



global witness

TOTAL SYSTEMS FAILURE

EXPOSING THE GLOBAL
SECRECY DESTROYING
FORESTS IN THE
DEMOCRATIC REPUBLIC
OF CONGO

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Above Home to a kaleidoscopic rainforest of over 600 tree species and 10,000 animal species, the Democratic Republic of Congo is one of our planet's most important biodiversity hotspots.

EXECUTIVE SUMMARY

Home to a kaleidoscopic rainforest of over 600 tree species and 10,000 animal species, the Democratic Republic of Congo (DRC) is one of our planet's most important biodiversity hotspots. Its forest provides vital shelter, food, fresh water and a livelihood for tens of millions of people every day, as well as housing endangered forest elephants, chimpanzees and bonobos. Making up two-thirds of the Congo Basin rainforest, it plays a critical part in regulating our global climate.

But this incredible natural resource is under threat.

Our investigation uncovers how a major European company is illegally exploiting the rainforest in DRC. Its global web of illegal timber trading operations are enabled by a toxic mix of political instability in DRC, donor support for industrial logging, the corporate secrecy peddled by the world's tax havens and inadequate legal frameworks to stop illegal timber entering major consumer markets. The only "winners" in this scenario are the company's hidden owners whose pockets are lined by the destruction of the rainforest. The losers are local populations, dependent on the rainforest for their livelihoods, the species that inhabit it, and the global climate, which will suffer from even higher carbon emissions.

Not only this, but we reveal that the donors, governments, traders and importers – many of whom have made public pledges around sustainable forest practice – are complicit in enabling the company to exploit these conditions.

KEY FINDINGS

We have found that Norsudtimber – a secretive company based in Liechtenstein, and the single largest owner of logging concessions in the DRC's forests – is illegally harvesting timber on 90% of its sites, with government complicity. This is an expanse of over 40,000km², with half of the trees being exported coming from endangered or vulnerable tree species.

Norsudtimber is breaching its contracts with total impunity. It has given a detailed denial, which we have included in the report.

Our investigation reveals the failure of governments, donors and traders to prevent the destruction of one of the world's most climate-critical rainforests – despite the existence of national and international political and legal systems designed to protect it. The result is a total systems failure. This is where the system has broken down:

The DRC government has failed to uphold its own laws: The DRC government is the first line of defence against illegal or unsustainable logging operations. Yet the government is complicit in ongoing illegal logging by companies like Norsudtimber, by telling them they can ignore the law. The DRC government has also announced its intentions to lift the moratorium on the allocation of new industrial logging concessions. Moves are already underway to open up even greater swathes of rainforest to yet more loggers, while those there already operate illegally and with impunity.

Donors have failed to stop their political and financial support for industrial logging: Meanwhile, governments who sit on the board of the Central African Forests Initiative (CAFI) such as Norway, France, Germany and the UK, are also poised to support

the expansion of industrial logging. Donors such as Norway and France, refuse to pull the plug on their support to logging companies and their support to lifting the moratorium - despite evidence that companies like Norsudtimber are illegally logging, and that lifting the moratorium would allow loggers to continue to exploit and ransack the rainforest.

They justify their actions through the ultimate contradiction: that loggers can, in fact, bring environmental sustainability to the DRC's rainforests and development to local indigenous populations. This idea is inspired by a euphemistic and self-serving theory called "sustainable forest management", which encourages chopping down trees in theory sustainably, with scant scientific backing, and poor on-the-ground evidence. There is also little to no evidence that communities actually benefit from logging activities. While donors champion the right of free, prior and informed consent (FPIC) of the local communities, communities cannot choose freely when the promise of access to health and education is made entirely conditional on accepting logging operations within forests on which they are reliant for their livelihoods.

Importers and traders have failed to exercise adequate due diligence: The logs harvested by Norsudtimber are destined for markets in Europe, Asia and the United States. They are channelled, on paper at least, mostly through tax havens, and the laws to restrict illegal timber in consumer markets do not exist or are failing. In the huge consumer and processing markets of China and Vietnam, there are no laws in place to prevent this

international trade. In the US and EU such legislation exists, but in key gateways - France and Portugal, particularly – application and enforcement have been patchy and weak.

Finally, a fragile political environment helps mask the systems failure and provides impunity: The DRC is in the depths of political crisis as civil war looms large once again, and President Kabila's refusal to step down, at the expiry of his constitutional term in December 2016, is worsening a dire state of governance in the country. The United Nations (UN) estimates that 13.1 million Congolese are in "dire" need of humanitarian assistance, and 4.49 million individuals have been internally displaced due to growing violence. In response, the UN has launched an appeal for US\$1.68bn for 2018.

This crisis is taking place in what can only be described as the widespread looting by political elites of DRC's natural resources. For example, in recent years, the DRC has lost more than US\$1.36bn in revenues from the under-pricing of mining assets sold to offshore companies, thanks to shady deals. In April 2018, it announced new plans to declassify parts of the Virunga and Salonga national parks for oil exploration, in violation of the Unesco World Heritage Convention.

Government ministers do not heed the law, the government is cracking down on civil society organisations and companies operate as they please with little consequence, placing the country's resources at a growing risk of corporate and state looting. Companies like Norsudtimber are exploiting this environment and wreaking havoc on our planet.

THE ACTION NEEDED

This much is clear: those who benefit from the logging trade have failed to deliver the development they have promised to the country. Their actions have lined the pockets of a few, but failed to alleviate – and sometimes increased – poverty for many.

The country's international donors continue to subsidise the logging industry, despite compelling evidence that such support does not deliver development and fundamentally undermines commitments to tackle climate change. Expanding industrial logging in DRC, as proposed by France's Development Agency this year in its "sustainable forest management programme", could result in nearly 35 million tonnes of extra CO2 emissions being released per year and almost 874 million tonnes of extra

CO2 emissions over 25 years. These donors hold the key to hundreds of millions of dollars of forest funding and should stop this programme immediately.

This report is a wake-up call: to donor governments and trading countries, importers and buyers, enforcement agencies and prosecutors, and importantly to Congolese authorities themselves.

All of these crucial bodies must take the action recommended in this report to ensure they are not complicit in the destruction of homes, livelihoods, the DRC's tropical rainforest and the global climate impact resulting from this total systems failure. There is no time to lose.



Above The systemic failure threatening DRC's rainforest.

Below Lumberyard in the village of Lulonga, concession 060/14 (Forabola).

Key findings

- ❖ **Norsudtimber is DRC's biggest logging company** by surface area, controlling over 40,000km² of timber concessions, and by exports, controlling nearly 60% of the country's international timber trade in 2017.
- ❖ **It is operating almost entirely illegally, breaking key requirements of DRC's Forest Law.** Timber harvested in 90% of concessions owned by Norsudtimber subsidiaries is illegal, due to the failure in many concessions to implement the required 25-year management plans within the deadlines imposed by law, and with signs of logging activity outside of authorised perimeters. According to DRC law, this should result in the cancellation of the concession contracts, but the law is being ignored, with the complicity of the DRC government.
- ❖ **The development benefits are negligible:** the total value of Norsudtimber companies' development funds for local communities, based on expected logging, represents between a tiny US\$1.49 to US\$4.79 per local inhabitant per year.
- ❖ **78% of timber exports by Norsudtimber were destined for either Vietnam or China between 2013 and 2017.** Europe accounted for around 11% of Norsudtimber's exports, with the majority going to Portugal and France.
- ❖ **Expanding industrial logging in DRC, as supported by France's Development Agency, could result in nearly 35 million tonnes of extra CO2 emissions being released per year,** or the equivalent of another 8.7 coal-fired power plants. This is equivalent to Denmark's carbon emissions for 2014.
- ❖ **Donor-backed logging programmes, referred to as sustainable forest management, lack the solid scientific basis** needed to claim that forests will be regenerated within logging cycles or emissions reduced. Available evidence suggests that trees logged by Norsudtimber subsidiaries take between 100 and 230 years to reach minimum felling diameter. Yet, logging concessions are logging on a 25-year rotation, guaranteeing depletion of forest cover and individual (sometimes endangered) tree species.
- ❖ **DRC's logging sector is generating US\$8.3m in fiscal revenues** per year, a paltry sum especially when compared to the destruction of a climate-critical rainforest. To put this in context, DRC's government has lost an estimated US\$1.36bn in shady mining deals.
- ❖ In 2013-2014, the last year for which there is data, **the degradation and destruction of DRC's forests resulted in carbon emissions equivalent of nearly 50 coal-fired power plants** operating for a full year.



OUR FINDINGS

CHAPTER 1

Here’s what we found out about how Norsudtimber, a company headquartered in a tiny village in the Alpine tax haven of Liechtenstein, is illegally logging concessions it operates in the DRC

CHAPTER 2

Here’s what we found out about Norsudtimber’s secretive worldwide web of illegal timber trading which allows it to operate

CHAPTER 3

Here’s what we found out about the myth of sustainable forest management and French, German and Norwegian support for the DRC’s logging industry, putting critically endangered species at risk and undermining commitments to tackle climate change

CAST OF CHARACTERS

THE LOGGING COMPANIES

Norsudtimber, through its subsidiaries, holds twenty logging concessions covering 43,426 square kilometres of DRC’s rainforest, making it the country’s biggest logging company by area. These subsidiaries are the Société de Développement Forestier (**Sodefor**), the Société Forestière et Agricole de la M’Bola (**Forabola**), and **La Forestière du Lac**.

Global Witness’ investigation has revealed that timber being harvested in 90% of Norsudtimber’s concessions are operating illegally.

THE OWNERS OF NORSUDTIMBER

Global Witness has identified three companies which together control Norsudtimber. These are: **Precious Woods** (5%), a publicly-listed headquartered in Switzerland; **Kreglinger International** (25%), also based in Switzerland, the owners of whom remain unknown; and **Realwood Establishment** (70%).

The owners of Realwood Establishment include the Portuguese brothers **José Albano Maia Trindade**, **João Manuel Maia Trindade**, and **Alberto Pedro Maia Trindade**, who are also the signatories of Norsudtimber’s logging contracts in DRC. The Belgian Paul de Moor is also an owner of Realwood Establishment. He is the honorary consul for Belgium in Tasmania, Australia, and managing director of Kreglinger Wine Estates, which own Pipers Brook Vineyard in Australia.

THE TRADERS AND BUYERS OF NORSUDTIMBER'S PRODUCTS

All of the timber sold by Norsudtimber’s subsidiaries is currently traded by shell companies in secrecy jurisdictions. These are: **Blue Panda** and **Asia Gold Leaf**, based in Hong Kong, and **Neuholz**, based in Dubai.

Such corporate structures can be used for transfer pricing purposes or to funnel money to corrupt officials, and makes it difficult to identify the end buyer of Norsudtimber’s products. Despite these efforts at secrecy, Global Witness has identified the following buyers: **Hvalso Savværk** (Denmark), **Fritz Offermann** and **Holz-Schnettler Soest Import-Export** (Germany), **Mourikis** (Greece), **J. Pinto Leitão**, **Madeicentro**, and **Maciça - Industria de Janelas e Portas de Madeira** (Portugal), **Baillie Lumber** (US), **Nippon Paper Lumber** (Japan), **Cort Guitars** (Indonesia), **Nam Son Ha** (Vietnam), and **China Plaited Products** (China).

DRC POLITICIANS

DRC’s forest sector is supervised by the country’s Minister of Environment and Sustainable Development, currently headed by **Amy Ambatobe Nyongolo**, who has been accused of illegally allocating logging concessions, and is keen to allocate even more of the country’s rainforest to logging companies.

The country is headed by President **Joseph Kabila**, who has refused to stand down at the expiry of his constitutional term in December 2016. He is overseeing a humanitarian crisis, with the UN estimating that 13.1 million Congolese are in “dire” need of humanitarian assistance.

THE INTERNATIONAL DONORS

Despite the impunity in DRC’s logging sector, and the country’s dire political context, donor governments are keen to use their funds to support logging companies like Norsudtimber, and expand logging in DRC. These efforts are spearheaded by the **Central African Forest Initiative** (CAFI). This body is majority-funded by the **Norwegian International Climate and Forest Initiative** (NICFI). The **French Development Agency** (AFD), also a member of CAFI, would lead these efforts.

CHAPTER I
ILLEGAL LOGGING IN NORSUDTIMBER'S
OPERATIONS IN DRC

This investigation sheds light on the activities of Norsudtimber, a company headquartered in a tiny village in the Alpine tax haven of Liechtenstein that owns the rights to log 43,426 square kilometres of DRC's rainforest, an area slightly greater than Switzerland, and 271 times the size of Liechtenstein itself.^{1,2}

Operating through its subsidiaries Sodefor, Forabola and La Forestière du Lac, it currently holds 20 logging concessions covering over 40% of the 107,000km² of the country's total logging concessions.^{3,4,5,6}

At least 18 of these concession contracts were signed by one of three Angolan-born Portuguese brothers, José Albano, João Manuel, and Alberto Pedro Maia Trindade, who are among the seven beneficial owners of Norsudtimber that Global Witness has identified.

Importantly, our analysis reveals that at least 18 of the 20 concessions held by Norsudtimber and its owners show at least one sign of being in breach of DRC's Forest Code and require the government to cancel the concession contracts. These conclusions are based on our analysis of concession documents, satellite imagery, and regulations set out in the DRC Forest Code.

Of Norsudtimber's 20 concessions:

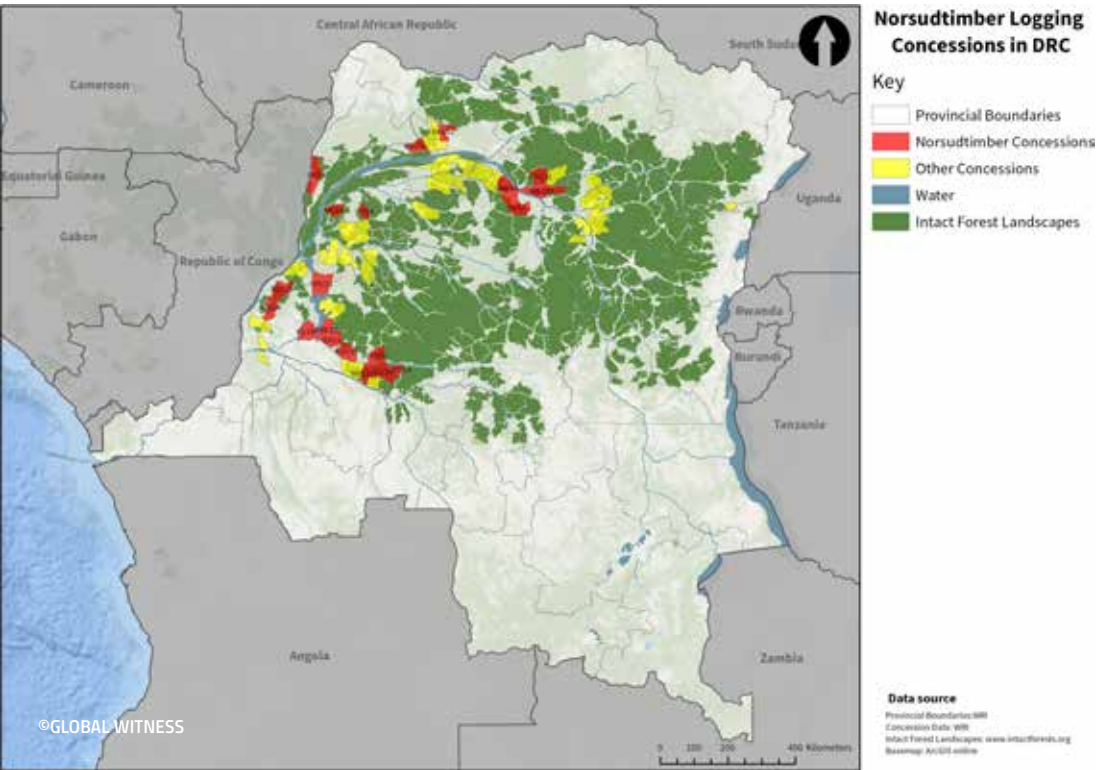
- **A total of eight concessions were without a 25-year management plan five years after the signature of the concession contract.** These are 015/11, 036/11, 043/11 (Forabola), 037/11, 038/11, 042/11, 045/11 (Sodefor), and 048/11 (La Forestière du Lac). All of these concessions, according to DRC law, should be returned to the state, and all timber being harvested in these concessions is currently illegal.
- **A total of six concessions showed signs of logging activity outside of authorised perimeters.** These concessions are 036/11 (Forabola), 034/11, 039/11, 042/11 and 045/11 (Sodefor), and 048/12 (La Forestière du Lac). All of these

concessions, according to DRC law, should be returned to the state, and all timber being harvested in these concessions is currently illegal.

- **One concession (Sodefor 037/11) showed signs of logging activity within the same annual harvest area for four consecutive years.** This concession, according to DRC law, should be returned to the state, and all timber being harvested in this concession is currently illegal.
- **A total of nine concessions showed no sign of logging activity for a period of at least two years.** These concessions are 043/11, 057/14, 058/14 (Forabola), 059/14, 061/14, 062/14, 063/14, 064/14, 065/14 (Sodefor). All of these nine concessions, according to DRC law, should be returned to the state.
- **Only two concessions (Sodefor 035/11 and Forabola 060/14) showed no signs of logging activity outside of authorised perimeters, and were operating with a 25-year management plan** five years after the signature of the concession contract, or do not need one until 2019. However, the social infrastructure, which Norsudtimber's subsidiaries had agreed as part of their concession contracts, was not completed. This creates a risk of illegality associated with these two concessions.

All of these findings – summarised in the table below, which includes the responses provided by Norsudtimber subsidiaries – suggest that 90% of Norsudtimber's concessions are in breach of their contractual obligations. All timber currently being harvested in these concessions is illegal, and timber being harvested in the remaining two concessions is at risk of being illegal. As we shall see, in chapter 2, this evidence is crucial for companies down the supply chain who, in trading timber that has been illegally harvested or is at risk of being so, may be violating a series of international timber trade laws.

More than 100,000 square kilometers of DRC's forest are allocated to industrial loggers.



Key findings

- **Norsudtimber is the largest single owner of logging concessions in DRC**, through three subsidiaries Sodefor, Forabola and La Forestière du Lac. It operates over a third of the country's logging concessions, over 40% of the area logged, and accounts for nearly 60% of its timber exports.
- **It is operating almost entirely illegally, breaking key requirements of DRC's Forest Code.** Timber harvested in 90% of the concessions owned by Norsudtimber subsidiaries, is illegal due to the failure to implement a 25-year management plan within the deadlines imposed by law and/or due to signs of logging activity outside of authorised perimeters. According to DRC law, this should result in the cancellation of the concession contracts, but the law is not being enforced.
- **It has not returned any of the concessions it owes the DRC back to the state:** According to our analysis, nine of Norsudtimber's 20 concessions showed no signs of logging roads in 2016 and 2017, suggesting no logging is taking place. The DRC Forest Code stipulates that when a concession is not logged for a period of two years it must be returned to the state. This has not yet happened.
- **It is operating with impunity**, along with other logging companies, and the DRC government is not enforcing the Forest Code and is repressing civil society scrutiny of the sector.
- **There is little transparency relating to the fulfilment of social agreements** between Norsudtimber subsidiaries and local communities, making it difficult to determine if the companies are complying with their legal obligations.
- **The DRC government is cracking down on civil society organisations** in order to protect the logging sector from independent scrutiny.
- **DRC has extremely low capacity to monitor operations across its vast forests.** In 2013, an independent observer report noted only four officers for the former Bandundu province (295,000km², bigger than the United Kingdom), two for Équateur (403,000km², bigger than Germany, or neighbouring Republic of Congo), and three for Orientale (503,000km², about the size of Spain), responsible for enforcing the DRC Forest Code.

While the DRC has laws governing the operations of logging companies, in reality they are rarely enforced. This is characteristic of the weak governance, corruption and impunity that continues to blight the country, incurring untold damage to its rainforests. It is also why donors' blind faith in sustainable

forest management as a development tool is, in fact, a dangerous pipe dream. This chapter of our report describes the various ways in which Norsudtimber and its subsidiaries are operating illegally in the DRC.

Below There are plans to increase the area of DRC's forest allocated to industrial loggers from 100,000 to 300,000 square kilometers, an area the size of Italy.



© GREENPEACE / KATE DAVISON

THE DRC FOREST CODE

The DRC legislation related to the forest sector is almost 600 pages long and is composed of laws, decrees, ministerial orders and other legislative instruments.⁷

This legislation details rules on forest management, logging operations and log handling conditions, and breaches of it range from the minor – such as incorrectly marking a felled log – to greater violations such as falsifying documents, subletting the concession without government authorisation, logging without authorisation, or acts of corruption.

The violation of any provision in the DRC forest legislation is punishable by a tiny fine of CDF20,000 to 100,000(US\$12.4 to US\$62) and/or three to 24-months in jail, with additional sanctions for certain infractions.⁸ However, logging without a 25-year management plan, logging outside of bounds, and not logging a concession for a period of two years incur the penalty of cancellation of the concession contract.

Our investigation into the legality of logging by Norsudtimber's subsidiaries found six key indicators of non-compliance:

- There was a lack of a 25-year management plan agreed within the legal deadline established by the Forest Code.
- There was evidence that logging outside of authorised boundaries was taking place.
- There was evidence of logging in the same annual harvest area for four consecutive years.
- There were areas of forest clear-cut for palm oil within the concession.
- Social agreements had not been fully implemented.
- There was no sign of logging activity in a concession for a period of two years.

Above top Satellite picture of a lumberyard in concession 042/11 (Sodefor), from where the timber is transported down the Congo River.

Above First page of the contract for concession 042/11 (now operated by Sodefor), signed by Alberto Pedro Maia Trindade, one of the beneficial owners of Norsudtimber.

Below Lumberyard in the village of Lulonga, concession 060/14 (Forabola).



1. THE LACK OF A 25-YEAR MANAGEMENT PLAN

According to DRC law, a concession must have a 25-year management plan approved within five years of the initial signature of the concession contract; failure to get a management plan approved in due time requires the Ministry to cancel the contract.⁹

This is an important legal requirement as the management plan is intended to make logging operations “sustainable”, and to ensure that biodiversity, including endangered plant and mammal species, are not unduly harmed.¹⁰ Despite the shaky tenets of sustainable forest management on which the management plan is based (see Chapter 3 of this report), it is, at least in principle, meant to mitigate the harms of industrial operations in ecologically-sensitive rainforests.

Official records show that eight out of eleven concessions granted in 2011 and 2012 did not have 25-year management plans within the legal deadline, which is within five years of the signature of the concession contract. Furthermore, one concession with a 25-year management plan had it approved at least four months after the legal deadline.^{11 12}

In their response to Global Witness, Sodefor and Forabola jointly acknowledged that six of these eight concessions did not have an approved 25-year management plan, but described Global Witness’ claim that these concessions are operating illegally as “unfounded”. First, they said that the issue of logging without a 25-year management plan had been the “subject of a dialogue” between the Ministry of Environment and the industry for years, and that all logging activity was taking place “with a valid management document and responding to the requirements of the MEDD (Ministry of Environment)”.¹³ Secondly, Sodefor and Forabola said they had submitted two management plans earlier this year, and would be submitting another four by September 2018, and added that “all” management plans would be submitted between 2018 and 2019.¹⁴ However, there are no provisions in DRC’s Forest Code to allow for such an extension past the legal deadline, and without a 25-year management plan approved within the legal deadline these concessions are being logged illegally.¹⁵

These concessions should have all been cancelled by November 2016 (except concession 048/12, which should have been cancelled by May 2017) for not having a 25-year management plan in place within the legal deadline. Logging taking place in these concessions is therefore illegal and the timber currently being harvested in them is being done so illegally.

2. LOGGING OUTSIDE OF BOUNDS

In DRC, logging concessions are divided into 25 annual harvest areas, each of which should only be logged once during the 25-year contract period.¹⁶ The location of annual harvest areas is included in a map in the four-year management plans, which we have used as part of our analysis. Logging outside of these bounds is a breach of the standard DRC logging contracts. According to these contracts, such a breach results in the termination of the contract.¹⁹ All logging subsequent to the breach is illegal.

In order to get a picture of operations in the concessions, we used satellite imagery analysis to identify the location of new roads being built and overlaid this with information about each concession’s assigned harvest areas between 2014 and 2017. According to Global Witness’ analysis, at least six of Norsudtimber’s 20 concessions showed signs of logging activity outside of authorised areas in 2015, 2016 or 2017.²⁰

According to a leading academic expert, logging companies are among the few actors to have the capital needed to build roads in Central Africa’s remote tropical forests, and they will only build a road when they expect sufficient revenues from the ensuing logging operations.²¹ Furthermore, skid tracks, created by dragging trees from the logging sites to the roads, is a clear sign of recent logging activity. Such tracks can be seen in satellite imagery in five of the six concessions.

In their response to Global Witness, Sodefor and Forabola denied they were logging outside of authorised perimeters, and described Global Witness’ claims as “unfounded”. The companies claim that DRC guidelines allow the construction of roads in order to access authorised areas for logging in subsequent years. Global Witness has excluded such roads from our analysis.

In two concessions where Global Witness identified signs of logging outside of bounds, including roads to access high value trees as well as skid tracks, the companies claimed they were logging within annual harvest areas. But our satellite analysis clearly shows this is not the case.²² In another three concessions where we identified signs of unauthorised logging, the companies claimed they were logging with a “provisional”, or “revised”, four-year management plan.²³ Four-year management plans are approved at the time of the signature of the concession contract, to allow companies time to get their 25-year management plan approved within legal deadlines.

But DRC law is clear that these four-year plans cannot be extended by more than one year, and only under special circumstances. The companies would not comment on the concession operated by La Forestière du Lac, despite Forabola owning 80% of it.

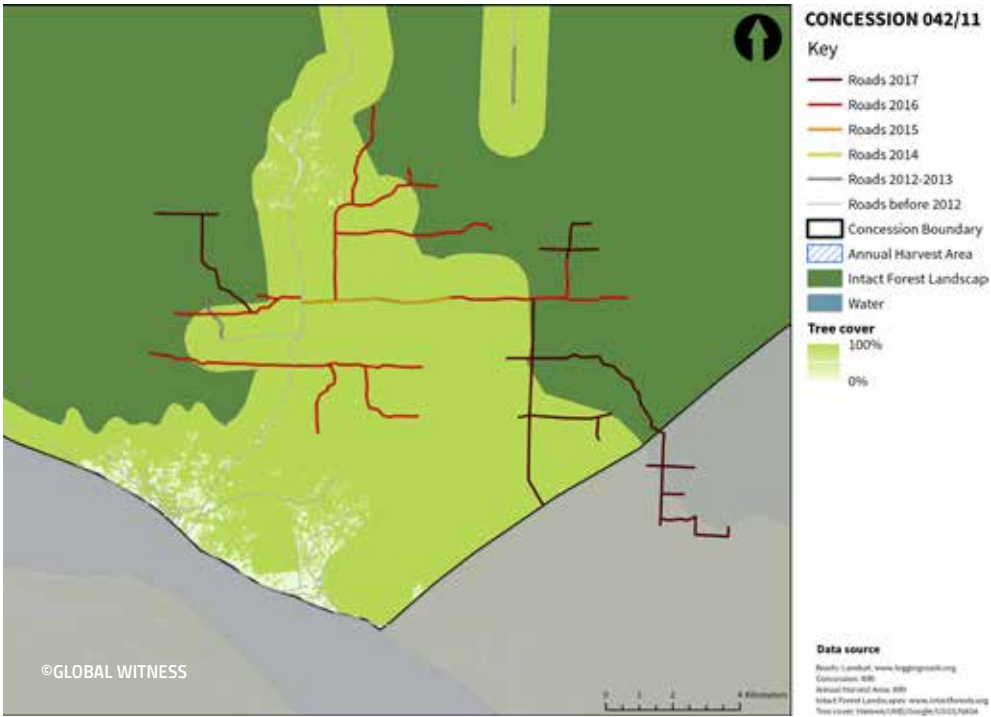
A lack of transparency

DRC legislation requires the Ministry of Environment to publish concession contracts, four-year management plans, social agreements¹⁶ and quarterly declarations of timber logged by each concession, which is self-reported by the company.

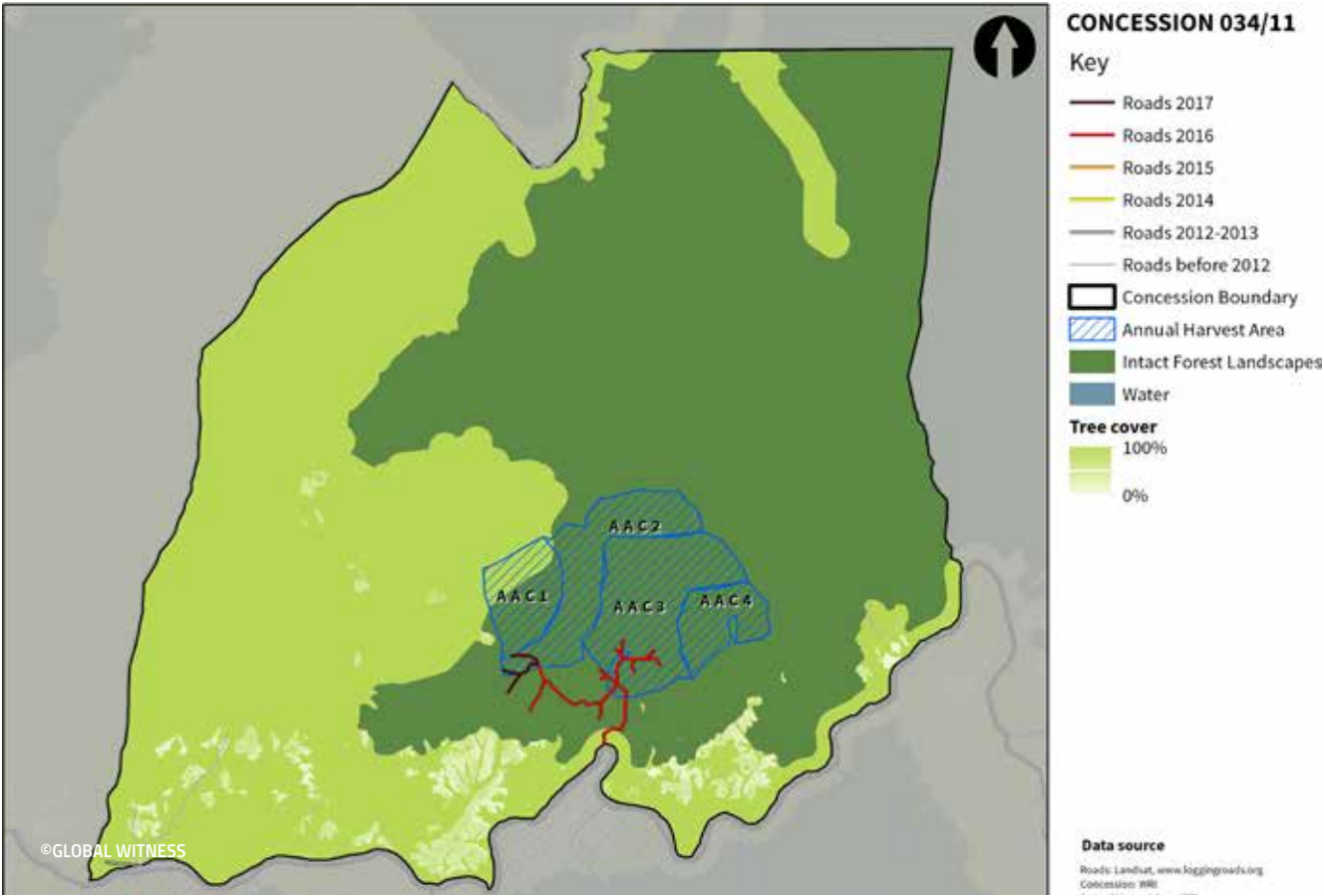
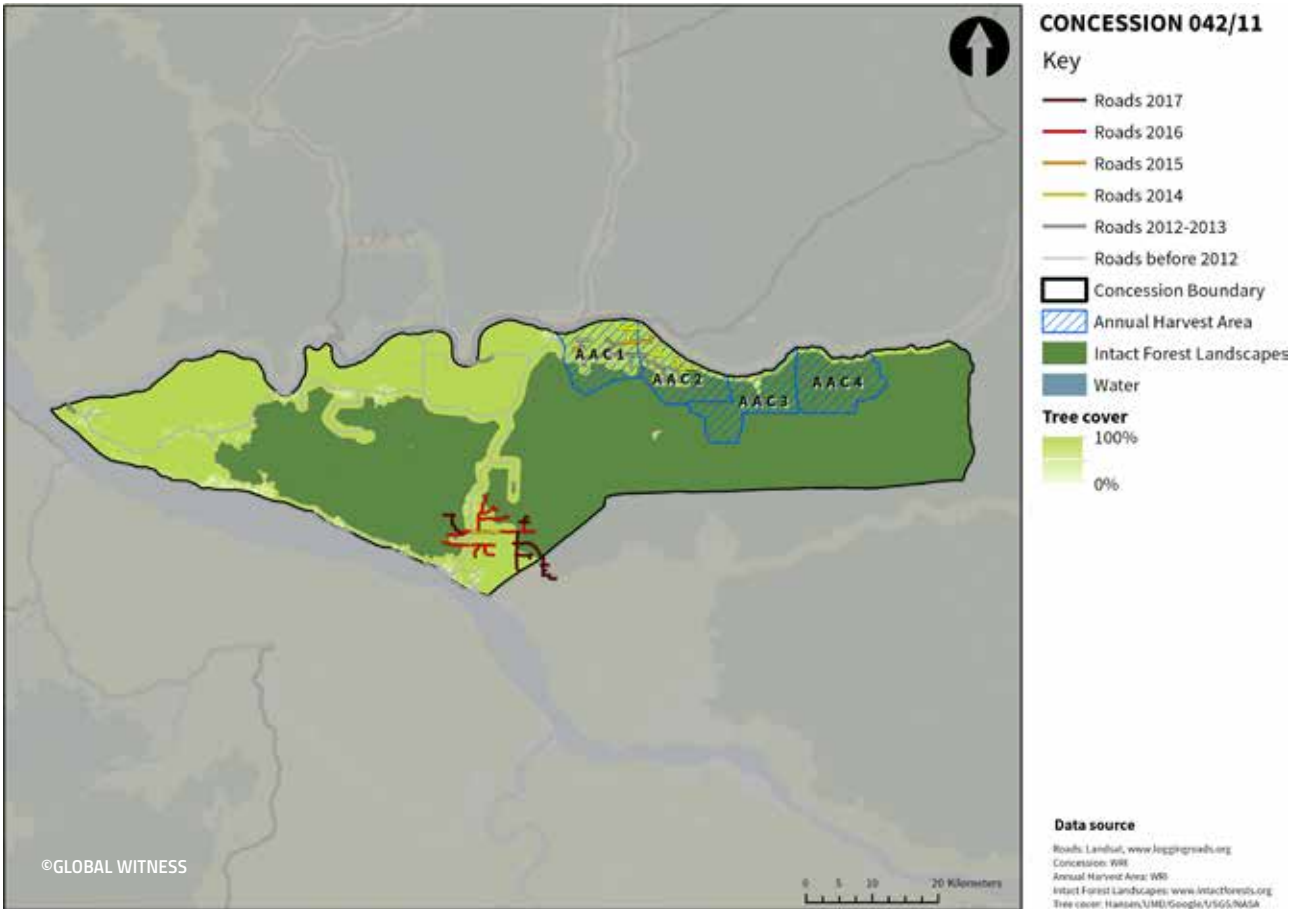
However, it does not require companies to publish their tax payments, logging permits, or the amount of funding that is available to communities, or their 25-year management plans.

Furthermore, only a small selection of these documents are available on the DRC Ministry of Environment’s website, which has been offline for long periods of time.¹⁷ Global Witness believes that all of this material should be in the public domain, and published on the internet as well as in a form that DRC citizens, including affected populations with no internet, can access. The government must ensure not only that this transparency exists, but that companies like Norsudtimber and its subsidiaries are paying their taxes and returning to communities a fair remuneration for the logging they carry out.

