

Giant European and North American Manufacturers and Retailers Still Trading Merbau Wood Flooring of Dubious Origin *An Update to the 'Behind The Veneer' Report*

Rampant illegal logging of merbau trees is driving the destruction of the largest remaining tract of virgin tropical forest in Asia – the jungles of the remote Indonesian province of Papua. This destruction is being driven by international demand for cheap merbau timber for use in wood flooring.

After months of painstaking investigations across Asia, Europe and North America, in March 2006 the Environmental Investigation Agency (EIA) and Telapak released a report – *Behind the Veneer: How Indonesia's Last Rainforests are Being Felled for Flooring* - detailing how the world's largest flooring manufacturers and major retail chains in Europe and North America were selling products made from merbau wood of dubious and probably illegal origin.

The report named five global brand name flooring companies in Europe and North America, and six major retail chains responsible for selling this flooring. The report concluded that none of these companies knows precisely where all their merbau comes from or can prove it is legally sourced – directly contradicting environmental assurances given to consumers.

The EIA/Telapak report revealed that the vast majority of the merbau used by at least three of the global flooring brands actually originates in Indonesia's Papua province but cannot be traced to source, making it likely illegal. In addition, the report revealed specific evidence showing that two companies had supplied flooring made with merbau cut by Malaysian companies recently accused of illegal logging in protected areas, that the Indonesian supplier of one major flooring company admitted to paying bribes to obtain seized illegal merbau logs at auction, and that another had imported illegal merbau sawntimber from Indonesia.

Despite being well aware of the problems of illegal timber, the flooring manufacturing companies and the retailers they supply had clearly failed to make any serious effort to audit their supply chains and ensure timber of unknown and likely illegal origin is excluded.

EIA/Telapak's report called on the eleven named companies to:

- Stop manufacturing, distributing or selling merbau wood flooring until the timber used has been verified as legal by an independent assessor and a full chain of custody can be supplied.
- Introduce and implement wood purchasing policies requiring that all wood is verified as legally sourced by independent assessors, including a full chain of custody.
- Refrain from making environmental claims in relation to wood products unless these can be backed up in the manner described above.

Following high-profile media coverage of EIA/Telapak's shocking findings, most of the major retail chains named in the report have currently stopped selling merbau flooring and committed to investigate. EIA/Telapak applaud such swift and decisive action. Yet four months on, none of the five major brand name manufacturers have dropped merbau from their product ranges, despite failing to prove the precise legal origin of their raw material supplies. One manufacturer – Junckers - continues to use Indonesian merbau from the same supplier despite confirming that it originates in Papua and is of unknown source.

At least one smaller flooring producer in China supplying western markets has responded firmly to the concerns raised by EIA/Telapak, halting production of merbau entirely and moving to an alternative. Yet the giant North American and European manufacturers refuse to countenance such a move, despite stressing that merbau represents a tiny percentage of their sales. Contrary to their worthy

publicity, these companies are clearly more concerned with supplying the demands of consumers for cheap and fashionable flooring than they are with keeping their hands free of contraband wood. While the largest retail chains have stopped selling merbau flooring from these companies, the many smaller chains, independent stores and internet outlets - which collectively represent the bulk of sales - have yet to follow suit. As a result, merbau flooring made from the stolen trees of Indonesia's last pristine rainforests remains on sale across Europe and North America.

This short update to the Behind the Veneer report provides information on what the ten companies named in the report have or have not done to respond to EIA/Telapak's findings over the past four months, followed by some brief conclusions and recommendations. Information has been gleaned from media interviews, shop surveys and company advertising. EIA/Telapak also contacted all of the companies direct to ask what they have done, and to ask what additional steps they are taking to ensure that their entire supply chains are clear of illegal wood.

MANUFACTURERS

Armstrong

Original Report Findings

- US-based Armstrong are the largest flooring company in the world, with worldwide sales of wood flooring in 2004 of \$832 million; they sell merbau flooring under the Bruce, Hartco and Robbins brands.
- Armstrong merbau flooring is supplied by Indonesian company PT Tanjung Kreasi.
- Kreasi buy all their merbau as logs from Papua, purchased through agents on the spot market.
- Kreasi admit that they cannot be sure where their merbau comes from or if it is legal.
- Kreasi admit that merbau trees are becoming scarce in Papua through a lack of re-planting.
- Kreasi's clients do not demand timber to be certified as sustainably harvested.
- Armstrong merbau flooring was on sale in The Home Depot and Lowe's home improvement stores in the US, in Jewson and Allied Carpets stores in the UK, and Leroy Merlin stores across Europe.

