TOTAL SYSTEMS FAILURE
EXPOSING THE GLOBAL SECRECY DESTROYING FORESTS IN THE DEMOCRATIC REPUBLIC OF CONGO
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.

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 illegal timber trading operations are enabled by a toxic mix of international political and legal systems designed to protect it. 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 un-sustainable 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 which 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.

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 Forêt 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.

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 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 3

Concessions.3 4 5 6

A total of six concessions showed signs 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. 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 authorized 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.

Norsudtimber Logging Concessions in DRC

<table>
<thead>
<tr>
<th>Key</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial Boundaries</td>
</tr>
<tr>
<td>Norsudtimber Concessions</td>
</tr>
<tr>
<td>Other Concessions</td>
</tr>
<tr>
<td>Water</td>
</tr>
<tr>
<td>Forest and Forest Landscapes</td>
</tr>
</tbody>
</table>

| Date Source | Norsudtimber Loggers International, Office of the Kathakwambwa Constant, Iwoko, Maniema Province, DRC |

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.
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.4

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.5 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 in place in 2015, five years after 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.10 11

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)”12. 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 2019.13 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.14 These concessions should have all been cancelled by November 2016 (except concession 046/12, 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.

A lack of transparency

DRC legislation requires the Ministry of Environment to publish concession contracts, four-year management plans, social agreements, 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.6 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 forested 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.

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.7 The location of annual harvest areas is included 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.8 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 and 2016.

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.9 10 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. 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.11 These 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 Forêt du Lac, despite Forabola owning 80% of it.

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 fine of CDF20,000 to 100,000 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.

There were areas of forest clear-cut for palm oil within the concession operated by La Forestière du Lac, despite Forabola extending the concession area for four consecutive years.12 The companies would not comment on the circumstances. The companies would not comment on the concession operated by La Forêt du Lac, despite Forabola owning 80% of it.

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

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.

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

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.

CONCESSION 037/11

Key
- Road: 2017
- Road: 2016
- Road: 2015
- Road: 2014
- Road: 2012-2013
- Road: before 2012

According to the DRC Forest Code, logging companies are only allowed to log in one annual harvest area for four consecutive years in the same annual harvest area, but said that it mistakenly 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.

CDG Group plc. Feronia acquired palm oil plantations in DRC from Unilever in 2009. 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 CDG 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 bananas. 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 place their activities in their concession.

Satellite imagery of AAC 048/12 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. In its response to Global Witness, Feronia recognises that part of its Lokuku 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. 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 allowed to clear forest without required deforestation permits or impact assessments and without paying relevant taxes.

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

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

The two concessions are 064/14 (Sodefor) and 048/12 (La Foresterie 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 plantations are being operated by the Toronto-listed Feronia. The UK Government owns just under 38% of Feronia, through its development finance arm.

CDG Group plc. Feronia acquired palm oil plantations in DRC from Unilever in 2009. 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 CDG 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 bananas. 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 place their activities in their concession.

Satellite imagery of AAC 048/12 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. In its response to Global Witness, Feronia recognises that part of its Lokuku 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. 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 allowed to clear forest without required deforestation permits or impact assessments and without paying relevant taxes.

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

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). 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 concession.

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.

5. ARE NORSDUTIMBER 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” The money is then used to fund the construction or refurbishment of infra-structure 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.

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.

Both parties then have to come to a “social agreement” as to the timeline and type of infrastructure this fund will finance. Global Witness has visited five concessions operated by Norsudtimber subsidiaries, and examined 29 of the 32 social agreements that its subsidiaries have signed, including minutes of the negotiations.

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.

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.

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 forest/their community, and lack of necessary documents.
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. 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.

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.

“The company never answers any of our correspondence,” said another villager in the neighbouring Sodefor concession 035/11.

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.

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. In none of these five concessions had the infrastructure negotiated in the social agreements been delivered to communities, and 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. 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. 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. 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: NORSUTIMBER 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 illegality 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.

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. 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.”

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 concessions should be terminated. Any logging taking place there is currently illegal.