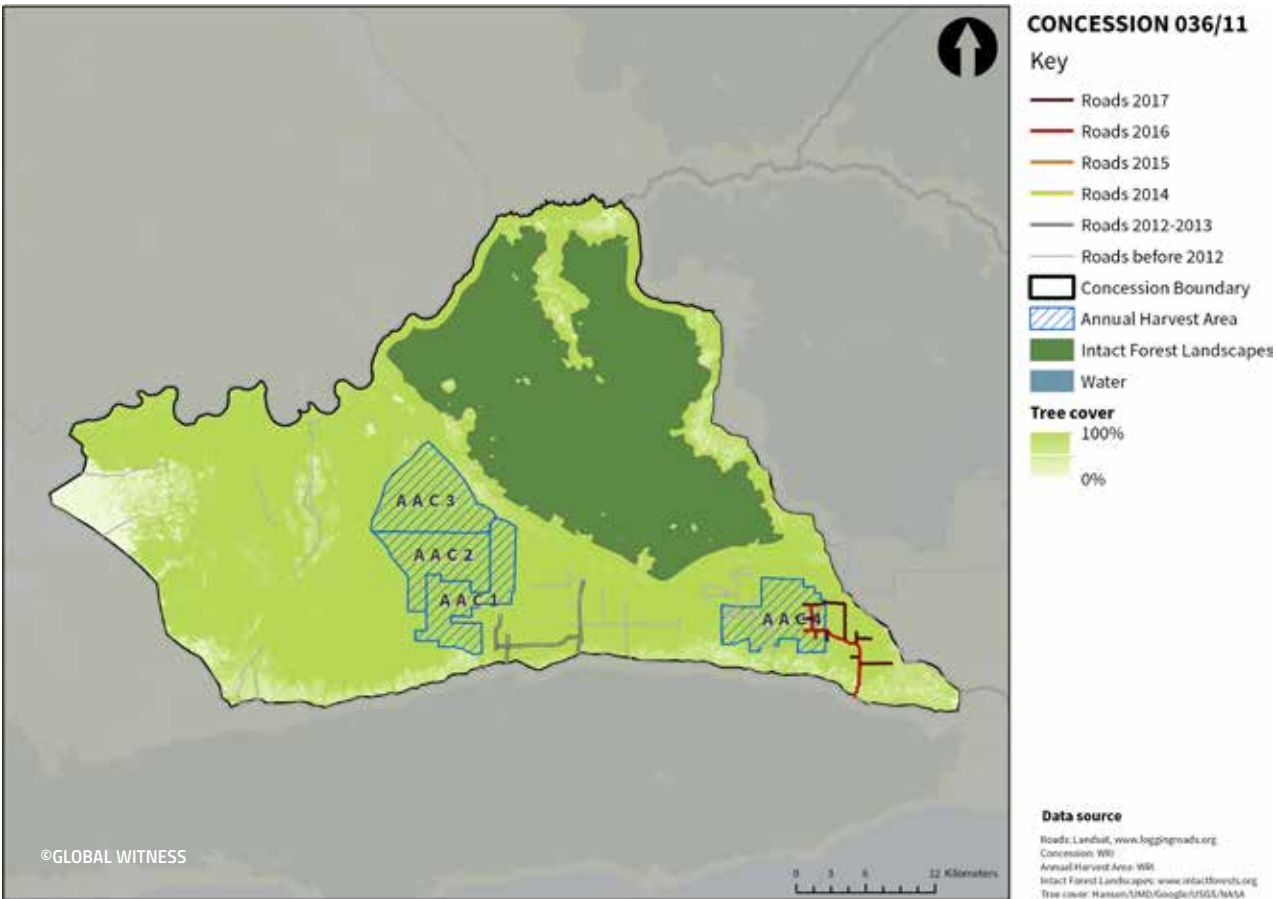
These are the maps on which our satellite analysis is based (see Annex V for satellite images). The methodology of our analysis is detailed in Annex II. The following satellite images of concession 042/11 show the construction of logging roads outside of the concession border in 2017.

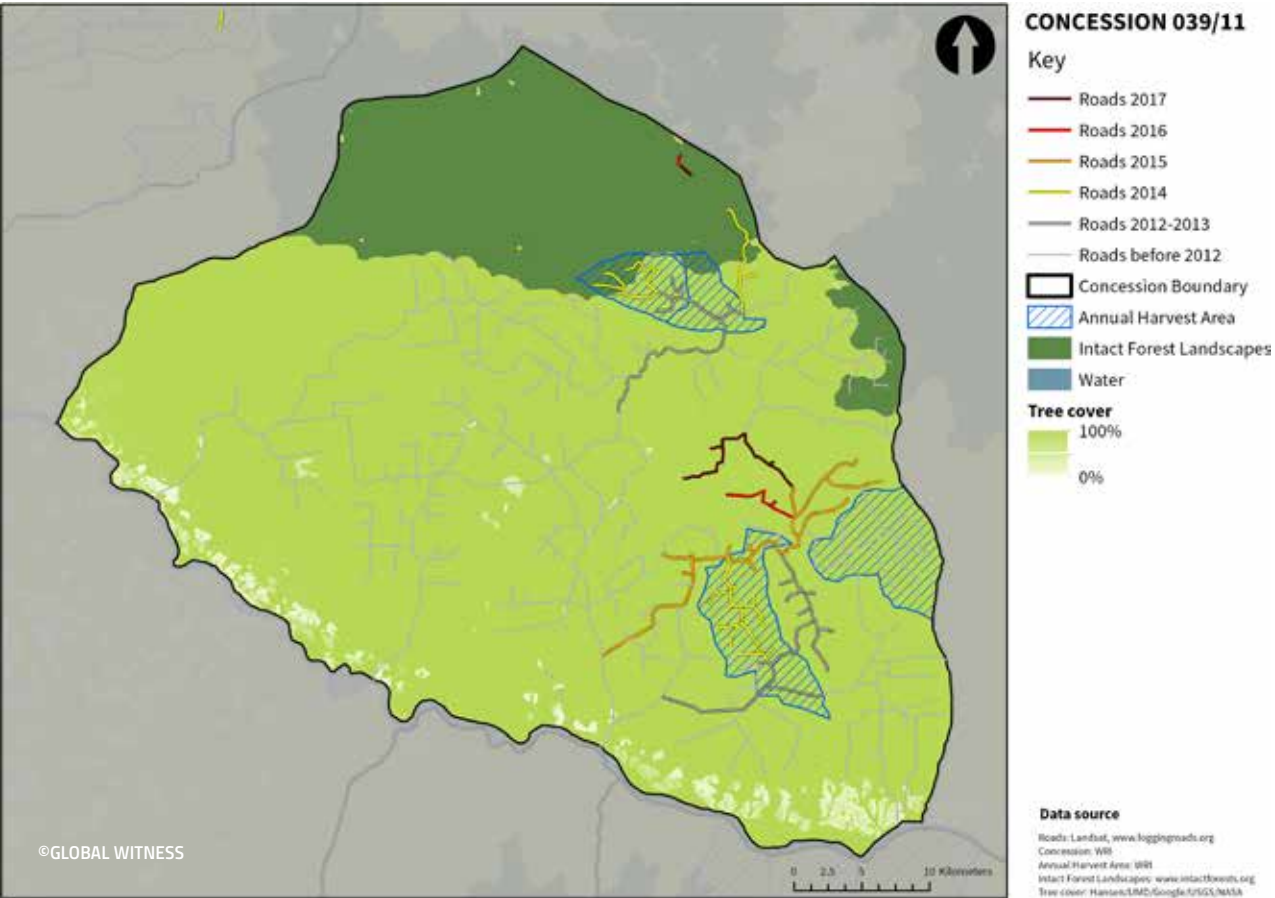


Above Logging roads built by Sodefor in concession 042/11. Note logging activity in 2017 is taking place outside of the concession.
Below Sodefor concession 042/11, former Orientale province. Population unknown. All signs of logging activity in 2016 and 2017 is taking place outside of annual harvest areas, and indeed outside of the concessions in 2017. It has also been operating without a 25-year management plan since October 2016. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.



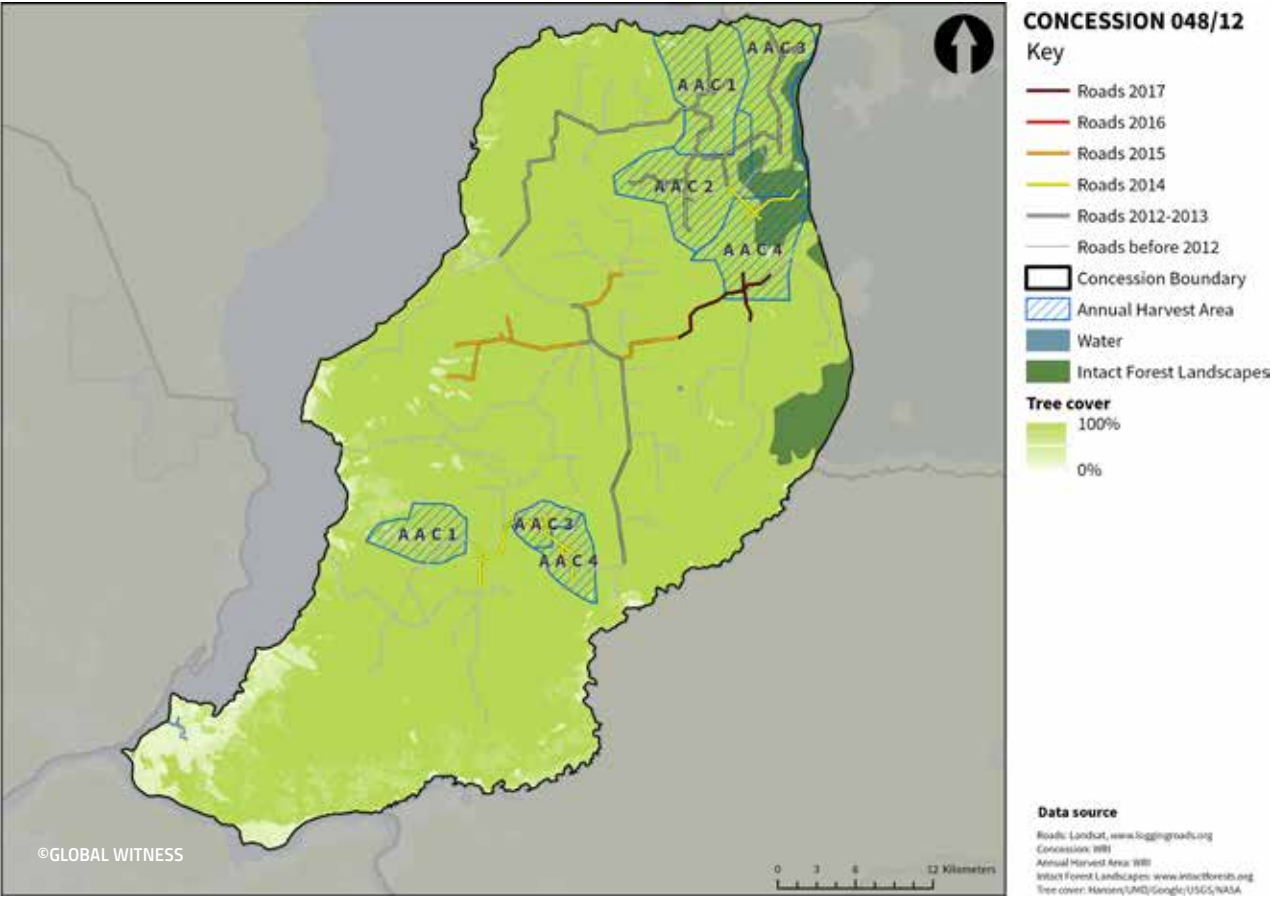
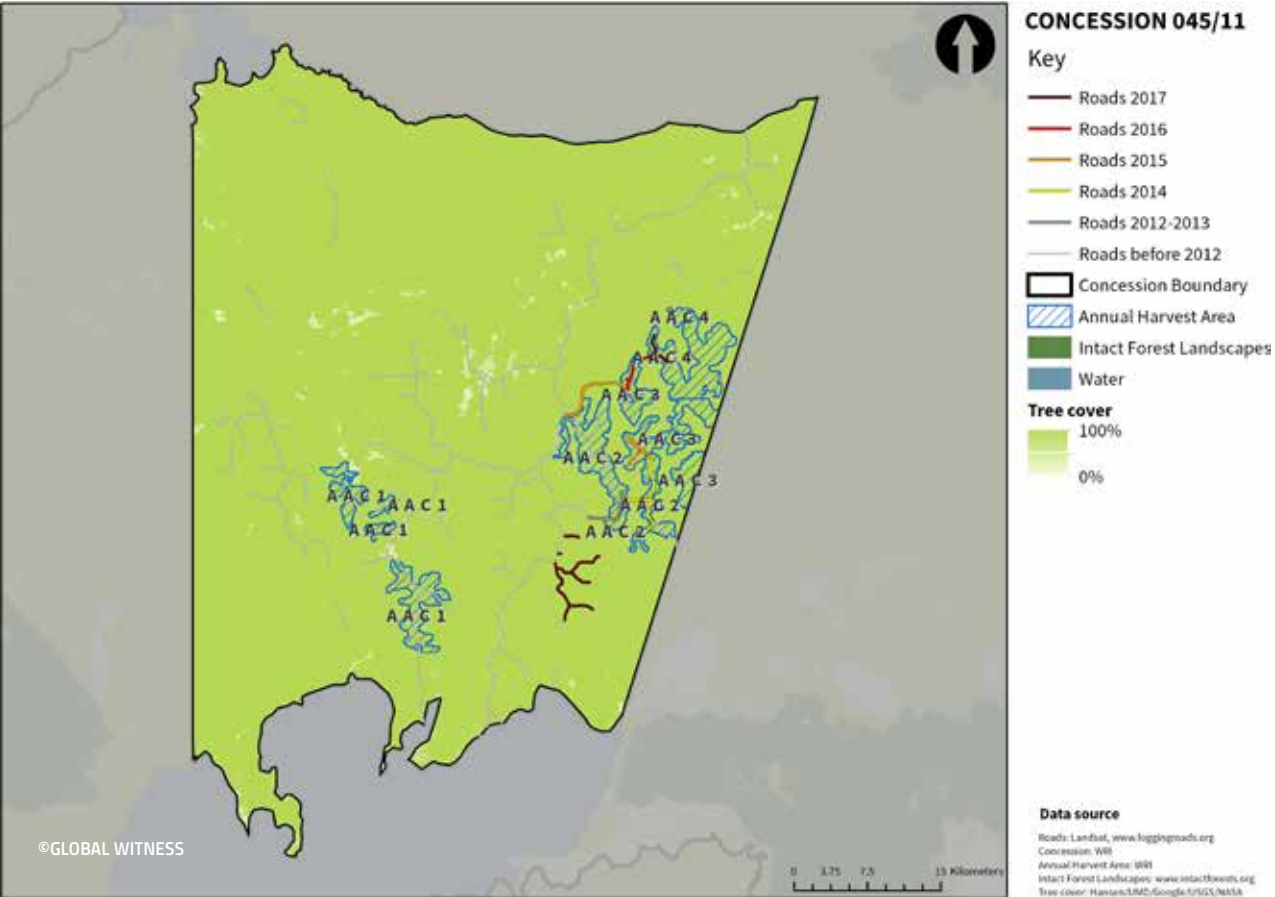
Above Sodefor concession 034/11. Population unknown. Signs of logging activity in 2016 and 2017 taking place outside of annual harvest areas. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.
Below Forabola concession 036/11. Population unknown. Signs of logging activity in 2016 and 2017 taking place outside of annual harvest areas. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.





Above Sodefor concession 039/11. Population 15,200. Signs of logging activity outside of authorised perimeters in 2015 and subsequent years. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.

Below Sodefor concession 045/11. Population unknown. Signs of logging activity in 2017 taking place outside of annual harvest areas. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.



Above La Forestière du Lac concession 048/12. Signs of logging activity in 2014 and 2017 taking place outside of annual harvest areas. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.

Further investigation is required by DRC forest authorities to establish the nature of roads built outside of a concession's annual harvest areas and whether the concessions are being logged in the legally-assigned area in a given year. When companies have carried out logging activity outside of authorised areas, any resources should be returned to the state and all logging activity is illegal.

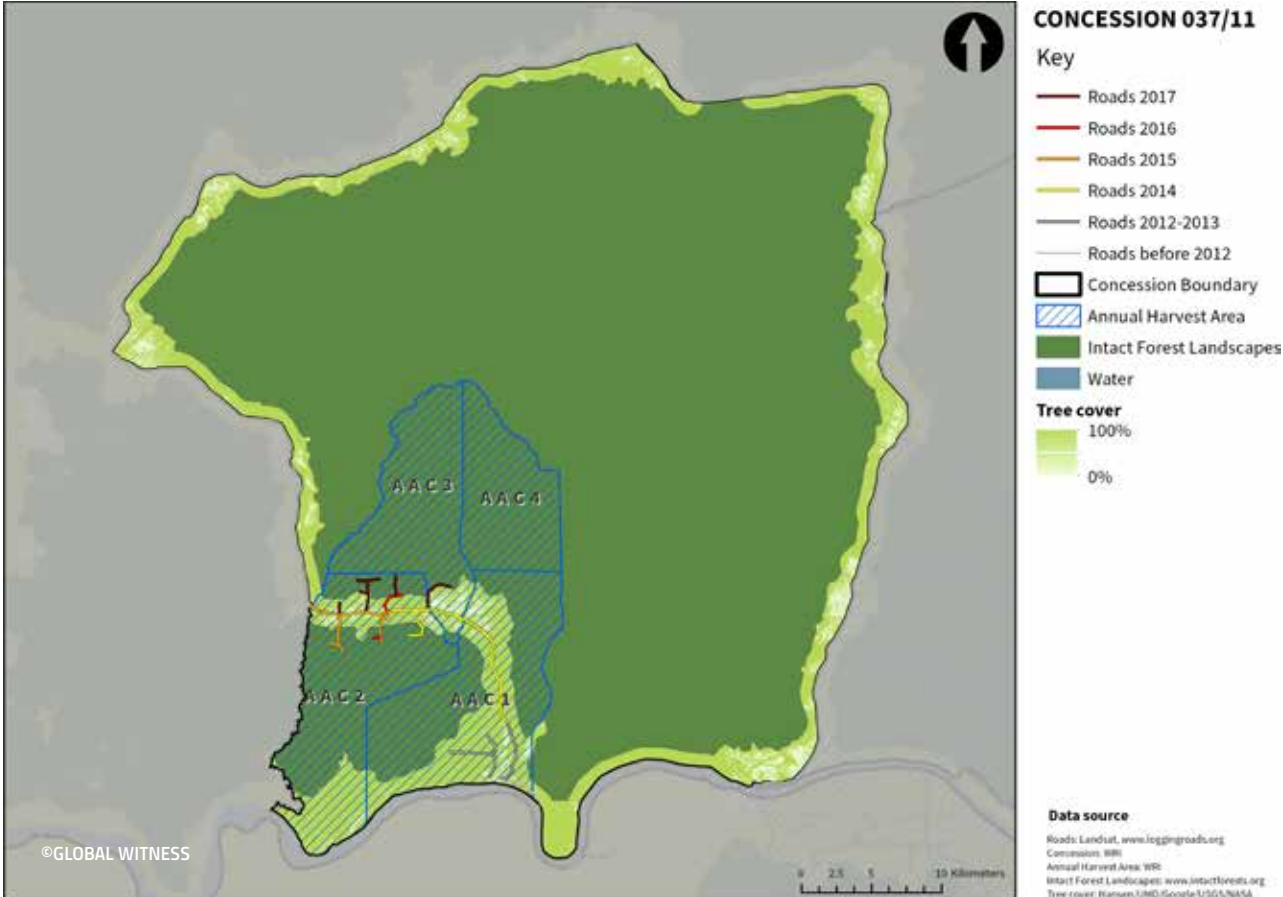
Overall, only two of Norsudtimber's 11 concessions in operation had both a 25-year management plan within the legal deadline and also had all of their activities taking place within authorised perimeters – concession 035/11 (Sodefor) and 060/14 (Forabola). But, as we will see, there are questions concerning the delivery of their social obligations to the local communities living in these concessions.

“Communities complained about the lack of time to prepare for and conduct negotiations, misrepresentation of their community, and lack of necessary documents

3. LOGGING IN THE SAME ANNUAL HARVEST AREA FOR FOUR CONSECUTIVE YEARS

According to the DRC Forest Code, logging companies are only allowed to harvest timber in an annual harvest area (AAC) for a year, which can be extended by another two. However, our satellite analysis shows that Sodefor logged the same AAC, in concession 037/11, for four consecutive years (from 2014 to 2017 inclusive).

Below Sodefor concession 037/11. Signs of logging activity in the same annual harvest area in 2014, 2015, 2016, and 2017. The concession must therefore be returned to the state, and all logging activity currently taking place is illegal.



4. IS NORSUDTIMBER GETTING INTO THE PALM OIL BUSINESS?

While conducting satellite analysis of Norsudtimber concessions, Global Witness uncovered evidence of plantations in two of its concessions. As shown in chapter 3 of this report, one of the ecological risks associated with industrial logging is that, as the stock of high-value trees gets depleted, the incentive to transform the concession into a plantation – and by doing so cause deforestation – increases. This is potentially disastrous for DRC’s forests and raises further questions about

In its response to Global Witness, Sodefor said: “Global Witness’ assertion on the illegality of this concession (037/11) is unfounded.” The company recognised it had logged for four consecutive years in the same annual harvest area, but said that it mistakenly requested a logging permit for that AAC, when it should have requested a permit for another AAC. Nevertheless, satellite analysis confirms that Sodefor proceeded to log in AAC 2 in 2017, in violation of the Forest Code.

Below Feronia deforesting to expand its palm plantation, within Sodefor concession 064/14, between 2013 and 2016. 1°12’17.75” N 23°27’10.48”E

the legality and environmental impact of Norsudtimber’s operations in DRC.

The two concessions are 064/14 (Sodefor), and 048/12 (La Forestière du Lac). It would appear that in concession 064/14 – which Forabola first gained the logging rights to in March 2003, but is now logged by Sodefor - the plantation is being operated by the Toronto-listed Feronia.²⁴ The UK Government owns just under 38% of Feronia, through its development finance arm



CDC Group plc. Feronia acquired palm oil plantations in DRC from Unilever in 2009.^{25 26} Our analysis indicates this plantation is around 13,500 hectares or over 18,000 football pitches in size. The imagery suggests what appeared to be secondary forest, which may already have had some high tree canopy, in 2013, which was then clear-cut in the period between 2013 and 2016. In their response to Global Witness, Feronia and CDC Group stated that they were not deforesting or clearing forest as this area does not qualify as “forest”, having previously been planted with oil palm and other agricultural crops such as cocoa and lain abandoned for almost 20 years. Feronia and CDC Group said the land was “considerably overgrown” and that Feronia has “a very strict policy against deforestation”, only replanting on previously planted areas and undertaking field audits regularly to conform with this approach.

“ Communities complained about the lack of time to prepare for and conduct negotiations, misrepresentation of their community, and lack of necessary documents

It is unclear whether Norsudtimber’s subsidiaries are or have been involved in any way with the activities of Feronia in 064/14, but they do take place in their concession.

Satellite imagery of concession 048/12 also indicates that clearing for some kind of plantation is taking place, although on a much smaller scale (a few clearances of less than 10 hectares). Although local communities are allowed to farm within logging concessions, our satellite imagery shows larger areas of forest than communities would generally clear-cut for this purpose and also follows a grid-like pattern which is unlike community slash and burn practices. Sources in DRC confirmed that palm oil plantations were being developed in the concession, but this – and whether Norsudtimber companies were involved in this activity – could not be independently confirmed.

According to DRC law, when a forest is under a logging concession contract, no other industrial permits can be granted within the concession, and therefore any type of industrial forest clearance activity would be illegal.²⁷

In its response to Global Witness, Feronia recognises that part of its Lokutu plantation is overlapped by “a number of forestry concessions”, but that it is undertaking agricultural activities under valid agricultural land titles and is not in breach of DRC law.

According to a report by the NGO Earthsight, no permit for forest clearance was issued by DRC authorities to companies between 2002 and 2017.²⁸ The same Earthsight report quoted a former senior official at the Ministry of Environment who described the country’s agricultural sector as a free-for-all, with companies being allowed to clear forest without required deforestation permits or impact assessments and without paying relevant taxes.²⁹

Global Witness asked Norsudtimber whether it was responsible for the plantations in its concessions, but it did not respond.

5. ARE NORSUDTIMBER COMPANIES DELIVERING ON THEIR OBLIGATIONS TO LOCAL INHABITANTS?

According to DRC law, for every cubic meter of timber felled, companies must contribute between US\$2 and US\$5 – depending on the tree species – to a “local development fund”.³⁰ The money is then used to fund the construction or refurbishment of infrastructure projects, such as roads, schools, and health centres,

or the provision of services, such as salaries for nurses and teachers as well as education and medical supplies.^{31 32} During the negotiation of the contract, the timber company presents to affected communities the predicted amount of timber to be logged, based on their four-year management plan, and the corresponding proceeds that will go to the local development fund.³³

Both parties then have to come to a “social agreement” as to the timeline and type of infrastructure this fund will finance.

Global Witness visited communities in five concessions operated by Norsudtimber subsidiaries, and examined 29 of the 32 social agreements that its subsidiaries have signed, including minutes of the negotiations.³⁴

Our conclusion is that negotiations are biased in favour of the companies. Communities complained about the lack of time to prepare for and conduct negotiations, misrepresentation of their community, and lack of necessary documents.^{35 36 37 38} But the problems go deeper.

1. HOW BIG SHOULD THE FUND BE?

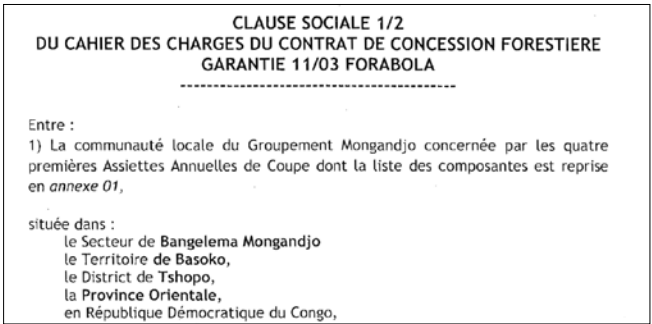
The value of the fund as recorded in the social agreements is based on companies’ projected timber harvests. But the actual value of the fund, and therefore what can be built or paid for, is determined by declared harvests, which are recorded in quarterly declarations produced by the company for DRC authorities.³⁹ This means that in concessions that the companies do not log, none of the infrastructure agreed in the social agreement can be built, or equipment delivered (eg for food production or medical supplies).

“ Global Witness visited five concessions in three DRC provinces to assess the impact of activities by Norsudtimber subsidiaries on communities living in the forests of their community, and lack of necessary documents

The company is not required to publicly disclose this information, although the government is legally obliged to publish it on the Ministry of Environment’s website (which is of little use to communities without internet access).⁴⁰ In practice, however, these documents are not available on the website, making it impossible for affected communities to determine or verify the declared volume of timber harvested, and subsequently what is due to communities in the concessions.

In 2016, the combined estimated timber harvests of Norsudtimber subsidiaries were far less than they stated at the time they negotiated the social agreements, resulting in less funding available for communities.⁴¹

Below First page of a social agreement concession 042/11 (now operated by Sodefor) between Forabola and the Mongandjo community.





Above School benches delivered to communities in concession 045/11 (Sodefor).
Below School in concession 039/11 (Sodefor). It did not have any windows or doors, allowing the villagers’ goats to enter the building and defecate in the classrooms.



2. WHO HAS ACCESS TO THE FUND?

If the community does not have access to banking facilities, as is often the case in remote areas of DRC, the fund itself is held by the logging company, or a “third party” agreed between the company and the community.⁴²

According to the social agreements, the fund is overseen by a committee composed of at least five members of the community, and one person from the logging company, who decide how and when to distribute funds.⁴³

Many communities visited by Global Witness complained of a lack of transparency from the company. “We never saw a bank statement,” said one villager in concession 037/11, when the community asked how much it was legally owed from Sodefor logging activities.⁴⁴ “The company never answers any of our correspondence,” said another villager in the neighbouring Sodefor concession 035/11.⁴⁵

In practice, a small group of local elites and staff from the logging company control the fund, and, they also control what should be allocated to essential public services. Only they know how much has been paid for infrastructure projects and provision of services, and how much has been contributed each quarter. This raises the risk that the community may not benefit from the funds and increases opportunities for corruption.⁴⁶

The variation between what is predicted to be harvested and what reportedly has been harvested, as well as the lack of certainty over what is actually in a development fund and how it has been spent, makes it very difficult for communities to plan and implement social agreement projects and to hold loggers, or others responsible for the fund, to account. It also makes it hard for independent observers to verify if a company is fulfilling its legal obligations.

In June and July 2016, Global Witness visited five concessions in three DRC provinces to assess the impact of activities by Norsudtimber subsidiaries on communities living in the forests.^{47 48} In none of these five concessions had the infrastructure negotiated between the companies and the local communities been delivered. Many buildings were half finished and work appeared abandoned, or not even started. The communities expressed a deep sense of frustration about this.

It can be difficult to establish who is ultimately responsible for unfinished or absent infrastructure and whether this is because the declared harvests are lower than projected, the company did not pay what was owed to the local development fund, or funds were misused by community members responsible for managing them. More transparency accompanied by an oversight mechanism would be necessary.

In their response to Global Witness, Sodefor and Forabola jointly stated: “Sodefor (and Forabola) maintains a constant and transparent dialogue with communities with regard to the social agreements, notably through meetings with local management and monitoring committees. This set-up of permanent dialogue allows the monitoring of the realisation of all agreed infrastructure works.” Concerning the non-realisation of infrastructure stipulated by the social agreement, the companies added: “All of the works are not completed, and do not have to be. According to DRC law, the operator has to release funds after the timber harvest,” with its responsibilities ending there. The companies said they “respected and implemented the social agreements signed with local communities”.

6. ABSENCE OF LOGGING FOR TWO YEARS

According to DRC law, if a concession is not logged for a period of two years, it must be returned to the state.⁴⁹ Our satellite analysis of logging activity by Norsudtimber subsidiaries (see below) shows that nine of the company’s 20 concessions had no signs of logging activity in 2016 and 2017.⁵⁰ It is not known why they have decided not to log these concessions, but this holds consequences for the delivery of social agreements to local communities, and for the legality of the concession itself.

In their response to Global Witness, Sodefor and Forabola jointly acknowledged they had not logged these concessions for a period of two years, but described Global Witness’ claims that these concessions should be returned to the state as “unfounded”. They said that the logging concession would only be considered illegal if there had been a formal notice from the Ministry of the Environment. However, the companies ground their conclusion on an erroneous understanding of the DRC Forest Code, as there is no requirement for the government to give formal notice in such a scenario.⁵¹ Therefore, these nine concessions should be returned to the state.

“ There are no public records to suggest that Norsudtimber companies have ever been sanctioned for acts of non-compliance with the law, nor any of their concessions returned to the state

**SUMMARY:
NORSUDTIMBER HAS BEEN
DEFYING THE DRC FOREST CODE**

The findings of this investigation add to a growing body of evidence that 18 of Norsudtimber’s 20 concessions are in breach of DRC’s Forest Code.

Independent forest monitors – bodies mandated by the DRC government to investigate illegalities in logging concessions, and whose reports are approved by a government panel – had previously also recorded what they say are breaches of DRC’s Forest Code in five concessions operated by the same Norsudtimber subsidiaries between 2011 and 2017.⁵²

Reported breaches include: harvesting more than the authorised amount of timber, underpayment of taxes, harvesting of non-authorised species, harvesting without permits, and falsifying markings on logs used to determine the origin of the timber.^{53 54 55 56 57 58} A summary of these findings is found in Annex IV of this report.

Furthermore, the German government-owned development bank KfW financed a project in 2014 and 2015 to achieve legality certification in Sodefor concessions. World Wildlife Fund (WWF) - one of the world’s biggest wildlife conservation organisations, which implemented the programme, said that its contract with Sodefor was not renewed in 2016 as “Sodefor was not able to show progress on its commitments.”⁵⁹

There are no public records to suggest that Norsudtimber companies have ever been sanctioned for acts of non-compliance with the law, nor any of their concessions returned to the state.

CONTRACT BREACHES

The table below details which concessions are in breach of the DRC Forest Code and should, therefore, be returned to the state, based on our analysis of the presence or not of a 25-year management plan, and satellite analysis of logging activity. As can be seen, the concession contracts of 18 of Norsudtimber's 20 concession contracts should be terminated. Any logging taking place there is currently illegal.

Concession contract	Ownership and date of contract signature	Owner-ship in January 2018	25-year management plan, as of January 2018	Logging outside of authorised perimeters, based on four-year management plans (plan de gestion)?	Absence of logging activity for two consecutive years, 2015-2017?	Legal status according to DRC Forest Code	Sodefor and Forabola's response:
015/11	Soforma. Contract signed by João Manuel MAIA TRINDADE on 04/08/2011.	Forabola	No. Deadline for approval was 03/08/2016.	No. Logging roads outside of annual harvest areas appear to be access roads.	No	Forabola is in breach of its contract for concession 015/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 04/08/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." A 25-year management plan for this concession was submitted on 03/01/2018, 17 months after the legal deadline for its approval.
034/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011.	Sodefor	Yes. However, management plan was approved in March 2017, at least four months after the deadline of 23/10/2016.	Yes in 2016 (compare images from 14/06/2016 and 21/11/2016), and 2017.	No	Sodefor is in breach of its contract for concession 034/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 21/11/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor told Global Witness that timber harvested in 2016 was entirely in AAC 1 and that no timber was harvested in 2017, which is contradicted by satellite imagery.
035/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011	Sodefor	Yes	No. Logging roads appear to be within annual harvest areas of 25-year management plan.	No	Concession operating with a management plan, and harvesting within authorised areas. However, questions remain as to whether Sodefor is compliant with its obligations towards local communities.	
036/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011.	Forabola	No. Deadline for approval was 23/10/2016.	Yes in 2016 (compare images from 26/01/2016 and 09/02/2017), and 2017.	No	Forabola is in breach of its contract for concession 036/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 24/10/2016	"Global Witness' assertion on the illegality of this concession is unfounded." Forabola said that timber was harvested between 2015 and 2018 with a "provisional" management plan, but this does not exist in DRC law. The company also said it submitted a management plan on 23/02/2018, 16 months after the legal deadline for its approval.

Concession contract	Ownership and date of contract signature	Owner-ship in January 2018	25-year management plan, as of January 2018	Logging outside of authorised perimeters, based on four-year management plans (plan de gestion)?	Absence of logging activity for two consecutive years, 2015-2017?	Legal status according to DRC Forest Code	Sodefor and Forabola's response:
037/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011.	Sodefor	No. Deadline for approval was 23/10/2016.	No. But logging activity observed in the same annual harvest area from 2014 to 2017 (inclusive).	No	Sodefor is in breach of its contract for concession 037/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since 24/10/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that the 25-year management plan for this concession will be submitted in June/ July of 2018, at least 20 months after the legal deadline for its approval. The company recognised it had logged for four consecutive years in the same annual harvest area, but said that it mistakenly requested a logging permit for that AAC, when it should have requested a permit for another AAC. Nevertheless, satellite analysis confirms that they logged AAC 2 in 2017, in violation of the forest code.
038/11	Sodefor. (Contract unavailable)	Sodefor	No. Deadline for approval was 31/12/2016.	No	No	Sodefor is in breach of its contract for concession 038/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 01/01/2017.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said the 25-year management plan for this concession will be submitted in June/July 2018, at least 18 months after the legal deadline for its approval.
039/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011.	Sodefor	Yes	Yes in 2015 (compare images from 18/01/2015 and 15/02/2016), 2016 and 2017.	No	Sodefor is in breach of its contract for concession 039/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 15/02/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." Forabola said that between 2014 and 2017, it exclusively harvested within annual harvest areas, which is contradicted by satellite evidence.
042/11	Forabola. Alberto Pedro MAIA TRINDADE, on 24/10/2011.	Sodefor	No. Deadline for approval was 23/10/2016.	Yes in 2017 (compare images from 30/01/2016 and 23/02/2017). Note logging activity is outside of the annual harvest area and of the concession.	No	Sodefor is in breach of its contract for concession 042/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 24/10/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said the 25-year management plan for this concession will be submitted in June/July 2018, at least 20 months after the legal deadline.

Concession contract	Ownership and date of contract signature	Ownership in January 2018	25-year management plan, as of January 2018	Logging outside of authorised perimeters, based on four-year management plans (plan de gestion)?	Absence of logging activity for two consecutive years, 2015-2017?	Legal status according to DRC Forest Code	Sodefor and Forabola's response:
043/11	Soforma. Contract signed by João Manuel MAIA TRINDADE on 24/10/2011.	Forabola	No. Deadline for approval was 23/10/2016.	-	Yes	Sodefor is in breach of its contract for concession 043/11. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
045/11	Sodefor. Contract signed by José Albano MAIA TRINDADE on 24/10/2011.	Sodefor	No. Deadline for approval was 23/10/2016.	Yes in 2017 (compare images from 31/03/2017 and 05/01/2018).	No	Sodefor is in breach of its contract for concession 045/11. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been so since at the latest 24/10/2016.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that the management plan for this concession would be deposited in September 2018, or nearly two years after the legal deadline for its approval.
048/12	La Forestière du Lac	La Forestière du Lac	No. Deadline for approval was 26/04/2017.	Yes in 2015 (compare images from 18/12/2014 and 12/01/2016) and 2017.	No	La Forestière du Lac is in breach of its contract for concession 048/12. The contract for this concession must be terminated, all timber being harvested is currently illegal, and has been since 12/01/16. Furthermore, we have found evidence of a plantation within the concession.	Sodefor and Forabola would not comment on Global Witness' allegations regarding this concession, despite Forabola owning 80% of the current operator, La Forestière du Lac.
057/14	Sodefor. Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Forabola	Not needed until 09/07/2019.	-	Yes	Forabola is in breach of its contract for concession 057/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Forabola said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
058/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Forabola	Not needed until 09/07/2019.	-	Yes	Forabola is in breach of its contract for concession 058/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Forabola said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
059/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 059/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.