Following the release of EIA/Telapak's findings, Armstrong stated to *The Washington Post* that they insist their suppliers sign contracts to provide only legal wood and that suppliers are required to provide 'chain of custody' documents indicating the material's source. The company's Indonesian supplier, Tanjung Kreasi, nevertheless confessed again to *The Washington Post* that the merbau comes from a dealer in Papua and that the company have "no way of knowing where, exactly, he got it, or how he got it".

Though it is unclear whether any documentation had previously been sought or supplied, as required by company policy, since EIA/Telapak's report was released, Armstrong commissioned an independent audit of Kreasi's merbau supplies over the last 18 months. The audit revealed some documentation relating to the source of the company's merbau logs in Papua, and based on this, Armstrong decided to continue to trade in merbau supplied by Kreasi. Unfortunately, this audit and the paperwork provided by Kreasi, as described to EIA/Telapak, do not represent an independently verified chain of custody and cannot alone provide any guarantee of the legality or sustainability of the company's merbau supplies (see comments on BRIK and independent auditing in the conclusions below).

More broadly, EIA/Telapak have expressed concern that Armstrong does not currently have any internal system to oversee all wood purchasing. EIA/Telapak is offering to assist Armstrong to establish such a system, which would help to ensure that all illegal wood products are excluded.

Junckers

Original Report Findings

- Danish company Junckers are the fourth largest wood flooring company in the world and the largest distributor of solid merbau flooring.
- All Junckers' merbau flooring is manufactured by Malaysian company Kim Teck Lee.
- 80-90% comes from Indonesian Papua, is bought on the spot market and cannot be traced to source.
- KTL can supply no proof of legal origin, other than that the timber is "containerized".
- Illegally exported rough sawn Indonesian merbau was seen in KTL's Malaysian factory.
- Junckers resisted a request by KTL to halt sales of merbau due to supply shortages, and has instead pushed them to "take risks" to meet demand.
- Junckers merbau flooring was on sale in John Lewis, Travis Perkins and Jewson stores in the UK, in hundreds of independent retail outlets in the US, and through many web-based distributors.

Though concerns had already been raised in the media more than a year earlier about the origin of the company's solid merbau flooring products, following the release of the EIA/Telapak report Junckers finally committed to investigate fully. The company met with EIA/Telapak and flew out to Malaysia and Indonesia to meet with suppliers. The investigation confirmed that the majority of the merbau used in Junckers flooring originates in Indonesia's Papua province and cannot be traced to source. Given the level of illegality which currently exists in Papua, this means the wood is highly likely to have been stolen. Yet incredibly, when Junckers' investigation was completed in June the company decided to continue to source merbau from the very same suppliers as before.

Though Junckers state that it will be insisting on stringent new independent audits and evidence of legality in future, the company has refused to even consider the option of halting sales of merbau in the interim. In fact Junckers are now considering introducing an additional range of engineered merbau flooring. Aware as they are of the lack of certified merbau in the marketplace, and of Junckers' apparent determination to continue selling the species come what may, the company's Asian suppliers are under no real pressure to clean up their act.

Tarkett

Original Report Findings

- Headquartered in Germany, Tarkett are the second largest wood flooring company in the world and the largest in Europe, with global sales of \$329 million in 2004.
- Tarkett staff stated in August 2005 that the company's merbau is legally sourced from Temenggor Lake, Malaysia.
- In fact all logging at Temenggor has been halted since the end of May 2005 after the companies involved were shown to have been cutting merbau trees illegally in adjacent protected forests.
- Tarkett continue to sell merbau flooring though this source of raw materials no longer exists.
- Tarkett staff falsely claim to currently sell wood flooring certified as legal and sustainable by the Forest Stewardship Council (FSC).
- Tarkett failed to respond to a formal request from EIA/Telapak for information on their merbau supplies.
- Tarkett branded merbau flooring on sale in branches of The Home Depot in the US, Allied Carpets in the UK and in numerous other retail outlets across Europe.

