

Timber Legality Risk Assessment Republic of Korea

Version 1.2 | December 2017



COUNTRY RISK
ASSESSMENTS



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The original document of FSC can be accessed here <https://ic.fsc.org/en/document-center>.

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NEPCon originally published the Timber Legality Risk Assessment for Republic of Korea in August 2017. Since then, amendments to the Assessment have been made. Additional risk information has also been included for many indicators. The risk specification has been changed for one source type in indicator 1.11 from low risk to specified risk.

B. Overview of legality risks

Timber Risk Score: 88 / 100 in 2017

This report contains an evaluation of the risk of illegality in the Republic of Korea for five categories and 21 sub-categories of law. We found:

- Low risk for 15 sub-categories.
- Specified risk for 2 sub-categories.
- No legal requirements for 4 sub-categories.

The Timber Risk Score for the Republic of Korea is 88 out of 100. The key legality risks identified in this report relate to **Timber Harvesting Activities**. There is risk that:

- Health and safety regulations are not followed (1.11)
- Employees are not provided with the legally required insurance (1.12).

Timber source types and risks

There are three timber source types found in the Republic of Korea. Knowing the “source type” that timber originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risk of non-compliance with the legislation. We have analysed the risks for all source types and found the risks differ between them.

National forest	Managed by the Korea Forest Service. Relevant local forest stations develop design of forest operation and complete harvesting of timber materials. These operational designs are then sold to private or companies via an open bidding national asset auction system. Sales agreement can be identified as proof of legality of timber materials.
Public forest	Managed by local governments, who provide permission for harvesting operations. Applicants submit 1) GPS location map, 2) survey report for target volumes of cutting trees, 3) harvesting plan (including purpose, duration, utilization plan, reforestation plan, etc.), 4) plan for installation and restoration of extract road, 5) certificate of ownership or use right/beneficiary right of a person who intend to cut the tree.
Private forest	Managed by private entities, sometimes supported by the Forestry Cooperative Federation if owners are members. Local governments provide permission for harvesting operations. Applicants submit 1) GPS location map, 2) survey report for target volumes of cutting trees, 3) harvesting plan (including purpose, duration, utilization plan, reforestation plan, etc.), 4) plan for installation and restoration of extract road, 5) certificate of ownership or use right/beneficiary right of a person who intend to cut the tree.

This matrix summarises the findings of the timber legality risk assessment set out in this report.

Legal Category	Sub-Category	Source Type	
		National forest	Public forest and private forest
Legal rights to harvest	1.1 Land tenure and management rights	Low	Low
	1.2 Concession licenses	N/A	N/A
	1.3 Management and harvesting planning	Low	Low
	1.4 Harvesting permits	Low	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	Low	Low
	1.6 Value added taxes and other sales taxes	Low	Low
	1.7 Income and profit taxes	Low	Low
Timber harvesting activities	1.8 Timber harvesting regulations	Low	Low
	1.9 Protected sites and species	Low	Low
	1.10 Environmental requirements	Low	Low
	1.11 Health and safety	Specified	Specified
	1.12 Legal employment	Specified	Specified
Third parties' rights	1.13 Customary rights	Low	
	1.14 Free prior and informed consent	N/A	N/A
	1.15 Indigenous/traditional peoples rights	N/A	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Low	Low
	1.17 Trade and transport	Low	Low
	1.18 Offshore trading and transfer pricing	Low	Low
	1.19 Custom regulations	Low	Low
	1.20 CITES	Low	Low
	1.21 Legislation requiring due diligence/due care procedures	N/A	N/A

C. Overview of the forest sector in Republic of Korea

South Korea is approximately 9873 thousand ha, and as of 2010, the forest area was about 6.2 million ha or 63% of total land area.¹ Coniferous forests predominate in South Korea, comprising almost half the forest area. The remaining forests are almost evenly divided between deciduous forest and mixed species forest.² The predominant coniferous species are Japanese Larch (*Larix leptolepis*), Pitch pine (*Pinus rigida*) and Korean pine (*Pinus koraiensis*). A high proportion of the South Korea's forests are the result of large-scale reforestation programmes. The country has a relatively low rate of deforestation, just 0.1% annually for the period 2010-15.³

Broad-leaved forests include species such as oak, and occupy 28% of the total forest area. The other 27% is covered with mixed forest. By age class, young trees less than 20 years old amount 35% of the growing stock, while trees between the ages of 21 and represent 40%, and trees more than 31 years old are 25%. Harvestable standing volume is 65M m³. Average volume per hectare increased 3.7%, from 39.78 m³ to 38.36 m³ in the late 1970s. This is roughly equivalent to 4 times the volume (11.3m³/ha) in the 1970's when the government embarked on its current forest policy.⁴

Reforestation efforts began in the 1970s, but plantations are not yet mature and the country is heavily reliant on imports to supply domestic demand for wood and paper.⁵ Korea depends on timber imports from Indonesia, Malaysia, the US, New Zealand, Chile and other countries to supply its domestic market and industries. Korea has an extensive wood processing industry based largely on imported wood. The main products from forests in Korea are non-wood forest products, such as chestnuts and mushrooms, which are major exports.⁶

National Forest Planning

Korean forests were badly degraded through the first half of the 20th Century, due to: logging under Japanese occupation; intense demands for fuelwood; and war damage during the Korean conflict.⁷ The growing stock volume per hectare then was 6 m³, 6% of the current figure. The devastation of the forests caused serious social problems like lack of fuel, severe

¹ Food and Agriculture Organization of the United Nations. Global Forest Resources Assessment 2010; Food and Agriculture Organization of the United Nations: Rome, Italy, 2010. Available online: <http://www.fao.org/docrep/013/i1757e/i1757e.pdf>, p 219.

² South Carolina State Forest Department (undated). *South Korea Market Profile*. Available online < <https://www.state.sc.us/forest/fprodsko.pdf>>, accessed 4 April 2017.

³ Food and Agriculture Organization of the United Nations. Global Forest Resources Assessment 2015; Food and Agriculture Organization of the United Nations: Rome, Italy, 2016. Available online: <http://www.fao.org/documents/card/en/c/7ae8ad10-38b4-41f2-bf9c-aae616a36f3c/>

⁴ Ibid.

⁵ Lee, S.W, (2005): Forestry in Korea, Portland: World Forestry Centre/Eagon, http://wfi.worldforestry.org/media/presentations/korea_s.lee.pdf in Sam Lawson, Chatham House, 2014. Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India. Available online < [https://www.illegal-logging.info/sites/files/chlogging/Lawson Thailand SK India PP 2014 0.pdf](https://www.illegal-logging.info/sites/files/chlogging/Lawson%20Thailand%20SK%20India%20PP%202014%200.pdf)> accessed 4 April 2017.

⁶ South Carolina State Forest Department (undated). *South Korea Market Profile*. Available online < <https://www.state.sc.us/forest/fprodsko.pdf>>, accessed 4 April 2017.

⁷ South Carolina State Forest Department (undated). *South Korea Market Profile*. Available online < <https://www.state.sc.us/forest/fprodsko.pdf>>, accessed 4 April 2017.

floods and droughts⁸ and have been described as 'catastrophic'.⁹ Between 1961 and 1995 stocked forest land increased from 4M hectares to 6.3M hectares, as a result of a large-scale reforestation,¹⁰ this was carried out through a series of National Forest Plans.

- The first National Forest Plan was established after legal and institutional preparations in the 1960s and included the Forest Rehabilitation Project, which was launched in 1973. The Forest Rehabilitation Project aimed to 'to protect food resources and the livelihoods of the Korean people'.¹¹ The government declared the Nationwide Tree Planting period (21 March to 20 April) and Arbor Day to draw out active participation from the public. More than one million ha of denuded forest was restored with fast growing tree species through public participation. The 10-year project was completed 4 years in advance of its target (1973-1978).¹²
- The Second 10-year national Forest Plan was devised to establish large-scale commercial forests that could develop into sustainable timber resources for domestic demands on timber products.¹³ The government implemented various forest policies in order to achieve objectives like forest rehabilitation, enhancement of forest protection, and foundation of forest development funds to support private and national forests. Along with reforestation projects, erosion control was also actively undertaken to prevent natural disasters, and advanced biotechnology was adopted to control forest diseases and pests as well. Under the Second National Forest Plan, 80 commercial forests were built, and 325,000 ha were successfully reforested and plantation in 1.06 million ha was completed in total.¹⁴
- The Third National Forest Plan (1988-1997) aimed to harmonize economic functions and public benefits of the forests. The Korean Forestry Service (KFS) carried out forestry income enhancement projects and public awareness-raising programs on the importance of forests and its conservation, and supported overseas plantation projects with the aim of securing stable and long-term timber supplies.¹⁵ On top of that, it also developed and implemented policies for improving public benefits of the forests, including creation of recreation forests, water resources conservation, wildlife

⁸ LEE, Yong-Kwon, Director of the Korea Forest Service, in Myankore Times (Undated). *Korea's reforestation and sustainable forest management (4)*. Available online < <http://demo.myankotimes.com/?p=138>>, accessed 4 April 2017.

⁹ Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015. Leveraging public programmes with socio-economic and development objectives to support conservation and restoration of ecosystems: lessons learned from the Republic of Korea's National Reforestation Programme. Available online < https://www.cbd.int/ecore restoration/doc/Korean-Study_Final-Version-20150106.pdf>, accessed 4 April 2017.

¹⁰ South Carolina State Forest Department (undated). *South Korea Market Profile*. Available online < <https://www.state.sc.us/forest/fprodsko.pdf>>, accessed 4 April 2017.

¹¹ Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015. Leveraging public programmes with socio-economic and development objectives to support conservation and restoration of ecosystems: lessons learned from the Republic of Korea's National Reforestation Programme. Available online < https://www.cbd.int/ecore restoration/doc/Korean-Study_Final-Version-20150106.pdf>, accessed 4 April 2017.

¹² LEE, Yong-Kwon, Director of the Korea Forest Service, in Myankore Times (Undated). *Korea's reforestation and sustainable forest management (4)*. Available online < <http://demo.myankotimes.com/?p=138>>, accessed 4 April 2017.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

protection, etc. To promote more effective forest management practices, the Forest Law was amended and enhanced, and the Act on Promotion of Forestry and Mountain Village was enacted in 1997.¹⁶

- The Fourth National Forest Plan (1998-2007) entered a transitional phase of forest policies, moving from mainly focusing on economic functions to enhancing overall forest benefits including public and recreational benefits. Therefore, sustainable forest management was reflected in forest policies and activities. The KFS put special emphasis on developing valuable forest resources and fostering a competitive forestry industry, thereby increasing public benefit for the people.¹⁷

The government-led forest management policies turned into autonomic forest management in the private forest sector, based on the capability and discretion of forest owners. To achieve implementing objectives for sustainable forest management, the KFS consolidated legal and institutional systems by enacting the *Framework Act on Forest, the Act on Promotion and Management of Forest Resources, the Act on the National Forest Management, the Act on Forest Culture and Recreation and the Act on Promotion of Forestry and Mountain Villages*.¹⁸

Based on foundations and frameworks established under the Fourth Plan, the Fifth National Forest Plan (2008-2017) has been designed to further expand the implementation of sustainable forest management in pursuit of maximizing forest functions. The overall vision of the Fifth Plan is "to realize a green nation with sustainable welfare and growth" by sustainably managing forests as key resources for strengthening nation's economic development, land conservation and improved quality of life.¹⁹

Forest governance and timber legality

As of 2010 South Korean forests consist of national forests (21.4%), public forests (8%) and private forests (71%),²⁰ and are also divided into reserve (for production and public welfare) and semi-reserve (for industrial) forests by utilization.²¹ The national forests are mostly managed by 24 National Forest Stations. The national forest can be subdivided into permanent and disposable forests. Most of national forests are permanent forests and they are usually managed for timber production, land conservation, scientific research, development of forestry techniques, preservation of both historical relics and tangible cultural heritage, and other public benefits. Disposable national forest may be converted to other uses. Public forest owned by local governments comprise about 8% (0.491 million ha) of the total forest land.²² Private forests are owned by private individual and organizations such as people's parties, families, and cooperative groups. The number of private forest owners is about 2 million. But 96% of

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Food and Agriculture Organization of the United Nations. Global Forest Resources Assessment 2010; Food and Agriculture Organization of the United Nations: Rome, Italy, 2010. Available online: <http://www.fao.org/docrep/013/i1757e/i1757e.pdf>, p 235

²¹ Byoung Il Yoo, Forestry Information Forestry Research Institute Seoul, Korea for the Food and Agriculture Organization of the United Nations. Asia-Pacific Forestry Sector Outlook Study Working Paper Series - In-depth country study in the Republic of Korea - status, trends and prospects to 2010. Available: <ftp://ftp.fao.org/docrep/fao/003/W5547E/W5547E00.pdf>. Accessed 3 October 2017.