Concession contract	Ownership and date of contract signature	Ownership in January 2018	25-year management plan, as of January 2018	Logging outside of authorised perimeters, based on four-year management plans (plan de gestion)?	Absence of logging activity for two consecutive years, 2015-2017?	Legal status according to DRC Forest Code	Sodefor and Forabola's response:
060/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Forabola	Not needed until 09/07/2019.	No	-	Concession operating with a management plan, and harvesting within authorised areas. However, questions remain as to whether Sodefor is compliant with its obligations towards local communities.	
061/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 061/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
062/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 062/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
063/14	Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 063/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no such provision in DRC's Forest Code.
064/14	Forabola. Contract signed by Alberto Pedro MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 064/14. The contract for this concession must be terminated. Furthermore, we have found evidence of a palm oil plantation within the concession.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no provision in DRC's Forest Code.
065/14	Sodefor. Contract signed by José Albano MAIA TRINDADE on 10/07/2014.	Sodefor	Not needed until 09/07/2019.	-	Yes	Sodefor is in breach of its contract for concession 065/14. The contract for this concession must be terminated.	"Global Witness' assertion on the illegality of this concession is unfounded." Sodefor said that for a concession to be illegal, there would need to be a formal notice from the DRC Ministry of Environment. However, there is no provision in DRC's Forest Code.

WHY IT IS SO EASY FOR NORSUDTIMBER AND ITS SUBSIDIARIES TO BREAK THE LAW

The extensive illegality uncovered by this investigation raises serious questions about forest governance in DRC and the role of DRC's government in allowing these operations to continue.

The country's broader governance context is dire: DRC ranks 161 in Transparency International's corruption perception index out of 176 states.⁶⁰ The country's legal framework is "rarely enforced in practice" and, according to the anti-corruption organization U4, the country's forest sector is run by a "mafia-style network".⁶¹

Echoing this analysis, a 2012 World Bank study on how countries tackle illegal logging through the criminal justice system, said that: "The major cause of failure of criminal justice in this area is the prevalence of corruption, especially at high levels."⁶² The same World Bank study concluded that the low chance of prosecution was failing to create a deterrent.⁶³

Correspondence seen by Global Witness from DRC authorities indicates that the government is unwilling to uphold the law. For example, in October 2017, a letter from the prime minister Bruno Tshibala Nzenzhe informed DRC's government ministers that all supervision of private sector operators was suspended for a period of four months, arguing that the "annoyance" of such controls created an unhealthy business climate.⁶⁴

More recently, in April of this year, the DRC minister of environment Amy Ambatobe Nyongolo sent a letter to DRC's Federation of Timber Companies, informing it that he would be extending the deadline for the submission of 25-year management plans for concessions signed before 2014 to the end of 2018.⁶⁵ There is

no legal basis for such an extension, but this letter is representative of the government's unwillingness to ensure the country's logging sector is compliant with DRC's laws.

In this context, it is unsurprising that DRC's moratorium on the allocation of new logging concessions – established to allow time to plan and build up capacity to govern the sector – has been repeatedly violated by successive ministers. In 2015, the government gave out three concessions in breach of the moratorium and in 2016 allocated five more.⁶⁶ Following pressure from NGOs and donors, these concessions were subsequently cancelled.⁶⁷ And more recently, DRC's current minister of environment, Amy Ambatobe Nyongolo, reinstated three of the five concessions which had been illegally allocated in 2016, thereby violating the country's moratorium.⁶⁸

“As far as we were able to ascertain, there are no documented cases of fines, or imprisonment of industrial loggers found guilty of breaching DRC law

In parallel to these violations, the current minister has also repeatedly announced intentions to lift the moratorium. For example, a few days before the United Nations Framework Convention on Climate Change Conference in Bonn in December 2017, the minister hastily convened a "workshop" in Kinshasa,⁶⁹ to discuss the lifting of the moratorium. He pulled back a few days later, saying that the whole thing was a "misunderstanding".⁷⁰

There have been no sanctions against Norsudtimber subsidiaries or those responsible for the illegal allocations. One former minister, who was in post when the concessions were illegally allocated, is now a member of the DRC parliament and the other is now minister for small businesses.⁷¹

DRC continues to suffer from an extremely low capacity to monitor operations across its vast forests. In 2013, an independent observer report noted only four officers for the former Bandundu province (295,000km², bigger than the United Kingdom), two for Équateur (403,000km², bigger than Germany, or neighbouring Republic of Congo), and three for Orientale (503,000km², about the size of Spain), responsible for enforcing the DRC Forest Code.⁷² This is in a country with limited modern communications infrastructure, and where travelling to concessions is difficult.⁷³

Low capacity combined with endemic corruption is fertile ground for impunity. Despite multiple studies by local and international NGOs, think tanks, as well as independent forest monitors listing multiple breaches of the Forest Code, as far as we were able to ascertain, there are no documented cases of fines, or imprisonment of industrial loggers found guilty of breaching DRC law.⁷⁴

At the same time, the DRC government has begun to crack-down on civil society organisations in order to protect the logging sector from independent scrutiny.

In June-July 2016, a Global Witness visit to logging concessions, operated by Norsudtimber companies, was cut short

when DRC authorities in Mbandaka, Équateur confiscated our investigators' passports. DRC's minister of environment at the time, Robert Bopolo Bogeza, falsely accused our investigators of encouraging local populations to "rise up against" Norsudtimber companies, before expelling them from the country.⁷⁵

“It has been increasingly difficult for international NGOs to visit communities living in logging concessions

He added that only government officials would be allowed to go to logging concessions to verify whether social agreements were being respected, highlighting that international organisations would only be allowed to do so under exceptional circumstances, and only if they obtained a written authorisation from the Ministry of Environment.⁷⁶

Since then, it has been increasingly difficult for international NGOs to visit communities living in logging concessions. In March 2017, Greenpeace researchers and a filmmaker were also expelled for visiting a logging concession. Other civil society organisations, such as Human Rights Watch, and journalists have also had their visas or visa renewals denied.⁷⁷

Across the country, NGOs are facing acts of intimidation and restrictions on their activities.⁷⁸ Proposals signed by President Kabila on 5 October 2017 to modify DRC's law on associations would give even greater control to the Ministry of Justice over local and international NGOs' operations and funding.⁷⁹



CHAPTER II
NORSUDTIMBER'S
SECRETIVE WORLDWIDE
WEB OF ILLEGAL
TIMBER TRADING

The activities of Norsudtimber in DRC are fuelled by demand for tropical timber from a long list of customers across the globe, who mainly use it in the manufacture of luxury goods. As we have shown, timber from 18 of Norsudtimber's 20 concessions is being harvested illegally.

However, the international trade in illegally-harvested timber continues unhampered due to an absence of legislation in key consumer markets and inadequate enforcement in countries where legislation is in place.

In this chapter we describe the ownership and corporate structure of Norsudtimber as well as the various other entities involved in its supply chain. These involve a series of shell companies (entities that exist primarily on paper, obscuring the real beneficial owners of the companies) in secrecy jurisdictions (countries that make it easy to set up such secretive companies).

This is alarming for several reasons:

First, it raises serious concerns that they are being used to hide something, for tax avoidance purposes, depriving the people of DRC from the supposed economic return of the destruction of the rainforest.

Second, such structures can also be used to facilitate and cover up payments to corrupt officials, or other illegal or criminal activities, by hiding the true beneficiaries of this activity.

Third, it hinders holding company owners to account for corporate breaches of quasi-public responsibilities, like failing to build schools.

This is the second time that Global Witness has exposed the hidden names behind companies logging DRC's rainforest. In 2017, Global Witness published evidence indicating that Cotre-for, DRC's second largest logger after Norsudtimber, is owned by

Below Picturesque Liechtenstein, home of Norsudtimber, which controls over 40,000 km2 of DRC's rainforest.



Key findings

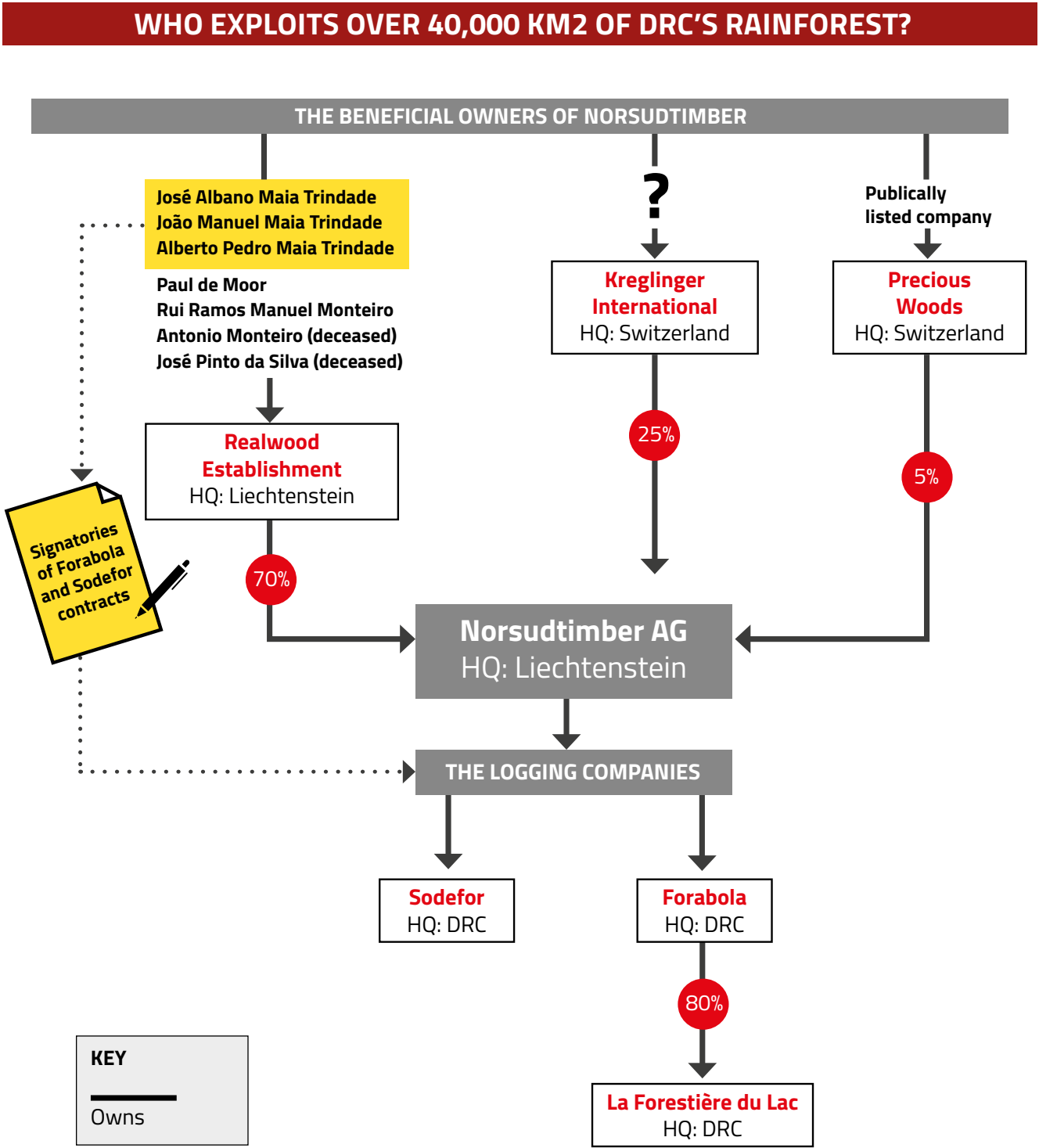
- **Norsudtimber is an overwhelmingly secret company:** 95% of the shares in the company are held by opaque entities in secrecy jurisdictions. These secrecy jurisdictions – Liechtenstein, Hong Kong and Dubai – obscure the real owners of Norsudtimber and protect them from legal scrutiny.
- **Such corporate structures can be used** for transfer pricing purposes or to funnel money to corrupt officials.
- **Their secret network has a global reach:** 78% of timber exports by Norsudtimber were destined for either Vietnam or China between 2013 and 2017. Europe accounted for around 11% of Norsudtimber's exports, with the majority going to Portugal and France.

“ Such structures can also be used to facilitate and cover up payments to corrupt officials, or other illegal or criminal activities, by hiding the true beneficiaries of this activity

a conglomerate controlled by members of the Lebanese Tajideen family.⁸⁰ These men and the conglomerate are named on a US sanctions list for alleged links to Hezbollah, which is listed as a terrorist organisation.

These two secretive companies, Norsudtimber and Cotrefor, together account for 47% of the entire logging sector (in surface area) and 80% of DRC's timber exports in 2017. This chapter will describe the global web of secrecy surrounding Norsudtimber and the implications of its worldwide reach.

Neither Norsudtimber nor its subsidiaries responded to Global Witness' questions on the company's ownership and trade structure.



WHO OWNS NORSUDTIMBER?

There have been at least three different companies established under the name Norsudtimber.

The original company was established in 1991 in Vaduz, Liechtenstein, the second in Bad Ragaz Switzerland and the third incarnation, Norsudtimber Aktiengesellschaft (joint-stock company), was registered in Schaanwald Liechtenstein 2006.⁸¹

These companies were not established and shut down in chronological order, their existence overlapped. According to Congolese public records, the third entity is the one that currently controls Sodefor, Forabola, and via Forabola, La Forestière du Lac.⁸²

All three incarnations of Norsudtimber were registered in secrecy jurisdictions and as such, it is not possible to know who the beneficial owners are from public records. However, Global Witness has seen documents, which confirm the ownership of all three incarnations of Norsudtimber at different points in time.

According to a document produced by a group of shareholders, the first Norsudtimber (Vaduz) was established by the Trindade brothers, José, João, and Alberto with funds from Portuguese investors.⁸³

Before setting up Norsudtimber these Angolan-born Portuguese citizens worked as managers and directors in the DRC logging business.⁸⁴ In 1985 José became the director of Forabola, in the following years his brother João became the director of Soforma, while Alberto took over management of Compagnie Forestière de Transformation (CFT) – a company which was once part of the Norsudtimber group in DRC, but appears to no longer be linked.⁸⁵

NORSUDTIMBER VADUZ

After having worked for a few years in DRC, the Trindade brothers travelled to Portugal to raise funds from family and private investors in order to establish Norsudtimber (Vaduz) and purchase the companies they had been working for.⁸⁶

According to documents seen by Global Witness, in 1997 its beneficial owners were: Antonio Monteiro, Rui Manuel Ramos

Below Alberto Pedro Maia Trindade, a beneficial owner of Norsudtimber, and the signatory of some of its concession contracts in DRC.



Monteiro, The Laretto Foundation, José Albana (sic) Maia Trindade, João Manuel Maia Trindade, Alberto Pedro Maia Trindade and José Pinto da Silva.

The documents include a proposal to form a new company 75% owned by Norsudtimber and 25% owned by the Laretto Foundation. Though the letter lists all of the beneficiaries of Norsudtimber, when it comes to listing the owner of the Laretto Foundation, the document mysteriously redacts the name of the company's beneficiary.

Who the mysterious owner of the Laretto Foundation is, and why their name was so secret that it was even redacted from internal Norsudtimber documents, is not clear. Global Witness was not able to confirm the existence of a company or foundation with that name. We asked the shareholders of Norsudtimber who the beneficial owners of the Laretto Foundation were, but they did not respond.

NORSUDTIMBER BAD RAGAZ

The second incarnation of Norsudtimber – Norsudtimber SA (Bad Ragaz) was formed in 2000.⁸⁷ The documents seen by Global Witness lists the complete shareholding of this company as of December 2006. The document shows that Paul de Moor owns 25% of Norsudtimber SA (Bad Ragaz), with the rest being held by Antonio and Rui Manuel Ramos Monteiro, José Pinto da Silva, as well as the three Trindade brothers, José Albano, João Manuel and Alberto Pedro.

Given that all but one of the shareholders in this entity held shares in the previous Norsudtimber, and that the new shareholder, Paul de Moor, holds the 25% that the mysterious Laretto Foundation held in Norsudtimber Vaduz, it is possible he is the beneficiary that was redacted from documents in 1997. However the nature of company registration in Liechtenstein makes this impossible to confirm. We asked Paul de Moor if he was the beneficial owner of the Laretto Foundation, but he did not respond.

Below João Manuel Maia Trindade, a beneficial owner of Norsudtimber, and the signatory of some of its concession contracts in DRC.



The document this information comes from was drawn up to confirm a movement of shares in which the owners of Norsudtimber Bad Ragaz transferred all of their shares in the company to a new entity called Realwood Establishment.

NORSUDTIMBER SCHAANWALD

Norsudtimber (Schaanwald) was established in November 2006. According to the most recent records filed in Liechtenstein, Norsudtimber (Schaanwald) is now owned by three companies: Realwood Establishment, Kreglinger International AG and Precious Woods Holdings AG.⁸⁸ The beneficial owners of Norsudtimber, those who profit from its activities, are therefore the owners of Realwood Establishment, Kreglinger International and Precious Woods.

REALWOOD ESTABLISHMENT

According to documents seen by Global Witness, Realwood Establishment, which controls just over 70% of Norsudtimber, is an Anstalt – a type of Liechtenstein entity that can be anonymous and has very limited tax liabilities.⁸⁹

When it is established the founder – who holds the ‘founders’ rights’ and has the power to administer the company’s affairs – is named, but the actual beneficiaries are not. The beneficiaries of an Anstalt are listed in the company’s by-laws and do not need to be submitted to the company register.

When Global Witness spoke to an individual familiar with establishing such entities, they told us that fears of hacking or digital leaks such as the Panama Papers have changed how ownership is recorded by the administrators of such an entity. In some cases, rather than the file being kept on computer, the details of the beneficiaries are now written by hand onto printed copies of the company by-laws, then the document is kept in a safe.⁹⁰ This protects secrecy by ensuring that no electronic trace of the named beneficiaries actually exists.

Realwood’s founder and sole director is Jürgen Hubert Zech.

Below José Albano Maia Trindade, a beneficial owner of Norsudtimber, and the signatory of some of its concession contracts in DRC.

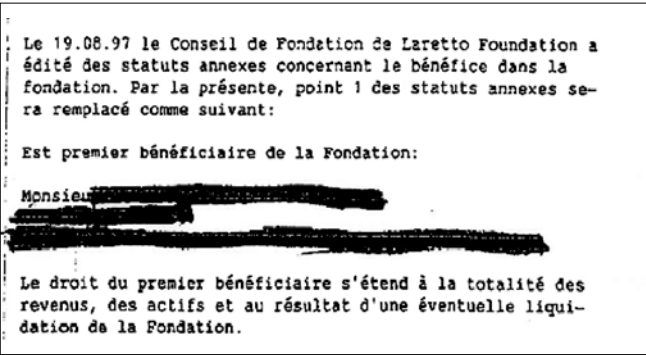


He is managing director of Terra Sana, a Liechtenstein-based financial services provider he runs alongside his wife and son.⁹¹ Terra Sana is involved in several of the companies which are part of Norsudtimber’s operations; it administers Norsudtimber itself, whilst Jürgen sits on the board of Kreglinger International and administers the affairs of Realwood Establishment.⁹² According to their website the inspiration for the name Terra Sana (Latin for Healthy Earth) was the founders’ desire to build a healthy and safe world for their customers. Whether this extends to keeping rainforests safe from loggers is not made clear.

Global Witness has obtained a document from February 2007 which list the beneficial owners of Realwood Establishment. They are: Paul de Moor, Antonio Monteiro, Rui Manuel Ramos Monteiro, José Pinto da Silva, José Albano Maia Trindade, João Manuel Maia Trindade and Alberto Pedro Maia Trindade.

This is likely to have changed. For example, Antonio Monteiro passed away in 2015.⁹³ It would appear that his shareholding passed onto his son, Rui Monteiro.⁹⁴ However, as the Liechtenstein Anstalt is such an opaque corporation there is no way to confirm the current ownership of Norsudtimber from public records.

Below The beneficial owner of the Laretto Foundation was redacted on documents seen by Global Witness.



Below Paul de Moor, honorary consul for Belgium in Tasmania, Australia, and a beneficial owner of Norsudtimber.



KREGLINGER INTERNATIONAL

According to Norsudtimber’s company records, seen by Global Witness, Kreglinger International AG owns roughly 25% of the shares in the company. Paul de Moor is the president of the board of directors of Kreglinger International.⁹⁵ He is the honorary consul for Belgium in Tasmania, Australia.⁹⁶ He is also managing director of Kreglinger Wine Estates, which own Pipers Brook Vineyard in Australia.⁹⁷

Kreglinger was originally established in Belgium in 1797 for trading wool, sheepskins and exotic products.⁹⁸ Today it is a conglomerate whose global operations involve everything from banking and logistics to producing fine wines. During the Belgian colonial period, Kreglinger opened vast coffee, rubber and palm oil plantations in the country.

At one point, Kreglinger purchased Van Huffel Houtinvoer, a Belgian timber company that had been established in 1937 to log and trade Congolese timber.⁹⁹ It seems that it was the concessions and sawmills of Van Huffel, held under Forabola, Soforma and CFT, which were later sold to the Trindade brothers when they established Norsudtimber in the late 1980s.

Kreglinger International is now owned via 175 registered shares.¹⁰⁰ The identity of the shareholders can be obtained by the Swiss authorities if they receive a request for mutual legal assistance by the authorities in another country with an investigation underway, but this information is not available to the public.

Global Witness asked Kreglinger International for the names of its beneficial owners, but they did not reply.

PRECIOUS WOODS

According to documents seen by Global Witness, Precious Woods currently holds a 5% stake in the company. Precious Woods was founded in 1990 in Switzerland, and on its website it describes itself as “one of the leading companies in sustainable management of tropical forests globally.”¹⁰¹ With operations in Brazil, Gabon and Switzerland, the company claims to be “protecting 1.1 million hectares of tropical rainforest through sustainable management”¹⁰² and to be undertaking activities “for the protection of tropical forests in the long term”.¹⁰³

Though a lot of its website is given over to the company’s green credentials, much less space is given over to describing its actual business activity. Put simply, Precious Woods cuts trees and sells tropical timber, including endangered species, to customers across the globe.¹⁰⁴

By operating through an opaque network of shell export companies, Norsudtimber has protected its activities and identity from scrutiny

Documents seen by Global Witness show that in 2005 when Precious Woods first decided to invest in Norsudtimber, it announced that it planned to buy a stake of 10.45% in Norsudtimber (Vaduz) for €17.5m, with the possibility to increase its shareholding to 55% by the end of 2012. Ultimately it appears Precious Woods only bought an initial stake of 5% and chose not to expand this to a controlling 55% share of Norsudtimber. None of the company’s publicly-available documents explain the basis for this decision.

Precious Woods shareholders are listed on its website.¹⁰⁵ They include entities registered in secrecy jurisdictions, such as Aires International Investment. Inc., registered in the British Virgin Islands,¹⁰⁶ and Precious Woods Management Ltd.¹⁰⁷ These sit alongside institutional investors Basler Insurance¹⁰⁸ and the

Liechtenstein-based Aage V. Jensen Charity Foundation, which was established by a Danish businessman to support wildlife projects.¹⁰⁹

The remaining shares are held by individuals such as Christian Vassalli, Von Braun, Fleischmann Werner¹¹⁰ and Campdem Development SA – a fund based in the British Virgin Islands of which the Swiss musician Dieter Meier is reportedly the beneficiary.¹¹¹

HOW NORSUDTIMBER IS PROTECTING ITSELF FROM SCRUTINY

By operating through an opaque network of shell export companies, Norsudtimber has protected its activities and identity from scrutiny.

This chapter examines two types of documents which Global Witness investigated for this report relating to exports made by Norsudtimber subsidiaries: customs declarations and shipping manifests.

Together they show that these companies shipped Congolese timber to countries all over the world. However, only three companies are ever named as buyers in the customs declarations, two in Hong Kong and one in Dubai – even though timber was never actually shipped to these countries.

Global Witness believes these are shell companies, whose presence in the supply chain obscures the final buyers of timber and, crucially, the final destination and beneficiaries of payments.

The three companies are Asia Gold Leaf and Blue Panda Limited, both of which are incorporated in Hong Kong, and Neuholz Investment Ltd, which is registered in Dubai.¹¹² The Hong Kong companies were established by company service providers. These are controlled by nominee directors and registered at premises which either belong to company service providers or showed no signs of hosting the companies themselves.¹¹³ Neuholz Investment is registered at the address of a company service provider in Dubai, with no additional information available in online public records.¹¹⁴ This suggests they are shell companies which exist in little more than name, rather than companies that actually hold and ship timber.

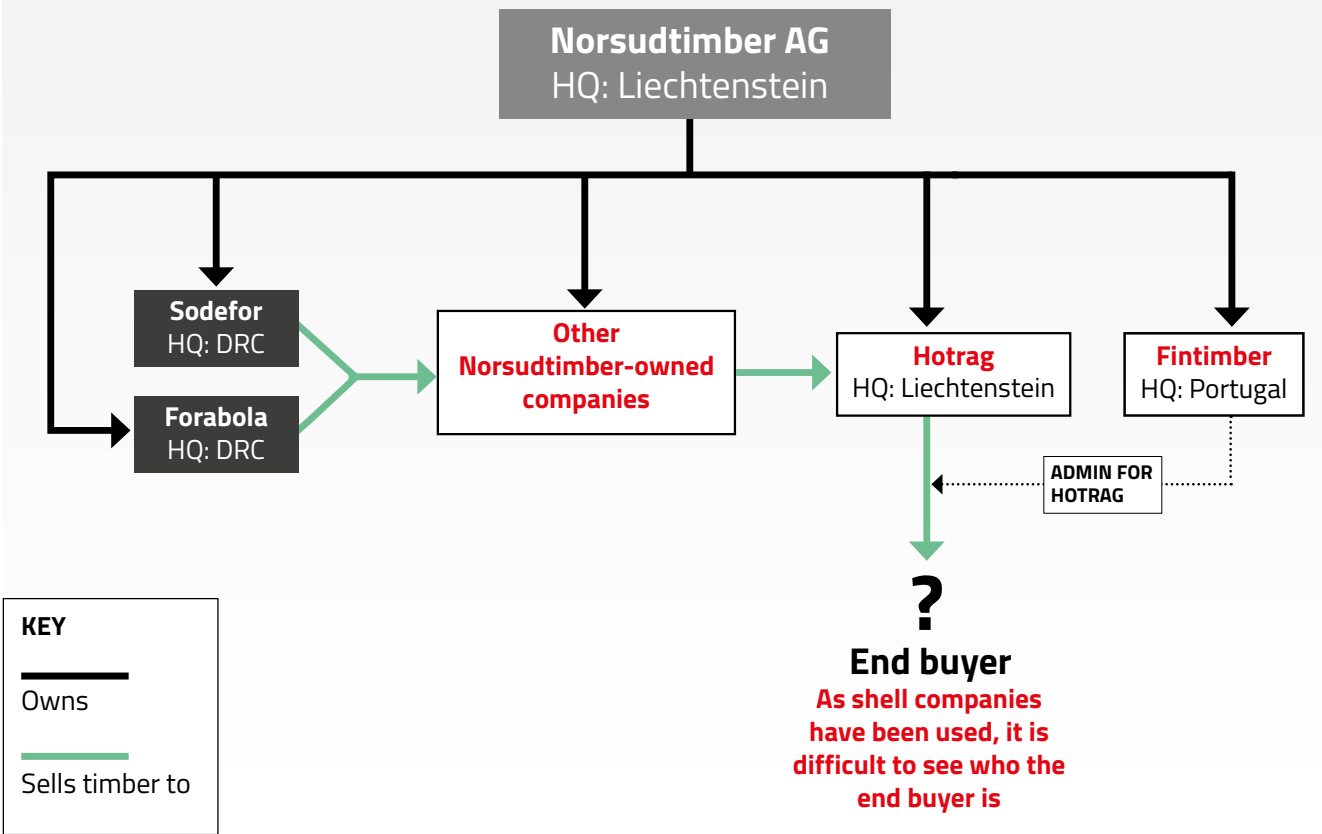
When Global Witness spoke with a client of Sodefor, they told us that payments for timber were made to Hong Kong – not to any of the places where the company is commonly linked such as DRC, Portugal, Belgium or Liechtenstein.¹¹⁵

All of the customs declarations for Norsudtimber subsidiaries show the buyer as either a Hong Kong or Dubai shell company, suggesting that Norsudtimber subsidiaries sell the timber, on paper, to a company based in a secrecy jurisdiction, which then sells it onto the end buyer.

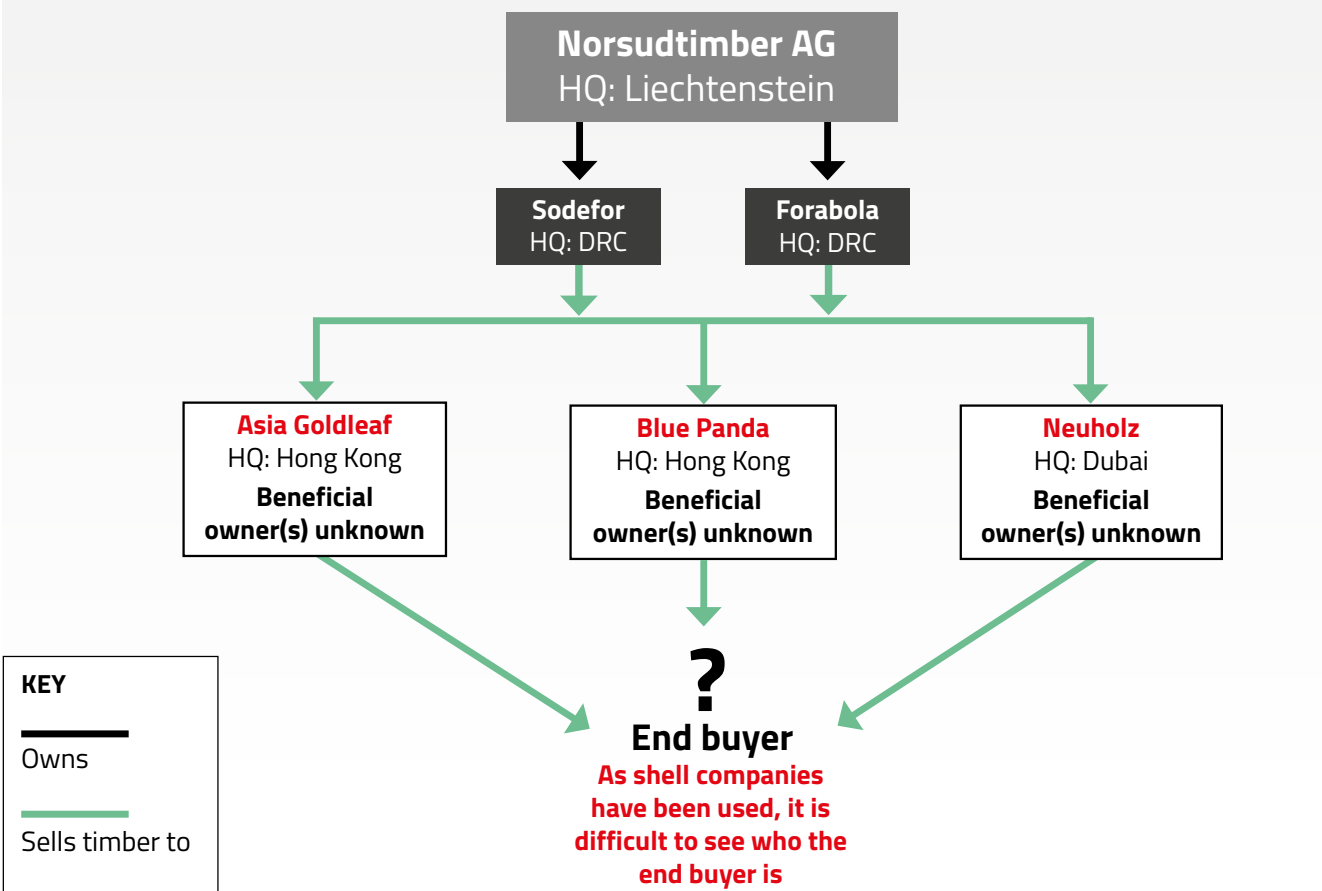
It is not clear what the purpose of the companies is and why such a large volume of timber is passing through them, although such structures can be used for transfer pricing purposes, to minimise the tax payable both to DRC and governments in the countries where the companies are incorporated.

Tax experts consulted by Global Witness said that, if Norsudtimber owns all the companies in the chain, the structure of the companies and the apparent nature of their trading activity strongly suggest a system designed to take advantage of taxation laws. They pointed out that both Dubai and Hong Kong have double taxation treaties with Liechtenstein, making them attractive locations for Norsudtimber if it is seeking to minimise its tax bill.¹¹⁶

HOW NORSUDTIMBER SOLD TO THE END BUYER IN 2007



HOW NORSUDTIMBER SOLD TO THE END BUYER IN 2017



They also suggested that the structure may be used as part of a scheme to avoid paying any tax at all, since double taxation treaties involving tax havens often result in a no-tax situation. However, without knowing the details of the company ownership, accounts and tax payments it is not possible to know whether such activity was taking place, and if it is legal or not. Nor is it possible for Congolese citizens to know if their government is being paid a fair amount of tax for the timber exported.

A further risk of this system, in which payments for Congolese timber are made to companies based in secrecy jurisdictions outside of the DRC, is that they are being used to facilitate payments to corrupt officials.

Global Witness investigations have repeatedly shown that anonymous company ownership can be used to move corruptly obtained money and evade taxes.¹¹⁷ In the absence of transparency over who owns these companies, there is no way for people in the DRC to rule out the possibility of their officials or politicians having ownership stakes in them.

Export documents

Customs declarations are submitted by exporters to declare to customs authorities how much timber is being exported in a particular shipment, what tax has been paid, the name of the buyer and the country it is going to. The documents for Norsudtimber subsidiaries that Global Witness has seen cover a period from 2015 to 2017 and show shipments to countries all over the world. They only name the three shell companies as buyers.

Shipping manifests are detailed lists of the cargo on board a ship as it leaves port, prepared by shippers for customs officials. These manifests show where the timber comes from (origin), its weight and volume, who sold it (consignor), which country it is heading to (destination) and which company is receiving it (consignee).

The majority of the manifests Global Witness has seen referring to exports by Norsudtimber subsidiaries list the same three companies named in the customs declarations as buyers. However, occasionally the manifests list other buyers – companies which do not appear as buyers in the customs declarations.

It is unclear why customers are named in the manifests, but do not appear in the customs declarations. A discrepancy in the named buyer on a custom declaration and a shipping manifest is not necessarily a sign of wrongdoing. There are several possible explanations as traders and exporters can sell timber at different times during shipping, or delays in the movements of vessels and administrative procedures can result in a change of buyers in between documents being created.¹¹⁸ Yet one would still expect the named buyer on customs declarations or manifests to be either an actual buyer, a subsidiary of the timber exporter or a known trader. However, the three companies on the Norsudtimber-linked customs declarations are unknown Norsudtimber subsidiaries or traders, they are shell companies that do not appear to be actual business entities. They are not established timber traders nor do they have any public-facing aspect.

“ The structure of the companies and the apparent nature of their trading activity strongly suggest a system designed to take advantage of taxation laws

HOTRAG ESTABLISHMENT

Global Witness has seen documents that lay out Norsudtimber’s system for selling timber, and the function of the companies it owned in its internal supply chain.

These documents include reference to information that was instructed not be made public. Tellingly, a key matter not to be discussed publicly was the system by which Norsudtimber sold its timber. Other matters not to be made public were: the fact that José and João Trindade were shareholders in Norsudtimber, and that Norsudtimber held any shares in the Forestière du Lac.

Clearly, Norsudtimber did not want details of this system becoming public. Most of the companies involved in this supply chain have since been dissolved. However, rather than the system being changed, it seems to have been replaced by a new set of companies, such as Asia Gold Leaf and Blue Panda, described below.

In 2007, Hotrag, a company owned by Norsudtimber Schaanwald, was the entity used for selling Norsudtimber timber on to end buyers.

In order to do this, Hotrag purchased the timber from Norsudtimber’s DRC subsidiaries, but it did not do any of this directly. First, it purchased the timber from another layer of opaque, Liechtenstein based companies also controlled by Norsudtimber – who had themselves purchased the timber from the DRC subsidiaries on behalf of Hotrag. Then a separate company, Fintimber, owned by a Norsudtimber shareholder, actually ensured the timber reached the end buyer. Fintimber had a contract with Hotrag whereby it agreed to handle all the administration and marketing of Hotrag’s timber sales.