<table>
<thead>
<tr>
<th>Concession contract</th>
<th>Ownership and date of contract signature</th>
<th>Owner in January 2018</th>
<th>25-year management plan, as of January 2018</th>
<th>Logging outside of authorised parameters, between four-year management plans (plan de gestion)?</th>
<th>Absence of logging activity for two consecutive years, 2015-2017?</th>
<th>Legal status according to DRC Forest Code</th>
<th>Sodefor and Forabola’s response</th>
</tr>
</thead>
<tbody>
<tr>
<td>015/11</td>
<td>Sofoma. Contract signed by João Manuel TRINHARDE on 04/08/2011</td>
<td>Forabola</td>
<td>No. Deadline for approval was: 03/08/2016.</td>
<td>No Logging roads outside of annual harvest areas appear to be access roads.</td>
<td>No</td>
<td>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.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot;</td>
</tr>
<tr>
<td>034/11</td>
<td>Sodefor. Contract signed by José Albano MAIA TRINHARDE on 24/10/2011</td>
<td>Sodefor</td>
<td>Yes. However, management plan approved in March 2017, at least four months after the deadline of 23/11/2016.</td>
<td>Yes in 2016 (compare images from 14/06/2016 and 23/11/2016, and 2017).</td>
<td>No</td>
<td>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 23/11/2016.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
</tr>
<tr>
<td>035/11</td>
<td>Sodefor. Contract signed by José Albano MAIA TRINHARDE on 24/10/2011</td>
<td>Sodefor</td>
<td>Yes</td>
<td>No Logging roads appear to be within annual harvest areas of a 25-year management plan.</td>
<td>No</td>
<td>Concession operating with a management plan, and harvesting within authorised areas. However, questions remain as to whether Forabola is in breach of its contract for concession 035/11. No evidence.</td>
<td></td>
</tr>
<tr>
<td>036/11</td>
<td>Sodefor. Contract signed by José Albano MAIA TRINHARDE on 24/10/2011</td>
<td>Forabola</td>
<td>No. Deadline for approval was: 23/10/2016.</td>
<td>Yes in 2016 (compare images from 23/02/2016 and 09/02/2017), and 2017.</td>
<td>No</td>
<td>Forabola is in breach of its contract for concession 036/11. The contract for this concession must be terminated, timber being harvested is currently illegal, and has been so since at the latest 23/10/2016.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; Forabola said that timber was harvested between 2015 and 2018 with a &quot;provisional&quot; management plan, but this does not exist in DRC law. The company also said it submitted a management plan on 23/02/2016, 16 months after the legal deadline for its approval.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concession contract</th>
<th>Ownership and date of contract signature</th>
<th>Owner in January 2018</th>
<th>25-year management plan, as of January 2018</th>
<th>Logging outside of authorised parameters, between four-year management plans (plan de gestion)?</th>
<th>Absence of logging activity for two consecutive years, 2015-2017?</th>
<th>Legal status according to DRC Forest Code</th>
<th>Sodefor and Forabola’s response</th>
</tr>
</thead>
<tbody>
<tr>
<td>037/11</td>
<td>Sodefor. Contract signed by José Albano MAIA TRINHARDE on 24/10/2011</td>
<td>Sodefor</td>
<td>No. Deadline for approval was: 23/10/2016.</td>
<td>No Logging activity is outside of the annual harvest area and of the concession.</td>
<td>No</td>
<td>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 at the latest 24/10/2016.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot;</td>
</tr>
<tr>
<td>039/11</td>
<td>Sodefor. Contract signed by José Albano MAIA TRINHARDE on 24/10/2011</td>
<td>Sodefor</td>
<td>Yes</td>
<td>Yes in 2015 (compare images from 18/01/2015 and 15/02/2016, and 2016 and 2017).</td>
<td>No</td>
<td>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.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot;</td>
</tr>
<tr>
<td>042/11</td>
<td>Forabola. Pedro MAIA TRINHARDE, on 24/10/2011</td>
<td>Sodefor</td>
<td>No. Deadline for approval was: 23/10/2016.</td>
<td>Yes in 2017 (compare images from 30/01/2016 and 23/02/2017). No Logging activity is outside of the annual harvest area and of the concession.</td>
<td>No</td>
<td>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.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot;</td>
</tr>
<tr>
<td>Concession contract</td>
<td>Ownership and date of contract signature</td>
<td>Owner(s) in January 2018</td>
<td>25-year management plan, as of January 2018</td>
<td>Logging outside of authorised parameters, based on four-year management plans (Plan de gestion)?</td>
<td>Absence of logging activity for two consecutive years, 2015-2017?</td>
<td>Legal status according to DRC Forest Code</td>
<td>Sodefor and Forabola’s response:</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------</td>
<td>-------------------------</td>
<td>---------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>043/11 Sodefor Contract signed by José Manuel MAIA TRINDADE on 24/10/2011. Forabola No. Deadline for approval was 23/10/2016.</td>
<td>No</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 043/11. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>045/11 Sodefor Contract signed by José Albano MAIA TRINDADE on 24/10/2011.</td>
<td>No</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 045/11. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>048/12 La Forêtière du Lac. La Forêtière du Lac No. Deadline for approval was 26/09/2017.</td>
<td>Yes</td>
<td>No</td>
<td>La Forêtière du Lac is in breach of its contract for concession 048/12. The contract for this concession must be terminated.</td>
<td>Sodefor and Forabola would not comment on Global Witness’ allegations regarding this concession, despite Forabola owning 80% of the current operator, La Forêtière du Lac.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>051/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>Yes</td>
<td>Yes</td>
<td>Forabola is in breach of its contract for concession 051/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>058/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>Yes</td>
<td>Yes</td>
<td>Forabola is in breach of its contract for concession 058/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>059/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>-</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 059/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concession contract</th>
<th>Ownership and date of contract signature</th>
<th>Owner(s) in January 2018</th>
<th>25-year management plan, as of January 2018</th>
<th>Logging outside of authorised parameters, based on four-year management plans (Plan de gestion)?</th>
<th>Absence of logging activity for two consecutive years, 2015-2017?</th>
<th>Legal status according to DRC Forest Code</th>
<th>Sodefor and Forabola’s response:</th>
</tr>
</thead>
<tbody>
<tr>
<td>060/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>No</td>
<td>-</td>
<td>Concession operating with a management plan, and harvesting questions remain as to whether Sodefor is compliant with its obligations towards local communities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>062/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>-</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 062/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>063/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>-</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 063/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>064/14 Forabola Contract signed by José Pedro MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>-</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 064/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>065/14 Sodefor Contract signed by José Albano MAIA TRINDADE on 10/07/2014. Forabola Not needed until 09/07/2019.</td>
<td>-</td>
<td>Yes</td>
<td>Sodefor is in breach of its contract for concession 065/14. The contract for this concession must be terminated.</td>
<td>&quot;Global Witness’ assertion on the illegality of this concession is unfounded.&quot; 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.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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. 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.”

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.”

The same World Bank study concluded that the low chance of prosecution was failing to create a deterrent.

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 violations was a “misunderstanding”. The minister hastily convened a “workshop” in Kinshasa to discuss the lifting of the moratorium. He pulled back a few days later, saying that the whole thing was a “misunderstanding.”

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 to discuss the lifting of the moratorium. He pulled back a few days later, saying that the whole thing was a “misunderstanding”.

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. 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. This is in a country with limited modern communications infrastructure, and where travelling to concessions is difficult.

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.

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 Bapolo Bogeza, falsely accused our investigators of encouraging local populations to “rise up against” Norsudtimber companies, before expelling them from the country.

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.

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.

Across the country, NGOs are facing acts of intimidation and restrictions on their activities. 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.

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.
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 Cotrefor, DRC’s second largest logger after Norsudtimber, is owned by a conglomerate controlled by members of the Lebanese Tajideen family. These men and the conglomerate are named on a US sanctions list for alleged links to Hezbollah, which is listed as a terrorist organisation.

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.
WHO OWNS NORSUDTIMBER?

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

The original company was established in 1993 in Vaduz, Liechtenstein, the second in Bad Ragaz Switzerland and the third incarnation, Norsudtimber Aktiengesellschaft (joint-stock company), was registered in Schaanwald Liechtenstein 2006.86

These companies were not established and shut down in chronological order, their existence overlapped. According to Cangæus public records, the third entity is the one that currently controls the company's beneficiary. According to Congolese companies they had been working for.86

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

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

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.

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 SCARANWALD

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 the current ownership of Norsudtimber from public records.