²² Ibid.

the owners own less than 10 ha of forest to a total forest area of about 52.5%, so the ownership scale is very small; this trend is accelerating. The main purposes of private forests are for the burial places and the propagation of property.²³ Regardless of forest type all management of forests in mountainous regions is controlled by government policy.²⁴

In December 1996, South Korea enacted the Forest Act (Appendix) for the use and management of forestry resources. However, to regulate basic targets of forest policies and set policy directions, the state enacted the Framework Act on Forest (Appendix) in May 2001, which modified forest and forestry legislation and adopted the Establishment and Management of Forest Resources Act. Various acts (e.g., the Forest Culture and Recreation Act, the Forest Protection Act and the Baekdudaegan Protection Act (Appendix)) were established to regulate multiple fields under the Framework Act on Forest. The Framework Act on Forest stipulates basic objectives and structure of forest policies for development of various forest policies. It plays a significant role as a fundamental law which offers background and normative standards for enacting other forest laws in the system of forest legislation. As of March 2014, there are 18 acts, 18 executive orders and 17 ordinances under the Korea Forest Service's jurisdiction.²⁵

South Korea is one of the world's largest importers of timber and wood-based products. About 90% of the country's demand for timber is met by imports, nearly 15% of which are estimated to be illegal, per capita illegally-sourced imports are the highest of any consumer country assessed by Chatham House.²⁶

South Korea's top import sources are China, New Zealand and Malaysia.²⁷ The response of the government to the issue has been limited, although new legislation on the sustainable use of timber was passed in 2012, this included provisions related to illegal logging. The private sector response has also been slow, although the rapid growth in the number of companies with FSC chain-of-custody certification may indicate a shift.²⁸

The 2016 Transparency International's Corruption Perception Index gave South Korea a score of 53 out of 100.

References

Given the success of the Korean Reforestation programme following the Korean War, there has been quite extensive English language research conducted on the forest sector in the Republic of Korea, including many reports comparing the situation in North Korea with that of the Republic of Korea.

²³ Ibid.

²⁴ South Carolina State Forest Department (undated). *South Korea Market Profile*. Available online < <https://www.state.sc.us/forest/fprodsko.pdf>>, accessed 4 April 2017.

²⁵ Park, M.S.; Lee, H. Forest Policy and Law for Sustainability within the Korean Peninsula. *Sustainability* 2014, 6, 5162-5186, available online < <http://www.mdpi.com/2071-1050/6/8/5162>> accessed 4 April 2017.

²⁶ Chatham House, 2014. *South Korea 2013 Assessment Findings*. Available online < <https://indicators.chathamhouse.org/explore-the-data/south-korea>>, accessed 4 April 2017.

²⁷ Lee, Seol Woon International Fellow, World Forest Institute, 2017. *Forestry In Korea*. Available online http://www.worldforestry.org/wp-content/uploads/2015/11/korea_s.lee.pdf, accessed 5 April 2017.

²⁸ Chatham House, 2014. *South Korea 2013 Assessment Findings*. Available online < <https://indicators.chathamhouse.org/explore-the-data/south-korea>>, accessed 4 April 2017.

Additionally, internet based research has been carried out for each indicator, primarily in English, but also initially in Korean.

Consultation with in-country experts was carried out throughout the drafting of this assessment from 2015-2017, including face to face consultation meetings held in Seoul in 2016. A range of experts were consulted, including representatives from research organizations, civil society organizations and Republic of Korea Government Ministries. Due to confidentiality issues, the experts consulted have not been named specifically in this report, but a list of experts has been provided to FSC. These sources are collectively referenced as “Expert Consultation” in this risk assessment.

D. Legality Risk Assessment

LEGAL RIGHTS TO HARVEST

1.1. Land tenure and management rights

Legislation covering land tenure rights, including customary rights as well as management rights that includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legal required licenses. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure and management rights. The intent of this indicator is to ensure that any land tenure and management rights have been issued according to the legislation.

1.1.1. Applicable laws and regulations

- CIVIL ACT [Enforcement Date 09. Aug, 2009.] [Act No.9650, 08. May, 2009, Partial Amendment], Article 212, 216, 217, 218, 219. Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=29453&lang=ENG
- REGISTRATION OF REAL ESTATE ACT [Enforcement Date 25. Jan, 2016.] [Act No.13426, 24. July, 2015, Other Laws and Regulations Amended], Article 3, 34. Available at: <http://www.law.go.kr/lsSc.do?menuId=0&p1=&subMenu=1&nwYn=1§ion=&tabNo=&query=%EB%B6%80%EB%8F%99%EC%82%B0%EB%93%B1%EA%B8%B0%EB%B2%95#undefined>

1.1.2. Legal authority

- Ministry of Justice

1.1.3. Legally required documents or records

- A certified copy of the real estate register - available on the Local Government Office website, search can be carried out by social security number.

1.1.4. Sources of information

Government sources

- forest.go.kr (N.Y.). Forest Agency's Regional Headquarters and Local stations. [online]. Available at: http://www.forest.go.kr/newkfsweb/kfs/idx/Index.do?mn=KFS_01
- LEE, Yong-Kwon, (N.Y.) *Korea's reforestation and sustainable forest management (4)*. [online]. Director of the Korea Forest Service, in Myankore Times. Available at: <http://demo.myankotimes.com/?p=138> [accessed 4 April 2017]
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Non-Government sources

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- Bae, J.S.; Joo, R.W; Kim, Y.S. of the Centre for International Forestry Research CIFOR, 2011. *Forest transition in South Korea: reality, path and drivers*. [online]. Available at: <http://www.cifor.org/library/3515/forest-transition-in-south-korea-reality-path-and-drivers/?pub=3515> [accessed 4 April 2017]
- Park, M.S.; Lee, H. *Forest Policy and Law for Sustainability within the Korean Peninsula*. Sustainability 2014, 6, 5162-5186 [online]. Available at: <http://www.mdpi.com/2071-1050/6/8/5162> [accessed 4 April 2017]
- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [Accessed 4 April 2017].
- GAN Integrity. (2017). South Korea Corruption Report. Available at: <http://www.business-anti-corruption.com/country-profiles/south-korea> [Accessed 4 October 2017].

1.1.5. Risk determination

Overview of legal requirements

Ownership of the forest in South Korea is divided into three types: **national forest** (state owned), and **public forests** (owned by local governments), and **private forests** (owned by private entities).

National Forest

The national forests are owned by the state, and are mostly managed by 24 National Forest Stations.

The national forest can be subdivided into permanent and disposable forests. Most of national forests are permanent forests and they are usually managed for timber production, land conservation, scientific research, development of forestry techniques, preservation of both historical relics and tangible cultural heritage, and other public benefits. Disposable national forest may be converted to other uses.

Public Forests

Public forest owned by local governments comprise about 8% (0.491 million ha) of the total forest land. Public land cannot be acquired so there are no tenure issues.

Private Forests

Private land is bought and sold according to the law for the sale of real property.

For the privately-owned land, the Korean Cadastral system is open to the public online. Transfers of private land are done in accordance with the Civil Act and the Registration of Real Estate Act (i.e. buying and selling of land). The justice department verifies the land ownership of each compartment and area. All registered ownership information is uploaded to the justice department's homepage. Anyone with a land address can search legitimate owner information from the web. The owner of the land holds legal rights of land use, standing trees and other materials.

The Ministry of Land, Transport and Maritime Affairs (MLTM) is responsible for the implementation of the Comprehensive Plan of National Land, which the Ministry reviews and eventually consolidates every five years.

Under MLTL, the Korea Cadastral Survey Corporation (KCSC) is the organization that performs cadastral surveying and is responsible for the management of the ownership and registration system, field surveying, examination of land information and update of registries.

At the local level, KCSC's main duties are to provide cadastral services, such as land registration and examination of cadastral records, to the public. KCSC reports to the cadastral departments in MLTM and consists of a three-level hierarchical structure made of a head office, branch offices in provinces, local agencies in cities, counties and districts.

The local governments are responsible for the management of public properties and facilities and may, within the limit of laws, also "enact provisions relating to local autonomy regulations", as provided for by Article 117 of the Constitution.

Private forests occupy almost 70% of all forest land. 53% of private owners, who have less than 50 ha each, do not actively manage their forest. So the government tries to buy the non-managed private forest land to increase the National forest (Lee 2015).

Under the REGISTRATION OF REAL ESTATE ACT, registration shall be filed with regard to indication of a sectioned building, and establishment, preservation, transfer, change, restriction on disposal or extinguishment of rights falling under any of the following:

1. Ownership;
2. Superficies;
3. Easements;
4. Rights to lease on a deposit basis;

5. Mortgages;
6. Pledges of rights;
7. Leasehold interests.

Register of real estate shall include information in below:

1. ID code
2. Date, month and year
3. The location and a lot number of real estate
4. Land category
5. Area size
6. Purpose of registration

Description of risk

Korea's accuracy of land registration and ownership is very good (Expert Consultation, 2016) and the justice department maintains an online system for certified land registration. It is clear and easy to find ownership information publicly. This helps to reduce tendency of land disputes over private land. Anyone who wants to find the owner of land/forests can visit the justice department website and search for the rightful owner.

According to GAN Integrity 'Corruption is rare within South Korea's land administration. Private property rights are enshrined in the Korean Constitution and are generally well protected (BTI 2016). There is very little chance of expropriation taking place [...] Expropriations of private property can only take place when it is non-discriminatory, for public purposes, follows due process, and takes place with prompt and adequate compensation (ICS 2016). Registering a property involves seven procedures, but only takes five days; just a fourth of the average time in takes in OECD high income countries (DB 2017).'

There are very few complaints about identifying ownership of forestland and timber products. It is systematically well controlled (Expert consultation, 2016).

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.1.6. Risk designation and specification

Low risk

1.1.7. Control measures and verifiers

N/A

1.2. Concession licenses

Legislation regulating procedures for the issuing of forest concession licenses, including use of legal methods to obtain concession license. Especially bribery, corruption and nepotism are well-known issues in connection with concession licenses. The intent of this indicator is to avoid risk related to situations where organizations are obtaining concession licenses via illegal means such as bribery, or where organizations or entities that are not eligible to hold such rights do so via illegal means. Risk in this indicator relates to situations where due process has not been followed and the concession rights can therefore be considered to be illegally issued. The level of corruption in the country or sub-national region is considered to play an important role and corruption indicators (e.g., Corruption Perception Index, CPI) should therefore be considered when evaluating risks.

1.2.1. Applicable laws and regulations

There is no Forest concession licensing system in Republic of Korea.

1.2.2. Legal authority

N/A

1.2.3. Legally required documents or records

N/A

1.2.4. Sources of information

N/A

1.2.5. Risk determination

N/A

1.2.6. Risk designation and specification

N/A

1.2.7. Control measures and verifiers

N/A

1.3. Management and harvesting planning

Any legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities. Cases where required management planning documents are not in place or are not approved by competent authorities should be considered. Low quality of the management plan resulting in illegal activities may be a risk factor for this indicator as well.

1.3.1. Applicable laws and regulations

- FRAMEWORK ACT ON FORESTRY [Enforcement Date 28. Nov, 2009.] [Act No.9723, 27. May, 2009., Partial Amendment] Article 11, 21. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=93821&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- STATE FOREST ADMINISTRATION AND MANAGEMENT ACT [Enforcement Date 01. Dec, 2010.] [Act No.10331, 31. May, 2010., Other Laws and Regulations Amended] Article 3. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=105426&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- FOREST RESOURCES CREATION AND MANAGEMENT ACT [Enforcement Date 02. Dec, 2012.] [Act No.11456, 01. Jun, 2012., Partial Amendment], Article 13, 14, 15. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=125844&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- MOUNTAINOUS DISTRICTS MANAGEMENT ACT [Enforcement Date 23. Aug, 2012.] [Act No.11352, 22. Feb, 2012., Partial Amendment] Article 11, 14. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=123381&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>

1.3.2. Legal authority

- Korea Forest Service
- Regional Forest Service
- Head of city, county

1.3.3. Legally required documents or records

- Harvesting permit issued by local government office (for Public forest and private forest)
- Contract agreement for timber harvesting within the national forest station for state owned forest

1.3.4. Sources of information

Government sources

- Korea Forest Service, 2009. National Report on Sustainable Forest Management in Korea 2009. [online]. Available at: http://www.rinya.maff.go.jp/j/kaigai/pdf/2009p_4_k.pdf [Accessed 4 April 2017]

Non-Government sources

- Park, M.S.; Lee, H. 2014. Forest Policy and Law for Sustainability within the Korean Peninsula [online]. *Sustainability*. 6, 5162-5186 Available at: <http://www.mdpi.com/2071-1050/6/8/5162> [accessed 4 April 2017]
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
- Expert consultation carried out in Seoul by NEPCo, March 2016.
- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
- Sam Lawson, Chatham House, 2014. *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. [online]. Available at: https://www.illegal-logging.info/sites/files/chlogging/Lawson_Thailand_SK_India_PP_2014_0.pdf [accessed 4 April 2017]
- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]
- Lee, Seol Woon, 2017. *Forestry in Korea*. [online]. International Fellow, World Forest Institute. Available at: http://www.worldforestry.org/wp-content/uploads/2015/11/korea_s.lee.pdf [accessed 5 April 2017]
- Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015. Leveraging public programmes with socio-economic and development objectives to support conservation and restoration of ecosystems: lessons learned from the Republic of Korea's National Reforestation Programme. Available online < https://www.cbd.int/ecorestoration/doc/Korean-Study_Final-Version-20150106.pdf>, accessed 4 April 2017.
- Mi Sun Park and Hyowon Lee, 2014. Forest Policy and Law for Sustainability within the Korean Peninsula. *Sustainability* 2014, 6, 5162-5186; doi:10.3390/su6085162. Available: <http://www.mdpi.com/journal/sustainability> . Accessed 3 October 2017.

1.3.5. Risk determination

Overview of Legal Requirements

The fourth and fifth National Forest Development Plans (NFDP) 1998–2013 were focused on developing and implementing the concept of sustainable forest management in South Korea (Park et al 2014).