This system meant that by the time the timber was sold to a customer it had already been sold twice between three internal Norsudtimber companies – its logging subsidiary, Hotrag and Fintimber – with all the business of actually selling and shipping the timber handled by a fourth Norsudtimber-linked company.

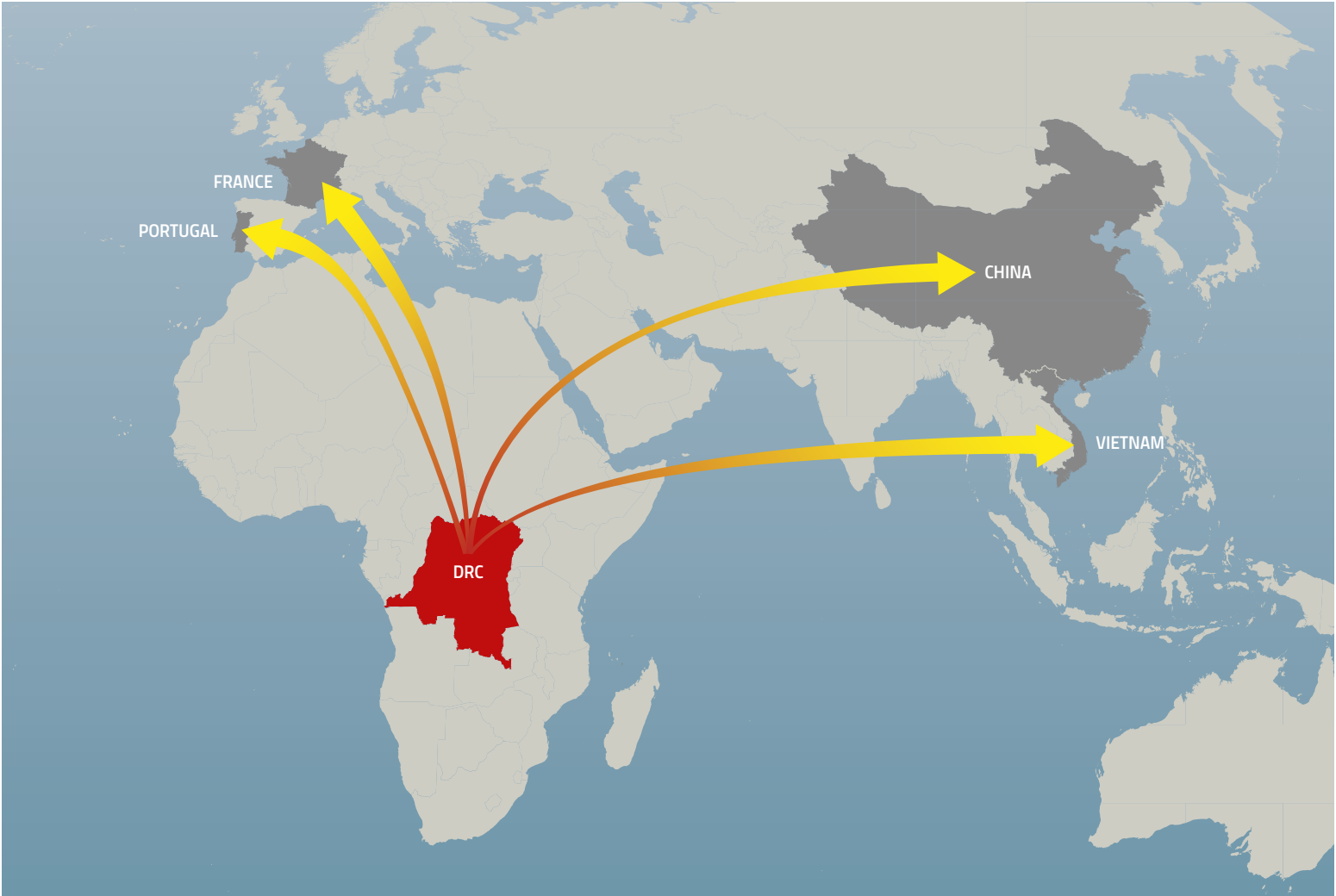
The reason for this complex system is not clear. The companies in the chain charged each other fees for the services they provided and may well have sold the timber at different prices to which they had actually bought it. As many of the companies are based in secrecy jurisdictions it is unclear who are the beneficial owners of the separate companies in the chain. Such a scheme could be used to reduce or avoid tax through transfer pricing.

We asked the owners of Norsudtimber to explain whether that was the case, but they did not respond.

THE THREE SECRET SHELLS

ASIA GOLD LEAF

Asia Gold Leaf was incorporated in January 2014 in Hong Kong. The only person named as a director is Shirley Sabia Therese Van Kerkhove, a Seychelles resident who is, or has been, a director in over 100 companies in the UK, Hong Kong, Panama, France and Latvia.^{119 120} This strongly suggests she is a paid nominee director and not involved in the running of the company. The company service provider which established Asia Gold Leaf is called Keyway Management, registered in Hong Kong, which continues to be Asia Gold Leaf’s company secretary.¹²² Annual returns for Asia



Above Between 2013 and 2017, Norsudtimber exported to China and Vietnam (78%) and to the following European countries (11%): Portugal, France, Belgium, Denmark, Greece, and Germany, Italy, Spain, Slovenia, Bulgaria, UK, Netherlands. 10% of Norsudtimber’s exports went in smaller volumes to other countries across Asia and the Americas, including the United States.

Below There were no signs of Asia Goldleaf when Global Witness visited the registered address of its offices in Hong Kong.



Gold Leaf from the Hong Kong company register show that the only share in the company is held by Ismatic Company Limited, which was also appointed as its corporate director¹²² and is registered at the same address as Keyway.¹²³ Global Witness visited the two addresses associated with Asia Gold Leaf – one is Keyway’s address and the other is of a virtual office space provider – and found no evidence of the company at either address.¹²⁴

BLUE PANDA

Blue Panda is listed as the buyer on customs declarations for the majority of exports made by Norsudtimber subsidiaries from the DRC in both 2016 and 2017.¹²⁵ Given Norsudtimber’s prominence in DRC’s timber industry, this suggests that a large volume of DRC’s total timber exports are passing, at least on paper, through this company.

Incorporated in Hong Kong at the same address as Keyway Management and Ismatic Company Limited,¹²⁶ its address was later moved to that of a virtual office provider, providing business services.¹²⁷ It has a natural director who appears to be a nominee based in the Seychelles.¹²⁸ Ismatic Company functions as a corporate director.

The sole share in Blue Panda is held by a company registered in the Seychelles, Pallard Inc.¹²⁹ Pallard Inc. appears to be a corporate shell also operated by Keyway – much like Ismatic which holds the sole share in Asia Gold Leaf.¹³⁰ Global Witness visited Blue Panda’s given address in Hong Kong and found no evidence of the company in operation there.

“ The structure and location in secrecy jurisdictions of both companies make it impossible to ascertain from public records who their beneficial owners are

Though Blue Panda uses a virtual office provider and nominee director that are different from Asia Gold Leaf, both companies are administered by Keyway and follow a strikingly similar pattern: nominee directors, owned by entities in secrecy jurisdictions, administered by corporate service providers and without any physical presence. The structure and location in secrecy jurisdictions of both companies make it impossible to ascertain from public records who their beneficial owners are.¹³¹

Global Witness asked Keyway Management who the ultimate beneficial owners of Blue Panda and Asia Gold Leaf are, but they did not respond.

NEUHOLZ INVESTMENT LTD

The third company listed on customs declarations made by Norsudtimber subsidiaries is Neuholz Investment Limited. It commonly appears on the declarations simply as Neuholz, with no further information given.

A shipping manifest seen by Global Witness gives the address of Neuholz as Suite 2601, 26th Floor, The H Hotel Office Tower, 1 Sheikh Zayed Road, P.O. Box 62201, Dubai, United Arab Emirates.¹³² This is the address of Sovereign Corporate Services, a company which is part of the Sovereign Group.¹³³ On its website Sovereign states that its “core business is setting up and managing companies, trusts, pensions, insurance and other structures to meet the specific personal or business needs of our clients.”¹³⁴ It has offices in various locations around the world including Portugal.¹³⁵ When we emailed the Sovereign Group to ask who the beneficial owners of Neuholz are, we did not receive a response.

Global Witness asked Norsudtimber and its owners if they were the beneficial owners of Blue Panda, Asia Goldleaf and Neuholz, but they did not respond.

WHO IS IMPORTING NORSUDTIMBER
TIMBER ACROSS EUROPE, ASIA
AND THE US?

The data that Global Witness has obtained on exports from DRC’s main port of Matadi show that 78% of timber exports by Norsudtimber were destined for either Vietnam or China between 2013 and 2017. Europe accounted for around 11% of Norsudtimber’s exports, with the majority going to Portugal and France.¹³⁶ The remaining 10% went in smaller volumes to other countries across Asia and the Americas.¹³⁷

“ 78% of timber exports by Norsudtimber were destined for either Vietnam or China

From shipping manifests, Global Witness was able to identify several customers of Norsudtimber subsidiaries across many jurisdictions. The resulting case studies provide an insight into the patchwork nature of regulations governing the global timber trade. The opacity in the supply chain makes it difficult to identify end customers. Despite the significant percentage of timber heading to France, we were not able to identify a single French buyer named in the documents.

Our case studies are more heavily weighted towards European companies as there are more European companies named in the export documents, even though they represent a lower proportion of overall exports. We were also better able to access information about European companies. Finally, unlike China and Vietnam, companies operating in the EU are governed by regulations that prevent them from importing illegally-harvested timber.

EUROPE

Companies importing to the EU are subject to the EU Timber Regulation (EUTR), which prohibits the placing of illegally-harvested timber or timber products on the EU market, and requires operators to conduct due diligence.¹³⁹ The regulation does not seek to block timber from any producer country; instead importers must do enough research and take measures to reduce, to a negligible level, the risk of purchasing illegally-harvested timber.

“ Europe accounted for around 11% of Norsudtimber’s exports, with the majority going to Portugal and France

Under the EUTR, when purchasing timber, importers should conduct an overall assessment of the risk of illegal harvesting in the source country and any allegations of illegality surrounding the exporter they are sourcing from. They should then collect information about each shipment they import and take steps proportional to the risk presented by the timber’s origin, to reduce the risk that they import illegally-harvested timber to a negligible level.¹³⁹ This process constitutes the EUTR’s legal obligation on companies to exercise “due diligence”.

The EU Timber Regulation:
slow and insufficient enforcement so far

In 2017, British, Dutch and Swedish courts fined a small number of EU importers of tropical timber and furniture for violating their obligations under the EUTR.¹⁴² These cases have come after a slow start. The regulation came into force in March 2013, and since then there have been very few fines or prosecutions. The EU’s own 2016 review of its regulation found that “*The implementation and enforcement of the EUTR was slow and uneven during the first two years and still remains incomplete*”.¹⁴³ France and Portugal are key EU destinations for imports from Norsudtimber. In a recent overview for the European Commission, France reported conducting just 14 checks over a six-month period (in contrast to 103 checks conducted by German authorities) and was the only authority which did not report any follow up action from these checks.¹⁴⁴ As far as Global Witness can ascertain, France and Portugal have still not prosecuted any importers under the EUTR, despite the large volumes of tropical timber entering their countries that our investigation has identified as being illegal or at high risk of illegality. In late 2017, the EU began enforcement proceedings against Belgium, another key destination for tropical timber, for failing to enforce the EUTR.¹⁴⁵

“ Timber from DRC – a country with a high degree of corruption and a timber sector that has been the subject of repeated accusations of illegality – represents a high risk for importers

Timber from DRC – a country with a high degree of corruption and a timber sector that has been the subject of repeated accusations of illegality – represents a high risk for importers.¹⁴⁰ As our findings highlight, in chapter 1 of this report, timber harvested from concessions operating without 25-year management plans should be considered illegal, and timber harvested in concessions showing signs of logging outside of authorised areas should also be considered illegal. The guidance which accompanies the EUTR makes it clear that even official documents from countries where there is a high risk of corruption must be treated

Below Sodefor log in the lumberyard of Hvalso Savvaerk.



with caution.¹⁴¹ Importers’ due diligence should address these risks and contain substantial measures to mitigate them. Where risks cannot be mitigated, importers should not buy timber from the concessions identified and should exercise extreme caution when importing from the company involved.

The following companies appear on the export documents seen by Global Witness as buying timber from Norsudtimber subsidiaries. EU competent authorities, responsible for enforcing the EU Timber Regulation in each EU Member State, should contact these companies and review the due diligence they have conducted on both the timber purchased from Norsudtimber and its supply chain. The presence of shell companies in secrecy jurisdictions in the company’s ownership and supply chain should be of particular concern to competent authorities as it raises questions about whether companies have been able to exercise proper due diligence on the supplier.

“ The implementation and enforcement of the EUTR was slow and uneven during the first two years and still remains incomplete”

HVALSØ SAVVÆRK, DENMARK

The Danish company Hvalsø Savværk appears as a customer of Sodefor on one of the shipping manifests seen by Global Witness, purchasing a shipment of wenge logs in 2016.¹⁴⁶ Wenge is an endangered species due to overharvesting, used for veneer, panelling, furniture and musical instruments.^{147 148} According to its website, the Danish sawmill sells timber for construction and furniture to the Danish market, including a range of tropical hardwoods.¹⁴⁹ The company advertises tables made from wenge and has posted several videos on its social media accounts of the wenge being manufactured into planks.¹⁵⁰

The markings on the logs featured in photos in its yard on social media indicate that they came from Sodefor concession 045/11 – which does not have a 25-year management plan.¹⁵¹ Due to the absence of a 25-year management plan (five years after the signature of the concession contract), timber harvested from this concession, after 23rd October 2016, is illegal. According to the EUTR, it should not therefore be placed on the EU market. Photos posted on Hvalsø Savværk’s social media, to advertise the arrival of new wenge logs, date from July and August 2017 – though it is not clear on what date the timber was actually logged.

Of all the customs declarations Global Witness had access to, only five exports to Denmark occurred between 2016 and 2017 from Matadi port. All of them list Blue Panda Limited as the buyer.¹⁵² Hvalsø Savværk has clearly received timber from Sodefor, but it is not clear why it is not mentioned in customs declarations. It is possible it purchased the timber via a Danish trader. However, it is impossible to ascertain this from the publicly-available documents.

When Global Witness presented Hvalsø Savværk with our findings, it denied any wrongdoing, and said its operations “fully meets the rules of the EUTR”.¹⁵³

FRITZ OFFERMANN GMBH, GERMANY

Established in 1961 by Fritz Offermann, the company is, according to its website, one of Germany’s largest timber traders.¹⁵⁴ It was the subject of extended protests by Greenpeace in 2003 for the unsustainable trading of African timber.¹⁵⁵ Greenpeace alleged that Offermann had purchased significant volumes of Liberian timber from the notorious Oriental Timber Company (OTC), despite numerous public accounts, including intensive investigations by Global Witness, of the company’s links to illegal arms trafficking, human rights abuses and environmental devastation.^{156 157}

Shipping manifests obtained by Global Witness show that the company imported wenge timber from Sodefor in March 2016.¹⁵⁸ When we spoke with the company director and son of the founder, Jürgen Offermann, he said that around 5% of the company’s tropical timber originated from DRC. He explained that it conducted all of its due diligence internally and he had no concerns about the legality of timber sourced from DRC. When asked if he would share any of this due diligence with Global Witness Mr Offermann did not respond. We asked Fritz Offermann GmbH what due diligence it had done specifically on timber imported from Sodefor, but it did not reply to our email. Without seeing the due diligence conducted by Fritz Offermann, Global Witness is unable to ascertain how the company is able to mitigate the high risks of illegality posed by Sodefor timber from the DRC.

HOLZ-SCHNETTLER SOEST IMPORT-EXPORT GMBH, GERMANY

Holz-Schneittler Soest (HSS) is a German timber trader and sawmill established in 1915, which claims to be “one of the leading import and export companies in Germany.”¹⁵⁹ Shipping manifests show that a shipment of sawn wenge from Sodefor left Matadi in May 2017 destined for HSS.¹⁶⁰

The company was the focus of an EUTR complaint in 2014 by Greenpeace, for importing illegally harvested timber from DRC.¹⁶¹ German authorities confiscated the timber in question, but HSS was not prosecuted as a result of the complaint.¹⁶²

We sent multiple emails to Holz-Schneittler asking about timber the company purchased from the DRC and from Norsudtimber subsidiaries specifically; we also called and left messages. However, we did not receive any reply to our enquiries.

MOURIKIS SA, GREECE

Established in 1924, Mourikis SA claims to be the oldest and largest timber exporter in Greece, supplying lumber for shipbuilding, flooring and frames.¹⁶³ According to shipping manifests obtained by Global Witness, it imported sapelli logs from Sodefor at the end of 2016.¹⁶⁴ On its website Mourikis advertises one of its products – sapelli marine plywood – for use in marine and outdoor construction.¹⁶⁵

Sapelli is a vulnerable species in part due to over-exploitation and its very slow rate of growth.¹⁶⁶ As it places timber on the EU market, Mourikis is subject to the EUTR. It also supplies marine plywood to customers in America, meaning those buyers would be subject to the US Lacey Act.

When Global Witness contacted the company by phone a representative denied importing any timber from DRC. Sapelli grows across Central and West Africa, making it possible that Mourikis sources sapelli from elsewhere. However, the shipping manifest seen by Global Witness shows clearly that Mourikis is the recipient of timber from Sodefor in DRC. Following our initial call, the company failed to respond to multiple emails and follow up calls from Global Witness asking about Mourikis’ due diligence procedure on imports.

J. PINTO LEITÃO SA, PORTUGAL

J. Pinto Leitão was, according to its website, established in 1945 and has been trading exotic timber for over 70 years.¹⁶⁷ It was mentioned in a 2014 Greenpeace report for purchasing “*timber from companies in Brazil whose supply chains are contaminated by wood from sawmills that have misused official documents to launder illegal timber*”.¹⁶⁸ It is not clear if it has been the subject of any investigation by the Portuguese authorities for the purchases highlighted by Greenpeace, however as no fines are known to have been levied in Portugal under the EUTR, it would appear that it has not been sanctioned.

J. Pinto Leitão has five warehouses across Portugal. Global Witness visited one of its sites, where we found a significant quantity of tropical timber logs, including many from Sodefor and Forabola. The markings on the logs related to logging permits issued in 2015, 2016 and 2017, showing it has been a

Below Sodefor logs in the lumberyard of J. Pinto Leitão SA, Portugal.



customer of Norsudtimber over several years.¹⁶⁹ The markings on the logs linked them to concession numbers 42/11 and 37/11 in 2016 and 2017; 060/14, and 036/11 in 2016 and 038/11, 039/11 and 060/14 in 2015.¹⁷⁰

Concessions 42/11, 37/11 and 036/11 do not have 25-year management plans, so if any timber in that yard from those concessions was harvested after 23rd October 2016, it is illegal.¹⁷¹ Our satellite analysis sheds light on logging activities in the concessions where the timber in J. Pinto Leitão’s yard came from:

- In concession 42/11 operations took place outside of the concession boundaries in 2017.
- In concession 37/11 almost all of the operations have been confined to a single annual harvest area since 2014 – despite DRC law stating an annual harvest area should be closed a maximum of two years after the first year of harvest. This concession has also been operating without a 25-year management plan since October 2016.
- There was logging activity outside of authorised bounds in concession 039/11 in 2015, meaning that timber from that concession in the course of that year and subsequent years is of illegal origin.

Operations in all of these concessions are currently in breach of the Forest Code. Those tasked with enforcing the EUTR in Portugal should urgently investigate whether J. Pinto Leitão has a due diligence system, whether it applied it to these imports, and if so, whether its mitigation measures can be considered adequate and compliant with the EUTR.

As J. Pinto Leitão does not appear on any export documents that Global Witness has seen, all the logs in J. Pinto Leitão’s lumberyard appear to have not been sold directly to the company but, in all likelihood, via offshore entities such as Asia Gold Leaf, Blue Panda or Neuholz Investments. As part of the due diligence required under the EUTR J. Pinto Leitão should have identified these entities and mitigated the risks posed by their presence in the timber supply chain.

We asked J. Pinto Leitão what due diligence they had conducted on timber from Norsudtimber as part of their EUTR duties, but they did not respond to our emails.

MADEICENTRO, PORTUGAL

Madeicentro was established in 1976 and according to its website, which we accessed in 2017, its core business was importing and trading exotic timber.¹⁷² It later expanded into manufacturing flooring alongside trading timber to small and medium-sized

Below Sodefor logs in the lumberyard of Madeicentro, Portugal.



sawmills.¹⁷³ In early 2018 Madeicentro took down its website; the web address now redirects traffic to the site of flooring company ‘Golden Parquet by Madeicentro’.¹⁷⁴ The flooring business, as opposed to the timber trade, now appears to be Madeicentro’s public-facing operation.

Global Witness visited Madeicentro’s factory and log yard in Avelãs de Caminho, just one hour’s drive from the port of Leixões. There we found Sodefor and Forabola logs with markings related to logging permits issued in 2016 (for concession 045/11), 2015 (for concessions 039/11 and 060/14) and 2014 (for concessions 015/11, 060/14 and 061/14).¹⁷⁵

Concession 045/11 has been operating without a 25-year management plan – and therefore illegally – since 23 October 2016. This means that if the logs from concession 45/11 seen in Madeicentro’s log yard were felled in the last two months of 2016 they are illegal. Also, our satellite analysis shows that in concession 39/11 the majority of operations took place outside of all annual harvest areas in 2015, meaning that the timber from that concession was of illegal origin.

Like J. Pinto Leitão, Madeicentro does not appear on DRC export documents. Portuguese authorities should assess Madeicentro’s due diligence immediately to ensure it complies with the EUTR.

We contacted Madeicentro to ask what due diligence it had conducted on imports of timber from Sodefor.¹⁷⁶ Initially, it told Global Witness that it does not buy timber from Sodefor. We followed up asking if they had purchased Sodefor timber via a merchant, to which it responded that to best of its knowledge it did not own any Sodefor timber. Finally, it told Global Witness “we never acquired wood directly from Sodefor and we do not know if we ever bought wood from Sodefor”. Given the large piles of logs with Sodefor markings in Madeicentro’s timber yard, and the company’s long history as a timber trader itself, this seems at best a disingenuous answer.

Both JPinto Leitão and Madeicentro are stocking large volumes of timber from Sodefor and Forabola, yet neither appeared on a Matadi custom declaration or a shipping manifest for Norsudtimber timber seen by Global Witness. The final recipients of timber exports are obscured by the use of shell companies in the supply chain, illustrating how hard these entities make it for regulators to monitor who is actually purchasing high-risk DRC timber.

MACIÇA - INDUSTRIA DE JANELAS E PORTAS DE MADEIRA, PORTUGAL

Maciça is a Portuguese company that produces doors and windows using tropical timber that grows in the Congo Basin.¹⁷⁷ There is no record in the export documents seen by Global Witness of Maciça being a recipient for any timber from Norsudtim-

ber. However, it is very closely related to Norsudtimber and has had several shareholders and directors in common.

Norsudtimber held 75% of the shares in Maciça when it was established in 1995.¹⁷⁸ Daniel da Graca Moreira Dias, who is currently the president of the board of directors of Norsudtimber, was a director at Maciça until 2015, when Norsudtimber relinquished all of its shares in Maciça.¹⁷⁹ Rui Monteiro, one of the original investors in Norsudtimber, also holds shares in Forabola and Soforma.¹⁸⁰ Rui’s son, Ivo Monteiro, currently runs the Maciça factory, which is situated a short drive from the family home.¹⁸¹

Despite these close links to Norsudtimber, the Maciça website has no details on the source of the timber used in the production of its frames. When we contacted Maciça to ask about the source of its timber it did not respond to our emails. As such Global Witness was not able to confirm if Maciça frames were made using timber from Norsudtimber or another source.

How timber from the DRC ends up in Portuguese door and window frames is clearly a matter of importance for those charged with enforcing the EUTR. Not least for the Portuguese government, since Global Witness has uncovered that the Portuguese Navy (Ministério da Marinha), is an old customer of Maciça.¹⁸² The company is currently fulfilling a large order of windows frames for the refurbishment of the ministry’s headquarters in Lisbon. As the source of Maciça’s timber is unclear, the Ministério da Marinha should make enquiries to assure itself that high-risk timber has not been used in its buildings, without the rigorous due diligence required.

USA

Importers based in the US are subject to the Lacey Act, which makes it a criminal offence to trade in any wildlife, fish, or plants that have been illegally harvested, transported or sold under US, foreign or international law.¹⁸³ There have been several high profile timber-related prosecutions under the Lacey Act with fines running into millions of dollars.¹⁸⁴

The Lacey Act has two key requirements for importers. They are prohibited from trafficking in illegal wood and they must complete a declaration form that lists the species, quantity and country of harvest of wood products covered by the law. Illegal wood is defined as that which was “*taken, possessed, transported, or sold*” in violation of any US or foreign laws or regulations. Companies are expected to take reasonable steps or “*due care*” to ensure that wood they handle comes from a legal source.¹⁸⁵

Global Witness found the name of one US importer of Norsudtimber’s timber from DRC in the export documents that we reviewed.

BAILLIE LUMBER CO

In May 2017, Baillie Lumber received a shipment of wenge from Sodefor. According to its website Baillie is “*one of North America’s largest hardwood lumber manufacturers, distributors and exporters*.”¹⁸⁷ It stocks a range of tropical timber including bubinga, sapele, utile/sipo, and wenge.¹⁸⁸ Baillie Lumber was mentioned in a 2014 report from Greenpeace for allegedly having purchased illegally-harvested Brazilian timber.¹⁸⁹

We asked Baillie Lumber Co if the timber it had purchased from Sodefor was Lacey Act compliant, but it did not respond to any emails that we sent. When Global Witness contacted Baillie’s representative responsible for purchasing African timber, he ex-

plained they had seen our emails, but decided not to respond as Baillie didn’t share details of its due diligence with anyone except legal authorities. He explained they had purchased the timber via a European trader, who had handled the due diligence and assured them everything was in order.

However, Baillie’s representative said he did not expect to buy any DRC timber in 2017, as it was too high a risk and it was not worth jeopardising the company reputation for the sake of small shipments of tropical timber. In his view it was a shame to cut a whole country out of Baillie’s supply chain, but the risks of sourcing from the DRC were too high and the company wanted to exercise extreme caution.

JAPAN

Japan has recently introduced legislation that covers the timber trade, in the form of the ‘Clean Wood Act’.¹⁹⁰ The law aims to promote the use of legal timber, rather than eliminate illegal timber from the market and, crucially, it is voluntary rather than binding, which seriously limits its effectiveness. Companies can apply to be part of the scheme and commit to ensuring they import legally-harvested timber.¹⁹¹ If they are accepted they are registered and can advertise their products as legally-harvested timber. The Japanese government has said that it does not plan to enforce the act through inspections or audits. The only sanction, if a company is found to have imported illegally- harvested timber while being part of the scheme, is deregistration for one year.

NIPPON PAPER LUMBER CO

A subsidiary of the Nippon Paper Group conglomerate, the timber arm of the group trades timber from across the globe for use in construction, along with plywood, laminate and other timber products.¹⁹² The company’s website does not specify the origins of all the timber it trades, however Global Witness has seen shipping manifests from 2015 which show that Nippon Paper imported bilinga from Sodefor.¹⁹³ In 2016, the customs declarations and manifests show several more exports to Japan, but they name Blue Panda or Neuholz Investments as the buyer. As a result, it is not possible to know who the end purchaser in Japan was for these shipments.

We asked Nippon Paper if it had bought timber from Sodefor in 2016/17, what due diligence it undertook on DRC timber and if it was registered under the Clean Wood Act. It did not reply to our emails or follow-up phone calls.

INDONESIA

As part of the EU FLEGT Voluntary Partnership Agreement (VPA) signed with the EU, Indonesia has in place a national timber legality assurance system (Sistem Verifikasi Legalitas Kayu –SVLK) that issues certificates to prove the legality of timber products produced and processed in Indonesia. These certificates inform buyers that the timber products are in full compliance with relevant Indonesian laws and regulations.¹⁹⁴ Indonesian law requires imported timber to have documentation from the importer stating that the product has been subject to due diligence.¹⁹⁵ Though it does not define on what issues due diligence should be done, or what form it should take.

Under Indonesia’s VPA with the EU, timber and timber products from Indonesia can be issued with a FLEGT licence, as long as they

have the Indonesian timber legality certificate, which means they can be exported to the EU without being subject to any due diligence under the EUTR.¹⁹⁶ Other jurisdictions like Australia also rely on Indonesia’s legality assurance system and require no further due diligence from buyers.

If Indonesia’s checks on timber imports are not sufficiently robust, particularly in relation to countries where it is at high risk of being harvested illegally, like DRC, this system has the potential to turn Indonesia into a clearinghouse for illegally-harvested timber destined for the EU and other jurisdictions.

CORT GUITARS

Headquartered in South Korea, Cort Guitars is a large-scale guitar manufacturer.¹⁹⁷ According to shipping manifests seen by Global Witness, Sodefor shipped several tonnes of wenge strips to Cort’s manufacturing plant in Indonesia in late 2016.¹⁹⁸

Despite its endangered status, wenge is commonly used in the manufacture of guitar necks and bass guitars because of its resonant properties.¹⁹⁹ Several models produced by Cort have sections made from the timber.²⁰⁰ Multiple initiatives to move the industry towards more sustainable timber have been formed, with a few major guitar manufacturers now making models from timber which is neither endangered nor at risk, while some smaller companies build guitars from recycled wood.^{201 202} Cort’s own website does not have any information on efforts made by the company to source timber sustainably or ethically, nor any mention of efforts to remove endangered species from its production process.

Cort guitars manufactured in Indonesia are shipped across the globe, including to the EU and US. The broad nature of the Lacey Act means that the finished guitars are subject to the regulation.²⁰³ Guitars fall outside the EUTR’s product scope, and as a result of the VPA in place between the EU and Indonesia, legality checks undertaken in Indonesia also exempt exports to the EU from checks under the EUTR.

We contacted Cort to ask what due diligence it had conducted on its supplier Sodefor. We also asked why it used endangered tree species in the production of its guitars. We did not receive any response to our enquiries despite several emails and follow-up phone calls.

We contacted the Ministry of Environment and Forestry of Indonesia to ask it what checks it had carried out on imports of wenge originating from DRC. A representative responded by directing Global Witness to its online policy documents detailing Indonesia’s timber import laws.²⁰⁴ When we followed up asking for information on the number and type of inspections taking place in practice, we did not receive any response.

The continued use of endangered tree species in the production of guitars should be a cause of concern for the whole industry – not to mention guitarists. Alternatives should be identified urgently so that the production of instruments does not continue to be a driver of deforestation and species extinction.

VIETNAM

Vietnam and the EU are currently finalising the details of a VPA that could eventually result in timber from Vietnam having access to the EU market without further checks under the EUTR, as is currently the case for Indonesia.²⁰⁵ However, it is unclear whether this agreement will be accompanied by sufficiently

robust measures to ban the import of illegally-harvested timber into Vietnam.²⁰⁶

As much as 80% of timber processed in Vietnam is imported, a significant proportion of which is at high risk of having been harvested illegally.²⁰⁷ If the agreement is passed without these measures, then there is a strong risk that illegally-harvested timber could be laundered through Vietnam and make its way onto the EU market without any checks.

NAM SON HA CO., LTD. VIETNAM

Nam Son Ha is a Vietnamese timber trading and furniture-manufacturing company. According to its website, it has been in operation for over ten years.²⁰⁸ Shipping manifests show the company imported several shipments of mukulungu, a critically-endangered species, from Sodefor.^{209 210} “Heavy exploitation” is cited as the major threat to the species by the the International Union for Conservation of Nature (IUCN).

We contacted Nam Son Ha Co. Ltd to ask about its DRC imports, but we did not receive any response from the company.

CHINA

“ Overall, a minimum of 60% of DRC’s timber exports to China in 2017 were of species listed as “Endangered” or “Vulnerable” by the IUCN

China is one of the largest importers of tropical timber logs in the world.²¹¹ It has no legislation in place prohibiting the import of illegally harvested timber or requiring importers to conduct due diligence on their timber imports. Overall, a minimum of 84% of DRC’s timber exports to China in 2017 were of species listed as “Endangered” or “Vulnerable” by the IUCN, according to Matadi ship manifests where the species are named.²¹² Given the scale of China’s economy, any meaningful changes to how it regulates the import of timber would have a significant global impact.

The use of rare or endangered materials, for example in Chinese traditional arts and crafts, puts unnecessary pressure on vulnerable species. Perversely, the stockpiling of such raw materials only speeds up the rate at which they become scarcer and eventually extinct. The Chinese state recently banned the trade in ivory, the carving of which was until recently considered an important part of Chinese cultural heritage.²¹³ Using tropical timber that is endangered or from intact forest landscapes in the production of luxury goods and traditional arts and crafts should also become a thing of the past.²¹⁴

CHINA PLAITED PRODUCTS CO., LTD.

China Plaited is a subsidiary of the state-owned National Arts & Crafts (Group) Corporation.²¹⁵ The group aims to create and sell traditional Chinese arts and crafts, in order to promote Chinese culture globally.²¹⁶ According to its website, raw materials sourced by the group “mainly include import of ivory, precious woods and other rare and precious arts and crafts raw materials,” as securing supplies of these rare materials helps to “*ensure the sustainable operation of arts and crafts culture products*” for the group.²¹⁷ China Plaited imported a large shipment of bomanga (which is not itself listed as a threatened species), from Sodefor in 2016.²¹⁸

CHAPTER III

THE MYTH OF SUSTAINABLE FOREST MANAGEMENT (SFM) AND FRENCH, GERMAN AND NORWEGIAN SUPPORT TO DRC’S LOGGING INDUSTRY

DRC’s industrial logging concessions,²¹⁹ and most of those in the Congo Basin, are managed under the principles collectively known as sustainable forest management (SFM), according to which logging is meant to be economically beneficial without incurring significant environmental damage.²²⁰ In DRC, this belief is enshrined in the country’s Forest Code.²²¹

Our examination of the activities of Norsudtimber subsidiaries confirms that the assumptions underpinning this approach are flawed.

This chapter also reviews recent scientific studies and other analyses that highlights the deep flaws in the concept of SFM in the Congo Basin. Yet, in spite of this, international donors continue to prop up the industrial logging sector.

They continue to perpetuate it through a series of programmes which support logging companies and the system of industrial logging, and through their promotion of the myth that cutting down centuries-old trees, including endangered species, somehow creates a sustainable forest.

“ Nearly 50% of the timber species Norsudtimber planned to fell in the first four years of operations of its logging concessions are listed as “endangered” or “vulnerable”

WHAT IS SUSTAINABLE FOREST MANAGEMENT?

The French Development Agency (AFD), one of the key proponents of this approach in the Congo Basin explains that under SFM, “the logging intensity must be compatible with the renewal of the forest capital”.²²²

In practice, this means: “*the concession is divided into logging areas, of which only a part is exploited during a cycle of 25 to 30 years, for example, through a system of rotation. Therefore, when we return to the first logging areas, the forest resources have been able to reconstitute themselves.*”²²³

Key findings

- **DRC’s rainforest is shrinking at an astonishing rate:** DRC, which has 69% of Africa’s intact forest landscape, saw the biggest reduction of this landscape on the continent between 2000 and 2013. Industrial logging is the dominant driver of intact forest landscape loss in Africa.
- **There is huge potential for ecological destruction:** Nearly half of Norsudtimber’s concessions, more than 20,000km², lie in intact forest landscapes. Satellite imagery shows that Norsudtimber has begun operating in intact forest landscapes in six of its concessions since 2014. The potential for Norsudtimber to contribute to ecological destruction in DRC is huge.
- **There’s a risk to endangered tree species:** Almost 60% of the timber Norsudtimber exported between 2013 and 2017 belonged to tree species listed as “endangered” or “vulnerable” by the International Union for the Conservation of Nature.
- **There’s a risk to endangered animal species:** Large-scale logging is a threat to six endangered mammal species in DRC, including chimpanzees and bonobos. Logging roads facilitate the hunting of these and other species by opening up previously difficult-to-reach parts of the forest.
- **Carbon emissions equivalent of nearly 50 coal-fired power plants:** DRC’s rainforest went from being a sink to an emitter of carbon in 2006-2007, due to deforestation, degradation and land-use change. In 2013-2014, the last year for which there is data, the alteration and destruction of DRC’s forests emitted the equivalent of nearly 50 coal-fired power plants operating for a full year.
- **There will be 35 million tonnes of extra CO2 emitted into the atmosphere.** Expanding industrial logging in DRC, as supported by France’s Development Agency, could result in nearly 35 million tonnes of extra CO2 emissions being released per year.
- **Donor-backed and pro-logging sustainable forest management programmes lack the solid scientific basis** needed to claim that forests will be regenerated within logging cycles or emissions reduced. Available evidence suggests trees logged by Norsudtimber subsidiaries take between 100 and 230 years to reach minimum felling diameter. Yet, logging concessions are logging on a 25-year rotation, guaranteeing depletion of forest cover and individual (sometimes endangered) tree species.
- **There is negligible development benefit:** There is scant evidence that logging has produced economic development, despite this being a central tenet of sustainable forest management (SFM). Norsudtimber companies’ development funds for local communities, based on expected logging, represents between a tiny US\$1.49 to US\$4.79 per local inhabitant per year.