Global Witness has obtained a document from February 2007 which lists 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 2015.10 If so, it would appear that his shareholding passed onto his son, Rui Monteiro.10 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.
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. He is the honorary consul for Belgium in Tasmania, Australia. He is also managing director of Kreglinger Wine Estates, which own Pipes Brook Vineyard in Australia.

Kreglinger was originally established in Belgium in 1797 for trading wool, sheepskins and exotic products. 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. It seems that it was the concessions and sawmills of Van Huffel, held under Forabola, Soferma 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. 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.” With operations in Brazil, Gabon and Switzerland, the company claims to be “protecting 1.1 million hectares of tropical rainforest through sustainable management” and to be undertaking activities “for the protection of tropical forests in the long term.”

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.

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. They include entities registered in secrecy jurisdictions, such as Aires International Investment Inc., registered in the British Virgin Islands, and Precious Woods Management Ltd. These sit alongside institutional investors Basler Insurance and the Liechtenstein-based Aage V. Jensen Charity Foundation, which was established by a Danish businessman to support wildlife projects.

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

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. 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.

Neuholz Investment Ltd is registered at the address of a company service provider in Dubai, with no additional information available in online public records. 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.

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, as soon as it is landed or on paper, to a company based in a secrecy jurisdiction, which then sells it on to the end buyer.

It is not clear what the purpose of the companies is and why a 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.
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 manifest 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 customs 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.255 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.

HOTTRAG 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 to 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 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 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. 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.256 Annual returns for Asia
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 director and is registered at the same address as Keyway.142 Global Witness visited the two addresses associated with Asa 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.143

**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 2017.144 Given Norsudtimber’s prominence in define timber’s 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, its address was later moved to that of a virtual office provider, providing business services.145 It has a natural director who appears to be a nominee based in the Seychelles.146 Ismatic Company Functions as a corporate director.

The sole share in Blue Panda is held by a company registered in the Seychelles, Pallard Inc.147 Pallard Inc. appears to be a corporate shell also operated by Keyway—which much like Ismatic which holds the sole share in Asa Gold Leaf.148 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 official documents.149

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

**NEUHOZL 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 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 Ltd as Suite 2603, 2605 H Hotel Office Tower, 1 Sheikh Zayed Road, P.O. Box 6220, Dubai, United Arab Emirates.150 This is the address of Sovereign Corporate Services, a company which is part of the Sovereign Group.151 On its website, Sovereign states it is an overseer of managing companies, trusts, pensions, insurance and other structures to meet the specific personal or business needs of our clients.152 It has offices in various locations around the world including Portugal.153 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 major 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 12% of Norsudtimber’s exports, with the majority going to Portugal and France.154 The remaining 10% went in smaller volumes to other countries across Asia and the Americas.155

**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.156 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.

**Below: Sodefor log in the lumberyard of Hvalso Savvaerk**

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.157 These companies 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.”158 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 those checks.159 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.160

**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.161 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.

**Below: Sodefor log in the lumberyard of Hvalso Savvaerk**

The implementation and enforcement of the EUTR was slow and uneven during the first two years and still remains incomplete
Of all the customs declarations Global Witness had access to, only one export manifest occurred between 2016 and 2017 from Matadi port. All of them list Blue Panda Limited as the buyer.143 Hvalse 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 Hvalse Savværk with our findings, it denied any wrongdoing, and said its operations “fully meets the rules of the EUTR.”144

FRITZ OFFERMANN GMBH, GERMANY

Established in 1961 by Fritz Offermann, the company is, according to its website, one of Germany’s largest timber traders.145 It was the subject of extended protests by Greenpeace in 2003 for its unsustainable trading of African timber.146 Greenpeace alleged that Offermann had purchased significant volumes of Liberian timber from the notorious Oranienburg 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.147, 148

Shipping manifests obtained by Global Witness show that the company imported wenge timber from Sodefor in March 2016.149 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, he refused. We also called and left messages.

When asked if he would share any of this due diligence with Global Witness, he refused. We also called and left messages.

GREENPEACE ALLEGED THAT OFFERMANN HAD PURCHASED SIGNIFICANT VOLUMES OF LIBERIAN TIMBER FROM THE NOTORIUS ORANIENBURG 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 DESTRUCTION.147, 148

Sodefor, but it is not clear why it is not mentioned in customs declarations.

When Global Witness presented Hvalse Savværk with our findings, it denied any wrongdoing, and said its operations “fully meets the rules of the EUTR.”144

HOLZ-SCHNETTLER SOEST IMPORT-EXPORT GMBH, GERMANY

Holz-Schneitler Soest (HSS) is a German timber trader and sawmill established in 1915, which claims to be “one of the oldest and largest timber exporters in Europe”.150 It has supplied timber to the global market, so if any timber in that yard from those concessions was harvested after 23rd October 2016, it is illegal.151 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 confirmed 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 yard appear to have been sold directly to the company, but, in all likelihood, via offshore entities such as Asia Gold Leaf, Blue Panda or Neuhof 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.

MADECENTRO, PORTUGAL

Madeicentro was established in 1976 and according to its website, one of Portugal’s largest timber traders specifically; we also called and left messages.

We sent multiple emails to Holz-Schnettler asking about timber purchases highlighted by Greenpeace, however as no fines are imposed on timber from Norsudtimber as part of their EUTR duties, so if any timber in that yard from those concessions was harvested after 23rd October 2016, it is illegal.151

The markings on the logs related to logging permits issued in 2015, 2016 and 2017, showing it has been a customer of Norsudtimber over several years.152 The markings on the logs linked 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 2015.153

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.151

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 confirmed 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 yard appear to have been sold directly to the company, but, in all likelihood, via offshore entities such as Asia Gold Leaf, Blue Panda or Neuhof 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.

