



Social and Environmental Risk Management Service for the Forest Product Sector

WHY MANAGE RISK

Investors and customers increasingly expect their forest products to be environmentally and socially sound. Where supplies are investigated and found to be poorly sourced, companies can quickly lose market share.

FRR offers a service to companies that wish to meet these investor and customer expectations. The services address social and environmental aspects of:

- Supply chain management
- Impact assessment and analysis
- Investment and performance measurement

Some companies have already committed to a positive environmental and social policy. They too need to manage this risk since falling short of fully achieving the policy could be at least as damaging as not having adopted the policy in the first place.



The FRR team offers a comprehensive and flexible array of services that enables clients to satisfy their full range of customer and investor requirements. Maintaining the confidence of customers and investors is essential in this time of change. We believe that companies need to be equipped to manage the impact of environmental and social issues at all levels in the forest sector.

The effectiveness of this type of environmental and social oriented approach was shown in a January 2005 update of the WBCSD (World Business Council for Sustainable Development) study 'Sustainable Development Pays Off'. The study analysed the performance of the 141 WBCSD members listed on the major stock markets around the world. The results made it clear that sustainable enterprises are performing better than the norm in their stock markets.

GOOD PRACTICE ENHANCES FINANCIAL PERFORMANCE

Companies can protect their business by ensuring that they supply legal and well-managed forest products by:

- Safeguarding company reputation and brand image.
- Minimising supply chain interruptions, costs or delays. For example, companies with strong traditional links with timber producing countries face having to rapidly rethink their purchasing strategies if these countries have been unable to guarantee 'legal and well-managed timber' when challenged.
- Maintaining shareholder interest and retaining access to a wider range of capital. Increased awareness in the financial community is highlighted by the growth of socially and environmentally screened market instruments, including Dow Jones Sustainability Indexes, FTSE4Good etc; together with the establishment of the Equator Principles adopted by major high street banks.
- Meeting demands from the retail sector and associated supply chains created by commercial or governmental customers.
- Increased government interest and action on social and environmental business impacts.



OUR SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT SERVICES

Services Focusing on Supply Chain Risks:

Service A. Sourcing audit to buyers providing guidance and recommendations for action on current and potential supply.

Service B. Implement recommendations of the Service A audit within the overall company framework.

Service C. Risk assessment for new areas of business, either in terms of production systems, products, producers or countries.



Services Focusing on Management and Investment Impact:

Service D. Evaluating environmental and social investment. There is increasing interest within business to account for environmental and social investment within company reporting procedures. Using appropriate models we can help companies to achieve this.

Service E. Working with companies to improve their social and environmental impact, either through changing their management practices or implementing social or environmental projects to mitigate the impact of their practices and communicating the changes effectively.

WHO ARE OUR CLIENTS?

Our clients are companies involved in international forest products, particularly those organisations that seek to satisfy their customers and investors by sourcing their products in a legal and well-managed way. This includes organisations that source non-timber forest products from small-scale producers, and socially responsible investors that require strong financial performance to be accompanied by consideration for society as a whole and the natural environment now and in the future.

APPROACH

The delivery of our service options is likely to draw upon the following types of methodologies, adapted for use for natural resources risk management:

If required, we can assist with achieving audited standards.

Chain of Custody Analysis	AA1000
Partner Assessment	Pilot/Feasibility Studies
Focus Groups	Management Practice Development
Benchmarking	Capacity Building
Competitor Analysis	Practice Evaluation
Performance Measurement	Investment Evaluation
	Scenario Analysis

WHY THE FRR TEAM?



The FRR team offers a flexible, authoritative, interdisciplinary approach to providing environmental and social risk management services to the corporate sector. This includes strong track records in: chain of custody auditing; organisational change

management; triple line accounting; investment advice and risk assessment; and environmentally and socially responsible project design and implementation. Our specialised team provides our clients with exactly the right type of expertise they need, when they need it.

We have worked in more than 50 countries with clients at all stages of the supply chain.



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