Responding to a journalist after the release of the EIA/Telapak report, Tarkett claimed to "go to extraordinary lengths" to ensure the merbau it markets is from "sustainable, environmentally secure sources". Yet the company refused to provide any specific information to back up this claim. Tarkett also stated that the company deliberately limits its use of merbau to "less than 2% of its total wood supplies" in order to meet its "ecological commitments". Contrary to the company's unsupported reassurances, this only goes to show it has every reason to suspect the origin of its merbau timber.

Since then, Tarkett have also failed to respond to a formal request from EIA/Telapak for evidence that the company's merbau comes from known legal sources. Tarkett continue to manufacture and market merbau wood flooring, and far from providing credible evidence of legal origin, since the report was released the company has continued to make dubious environmental claims for its products, most

recently falsely claiming that *all* of the company's products were manufactured from timber certified by the Forest Stewardship Council. Following its own investigation, the FSC has demanded 'corrective actions' for what it describes as 'misleading claims' on the company's website and in relation to the products it offers. Most of the FSC claims on Tarkett's website have subsequently been removed.

Kahrs

Original Report Findings

- Swedish company Kahrs are the third largest wood flooring company in the world, with global sales worth \$256 million in 2004.
- Kahrs admit in writing that they cannot be sure illegal merbau is not entering their supply chain.
- Malaysian companies cutting some of the merbau Kahrs say they use in their flooring have been shown to be logging illegally in protected forests.
- The source of the remainder of Kahrs' merbau raw materials is unclear.
- Kahrs merbau flooring on sale in John Lewis stores in the UK and at numerous independent shops and web-based internet outlets in Europe and the US.

Two months after the release of the EIA/Telapak report, a UK Kahrs executive confessed that the company were "shocked at the level of weakness that exists within the raw material supply chain for merbau" and that a "full investigation" was under way to "ensure that problems of this nature cannot reoccur in the future". Yet incredibly, despite having confirmed the dubious and uncertain origin of much of the wood, the company has refused to stop trading in merbau, even temporarily. The company has actually added another range of merbau flooring to its product range.

Though Kahrs had previously been at pains to stress that less than 2 % of its production is merbau, in June the CEO of Kahrs, Folke Becker, told Floor Covering Weekly that the species is a valuable segment of its product range and that as long as the company's customers still want merbau, it will 'try to supply them with it in the best possible way' – i.e. despite having every reason to suspect the timber may be of illicit origin. Kahrs also continue to make false and misleading claims in company literature that the trees used in the company's wood flooring are "felled selectively" and replanted.

Goodfellow

Original Report Findings

- Goodfellow are the largest hardwood flooring distributor in Canada, and currently source their solid merbau wood flooring from Indonesian company PT Seng Fong.
- After being exposed for selling suspicious merbau in February 2005, Goodfellow committed to ensure their merbau was legally sourced.
- Seng Fong's merbau is all from Indonesia's Papua province, is bought through dealers and cannot be traced to source or guaranteed as legal.
- Seng Fong admitted to paying bribes to officials in June 2005 to obtain 10 000 cubic metres of seized illegal merbau logs at auction.

Goodfellow have failed to respond to written requests for information regarding the company's current merbau wood supply chain and its response to EIA/Telapak's findings. Though the statement posted by the company in 2005 insisted that it was committed to 'market products only where there is a complete and documented legal chain of custody', Goodfellow have failed to provide any such documentary evidence in this case. Goodfellow has now quietly removed the earlier statement from its website.

Though the entire conversation had been recorded on hidden camera, Goodfellow's Indonesian suppliers Seng Fong told EIA/Telapak that the company's staff "did not recall" saying anything about paying bribes to secure stolen merbau logs at auction. Meanwhile, Goodfellow, like Junckers, continue to source and sell merbau flooring of dubious origin despite having been exposed twice in the media. The company are clearly more concerned with supplying consumer demands than with keeping a clean image.

RETAILERS

The Home Depot

Original Report Findings

- The world's largest home improvement chain, with over 2000 stores.
- The Home Depot claim that they can “*trace the origin of each and every wood product on our shelves*” and “*know item by item...where our wood products are harvested*”. The company's Wood Purchasing Policy, developed in 1999, stated at the time that it would “*eliminate purchase of wood from endangered regions by year-end 2002*”.
- The Home Depot were found to be offering merbau flooring by both Armstrong and Tarkett (see respective manufacturer sections above).