MADECENTRO, 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.154 It later expanded into manufacturing flooring alongside trading timber to small and medium-sized sawmills.155 In early 2016 Madeicentro took down its website; the web address now directs traffic to the site of flooring company ‘Golden Parquet by Madeicentro’.156 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 Aveiês de Caminhos, 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).157

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 42/11 seen in Madeicentro’s 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 operators 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.158 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 J. Pinto Leitão and Madeicentro are storing large volumes of timber from Sodefor and Forabola, yet neither appeared on a Matadi-custon declaration or a shipping manifest for Norsudtimber timber seen by Global Witness. The final ranges 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 - INDÚSTRIA DE JANELAS E PORTAS DE MADEIRA, PORTUGAL

Madeicentro is a Portuguese company that produces doors and windows using tropical timber that grows in the Congo Basin.159 There is no record in the expert documents seen by Global Witness of Maciça being a recipient for any timber from Norsudtimber.
largest hardwood lumber manufacturers, distributors and export-
in Sodefor. According to its website Baillie is
In May 2017, Baillie Lumber received a shipment of wenge from
“due care”
are prohibited from trafficking in illegal wood and they must
Representative responsible for purchasing African timber, he ex-
plained that they had seen our emails, but decided not to respond as
Baillie didn’t believe it due to its “due diligence” by 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.

Japan has recently introduced legislation that covers the timber trade, in the form of the “Clean Wood Act.” The law aims to prob-
the use of legal timber, rather than eliminate illegal timber from the market and, crucially, it is voluntarily rather than binding, which severely limits its effectiveness. Companies can apply to be part of the scheme and commit to ensuring they import legal-
ly-harvested timber. 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 Papper 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
itself, plywood, laminate and other timber products. 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 billed materials, by 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 Papper 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 certification system, which requires importers to prove they have imported legal timber products produced and processed in Indonesia. These certificates inform buyers that the timber products are in full compliance with rel-
levant Indonesian laws and regulations. Indonesian law requires timber buyers to document from the importer stating that the product has been subject to due diligence. Although 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 certification, which means that a buyer can enter the EU without being subject to any
due diligence under the EU.FLEGT. Other jurisdictions like Austral-
ia also rely on Indonesia’s legality assurance system and require no further due diligence from buyers.

However, timber importers 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 illegal-
ly-harvested timber destined for the EU and other jurisdictions.

Cort Guitars

Headquartered in South Korea, Cort Guitars is a large-scale guitar manufacturer.  According to shipping manifest seen by
Global Witness, Sodefor shipped several tonnes of wenge strips to Cort’s manufacturing plant in Indonesia in late 2016.

Despite its endangered status, wenge is commonly used in the manufacture of guitar necks and bass guitar heads because of its resonant properties. Several models produced by Cort have sections made from the timber. 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. Cort’s own website does not have any information on efforts made by the company to source sustainable timber or ethically, or 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 goods are subject to the regulation. guitars fall outside the EUFLEGT’s product scope, and as a result are shielded in place between the EU and Indonesia, legality checks undertaken in Indonesia also exempt exports to the EU from checks under the EUFLEGT.

We contacted Cort to ask what due diligence it had conduct-
ed to ensure wood from Sodefor was compliant with any EU or foreign laws or regulations on illegal timber. We asked why it uses any endanger-
ted 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 what checks it had carried out on imports of wenge originating from DRC. A representative responded by saying, “due diligence is voluntary and does not need to be performed.”

We followed up by 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 only to mention guitarists. Alternatives should be identified urgently so that the production of instru-
ments 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 ac-
cess to the EU market without further checks under the EUFLEGT, as is currently the case for Indonesia. However, it is unclear whether this agreement will be accompanied by sufficiently robust measures to ban the import of illegally-harvested timber into Vietnam.

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. 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.

China

China is one of the largest importers of tropical timber logs in the world. 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.

Given the scale of China’s economy, any meaningful changes to how it regulates the import of timber would have a signifi-
cant global impact.

The use of rare or endangered materials, for example in Chinese traditional arts and crafts, puts unnecessary pressure on vulnerable species. Persecution of such raw materials only speeds up the rate at which they become scarcer and eventually extinct. The Chinese culture globally. According to its website, raw ma-
terials sourced by the group “mainly include import of ivory, luxury-endangered species, from Sodefor. “Heavy exploitation” is cited as the major threat to the species by the IUCN.

We contacted Nan Song Ha Co. Ltd to ask about its DRC im-
ports, but we did not receive any response from the company.

China Plated Products Co., Ltd.

China Plated is a subsidiary of the state-owned National Arts & Crafts (Group) Corporation. The group aims to create and sell traditional Chinese arts and crafts, in order to promote Chinese culture globally. According to its website, raw ma-
terials 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 product
distribution.” China Plated imported a large shipment of boromanga (which is not itself listed as a threatened species), from Sodefor in 2016.
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 highlight some 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 do so 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.

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

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”222.223

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.”224

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

©RAPIDEYE / ISTOCKPHOTO

In DRC, this division is detailed in the four- and 25-year management plans, which 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 guardian of “sustainable exploitation of the [forest] resource”.225.226

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.

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).227 This practice exists to ensure that enough trees of reproductive age exist to perpetuate the species.228.229

Global Witness analysed the species and total volume of timber from Norsudtimber subsidiaries expected to log during the first four years of operations for 18 of its 26 concessions.230 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”.231

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”.232

Trade in just one of these species, afrocarpus (sometimes referred to as “African teak”), is regulated by the CITES, which permits the export of some – but not all – endangered species.233 In 2014 the CITES secretariat observed that a “large number of fakes and falsified [CITES] permits (were) apparently issued by the Democratic Republic of the Congo.”234

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.235,236 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.237 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.”238

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 20,000 km², 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 is 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 is 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 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$1.95 to US$4.79 per local inhabitant per year.
## Conservation Status of NST Timber

<table>
<thead>
<tr>
<th>Commercial name/Scientific name</th>
<th>Total m³</th>
<th>IUCN list status</th>
<th>Minimum Harvesting Diameter (DRC Law)</th>
<th>Academic review of the growth rate of the species or similar species</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wenge / Millettia laurentii</td>
<td>168,506</td>
<td>Endangered</td>
<td>80 cm</td>
<td>No information found</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tola / Gossweilerodendron balsamiferum</td>
<td>92,117</td>
<td>Endangered</td>
<td>80 cm</td>
<td>No information found</td>
</tr>
<tr>
<td>Padack / Pterocarpus soyauxii</td>
<td>87,858</td>
<td>No data</td>
<td>80 cm</td>
<td>It takes “over 100 years to reach the (…) 35–40cm” .234</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bossá clair / Guarea cedrata</td>
<td>85,314</td>
<td>Vulnerable</td>
<td>60cm</td>
<td>The average growth rate Guarea cedrata is of 2.9 mm per year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>It would take 206 years to reach the 60cm.235</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sapelli / Entandrophragma cylindricum</td>
<td>80,853</td>
<td>Vulnerable</td>
<td>80 cm</td>
<td>The average age of a sapelli with 80cm diameter is 230 years.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iroko / Milicia excelsa</td>
<td>80,153</td>
<td>Near threatened</td>
<td>80cm</td>
<td>“An average Iroko would reach a diameter of 80cm (…) in 139 years”.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afromosia / Pericopsis stenosticta</td>
<td>49,320</td>
<td>Endangered</td>
<td>60cm</td>
<td>No information found</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>324,807</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>968,929</td>
<td></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