National forests

Korean law has requirements for Korea's forest agency to prepare and implement a 10 year Forest Management Plan for national forests and the actual harvesting volume each year is strictly controlled.

The Forest Management Plan is a tactical or operational plan for implementing management activities in the field, such as planting, tending, harvesting, road construction, and so on. The size, period, and location of management practices are specified in this level of plan. It is mandatory for national forests by the 'Act on National Forest Management' (Article 8), while recommended for private forests by the 'Forest Resource Management Act' (Article 13)

For the national forest, Korea forest agency is responsible to prepare forest management plan and harvesting plan (10 years / 5 years / 1 year). All information is publicly available by the "public information act". (www.forest.go.kr).

Public and private forests

The local government also maintains a 10 year Forest Management Plan for "other" forests a.k.a public and private forest areas, however they are not mandatory but are recommended for according to the 'Forest Resource Management Act' (Article 13).

For public and private forest, local government is responsible to plan and maintain information for forest management plan and harvesting plan.

Private owners must submit a forest management plan (where they have decided to develop one) and harvesting plan to local government for approval to obtain a harvesting permit. The local government office collects information and compares it with the forest management plan.

The Forest Cooperative Foundation supports development of management plans for their members.

For all forest types, the forest management plans are made in accordance with the application and procedure provided in the Forest Law, and is implemented in the field by forest owners, forestry cooperative or private harvesting enterprises that have contractual relationship with forest owners.

In regards to the Forest Resources Creation and Management Act, the Forest agency is responsible to set up forest management plan, and the private company or group who participate in the harvesting operation should follow the order and direction of the forest agency.

Article 13, 14 and 15 of the Forest Resource Management Act set out the requirements for forest management planning.

Relevant parts of the Act have been summarized here:

Article 13 (Establishment and Authorization of Forest Management Plans)

1. The heads of local governments **shall** devise ten-year forest management plans for their national forests and manage the forests according to such plans [...].
2. The owners of public or private forests [...] **may** work out forest management plans including ten-year management plans ahead and file an application for authorization thereof with the heads of Sis/Guns/Gus (Note: cities (si 시/市), counties (gun 군/郡), districts (gu 구/區)) [...].
3. The forest management plans referred to in paragraph (2) shall be prepared by the owners of forests themselves or by the forest technicians prescribed by Presidential Decree [...]

4. The heads of Sis/Guns/Gus shall, when deemed that the forest management plans filed for authorization pursuant to paragraph (2) are proper for efficiently creating and managing the forests concerned, grant authorization under the conditions as prescribed by Ordinance of the Ministry for Food, Agriculture, Forestry and Fisheries.
5. When the owners of forests intend to alter any such important matters [...] which are included in forest management [...] they shall obtain authorization for such alteration as prescribed [...].
6. [...].
7. The standards for drawing up the forest management plans under paragraph (2) and other necessary matters shall be prescribed by Presidential Decree.
8. [...]

Article 14 (Implementation of Forest Management Plans)

1. The owner of forest who has obtained authorization for forest management plan in accordance with Article 13 (4) shall implement the forest management plan.
2. When the size of forest for which the management plan is authorized is not larger than that prescribed by Ordinance [...], the head of Si/Gun/Gu (Note: cities (si 시/市), counties (gun 군/郡), districts (gu 구/區)) concerned may encourage the owner of forest to allow a forest-specialized organization such as the forestry cooperative under the Forestry Cooperatives Act to manage the forest by proxy (hereinafter referred to as "management by proxy") [...].
3. The owner of forest or the person who manages forest by proxy pursuant to paragraph (2) shall report in advance to the head of Si/Gun/Gu concerned on the cutting standing [...]
4. [...]
5. Article 15 (Revocation, etc. of Authorization for Forest Management Plans)
6. [...] the head of Si/Gun/Gu concerned may revoke such authorization or suspend the forest project undertaken pursuant to the forest management plan [in the following circumstances]:
 1. Where the authorization is obtained in any false or other unjust manner;
 2. Where the owner of forest has failed to perform the forest project as set forth in the authorized forest management plan without any justifiable reason [...]; or
 3. Where the outcome of implementation of the forest project pursuant to the forest management plan has failed to fulfill the standards prescribed by Presidential Decree [...].

Description of Risk

The risks for this indicator may be that

- (a) Forest Management Plans (FMP) are not in place where they are required by law;
- (b) FMP are not approved by competent authorities; or

(c) FMP are of poor quality resulting in illegal and/or unsustainable forest management practices.

Based on the information available, including the experience of the drafters of this report and input from experts, these risks appear controlled by the following factors:

- Sustainable forest management is a significant government priority in Korea, and extensive resources have been dedicated to meeting the National Forest Plans (reported extensively, but see for example Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea 2015 and Park and Lee 2014). According to
- Korea's law/regulations on forest management and harvesting plan are strongly implemented across the different types of forest owners (Expert consultation 2016). Central and regional administrative/technical powers were mobilized for the reforestation, erosion control, and clearing slash-and-burn fields. Police forces were mobilized for forest protection (Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea 2015).
- As the management planning requirements rest with government agencies who are well resourced, and for whom sustainable forest management is a national priority, the risk of non-conformance with requirements is considered low (Expert consultation 2016).

These risks have not been observed in the extensive field experience of the drafters of this report (both public and private sector).

These risks have not been raised in any of the available publications reviewed in the preparation of this report nor raised by the experts consulted in Seoul in (2016). Many publications commend the reforestation programme carried out by Korea since the Korean War (*Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea 2015* for example)

Furthermore, these risks were not raised as significant in the discussions with experts in Seoul in 2016 carried out by the authors of this report.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.3.6. Risk designation and specification

Low risk

1.3.7. Control measures and verifiers

N/A

1.4. Harvesting permits

Legislation regulating the issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. It includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits. Risk relates to situations where required harvesting is carried out without valid permits or where these are obtained via illegal means such as bribery. In some areas, bribery may be commonly used to obtain harvesting permits for areas and species that cannot be harvested legally (e.g., protected areas, areas that do not fulfil requirements of minimum age or diameter, tree species that cannot be harvested, etc.). In cases where harvesting permits classify species and qualities to estimate fees, corruption and bribery can be used to classify products that will result in a lower fee. The level of corruption in a country or sub-national region is considered to play an important role and corruption indicators should therefore be considered when evaluating risks. In cases of illegal logging, harvesting permits from sites other than the actual harvesting site may be provided as a false proof of legality with the harvested material.

1.4.1. Applicable laws and regulations

- FRAMEWORK ACT ON FORESTRY [enforcement date 28. Nov, 2009.] [act no.9723, 27. May, 2009., partial amendment] article 11, 21. Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=93821&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>
- STATE FOREST ADMINISTRATION AND MANAGEMENT ACT [enforcement date 01. Dec, 2010.] [act no.10331, 31. May, 2010., other laws and regulations amended] article 3. Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=105426&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>
- FOREST RESOURCES CREATION AND MANAGEMENT ACT [enforcement date 02. Dec, 2012.] [act no.11456, 01. Jun, 2012., partial amendment] article 13, 14, 15. Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=125844&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>
- MOUNTAINOUS DISTRICTS MANAGEMENT ACT [enforcement date 23. Aug, 2012.] [act no.11352, 22. Feb, 2012., partial amendment] Article 11, 14. Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=123381&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>

1.4.2. Legal authority

- Korea Forest Service
- Regional Forest Service
- Head of city, county

1.4.3. Legally required documents or records

- Harvesting permit issued by local government office (for Public forest and private forest)
- Contract agreement for timber harvesting with national forest station for state own forest

1.4.4. Sources of information

Non-Government sources

- Mihyun Seol et al. 2015. *Trends of Illegal Logging Prohibition Regulations: Focus on the Case of United States' Lacey Act* [online]. Available at: http://kiss.kstudy.com/journal/thesis_name.asp?tname=kiss2002&key=3380899
- Park, M.S.; Lee, H. 2014. Forest Policy and Law for Sustainability within the Korean Peninsula. [online]. *Sustainability*, 6, 5162-5186. Available at: <http://www.mdpi.com/2071-1050/6/8/5162> [Accessed 4 April 2017]
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
- Expert consultation carried out in Seoul by NEPCon, March 2016.
- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
- Sam Lawson, Chatham House, 2014. *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. [online]. Available at: https://www.illegal-logging.info/sites/files/chlogging/Lawson_Thailand_SK_India_PP_2014_0.pdf [accessed 4 April 2017]
- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]
- Lee, Seol Woon, 2017. *Forestry in Korea*. [online]. International Fellow, World Forest Institute. Available at: http://www.worldforestry.org/wp-content/uploads/2015/11/korea_s.lee.pdf [accessed 5 April 2017].
- Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015. Leveraging public programmes with socio-economic and development objectives to support conservation and restoration of ecosystems: lessons learned from the Republic of Korea's National Reforestation Programme. Available online < https://www.cbd.int/ecorestoration/doc/Korean-Study_Final-Version-20150106.pdf>, accessed 4 April 2017.

1.4.5. Risk determination

Overview of Legal Requirements

National Forest

For national forests, the relevant local forest station develops the design of the forest operation and completes the harvesting of timber materials. They then sell the timber through the national asset auction system, an open bid competition. There are requirements to register in the government open bid system. Sales agreement can be identified as proof of legality of timber materials.

Other forests (Public and Private forest)

For other forests it is the responsibility of local governments to provide permission for harvesting operations. Applicants should submit:

- (a) GPS location map,
- (b) survey report for target volumes of cutting trees,
- (c) harvesting plan (including purpose, duration, utilization plan, reforestation plan, etc.),
- (d) plan for installation and restoration of extract road,
- (e) certificate of ownership or use right/beneficiary right of a person who intends to cut the tree.

Mountainous Districts

Mountainous districts are treated differently to other land areas in South Korea, and specific requirements apply when harvesting is carried out for converting land in mountainous districts. Under the Mountainous Districts Management Act, all mountainous districts are deemed restricted or specific use areas, however, this designation can be amended by the Administrator of the Korea Forest Service, which can result in clearance of land. If this is the case, a permit from Korean Forest Service (KFS) is required for any harvesting activities.

Description of Risk

There is a risk that harvesting is carried out without valid permits or where these are obtained via illegal means such as bribery. A risk is also present related to inconsistency of data between harvesting permit documents and real output volume of harvested forest materials.

There are historical reports of illegal logging in South Korea. According to Park et al (2014), from 1945 to 1961, the frequency of illegal logging was 24,085 cases, and the average volume of illegally logged timber was 92,853 m³ per year. After Japanese occupation of the Republic of Korea (ROK), illegal and indiscriminate logging, the collection of fuelwood for household uses and shifting cultivation methods were recognized as the direct drivers of deforestation in Korea. The

indirect drivers of forest degradation were the South-North division, the Korean War, population increase, poverty, and weak administrative power (Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015).

During the Korean War, almost half of the forest land was destroyed. This destruction was coupled with increases in illegal logging and the expansion of slash and-burn agriculture in the midst of post-war social unrest. Until the 1960s, illegal logging was so prevalent that it was considered 'one of five social evils' (Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015). The National Forest Plans, first implemented in the 1960s and continuing until today were a direct response to the significant deforestation experienced in Korea, and a dedicated effort to reforest the country. The programme is seen as a success story, and a number of factors are recognized to contribute to this success:

- strong and committed leadership;
- diagnosing and addressing the underlying causes of deforestation, including illegal logging; and

- the establishment of the comprehensive Forest Rehabilitation Programme, as well as with the support of administrative, police and technological power (Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea, 2015)

According to the Korean Forest Service “there is no illegal logging in Korea. Reasons: clearness of ownership, no profit, no use as a fuel” (KFS 2013)

In 2014 there were 3.123 cases of illegal harvesting, amounting to 1.143 ha and 736.393 m³ of timber. This was substantially more than the previous years (approximately 2300 cases). Out of the 3.123 cases in 2014 there were 2.411 cases about illegally converting forest to other uses (KFS 2016). Out of a total of 6.335.000 hectares of forests in ROK, the illegal harvesting of 1.143 hectares means 0,01% of the total area was illegally harvested.

There are no official international reports or international messages about substantial illegal harvesting inside ROK (Chatham House 2014 and others). The country is not associated with or designated as source of conflict timber according to latest available research

Korea history has very strong punishment on illegal harvesting from any type of forest and strongly enforces the concept that all harvesting activity should be reported and approved by national or local government office. All forest agency public officers have judicial power to investigate and prosecute independently regarding illegal activities within forests. These strong enforcement activities are recognized as a contributor to good forest governance in Korea and SFM (Secretariat of the Convention on Biological Diversity and the Korea Forest Service, Republic of Korea 2015)

The Korean Forest Service has undertaken a number of activities under the authority of the *Act on the Sustainable Use of Timbers*. Since 2015, Korea Forest Service has cooperated with Ministry of Trade, Industry and Energy on the applicable products; with Korea Customs Service about declaration of materials; with Public Procurement Service about links between the extermination of illegal cutting trees and procurement work (Mihyun Seol et al. 2015).

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea.

Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a specified risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.4.6. Risk designation and specification

Low risk

1.4.7. Control measures and verifiers

N/A

TAXES AND FEES

1.5. Payment of royalties and harvesting fees

Legislation covering payment of all legally required forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue often combined with bribery of officials in charge of controlling the classification.

