provide on a regular basis (twice a year)



## Focus on customer satisfaction

---



- SVEZA aimed to support clients comply with the Lacey Act.
- SVEZA already has real procedure for customers to control lawfully sourcing based on Register and an auditing by random sampling.
- An independent expert – «GFA Certification» confirms that SVEZA's DDS system meets needs of Lacey Act.
- We are ready to improve our system with your help, but it should be based on the understanding of Russian forest law and procedures.



**THANK YOU FOR YOUR  
ATTENTION!**