**Scientific name**

**Commercial name/**

**Total m³**

**IUCN red list status**

**Minimum Harvesting Diameter (DRC Law)**

**Academic review of the growth rate of the species or similar species**

---

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 recovery(ies) slowly and remained(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.”

Sapelli (Entandrophragma cylindricum) is an example of a species that has taken place in some countries.236

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).

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.”

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

**Below** Logging roads are a threat to DRC’s forest.
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). 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. 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. According to Global Witness calculations, nearly half of Norsudtimber’s concessions lie in IFLs, totalling an area of more than 20,000 km². 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. 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.

Opening the canopy also exposes the soil to erosion, which further alters the plant and animal composition of tropical forests. Further effects include a reduction in biodiversity, the reduction of carbon storage, and increased vulnerability to human-induced wildfires. 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.

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.

**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.”

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. According to the IUCN assessment on chimpanzees, some trees of “high importance to chimpanzees for food” are being logged. 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.” A 2017 study found that 60% of primates worldwide are threatened by habitat loss from logging and wood harvesting.
Of the six mammal species affected by industrial logging, five are also directly threatened by over-hunting, including chimpanzees and bonobos. Loggers facilitating the hunting of these and other species by opening up previously difficult to reach parts of the forest. The IUCN assessment for chimpanzees says: “previously inaccessible forests are now covered by a network of logging roads, which provides rapid access to hunters.”

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$54m, over four or five years.

To put this in context, the World Bank defined extreme poverty as US$1.90 per day or US$57 a month in 2015. They spoke of dangerous working conditions, with accidents caused by the handling of machetes and chainsaws, as well as snakebites, that but that Norsudtimber would not pay for the ensuing medical bills.

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 could get two machetes at that price in the market.”

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 areas 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$54m, over four or five years.

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. 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.

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. One had a roof, but was still missing the ceiling, making the classroom 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.

Below: 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.

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.

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. One had a roof, but was still missing the ceiling, making the classroom 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.

Below: Caterpillars bring me food and money. But the quantity has much diminished, because they cut down the trees where caterpillars live.
In their response to Global Witness, Sodefor and Forabola stated that they complied with their social and environmental 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 Yambu 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. 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 the trees where caterpillars live.” She added, that it now took a full day of walking to collect caterpillars, whereas before they could be found much closer to home.

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. 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.

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 020/14. “We live from agriculture, which increased on a yearly basis the distance between villagers and the concession.”

A forest management company accused of human rights violations that is owned by a parent company headquartered in the secrecy jurisdiction of Luxembourg, and that donors should also be of concern. 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 benefiting from the 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 transparency made by donor governments.

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, or “impact assessment” of a 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 fulfill legal obligations, and 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 governance authorities and 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.

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 shifty tenets of SFM, without political will from DRC’s government, efforts to conserve the forest 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.

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.” Yet we will see, despite this poor track record, donors continue supporting the sector.

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

Above: Record of farms destroyed by Norsudtimber in concession 020/14 (Forabola), compiled by community-based forest monitors.

FOREST GEARING

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 Norsudtimber – the parent company of Norsudtimber. The KfW’s policy, called the “Programme for the Promotion of Certified Forest Exploitation” (PROFFEC), 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 forest areas.

KfW worked with Sodefor to help it obtain an origine et légalité du bois (OLB) 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. Projects like the PROFFEC, which assist logging companies to achieve a 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.

The contracts between Sodefor and FRM and Sodefor and WWF were signed between August 2013 and August 2014. Yet in January 2012, Sodefor – which had been working to obtain FSC certification – had already suspended the certification process following a complaint by Greenpeace that the company committed human rights violations.

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. As far Global Witness is aware, there have been no further developments since 2012. Global Witness asked KfW 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 sure that their taxpayers were 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 benefiting from the 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 transparency made by donor governments.

GERMAN SUPPORT

In Global Witness’ view, donor governments should expect companies to comply with the law as a prerequisite to their operating.

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 sure that their taxpayers were 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 benefiting from the 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 transparency made by donor governments.

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 sure that their taxpayers were 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 benefiting from the 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 transparency made by donor governments.
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.” FMM also said that the services it provided to Sodefor “in no way makes (FMM) 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.118

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 €25.85m directly and indirectly supporting logging companies in the Congo Basin.120 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.121 Of the remaining amount, €13.07m is set aside for supporting the development of management plans, and €14.58m to “increase the capacity” of logging companies.122

In DRC, AFD has committed €11m between 2011 and 2020 on a project called “Support to the Sustainable Management of Forests” (AGEDUFOR).123 The programme aims to train the forestry administration to assess management plans, and train logging companies to implement them.124

Fourteen ministry officials were trained to analyse and approve management plans, and training on forest governance was offered to local civil society organisations.125 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.126

According to the mid-term 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 objectives was challenging due to a lack of interest of certain timber companies—the review declined to say which ones—in SFM. Eight of these were Norsudtimber concessions.127 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.128

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.129

Global Witness asked AFD a series of questions on industri al logging in DRC, including on governance in the sector, its ecological impact, and economic contribution. In its response, AFD told us that in 2011 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.

AFD explained that a “large majority of the forest sector operates in the margins of legal and regulatory frameworks”, 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”.130 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.131 AFD justified its commitment to continue working in DRC’s forest sector in this way, saying “important progress” is still possible in improving the forest governance.132

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 band-aids for 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.133 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”.134 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.