1.5.1. Applicable laws and regulations

- STATE FOREST ADMINISTRATION AND MANAGEMENT ACT [enforcement date 01. Dec, 2010.] [act no.10331, 31. May, 2010., other laws and regulations amended] article 13, 21, 23. Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=105426&chrclscd=010203&urlmode=englsinfor&iewcls=englsinfor#0000>
- ENFORCEMENT DECREE STATE FOREST ADMINISTRATION AND MANAGEMENT ACT [enforcement date 28. Sep, 2015.] [act no.26541, 22. Sep, 2015., partial amendment] Article 9, 21. Available at: <http://www.law.go.kr/lumlslinkpop.do?lsid=009999&lsthdcmpcls=lo&jono=001300000>
- ACT ON CONTRACTS TO WHICH THE STATE IS A PARTY [enforcement date 18. Dec, 2012.] [act no.11547, 18. Dec, 2012., partial amendment] Available at: <http://www.law.go.kr/lsinfop.do?lsiseq=130802&chrclscd=010203&urlmode=englsinfor&iewcls=englsinfor#0000>
- CRIMINAL ACT [enforcement date 05. Apr, 2013.] [act no.11731, 05. Apr, 2013., partial amendment]

1.5.2. Legal authority

- Korea Forest Service
- Ministry of Strategy and Finance
- Public Procurement Service

1.5.3. Legally required documents or records

- Sales contract, financial statements
- Eligibility criteria of bidders in case bidding is limited to specific bidders

1.5.4. Sources of information

Non-Government sources

- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
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- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
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- GAN Integrity. (2017). South Korea Corruption Report. Available at: <http://www.business-anti-corruption.com/country-profiles/south-korea> [Accessed 4 October 2017].
- David McNeill and Donald Kirk for the Independent. (2013). Tax evasion, bribery and price-fixing: How Samsung became the giant that ate Korea. Available at: <http://www.independent.co.uk/news/world/asia/tax-evasion-bribery-and-price-fixing-how-samsung-became-the-giant-that-ate-korea-8510588.html>, accessed 4 October 2017.

1.5.5. Risk determination

Overview of Legal Requirements

National Forests

For a national forest harvesting operation, the forest agency develops harvesting operations and conducts an open bid competition to find buyer for harvested forest products. It is considered that royalties and harvesting fees are already included in the open bid minimum price. A successful bidder of National forest materials is legally required to pay royalties and a fee. The specific rates for the royalties and fees are prescribed by Ordinance of the Ministry of Agriculture, Food and Rural Affairs, and change periodically. The open bid system includes a process for checking payment results of the royalties and harvesting fees.

Other Forests (public and private)

For private forests, harvesting operations are directly controlled by the private owner of the forest, apart from the 10% VAT that must be reported to tax agency, and it is included in the annual income tax report (as described in below in 1.6), there is no legally required royalties if the harvesting is conducted by rightful owner (National/Private). Other expenses related to harvesting operation (design, insurance of operators) must be covered by harvesters.

For state forests, public forests or private forests managed by proxy by the Korea Forest Service (at the request of the owner), the expenses for management by proxy shall be borne by the owners or administrators. When the Minister of the Korea Forest Service put state forests to lease, etc., he/she shall collect lease charges or rental fees every year.

The fees for leasing state forests are calculated by multiplying a land price by some rates, and is always done on a case by case basis by the KFS. For example, a rate is at least 1% in the case of forestry income project; and a rate is at least 2% in the case of ski resort project.

Description of Risk

The risk of non-payment of fees either through avoidance or via corruption and bribery is possible in South Korea, however, there has not been any information uncovered in the preparation of this report to indicate that this is occurring systematically in the forest sector.

According to GAN Integrity (2017):

Corruption in the tax administration presents business with moderate risks. Bribes and irregular payments are sometimes exchanged in meetings with tax officials (GCR 2015-2016 in GAN Integrity 2017). Due to the complexity of Korean tax laws and the potential for misunderstanding provisions, foreign companies should consider hiring a local accounting company to file taxes (CCG 2017 in GAN Integrity 2017). Tax evasion among corporations is extensive; an example is a current investigation into Toyota Korea over a large tax evasion scheme (Yonhap News, Mar. 2017 in GAN Integrity 2017). In addition, investigations into tax matters are sometimes launched by high-ranking political figures to intimidate political opponents or other actors not toeing the line (BTI 2016 in GAN Integrity 2017). Family-controlled conglomerates, chaebols, dominate the economic sphere and receive lenient penalties for financial crimes such as tax evasion due to connections with government officials (ICS 2016; The Economist, Jan. 2017 in GAN Integrity 2017), and thus impeding fair competition.

Tax evasion and bribery have received wide international media attention in Korea in recent years with the high-profile case involving the former President Park Geun-hye and the technology company Samsung. The president was impeached and the case has led to law reform in Korea to combat similar corruption and bribery cases from reoccurring (.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed, or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.5.6. Risk designation and specification

Low risk

1.5.7. Control measures and verifiers

N/A

1.6. Value added taxes and other sales taxes

Legislation covering different types of sales taxes, which apply to the material being sold, including selling material as growing forest (standing stock sales). Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.

1.6.1. Applicable laws and regulations

- VALUE-ADDED TAX ACT [Enforcement Date 01. Jan, 2015.] [Act No.12851, 23. Dec, 2014., Partial Amendment] Article 4, 29, 48, 49. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=141063&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>

1.6.2. Legal authority

- Ministry of Strategy and Finance

1.6.3. Legally required documents or records

- Tax invoice
- Preliminary return declaration
- Final return declaration

1.6.4. Sources of information

Non-Government sources

- KPMG, 2016. *Global Indirect Tax – South Korea – Country GST/VAT Essentials* [online]. Available at: <http://www.akit.ru/wp-content/uploads/2016/05/%D0%9E%D1%82%D1%87%D0%B5%D1%82-KPMG-%D0%9D%D0%94%D0%A1-%D1%80%D0%B5%D0%B3%D0%B8%D1%81%D1%82%D1%80%D0%B0%D1%86%D0%B8%D1%8F-%D0%B2-%D0%AE%D0%B6%D0%BD%D0%BE%D0%B9-%D0%9A%D0%BE%D1%80%D0%B5%D0%B5.pdf> [accessed 6 April 2016]
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- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]

1.6.5. Risk determination

Overview of Legal Requirements

In South Korea, there is an automatic 10% VAT levying system being added to the sales price of all timber sales (KPMG 2016). Any products sold will automatically include the 10 per cent sales tax.

Every business person engaged in the business of supplying goods or services, whether or not for profit (a “business person”), is required to register for VAT purposes by applying for a business registration certificate with the Ministry of Strategy and Finance (KPMG 2016).

Additional tax, in the nature of penalties, is imposed for failure to register or late registration. Every business person engaged in the supply goods or services subject to VAT is required to file VAT returns on a quarterly basis.

Each business person fixes their own VAT liability by filing a VAT return. However, the government may reassess the tax base and the net VAT payable or refundable and impose penalty tax if the business person fails to file a return, if the return contains errors or omissions, or if the business person is found to be evading taxes (KPMG 2016, Deloitte 2016).

According to the VALUE-ADDED TAX ACT:

- The tax base for value-added tax [...] shall be the total value of all supplies of goods or services provided during the relevant taxable period.
- Value-added tax [...] shall be collected from the person who is supplied with such goods or services.
- Supplier of goods or services must issue an invoice.
- Within 25 days after the end of preliminary return period, each taxpayer must prepare a tax return showing the amount of tax payable or the amount of tax refundable for the period and submit it to the head of the relevant tax office.

- Payment of taxes must then be made to the relevant tax office.

Description of Risk

The risk of non-payment of VAT, either through avoidance or via corruption and bribery is possible in South Korea, however, there has not been any information uncovered in the preparation of this report to indicate that this is occurring systemically.

The only issue which emerged related to VAT in South Korea was an increased scrutiny of importing companies in South Korea for losses in VAT revenue on imported goods in 2013. As this does not relate to the export of Korean timber products, this is not deemed relevant to the risk in this indicator (EY 2013, p 6).

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea.

Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.6.6. Risk designation and specification

Low risk

1.6.7. Control measures and verifiers

N/A

1.7. Income and profit taxes

Legislation covering income and profit taxes related to the profit derived from sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies or related to salary payments.

1.7.1. Applicable laws and regulations

- INCOME TAX ACT [Enforcement Date 26. Oct, 2011.] [Act No.10898, 25. Jul, 2011., Other Laws and Regulations Amended] Article 2, 65, 70. Available at:

<http://www.law.go.kr/lsinfop.do?Lsiseq=165309&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>

- CORPORATE TAX ACT [Enforcement Date 01. Jul, 2013.] [Act No.11873, 07. Jun, 2013., Other Laws and Regulations Amended] Article 2, 60. Available at: <http://www.law.go.kr/lsinfop.do?Lsiseq=141083&chrclscd=010203&urlmode=englsinfor&viewcls=englsinfor#0000>

1.7.2. Legal authority

- Ministry of Strategy and Finance

1.7.3. Legally required documents or records

- Tax notice of the amount of tax for interim prepayment
- Final return declaration on the tax base of global income
- Report on the corporate tax base and the tax payable on income
- Statement of financial position
- Consolidated income statement
- Earned surplus settlement statement (or deficits settlement statement)
- Tax settlement invoice

1.7.4. Sources of information

Non-Government sources

- Deloitte, 2017. *International Tax – Korea Highlights 2017* [online]. Available at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-koreahighlights-2017.pdf> [accessed 2017]
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- EY, 2015. *South Korea introduces one-time temporary voluntary disclosure program for offshore income and assets*. [online]. Available at: <http://taxinsights.ey.com/archive/archive-news/south-korea-introduces-one-time-temporary-voluntary.aspx> [accessed 6 April 2017]
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- KPMG, 2015. *Korea Tax Profile* [online]. Available at: <https://home.kpmg.com/content/dam/kpmg/pdf/2015/10/korea-2015.pdf> [accessed 6 April 2016]
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
- Expert consultation carried out in Seoul by NEPCo, March 2016.
- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
- Sam Lawson, Chatham House, 2014. *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. [online]. Available at: https://www.illegal-logging.info/sites/files/chlogging/Lawson_Thailand_SK_India_PP_2014_0.pdf [accessed 4 April 2017]
- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]

1.7.5. Risk determination

Overview of Legal Requirements

The income and profit taxes applicable to forestry companies in Korea is dependent on the company type (rather than the forest type)

The basic Korean corporate tax rates are currently (KPMG 2015):

- 10 percent on the first KRW 200 million of the tax base
- 20 percent up to KRW 20 billion
- 22 percent for amounts above KRW 20 billion

For tax years 2015 to 2017, a 10 percent rate of cash reserve tax is levied on a domestic company (including a Korean subsidiary of foreign company but not branch) that falls within one of the two categories below (KPMG 2015):

- A company that belongs to a group of conglomerates, in which cross holdings are banned by the anti-trust law; or
- A company with capital of more than KRW 50 billion (excluding the small and medium-sized companies under the Restriction of Special Taxation Act)

Local income tax of 10 percent of the corporate income tax due (including cash reserve tax) before deductions/exemptions will also be due. From the taxable year of 2014 a separate local tax filing will be required for local income tax purposes. Previously, local income tax was paid along with the corporate tax obligation.

A corporation is considered to be resident in Korea if the corporation has its head or main office, or place of effective management in Korea. A resident corporation is liable in Korea for corporate income tax on its worldwide income. A non-resident corporation is liable for corporate income tax on income from Korean sources only. However, liquidation income of a non-resident corporation is not taxable (KPMG 2015).

A Public Corporation is a corporation that is either listed on a public stock exchange or certain conditions are met, such as the gross assets of the corporation being KRW 12 billion or more in the preceding business year. Public Corporations are subject to statutory audit by an independent certified public accountant and must submit externally audited financial statements with their annual corporate tax returns. If a Public Corporation does not submit

externally audited financial statements with its annual corporate tax return, the filing will not be accepted, and the entity will be subject to non-compliance penalties. A Non-Public Corporation must prepare financial statements in accordance with GAAP, but an external audit is not required. The corporate tax return (for both Public and Non-Public corporations) must be filed within three months of the last day of the taxation year. The local income tax return (for both Public and Non-Public corporations) must be filed within four months from the last day of the taxation year.

No corporate tax shall be imposed on domestic corporations, such as the State and local governments (including local government associations). A domestic corporation liable to pay tax shall file a report on the corporate tax base and the tax payable on income for the relevant business year within three months from the end date of the month in which the end date of each business year falls, to the head of the tax office having jurisdiction over the place of tax payment.

Description of Risk

The risk of non-payment of corporate income tax, either through avoidance or via corruption and bribery is possible in South Korea, however, there has not been any information uncovered in the preparation of this report to indicate that this is occurring systemically.

In 2015-2016 South Korea introduced a one-time temporary voluntary disclosure programme for offshore income and assets. The programme was designed to promote voluntary disclosure of unreported offshore income and assets from prior tax years for tax resident individuals and domestic entities (EY 2015). The temporary measures ran from 1 October 2015 to 31 March 2016. There is no information available to indicate that this programme was developed because of a risk of non-payment of income tax, however that is a possibility. Based on the available evidence, this issue alone is not considered sufficient to warrant a specified risk finding for this indicator.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.7.6. Risk designation and specification

Low risk

1.7.7. Control measures and verifiers

N/A

TIMBER HARVESTING ACTIVITIES

1.8. Timber harvesting regulations

Any legal requirements for harvesting techniques and technology including selective cutting, shelter wood regenerations, clear felling, transport of timber from felling site and seasonal limitations etc. Typically this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.