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Left A Cort bass guitar. Similar models use wenge – an endangered species due to overexploitation – for the guitar’s neck. Sodefor made shipments of wenge to Cort in 2016.

THE UNSUSTAINABILITY OF SUSTAINABLE FOREST MANAGEMENT

THREATS TO ENDANGERED TREE SPECIES

DRC law dictates that a logging company will not cut down a tree with a diameter below what is termed the ‘minimum felling diameter’ (MFD).²²⁶ This practice exists to ensure that enough trees of reproductive age exist to perpetuate the species.^{227 228}

Global Witness analysed the species and total volume of the timber Norsudtimber subsidiaries expected to log during the first four years of operations for 18 of its 20 concessions.²²⁹ We then reviewed academic literature and contacted scientists to determine how long these trees take to reach the DRC government-specified MFD. We also examined the conservation status of these species, according to the IUCN. The findings are summarised in the table.

As shown by the table, nearly 50% of the tree species Norsudtimber planned to fell in the first four years of operations of its logging concessions are listed as “endangered” or “vulnerable”, by the IUCN. This figure is even higher if we include the 34 species covered under “other” in the table above as some of these are also listed as “endangered” or “vulnerable”.²⁴⁵

Norsudtimber’s logging practices – as determined through an analysis of ship manifests obtained by Global Witness from DRC’s main port of Matadi – shows that almost 60% of the timber Norsudtimber exported between 2013 and 2017 belonged to tree species listed as “endangered” or “vulnerable”.²⁴⁶

Trade in just one of these species, afromosia (sometimes referred to as “African teak”), is regulated by the CITES, which permits the export of some – but not all – endangered species.²⁴⁷ In 2014 the CITES secretariat observed that a “*large number of fake or falsified (CITES) permits (were) apparently issued by the Democratic Republic of the Congo.*”²⁴⁸

There were some limitations to our research. Due to the limited number of scientific studies examining the life cycle of timber species in the Congo Basin, especially in DRC, we had to rely on data either from studies of species closely related to those Norsudtimber planned to fell, or on the same species, but growing in countries neighbouring DRC.^{249 250} For the species for which we do have information, it takes between 100 and 230 years for the trees to reach their MFD.

But even with these limitations, it does seem clear that the 25-year rotation period prescribed by DRC law and by SFM theory is not appropriate for the slow rate at which these trees grow. It would not allow even medium-sized trees that were ineligible to be logged in the first cycle to mature to the required size for logging in a second cycle over this period.

The “sustainable” aspect of SFM: the premise that DRC’s forest will regenerate in 25 to 30 years if the rotation cycle is respected, has little scientific backing. This is acknowledged in a review of the AFD’s forest-sector approach in the Congo Basin.²⁵¹ An academic study concludes that “*virtually all of today’s national forestry codes guarantee commercial depletion, if not extirpation, of most timber species within three cutting cycles.*”²⁵²

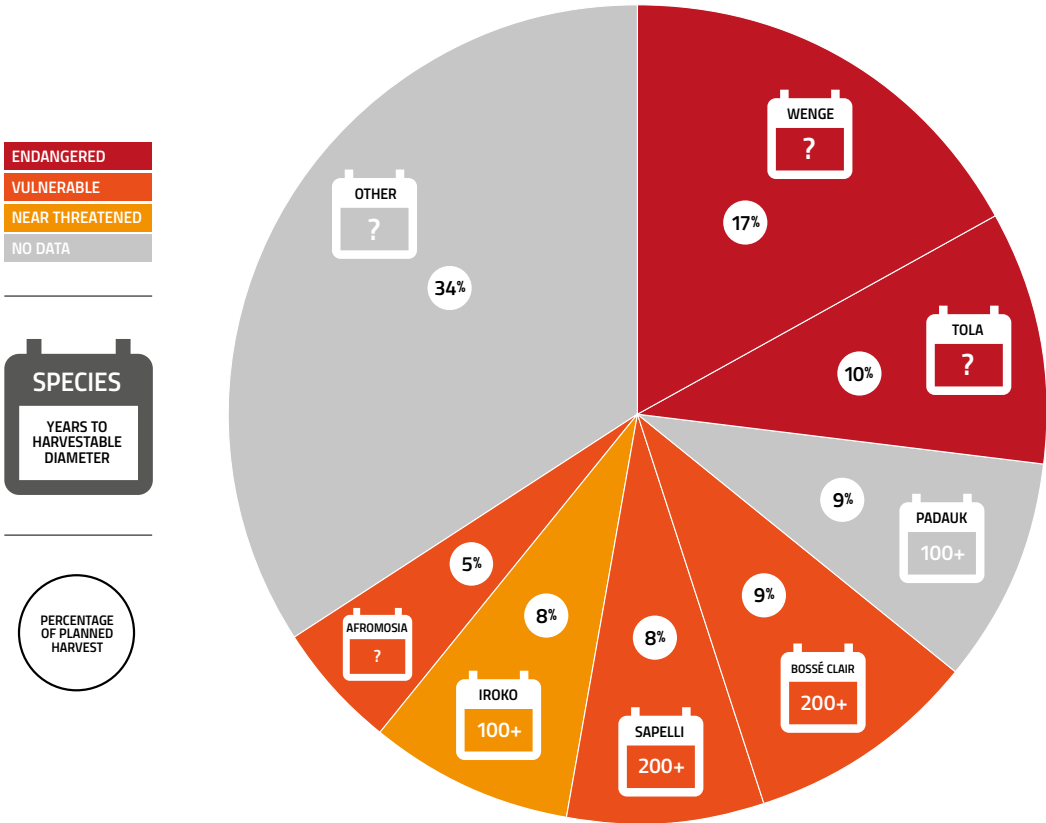
In DRC, this division is detailed in the four- and 25-year management plans, which also list the type and volume of species the company is expected to log. AFD describes a management plan as the “*heart*” of its SFM strategy in the Congo Basin, and the guarantor of “*sustainable exploitation of the [forest] resource*”.^{224 225}

A key assumption of the theory is that a company will actually implement its management plan. This can only be verified when forest authorities – and civil society organisations – are able to monitor a company’s adherence to its management plan.

As this report has shown, management plans are non-existent or not respected, forest authorities have currently neither the commitment nor the resources to monitor their implementation and civil society is restricted in its ability to monitor concessions. However, even if the plans were followed to the letter, could Norsudtimber log sustainably, in a way that ensures forest stocks would regrow in a 25-year cycle? Using information from Norsudtimber’s four-year management plans, Global Witness investigated this question.

CONSERVATION STATUS OF NST TIMBER

Commercial name/ Scientific name	Total m³ Norsudtimber planned on logging, and what percentage of total planned harvest this represents, based on four- year management plans ²³¹	IUCN red list status	Minimum Harvesting Diameter (DRC Law). ²³¹	Academic review of the growth rate of the species or similar species
Wenge / Millettia laurentii	168,506 (17%)	Endangered. “In much of its range it is threatened with over-exploitation for its decorative timber”. ²³²	60cm	No information found
Tola / Gossweilerodendron balsamiferum	92,117 (10%)	Endangered. “Heavy exploitation and habitat loss”. ²³³	80cm	No information found
Padauk / Pterocarpus soyauxii	87,858 (9%)	No data	60cm	It takes “over 100 years to reach the (...) 35–40cm”. ²³⁴
Bossé clair / Guarea cedrata	85,314 (9%)	Vulnerable. “Levels of exploitation are moderate and the species often suffers from its similarity to <i>Entandrophragma angolense</i> , resulting in it being harvested with the same intensity”. ²³⁵	60cm	The average growth rate Guarea cedrata is of 2.9 mm per year. It would take 206 years to reach the 60cm. ²³⁶
Sapelli / Entandrophragma cylindricum	80,853 (8%)	Vulnerable. “Exploited heavily throughout its range. Genetic erosion caused by the large-scale depletion of mature individuals from populations has taken place in some countries”. ²³⁷	80cm	The average age of a sapelli with 83cm diameter is 230 years . ²³⁸
Iroko / Milicia excelsa	80,153 (8%)	Near threatened. “Suffers from heavy exploitation. East Africa was once a major source of the timber, which was used as a teak substitute until supplies became short. West Africa continues to export large quantities of it”. ²³⁹	80cm	“An average Iroko would reach a diameter of 80cm (...) in 130 years ”. ²⁴⁰
Fromosia / Pericopsis elata ²⁴¹	49,320 (5%)	Endangered. “Since 1948 trade in the timber has soared. Levels of exploitation have been unsustainable in all countries and the species’ habitat has declined. Regeneration is insufficient to replace lost subpopulations”. ²⁴² Afromosia is the only species on this list also included in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in recognition of the need to protect it from over-exploitation. ²⁴³	60cm	No information found
Other ²⁴⁴	324,807 (34%)	-		
Total	968,929 (100%)	-		



Global Witness asked AFD what scientific studies it was relying on for its assumption that tropical forests would be reconstituted after a rotation cycle. It pointed to a study in the neighbouring Central African Republic (CAR) that spanned 24 years, which showed that although natural tree growth after selective logging did ensure above-ground biomass had recovered, “timber stock recover(ed) slowly and remain(ed) far from initial levels accumulated over long periods”.

The paper goes on to say that logging “deeply modified the forest structure by extracting large trees from the canopy, and this group of trees only recovered a small part of its volume in 24 years”, concluding the timber stock recovery “is impossible (...) within a felling cycle even if the length of the cycle is doubled.”²⁵³ Scientists have warned that such an effect encourages logging companies to move to intact or primary forests once their concessions have been degraded (see below).

Even if SFM is implemented in DRC according to the current legal framework, currently practised, commercial timber stocks will gradually become less and less commercially valuable as the concession is logged in a second, or third, rotation cycle. In fact, SFM will ensure “the commercial and biological depletion of high-value timber species within three harvest rotations” not only in DRC, but “all three major tropical forest regions”, according to one study.²⁵⁴

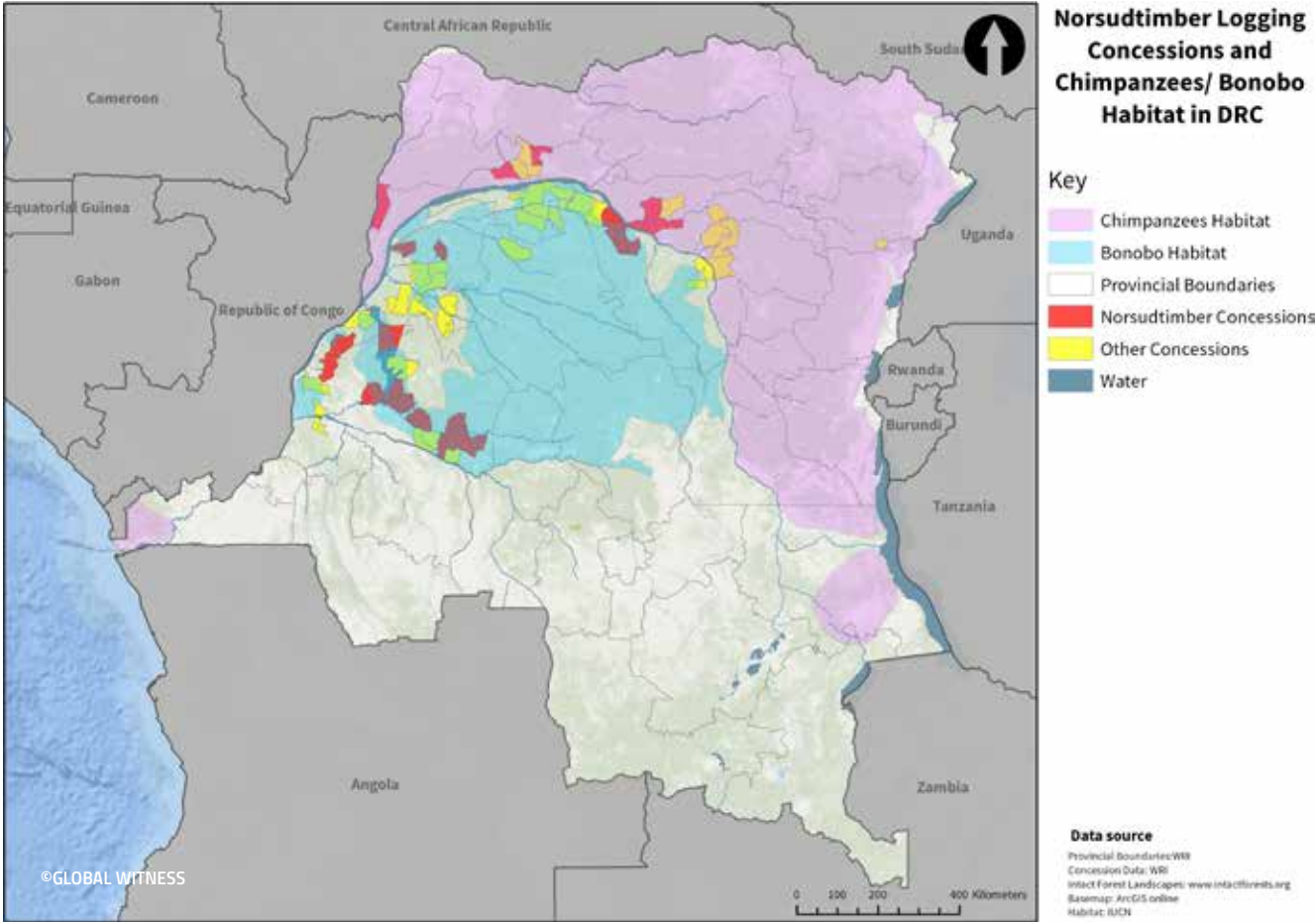
By promoting SFM in DRC, international donors and the country’s government are actually supporting the destruction of threatened species, which take between 100 and 230 years to grow, and the gradual depletion of the rainforest.

Global Witness recommends that tree species listed as “endangered” or “vulnerable” by the IUCN should be added to the CITES appendix II, which regulates trade in species “that are not necessarily now threatened with extinction, but that may become so unless trade is closely controlled”.²⁵⁵

Above Nearly 50% of the timber speciesNorsudtimber planned to fell in the first four years of operationsof its logging concessions are listed as “endangered” or “vulnerable”, by the IUCN.

Below Logging roads are a threat to DRC’s forest.





Above Map of Norsudtimber concessions and Chimpanzee/bonobo habitat
Below Satellite images showing forest degradation in concession 042/11, 05/02/2017 and 01/02/2018.



“ DRC, which has 69% of Africa’s intact forest landscape, saw the biggest reduction of this landscape on the continent between 2000 and 2013

This categorisation should be followed by appropriate and effective controls on their trade to ensure the survival of these threatened tree species. The trade and consumption of endangered and vulnerable species of tropical trees should become stigmatised as it has been for ivory. The survival of these species is too high a price to pay for the luxury items they are used for.

THREATS TO INTACT FOREST LANDSCAPES

As timber of high export value is gradually depleted, logging companies move into forests unaffected by significant human activity such as logging, often referred to as primary forests or intact forest landscapes (IFLs).^{256 257} These are areas of high conservation value due to their irreplaceable biological diversity, their ability to store large amounts of carbon and to provide ecosystem functions.²⁵⁸ Since they are also the areas with older, bigger trees, they are of high commercial value for timber. These primary forests are threatened. DRC, which has 69% of Africa’s IFLs, saw the biggest reduction of this landscape on the continent between 2000 and 2013.²⁵⁹ The same study concluded that industrial logging accounted for 77% of IFL loss in Africa (country level data was not published), followed by shifting cultivation at 23%.²⁶⁰

According to Global Witness calculations, nearly half of Norsudtimber’s concessions lie in IFLs, totalling an area of more than 20,000km². The potential, therefore, for Norsudtimber to be responsible for major ecological destruction in DRC is huge. Satellite imagery shows that Norsudtimber has begun operating in IFLs in six of its concessions since 2014.²⁶²

Overall, degraded forests are much less resilient due to the loss of seed trees and the creation of gaps in the canopy, changing the composition of the forest. These gaps allow light to penetrate in the forest and encourage new species to grow, increasing mortality of species which are intolerant to sunlight, causing a “complex chain of effects” on the plant community, and the fauna that depends on them.²⁶³

Opening the canopy also exposes the soil to erosion, which further alters the plant and animal composition of tropical forests.²⁶⁴ Further effects include a reduction in biodiversity, the reduction of carbon storage, and increased vulnerability to human-induced wildfires.^{265 266} Finally, once these forests have been logged of commercially-valuable species, opened up by roads, and their ecological benefits degraded, they are at risk of being converted to other land uses, such as agricultural plantations.²⁶⁷

Well-known French botanist and biologist Francis Hallé, has observed that primary forests – or IFLs – are in “imminent” danger due to commercial interests. In his warning, he noted that once cut, a primary forest would need six to eight centuries to return to its original state.²⁶⁸

THREATS OF DEFORESTATION

Scientists and civil society organisations have repeatedly warned that selective logging is the first step towards destruction of the forest. As it becomes more and more difficult to find high-value tree species, it makes more economic and business sense to clear the forest and begin work on a plantation. As one leading academic on intact forests said:

*“Plantations usually follow selective logging expansion and represent an example of how industrial logging operations can set off a cascade of interventions that eventually result in the final conversion of natural forests to industrial monoculture plantations.”*²⁶⁹

Below Trees of high importance to chimpanzee for food are being logged in DRC.



In Indonesia over 6 million hectares of primary forest was lost between 2000 and 2012, with almost all clearing taking place in previously logged forests.²⁷⁰ Worldwide, 43% of intact forest clearing was caused by palm oil plantations between 2000 and 2013.²⁷¹

Palm oil is not currently cultivated in DRC at the scale seen in tropical forests in Asia or elsewhere in the Congo Basin.²⁷²

However, the AFD, which supports industrial logging in DRC claims that, “a similar dynamic does not exist in DRC”.²⁷³ However, the existence of palm oil plantations we identified in Norsudtimber concessions in chapter 1 of this report indicates that it can accompany industrial logging and is a threat that should be taken seriously. Donors must not dismiss the potential for land-use conversion in DRC and instead ensure any strategies for the forest sector address this risk, in particular in industrial logging concessions.

THREATS TO FAUNA

DRC has one of the richest biological diversities in the world and is home to over a thousand species of birds, 430 species of mammals, and hundreds of species of reptiles and amphibians.²⁷⁴ This heritage, however, is under threat.²⁷⁵ There are currently 34 mammal species in DRC listed by the IUCN as “vulnerable”, “endangered” or “critically endangered” due to various threats. These include poaching, habitat loss, climate change, diseases, and other factors.²⁷⁶

Six of these species are threatened by an “unintentional” side-effect of “large-scale” logging and wood harvesting – including two of the species most closely related to humans, chimpanzees and bonobos.²⁷⁷ According to the IUCN assessment on chimpanzees, some trees of “high importance to chimpanzees for food” are being logged.²⁷⁸ The assessment on bonobos adds that although “logging and mining do not yet occur on a large scale in bonobo habitat, industrial extraction could become a serious threat in future”.²⁷⁹ A 2017 study found that 60% of primates worldwide are threatened by habitat loss from logging and wood harvesting.²⁸⁰

Below A pensive bonobo.



Of the six mammal species affected by industrial logging, five are also directly threatened by over-hunting, including chimpanzees and bonobos.²⁸¹ Logging roads facilitate the hunting of these and other species by opening up previously difficult-to-reach parts of the forest.²⁸² The IUCN assessment for chimpanzees says: “previously inaccessible forests are now covered by a network of logging roads, which provides rapid access to hunters”.²⁸³ Its assessment for bonobos states that the greatest threat faced by great apes – including bonobos – is poaching and the commercial bushmeat trade.²⁸⁴ Industrial logging will therefore aggravate this threat.

Our analysis shows that almost all Norsudtimber concessions overlap with the habitats of chimpanzees or bonobos. There is no direct evidence that logging operations are impacting on those species, though this should be investigated by the relevant authorities.²⁸⁵

“Previously inaccessible forests are now covered by a network of logging roads, which provides rapid access to hunters”

THREATS TO THE CLIMATE

Tropical forests also play a vital role in mitigating climate change, both through their ability to retain large carbon stocks, and their ongoing sequestration of CO2.²⁸⁶ Forests with large, older trees store more carbon than degraded forests.²⁸⁷ If carbon emissions are to be minimised, it is vital such forests are left undisturbed.²⁸⁸

Yet due to deforestation, degradation and land-use change, DRC’s rainforest went from being a sink to an emitter of carbon in 2006-2007.²⁸⁹ In 2013-2014, the last year for which there is data, the alteration and destruction of DRC’s forests emitted the equivalent of nearly 50 coal-fired power plants operating for a full year.²⁹⁰

AFD’s own internal analysis of the emissions that would be generated by expanding industrial logging found that it could result in nearly 35 million tonnes of extra CO2 emissions being released per year, or almost 874 million tonnes of CO2 emissions over the first 25-year period of logging.²⁹¹ Should such plans go ahead, DRC’s annual emissions from deforestation, degradation and land-use change would increase by 17% from industrial logging activity alone.²⁹² So any expansion of industrial logging would cause extensive carbon emissions.²⁹³

Below Caterpillar, a vital source of protein.

Below right School bench provided by Forabola in concession 045/11. In DRC logging concessions, it is private corporations which have control of the funding of essential services.



HOW INTERNATIONAL DONORS ARE AIDING INDUSTRIAL LOGGING IN THE DRC

Despite the social and environmental impacts of industrial logging and the shaky theory on which it is based, the French, German and Norwegian governments have or are preparing to make available €28.3 million between 2011 and 2022 to promote and expand logging under SFM principles in DRC.²⁹⁴

In a letter to Global Witness, the AFD explained that its work in the Congo Basin has ensured that the forests were protected through the “implementation of management plans”, all the while generating economic returns for the countries in which logging companies were operating.²⁹⁵ The belief that logging a rainforest can be economically beneficial is a powerful one in a country that consistently has one of the lowest Human Development Index rankings in the world.²⁹⁶ But is it true?

THE POOR CONTRIBUTION OF LOGGING TO DEVELOPMENT

A report by the Extractive Industries Transparency Initiative states that in 2014 DRC’s logging sector generated slightly over US\$8.3m in fiscal revenues,²⁹⁷ just 0.12% of DRC’s national budget.²⁹⁸ This appears a pitifully small return for the loss of a climate-critical resource for DRC and the world as a whole. As a point of comparison on the economic returns available to DRC from non-forest resources, the US’ Office of Foreign Assets Control estimates that DRC lost more than US\$1.36bn in revenues from the under-pricing of mining assets sold to offshore companies, thanks to shady deals.²⁹⁹ Effectively tackling corruption in DRC would be a far more efficient way of generating revenues than logging.

The sector’s contribution to employment is similarly unimpressive, generating slightly more than 4,500 jobs in 2014, with nearly 10% of the country’s forest covered by logging concessions and a population of 77 million.³⁰⁰ In the summer of 2016, Global Witness interviewed employees of Norsudtimber subsidiaries in the concessions it visited. They said they earned CDF39,000 per month – equal to US\$41 per month – but that they had not been paid in five to six months.³⁰¹

“French, German and Norwegian governments have or are preparing to make available Euro 28.3 million between 2011 and 2022 to promote and expand logging under Sustainable Forest Management principles in DRC



To put this in context, the World Bank defined extreme poverty as US\$1.90 per day or US\$57 a month in 2015.³⁰² They spoke of dangerous working conditions, with accidents caused by the handling of machetes and chainsaws, as well as snakebites, but that Norsudtimber would not pay for the ensuing medical bills.³⁰³ One worker told Global Witness that when an employee of a Norsudtimber subsidiary accidentally breaks a machete during work hours, he would be docked CDF14,000 in pay, even though “you can get two machetes at that price in the market”.³⁰⁴

In their response to Global Witness, Sodefor and Forabola said that all of their 2,000 employees were working in conditions in line with DRC’s labour regulations. They confirmed that economic difficulties between 2014 and 2017 had caused delays in salary payments, but that all of these arrears have now been settled. Sodefor and Forabola also said that none of their employees were paid CDF39,000 per month in 2016, and that not only were workers not docked pay for damaged equipment, they received training on how to use them properly.

“Construction material was poor quality; for example, rust was already spreading on the corrugated iron sheets used for roofing, and the timber used for roofing and doors and window frames, where provided, seemed to have been from discarded wood

The companies stated that they had no reports of accidents involving machetes or snakebites in the concession in question, and that health services could be found in all the concessions where it operated, for the benefit of their employees and their dependents. It concluded by saying that a dispensary operated by Sodefor in concession 042/11 had a “very good reputation in the region”, and was being used by the community at large.

Our findings on the social agreements of Norsudtimber companies with local communities indicate very poor social return and, possibly even, negative impact for local people. Overall, the total value of the development funds, based on expected logging, from across the 17 Norsudtimber concessions Global Witness looked at is US\$4m, over four or five years.³⁰⁵

Below Unfinished school in concession 037/14 (Sodefor).



This represents just over US\$47,000 to US\$58,000 per concession per year. For the concessions for which we have population information, this represents only US\$1.49 to US\$4.79 per person per year.³⁰⁶ However, as we know, Norsudtimber subsidiaries have not proceeded to log in nine of their concessions, and so the infrastructure promised to the communities under the social agreements will not be delivered. Neither will communities be able to apply to establish their own community forests, through which they can generate income, as long as the companies retain these concessions.

“Caterpillars bring me food and money. But the quantity has much diminished, because they cut down the trees where caterpillars live

Of the five concessions Global Witness visited in June and July 2016, schools and medical centres were half-finished, undelivered and dilapidated, and community members complained that the availability of food staples was diminished by logging operations. Sodefor concession 039/11, in the former Bandundu province, had some of the best infrastructure of all the concessions visited. Global Witness visited six of the 16 schools due to be built or renovated by 2013, according to the March 2011 agreement, but none of them were complete.^{307 308}

When asked, community members said that only one of the 16 schools had been fully completed. Construction had barely started for two of the schools we visited, and thick vegetation was growing on the site.³⁰⁹ Of the other four incomplete schools we saw, three schools had desks and benches for the school-children, but none had yet been equipped with desks and chairs for the teachers.³¹⁰ One had a roof, but was still missing the ceiling, making the classrooms too hot to teach in the summer and too noisy to teach during the rainy season.

Two did not have windows or doors, allowing the villagers’ goats to enter the building and defecate in the classrooms. Construction material was poor quality. For example, rust was already spreading on the corrugated iron sheets used for roofing, and the timber used for roofing and doors and window frames, where provided, seemed to have been from discarded wood.

In their response to Global Witness, Sodefor and Forabola stated that they complied with their social agreements with local communities, and highlighted the logistical complications involved in working in DRC’s forests, including “weak transport infrastructure, lack of availability of material”, and the “absence of local entrepreneurs” to build the infrastructure agreed with local communities. Sodefor added that, in concession 042/11, it had negotiated a new social agreement with the Yambuya community in 2016, and the latter had made no claims against the logging operator. Communities also complained about the impact of logging on food security, especially on caterpillars, an important source of protein in the local diet.³¹¹ One woman, in Sodefor concession 042/11, explained to Global Witness that “*Caterpillars bring me food and money. But the quantity has much diminished, because they cut down the trees where caterpillars live,*” she said, adding that it now took a full day of walking to collect caterpillars, whereas before they could be found much closer to home.³¹²

“ Access to health and education infrastructure is entirely conditional on accepting logging operations within forests on which they rely for their livelihoods

Villagers in two other concessions (owned by Forabola and Sodefor) also said it was more difficult to obtain caterpillars.^{313 314} Other women, who were interviewed separately from the men, said that there were no “*positive impacts*” from logging activity, highlighting instead the negative impact of increased difficulties in obtaining food, such as caterpillars, but also mushrooms.³¹⁵ In response to Global Witness, Sodefor and Forabola stated that they paid particular attention to respect traditional rights of local communities, that caterpillars grew on many tree species not affected by commercial exploitation, and that the increasing difficulty in accessing this protein source was explained by slash-and-burn agriculture, which increased on a yearly basis the distance between villagers and the concession. Some farmers accused Norsudtimber subsidiaries of destroying their farms with their machinery. “*They destroyed three hectares of farms with this road,*” said one villager in Forabola concession 060/14, in the former Équateur province. “*We live from agricul-*

Above Record of farms destroyed by Norsudtimber in concession 060/14 (Forabola), compiled by community-based forest monitor.

ture,” said another farmer, whose field was destroyed as loggers tried to reach a tree, adding that he was concerned that he would now struggle to feed his daughter. He said he had told Forabola what happened, but there was no response from the company.³¹⁶ Farmers in Sodefor concession 039/11, in the former Bandundu province, also said their fields had been destroyed by the company.³¹⁷ As one villager in concession 039/11 told Global Witness, “*we no longer want Sodefor. We want them to leave.*”³¹⁸ Sodefor and Forabola responded to these claims as follows: “Obviously, as with all human activity, damage can sometimes happen accidentally and exceptionally. With respect to damage to crops, in those cases, we have an internal conflict resolution procedure. To date, and as far as we know, we have never received any complaint, and have no outstanding issue that has not been dealt with amicably.” Fundamentally, the problem and dilemma for communities is that the promise of access to health and education infrastructure is entirely conditional on accepting logging operations within forests on which they rely for their livelihoods. While donors theoretically champion the right of free, prior and informed consent of local communities, if in reality the communities’ choice is between their children having access to a school or a clinic, or not, then this is not free, this is a coercive relationship.

Below Communities complained about the impact of logging on food security, especially on caterpillars, an important source of protein in the local diet.



Conversely, logging companies are generally not qualified or capable of delivering this kind of public infrastructure, and are then not held to account when they fail to do so.

The World Bank, in a report it co-wrote with two research institutes, concluded in 2007 that industrial logging in DRC had a “poor track record in Africa”, explaining that “there is little evidence that it has lifted rural populations out of poverty or contributed in other meaningful and sustainable ways to local and national development.”³¹⁹ Yet as we will see, despite this poor track record, donors continue supporting the sector.

THE DAMAGING SUPPORT OF SUSTAINABLE FOREST MANAGEMENT

International donor support to the DRC forest sector is largely comprised of support for logging companies to meet their legal obligations, and support or technical assistance to government departments to improve forest governance. In the Congo Basin, donor support to logging companies can take the form of training for their staff on how to fulfil legal obligations eg, in drafting and implementing management plans, or hiring third parties to undertake activities, such as a population census of their concessions, necessary for the drafting of a management plan. Support can also fund corporate audits or market studies, which are used to improve company performance. All of this assistance is a form of subsidy by taxpayers in donor countries to logging companies in DRC. “ In Global Witness’ view, donor governments should expect companies to comply with the law as a prerequisite to their operating

Forest governance support generally takes the form of technical assistance to public institutions in managing and supporting the forest sector, or training government employees. In DRC, donors have programmes aimed at reinforcing the capacity of the state to assess management plans and verify whether concessions are operating legally.³²⁰

International donors argue that their support to companies in meeting legal obligations and to the DRC government in managing the forest sector is necessary to improve the governance of the sector and legal compliance of companies. In Global Witness’ view, donor governments should expect companies to comply with the law as a prerequisite to their operational activities. They should also demand practical evidence from DRC’s government of its commitment to tackling impunity in the sector. This should include sanctions for logging companies breaching the Forest Code, including cancelling the concession contracts. Donors should not subsidise companies to meet their legal obligations. Taxpayers in donor countries would not accept paying for this cost of business in many other industries. But ultimately, even if one ignores the shaky tenets of SFM, without political will from DRC’s government, efforts to conserve the rainforest by working with companies and authorities within a framework that encourages logging are bound to fail. Indeed, they are already failing. Instead, donors should support genuine forest conservation and explore the potential for alternative ways of managing the forest sustainably, without industrial logging, including through community-based forest management.

The findings about the ownership of Norsudtimber in this report should also be of concern to donors. Under no circumstances should their taxpayers be supporting the operations of companies whose ownership is opaque, relying on shell companies hidden in secrecy jurisdictions. This makes it impossible to know who is ultimately benefitting from the donor support, whether tax and anti-corruption laws are being complied with, and who would stand to gain from an expansion of industrial logging. It also seriously undermines public commitments to transparency made by donor governments.

GERMAN SUPPORT

Between 2012 and 2017, at least €4.08m of German taxpayers’ money, through its development bank KfW, was spent subsidising logging companies in the Congo Basin, including at least €402,308 to Sodefor.³²¹ This was part of a €7.6m programme called the “Programme for the Promotion of Certified Forest Exploitation” (PPECF), which aimed to assist timber companies in achieving forest certification in Cameroon, CAR, Congo and DRC, and promoting industrial logging through better “*communications*” to communities living in forested areas.^{322 323} KfW worked with Sodefor to help it obtain an *origine et légalité du bois* (OLB), a type of chain of custody certification that ensures traceability of the timber, and is considered to be a first step towards the more widely recognised Forest Stewardship Council (FSC) certification. The FSC is a widely-recognised certification system for good forest governance, under which timber (or derived products) from certified concessions can be sold under an FSC label. In theory, this certification gives companies favourable access to markets and, as such, provides them with a commercial advantage.^{324 325} Projects like the PPECF, which assist loggers to achieve an FSC certification that will help their business, constitute a form of direct subsidy to the private sector. The KfW did not provide direct financing to Norsudtimber subsidiaries. Rather, it hired WWF DRC and France-based, Forêt Ressources Management (FRM) to undertake the work Sodefor would have been required to do to get the certification.³²⁶

The contracts between Sodefor and FRM and Sodefor and WWF DRC were signed between August 2013 and August 2014.³²⁷ Yet in January 2012, Sodefor – which had been working to obtain FSC certification – had this certification process suspended following a complaint by Greenpeace that the company committed human rights violations.^{328 329} The FSC announced that it would start a process, involving local communities and DRC NGOs (with international support if needed) to bring about required changes to Sodefor’s practices to ensure Sodefor will meet all requirements of FSC’s Policy of Association.³³⁰ As far Global Witness is aware, there have been no further developments since 2012. Global Witness asked KfW why it decided to subsidise a logging company accused of human rights violations that is owned by a parent company headquartered in the secrecy jurisdiction of Liechtenstein. The agency confirmed that it did not know who were the beneficial owners of Norsudtimber, and that the contracts were not signed with Sodefor, but with WWF DRC and FRM.³³¹ When Global Witness asked WWF why it decided to work with DRC’s biggest logger. It explained that “responsible forest management (is) one of the critical and sustainable solutions that can help safeguard forests for the future, and enable people to live in harmony with nature”. WWF also said that it could not be

held responsible for Sodefor’s actions, but that Global Witness’ report on Norsudtimber “raises important issues and we will encourage, to the extent possible, DRC’s Ministry of Environment to investigate Global Witness’ statements fully”. FRM also said that the services it provided to Sodefor “in no way makes (FRM) responsible” for the latter’s breach of its legal obligations.

Despite this support from Germany, Sodefor did not obtain the OLB certification, citing weak demand in China for its timber products.³³²

FRENCH SUPPORT

The AFD is an influential actor in the forest sector in the Congo Basin, as a key proponent of SFM and a significant donor to the forest sector. Between 2006 and 2027, it plans on spending at least €52.65m directly and indirectly supporting logging companies in the Congo Basin.³³³ Of that, €25 million is in the form of loans to logging companies from Proparco, a bank owned by AFD and private shareholders. It is used to fund private companies in order to help emerging and least-developed countries meet the UN Sustainable Development Goals.³³⁴ Of the remaining amount, €13.07m is set aside for supporting the development of management plans, and €14.58 to “increase the capacity” of logging companies.³³⁵

In DRC, AFD has committed €11m between 2011 and 2020 on a project called “Support to the Sustainable Management of Forests” (AGEDUFOR).³³⁶ The programme aims to train the forestry administration to assess management plans, and train logging companies to implement them.³³⁷

Fourteen ministry officials were trained to analyse and approve management plans, and training on forest governance was offered to local civil society organisations.³³⁸ The project also provided training for 250 employees from 21 timber companies on topics such as the content of management plans, certification, low impact wood harvest, and more.³³⁹

According to the midterm review of the project, achieving its objectives was challenging due to a lack of interest of certain timber companies – the review declined to say which ones – in SFM. It said the probability of attaining the project’s objective of reinforcing logging company capacity was “weak” unless the project was extended,³⁴⁰ as only six of the 26 registered logging

companies had expressed an interest in getting training on management plans.³⁴¹ The review concluded that the likelihood of the project achieving its goals was not guaranteed.³⁴² Indeed, as of January 2018, there were 30 concessions in DRC operating without a 25-year management plan, adopted within the legal deadline (within five years of the contract being signed), in violation of the Forest Code. Eight of these were Norsudtimber concessions.³⁴³ As we have seen in chapter I, according to DRC law, all of these concessions contracts must be returned to the state, and all logging activity there is currently illegal.