As an influential actor in the Congo Basin and significant donor in the forest sector AFD now withdraws its support for sustainable forest management 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.135 The aims of the programme are to promote low carbon development and address deforestation and forest degradation in the Congo Basin.136 France is also a member, having contributed US$33 million.137 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’s funds (US$190m) are planned for programmes in DRC.138 They are intended to implement DRC’s REDD+ strategy: a programme to reduce emissions from deforestation and forest degradation.139 Globally, these emissions account for around 10% of global greenhouse gas emissions.

RED+ is a multinational climate change mitigation effort, to which Norway contributed at least US$3.97bn between 2008 and 2016.140

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.141

The amount of funding available for the forest sector in DRC is US$29.6m.142 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.143 Other objectives for its work in the forest sector include:

- Revising the Forest Code, by “addressing challenges linked to sustainable industrial, artisanal and community forest management”.
- Stabilising illegal logging by 2020.
- Applying the Forest Code to “industrial forest concessions”, including cancelling those without management plans by 1 January 2019, at the latest.143

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 (for a quarter of the country’s forests) and increase the amount of timber produced by a factor of 1.144 It also proposed conducting an audit of DRC’s logging sector in order to develop a strategy for a “rescue plan” for the sector.

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 2017.145, 146, 147

Below
d Minister of Environment Amy Ambatobe, next to French Minister of the Environment, Emmanuella Tumbi, at COP23 in Bonn, November 2017. The picture is taken from the CAFI twitter feed, which reads “No lifting of the DRC moratorium until January 2019, at the latest.”

Below CENTRAL AFRICAN FORESTS INITIATIVE (CAFI) (C) AFP/SEBASTIEN ROUSSEAU
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. 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; 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 Cotefor concessions in pilot schemes).

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 logging across vast swathes of rainforest. 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.

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$ 1.97 billion between 2008 and 2016 on the REDD+ scheme.

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.” However, recent research commissioned by the Norwegian government highlights the negative environmental impact of industrial logging under SFM principles. 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, refuse to subsidise logging companies or to support a lifting of DRC’s moratorium on the allocation of new logging concessions.

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

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 sea 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 providing support to concession holders that are in breach of the moratorium. 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 be the avoidance or evasion of tax or even 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 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 governments’ treasuries.

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 or 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 MAJOR 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

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. Amend all Voluntary Partnership Agreements as necessary to include an obligation to publicly publish annual harvest areas or assiettes annuelles de coupe (AAC), one for each year of the contract. 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. Annual harvest areas are defined in detail in the four-year management plan.

TO INTERNATIONAL TRADERS AND IMPORTERS OF DRC TIMBER

9. 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.

10. Stop trading in timber from endangered or vulnerable tree species.

TO CHINESE AND VIETNAMESE AUTHORITIES

11. Adopt legislation to ban the import of illegally harvested timber.

12. 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)

13. 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. 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. 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. Global Witness was able to obtain nineteen of the twenty of Norsudtimber’s four-year management plans. Norsudtimber’s operations and the impact on the communities living in the forests it logs.

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.

CLAUSES SOCIALES ET 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. 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. 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.
SATTELITE 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 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 authorized 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.

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 MONRE 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

<table>
<thead>
<tr>
<th>Groupement</th>
<th>Concession</th>
<th>Value of Social Agreement, USD</th>
<th>Number schools</th>
<th>Number health centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mpama</td>
<td>CCF 015/11</td>
<td>437,151</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Batito (Nord)</td>
<td>CCF 034/11</td>
<td>184,990</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Groupement Bobaï</td>
<td>CCF 045/12</td>
<td>204,193</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Mbolo</td>
<td>CCF 055/12</td>
<td>172,174</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Groupement Ndake</td>
<td>CCF 056/11</td>
<td>33,201</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Bweloa</td>
<td>CCF 066/11</td>
<td>140,572</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Groupement Bahanga</td>
<td>CCF 077/11</td>
<td>445,862</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Groupement Likombe</td>
<td>CCF 077/11</td>
<td>28,966</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Groupement Ilongo</td>
<td>CCF 077/11</td>
<td>50,221</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Batito (sous groupements: Batito Sud et Batito Nord)</td>
<td>CCF 038/11</td>
<td>99,200</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Groupement Mhobarkama</td>
<td>CCF 039/11</td>
<td>214,379</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Groupement Mongondji</td>
<td>CCF 042/11</td>
<td>91,722</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Yambuya/Bamanga &amp; Groupement Yambuya/Baburo</td>
<td>CCF 042/11</td>
<td>226,189</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Groupement Mwando</td>
<td>CCF 043/11</td>
<td>306,143</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Groupement Bakaüla</td>
<td>CCF 044/11</td>
<td>147,193</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Groupement Boké-Boléla</td>
<td>CCF 045/11</td>
<td>101,403</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Mboï</td>
<td>CCF 045/11</td>
<td>45,246</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Groupement Pombo</td>
<td>CCF 057/14</td>
<td>144,605</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Groupement Mangba</td>
<td>CCF 058/14</td>
<td>90,908</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Groupement Makulu</td>
<td>CCF 058/14</td>
<td>(document missing)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Groupement Yembo &amp; Boléia &amp; Groupement Yambuya/Bamanga</td>
<td>CCF 059/14</td>
<td>112,945</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Groupement Nendolo</td>
<td>CCF 059/14</td>
<td>56,751</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Groupement D'Esoka</td>
<td>CCF 060/14</td>
<td>103,068</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Clan NE Kesseke</td>
<td>CCF 061/14</td>
<td>58,600</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Clan SO Tshie</td>
<td>CCF 061/14</td>
<td>60,909</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Ewelal Bokola</td>
<td>CCF 062/14</td>
<td>(document missing)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Groupement Ewail Bokola</td>
<td>CCF 063/14</td>
<td>30,300</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Batito</td>
<td>CCF 063/14</td>
<td>89,245</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Groupement Booli Nkiona</td>
<td>CCF 063/14</td>
<td>(document missing)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Groupement Bongemba &amp; Bokala Wamba</td>
<td>CCF 064/14</td>
<td>189,585</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Groupement Mbulo</td>
<td>CCF 065/14</td>
<td>(document missing)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Groupement Mpama</td>
<td>CCF 066/14</td>
<td>(document missing)</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
</tbody>
</table>