1.8.1. Applicable laws and regulations

- Guideline on Sustainable Forest Resource Management [Enforcement Date 22. Feb, 2015.] [Instruction No.1244, 27. Feb, 2015., Partial Amended] II-3-바, III-4. Available at: http://mobile.law.go.kr/LSWM/mobile/admRulScInfo.do;jsessionid=kTvrXyfuGeiaPhUHgVsFGKEdR5jyimNjag6jkiVG2xBeZQBrqdRZiznz0NqRqiDB.de_kl_a6_servlet_PRM?admRulSeq=2100000014724&admRulNm=%EC%B5%9C%EC%8B%A0%ED%96%89%EC%A0%95%EA%B7%9C%EC%B9%99&searchKeyword=&pageIndex=8&name=admRulSc

1.8.2. Legal authority

- Korea Forest Service

1.8.3. Legally required documents or records

- Forest management plan
- Harvesting permit
- Specification of harvest

1.8.4. Sources of Information

Government sources

- Mobile.law.go.kr 2015. *Guideline on Sustainable Forest Resource Management* [Online] Available at: http://mobile.law.go.kr/LSWM/mobile/admRulScInfo.do;jsessionid=kTvrXyfuGeiaPhUHgVsFGKEdR5jyimNjag6jkiVG2xBeZQBrqdRZiznz0NqRqiDB.de_kl_a6_servlet_PRM?admRulSeq=2100000014724&admRulNm=%EC%B5%9C%EC%8B%A0%ED%96%89%EC%A0%95%EA%B7%9C%EC%B9%99&searchKeyword=&pageIndex=8&name=admRulSc

Non-Government sources

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 - World Bank, 2015. Worldwide Governance Indicators – Republic of Korea. <http://info.worldbank.org/governance/wgi/#reports>
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1.8.5. Risk determination

Overview of Legal Requirements

The *Forestry Handbook* (Issues by Korea Forest research Institute) and the *Guidelines for harvesting and silvicultural activities* must be followed for all timber harvesting in Korea. These documents aim to entrench SFM in Korea This publication is aiming for the implementation of SFM within South Korea. Compliance with the guidelines is mandatory for all forestry activities that require prior written approval, or a license, from the KFS.

The '*Sustainable Forest Resource System Instructions defined by Korean Forest Service*' also apply.

These guidelines are based on the Forest Protection Act and the Forest Resources Creation and Management Act (Article 10).

These three documents contain the timber-harvesting regulations and introduces a registration system of timber production business and legal grounds for support. This instruction covers **national forest**, **public forest** and **private forest**. Korea Forest Service, local governments and Forestry Cooperatives inspect harvesting sites and activities to detect violations of the instruction.

The Guideline on Sustainable Forest Resource Management sets out the following requirements:

- Harvesting prohibition area: over 80% ridges, rocky forestland, watershed with 30m from full level, average tree height from road, boundary with paddy and residential area, fireproof forest, etc.
- clear cut: 50ha cut in max, retention at least 50 trees after clear cut
- thinning: within 30%
- extraction road: less than 3m in width
- buffer zone: 20m from waterway with more than 3m in width
- other: trees retention methods, harvesting techniques, etc.

For **national forests**, all harvesting activities are supervised by the national forest agency. According to the KFS, more concrete surveillance systems will be supplemented soon through further legislation.

- Following the granting of a harvesting permit the *Forest Protection Bureau* of the KFS is responsible for monitoring that timber harvesting is in compliance with the conditions of the permit.
- Before harvesting each landowner must fill in and submit a special application form to the local authorities, together with his FM plan (if there is any required), planned harvesting amount, planting plan, etc (all following requirements listed in documents mentioned above). The local authority goes out to the field to check the status and comparing this with the information on the application form. If there is no problem, the local authority

issues the harvesting permit. They also check things against the GISDB online system. Depending on the cases permits are also required from a regional KFS office. This is the case when it's about forest >5 ha (and not solitary trees or agricultural lands).

Description of Risk

According to the FAO (2010), although the forest area occupies 65% of the whole land, the productivity of forest in Korea is very low because of the high share of the young premature stands but also due to the low harvest volume limits set by Government; the whole cutting volume permitted is usually about 11% of annual increase.

Youn (undated) states that timber harvesting has been strictly regulated by the authorities according to forest and

environmental laws in ROK.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea.

Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.8.6. Risk designation and specification

Low risk

1.8.7. Control measures and verifiers

N/A

1.9. Protected sites and species

International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal harvesting within protected sites, as well as illegal harvest of protected species. Note that protected areas may include protected cultural sites, including sites with historical monuments.

1.9.1. Applicable laws and regulations

- FOREST PROTECTION ACT [Enforcement Date 05. Feb, 2011.] [Act No.10000, 04. Feb, 2010., Other Laws and Regulations Amended] Article 7, 9, 18-2. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=102449&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
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- Enforcement Rules for the Act on Forest Protection, Ordinance of the Ministry of Agriculture, Forestry and Livestock No. 185 of December 31, 2015. - <http://www.law.go.kr/%EB%B2%95%EB%A0%B9/%EC%82%B0%EB%A6%BC%EB%B3%B4%ED%98%B8%EB%B2%95%EC%8B%9C%ED%96%89%EA%B7%9C%EC%B9%99>

1.9.2. Legal authority

- Korea Forest Service
- Ministry of Environment

1.9.3. Legally required documents or records

N/A

1.9.4. Sources of Information

Government sources

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- Ministry of Environment/ National Institute of Biological Resources. Korean Red List of Threatened Species Second Edition. 2014
<http://www.nationalredlist.org/files/2016/04/Korean-Red-List-of-Threatened-Species-English-compressed-2.pdf>
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- Direct link to Korea's National Biodiversity Strategy: http://www.cbd-chm.go.kr/dirFileDownload.do?path_key=etc&sfile_nm=eng_rpt2.pdf&file_nm=Korea%27s+National+Biodiversity+Strategy+2014-2018.pdf.

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1.9.5. Risk determination

Overview of Legal Requirements

The Korea Forest Service and the Ministry of Environment cooperate with each other in order to manage protected sites and species, such as National Park and Baek-du-dae-gan protective areas. While the Korea Forest Service manages protected areas in relation to forest protection, the Ministry of Environment manages the fauna species and habitats. In addition, the Cultural Heritage Administration manages the protected areas or the endangered species if any altering, capturing, or collecting happens in cultural sites including historical monuments.

- *Protected Areas*
- Korea has a system, for maintaining protected sites and species that recognises them as protected areas in 10 major categories;
 - i) Natural Parks,
 - ii) Ecosystem and Landscape Conservation Areas,
 - iii) Marine Ecosystem Protected Areas,
 - iv) Marine Environment Conservation Zone,
 - v) Wetland Protected Areas,
 - vi) Baekdudaegan Mountains Reserve,
 - vii) Forest Genetic Resource Reserve,
 - viii) Nature Reserve,
 - ix) Wildlife Protected Areas, and
 - x) Special Islands.
- Activities such as construction of buildings, installation of artificial structures or other facilities, changing the form and quality of land, gathering soil and stones, harvesting timber, or conducting any other activity similar thereto are NOT allowed within core districts in a Protection Area.
- As of the end of 2013, 1.402 sites and 2.070.300 hectares (20% of the total land in SK) in total, with some overlapped areas, are designated as protected areas in the country.
 - **Natural Parks** are designated and managed to protect natural ecosystems, breathtaking natural scenery and cultural heritage. Natural parks are classified into national parks, provincial parks and country parks. The 78 sites are consisting of; 21 national parks, 29 provincial parks, and 28 county parks and 5 Geoparks. All parks are under the direct

responsibility of the Ministry of Environment (MoE) and are managed according to the 2002 [National Park Act](#). Harvesting is not allowed in any National Park.

- **Ecosystem and Landscape Conservation Areas** - harvesting is not allowed in conservation areas, excluding special case, such as disease spread out. Korea does carry out EIA (environmental impact assessment) when civil-engineering construction is operated in protected areas, with forest expert. These protected sites are managed based on the '[Act on the conservation and use of biological diversity](#)'.
- **Baekdudaegan Mountains Reserve, Forest Genetic Resource Reserve and Nature Reserves** - The Korea Forest Service (KFS) is responsible for the overall policies and management projects, while the MoE is involved in the protection of ecosystems. The sites are within the borders of 32 cities and counties. This protected area contains and connects several nature parks, National Parks, Provincial Park, County Park, and Ecosystem and Landscape Conservation Areas. Thus there is an overlap with other areas. Under the Act on the Protection of Baekdu-Jiri Grand Mountain Ranges, any activity in Protection Areas is strictly restricted excluding some exceptional cases, legally permitted with special reasons.
- **Wildlife Protected Areas & Special Islands** - Management is based on [Wildlife Protection Act](#), 2010.
- **Cultural Heritage Sites** - The heritage preservation system of South Korea is a multi-level program aiming to preserve and cultivate Korean cultural heritage. The program is administered by the Cultural Heritage Administration ([CHA](#)), and the legal framework is provided by the Cultural Heritage Protection Act of 1962, last updated in 2012.
- As of 2014, the country has nine cultural and one natural World Heritage Sites. Harvesting, is allowed in Heritage sites only in exceptional cases, but an environmental impact assessment has to be carried out first.
- **International designated** – Several areas in Korea under international treaties, such as RAMSAR, UNESCO Biosphere Reserve and World Natural Heritage. Total 18 areas are listed as Ramsar Wetlands, 4 areas are designated as UNESCO Biosphere Reserves, and one in the list of UNESCO World Natural Heritage.
- The KFS use their own system of protection classes, but there is a 100% overlap with protection classes mentioned above. The KFS system includes: Disaster prevention; Living env. Protection; 1st class watershed protect; 2nd class watershed protect; 3rd class watershed protect; Landscape protect; Forest genetic resource protect; and Baekdu daean protection.

Protected Forests

Under the *Forest Protection Act*, the Special Metropolitan City Mayor, a Metropolitan City Mayor, a Do Governor, or the Governor of a Special Self-Governing Province may, if necessary to protect a particular forest, designate it as a forest conservation zone classified into any of the following categories:

1. Conservation zone for the living environment: A zone considered necessary for the conservation and maintenance of the living environment and public health and sanitation around a city, an industrial complex, a major hospital, or a sanatorium;
2. Conservation zone for scenic views: A zone considered necessary for the conservation of scenic views around a scenic spot, a historic site, a tourist destination, a park, an

amusement park, around access roads to such a place, around a road, rail road, or a beach;

3. Conservation zone for development of water resources: A zone considered necessary for the development of water resources, the prevention of floods, or the quality control of drinking water sources;
4. Conservation zone for disaster prevention: A zone considered necessary for the prevention of soil erosion and rock slides and the prevention of damage by sea breeze, tidal waves, sand, etc.;
5. Conservation zone for forest gene resources: A zone considered necessary for the conservation of genes and species of plants in a forest or a forest ecosystem.

No one may conduct any of the following activities within a forest conservation zone;

1. Thinning out standing trees or bamboo;
2. Mining or collecting forestry products;
3. Grazing livestock;
4. changing the form or quality of land.

Rangers are empowered to provide on-the-spot fines for minor offences, but have to liaise with police in cases where the offender is not cooperative (particularly with respect to providing identification); more important offences are handled by police and prosecutors. There are three levels of penalty. Minor offences are punished by fines, with or without indictments depending on the type of offence (KNPS 2009).

- *Protected species*
- Flora & Fauna and cultural heritage is also protected by a [National red list](#). Out of total 41,483 species, 2,038 species are designated as endangered and 109 of these are red species (lit 74). Based on the *Act on Wildlife Protection and Management*, the number of endangered species is 246, in two classes:
 - Class I includes 51 species of endangered wild animals and plants that have a rapid reduction in their population to the extent that they may become endangered in near future unless the threats are removed or diminished.
 - Class II includes 195 species of wild animals and plants which show a concerning rate of reduction in their population due either to natural or artificial threats.
- There are a number of tree species listed as endangered in the Red List, including *Juniperus chinensis* Linnaeus, *Thuja koraiensis* Nakai and *Picea jezoensis* (Siebold and Zuccarini) Carrière.

Protected trees

According to Articles 67 to 70 inclusive of the Forestry Law, there are 11,573 individual trees currently designated and protected in the Republic of Korea. Under Item 1, Article 51 of the Forestry Law Enforcement Regulations, trees which deserve to be preserved or propagated are defined as old, big, or rare trees; i.e.. Old trees of historical interest, preservative trees, trees of guardian deity, trees serving as a shady resting place in a village, trees for shore protection, fantastic trees, and ornamental trees

According to Article 68 of the Forestry Law, the person in charge of designation of a protected tree can appoint a supervisor, if need be, and order owners or supervisors for matters about preservation, maintenance and inauguration of that tree.

Description of Risk

Three authorized organizations manage protected sites, protected species, and cultural sites meaning there is a high level of administrative oversight (Expert consultation 2016). Potential conflict among three organizations has not been observed by the authors of this report or during consultation in Korea in 2016.