Following the release of the EIA/Telapak report, Home Depot executive Ron Jarvis told *The Washington Post* that the company was planning to discontinue its sales of merbau flooring during the spring of 2006, stating that the decision had been made as a result of low sales volumes, not environmental or legal concerns. Two months later, Mr. Jarvis told a BBC radio interviewer that The Home Depot had ‘stopped selling these products at the beginning of 2006’ in response to a question on The Home Depot's environmental policy. Although displays of merbau flooring can still be found in some stores, the company states it is now “very confident that the ability for anyone to order and receive merbau species flooring...is eliminated”.

As the world's largest wood products buyer, EIA/Telapak believe it imperative that The Home Depot urgently establish a comprehensive system that eliminates all illegal wood products from its procurement, so that responsibility is internalized and does not rely on constant monitoring by NGOs. EIA/Telapak wish to work cooperatively with The Home Depot to assist them in instituting such practices. Only when such a transparent system is in place should consumers feel confident in The Home Depot's claim to “know item by item...where our wood products are harvested”.

Lowe's

Original Report Findings

- The world's second largest home improvement chain, with over 1200 stores in North America.
- Lowe's claims to be “concerned” about the protection of endangered forests, and committed to working with suppliers to ensure this protection.
- Lowe's was found to be marketing Armstrong merbau flooring in dedicated in-store displays (see Armstrong section above).

After the release of the EIA/Telapak report, Lowe's claimed that a decision had already been made in late 2005 to discontinue sales of merbau flooring products due to environmental concerns, with the removal process taking until spring 2006. Although Lowe's does have a process that allows them to track wood products purchases internally, which is more advanced than many other retailers, it does not require suppliers to show proof of legality. EIA/Telapak are offering to work constructively with Lowe's to institute a more rigorous wood procurement system.

John Lewis

Original Report Findings

- 27 branches in the UK, & recently voted UK's Favourite Retailer.
- John Lewis' Responsible Sourcing Code states: “*Suppliers shall seek to make continuous improvements in their environmental performance and, as a minimum, comply with the requirements of local and international laws and regulations.*”
- John Lewis was found to be selling merbau flooring by both Kahrs and Junckers (see respective manufacturer sections above).

Following the release of EIA/Telapak's findings, John Lewis stated that the company had “taken the precaution to withdraw the product from sale until we can investigate the claims more fully”.

EIA/Telapak applaud the swift and decisive action taken by John Lewis, and urge the company to make independently verified legal chain-of-custody a requirement for any future sales of merbau.

Travis Perkins

Original Report Findings

- With 750 stores, Travis Perkins is probably the UK's largest chain of timber and builder's merchants.
- In 2004 Travis Perkins pledged to "*eliminate ... timber and forest products that originate from illegally harvested timber*", and to avoid Indonesian timber products until legality could be guaranteed.
- Travis Perkins market Junckers merbau flooring (see Junckers section above).

After EIA/Telapak's report was released, Travis Perkins stated that the company was launching an investigation and would 'follow through' on it with any necessary action. Travis Perkins staff also visited EIA/Telapak to discuss our findings. The company also said its "policy is only to take timber from sustainable sources and that timber as a minimum should be legal" – but did not elaborate on what level of evidence would be required as proof of legality, or how the company had come to be selling uncertified merbau flooring of dubious origin if this policy was being actively implemented. Travis Perkins have currently halted sales of merbau flooring, pending assurances from Junckers.

Jewson

Original Report Findings

- With over 450 stores, Jewson is one of the UK's leading timber and builders merchants.
- Jewson's Timber Procurement Policy states: "*We seek to obtain clear evidence of good forest management practice at the original source.*"
- Jewson were found to be marketing Armstrong merbau flooring in dedicated in-store displays. They later admitted to also offering Junckers merbau flooring (see respective manufacturer sections above).

Following the revelations in the EIA/Telapak report, Jewson also ceased trading in merbau flooring products by Armstrong and Junckers. The company also committed to seek re-assurances over the legality of the other products offered by the two manufacturers.

Leroy Merlin

Original Report Findings

- Europe's second biggest DIY chain. Focused in Europe, but with 298 outlets worldwide.
- Leroy Merlin is a signatory of Club Proforet, the French member organization of WWF's Global Forest & Trade Network (GFTN).
- Leroy Merlin sell merbau flooring produced by Indonesian company Tanjung Kreasi. All of Kreasi's merbau is from Papua, where illegal logging is rampant. The company were unable to say where in Papua their merbau comes from or if it was legally sourced.