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

<table>
<thead>
<tr>
<th>Company</th>
<th>Concession</th>
<th>Date</th>
<th>Infractions</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>SODEFOR</td>
<td>037/11</td>
<td>01. - 05.08.17</td>
<td>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.</td>
<td>Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 4 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>042/11</td>
<td>01. - 05.08.17</td>
<td>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 of labourers’ camp, lack of annual operation plan.</td>
<td>Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 4 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>037/11</td>
<td>27.10.13</td>
<td>Harvesting without authorisation, overexploitation, non-payment of surface tax for 2013, outstanding tax payments (2012).</td>
<td>Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 4 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OFG).</td>
</tr>
<tr>
<td>FOIBOLA</td>
<td>042/11</td>
<td>16. - 21.10.13</td>
<td>Incomplete quarterly declarations, declarations not to norm, over-exploitation of Mimos and Padouk, harvesting of non-authorised species, harvesting beyond authorised period, non-payment of area tax.</td>
<td>Observatoire de la Gouvernance Forestière (OFG). Rapport de mission de Terrain No. 4 - Observation Indépendante de la mise en Application de la Loi Forestière et de la Gouvernance (OFG).</td>
</tr>
<tr>
<td>SOFORMA</td>
<td>015/11</td>
<td>23. - 24.08.12</td>
<td>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.</td>
<td>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 (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>GA 028/03 (CCF 029/11)</td>
<td>24. - 25.10.11</td>
<td>Failure to submit quarterly harvest declarations in due time, harvesting of non-authorised species, failure to mark.</td>
<td>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 (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>GA 031/03 (CCF 035/11)</td>
<td>20. - 27.10.11</td>
<td>Failure to submit quarterly harvest declarations in due time, over-exploitation, failure to mark, logging without permit, non-payment of area tax.</td>
<td>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 (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>GA 019/03 (CCF 061/14)</td>
<td>19.10.11</td>
<td>Unauthorised logging by Sofroma, logging without permit, non-payment of area tax.</td>
<td>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 (OFG).</td>
</tr>
<tr>
<td>SODEFOR</td>
<td>GA 023/03 (CCF 036/11)</td>
<td>17. - 18.07.11</td>
<td>Falsification of log markings, failure to keep harvesting records in concession.</td>
<td>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 (OFG).</td>
</tr>
</tbody>
</table>
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

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

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.
21.18836 E 2.23914 N

09/02/2017

10/10/2017

15/04/2016
Signs of logging activity (skid tracks) outside of authorised perimeters.
Picture taken 23/04/2018
19.83241 E 3.3229 S

10/02/2017

10/02/2017
CONCESSION 039/11

16/01/2015
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

01/02/2018
Logging activity (skid tracks) and signs forest degradation outside of authorised perimeters.
24.25865 E 1.0046 N
CONCESSION 045/11

31/03/2017
Logging roads outside of authorised perimeters.
18.4571 E  1.4712 S

05/01/2018

18/12/2014
Logging roads outside of authorised perimeters.
18.4902 E  2.4446 S

17/04/2017
Logging and forest degradation outside of authorised perimeters.
18.4056 E  1.4912 S

06/05/2017

CONCESSION 048/12

12/01/2016
17/09/2016
08/05/2017

18/12/2014
Logging roads outside of authorised perimeters.
18.4681 E  2.4457 S

13/04/2013
Signs of forest clearing for plantations.
18.4052 E  2.4192 S

17/08/2016

©SENTINEL 2
©DIGITALGLOBE 2018
©DIGITALGLOBE 2018
Sodefor and Forabola response to Global Witness.


The Norsudtimber – headquartered in Schaanwald, Liechtenstein – owns controlling stakes in three DRC logging companies, Société de Développement Forestier (Sodefor), Société Forestière et Agricole de la M'bola (Forabola), and Société de Transformation de Feronia (Sodefor). According to a document seen by Global Witness, Forabola initially owned 20% of “La Société Forestière et Agricole de la M'bola” (Forabola). Later in 2015, Forabola sold 10% of its shares to Norsudtimber for CHF 24,000, with the remaining 10% being sold in 2017 for CHF 24,000. According to Norsudtimber, it was only in August 2017 that it purchased the remaining 10% of shares from Forabola.

According to a document seen by Global Witness, Sodefor and Forabola did not have a 25-year management plan five years after the signature of the concession agreements. The concession agreements stipulated that at least one management plan be submitted by the end of the first year of the contract. The management plans submitted by Sodefor and Forabola are listed on the website of the DRC Ministry of Environment and Sustainable Development. The first management plan for Sodefor was submitted on 07 August 2010, while the first management plan for Forabola was submitted on 03 January 2011. Forabola’s management plan for concession 041/11 was submitted on 12 May 2012, while Sodefor’s management plan for concession 042/11 was submitted on 14 July 2012. For the concession 035/11 of Forabola, the management plan was submitted on 14 February 2013. According to the website of the DRC Ministry of Environment and Sustainable Development, the management planning process for concessions was completed in the second quarter of 2013.
The majority shareholder of Sodefor, Soforma and Forabola is named as Norsudtimber – who will appear on the customs declaration as the buyer, but the destination on the manifest – as well as a destination.

The operator has to address the following questions: "[...] Is there any evidence of influence, control or requirement of third-party verification?" This is a high risk area which may include requiring additional information or documents.

The majority shareholder of Sodefor, Soforma and Forabola is named as Norsudtimber – who will appear on the customs declaration as the buyer, but the destination on the manifest – as well as a destination.

The operator has to address the following questions: "[...] Is there any evidence of influence, control or requirement of third-party verification?" This is a high risk area which may include requiring additional information or documents.

The majority shareholder of Sodefor, Soforma and Forabola is named as Norsudtimber – who will appear on the customs declaration as the buyer, but the destination on the manifest – as well as a destination.

The operator has to address the following questions: "[...] Is there any evidence of influence, control or requirement of third-party verification?" This is a high risk area which may include requiring additional information or documents.
See photos of signs of J. Puttock Lumber yard.

179 Two contracts for concessions were signed on the 24/11/2014. Five years after this date the area legally required to have a management plan. See Section 1.5 of this report.