In 2009, the Korean National Parks Service reported that 'In 2007 there were 109 instances of people being caught collecting wild plants, two instances of collecting wild animals and 35 of illegal logging [in protected areas].' That report further states that 'A key governance issue relates to law enforcement [...]. Almost a quarter of protected areas surveyed (which generally included the larger sites so that 60 percent of the area was involved) report that illegal activities have a significant or major impact. Most protected areas find that enforcement is constrained in terms of either scope or capacity.' Importantly, the report concludes that 'it should be noted that illegal activity is a relatively limited problem within national parks' (KNPS 2009, p 56).

More recently, controversy has surrounded the clearing of land to make way for ski slopes for the 2018 Olympics. A number of sources reported that in 2015 organizers of the Olympics had destroyed a "sacred" forest to make room for a ski slope (Guardian 2015, news.com.au 2015, Friends of the Earth 2015). In their coverage of this issue, the Guardian noted that 'The mountain was officially designated a national protected forest in 2008 but that designation was lifted in 2013 for this Olympic construction project' as such, there is no evidence to suggest that the harvesting/clearance was illegal, but the lifting of the protected area designation does call into question the credibility of the system.

According to experts consulted in the preparation of this report in 2016, where illegal activity occurs, it is reported and punished under the law. One of the only other recent examples of illegal harvesting was widely reported by the media. This involved a case where a famous photographer illegally cut 25 pine trees within a forest protection area without permission. The photographer was reported to the police by citizens. As a result, a 4,200 USD fine was issued to the photographer (Hangyore 2014). This case is included to demonstrate that there is a high level of public and media interest in illegal harvesting (obviously increased in this case because the photographer was famous) and that the monitoring and penalty system is functional.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.9.6. Risk designation and specification

Low risk

1.9.7. Control measures and verifiers

N/A

1.10. Environmental requirements

National and sub-national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to or affected by harvesting, acceptable level for soil damage, establishment of buffer zones (e.g. along water courses, open areas, breeding sites), maintenance of retention trees on felling site, seasonal limitation of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction, etc... Risk relates to systematic and/or large-scale non-compliance with legally required environmental protection measures that are evident to an extent that threatens the forest resources or other environmental values.

1.10.1. Applicable laws and regulations

- FOREST RESOURCES CREATION AND MANAGEMENT ACT [Enforcement Date 02. Dec, 2012.] [Act No.11456, 01. Jun, 2012., Partial Amendment] Article 9, 42, 51. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=125844&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- Guideline on Sustainable Forest Resource Management [Enforcement Date 22. Feb, 2015.] [Instruction No.1244, 27. Feb, 2015., Partial Amended] II-3-ㄱ, III. Available at: <http://mobile.law.go.kr/LSWM/mobile/admRulScInfo.do;jsessionid=kTvrXyfuGeiaPhUHgVsFGKEdR5jyimNjag6jkiVG2xBeZQBrqdRZinz0NqRqiDB.de kl a6 servlet PRM?admRulSeq=2100000014724&admRulNm=%EC%B5%9C%EC%8B%A0%ED%96%89%EC%A0%95%EA%B7%9C%EC%B9%99&searchKeyword=&pageIndex=8&name=admRulSc>
- ACT ON THE PROTECTION OF BAEKDU-JIRI GRAND MOUNTAIN RANGES [Enforcement Date 18. Dec, 2012.] [Act No.11565, 18. Dec, 2012., Partial Amendment] Article 7,9. Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=32206&lang=ENG
- NATURAL ENVIRONMENT CONSERVATION ACT [Enforcement Date 27. Jan, 2016.] [Act No.13885, 27. Jan, 2016., Partial Amendment] Article 12, 15, 16, 64~66. Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=28495&lang=ENG

- CLEAN AIR CONSERVATION ACT [Enforcement Date 27. Jan, 2016.] [Act No.13874, 27. Jan, 2016., Partial Amendment] Article 23, 90. Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=28492&lang=ENG
- ENVIRONMENTAL IMPACT ASSESSMENT ACT [Enforcement Date 23. Mar, 2013.] [Act No.11690, 23. Mar, 2013., Partial Amendment] Article 22, 23, 34, 47, 49, 73~76. Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=30485&lang=ENG

1.10.2. Legal authority

- Korea Forest Service
- Ministry of Environment

1.10.3. Legally required documents or records

N/A

1.10.4. Sources of information

Non-Government sources

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- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
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1.10.5. Risk determination

Overview of Legal Requirements

The applicable legislation listed includes comprehensive requirements relating to environmental impacts assessment and protection of environmental values.

- Any harvesting taking place in a protected area must be preceded by the preparation of an environmental impact assessment.
- For regular forestry activities, the *Integrated Environmental Impacts Assessment* requires that a strategic environmental assessment takes place in environmentally sensitive areas. The Government of Korea has produced maps for the entire country (based on vegetation maps and distribution maps of flora and fauna (and national red list) to identify these environmentally sensitive areas. This so-called GISDB system is publically available [online](#) and is a 'living' system. It is updated periodically.
- Based on this system, a first decision (by local authorities or KFS) is made if an EIA might be required, or a harvesting permit may be issued. There is also a somewhat lighter version available (a 'prior environmental review').
- All governmental staff members have access to the public GISDB system; however, it is controlled by KFS. Local governmental staff collect the data manually and send it to KFS to revise the DB information online. KFS itself uses a special version, called FGIS-DB, for the national forest that has more detail information with function for forestry operation.

Where an EIA is required, if it is unlawful or does not comply with the regulation, strong penalties apply: the top penalty is 5-year-in jail or 50 million won (about 42,000 USD).

Under the *Forest Resources Creation and Management Act*:

- The Administrator of the Korea Forest Service shall establish and implement a basic plan for forest biodiversity to promote the preservation of forest biodiversity, the sustainable use of forests, etc.
- The Administrator of the Korea Forest Service or the Mayor/Do Governor may devise and implement the plans for preservation and management with respect to the trees or forests deemed in need of a special management for the protection of ecology, scenery, etc. against the damage from weather, air pollution, acid rain, germs, harmful insects, etc.

The *Guideline on Sustainable Forest Resource Management* includes harvesting prohibition areas: ridges with more than 80% slope, rocky forestland, watershed within 30m from high water mark, average tree height from road, boundary with paddy and residential area, fire protection forest, etc.

- clear cut: 50ha max, retention at least 50 trees after clear cut
- thinning: within 30%
- extraction road: less than 3m in width
- buffer zone: 20m from waterway with more than 3m in width
- other: tree retention methods, harvesting techniques, etc.

Under the *Environmental Impact Assessment Act*, any construction without completion of environmental impact assessment is prohibited. If anyone violates the order of stopping construction without permission, the person shall be punished under 5-year-in jail or under

50 million won (about 42,000 USD). If anyone is unlawful to relevant regulations, especially with regard to environmental impact assessment reports, the person shall be punished under 2-year-in jail or under 20 million won (about 16,000 USD). Some other minor violation shall be punished by monetary fines.

The *Environmental Impact Assessment Law* has been enforced since 2013. The law has now determined the universal standards and punishment level against unlawful activities. In 2015, a sustainable forest management concept was legally prescribed and enforced. The new conservation-related laws have attempted to reflect the demands from society as well as to lead citizens toward more sustainable social system.

To provide better outcomes in relation to water, the South Korean government defined a series of policy actions in its National Strategy for Green Growth. Some of the policy actions are directed towards the management of water within the wider context of environmental conservation, including reforestation, forest management, and the protection of forests. Such policy actions, combining forest and water management, were also defined in the Fifth National Forest Plan (2008–2017), the Comprehensive Water Management Plan for the Four Major Rivers, and the Water Environment Management Master Plan (2006–2015)

Description of Risk

Environmental requirements associated with harvesting and forest management are well known and enforced actively (Expert input into the drafting of this report, Expert consultation 2016).

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
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- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea.

Extensive research conducted in the preparation of this report, as well as experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.10.6. Risk designation and specification

Low risk

1.10.7. Control measures and verifiers

N/A

1.11. Health and safety

Legally required personnel protection equipment for persons involved in harvesting activities, use of safe felling and transport practice, establishment of protection zones around harvesting sites, and safety requirements to machinery used. Legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations in the forest (not office work, or other activities less related to actual forest operations). Risk relates to situations/areas where health and safety regulations are consistently violated to such a degree that puts the health and safety of forest workers at significant risk throughout forest operations.

1.11.1. Applicable laws and regulations

- OCCUPATIONAL SAFETY AND HEALTH ACT [Enforcement Date 26. Jan, 2012.] [Act No.10968, 25. Jul, 2011., Partial Amendment], Article 1 (Purpose), Article 3 (Scope of Application), Article 4 (Duties of Government), Article 5 (Duties of Business Owners, etc.), Article 13 (Persons in Charge of Safety and Health Management), Article 14 (Supervisors), Article 15 (Safety Officers, etc.), Article 16 (Health Officers, etc.), Article 18 (Persons in General Charge of Health and Safety), Article 20 (Preparation, etc. of Health and Safety Management Regulations), Article 23 (Safety Measures), Article 31 (Health and Safety Education), Article 47 (Restriction on Employment by Qualification, etc.), Article 49 (Safety and Health Inspections). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=30747&lang=ENG
- ENFORCEMENT DECREE OF FORESTRY AND MOUNTAIN VILLAGES DEVELOPMENT PROMOTION ACT [Enforcement Date 11. Nov, 2015.] [Decree No.26629, 11. Nov, 2015., Other Laws and Regulations Amended], Article 16(Training Forestry Technicians, etc.). Available at: <http://www.law.go.kr/eng/engLsSc.do?menuId=1&query=FORESTRY+AND+MOUNTAIN+VILLAGES+DEVELOPMENT+PROMOTION+ACT&x=45&y=11>
- LABOR STANDARDS ACT [Enforcement Date 02. Aug, 2012.] [Act No.11270, 01. Feb, 2012., Partial Amendment] Article 76 (Safety and Health), Article 78 (Compensation for Medical Treatment), Article 80 (Compensation for Disability). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=31900&lang=ENG
- INDUSTRIAL ACCIDENT COMPENSATION INSURANCE ACT [Enforcement Date 05. Jul, 2010.] [Act No.10339, 04. Jun, 2010., Other Laws and Regulations Amended], Article 1 (Purpose), Article 37 (Standards for Recognition of Occupational Accidents). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=18744&lang=ENG
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[Enforcement Date 05. Jul, 2010.] [Act No.10339, 04. Jun, 2010., Other Laws and Regulations Amended], Article 1 (Purpose), Article 5 (Duties of Business Operators), Article 13 (Criteria for Handling Hazardous Chemicals), Article 14 (Handlers' Wearing of Personal Protective Equipment), Article 32 (Hazardous Chemical Supervisors), Article 33 (Safety Education on Hazardous Chemicals). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=34828&lang=ENG

1.11.2. Legal authority

- Ministry of Employment and Labor
- Korea Forest Service
- Ministry of Environment

1.11.3. Legally required documents or records

- MSDS (Material Safety Data Sheets). Available at: <http://msds.kosha.or.kr>
- Records of Industrial Accidents Occurrence (Questionnaire on Industrial Accidents)
- Confirmation for Education for Operation

1.11.4. Sources of information

Government sources

- Korea Occupational Safety and Health Agency (N.Y.). *Employment and Labor Statistics – occupational incidents* [online]. Available at: http://msds.kosha.or.kr/kcic/gboard/list.do?bbsId=BBSMSTR_00000000005
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- Kyung Yong Rhee, Seong Weon Choe, Young Sun Kim, Kwon Ho Koo, 2013. The Trend of Occupational Injuries in Korea from 2001 to 2010. *Safe Health Work*. 2013 Mar; 4(1): 63–70. Published online 2013 Mar 11. doi: 10.5491/SHAW.2013.4.1.63. [online]. Available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3601298/>
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1.11.5. Risk determination

Overview of Legal Requirements

The Occupational Safety and Health Act applies to all forest types in Korea (**national, public, and private**). This law specifies what a business owner has to comply with for worker safety, and manages the health and safety of workers by mandating the appointment of a chief manager for health and safety, a management supervisor, a safety manager, a health manager, etc.

According to this law, a business owner has to report the current status of accident occurrences and an action and protection plan for the recurrence of accidents, such as deaths or injuries, occurring at the workplace to the chief of the local employment and labour government office.

Business owners must attach a health and safety mark to harmful and dangerous locations, take protective measures for harmful and dangerous machinery, provide workers with safety equipment that are safety certified and ensure that appropriate safety gear is utilized. When business owners make a construction contract related to forest operations, they have to include an occupational health and safety management expense in the contract price and the contractor must use it to ensure their workers' health and safety and for disaster prevention.

According to the Chemicals Control Act, when handling chemicals in workplaces, MSDS (Material Safety Data Sheets) must be created and stocked there, and chemical containers must be marked with warning sign.

In state forests, a forest work team, which is a group of 6-30 workers, is the subject of a forest operation with a high cognitive level of safety since they can only be formed if over 60% of the workers are certified at a level higher than forest craftsman by the National Technical Qualifications Act. Otherwise, they must take a forest craftsman training course that includes safety education, lasting over 6 weeks, carried out in a technical forest education centre.

Description of Risk

According to the *Industrial accident occurrence in 2014* report by the Ministry of Employment and Labor, there were 1,696 victims of forestry accidents (a 2.19% accident rate) and 34 forestry-related deaths out of the total of 1,850 deaths. The forestry accident rate is second highest among all industrial accidents. The victim rate by age is 70% for those that are in higher ages with those that are 50-59 years old accounting for 41% and those that are 60-69 years old accounting for 29.1%. The types of forestry accidents are the following: amputation, cut, and stabbing (28.2%), being struck by objects (16.5%), and being knocked down (16.1%).