In Global Witness’s view, the lack of interest from companies in SFM, identified by AFD’s AGEDUFOR project, is revealing. It suggests that – while the theory of SFM has been embraced by donors – it is far from the reality of logging for many companies. Their business is cutting down trees and selling timber; the donors’ business is helping to protect forests and reducing poverty in DRC. SFM is a convenient theory that allows donors to support an industry that will supposedly bring development income and protect the environment, while conveniently ignoring the commercial realities and lack of governance on the ground.

The commercial realities are harsh, largely due to poor infrastructure and high costs of logging in remote areas of rainforest. Publicly-listed French company Rougier, the largest holder of FSC concessions in the Congo Basin and the jewel in the crown of SFM proponents in the region, went into administration in March 2018. The company has laid off 700 workers so far, as a result.³⁴⁴

AFD is undeterred. Recently, it proposed a project to a multi-donor fund, CAFI, to support an expansion of industrial logging in DRC, including by lifting the moratorium on the allocation of logging concessions in DRC. We will describe this in the following section.³⁴⁵

Global Witness asked AFD a series of questions on industrial logging in DRC, including on governance in the sector, its ecological impact, and economic contribution. In its response, AFD told us that in 2010 the DRC government had requested its support to protect the country’s forests by supporting the implementation of management plans for logging companies, in a way that would benefit the national economy.³⁴⁶

AFD explained its thinking: a “large majority of the (forest) sector operates in the margins of legal and regulatory frameworks”;

Below Community members were expected to benefit a paltry US\$1.49 to US\$4.79 per person per year when they signed a social agreement with Norsudtimber’s subsidiaries.



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“As an influential actor in the Congo Basin and significant donor in the forest sector AFD should withdraw its support for sustainable forest management and industrial logging in the Congo Basin

and the “explosion of illegal activities had led to a disintegration of the sector”, which was “compromising efforts to sustainably manage the (timber) resource, and therefore reduce emissions from deforestation and degradation”.³⁴⁷ AFD wanted, therefore, to try to support legal and sustainable logging as a way of reducing the illegal and unsustainable logging. It considered that its work in DRC through AGEDUFOR had “reinforced the capacity” of Ministry of Environment and Sustainable Development officials to supervise the implementation of management plans.³⁴⁸ AFD justified its commitment to continue working in DRC’s forest sector in this way, saying “important progress” is still possible in improving forest governance.³⁴⁹

There are no effective technocratic fixes to what is a political and governance problem, and that means the DRC government has to show that it upholds the rule of law and that it sanctions companies and officials that undermine it. Without political commitment from the DRC’s government to enforce the law, such technical “capacity-building” efforts are nothing more than building highways into the forest for loggers who can disregard the rules with impunity.

AFD has a policy on “reducing environmental and social risks”, and it shared with Global Witness a list of activities it refrains from undertaking under this policy.³⁵⁰ These include “any operation leading to or requiring the destruction of a critical habitat”, and AFD regards primary forests – defined as a forest which has never been logged – as a type of “critical habitat”.^{351 352} Any expansion of industrial logging in DRC – as proposed by AFD – is likely to encroach on the critical habitat of primary forests. This appears to be a breach of its own policy.

It is time for AFD to recognise: (a) the limitations of supporting the management plan process in a wider context of impunity, and (b) the growing body of knowledge that undermines SFM theory. As an influential actor in the Congo Basin and significant donor in the forest sector, AFD should withdraw its support for SFM and industrial logging in the Congo Basin.

“Sustainable forest management’ is a convenient theory that allows donors to support an industry that will supposedly bring development income and protect the environment

CENTRAL AFRICAN FORESTS INITIATIVE (CAFI)

CAFI is a US\$250m fund, 99% of which is funded by the Norwegian government.³⁵³ The aims of the programme are to promote low-carbon development and address deforestation and forest degradation in the Congo Basin.³⁵⁴ France is also a member, having contributed US\$3 million.³⁵⁵ Other participants include the EU, Germany, the UK, the Netherlands and South Korea, though they have not so far contributed to the fund.

The majority of CAFI funds (US\$190m) are planned for programmes in DRC.³⁵⁶ They are intended to implement DRC’s REDD+ strategy: a programme to reduce emissions from deforestation and forest degradation.³⁵⁷ Globally, these emissions account for around 10% of global greenhouse gas emissions.

REDD+ is a multinational climate change mitigation effort, to which Norway contributed at least US\$1.97bn between 2008 and 2016.³⁵⁸

DRC’s REDD+ strategy has been criticised for its lack of solid scientific basis to determine the main causes of deforestation and forest degradation. These can include small-scale agriculture and widespread charcoal production for domestic cooking, as well as industrial logging.³⁵⁹

The amount of funding available for the forest sector in DRC is US\$29.6m.³⁶⁰ The 2018 milestones in CAFI’s letter of intent with DRC’s government include reforms associated with the lifting of the moratorium on the allocation of new industrial logging concessions.³⁶¹ Other objectives for its work in the forest sector include:

- ❶ Revising the Forest Code, by “addressing challenges linked to sustainable industrial, artisanal and community forest management”.
- ❷ Stabilising illegal logging by 2020.
- ❸ Applying the Forest Code to “industrial forest concessions”, including cancelling those without management plans by 1 January 2019, at the latest.³⁶²

In March 2017, AFD submitted to a DRC committee in charge of approving CAFI projects a US\$18m proposal – of which US\$12m was to be funded by CAFI and the remaining US\$6m by France – to expand industrial logging in DRC. It would lift the moratorium on allocating new concessions and introduce a new forest policy, which could eventually result in a tripling of the area of forest under logging concessions to 300,000km² (or a quarter of the country’s forests) and increase the amount of timber produced by a factor of 15.³⁶³ It also proposed conducting an audit of DRC’s logging sector in order to develop a strategy for a “rescue plan” for the sector.³⁶⁴

The AFD’s proposal to support a rescue plan for the logging industry under an emissions reduction strategy provoked widespread international criticism. Subsequently, the DRC committee responsible for scrutinising proposals to CAFI sent the plan back to AFD for revision twice during 2017.^{365 366 367}

Below DRC Minister of Environment Amy Ambatobe, next to French Minister of Minister of Ecological and Solidary Transition Nicolas Hulot and former Norwegian Minister of Climate and the Environment Vidar Helgesen. The picture is taken from the CAFI twitter feed, which reads “No lifting of the #DRCongo moratorium until all conditions of the Presidential Decree of 2005 are met and aligned with Letter of Intent with #CAFI” says @MinEnvRDC #CAFI #COP23 event”



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A new version has been submitted in April 2018, dropping the language relating to a “rescue plan” for the industry, but containing most of the same support measures.³⁶⁸ Among other things, these include: assisting logging companies currently illegally logging without a 25-year management plan (whose concessions should be cancelled according to the Forest Code) to develop one in order to retain their concessions;³⁶⁹ conducting a study and providing advice to companies on areas relevant to their commercial strategy in order to improve their profitability; technical support to companies to meet their legal obligations; and promoting access to local markets for timber from industrial concessions (with an intention of working with Sodefor and Cotrefor concessions in pilot schemes).³⁷⁰

Furthermore, the AFD’s proposal will still enable the lifting of the DRC’s moratorium, including financially supporting the government to implement its decision and allocate two new concessions, thereby kickstarting the expansion of industrial

“ Norway is a significant donor in the forest sector globally, spending over US\$ 1.97 billion between 2008 and 2016 on the REDD+ scheme

logging across vast swathes of rainforest.³⁷¹ An expert briefing commissioned by the AFD estimates that such an expansion, which could triple the surface area under concession, would result in nearly 35 million tonnes of extra CO2 emissions being released per year, or almost 874 million tonnes of CO2 emissions over the first 25-year period of logging.³⁷²

This proposal clearly comes from the same mindset that has generated the existing and past failed initiatives, and more of the same is not, as we have argued, going to work. It is now up to the other members of CAFI, and particularly its key donor Norway, to make sure: firstly, that CAFI funds are not used to support logging companies (including indirectly via training and support to meet their legal obligations) and an expansion of industrial logging; secondly, ensure that sanctions are levied for concessions breaching the Forest Code, as per the agreement between CAFI and DRC; and thirdly, that donors reconsider how best to protect DRC’s forests, on the basis of a new study into current and future drivers of deforestation and forest degradation, and in the light of emerging evidence that SFM theory makes no scientific sense in tropical forests.

Norway is a significant donor in the forest sector globally, spending over US\$1.97bn between 2008 and 2016 on the REDD+ scheme to reduce emissions from forest degradation and deforestation.³⁷³

“ Opening up DRC’s forests to loggers would have disastrous consequences for this vast and beautiful rainforest, the endangered species it contains and the communities and global climate that it supports

This brings with it significant global impact and responsibility. Yet in July 2017, then Norwegian minister of climate and environment Vidar Helgesen said that “*Our forest agenda is about forest protection, but also about sustainable exploitation of the forest. This means that business such as timber harvesting isn’t excluded, but it must be sustainable*”.³⁷⁴

However, recent research commissioned by the Norwegian government highlights the negative environmental impact of industrial logging under SFM principles.³⁷⁵ Norway now has an opportunity to ground its forest policy in science, and seize the leadership of the international climate agenda by ruling out support to industrial logging in DRC and in other threatened tropical forests. In the short term, Norway must ensure that CAFI does not approve the proposal by the AFD, refuses to subsidise logging companies or to support a lifting of DRC’s moratorium on the allocation of new logging concessions.

CAN WE HOPE FOR A CHANGE?

It is time for donors to accept the lack of scientific backing and realities on the ground that have laid to waste the ideals of SFM in DRC and the wider region. Donors should instead use their funds and influence to demand political commitment and concrete progress towards tackling the drivers of forest loss, including: a ban on industrial exploitation in IFLs and increased geographical limits on industrial logging, improving governance, ending impunity and corruption and guaranteeing transparency. This should also involve the recognition of the rights of local communities and the pursuit of alternative development pathways that contribute to local welfare and maintain environmental integrity, such as community-based forest management.

Under no circumstances should international donors support logging companies, nor any industry with a significant negative environmental impact. Nor should they support an expansion of logging or the lifting of the moratorium on the allocation of new industrial logging concessions. Opening up DRC’s forests to loggers would have disastrous consequences for this vast and beautiful rainforest, the endangered species it contains and the communities and global climate that it supports.

CONCLUSION

When Global Witness set out to investigate the company that lies at the centre of this report, we not only discovered the depths of the illegality with which it is operating, but we also uncovered the failure of a whole system. We found that the system of national and international laws and policies established to protect the forest, the people who depend on it and our climate, were being bypassed or captured by industry interests.

The moratorium on new logging concessions is the last, thin barrier holding the crumbling parts of this system together, and for now, halting some of the destruction of this climate-critical forest. Once this final barrier is pierced, it will signal an open season to the DRC’s rainforest, with irreversible damage to communities, the forests, biodiversity and our planet.

The moratorium should not be the only barrier protecting this rainforest. A system has been put in place, which claims to prevent unhindered destruction of the rainforest, or unregulated or illegal damage occurring.

This system is constructed of three main groups of actors, who have championed and reputationally benefitted from their sustainability pledges. These are the donor governments, the DRC government and the timber business – and they have all failed to provide the protection and the benefits they have promised.

The governments of countries providing financial support to DRC or trading with it play an important role in this system, not least at home where they need to introduce or properly enforce laws to prohibit the import of illegally-harvested timber into their own countries, and require companies to conduct checks along the supply chain.

They have the power to help fix the system – to halt the activity running unchecked through it and put the right measures in place. Donors should make their funding conditional on preventing the expansion of industrial logging in DRC. This should include: ensuring the DRC government keeps and upholds the moratorium, makes profound and far-reaching improvements in forest governance, sanctions companies that do not respect the Forest Code, and publishes all details of logging contracts, plans, harvests, taxes and social agreements.

Crucially, donor governments must also replace their support for logging programmes, referred to as SFM, with a truly sustainable approach to forest protection. In this context, they must also refrain from subsidising logging companies, including those incorporated in, and trading through companies incorporated in, notorious secrecy jurisdictions. The likely purpose of which structures may well be the avoidance or evasion of tax or even to hide corruption.

The DRC government also has a key role to play, by not allowing the moratorium on the allocation of new industrial logging concessions to be repeatedly breached. A number of ministers have even made clear they want it lifted. These challenges are driven by a political crisis and an environment of impunity. Now more than ever, the DRC government must show its commitment to the rule of law and, in the context of the forest sector, keep the moratorium in place and respected. And they must sanction companies such as Norsudtimber and its subsidiaries, which are repeatedly in breach of DRC’s forest law.

Timber traders around the world are driving destructive logging through their demand for DRC’s tropical timber. In the key consumer and processing markets of China and Vietnam, there is no legislation preventing import of timber that has been illegally logged in its country of origin. In the EU and US such legislation exists, but – in some EU countries in particular – enforcement is very patchy. With few exceptions, our conversations with importing firms suggested a widespread lack of interest in taking seriously the high risk of illegality of Congolese timber.

All three of these crucial cogs are broken, and allowing destruction to seep through the system and wreak havoc on the forest. Norsudtimber has been able to exploit the weaknesses in the system: by paying lip service to the tenets (of the albeit flawed model) of Sustainable Forest Management but without actually following them; a fragile political climate, and a state of impunity for corporate actors.

It has operated undetected, until now, using a global web of secrecy to protect its identity, fool the system and get away with it. Norsudtimber’s opacity is enabled by secrecy jurisdictions such as Liechtenstein, Hong Kong and Dubai. The real owners of Norsudtimber are hidden, as are those of the companies in its supply chains. They are hidden from importers wishing to do the necessary due diligence about who they are doing business with, from the taxpayers of donor countries that are subsidising them and – most importantly – from citizens of DRC wanting to know who is benefitting from damaging their country’s forests, or whether a fair amount of tax is being paid to their government’s treasury.

This total systems failure must now be fixed. Donors, traders and governments should not only heed our recommendations to put more rigorous measures, checks and legislation in place, but reconsider their approach to sustainability. Even if it is followed, existing legislation – in DRC or importer countries – does not prevent the threat to intact forests and to endangered plant or animal species found in them. Indeed, it is the plans of Norsudtimber’s own subsidiaries which tell us that 50% of the tree species they planned to fell in their first four years of these concessions are endangered or vulnerable.

The survival of endangered tree species should not be put on the line for use in goods where they are mainly used for aesthetic reasons and could easily be substituted by less critical tree species. The trade in the vulnerable and endangered species we identify in this report should be stigmatised, just as the ivory trade has been, and strictly regulated.

RECOMMENDATIONS

TO THE DRC GOVERNMENT

- **Take enforcement action against Norsudtimber and its subsidiaries in DRC:**
 - Immediately cancel Norsudtimber’s concessions that have no 25-year management plan in the required period, as set out in the Forest Code.
 - Audit Norsudtimber subsidiaries in their compliance with social agreements and outstanding obligations to local communities as a basis for enforcement.
 - Investigate the compliance of Norsudtimber subsidiaries with the Forest Code and impose sanctions for breaches, including revoking concessions.
 - Investigate the possibility of transfer pricing, tax avoidance, tax evasion and other illegal activities, arising from Norsudtimber’s corporate structure.
- **Demonstrate commitment to upholding DRC law and to protecting forests, by enforcing DRC law against offenders in the industrial logging sector and in the administration (including its own present and former ministers), cancelling illegally allocated logging concessions, and maintaining the moratorium on the allocation of new industrial logging concessions. It should also cancel all oil blocks that overlap or are adjacent to protected areas and national parks.**
- **Establish full forest sector transparency, including:**
 - Publish the 25-year management plans of logging companies, as well as all of the concession contracts, four-year management plans, social agreements, annual contributions to local development funds, taxes, logging permits and quarterly production reports.
 - Publish the status of infrastructure projects the logging companies are contractually obliged to provide.
 - Publish information on the beneficial owners of companies operating concessions.
- **As part of the revision of the country’s forest policy and Forest Code:**
 - Introduce a ban on industrial-scale activities and exploitation in intact forest landscapes.
 - Prioritise the creation of legal, institutional and financial architecture for community-based forest management systems.
 - Develop a national plan for the provision of essential infrastructure services such as health and education to forest and other communities.
 - Ensure meaningful, prior and public consultation with civil society, including representatives of local communities, in the revision process.

TO INTERNATIONAL DONORS OF THE CENTRAL AFRICAN FOREST INITIATIVE AND ITS MAJORITY FUNDER, NORWAY

- **Do not provide direct or indirect subsidies, financial or other support to logging companies or the government that promotes or perpetuates the system of industrial logging in DRC.**
- **Oppose the direct or indirect lifting of the current moratorium on the allocation of logging concessions.**
- **Support the development of a national plan for the provision of essential infrastructure services such as health and education to forest and other communities.**
- **Commission a new study on current and future drivers of deforestation and forest degradation in DRC, and design new or adapt existing programmes in accordance with the findings.**
- **Support the introduction of a ban in DRC on industrial scale activities in intact forest landscapes and increased geographical limits on industrial logging.**
- **Call on the DRC government to ensure strict enforcement of DRC’s Forest Code, tackle impunity and corruption in the forest sector.**
- **Support the recognition of land tenure rights of local communities, including in concessions given back to the state, and the promotion of community-based forest management that takes a sustainable approach to forests.**
- **Introduce full transparency with respect to current and past donor programmes, which have supported the logging sector, including:**
 - Publish the terms of reference, evaluation reports, including total cost, of projects which support logging companies in DRC and the Congo Basin as a whole, and disclose beneficial owners of the companies they subsidise.
 - Publish, on a project by project basis, key indicators measuring the success or failure of the SFM model in the tropics, including tax revenues, provision of effective infrastructure, human development indicators, employment figures and the ecological condition of the forests before these projects, and currently.
 - Commission and publish reviews into the science behind sustainable forest management theory including an examination of the viability of rotational periods against tree growth rates.

RECOMMENDATIONS

TO THE EU AND ITS MEMBER STATES

- Ensure that the Voluntary Partnership Agreement under negotiation with Vietnam is accompanied by regulations in Vietnam banning the import of illegal timber and requiring Vietnamese operators to conduct due diligence. Similar measures in VPA partner countries should be an essential condition of all VPAs.
- Amend all Voluntary Partnership Agreements as necessary to include an obligation to publish import and export information, origin/destination of timber and wood products (including information on species, volumes and value) and to make information on the beneficial ownership of companies throughout the timber supply chain, including the ownership of logging companies, public.
- Raise concerns about China’s role in the illegal timber trade in bilateral dialogues and push for China to adopt legislation comparable to the EU Timber Regulation.
- Broaden the scope of the EU Timber Regulation to cover all products containing wood, including musical instruments, as part of the EU’s review of the EUTR’s product scope.
- Do not provide direct or indirect subsidies to the logging industry or financial support to the DRC government to promote or perpetuate the system of industrial logging.

TO PROSECUTORS AND COMPETENT AUTHORITIES UNDER THE EU TIMBER REGULATION AND THE US LACEY ACT

- Investigate EU and US timber importers who are sourcing timber or derived timber products harvested by Norsudtimber subsidiaries and from associated companies, with a view to establishing (a) whether they have imported illegally harvested timber or derived products and (b) whether they have exercised due diligence or due care that mitigates the risk of importing illegal timber.
- Sanction companies that violate their obligations under the EU Timber Regulation or the US Lacey Act.

TO INTERNATIONAL TRADERS AND IMPORTERS OF DRC TIMBER

- Immediately stop buying timber harvested by Norsudtimber subsidiaries because it poses too high a risk of having been logged in contravention of the DRC Forest Code.
- Stop trading in timber from endangered or vulnerable tree species.

TO CHINESE AND VIETNAMESE AUTHORITIES

- Adopt legislation to ban the import of illegally harvested timber.
- Support the rule of law in DRC by not allowing Chinese and Vietnamese importer and trading companies to import timber harvested or exported from DRC in violation of those laws.

TO PARTIES OF THE CITES (THE CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA)

- Add DRC’s tree species that are classed as “endangered” or “vulnerable” by the IUCN to CITES appendix II, in order to control and regulate their trade more strictly.

ANNEXES

ANNEX I - THE EVIDENCE THAT GLOBAL WITNESS OBTAINED

The two key documents that we collected for our analysis were the *contrats de concession forestière* (concession contracts) and the *plans de gestion* (four-year management plans). Alongside these documents we also examined the *clauses sociales* (social agreements) and *avenants aux clauses sociales* (amendments to social agreements). We also visited concessions to assess the impact of logging on local communities. Finally, we undertook satellite imagery analysis to determine whether Norsudtimber was logging within authorised perimeters. Together these documents and our observations give an overview of Norsudtimber’s operations and the impact on the communities living in the forests it logs.

We go on to describe the types of evidence that we obtained in more detail.

CONTRAT DE CONCESSION FORESTIÈRE (CCF) – CONCESSION CONTRACT

A concession contract is the agreement signed between a logging company and the Ministry of the Environment and Sustainable Development (MEDD), granting the company exclusive rights to log an area of forest for a period of 25 years, and is renewable.^{376 377} It comes into force the day of its signature, although a company is not allowed to log until it has obtained further authorisation in the form of a logging permit.^{378 379} The contract, which is standardised under DRC law, provides general information on the concession, such as its size and location, and on the rights and obligations of the concession holder, including its obligations towards the people who live in its concessions.³⁸⁰

³⁸¹ Global Witness was able to obtain nineteen of the twenty concession contracts held by Norsudtimber.

The standardised contracts list five violations of the logging code which entail the cancellation of the contract. For the purposes of the report, we have decided to focus on Norsudtimber’s compliance with the first two of these breaches. These are:³⁸²

- Absence of an approved 25-year management plan within four years of the signature of the contract. (In special circumstances, this four-year window can be extended by one year).
- Harvesting outside of authorised perimeters.
- Non-payment of taxes and royalties.
- Repeated violations of social and environmental obligations.
- Commission of any acts or attempted acts of corruption, fraud, or violence.

PLAN DE GESTION – FOUR-YEAR MANAGEMENT PLAN

The four-year management plan sets out where in each concession the company will be logging for the first four years of the

contract, with the possibility of extending this period by one year. It also details the volume of each species it plans to log per year, and the amount local communities can expect to receive in social payments for the construction or refurbishment of schools and clinics.^{383 384} The four-year management plan is an integral part of the concession contract and both must be approved simultaneously.^{385 386} Global Witness has managed to obtain all twenty of Norsudtimber’s four-year management plans.

Forest concessions in DRC are sub-divided into 25 annual harvest areas or *assiettes annuelles de coupe* (AAC), one for each year of the contract.³⁸⁷ Each annual harvest area can only be logged once within this time period, although there are provisions allowing an extension of the harvest period by an additional two years.³⁸⁸ Annual harvest areas are defined in detail in the four-year management plan.

The plan is a precursor to a complete 25-year management plan which companies are legally obliged to develop within five years of being awarded a concession. We have focused on the period in which the four-year management plans are implemented, as 25-year management plans are not publicly available. As the law allows the four-year plan to be extended by one year, the period they cover for Norsudtimber is from 2011 to 2016 for 10 concessions, and from 2012 to 2017 for one concession. The remaining nine concessions do not need to have a 25-year management plan approved until 2019.³⁸⁹

As we saw in Chapter III of this report, international donors who promote the logging of DRC’s rainforest see it as the “heart” of the concept known as “sustainable forest management” – the belief that logging can be economically beneficial and cause minimal environmental damage. It is also one of the few instruments with which civil society organisations can hold logging companies to account, by comparing their practices to their obligations. Unfortunately, not only are 25-year management plans not publicly available, most concessions which legally require a 25-year management plan do not have one.

CLAUSES SOCIALES AND AVENANTS AUX CLAUSES SOCIALES – SOCIAL AGREEMENT

Logging companies are required to draw up social agreements with the community or communities living in each of the concessions they operate in. A social agreement is a contract signed between a logging company and communities living in the harvested areas, outlining the rights and duties of both parties. This contract is an integral part of the concession contract and therefore must be negotiated prior to the logging commencing.^{390 391}

To determine with which communities a logging company has to broker social agreements, the logging company must identify all communities affected by operations in the annual harvest area. These communities are given the administrative name of *groupements*.³⁹² As multiple *groupements* can exist within a concession, or an annual harvest area, there can be more than one social agreement per concession. These social agreements can be amended to reflect changes in logging plans and actual volumes harvested.

According to information gathered by Global Witness, Norsudtimber subsidiaries have signed 32 social agreements across its twenty concessions. Global Witness has seen 29 of these social agreements, which relate to 17 of the concessions. A list of these *groupements* can be found in Annex II.

SATELLITE IMAGERY ANALYSIS

To determine whether Norsudtimber subsidiaries have been logging timber within approved annual harvest areas, we used satellite imagery analysis to examine openings in the forest canopy in all twenty concessions. Logging in tropical forests takes a form known as “selective logging”, where specific tree species are reached, cut down, and chopped through the construction of logging roads.³⁹³ Logging roads have been called the “most easily detected” sign of logging in tropical forests.³⁹⁴

We used as a base map the 2010 Global Land Survey (GLS) data set created by NASA and the US Geological Survey (USGS), marking all existing roads to ensure they were not counted as “new” roads after 2010. This base map was then overlaid with 2011-2014 data from loggingroads.org, run by Global Forest Watch, complemented with 2011-2017 data from Landsat 5, 7 and 8 images, which have a resolution of 10 to 30 meters. We then highlighted opening and reopening of the canopy (old roads might be reopened), but excluded roads connecting villages, which could have been built as part of social agreements. Annex II of the report gives a full methodology of the analysis.

A road in itself is not evidence of logging, but certain characteristics do indicate it is likely to be a logging road: Primary roads, also called logging and timber transport roads, which lead to the harvest area.³⁹⁵

Many secondary “dead-end” roads, often called logging tracks, branching off from primary roads and only built for use in a short period of logging, and

Skidding trails, used to drag logs from their felling site to the roadside, where they are loaded onto trucks.³⁹⁶

In this report our mapping is complemented by satellite pictures from the European Space Agency’s Sentinel-2 image database, to illustrate the construction of logging roads outside of authorised bounds in 2017.³⁹⁷

Further investigation is required by the DRC government to establish the nature of the roads identified in the satellite imagery analysis, in particular where roads appear outside of a concession’s annual harvest areas or outside of the concession border.

ANNEX II – METHODOLOGY OF SATELLITE ANALYSIS

NORSUDTIMBER CONCESSION BORDERS

Concession border data found on the website of the “Forest Atlas of the Democratic Republic of Congo”, a joint project between DRC’s Ministry of Environment and Sustainable Development (MEDD) and the World Resources Institute (WRI).

NORSUDTIMBER ANNUAL HARVEST AREA BORDERS

Annual harvest area border data found on the website of the “Forest Atlas of the Democratic Republic of Congo”, a joint project between DRC’s Ministry of Environment and Sustainable Development (MEDD) and the World Resources Institute (WRI). Missing data on the chronology of harvest area use was filled based on information from Norsudtimber’s four-year management plans (plans de gestion).

INTACT FOREST LANDSCAPES

IFL data found on the website of Intact Forest Landscapes. Data extends from 2000 and 2013. Greenpeace, the University of Maryland and Transparent World created the data set in 2014, with support from the World Resources Institute and WWF Russia. Global Witness used IFL coverage from 2013 for the maps of this report.

TREE COVER

Tree cover data found on the website of the “Global forest change” project.

LOGGING ROADS

The methodology describing how the existence of roads were determined is examined in the next section. But the following sources were used for the analysis:

PRE-2010

Data from www.loggingroads.org, a crowd-sourcing project between MOABI and Global Forest Watch, which only runs until 2014

2010

The base map data is from the Global Land Survey 2010 (Landsat 5, with gaps filled with Landsat 7 and Landsat 8), run jointly by the United States Geological Survey and NASA.

2011

Data from www.loggingroads.org

2012

Data from www.loggingroads.org

2013

Data from www.loggingroads.org

2014

Data from www.loggingroads.org

2015

Cloud free Landsat 5, Landsat 7 and Landsat 8 imagery (Raster, 15-30m)

2016

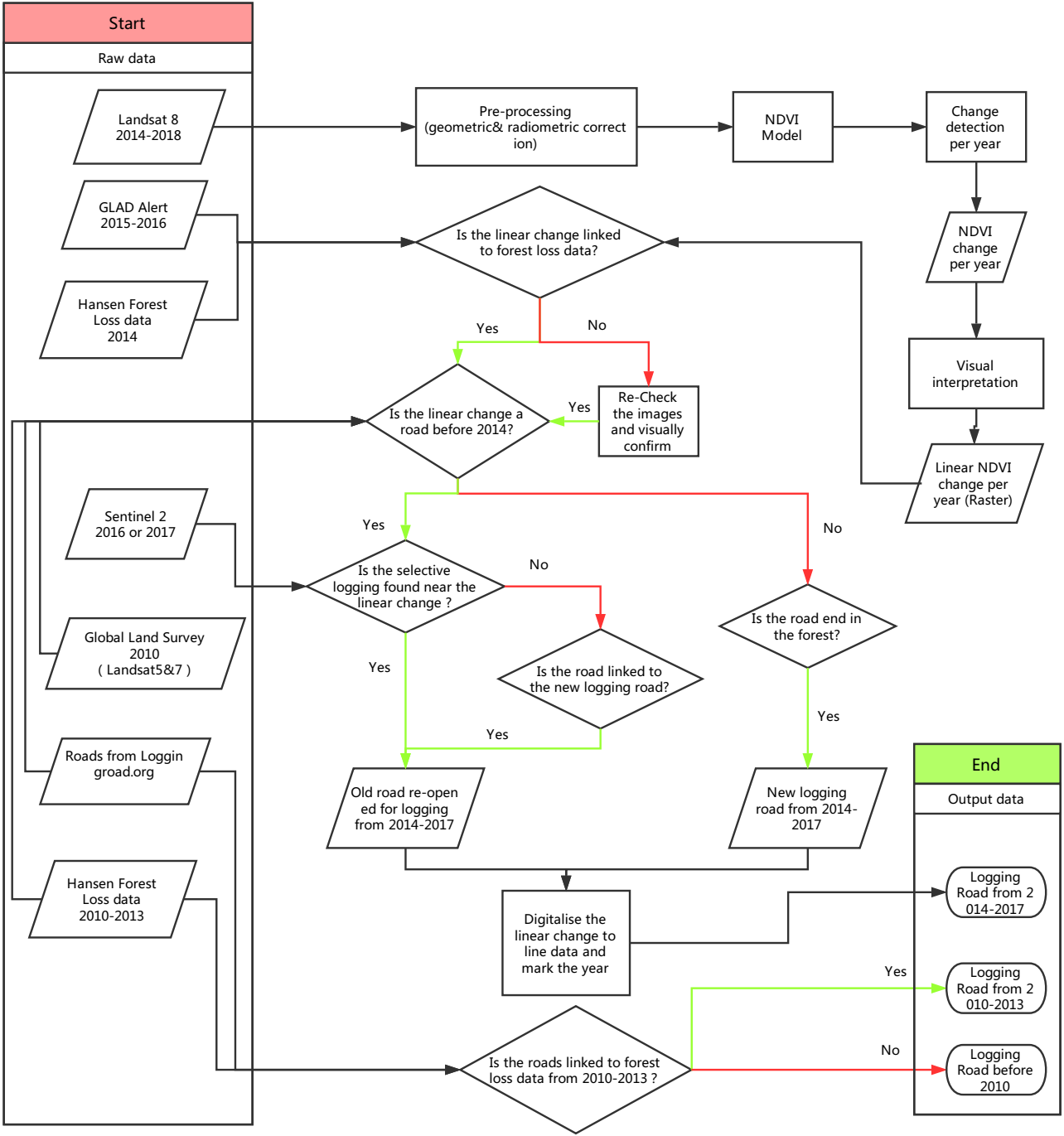
Cloud free Landsat 5, Landsat 7 and Landsat 8 imagery (Raster, 15-30m) Cloud free Sentinel 2 (Raster, 10m)

2017

Cloud free Landsat 5, Landsat 7 and Landsat 8 imagery (Raster, 15-30m) Cloud free Sentinel 2 (Raster, 10m)

METHODOLOGY:

Time series change detection spatial analysis was used to detect logging roads in DRC. The flowing flowchart shows the process step by step.



ANNEX III – LIST OF SOCIAL AGREEMENTS
BETWEEN NORSUDTIMBER SUBSIDIARIES
AND LOCAL COMMUNITIES

Groupe ment	Concession	Value of Social Agreement, USD	Number schools	Number health centres
Mpama	CCF 015/11	437,151	8	5
Batito (Nord)	CCF 034/11	188,990	5	2
Groupe ment Bobai	CCF 035/11	208,193	23	0
Groupe ment Mbelo	CCF 035/11	172,174	10	3
Groupe ment Ndeke	CCF 036/11	33,201	0	0
Groupe ment Bwela	CCF 036/11	140,572	5	3
Groupe ment Bahanga	CCF 037/11	445,862	2	1
Groupe ment Likombe	CCF 037/11	28,966	1	2
Groupe ment Ilongo	CCF 037/11	50,221	1	0
Groupe ment Batito (sous groupements: Batito Sud et Batito Nord)	CCF 038/11	99,200	3	1
Groupe ment Mbidjankama	CCF 039/11	203,379	Unknown	Unknown
Groupe ment Mongandjo	CCF 042/11	91,722	0	0
Groupe ment Yambuya/ Bamanga & Groupe ment Yambuya/Baboro	CCF 042/11	226,189	1	1
Groupe ment Mowea	CCF 043/11	306,143	4	1
Groupe ment Bakwela	CCF 045/11	147,193	5	3
Groupe ment Ibeke - Bolia	CCF 045/11	101,403	4	0
Groupe ment Nkile	CCF 045/11	45,246	2	6
Groupe ment Pombo	CCF 057/14	148,009	4	1
Groupe ment Mangba	CCF 058/14	90,908	3	3
Groupe ment Makutu	CCF 058/14	(document missing)	Unknown	Unknown
Groupe ment Yembu & Bolesa	CCF 059/14	112,845	1	4
Groupe ment Mwando	CCF 059/14	56,715	0	3
Groupe ment Eluku	CCF 060/14	103,068	2	1
Clan NE Keseke	CCF 061/14	58,600	3	1
Clan SO Tshie	CCF 061/14	60,909	3	3
Etwali Bokola	CCF 062/14	(document missing)	Unknown	Unknown
Groupe ment Etuali Bokola	CCF 063/14	30,300	1	0
Groupe ment Batito	CCF 063/14	89,245	2	2
Groupe ment Booli Nkona	CCF 063/14	(document missing)	Unknown	Unknown
Groupe ment Bongemba & Bokala Wamba	CCF 064/14	189,585	5	0
Groupe ment Mbelo	CCF 065/14	(document missing)	Unknown	Unknown
Groupe ment Mpama	CCF 065/14	(document missing)	Unknown	Unknown

ANNEX IV – SUMMARY OF BREACHES OF
THE DRC FOREST CODE BY NORSUDTIMBER
SUBSIDIARIES, AS REPORTED BY
INDEPENDENT FOREST MONITORS

Company	Concession	Date	Infractions	Report
SODEFOR	037/11	01.-05.08.17	Failure to list number by species and class of felled trees in quarterly harvest declarations, payment of 2016 surface tax after deadline, non-compliance with construction norms at workers' camps, failure to provide protection gear to workers, lack of an annual operation plan.	Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 7 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
SODEFOR	042/11	01.-05.08.17	Failure to list number by species and class of felled trees in quarterly harvest declarations, payment of part of 2016 surface tax after deadline, non-compliance with construction norms of labourers' camp, lack of annual operation plan.	
SODEFOR	039/11	16., 21.-22.02.15	Over-exploitation, harvesting of non-authorised species, logging without valid permit, outstanding surface tax payments for 2013 and 2014.	Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 5 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
SODEFOR	035/11	16., 20.02.15	Over-exploitation, harvesting of non-authorised species, outstanding surface tax payments for 2013 and 2014.	
SODEFOR	037/11	27.10.13	Harvesting without authorisation, overexploitation, non-payment of surface tax (2013), outstanding tax payments (2012).	Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 1 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
FORABOLA	042/11	16.-21.10.13	Incomplete quarterly declarations, declarations not to norm, over-exploitation of Afromosia and Paduak, harvesting of non-authorised species, harvesting beyond authorised period, non-payment of area tax.	
SOFORMA	015/11	23.-24.08.12	Harvesting of non-authorised species in 2010, harvesting of Wenge without special permit, non-compliance with social obligation agreement, failure to declare all harvested wood.	Resource Extraction Monitoring (REM). Observatoire de la Gouvernance Forestière OG. Rapport de mission de Terrain No. 4 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
SODEFOR	GA 028/03 (CCF 039/11)	24.-25.10.11	Failure to submit quarterly harvest declarations in due time, harvesting of non-authorised species, failure to mark logs.	Resource Extraction Monitoring (REM). Observatoire de la Gouvernance Forestière OG. Rapport de mission de Terrain No. 2 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
SODEFOR	GA 021/03 (CCF 035/11)	20., 27.10.11	Failure to submit quarterly harvest declarations in due time, over-exploitation, failure to mark, logging without permit, non-payment of area tax.	
SODEFOR	GA 019/03 (CCF 061/14)	19.10.11	Unauthorised logging by Soforma, logging without permit, non-payment of area tax.	
SODEFOR	GA 023/03 (CCF 036/11)	17.-18.07.11	Falsification of log markings, failure to keep harvesting records in concession.	Resource Extraction Monitoring (REM). Observatoire de la Gouvernance Forestière OG. Rapport de mission de Terrain No. 1 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OI-FLEG).
FORABOLA	GA 011/03 (CCF 042/11)	15.-16.07.11	Over-exploitation, outstanding area tax payments for 2010.	