180 Macié – Indústria de janelas e portas de Madeira, 28/05/2018. See also: Scientific American (undated) 'Guitar-Makers Face a New Threat: Wenge' , Published by Scientific American Publishing.
**ENDNOTES**

374 NRK (July 2017) ‘Norge snakker regnskogprojekt i DRC knips etter krev fra miljøver-
ner’.

375 Artsbeozaun 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 (MENCT in
French) until November 2014, when its name was changed to the Ministry of Environ-
ment and Sustainable Development (MDS in French). See: Remise et reprise au Ministère
de l’Environnement et du Développement durable.

377 Art. 3 and 5 of Annex 1, Arrêté Ministériel numéro 012/CAB/MIN/ECN-T/15/00/02/30 du
07 août 2008 fixant les modèles de contrat de concession d’exploitation des produits foresti-
ères et de cahier des charges y afférent.

378 Arts. 3 and 4, Arrêté Ministériel numéro 034/CAB/MIN/EDD/03/03/BLN/2015 du 03 juillet 2015 fixant la
date limite de rédaction et d’approbation des dossiers d’approvisionnement.

379 Arts. 3 and 6, Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/01/00/06 du 06 octobre 2006 relatif à l’exploi-
tation forestière.

380 Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/15/00/08 du 07 août 2008 fixant les
modèles de contrat de concession d’exploitation des produits forestiers et de cahier des
charges y afférent.

381 Art. 17 of Annex 1.

382 Art. 17 of Annex 1.

383 Art. 10 of Annex 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-
ères et de cahier des charges y afférent.

384 ibid, Art. 17 of Annex 1.

385 ibid, Art. 10 of Annex 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-
ères et de cahier des charges y afférent.

386 ibid, Art. 23 of Annex 1.

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

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 Arts. 15, 20, 21, 22 Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/01/00/06 du 06 octobre 2006 relatif à l’exploi-
tation forestière.

390 Arts. 2, 4, 5 and 11, Arrêté ministériel numéro 022/CAB/MIN/ECN-T/15/12/06 du 10 juillet 2010 fixant le
modèle d’accord constituant la clause sociale du cahier de charges du contrat de
cession de production des bois d’œuvre.

391 Arts. 1 et 5 of Annex 1, Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/15/00/02/30 du
07 août 2008 fixant les modèles de contrat de concession d’exploitation des produits foresti-
ères et de cahier des charges y afférent.

392 Arts. 10 and 15, 20, 21, 22 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.

393 Global Witness has obtained 16 of Norsudtimber’s 20 concession contracts. Of these,
9 were signed in 2011 (CCF015/11, 034/11, 035/11, 036/11, 037/11, 038/11, 039/11, 042/11,
043/11, 044/11, 045/11, 046/11), 3 were signed in 2012 (CCF048/12, 129/12, and another 3 were signed in
2013 CCF013/13, 034/13, 035/13). One was signed in 2014 CCF014/14, 032/14, 033/14, 034/14, 035/14, 036/14, 037/14, 038/14, 039/14, 040/14, 041/14, 042/14, 043/14, 044/14, 045/14, 046/14. Global
Witness did not manage to obtain concessions contract for CCF015/11, but it appears that the last
two digits of a concession contract refer to the year in which it was signed, and its man-
gement plan covers the period 2011-2014, suggesting the contract was signed in 2011.

394 Art. 1 et 5 of Annex 1, Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/15/00/02/30 du
07 août 2008 fixant les modèles de contrat de concession d’exploitation des produits foresti-
ères et de cahier des charges y afférent.

395 Art. 10 of Annex 1.

396 Arts. 3 to 6, Arrêté Ministériel numéro 035/CAB/MIN/ECN-EF/2006 du 05 octobre 2006 relatif à la
délégation des concessions forestières de production des bois d’œuvre.

397 NRK (July 2017) ‘Norge snakker regnskogprosjekt i DRC knips etter krev fra miljøver-
nen’.

398 Artsbeozaun 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.


400 ibid.

401 Kleinsehrt et al., ‘Impacts of logging roads on tropical forests’ p12-26. Logging roads in
tropical forests: synthesis of literature written in French and English highlights environ-
mental impact reduction through improved engineering.

402 Kleinsehrt et al., ‘Impacts of logging roads on tropical forests’ p12-26. Logging roads in
tropical forests: synthesis of literature written in French and English highlights environ-
mental impact reduction through improved engineering.

403 Kleinsehrt 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.

404 ibid.

405 Kleinsehrt et al., ‘Impacts of logging roads on tropical forests’ p12-26. Logging roads in
tropical forests: synthesis of literature written in French and English highlights environ-
mental impact reduction through improved engineering.

406 NRK (July 2017) ‘Norge snakker regnskogprosjekt i DRC knips etter krev fra miljøver-
nen’.

407 Artsbeozaun 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.

408 Global Witness has obtained 16 of Norsudtimber’s 20 concession contracts. Of these,
9 were signed in 2011 (CCF015/11, 034/11, 035/11, 036/11, 037/11, 038/11, 039/11, 042/11,
043/11, 044/11, 045/11, 046/11), 3 were signed in 2012 (CCF048/12, 129/12, and another 3 were signed in
2013 CCF013/13, 034/13, 035/13). One was signed in 2014 CCF014/14, 032/14, 033/14, 034/14, 035/14, 036/14, 037/14, 038/14, 039/14, 040/14, 041/14, 042/14, 043/14, 044/14, 045/14, 046/14. Global
Witness did not manage to obtain concessions contract for CCF015/11, but it appears that the last
two digits of a concession contract refer to the year in which it was signed, and its man-
gagement plan covers the period 2011-2014, suggesting the contract was signed in 2011.

409 Art. 1 et 5 of Annex 1, Arrêté Ministériel numéro 003/CAB/MIN/ECN-T/15/00/02/30 du
07 août 2008 fixant les modèles de contrat de concession d’exploitation des produits foresti-
ères et de cahier des charges y afférent.
Global Witness investigates and campaigns to change the system by exposing the economic networks behind conflict, corruption and environmental destruction.

Global Witness is a company limited by guarantee and incorporated in England (No.2871809).

London Office
1 Mark Square,
London, EC2A 4EG, UK

Phone: +44 (0)207 4925820
Fax: +44 (0)207 4925821

www.globalwitness.org

ISBN: 978-1-911606-20-8

© Global Witness 2018

Printed on Oxygen which is a FSC® certified paper. Oxygen, a paper containing 100% de-inked pulp recycled fibre approved by the Forest Stewardship Council®.