For national forests, all national forest work teams from regional offices of national forests conduct a safety check and implement safety training for forest workers, during which they check if the workers wear safety gear and comply with the requirements for safety distance.

They also provide training on the ways to carry out safe forest work and first aid when accidents occur (Expert consultation 2016).

For public and private forests, although private forest work teams train their forest workers, it is not systematic and compulsory compared to national forests (Expert consultation 2016). In addition, forest workers from private forests that private forest owners manage rarely wear safety gears and receive proper safety training (Expert consultation 2016).

Some people that operate a wood manufacturing business among private forest operators have a low cognitive level of safety and lack proper health and safety training. Accordingly, the Korea Forest Service and Ministry of Employment and Labour are working on diverse political activities such as the introduction of a forestry machine equipment certification system, forestry safety specified education, and a campaign in order to improve the forestry accident rate.

The US Department of Justice (2015) state that 'The Korea Occupational Safety and Health Agency conducted more than 195,000 inspections as of August 31. The government also conducted educational programs to prevent accidents. During the year the government also conducted inspections of establishments employing foreign, temporary entertainment workers, a vulnerable migrant population.' That same report states:

The government reported descriptions of and statistics on work-related injuries and fatalities on a quarterly basis on its websites. As of August the government inspected 196,237 workplaces for industrial health safety and health. There were 1,070 national industrial accident prevention inspectors and 320 working condition inspectors employed in 47 local offices countrywide. There were 90,909 industrial work-related accidents reported and 1,850 fatalities. [...] The government did not provide information on sectors most affected.

While the levels of compliance and control appear higher for the national forests, given the high accident rates, which are not differentiated by forest type, a specified risk finding has been designated for all source types.

Risk Conclusion

This indicator has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.11.6. Risk designation and specification

Specified risk.

1.11.7. Control measures and verifiers

- Confirm insurance information for the company.
- MSDS (Material Safety Data Sheets): <http://msds.kosha.or.kr> and records of Industrial Accidents Occurrences shall be available (Questionnaire on Industrial Accidents)
- Confirmation for Education for Operation shall be available
- Training records shall document training for all applicable staff and be up to date.
- Reports of inspections by government officials should be reviewed and taken into account

1.12. Legal employment

Legal requirements for employment of personnel involved in harvesting activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Furthermore, the points cover observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association. Risk relates to situations/areas where systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.

1.12.1. Applicable laws and regulations

- LABOR STANDARDS ACT [Enforcement Date 02. Aug, 2012.] [Act No.11270, 01. Feb, 2012., Partial Amendment], Article 1 (Purpose), Article 5 (Observance of Terms and Conditions of Employment), Article 6 (Equal Treatment), Article 7 (Prohibition of Forced Labor), Article 17 (Clear Statement of Terms and Conditions of Employment), Article 50 (Work Hours), Article 64 (Minimum Age and Employment Permit Certificate), Article 65 (Prohibition of Employment). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=31900&lang=ENG
- FRAMEWORK ACT ON EMPLOYMENT POLICY [Enforcement Date 27. Mar, 2015.] [Act No.13262, 27. Mar, 2015., Partial Amendment], Article 1 (Purpose), Article 3 (Basic Principles), Article 5 (Responsibilities and Duties of Workers, Business Owners, etc.). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=31898&lang=ENG
- MINIMUM WAGE ACT [Enforcement Date 05. Jul, 2010.] [Act No.10339, 04. Jun, 2010., Other Laws and Regulations Amended], Article 1 (Purpose), Article 5 (Minimum Wage Amount). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=19125&lang=ENG
- NATIONAL HEALTH INSURANCE ACT [Enforcement Date 01. Sep, 2012.] [Act No.11141, 31. Dec, 2011], Article 6 (Categories of Policyholders), Article 7 (Reporting on Workplace), Article 76 (Burden of Insurance Premiums) Article 77 (Responsibility for Payment of Insurance contributions Premiums). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=28677&lang=ENG
- EMPLOYMENT INSURANCE ACT [Enforcement Date 20. Jan, 2015.] [Act No.13041, 20. Jan, 2015., Partial Amendment], Article 8 (Scope of Application), Article 13 (Date of Acquisition of Insured Status), Article 15 (Report, etc. On Insured Status). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=31896&lang=ENG
- INDUSTRIAL ACCIDENT COMPENSATION INSURANCE ACT [Enforcement Date 05. Jul, 2010.] [Act No.10339, 04. Jun, 2010., Other Laws and Regulations Amended], Article 6 (Scope of Application). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=18744&lang=ENG
- NATIONAL PENSION ACT [Enforcement Date 23. Apr, 2013.] [Act No.11511, 22. Oct, 2012., Partial Amendment], Article 8 (Workplace-Based Insured Persons). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=27458&lang=ENG
- TRADE UNION AND LABOR RELATIONS ADJUSTMENT ACT [Enforcement Date 05. Jul, 2010.] [Act No.10339, 04. Jun, 2010., Other Laws and Regulations Amended], Article 1 (Purpose), Article 5 (Establishment and Admission of Trade Union), Article 29 (Authority to Bargain and Make Agreement). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=22056&lang=ENG

- ACT ON THE PROTECTION, ETC. OF FIXED-TERM AND PART-TIME WORKERS [Enforcement Date 19. Sep, 2014.] [Act No.12469, 18. Mar, 2014., Partial Amendment], Article 1 (Purpose), Article 8 (Prohibition of Discriminatory Treatment). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=32289&lang=ENG
- ACT ON THE PROTECTION, ETC. OF TEMPORARY AGENCY WORKERS [Enforcement Date 02. Aug, 2012.] [Act No.11279, 01. Feb, 2012., Partial Amendment], Article 1 (Purpose), Article 20 (Terms, etc. Of Contracts), Article 21 (Prohibition, Correction, etc. Of Discriminatory Treatment). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=25605&lang=ENG
- ACT ON THE EMPLOYMENT, ETC. OF FOREIGN WORKERS [Enforcement Date 23. Mar, 2013.] [Act No.11690, 23. Mar, 2013., Other Laws and Regulations Amended], Article 1 (Purpose), Article 9 (Employment Contracts), Article 22 (Prohibition against Discrimination), Article 23 (Subscription for Guaranty Insurance, etc.). Available at: http://elaw.klri.re.kr/kor_service/lawview.do?Hseq=31911&lang=ENG
- Section 2102(c)(9) of the TRADE ACT OF 2002 ("Trade Act") (Pub. L. No. 107-210). CONSTITUTION OF THE ROK, (as amended through October 29, 1987), Article 32, para. 5; available from http://korea.na.go.kr/res/low_01_read.jsp.
- LABOR STANDARDS ACT (as amended through June 4, 2010), Article 64; available from http://www.moel.go.kr/english/topic/laborlaw_view.jsp?idx=254&tab=Standards. Ibid., Article 64.
- ENFORCEMENT DECREE OF THE LABOR STANDARDS ACT, Act No. 15320, (as amended on June 25, 2008), Article 35.

1.12.2. Legal authority

- Ministry of Employment and Labor
- Ministry of Health and Welfare

1.12.3. Legally required documents or records

- Employment Status provided by Employment Stability Information Network
- Employment Contract
- Rules of Employment
- Payment Certificate for the 4 major insurances

1.12.4. Sources of information

Government sources

- Labor and Employment Statistics - <http://laborstat.moel.go.kr/>
- Survey Report on Labor Conditions by Employment Type (by Ministry of Employment and Labor)

Non-Government sources

- Newsis, 2015. *Korean workers have high levels of having insurance*. [online]. Available at:

http://people.incruit.com/news/newsview.asp?gcd=22&newsno=1873543&pco=586&utm_source=naver&utm_campaign=Nsyndication&utm_medium=people-news.

- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
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- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
- Sam Lawson, Chatham House, 2014. *Illegal Wood Import and Re-export: The Scale of the Problem and the Response in Thailand, South Korea and India*. [online]. Available at: https://www.illegal-logging.info/sites/files/chlogging/Lawson_Thailand_SK_India_PP_2014_0.pdf [accessed 4 April 2017]
- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]
- US Department of State, 2015. *Republic of Korea 2015 - Human Rights Report* [online]. Available at: <https://www.state.gov/documents/organization/252985.pdf> [accessed 18 April 2017]
- US Department of Labor (N.Y). *Republic of Korea - Laws Governing Exploitative Child Labor - Report*. [online]. Available at: https://www.dol.gov/ilab/reports/pdf/southkorea_CL.pdf [accessed 10 April 2017]
- Amnesty International, 2015. *Amnesty International Report 2014/15 - The State of the World's Human Rights*. [online]. Available at: <https://www.amnesty.org/en/documents/pol10/0001/2015/en/>

1.12.5. Risk determination

Overview of Legal Requirements

Places of business that employ 5 or more regular workers must comply with the *Labour Standards Act*. Places of business that employ less than 5 regular workers must comply with the Enforcement Decree of the same law (Article 11). As this law only presents a minimum standard of working conditions, business owners and workers have to make decisions relating to their working conditions freely, and they have to make a collective agreement, employment rule, an employment contract and implement it. (*Labor Standards Act*, Article 17).

A business owner also has to keep important documents for at least 3 years relating to an employment contract, such as employment contracts, register of workers, etc. Moreover, every business owner employing 1 or more regular workers and every worker who receives a monthly salary are obliged to get the 4 major types of insurance (national pension, national health, employment, and industrial accident compensation). (National Pension Act, Article 8, National Health Insurance Act, Article 62-2, Employment Insurance Act, Article 8, Industrial Accident Compensation Insurance Act, Article 8)

The *Labour Standards Act* also contains the following requirements and prohibitions:

- A business owner must not discriminate against their workers by reasons of gender, social position, nationality, and religion (Article 6),
- forced labor and violence are strictly prohibited (Article 7, Article 8).
- A business owner must not dismiss and give their workers penalties, such as a leave of absence, suspension, change of employment status, and salary reduction (Article 23),
- Business owner must pay workers' salary within a month on a predetermined day (Article 43).
- Working hours cannot exceed over 40 hours a week and 8 hours a day excluding resting hours, however, it can be extended by up to 12 more hours a week only by an agreement between the owner and worker (Article 53).
- A business owner cannot hire people who are under 15 years old and attending middle school, but can hire people who are 13 to 14 years old who have employment authorization or a permission certificate issued by the Ministry of Employment and Labor. (Article 64)

The rights of the various types of workers are protected under legislations such as the *Act on the Protection, etc. of Fixed-term and Part-time Workers*, *Act on the Protection, etc. of Temporary Agency Workers*, and *Act on the Employment, etc. of Foreign Workers*, etc.; and the right of organization, the right of collective bargaining, and the right of collective action are guaranteed by labour unions and the *Trade Union and Labour Relations Adjustment Act*.

There also exists a worker's reporting system for cases when a business owner does not comply with the laws on employment, imposing penalties such as imprisonment, fines, etc.

Child labour

The ROK ratified ILO Convention No. 138 on the Minimum Age for Admission to Employment on January 28, 1999, and No. 182 on the Worst Forms of Child Labor on March 29, 2001.⁵

The Constitution of the ROK establishes the principle that working children be afforded special protections.

The Labor Standards Act sets the minimum age for employment at 15 years but provides that children between the ages of 13 and 15 may work if granted a work permit by the Ministry of Employment and Labor (MOEL), provided that the work is in accordance with required procedures and permissions and does not impede compulsory education (Dept of Labour undated). The law protects children from exploitation in the workplace and prohibits the employment of persons under age 15 without an authorization certificate from the Ministry of Employment and Labor. Authorities issued few such certificates for full-time employment because education is compulsory through middle school (approximately age 15). To obtain employment, children under 18 must obtain written approval from either parents or guardians (Dept of Justice, 2015).

The age distribution in the forest sector in 2008 was as follows:

- 51-60 years old accounts for 35.5%
- over 60 years old accounts for 27.8%
- over 50 years old accounts for 63.3%.

- under 40 years old accounts for 8.1%.

Right to organise

The law provides for the right of workers to form and join independent unions, conduct legal strikes, and bargain collectively, but certain limitations apply to public officials, including teachers. According to the Trade Union and Labor Relations Adjustment Act, employers who violate a regulation on unfair labor practices may be imprisoned for a maximum of two years or fined up to 20 million won (\$19,000). In addition, an employer can be punished for disregarding a National Labor Relations Commission order to reinstate a worker. The law sets penalties against employers who refuse or neglect to accept unions' legitimate requests for bargaining (maximum of two years' imprisonment or a penalty of up to 20 million won [\$19,000]) or conduct lockouts (maximum of one-year imprisonment or a penalty of up to 10 million won [\$9,500]). The law also penalizes illegal strike activities with imprisonment for up to five years or a fine of up to 50 million won (\$47,500), depending on the offense.

Discrimination

The constitution and laws prohibit discrimination in employment based on race, gender, disability, sexual orientation, and social status, but there was no comprehensive mechanism to enforce these provisions if discrimination occurred. The law states there shall be no discrimination in economic, social, or cultural life based on sex, religion, or social status. Labor laws generally provide foreign and migrant workers the same legal protections as nationals.

Description of Risk

According to the US Department of Justice, the government of Korea enforced its labor laws, but the ILO's CEACR has observed that the number of labor inspectors was insufficient, and that unannounced inspections were rare.