Observatoire de la Gouvernance Forestière reports: <http://ogfrdc.cd/rapports/>
Resource Extraction Monitoring reports: <http://www.observation-rdc.info/Rapports.html#7>

ANNEX V – SATELLITE IMAGES OF CONCESSIONS WITH SIGNS OF LOGGING ACTIVITY OUTSIDE OF AUTHORISED PERIMETERS

CONCESSION 034/11



14/06/2016
Logging roads outside of authorised perimeters.
19.83624 E 3.32107 S



21/11/2016

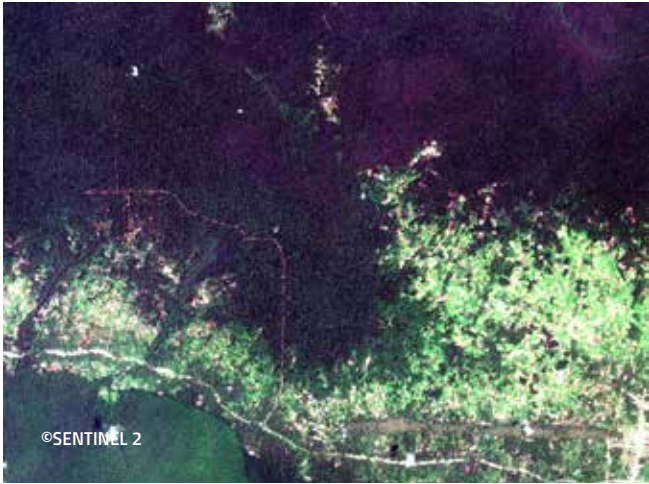


Signs of logging activity (skid tracks) outside of authorised perimeters.
Picture taken 23/04/2018
19.83241 E 3.3229 S

CONCESSION 036/11



14/06/2016
Logging roads outside of authorised perimeters.
21.16722 E 2.25788 N



09/02/2017

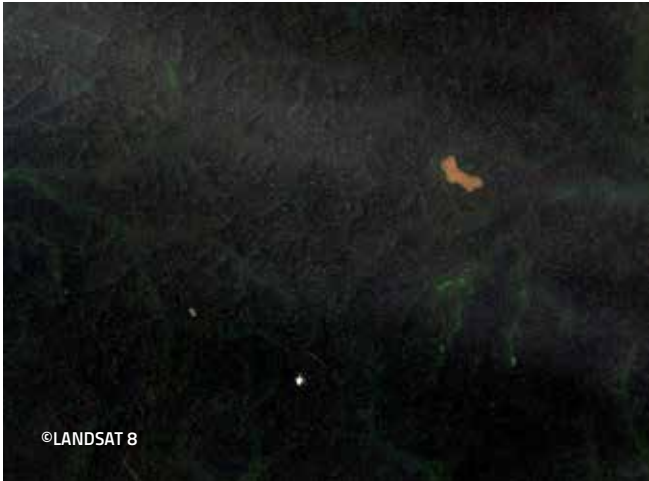


15/04/2015
Signs of logging activity (skid tracks) outside of authorised perimeters.
Picture taken 23/04/2018
21.18836 E 2.23914 N



10/10/2017

CONCESSION 039/11



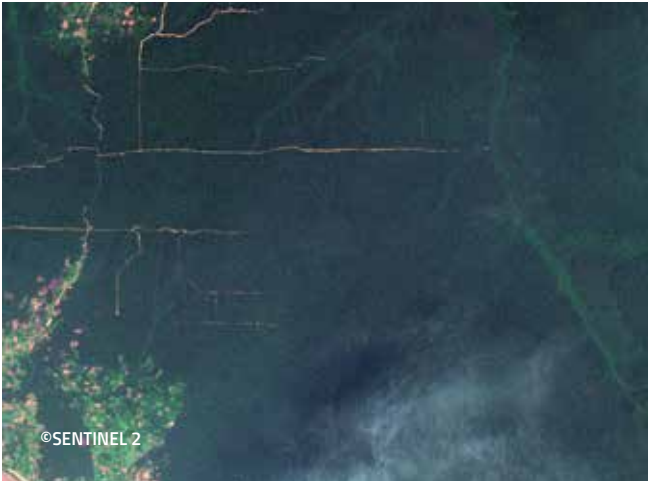
18/01/2015
Logging roads outside of authorised perimeters.
19.17200 E 3.12997 S

High-resolution satellite images not available.

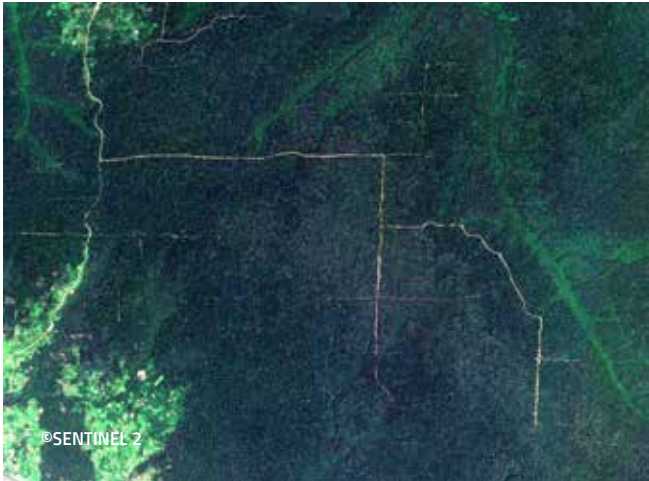


15/02/2016

CONCESSION 042/11



23/02/2017
Logging roads outside of concession border.
24.21018 E 1.04948 N



29/01/2018

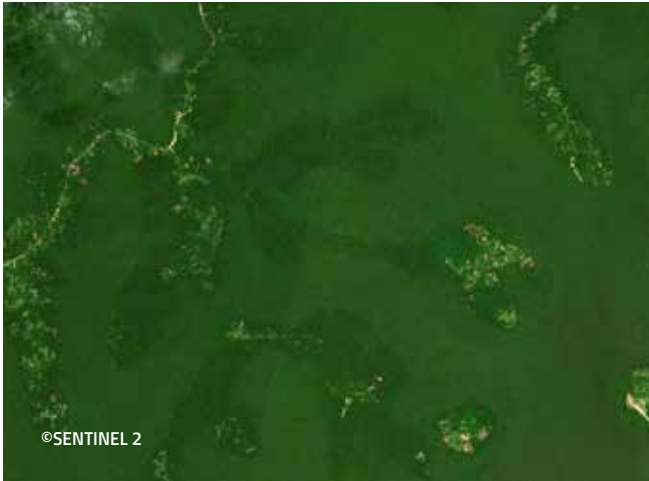


05/02/2017
Logging activity (skid tracks) and signs forest degradation
outside of authorised perimeters.
24.25865 E 1.0046 N



01/02/2018

CONCESSION 045/11



31/03/2017
Logging roads outside of authorised perimeters.
18.45471 E 1.47192 S



05/01/2018



17/01/2017
Logging and forest degradation outside of authorised perimeters.
18.46561 E 1.44918 S



08/05/2017

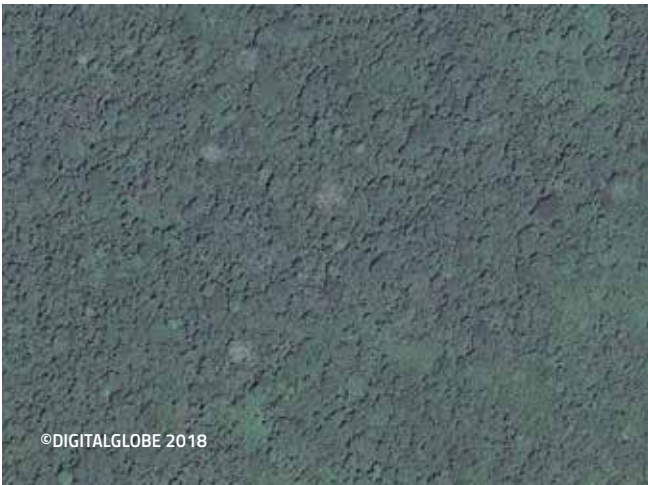
CONCESSION 048/12



18/12/2014
Logging roads outside of authorised perimeters.
18.49016 E 2.44457 S



12/01/2016



13/04/2013
Signs of forest clearing for plantations.
18.49924 E 2.41292 S



17/09/2016

ENDNOTES

1 In 2014, the DRC government published a list of all 57 logging concessions in the DRC and their operators. See: Clôture du processus de conversion des anciens titres forestiers en contrats de concession forestière. Numéro 2056/CAB/MIN/ECN-T/05/11/BNME/2014. Ministère de l'Environnement, Conservation de la Nature et Tourisme. Kinshasa, le 26 août 2014. According to this list, Sodefor, Forabola, Soforma and La Forestière du Lac controlled 20 logging concessions. According to a January 2018 list of logging operators in DRC, concessions 047/11, which was operated by Sodefor in 2014, is now being operated by CFT. Furthermore, the two concessions being operated by Soforma in 2014, 015/11 and 043/14, were in January 2018 being operated by Forabola. See: Etat d'avancement du processus d'aménagement des titres forestiers en Janvier 2018. Ministre de l'Environnement et du Développement Durable/Agence Française de Développement, projet AGEDUFOR. January 2018.

2 The total surface area of Norsudtimber's 20 concessions is 4,342,606 hectares. This represents 40.6% of the 10,706,292 hectares of DRC's forest allocated to logging concessions. See: Clôture du processus de conversion des anciens titres forestiers en contrats de concession forestière. Numéro 2056/CAB/MIN/ECN-T/05/11/BNME/2014. Ministère de l'Environnement, Conservation de la Nature et Tourisme. Kinshasa, le 26 août 2014.

3 Norsudtimber – headquartered in Schaanwald, Liechtenstein – owns controlling stakes in three DRC logging companies, Société de Développement Forestier (Sodefor), Société Forestière et Agricole de M'Bola (Forabola) and Société Forestière de Matières Ligneuses (Soforma). For Sodefor see: Journal Officiel de la République Démocratique du Congo, Deuxième Partie. 56ième année, numéro 22. 15 Novembre 2015, p. 96. For FORABOLA see: Journal Officiel de la République Démocratique du Congo, Deuxième Partie. 56ième année, numéro 24. 15 décembre 2015, pp. 211 and 213. For Soforma, see: Journal Officiel de la République Démocratique du Congo, Deuxième Partie. 56ième année, numéro 22. 15 novembre 2015, pp. 130-131. According to the website of Norsudtimber's subsidiary Sodefor, a fourth company, Compagnie Forestière de Transformation (CFT), is part of the group. Unconfirmed reports however indicate that CFT was sold in or after 2016. We therefore excluded CFT from our analysis.

4 According to a document seen by Global Witness, Forabola initially owned 20% of “La Forestière du Lac”, although it provided a Congolese individual – owner of the other 80% – with the funding necessary to cover her part of the shares. The document also adds that, after the individual had undertaken the “necessary procedures at the Ministry of Environment” to obtain a logging concession, Forabola would provide the machine-tools necessary to operate there, at which point it would own 80% of the shares of La Forestière du Lac. A Norsudtimber shareholders agreement states that the ownership of La Forestière du Lac was “not to be publicly communicated”.

5 Total surface area of Switzerland is 41,290km2, according to the World Bank.

6 In this report we refer to Norsudtimber's subsidiaries when talking about a specific concession, and Norsudtimber when referring to the group as a whole.

7 Les Codes Verts: Textes juridiques de la République démocratique du Congo en matière de l'environnement et des ressources naturelles. Tome I – Textes juridiques en matière des forêts. 3ième Edition, revue et augmentée. CODELT. 2014.

8 Art. 143, Loi numéro 011/2002 du 29 août 2002 portant code forestier. Exchange rate of 29 January 2018.

9 Art. 10 and 23 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 août 2008 fixant les modèles de contrat de concession d'exploitation des produits forestiers et de cahier des charges y afférent.

10 The management plan is meant to plan out logging activities during the 25 year duration of the concession, including the locations, volume and species of timber species to be felled.

11 The DRC Ministry of Environment, in collaboration with the AFD irregularly publishes (on the Ministry of Environment website) a document listing all logging concessions with approved 25-year management plans. This also lists the concessions that have submitted plans awaiting government approval. Etat d'avancement du processus d'aménagement des titres forestiers en Janvier 2018. Ministre de l'Environnement et du Développement Durable/Agence Française de Développement, projet AGEDUFOR. January 2018. According to the list, concessions 015/11, 036/11, 037/11, 038/11, 042/11, 043/11 and 045/11 did not have a 25-year management plan five years after the signature of the concession contract.

12 The contract for concession 034/11 (Sodefor) was signed on 24 October 2011, meaning its 25-year management plan approval should have been approved by 23/10/2016. Instead, it was approved at the latest in March 2017. See: Etat d'avancement du processus d'aménagement des titres forestiers en Mars 2017. Ministre de l'Environnement et du Développement Durable/Agence Française de Développement, projet AGEDUFOR. March 2017. The two other Norsudtimber concessions with management plans (Sodefor 035/11 and 039/11) had their plans approved within legal deadlines. See: Etat d'avancement du processus d'aménagement des titres forestiers en Novembre 2016. Ministre de l'Environnement et du Développement Durable/Agence Française de Développement, projet AGEDUFOR. November 2016.

13 Sodefor and Forabola response to Global Witness.

14 Sodefor and Forabola told Global Witness that concession 015/11 had its management plan submitted to authorities on 03/01/2018, and concession 036/11 had its plan submitted on 23 February 2018. They said they would submit the management plans for concession 037/1 and 038/11 in June/July of this year, and for concession 045/11 by September 2018. It did not pronounce themselves on the management plan status of concession 048/11 (La Forestière du Lac, 80% owned by Forabola), or concession 043/11 (Forabola), has not been logged since at least 2015.

15 Answer of Sodefor and Forabola to Global Witness's questions. Email from 22/05/2011.

16 Art. 1 and 2, Décret numéro 011/26 du 20 mai 2011 portant obligation de publier tout contrat ayant pour objet les ressources naturelles. See also: Art. 78, Arrêté ministériel numéro 084/CAB/MIN/ECN

17 Website of the DRC Ministry of Environment and Sustainable Development. 'Wayback machine snapshot of 10 May 2017. Accessed 19 January 2018.

18 Provisions exist to log an annual harvest area for a period of up to three years.

19 Art. 23 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 août 2008 fixant les modèles de contrat de concession d'exploitation des produits forestiers et de cahier des charges y afférent.

20 These concessions are 036/11 (Forabola), 034/11, 039/11, 042-11 and 045/11 (Sodefor), and 048/12 (La Forestière du Lac).

21 Interview with Fritz Kleinschroth, post-doctoral student at ETH Zurich, on 16/05/2018.

22 For concession 034/11 (Forabola), they said that all the timber harvested in 2015-2017 was being done in AAC1, based on relevant logging permits. However, satellite imagery clearly shows that logging is taking place outside of these perimeters in 2016 and 2017. For concession 039/11 (Sodefor), they said that between 2014 and 2017 they was felling timber within the annual harvest areas set out in the 4-year management plan. However, satellite imagery clearly shows logging activity is taking place outside of these perimeters in 2015, 2016 and 2017.

23 Concessions 036/11 (Forabola), and 042/11 and 045/11 (Sodefor).

24 Convention N°010/CAB/MIN/AFF-ET/03 du 25 mars 2003 portant octroi d'une garantie d'approvisionnement en matière ligneuse, entre La République Démocratique du Congo, représentée par le Ministre des Affaires Foncières, Environnement et Tourisme, Monsieur Jules Yuma Moota, et La Société Forestière et Agricole de la M'bola (Forabola), représentée par Monsieur Joao Manuel Maia Trindade. Concession 042/11 is now operated by Sodefor : see Etat d'avancement du processus d'aménagement des titres forestiers en Janvier 2018. Ministère de l'Environnement et du Développement Durable/Agence Française de Développement, projet AGEDUFOR.

25 Who is Feronia ? Frequently Asked Questions. Feronia. Accessed 23/05/2018.

26 Feronia says it has a plantation at the coordinates 1°8'53.00"N 23°36'46.79"E, which lies within concession 064/14. See: Lokutu Plantation. Feronia. Accessed 23/05/2018. The plantation, which can be seen on Google Maps, also lies within the concession.

27 Article 21 of the Forest Code states: “The granting of a forest concession confers a right on the tree species conceded, to the exclusion of any right on the underlying land.” Article 2 of Ministerial Order 084 of 2016 on timber harvesting in DRC stipulates that the logging in question consists of the production of timber alone, involving logging of said timber, its shaping, skidding, evacuation, sawing and transport.

28 The Coming Storm. Earthsight. 12 March 2018.

29 Ibid.

30 Art. 11, Annexe, Arrêté Ministériel numéro 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

31 Art. 89, Loi numéro 011/2002 du 29 août 2002 portant code forestier, and Art. 7, Annexe, Arrêté Ministériel numéro 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

32 Art. 4 and 7, Annexe, Arrêté Ministériel numéro 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

33 Art. 4 and 7, Annexe, Arrêté Ministériel numéro 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

34 Global Witness studied all Norsudtimber's four-year management plans (which also include some information on social agreements). According to these management plans, Norsudtimber said its logging activity for the first four years following the signature of the concession contract would be located in areas inhabited by 31 groups or communities across its 20 concessions. Norsudtimber is legally obligated to sign a social agreement with these local communities, but it said it suspended negotiations with one community due to disagreements. Of the remaining 30 social agreements, Global Witness has managed to obtain 27 across 17 concessions. However, key pages of some of these agreements are missing. See Annex 2 for a summary.

35 When negotiating the social agreements in concession 042/11, Forabola did not know which communities were concerned by the annual cutting blocs, and had to send back the community representatives who were wrongly convened. See: Accord constituant la clause sociale du cahier du cahier des charges du contrat de concession forestière garantie 011/03 (042/11) entre Forabola et les groupements Yambuya Baboro et Mongandjo. Le 17 Septembre 2011 à Lileko. «Il s'est avéré que le groupement Weko n'avait pas droit au chapitre».

36 Three out of 15 concessions for which Global Witness has documents reported representation issues: 015/11, 037/11, and 042/11.

37 When the Yambuya community in concession 042/11 asked for the construction of a road rather than schools or hospitals and refused to revisit their position, they were accused of carrying a “hidden agenda” and Forabola put an end to the negotiations, sending the representatives back home. See: Accord constituant la clause sociale du cahier du cahier des charges du contrat de concession forestière garantie 011/03 (042/11) entre Forabola et les groupements Yambuya Baboro et Mongandjo. Le 17 septembre 2011 à Lileko.

38 The Ndeke group had to negotiate infrastructure projects with incomplete information provided by Sodefor as the company's representatives were unable to provide them with calculation documents detailing the budget at their disposal, due to “printing problems”. See: Accord constituant la clause sociale du cahier du cahier des charges du contrat de concession forestière garantie 23/03 (036/11) entre Sodefor et le groupement Ndeke. Le 4 Août 2011 à Mondongo.

39 Art. 76, Arrêté Ministériel numéro 084/CAB/MIN/ECN-DD/CJ/00/RBM/2016 du 29 octobre 2016 portant conditions et règles d'exploitation des bois d'œuvre.

40 *ibid*, Art. 78.

41 An analysis of the four-year management plans of Norsudtimber subsidiaries indicates that at full capacity it was projecting to harvest 200,000 cubic metres per year, yet in 2016 it reported that it had harvested a quarter of that amount. See: Panorama du secteur forestier industriel de RDC. AFD. Juin 2017, pp. 3 and 5.

42 Art. 14, Arrêté Ministériel numéro 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière. Annexe Modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

43 *ibid*, Art. 12

44 Interview with villager in Bahanga-II, concession 037/11, on 04 July 2016.

45 Interview with villager in Luna, concession 035/11, on 27 June 2016.

46 Guillaume Lescuyer et al., (2012)'Logging concessions and local livelihoods in Cameroon: from indifference to alliance'. p. 3, 7f, Ecology and Society.

47 Concessions 039/11 and 035/11 in the former Bandundu province on 25-27 June 2016 and 27-28 June 2016, 042/11 and 037/11 in the former Orientale province on 5-6 July 2016 and 4-5 July 2016, and 060/14 in the former Équateur province on 10-11 July 2016. Global Witness investigators were about to visit concession 045/11 in Équateur Province before their passports were confiscated.

48 In June 2016, DRC's administration went from 11 to 26 provinces, but the areas are still commonly referred to with their old names. See: Découpage en RDC : ce qui va changer la vie des Congolais. Jeune Afrique. 26 Juin 2016.

49 Art. 116, Loi numéro 011/2002 du 29 août 2002 portant code forestier.

50 These concessions are 043/11, 057/14, 058/14 (Forabola), 059/14, 061/14, 062/14, 063/14, 064/14, 065/14 (Sodefor).

51 In their response to Global Witness, Sodefor and Forabola said that “With regards to the regulations (article 117 of the Forest Code), the concession is not in an illegal situation as there has been no formal notice from the ministry (of environment).” However, article 117 says that when a concession is returned to the state, the government also takes hold of the installations and materials in the concession. There is no mention of a formal notice requirement in article 16116, which deals with the consequences of not logging a concession for a period of two years.

52 Rapport de mission de terrain numéro 1. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 3 au 9 juillet 2011. See also: Rapport de mission de terrain numéro 4. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 08 au 29 août 2012. See also: Rapport de mission de terrain numéro 5. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Observatoire de la gouvernance forestière. Date de la mission : 12 au 24 février 2015.

53 Forabola was accused of harvest €137,402 worth of timber, more than authorised in 2010 in concession 042/11. See: Rapport de mission de terrain numéro 1. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 3 au 9 juillet 2011, p39. Sodefor was said to have harvested 195,601 cubic meters beyond what it was authorised to do in concession 035/11 between 2012 and 2014. See: Rapport de mission de terrain numéro 5. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Observatoire de la Gouvernance Forestière. Date de la mission : 12 au 24 février 2015, p25.

54 Forabola was accused of underpaying its surface area in concession 035/11 by US\$83,600 in 2013 and 2014. See: Rapport de mission de terrain numéro 5. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Observatoire de la Gouvernance Forestière. Date de la mission : 12 au 24 février 2015, p29.

55 Soforma was accused of harvesting 138 cubic meters of timber from species not listed in its logging permit in concession 015/11 in 2010. See: Rapport de mission de terrain numéro 4. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 08 au 29 août 2012, p36.

56 Sodefor was accused of harvesting timber prior to obtaining its logging permit in concession 039/11 in 2013. See: Rapport de mission de terrain numéro 5. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Observatoire de la Gouvernance Forestière. Date de la mission : 12 au 24 février 2015, p32.

57 Sodefor was accused of falsifying markings on logs in concession 036/11 in 2011. See: Rapport de mission de terrain numéro 1. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 27 juillet au 14 août 2017, p59-60.

58 Sodefor was accused of not respecting the prescribed norms for quarterly reports, absence of annual operations plan, non-payment of surface tax in time as prescribed by the law, and the construction of a workers' camp in violation of relevant norms. See: Rapport de mission de terrain No. 7. Observation indépendante de la mise en application de la loi forestière et de la gouvernance. Resource Extraction Monitoring. Dates de la mission : 3 au 9 juillet 2017, p16-28. This document has not yet been published.

59 WWF Response to Global Witness, dated 8 May 2018.

60 Transparency International. ‘Corruption Perceptions Index 2017’. Accessed 29/05/2018.

61 Transparency International. (2014, pp. 1 and 5). ‘Overview of corruption and anti-corruption in the Democratic Republic of Congo.’

62 Marilyne Pereira Goncalves et al., (2012, p6) 'Justice for forests: improving criminal justice efforts to combat illegal logging.' World Bank.

63 *ibid*, p1.

64 Letter from prime minister Bruno Tshibala Nzenzhe to government minister, re: “suspension de contrôle intempestif”, 04/10/2017.

65 Letter from DRC minister of environment Amy Ambatobe Nyongolo to the DRC Timber Federation, 23/04/2018.

66 Greenpeace. (12 July 2016). ‘How The DRC Government Has Secretly Breached its Own Logging Moratorium’ and Greenpeace. (1 February 2017). ‘DRC Donors Release US\$40 Million After 4,000 km2 of Forest Illegally Awarded to Kabila Adviser and MP’. Greenpeace identified two concessions allocated in 2016 in breach of the moratorium, though the subsequent cancellation notice (see footnote 68) referred to five concessions awarded in 2016.

67 Ministère de l'Environnement, Conservation de la Nature et Développement Durable, 2016. Arrêté ministériel N° 062/CAB/MIN/ECN-DD/04/00/RBM/2016 du 12 août 2016 portant annulation de trois contrats des concessions forestières 001, 002 et 003/15 du 16 août 2015 conclus entre le Ministère de l'Environnement, Conservation de la Nature et Développement Durable et la Société La Millénaire Forestière SARL (SOMIFOR SARL) ainsi que la Société Forestière pour le Développement du Congo (FODECO SARL). DR Congo cancels illegal concessions. Central African Forests Initiative (CAFI). 4 July 2017.

68 Greenpeace (20 February 2018). ‘DRC government reinstates illegal logging concessions in breach of its own moratorium.’ Accessed 23 April 2018.

69 Agence Congolaise de Presse. (11 Novembre 2017). ‘Le ministre Ambatobe invite les parties prenantes à accompagner l’Etat congolais dans la levée du moratoire forestier.’

70 Global Witness. (17 November 2017). ‘Réponse de Global Witness à la Déclaration du Ministre de l’Environnement de la RDC au sujet du moratoire sur l’exploitation forestière.’

71 Bienvenu Liyota Ndjoli was the minister of environment in July 2015 when three concessions were allocated in breach of moratorium. Ndjoli was subsequently appointed as minister of small and medium enterprises. See: RDC : Bruno Tshibala dévoile la liste de son gouvernement. Jeune Afrique. 09 May 2017. Robert Bopolo Mbongeza was minister of environment in September 2016 when five concessions were allocated in breach of the moratorium. He is still a member of DRC's parliament, according to its website, accessed on 31 January 2018.

72 Resource Extraction Monitoring, p20. Independent monitoring of forest law enforcement and governance in the Democratic Republic of Congo.

73 It took Global Witness over two days using boats and motorbikes to reach concession 037/11. Limited mobile phone reception was only available at one point during the trip.

74 Global Witness. (3 June 2015) ‘Exporting Impunity – How Congo's Rainforest is Illegally Logged for International Markets.’

75 Speech by DRC minister of environment Robert Bopolo Bogeza, Kinshasa, 14 July 2016.

76 *Ibid*.

ENDNOTES

77 Reuters (1 March 2017). ‘Congo expels two Greenpeace researchers investigating logging.’

78 Government officials and security forces “systematically sought to silence, repress, and intimidate the political opposition, human rights and pro-democracy activists, journalists, and peaceful protesters” as Kabila’s regime stalled to hold elections in 2016. See: Southern Africa: Increased Repression of Peaceful Dissent. Human Rights Watch. 18/01/2018.

79 RFI Afrique (08 November 2017) ‘RDC : un projet de loi sur les associations inquiète la société civile.’

80 Global Witness (9 February 2017) Unsanctioned Trade.

81 For Norsudtimber Establishment, Vaduz, see registration at the Liechtenstein tax authorities on 27/02/1991. For Norsudtimber Aktiengesellschaft Bad Ragaz, see its statutes, signed 08/03/1999. For Norsudtimber Aktiengesellschaft, see Liechtenstein commercial registry, obtained on 26/02/2018.

82 The majority shareholder of Sodefor, Soforma and Forabola is named as Norsudtimber Aktiengesellschaft Schaanwald. See: Journal Officiel de la République Démocratique du Congo, numéro 21, 56ième année. 1 Novembre 2015, pp116, 121 and 126.

83 “History of the companies Forabola, Soforma, CFT, Sodefor and Norsudtimber and their predecessors”. Undated.

84 “History of the companies Forabola, Soforma, CFT, Sodefor and Norsudtimber and their predecessors”. Undated. Date and place of birth of the Trindade brothers are in Journal Officiel de la République Démocratique du Congo, numéro 21, 56ième année. 1 Novembre 2015, pp116, 121 and 126.

85 “History of the companies Forabola, Soforma, CFT, Sodefor and Norsudtimber and their predecessors”. Undated.

86 “History of the companies Forabola, Soforma, CFT, Sodefor and Norsudtimber and their predecessors”. Undated.

87 Norsudtimber. Commercial register of canton St Gallen. Accessed 29/05/2018.

88 Norsudtimber Aktiengesellschaft, see Liechtenstein commercial registry, obtained on 26/02/2018.

89 Overview of the Liechtenstein Establishment/”Anstalt”. Grant-Thornton. Accessed 28/05/2018. See also: The Establishment. KSS Partners. Accessed 28/05/2018.

90 Conversation with source. July 2017.

91 Terra Sana website “Team” page lists Cornelia Zech (wife) and Raphael Zech (son) as staff members. Accessed 28/05/2018.

92 Jürgen Hubert Zech is listed as a member of board of directors of Kreglinger International on the Basel-Stadt register. See: Kreglinger International AG, CHE-103.907.003, Basel-Stadt Commercial Register. Accessed 28/05/2018. He is also listed as holding founder’s rights in Realwood company documents.

93 Voto de pesar pelo falecimento do empresário Antonio Monteiro. Jornal Online de Canas de Senhorim. 18/03/2015.

94 Conversation with source. November 2017.

95 Kanton Basel-Stadt Commercial Register. Accessed 28/05/2018. ‘Kreglinger International AG’ CHE-103.907.003.

96 The Examiner (13/11/2013) ‘Belgium opens honorary consulate.’

97 Flickr. Accessed 28/05/2018. ‘Paul de Moor, Managing Director, Kreglinger Wine Estates, owners of Pipers Brook Vineyard.’ See also: European Australian Business Council. Accessed 28/05/2018. ‘Paul de Moor, Chief Executive Officer, Kreglinger Wine Estates.’

98 Wayback Machine. Accessed 29/05/2018. ‘Who we are – Kreglinger Specialties.’

99 Conversation with source. July 2017

100 Kanton Basel-Stadt Commercial Register. Accessed 28/05/2018. ‘Kreglinger International AG’, CHE-103.907.003,

101 Precious Woods. Accessed 28/05/2018. About Us.

102 *ibid*. Accessed 28/05/2018. Sustainability is the focus of our entrepreneurial philosophy.

103 *ibid*. Accessed 28/05/2018.

104 Precious Woods Gabon lists the species it exports including threatened species such as wenge and acajou d’Afrique. See: Precious Woods. Accessed 28/05/2018. Timber Species.

105 *ibid*. Shareholder structure. Accessed 28/05/2018.

106 Aires International Inv. Inc. (11.3% total of shares) is registered in the British Virgin Islands. According to an agreement filed with the US Securities and Exchange Commission the controlling shareholder of Aires is Dr. Max Rössler. See: Assignment of debt agreement, among Sunvesta Inc. and Sunvesta Holding AG, and Aires International Investment. United States Securities and Exchange Commission. Accessed 28/05/2018. Control of Aires can be found here: Annual report pursuant to section 13 or 15(D) of the Securities Exchange Act of 1934. Sunvesta Inc. Accessed 28/05/2018.

107 Precious Woods Management Ltd is registered in the British Virgin Islands. See: Precious Woods annual report 2016.

108 Basler Insurance (4.7% total of shares) is a part of the Baloise Group. See: Companies and Group Structure. Baloise Group. Accessed 28/05/2018.

109 Aage V. Jensen Charity Foundation (6.5% total of shares) is, according to its website, a Danish foundation set up by carpenter and housebuilder Aage V. Jensen. See also: The man behind the Foundations. Aage V. Jensen Charity Foundation. Accessed 28/05/2018.

110 Regarding Werner Fleischmann, (15.8% total of shares), it is not clear from the Precious Woods website if Mr Fleischmann holds his shares directly or via a company linked to him, such as Werner Fleischmann AG. See: Werner Fleischmann AG. CHE-112-993.697. Thurgau Commercial Register. Accessed 28/05/2018.

111 Campdem Development SA is reported as belong to artist and musician Dieter Meier. See: Dieter Meier, Biography. Ticketcorner Switzerland. Accessed 28/05/2018. See also: Strafrechtsdienst EFD schliesst Untersuchung im Fall Dieter Meier ab – Beschuldigter leistet Wiedergutmachung von 250’000 Franken. Federal Department of Finance of Switzerland. Accessed 28/05/2018.

112 Asia Gold Leaf & Blue Panda incorporated in Hong Kong. See: Incorporation Forma, Asia Goldleaf Limited, CR number 2026523. Hong Kong Companies Registry. See also: Incorporation form, Blue Panda Limited, CR number 2026540. Hong Kong Companies Registry. Neuholz Investment gives its address as Dubai on a Matadi ship manifest dated March 2017 seen by Global Witness.

113 Both Blue Panda and Asia Goldleaf have Keyway Management as a company service provider. See: Blue Panda Limited Annual Return 2016. Company 2026540. Hong Kong Companies Registry. See also: Asia Goldleaf Limited Annual Return 2016. Company 2026523. Hong Kong Register of Commerce. Shirley Sabia Therese Van Kerkhove (Asia Gold Leaf), has had 72 current UK directorships. See: Shirley Sabia Therese Van Kerkhove. Companies House. Accessed 28/05/2018. Rosella Marie-Paule Stravens (Blue Panda) has six current UK companies. See: Rosella Marie-Paule Stravens. Companies House. Accessed 28/05/2018. The latter and features on the ICJI leaks database linked to the Seychelles. Global Witness visited the registered company address for both Hong Kong companies and found no evidence of the company in operation.

114 Neuholz Investment address on manifest as above is St 2601 – 26th floor, The H Hotel Office Tower, 1 Sheikh Zayed Road, Dubai, UAE, which is also listed as the address of the Sovereign Group.

115 Conversation with timber industry source. April 2017.

116 Inland Revenue Department. Government of Hong Kong Special Administrative Region. Accessed 28/05/2018. UAE – Dubai Double Tax Treaties. World.Tax. Accessed 28/05/2018. List of countries with double taxation treaty with Hong Kong.

117 For more details on anonymous companies see: What’s wrong with anonymous companies? Global Witness.

118 Based on discussion with timber industry source in April 2017, three common reasons were outlined:

– If a timber trader is buying timber in bulk from one producer and selling it on to a variety of customers around the world. The exporter will only name one customer – the trader – who will appear on the customs declaration as the buyer, but the destination on the declarations will change as the trader directs the timber they have brought around the world. In some of these cases the trader may add details of the end buyer to the manifest as well as a destination.

- Timber exporters may intend to sell the timber ‘on the water’ whereby they will ship timber to major timber ports such as Antwerp in Belgium or Nanjing in China before having found a buyer. In the time it takes for the timber to traverse the globe the exporter finds customers, so that when the shipment docks there is a named buyer. But that buyer wouldn’t appear on a customs declaration or manifest as the timber leaves the producer country.

- There can be a delay between a declaration being made and a loaded ship setting sail. If the exporter makes a sale in the time between submitting the customs declaration and the ship leaving port, the end buyer would not be on the declaration but could appear on the manifest.

119 The latest Hong Kong company records for Asia Gold Leaf (2016 annual return filed in 2017) show its director is Shirley Van Kerkhove.

120 Searches on company database Orbis for directors named: Shirley Sabia Therese Van Kerkhove, Shirley Van Kerkhove and Shirley Van Kerkhove, returns results in Hong Kong, Panama, France, UK and Latvia.

121 Hong Kong company records shows that Keyway is the ‘Presenter’ who established the company. See: Consent to Act as First Director, Asia Goldleaf Limited. Company Number 2026523. Hong Kong Companies Registry. 15/01/2014. The latest Hong Kong company records for Asia Gold Leaf (2016 annual return filed in 2017) show that Keyway are still company secretary.

122 For the role of corporate directors, see: Corporate Directors. Scope of exceptions to the prohibition of corporate directors. UK Department for Business Innovation and Skills. November 2014. While corporate directors can perform legitimate business functions, they also introduce opacity into a corporate structure. This risks facilitating illicit activity, or jeopardising effective corporate oversight.