To the best of EIA/Telapak's knowledge, Leroy Merlin continue to sell merbau flooring supplied by Tanjung Kreasi and have taken no action in response to our findings. Leroy Merlin's website lists twenty different lines of merbau flooring for sale.

Other Companies

Wickes

Wickes is a home improvement and DIY chain with 170 stores across the UK and is owned by Travis Perkins. In line with its timber policy, Wickes has decided to place no further orders for merbau flooring with Tarkett, after the manufacturer failed to produce adequate assurances and documentation to confirm the legality of its merbau supply.

International Decorative Surfaces (IDS)

IDS is a timber panel wholesaler and distributor acting as the sole distributor for Armstrong's flooring products in the UK. The company has informed EIA/Telapak that it has stopped all dealings in Armstrong's merbau ranges. The company, owned by International Timber, stated that "environmental issues in Indonesia" had forced the decision.

Flooring Supplies

Flooring Supplies is a large internet-based flooring distributor. Following the release of the EIA/Telapak findings, the company stated that "In light of these recent reports we have taken the precaution to withdraw all Merbau flooring products from sale until investigations are completed." Flooring Supplies have since re-started sales of merbau flooring from Junckers and other manufacturers. EIA/Telapak disagree with this decision and do not believe sufficient assurances can have been provided by any of the manufacturers.

CONCLUSIONS & RECOMMENDATIONS

Conclusions

ORIGINAL RECOMENDATION: Stop manufacturing, distributing or selling merbau wood flooring until the timber used has been verified as legal by an independent assessor and a full chain of custody can be supplied.

None of the major flooring brand manufacturers has yet verified its merbau supplies as legal through an independent assessor or obtained a full and valid chain of custody as recommended by EIA/Telapak. All of these companies continue to produce and sell merbau flooring despite failing to prove its legal origin. Some manufacturers have been given false re-assurance after being supplied with samples of Indonesian BRIK and SKSHH documents by local suppliers. EIA/Telapak stress that these systems of documentation do not provide full chain of custody, suffer from widespread abuse and malpractice, and cannot be relied upon to guarantee legal timber origin. Most of the large retailers have stopped selling merbau flooring as recommended, but have yet to clarify what standards will be required for sales to resume.

ORIGINAL RECOMENDATION: Introduce and implement wood purchasing policies requiring that all wood is verified as legally sourced by independent assessors, including a full chain of custody.

None of the companies named in EIA/Telapak's report has yet implemented such a policy. While a number of the major retail chains do have procurement policies none is yet sufficiently rigorous to ensure stolen timber is excluded. EIA/Telapak have offered to assist these retailers to improve their systems.

ORIGINAL RECOMENDATION: Refrain from making environmental claims in relation to wood products unless these can be backed up in the manner described above.

While some of the manufacturers have corrected the environmental claims made in their marketing materials, others have not, and continue to deceive consumers with unsubstantiated claims about the legality and sustainability of their products. Though many of the large retailers have dropped merbau flooring, most continue to make extravagant claims in relation to the legality and sustainability of their broader timber and wood product portfolio without having the systems or evidence to support them.

Recommendations

Manufacturers: The flooring manufacturers must accept that costs will be involved if they are to ensure that they are not benefiting from cheap, stolen wood. They must urgently commission independent audits of their timber supplies, and halt sales of products made from merbau and other timber of suspicious origin until full independent chain of custody can be provided.

Retailers: Those retailers which continue to stock merbau flooring must follow the lead of the major chains and halt sales. The large retail chains which have already dropped merbau must follow this up, replacing unsubstantiated green claims with genuinely rigorous procurement systems requiring independent verification of legality for all timber and wood products.

Consumers: There is still no merbau flooring on sale in Europe or North America which is independently verified as legally and sustainably sourced, and EIA/Telapak recommend consumers continue to refrain from purchasing merbau products. Consumers should also think twice before buying other wood products offered by the named manufacturers given their poor response.

Governments: Manufacturers and retailers should not have the choice of allowing stolen timber to remain on their shelves. The US and the European Union must enact new laws to prohibit the import and sale of illegally-sourced timber and wood products.