123 Asia Gold Leaf HK company filing from 2017 lists Ismatic as the only shareholder and gives its address as that of Keyway Management – 31st Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong. This is the same address as Keyway Management, Hong Kong.

124 Notice of change of address of registered office, Asia Goldleaf Limited. Company Number 2026523. Hong Kong Companies Registry, 19/05/2014. This document shows the change of address to 23st Floor, On Hong Comm. Bldg, 145 Hennessy Road, Wan Chai, Hong Kong. This is the address of The Interact Group. This building was visited by Global Witness in 2017.

125 Based on Global Witness analysis of DRC customs declarations from the port of Matadi in 2016 and 2017.

126 Incorporation Form Blue Panda Limited. Company Number 2026540. Hong Kong Companies Registry. 15/01/2014. This document gives Blue Panda the address as 31st Floor, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

127 The address is Unit 2003, 20th Floor, Tung Wah-Mansion, 199-203 Hennessy Road, Wan Chai, Hong-Kong, which is that of Capleap Business Services limited – www.capleap.com

128 Rosella Marie-Paule Stravens is listed as the director of Blue Panda in 2017. See: Blue Panda Limited Annual Return 2016. Company 2026540. Hong Kong Companies Registry. See also footnote 125 above.

129 Blue Panda Limited Annual Return 2016. Company 2026540. Hong Kong Companies Registry. This document gives the address of Pallard Inc. as 306 Victoria House, Victoria, Mahe, Seychelles.

130 Pallard is the sole director in Gloucester Nominees Limited (GNL), a Belize-registered company whose address is that of Keyways Management. Documents filed to the New Zealand stock exchange show that a mining company, Northwest Resources Limited, was part-owned by GNL. The document described GNL as being controlled by Pallard Inc. The sole director of Pallard Inc. (Justin Shung Lung Cheng) signed a document in the filings which is witnessed by a Gloria Chan at the address of Keyway Management. See: Letter to the Australian Securities Exchange from Baker and Mackenzie, dated 16/07/2012. RE: Northwest Notice of substantial holder. It is also worth noting that Keyway Management is based on the Gloucester Road in Hong Kong.

131 The Hong Kong Companies (Amendment) Bill 2017 requires Hong Kong companies to keep and maintain details of their own owners, in the form of a ‘register of significant controllers’ (SC register) – a very small step towards the growing norm of transparency in company ownership. This list should include any individual who holds 25% of the shares in a company or more broadly “has the right to exercise or actually exercises, significant influence or control”. However, a company’s SC register is not a public document. It is only available to persons who are on the SC register itself or to law enforcement officials upon request.

132 Matadi ship manifest dated March 2017 seen by Global Witness.

133 Sovereign Corporate Services’ Dubai office address is on its website.

134 Sovereign Corporate Services’ company history can be found online.

135 Sovereign Corporate Services’ locations worldwide can be found on its website.

136 Based on Global Witness analysis of DRC customs declarations from the port of Matadi 2013-2017.

137 According to Global Witness’ analysis of DRC customs declarations in 2016 and 2017 the destinations are as follows. Asian states: India, Indonesia, Japan, Malaysia, Pakistan, South Korea, Taiwan, Vietnam. American states: Turks and Caicos Islands, USA.

138 EUTR article 4 – Obligations of operators – “1. The placing on the market of illegally-harvested timber or timber products derived from such timber shall be prohibited.” – “2. Operators shall exercise due diligence when placing timber or timber products on the market. To that end, they shall use a framework of procedures and measures, hereinafter referred to as a ‘due diligence system,’” available online.

139 EUTR article 6 Due Diligence – “The due diligence system (...) shall contain the following elements: (c) except where the risk identified in course of the risk assessment procedures referred to in point (b) is negligible, risk mitigation procedures which consist of a set of measures and procedures that are adequate and proportionate to minimise ef-

fectively that risk and which may include requiring additional information or documents and/or requiring third-party verification.”

140 EUTR guidance p 4 “The level of risk can only be assessed on a case-by-case basis, as it depends on a number of factors. Although there is not a single accepted system for risk assessment, as a general rule the operator has to address the following questions: [...] Is the level of governance a concern? [...]Are there indications of a company in the supply chain being involved in practices related to illegal logging?”. On DRC being a country with a high degree of corruption see Transparency International’s corruption perception index for 2016 which places DRC 156 out of the 176 countries included.

141 EUTR guidance note p7: “In addition, the operator must also take into account the risk of corruption, specifically in relation to the forestry sector. In cases where the risk of corruption is not negligible, even official documents issued by authorities cannot be considered reliable.”

142 For the UK, see: Company fined for failure to check product was made from legally-harvested timber. UK Insolvency Service. 01/11/2017. For the Netherlands, see: Major Dutch timber company found in breach of European Timber Regulation. Environmental Investigation Agency. 01/11/2017. For Sweden, see: Briefing Note to inform the implementation of the EU Timber Regulation. UNEP-WCMC. August 2017 – October 2017.

143 Commission to the European parliament report on the EUTR is available online.

144 UNEP-WCMC. (2018) ‘Overview of Competent Authority EU Timber Regulation checks, June-November 2017.’

145 EU Commission memo from October 2017: “The Commission found that Belgium, where important quantities of timber are placed on the EU market, has not managed to carry out a significant number of verifications since the EU Timber Regulation”.

146 Shipping Manifest from Matadi port, August 2016.

147 Millettia laurentii. International Union for the Conservation of Nature. Accessed 28/05/2018.

148 Wenge. The Wood Database. Accessed 03 May 2018.

149 “Hvalsø Savværk A/S er et af Danmarks største og mest moderne løvtræssavværker. Vi forarbejder primært træ til træindustrien, men sælger også træ til private”. About. Hvalsoe Savvaerk. Accessed 28/05/2018. The company also lists the tree species it sells.

150 Accessed on Hvalsø Savværk Instagram page.

151 Screenshot of Hvalsø Savværk’s Facebook Timeline photos.

152 Based on Global Witness analysis of DRC customs declarations from the port of Matadi in 2016 and 2017.

153 Hvalso Savvaerk response to Global Witness, 28/05/2018.

154 History of Fritz Offermann. Fritz Offermann. Accessed 28/05/2018.

155 Fritz Offermann. Urwaldzerstörer aus Tradition. June 2003. See also: Forests Action at Fritz Offermann in Germany. Greenpeace. 12/03/2002.

156 Global Witness (17/01/2001) ‘Global Witness Calls on UN Security Council to Embargo Liberian “Logs of War”’.

157 “Greenpeace forest campaigner Filip Verbelen says companies like Offermann’s have cynically continued to trade Liberian timber for the past two years, while Greenpeace and Global Witness have presented clear and compelling evidence linking Liberia’s timber trade to illegal arms trafficking and environmental devastation.” Bloody timber off the market. Greenpeace. 07/05/2003.

158 Shipping Manifest from Matadi port, March 2016.

159 History of Holz-Schnettler Soest. Holz-Schnettler Soest. Accessed 28/05/2018.

160 Shipping Manifest from Matadi port, May 2017.

161 Importing timber from the Democratic Republic of Congo: A high-risk business for Europe. Greenpeace. 04/02/2014. See also: So kommt illegales Tropenholz nach Deutschland. Der Spiegel. 13/08/2013.

162 Communication with source.

163 History of Mourikis SA. Mourikis. Accessed 28/05/2018.

164 Shipping Manifest from Matadi port, December 2016.

165 Sapelli Marine Plywood. Mourikis SA. Accessed 28/05/2018.

166 Sapelli. International Union for the Conservation of Nature. Accessed 28/05/2018.

167 History of J. Pinto Leitão. J. Pinto Leitão. Accessed 28/05/2018.

168 The Amazon’s silent crisis. Greenpeace. 19/09/2013.

ENDNOTES

169 See pictures of logs of J. Pinto Leitão lumber yard.

170 *ibid*.

171 Both concession contracts were signed on the 24/10/2011. Five years after this date they are legally required to have a management plan. See Section I of this report for details.

172 Madeicentro products on archived website. Wayback Machine. Accessed 28/05/2018. :

173 Details of its trade in raw material on archived website. Wayback Machine. Accessed 28/05/2018.

174 Golden Parquet, by Madeicentro. Accessed 28/05/2018.

175 See photos of Madeicentro lumberyard.

176 Email exchange with Global Witness.

177 Maciça – Indústria de janelas e portas de Madeira, lda. Accessed 28/05/2018.

178 Company documents from the Portuguese registry show that in 1995 Norsudtimber held 45,000 of 60,000 shares in Maciça. The same record described Rui Monteiro as Norsudtimber's representative. See: Certidão Permanente. Código de acesso: 0266-3643-6 730. MACIÇA - I NDUSTRIA DE JANELAS E PORTAS DE MADEIRA LDA. Portal do Certidão.

179 *ibid*.

180 Official records show that Rui Manuel Ramos Monteiro holds 1,451 shares in Soforma and 40 shares in Forabola, For Forabola see: Journal Officiel de la République Démocratique du Congo, Deuxième Partie. 56ième année, numéro 24. 15 décembre 2015. For Soforma see: Journal Officiel de la République Démocratique du Congo, Deuxième Partie. 56ième année, numéro 22. 15 novembre 2015. According to documents seen by Global Witness, Rui is listed as a Norsudtimber shareholder.

181 Ivo's position in the company is listed in the registration of Maçica. See: Certidão Permanente. Código de acesso: 0266-3643-6 730. MACIÇA - I NDUSTRIA DE JANELAS E PORTAS DE MADEIRA LDA. Portal do Certidão. His position was further confirmed by calls to Maciça's offices.

182 Conversation with industry source. November 2017.

183 US Fish and Wildlife Service, p 5. 'List of Lacey Act "Prohibited Acts"'

184 Lumber Liquidators were fined US\$13m. See: Lumber Liquidators Inc. Sentenced for Illegal Importation of Hardwood and Related Environmental Crimes. US Department of Justice. 01/02/2016. Gibson Guitar was fined US\$500,000. See: Lacey Act has teeth: US gets serious about illegal logging. Environmental Investigation Agency. 20/08/2012.

185 US Fish and Wildlife Service, p7 'List of Lacey Act "Prohibited Acts"'

186 Shipping Manifest from Matadi port, May 2017.

187 About Us. Baillie Lumber. Accessed 28/05/2018.

188 Imported Tropical Hardwoods. Baillie Lumber. Accessed 28/05/2018.

189 Greenpeace. 19/09/2013, p5 'The Amazon's silent crisis.' Note the company name is misspelt as Baillie Lumber.

190 USDA Foreign Agricultural Service GAIN Report (05/26/2017) 'Japan Implements Clean Wood Act.'

191 EUFLEGT Facility Briefing (13/10/2017) 'A comparison of the Japanese Clean Wood Act and the EU Timber Regulation.'

192 Nippon Paper Group Companies. Nippon Paper Group. Accessed 28/05/2018. Information on the activities of the lumber arm of the group can be found here: Logs and Lumber & Building Materials. Nippon Paper Group. Accessed 28/05/2018.

193 Shipping Manifest from Matadi port, April 2015.

194 EU External Action Service (15/11/2016) 'Indonesia begins issuing FLEGT licensing scheme for verified legal timber products.'

195 Import provision of forestry products. Ministerial regulation of trade of the Republic of Indonesia. 97/M-DAG/PER/11/2015.

196 SVLK – Indonesia's timber legality assurance system. FLEGT licensed timber, Essential information. Accessed 28/05/2018.

197 About Cort. Cort Guitars. Accessed 28/05/2018.

198 Shipping Manifest from Matadi port, November 2016.

199 Premier Guitar (09/01/2013) 'Wenge: The New Brazilian?' See also: About Wenge. News from Scott Classical Guitars. 06/02/2014.

200 Cort Guitar models, which are made with wenge, include the B4FL Plus AS, A5 Plus FMMH, B4 Plus MH, A5 Ultra RWAS OPN, A6 Plus FMMH. Details are online.

201 Leonardo Guitar Research Project. The Leonardo Guitar Research Project (LGRP) researches the possibilities of building acoustic and classical guitars from non-tropical woods. Accessed 28/05/2018. See also: Scientific American (undated) 'Guitar-Makers Making Music "Greener"'

202 The Guardian (03/05/2009) 'How green is my guitar?'

203 Lacey Act "HTS Chapters Requiring Plant and Plant Product Declaration". USDA Animal and Plant Health Inspection Service. 18/07/2017.

204 Email exchange with Indonesian Ministry of Environment and Forestry.

205 EUFLEGT Facility (12/05/2017)'EU and Vietnam conclude VPA negotiations.'

206 Environmental Investigation Agency (08/05/2017), p17. 'Repeat Offender: Vietnam's persistent trade in illegal timber.'

207 *ibid*.

208 Nam Nam Son Ha. Accessed 28/05/2018.

209 Shipping Manifest from Matadi port, August and December 2016.

210 Mukulungu (Autranella congolensis). IUCN. Accessed 28/05/2018.

211 Biennial Review and Assessment of the World Timber Situation. Excel sheet "Biennial Review 2015-2016 all graphs and figures" sheet 2.4. International Tropical Timber Organisation.

212 Based on a Global Witness analysis of sip manifests from Matadi port for 2017.

213 The Guardian (29/08/2017) 'Under pressure: the story behind China's ivory ban.' See also: China Daily USA (22/02/2013) 'Carving steadily being resurrected as an art form.'

214 Global Witness (06 February 2015) 'The Cost of Luxury.'

215 China National Arts and Crafts Group. Accessed 28/05/2018. China Plaited Products Co., Ltd.

216 China National Arts and Crafts Group. Accessed 28/05/2018. Brand Concept.

217 China National Arts and Crafts Group. Accessed 28/05/2018. Raw Materials.

218 Shipping manifest from Matadi port, March 2016.

219 In this report, we are focussing on industrial logging concessions. In DRC there are also some areas of forest logged by artisanal loggers or managed by local communities.

220 For example, the International Tropical Timber Organization defines SFM as "the process of managing forest to achieve one or more clearly specified objectives of management with regard to the production of a continuous flow of desired forest products and services without undue reduction of its inherent values and future productivity and without undue undesirable effects on the physical and social environment". See: Sustainable forest management. International Tropical Timber Organization. Accessed 13 March 2018.

221 "The forestry regime aims to promote a rational and sustainable management of forest resources, in order to increase their contribution to the economic, social and cultural development of present generations, while preserving the forest ecosystems and forest biodiversity for the benefit of future generations." See: Art. 2, Loi numéro 011/2002 du 29 août 2002 portant code forestier.

222 Agence Française de développement. 2011, p38. 'Secteur forestier dans les pays du bassin du Congo: 20 ans d'intervention de l'AFD'. Evaluation ex post.

223 *Ibid*, p20.

224 Agence Française de Développement. 2010, p12. 'La coopération française dans le secteur forestier du Bassin du Congo sur la période 1990-2010.'

225 Agence Française de Développement. 19 Octobre 2017. Les appuis du groupe de l'AFD au secteur forestier dans le bassin du Congo.

226 The DRC government sets a MFD for each species of tree that is logged. See: Liste des essences forestières de la République Démocratique du Congo. Guide Opérationnel, Direction Inventaire et Aménagement Forestiers, Ministère de l'Environnement, Conservation de la Nature et Tourisme. Novembre 2009, pp10-42.

227 Ouédraogo et al., (January 2018) 'The size at reproduction of canopy tree species in Central Africa.' Biotropica. . See also: Zimmerman et al., (May 2012) 'Prospects for Sustainable Logging in Tropical Forests.' BioScience, Volume 64, Issue 5..

228 According to Zimmerman et al., SFM "protocols" also include "per-unit-area harvest intensities", which puts a limit in the number of trees of a certain species and above its respective MFD which can be harvested per hectare, to further ensure the species are not completely depleted in an area. See: Zimmerman et al., (May 2012.) 'Prospects for Sustainable Logging in Tropical Forests.' BioScience, Volume 64, Issue 5. In DRC, however, no provision on the intensity of exploitation exists.

229 The four-year management plan for concession 038/11 does not have a table where it lists the species and cubic meters it expects to harvest.

230 Nine of the four-year management plans are for contracts signed in 2011, and another nine from contracts signed in 2014. Global Witness does not have the contract for concession CCF038/11, but its management plan covers the period 2011-2014.

231 Listes des essences forestières de la République Démocratique du Congo. Guide Opérationnel. Direction inventaire et aménagement forestiers (DIAF), Ministère de l'environnement, conservation de la nature et tourisme, RDC. Novembre 2009. Wenge, p28. Tola, p32. Padouk, p33. Bossé clair, p24. Sapelli, p21. Iroko, p28. Afromosia, p21.

232 IUCN (2017) 'Red List of Threatened Species – *Millettia laurentii*.'

233 IUCN (2017) 'Red List of Threatened Species – *Gossweilero dendron balsamiferum*.'

234 Therrell et al., (2007) 'Age, and radial growth dynamics of *Pterocarpus angolensis* in southern Africa.' Study on *Pterocarpus angolensis*, the same genus as *Pterocarpus soyauxii*, undertaken in Botswana, Zambia, Mozambique, South Africa and Zimbabwe.Forest Ecology and Management 244.. In an email to Global Witness dated 16 March 2018, the author of the study wrote that "I think it would be reasonable to assume that *Pterocarpus soyauxii* might take about 100 or more years to reach 60cm in diameter (on average)".

235 IUCN (2017) 'Red List of Threatened Species – *Lepalea cedrata*.'

236 Détienne et al., (1998) 'Study undertaken in Ivory Coast See: L'analyse de cerne: applications aux études de quelques essences en peuplements naturels de forêt dense africaine.' Agricultural Research for Development (CIRAD) p28.

237 IUCN (2017) 'Red List of Threatened Species – *Entandrophragma cylindricum*.'

238 Détienne et al., (1998) 'Study undertaken in neighbouring Central African Republic (CAR). See: L'analyse des cerne: applications aux études de croissance de quelques essences en peuplements naturels de forêt dense africaine. CIRAD, p. 20.

239 IUCN (2017) 'Red List of Threatened Species – *Milicia excelsa*.'

240 Study undertaken in neighbouring CAR. See: Accroissement diamétrique du bété et de l'iroko. Durrieu de Madron, Bois et Forêts des Tropiques numéro 275 (I). 2003, p 84.

241 IUCN (2017) 'Red List of Threatened Species – *Pericopsis elata*.' *Afromosia* is at times referred to as African Teak.

242 IUCN (2017) 'Red List of Threatened Species – *Pericopsis elata*.'

243 CITES. Appendices I, II and III valid from 4 October 2017. Accessed on 11 February 2018

244 List of species Norsudtimber expected to log during the first four years of operations for 19 of its 20 concessions, based on four-year management plans: Acajou, Afromosia, Aiele, Aigre, Ako, Angueuk, Anigre, Bilinga, Bomanga, Bossé clair, Bossé fonce, Bubinga, Diania, Dibetou, Doussie, Essia, Etimoe, Faro, Fuma, latandza, Ilomba, Iroko, Kanda brun, Khaya, Kosipo, Kotibe, Limba, Longhi, Makore, Moabi, Mukulungu, Niové, Ovengkol, Padouk, Sapelli, Sipo, Tali, Tchitola, Tiama, Tola, Mota, Wenge.

245 An analysis of all 19 of Norsudtimber's 20 four-year management plans shows that it was planning to log 41 species, for a total of 913,160 cubic meters. The four-year management plan for concession 038/11 does not have a table listing the species and cubic meters it expects to harvest.

246 Global Witness analysis of customs declarations from DRC's main port of Matadi.

247 Afromosia belongs to CITES Appendix II. See: Appendices I, II and III valid from 4 October 2017. CITES. Accessed on 11 February 2018. See also: "International trade in specimens of Appendix-II species may be authorised by the granting of an export permit or re-export certificate." See: The CITES Appendices. CITES. Accessed 09 March 2018.

248 CITES. 2 April 2014. See: Missing permits and Verification of permits – Democratic Republic of Congo. Notification to the parties number 2014/017.

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265 Potapov et al., (2017) 'The last frontiers of wilderness: Tracking loss of intact forest landscapes from 2000 to 2013.' p6. Science Advances.

266 Brandt et al., (2016) 'Deforestation and timber production in Congo after implementation of sustainable forest management policy.' p16. Land Use Policy. ' See also: Gatti et al., (2015) 'The impact of selective logging and clearcutting on forest structure, tree diversity and clearcutting in forest structure, tree diversity and above-ground biomass of African tropical forest.' pp119-132. Ecological Research. '

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278 IUCN (2017) Red List of Threatened Species – *Pan troglodytes*. p7.

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287 *ibid.* Primary Forest and Carbon. IntAct fact sheet no. 4, Accessed 13 February 2018.

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290 *ibid.* In 2013-2014, DRC's forests emitted a net 54.33 54,300,000 tonnes of carbon. This is equivalent to 49.3 coal-fired power plants operating at full capacity. Also see: US Environmental Protection Agency. 'Greenhouse Gases Equivalencies Calculator.' . Coal power plant size based on the average of 369 coal power plants in the US emitting 1,490,275,587 metric tons of CO2 in 2014. Accessed 30 January 2018

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292 AFD (version du 27 mars 2017) An expansion of logging as proposed in the termes de référence provisoire d'une étude: Dynamisation et Formalisation du Secteur Forestier de la RDC: Situation actuelle, Analyse Economique et Perspectives. Programme de Gestion Durable des Forêts de la REDD+ RDC. , Annexe 6, p 144, would have led to 34,949,200 tonnes of CO2 per year. This is equivalent to 8.7 coal-fired power plants operating at full capacity, or 17.65 of 49.3. For conversion, see: US Environmental Protection Agency. Greenhouse Gases Equivalencies Calculator. Accessed 30 January 2018.

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297 Moore Stephens. (November 2015) 'Rapport sur l'étude de cadrage du Secteur Forestier en RDC. Initiative pour la Transparence des Industries Extractives RDC, p27.

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300 4,523 directly employed, according to a letter from the AFD to Global Witness, 31 January 2018, citing DRC's Fédération des industries de bois.

301 Interview with Forabola employees in Mongandjo, concession 042/11, 05 August 2016. CDF39,000 was equal to US\$41, based on the exchange rate of 30 June 2016, on www.xe.com.

302 The World Bank. See 'The international poverty line has just been raised to \$1.90 a day, but global poverty is basically unchanged. How is that even possible?' (accessed 28 May 2018).

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304 Interview with Forabola employees in Mongandjo community, concession 042/11, 05 August 2016.

305 Based on an analysis of 27 social agreements and, when available, their amendments between Norsudtimber's subsidiaries and local communities, across 17 concessions. See Annex II for complete list.

306 The value of the social agreement for the Bobai groupement in concession 035/11 is 279,682, for a population of 37,651, representing US\$1.49 per person per year over five-years. The value of the social agreement for the Bobai groupement in concession 035/11 is 279,682, for a population of 37,651, representing US\$1.49 per person per year over five-years. For population figures, see: Société Sodefor – Garantie d'Approvisionnement 21/03 Madijoko convertible – Plan de Gestion couvrant la période de préparation du Plan d'Amménagement (4 ans) – Période 2011–2014 – Juillet 2012 – M. Richard Garrige et M. José Albano Maia Trindade (Sodefor), avec le concours de M. Jean-Gaël Jourget (FRM) – Forêt Ressources Management, p24. Value of the social agreement found in: Avenant numéro 1 à l'accord constituent la clause sociale du cahier des charges du contrat de

concession forestière conclu le 12 mars 2011 à Tolo – CCF 035/11, Groupement Bobai. Fait à Tolo, le 12 août 2013, p10 of 23. Note: the sum total in the agreement incorrectly ads up to US\$188,495.75. The value of the social agreement for the Mbidjanka groupement in concession 039/11 is US\$291,000, for a population of 15,200, representing US\$4.79 per person, per year over four years. For population figures, see: Société Sodefor – Garantie d'Approvisionnement 28/03 Bonkita convertible – Plan de Gestion couvrant la période de préparation du Plan d'Amménagement (4 ans) – Période 2010-2013 – Juillet 2012 – M. Jean-Gaël Jourget et M. Nicolas Bayol, sous la supervision de Dr. Bernard Cassagne (FRM), M. Richard Garrigue et M. José Albano Maia Trindade (Sodefor) – Forêt Ressources Management, p24. Value of social agreement found in: Actualisation de la clause sociale du cahier des charges du contrat de concession forestière 028/03 signée le 11 décembre 2009. Fait à Ikala 1, le 03 mars 2011.

307 Actualisation de la clause sociale du cahier des charges du contrat de concession forestière 028/03 signée le 11 décembre 2009. Fait à Ikala 1, le 03 mars 2011, p4/9.

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309 Interviews with members of the Mbidjankama community in Ikala II, concession 039/11, 26 June 2016.

310 Global Witness visit to concession 039/11, 25-27 June 2016.

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312 Interview with villager in Lotole, concession 042/11 on 06 July 2016.

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317 Interview with farmer in Ikala-II, concession 039/11, on 26 June 2016.

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319 Debroux et al., (2007) 'La forêt en République Démocratique du Congo post-conflit: analyse d'un agenda prioritaire. p6. Un rapport conjoint de la Banque Mondiale, CIFOR et CIRAD.

320 AFD et Ministère de l'Environnement et du Développement Durable. 2015.

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333 Summary of forest-sector programmes of the AFD, Proparco, the Fond Français pour l'Environnement Mondial and other instruments in the Congo Basin, 2006-2027. Provided by the AFDA on 19 October 2017.

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338 AGEDUFOR, Vers une gestion durable des forêts de la RDC. AFD et Ministère de l'Environnement et du Développement Durable. 2015.

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340 Projet d'Appui à la Gestion Durable des Forêts (AGEDUFOR): Evaluation à mi-parcours. Quentin Ducenne et Éric Forni. 2013, p19.

341 *ibid.* p 5.

342 *ibid.* p38.

343 Etat d'avancement du processus d'aménagement des titres forestiers en Janvier 2018. Ministère de l'Environnement et du Développement Durable /AFD, projet AGEDUFOR. January 2018. Sodefor said it had submitted management plans for concession 015/11 and 036/11 in January and February of this year.

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346 Letter from the AFD to Global Witness, 31 January 2018.

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349 *ibid.*

350 Email from AFD to Global Witness, 14 February 2018.

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359 Recommendations de Greenpeace, Global Witness, Rainforest Foundation UK et Rainforest Foundation Norway sur le «Plan d'investissement REDD+ République Démocratique du Congo 2015-2020», version de travail 24 Septembre 2015. Global Witness, Greenpeace, Rainforest Foundation Norway, Rainforest Foundation UK. 29 October 2015.

360 Letter of Intent for the establishment of a partnership between the government of the Democratic Republic of the Congo and the Central African Forest Initiative on the Implementation of the National REDD+ Framework Strategy and Investment Plan of DRC. 22 April 2016, p14.

361 *ibid.* p16.

362 *ibid.*

363 AFD. 'Termes de référence provisoire d'une étude: Dynamisation et Formalisation du Secteur Forestier de la RDC : Situation actuelle, Analyse Economique et Perspectives. Programme de Gestion Durable des Forêts de la REDD+ RDC. Version du 27 mars 2017, Annexe 6, p144. This annex was removed from the revised versions of this programme (30 June 2017 and 22 March 2018), but reference to this economic analysis remains in the final version of the proposal: Programme de Gestion durable des Forêts, , Version finale envoyée au FONAREDD, 22/3/2018, p62.

364 AFD. Programme de Gestion Durable des Forêts de la REDD+ RDC. Version du 27 mars 2017, p65.

365 Global Witness (July 2017) 'Norwegian and French governments threaten world's second largest tropical rainforest.'

366 Question écrite N°4945 de Mme Mathilde Panot, député de l'Assemblée Nationale, La France insoumise – Val-de-Marne. Published 30 January 2018. See also: Skriftligt spørgsmål fra Terje Aasland (A) til klima- og miljøministeren, 21 February 2017.

367 The proposal was sent back by DRC's REDD+ steering committee on 3 May 2017 for revisions. See: Résolution du Comité Technique du 3 mai 2017 sur le Document Projet de l'AFD concernant l'AMI 04, « Gestion Durable des Forêts ». A revised proposal – with the main contents of the first proposal remaining untouched – was submitted on June 30, but following intense campaigning by a coalition of international and DRC NGOs, including Global Witness, the proposal was once again sent back. See: Norwegian and French Governments Threaten World's Second-Largest Tropical Rainforest. Global Witness. 14 July 2017. See also : Draft de la Résolution du Comité Technique du 18 juillet 2017 sur le Document Projet de l'AFD concernant l'AMI 04, « Gestion Durable des Forêts ».

368 Programme de Gestion durable des forêts, Agence française de développement, Version finale envoyée au FONAREDD, 22/3/2018.

369 The AFD proposal states that: “in the case of companies having proven their commitment on some of their concessions, study the possibility of re-scheduling the submission of management plans and the restitution of concessions” (Programme de Gestion durable des forêts, Version finale envoyée au FONAREDD, 22/3/2018, p187). See also AFD letter to Global Witness, 9 February 2018: “the AFD considers it is a matter of good management to allow the administration the possibility to accord a derogation to the concession-holder on the legal deadline”. Note that DRC's environment minister has written to the Federation of Timber Companies informing it that it would be extending the deadline for the submission of 25-year management plans for concessions signed before 2014 to the end of 2018 (see Letter from DRC minister of environment Amy Ambatobe Nyongolo to the Federation of Timber Companies, 23/08/2018). There is no legal basis for such an extension.

370 AFD, Programme de Gestion durable des forêts, Version finale envoyée au FONAREDD, 22/3/2018.

371 AFD, Programme de Gestion durable des forêts, Version finale envoyée au FONAREDD, 22/3/2018, 2.1.b : Établissement de l'ensemble des données nécessaires pour alimenter l'élaboration de la politique forestière, p62. This section of the proposal notes that “an economic analysis of the industrial and artisanal timber sectors has been programmed” to feed into the establishment of a new forest policy. The March 2017 version of the AFD proposal contains the detailed terms of reference for this analysis in Annex 6, which states the following: “The forest sector offers important opportunities for economic development, as it is largely under-exploited at the moment. [...] With 30 million hectares and a level of harvesting of 0.26m3/hectare/year based on a wider range of species (commercial and secondary) as authorised by the management plans, 3 to 4 million m3/year would be harvested”. See: Programme de Gestion Durable des Forêts de la REDD+ RDC. Version du 27 mars 2017, p144. This Annex has been removed from the final version of the report, but the reference to it remains the same in the main body of the proposal.

372 AFD. Note technique : Emissions de CO2 liées à l'exploitation de 20 millions ha de concessions supplémentaires en RDC.

373 NOK18.841bn. See: Norway's REDD+ Disbursement. Norwegian International Climate and Forest Initiative. Accessed 14 February 2018. Currency converted 13 March 2018.

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374 NRK (July 2017) 'Norge vraker regnskogprosjekt i DR Kongo etter krav fra miljøver-nere'.

375 Rutishauser et al., undated. See the government-commissioned “Sustainable Forest Management in the Tropics: between myth and opportunities”. The paper cites the signifi-cant environmental impact of logging, while noting the limited economic benefits.

376 Congo Green Citizen (January 2015) The DRC ministry in charge of the forest sector was named the Ministry of Environment, Conservation of Nature and Tourism (MECNT in French) until 11 December 2014, when its name was changed to the Ministry of Environ-ment and Sustainable Development (MEDD in French). See: Remise et reprise au Ministère de l'Environnement et du Développement Durable.

377 Art. 3 and 5 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 août 2008 fixant les modèles de contrat de concession d'exploitation des produits forestiers et de cahier des charges y afférent.

378 *ibid*, Art. 32 of Annexe 1.

379 Arts. 15,20, 21, 22 Arrêté Ministériel numéro 084/CAB/MIN/ECN-DD/CJ/00/RBM/2016 du 29 octobre 2016 portant conditions et règles d'exploitation des bois d'œuvre. Arts. 3 and 6, Arrêté Ministériel numéro 035/CAB/MIN/ECN-EF/2006 du 05 octobre 2006 relatif à l'exploitation forestière.

380 Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 aout 2008 fixant les modèles de contrat de concession d'exploitation des produits forestiers et de cahier des charges y afférent.

381 *ibid*, Art. 17 of Annexe 1.

382 *ibid*, Art. 23 of Annexe 1.

383 Art. 10 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 août 2008 fixant les modèles de contrat de concession d'exploitation des produits foresti-ers et de cahier des charges y afférent.

384 Arts. 2, 4, 5 and 11, Arrêté ministériel 023/CAB/MIN/ECN-T/28/JEB/10 du 07 juin 2010 fixant le model d'accord constituant la clause sociale du cahier de charges du contrat de forestière.

385 Art. 1 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 aout 2008 fixant les modèles de contrat de concession d'exploitation des produits foresti-ers et de cahier des charges y afférent.

386 *ibid*, Art. 10 of Annexe 1.

387 Art. 7, Arrêté Ministériel numéro 036/CAB/MIN/ECN-EF/2006 du 05 octobre 2006 fixant les procédures d'élaboration, d'approbation et de mise en œuvre des plans d'aménage-ments des concessions forestières de production des bois d'œuvres.

388 Art 23, Arrêté Ministériel numéro 084/CAB/MIN/ECN-DD/CJ/00/RBM/2016 du 29 octo-bre 2016 portant conditions et règles d'exploitation des bois d'œuvre.

389 Global Witness has obtained 19 of Norsudtimber's 20 concession contracts. Of these, nine were signed in 2011 (CCFs 015/11, 034/11, 035/11, 036/11, 037/11, 039/11, 042/11, 043/1 and 045/11), one was signed in 2012 (CCF048/12) and another nine were signed in 2014 (CCFs 057/14, 058/14, 059/14, 060/14, 061/14, 062/14, 063/14, 064/14, 065/14). Global Witness did not manage to obtain concessions contract for 038/11, but it appears the last two digits of a concession contract refer to the year in which it was signed, and its man-agement plan covers the period 2011-2014, suggesting the contract was signed in 2011.

390 Art. 1 of Annexe 1, Arrêté Ministériel numéro 028/CAB/MIN/ECN-T/15/JEB/08 du 07 août 2008 fixant les modèles de contrat de concession d'exploitation des produits foresti-ers et de cahier des charges y afférent.

391 *ibid*, Annexe Modèle d'accord constituant la clause sociale du cahier des charges du contrat de concession forestière.

392 As part of the process of drafting a 25-year management plan, a logging company must undertake a "socio-economic census", recensement socio-économique. See: Art. 8, Arrêté ministériel numéro 034/CAB/MIN/EDD/03/03/BLN/2015 du 03 juillet 2015 fixant la procédure d'élaboration, de vérification, d'approbation, de mise en oeuvre et de suivi du plan d'aménagement d'une concession forestière de production de bois d'oeuvre. Nor-sudtimber had demographic data on only five of the 30 communities with which it signed social agreements. Population of groupement Mpama, CCF015/11, has a population of 33,503. See: Société Soforma – Garantie d'Approvisionnement 05/03 Lukolela – Plan de gestion couvrant la période de préparation du Plan d'Amménagement (5 ans) – Période 2011-2015 – Mai 2011 – Forêt Ressources Management, p11. Population of groupement Bobai, CCF035/11, is 37,651, and groupement Mbelo, of the same concession, is 11,155. See: Société Sodefor – Garantie d'Approvisionnement 21/03 Madjoko convertible — Plan de gestion couvrant la période de préparation du Plan d'Amménagement (4 ans) – Période 2011-2014 – Juillet 2012 – M. Richard Garrigue et M. José Albano Maia Trindade (Sodefor), avec le concours de M. Jean-Gaël Jourget (FRM) – Forêt Ressources Management, p24. Population of groupement Batito, CCF038/11, is 22,322. See: Société Sodefor – Garantie d'Approvisionnement 64/03 Isoko convertible – Plan de gestion couvrant la période de préparation du Plan d'Amménagement (4 ans) – Période 2011-2014 - Mars 2011 – M. Rich-ard Garrige et M. José Albano Maia Trindade (Sodefor), avec le concours de M. Jean-Gaël Jourget et M. Lauent Dufy (FRM) – Sodefor, p15. Population of groupement Mbidjankama, CCF039/11, is 15,200. See: Société Sodefor - Garantie d'Approvisionnement28/03 Bonkita convertible - Plan de gestion couvrant la période de préparation du Plan d'Aménagement (4 ans) – Période 2010-2013 – Juillet 2012 – M. Jean-Gaël Jourget et M. Nicolas Bayol, sous la supervision de Dr. Bernard Cassagne (FRM), M. Richard Garrigue et M. José Albano Maia Trindade (Sodefor) – Forêt Ressources Management, p24.

393 Kleinschroth F., et al., 'Bois et Forêts des Tropiques' (328): p13-26. Logging roads in tropical forests: synthesis of literature written in French and English highlights environ-mental impact reduction through improved engineering.

394 *ibid*.

395 Kleinschroth et al., 'Impacts of logging roads on tropical forests.' p2, Biotropica.

396 *ibid*, p3. The median width of a primary logging road is 24.7m, and a secondary road is 16.2m.

397 European Space Agency. Sentinel Online.

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