According to the '2014 Labour Condition Survey' by the Ministry of Employment and Labour, 87.6% of all Korean workers have national pension, 87.5% having national health insurance, 88.5% having employment insurance, and 97.5% having industrial accident compensation insurance. Therefore, 11.5% did not have the legally required insurance. This presents a risk that employees do not have the legally required insurance.

Employment conditions such as wages and labour welfare in the forest industry is a long way behind other industries (Expert consultation 2016). For this reason, young forest workers change their jobs into the areas that have better conditions.

In 2008, the monthly average working days of forest work teams in national forests was 19 days and the private forests was 14 days. The national average was 15 days.

According to the US Department of Justice (2015) 'The law prohibits all forms of forced or compulsory labor. The government generally enforced the law effectively; however, there were reports some workers were subjected to forced labor. In March the government rescued 63 disabled workers from forced labor conditions in salt farms, and prosecuted a number of employers and job brokers'. The same report states that 'some migrant workers in the agriculture, livestock, and fisheries industries faced conditions indicative of forced labor, including deceptive recruiting practices, confiscation of passports, and non-payment of wages.'

Regarding freedom of association, the US Department of Justice states that the law provides for freedom of association, and the government generally respected this right (2015). The

report states that 'The government generally enforced legislation related to freedom of association' and 'Labor federations generally operated without government interference.'

The 2014/15 Amnesty International report documented excessive working hours, underpayment, illegal subcontracting, and poor living conditions facing migrant workers in the agricultural sector.

Risk Conclusion

This indicator has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

1.12.6. Risk designation and specification

Specified risk

1.12.7. Control measures and verifiers

- The Payment Certificate for the 4 major insurances (national pension, national health, employment, and industrial accident compensation) from the company for all employees, shall be documented
- The Labour Agency shall be able to verify the insurance payments.

THIRD PARTIES' RIGHTS

1.13 Customary rights

Legislation covering customary rights relevant to forest harvesting activities including requirements covering sharing of benefits and indigenous rights.

1.13.1. Applicable laws and regulations

- CIVIL ACT [Enforcement Date 09. Aug, 2009.] [Act No.9650, 08. May, 2009., Partial Amendment], Article 1 (Source of Law), Article 106 (De Facto Custom). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=29453&lang=ENG
- STATE FOREST ADMINISTRATION AND MANAGEMENT [Enforcement Date 01. Dec, 2010.] [Act No.10331, 31. May, 2010., Other Laws and Regulations Amended], Article 11 (State Forest Protection Agreements). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=21930&lang=ENG
- MOUNTAINOUS DISTRICTS MANAGEMENT ACT, [Enforcement Date 25. Sep, 2014.] [Act No.12513, 24. Mar, 2014., Partial Amendment], Article 9 (Designation of Restricted Areas for Conversion or Temporary Use of Mountainous Districts). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=32467&lang=ENG
- BAEKDU-DAEGAN PROTECTION ACT [Enforcement Date 18. Dec, 2012.] [Act No.11565, 18. Dec, 2012., Partial Amendment], Article 6 (Designation of Baekdudaegan Protection Areas). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=32206&lang=ENG
- ENFORCEMENT RULE OF THE FORESTRY CULTURE AND RECREATION ACT [Enforcement Date 27. Jan, 2016.] [Rule No.197, 27. Jan, 2016., Partial Amendment], Article 21 (Resting Period System of Forest Walkway, etc.). Available at: <http://www.law.go.kr/eng/engLsSc.do?menuId=1&query=FORESTRY+CULTURE+AND+RECREATION+ACT&x=0&y=0>

1.13.2. Legal authority

- Ministry of Justice
- Korea Forest Service

1.13.3. Legally required documents or records

- Written Agreement on Protecting State Forests

1.13.4. Sources of information

Government sources

- elaw.klri.re.kr, (N.Y.) *Civil Act*. [Online] Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=29453&lang=ENG
- elaw.klri.re.kr, (N.Y.) *State Forest Administration and Management*. [Online] Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=21930&lang=ENG

Non-Government sources

- Newstown, 2015. *Records on Free Concession of Forest Products from State Forests* [online]. Available at: <http://www.newstown.co.kr/news/articleView.html?idxno=221402>
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
- Expert consultation carried out in Seoul by NEPCon, March 2016.
- Chatham House, 2017. *Illegal Logging Portal – South Korea*. [online]. Available at: <https://www.illegal-logging.info/regions/south-korea> [accessed 4 April 2017]
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- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]

1.13.5. Risk determination

Overview of Legal Requirements

Although customary rights are values considered socially important, there is no specific legislation on customary rights in South Korea.

Some recognition of customary rights is awarded in the *State Forest Administration and Management Act*. This law defines Korea Forest Service as managers of state forests who can make agreements for the protection of state forests with local residents, forestry cooperatives, and schools in the case of need. They can award local residents, forestry cooperatives, and schools access rights to all or part of forest products produced in the forest for free in return for protective activities i.e. to prevent forest fires and illegal logging.

A free concession system for forest products (only non-timber forest products) from national forests is in place, and contributes to increasing incomes of the regional mountain villages who must give 10% of the harvest income to the government. The law only permits local residents and schools to have the concession right under the contract that makes them protect national forests by monitoring and carrying out activities for wildlife preservation. If residents from other areas or mountain hikers other than permitted local residents harvest forest products, they will be punished according to the law.

Regional offices of national forests make efforts in order to inform local residents of the detailed information such as plan and schedule for yearly free concession system by holding a briefing session/a meeting and reporting a local newspaper.

Description of Risk

Regional offices of state forests that are responsible for implementing the law have been making agreements for protection of state forests mainly with the local residents and giving

them free concession rights for forest products according to the social customs that are commonly recognized.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.13.6. Risk designation and specification

Low risk

1.13.7. Control measures and verifiers

N/A

1.14. Free prior and informed consent

Legislation covering "free prior and informed consent" in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.

1.14.1. Applicable laws and regulations

N/A (There is no legislation in Republic of Korea covering "free prior and informed consent" especially related to indigenous people).

1.14.2. Legal authority

N/A

1.14.3. Legally required documents or records

N/A

1.14.4. Sources of information

N/A

1.14.5. Risk determination

N/A

1.14.6. Risk designation and specification

N/A

1.14.7. Control measures and verifiers

N/A

1.15. Indigenous/traditional peoples' rights

Legislation that regulates the rights of indigenous/traditional people as far as it's related to forestry activities. Possible aspects to consider are land tenure, right to use certain forest related resources or practice traditional activities, which may involve forest lands.

1.15.1. Applicable laws and regulations

N/A. There are no indigenous peoples in Republic of Korea (it has an homogenous ethnic makeup). There are no laws relating to indigenous peoples' rights.

1.15.2. Legal authority

N/A

1.15.3. Legally required documents or records

N/A

1.15.4. Sources of information

N/A

1.15.5. Risk determination

N/A

1.15.6. Risk designation and specification

N/A

1.15.7. Control measures and verifiers

N/A

TRADE AND TRANSPORT

1.16. Classification of species, quantities, qualities

Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce/avoid payment of legality prescribed taxes and fees. Risk relates to material traded under illegal false statements of species, quantities or qualities. This could cover cases where this type of false classification is done to avoid payment of royalties or taxes or where trade bans on product types or species are implemented locally, nationally or internationally. This is mainly an issue in countries with high levels of corruption (CPI<50).

1.16.1. Applicable laws and regulations

- ACT ON THE SUSTAINABLE USE OF TIMBERS [Enforcement Date 24. May, 2013.] [Act No.11429, 23. May, 2012.,], Article 20(Public Notification of Criteria for Standard Dimensions and Quality of Timber Products and Inspection thereof). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=25594&lang=ENG
- WOOD PRODUCT STANDARD AND QUALIFICATION CRITERIA [Enactment 19. Jun, 2015.], Article 1(Purpose), Article 3(Standard and Quality Criteria)
- AGRICULTURAL AND FISHERY PRODUCTS QUALITY CONTROL ACT [Enforcement Date 01. Jan, 2015.] [Act No.12753, 11. Jun, 2014., Amendment by Other Act], Article 5(Standards). Available at: http://elaw.klri.re.kr/kor_service/lawView.do?hseq=32732&lang=ENG
- ENFORCEMENT RULE OF THE AGRICULTURAL AND FISHERY PRODUCTS QUALITY CONTROL ACT [Enforcement Date 19. Jan, 2016.] [Rule No.192, 19. Jan, 2016., Amendment by Other Act], Article 5 (Standards Enactment), Article 7(Standardized Products Shipment and Indication Method)
- Forest Products Standard [21. Feb, 2014., Amendment by Other Act]
- Raw log Standard [3. Jun, 2013., Partial Amendment]

1.16.2. Legal authority

- Korea Forest Service
- Food and Rural Affairs, Ministry of Agriculture, Ministry of Food and Drug Safety, Ministry of Oceans and Fisheries

1.16.3. Legally required documents or records

- Certificate of registration for timber production business (issued by mayor, county governor, and chief of regional district)
- Instructions for wood products
- Specification on the origin of the raw materials of the wood products
- Plan for annual production, import, sale and distribution of the wood products
- Mark of standardized products on the surface of their packaging (item, producing district, species, grade, weight, producer or association of producer, and contact information)

1.16.4. Sources of information

Non-Government sources

- fps.kofpi.or.kr (N.Y.). *Price Information System for Forest Products* [online]. Available at: <https://fps.kofpi.or.kr>
- Environment Daily News, 2015. News article on monitoring quality of wood products [online]. Available at: <http://www.hkbs.co.kr/?m=bbs&bid=envplus5&p=31&uid=353066>
- Aju Economy News, 2015. News article on monitoring quality of wood products [online]. Available at: <http://www.ajunews.com/view/20151103114328193>
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1.16.5. Risk determination

Overview of Legal Requirements

In enforcing the Act on the Sustainable Use of Timbers since 2013, the Korea Forest Service has been implementing a quality mark system for wood products in order to prevent the production and distribution of products that do not meet the quality standard, and to provide consumers with information on the products effectively through a preliminary inspection.

In regard to the wood product quality mark system, the Korea Forest Service has given notice of the standard for wood product size and quality and has been conducting size and quality inspections, which are mandatorily taken before the production and distribution of wood products, and production and distribution. Enterprises are obliged to mark the quality on their wood products appropriately to a 'Size and quality standard' after the inspection. Eight items, including plywood, particle boards, fibre boards, wood pellets, wood chips, wood briquettes, charcoal, and wood preservatives, are subject to preliminary quality inspection for wood products and quality marking.

Under the Enforcement Rules of the *Agricultural and Fishery Products Quality Control Act*, state forests are selling their raw logs by the quality and grade from the 'Raw Log Standard' notified by National Institute of Forest Science, which is an affiliated organization of the Korea Forest Service.

Description of Risk

The Korea Forest Service, in cooperation with regional offices of national forests and local governments, has been periodically monitoring wood products that are domestically produced, imported and distributed to control for factors such as the wood products containing carcinogen. This has been done by increasing enforcement activities, guiding the companies in order to improve the quality and establish the distribution order of the products. It has been exposing the companies that deal in products under the quality standard. Companies who are not complying with the requirements are fined up to 30 million won or sentenced to less than 3 years in prison according to the Act on the Sustainable Use of Timbers.

The standard for wood and non-wood forest products for quantity and quality has been managed under law and the Korea Forest Service is planning to promote the quality mark system to the general public and strengthen inspection activities. Through the research conducted in the preparation of this report, no information has been found that indicates a risk in this indicator that warrants a specified risk finding.

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.16.6. Risk designation and specification

Low risk

1.16.7. Control measures and verifiers

N/A

1.17. Trade and transport

All required trading permits shall exist as well as legally required transport document which accompany transport of wood from forest operation. Risk relates to the issuing of documents permitting the removal of timber from the harvesting site (e.g., legally required removal passes, waybills, timber tags, etc.). In countries with high levels of corruption, these documents are often falsified or obtained by using bribery. In cases of illegal logging, transport documents from sites other than the actual harvesting site are often provided as a fake proof of legality with the harvested material.

1.17.1. Applicable laws and regulations

- COMMERCIAL ACT [Enforcement Date 24. Nov, 2011.] [Act No.10696, 23. May, 2011., Partial Amendment] Article 126, 128. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=113383&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- ACT ON THE SUSTAINABLE USE OF TIMBERS [Enforcement Date 24. May, 2013.] [Act No.11429, 23. May, 2012.], Article 34. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=125521&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>

1.17.2. Legal authority

- Korea Forest Service
- Ministry of Justice

1.17.3. Legally required documents or records

- Waybill
- Bill of lading
- Sales invoice

1.17.4. Sources of information

Government source

- kiss.kstudy.com, (2015). *Trends of Illegal Logging Prohibition Regulations: Focus on the Case of United States' Lacey Act*. [Online] (Mihyun Seol et al. 2015). Available at: http://kiss.kstudy.com/journal/thesis_name.asp?tname=kiss2002&key=3380899

Non-Government sources

- FSC, 2015. *Surveillance Report of Inje, Korea* [online]. Available at: <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000bv43hEAA>
- FSC, 2015. *Surveillance Report of Yangyang, Korea* [online]. Available at: <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000bv43hEAI>
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
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- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]
- Interview with the lead auditor of Yangyang and Inje national forests under FSC certification; as well as the latest reports of yangyang and Inje available at <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000bv43hEAA> and <http://fsc.force.com/servlet/servlet.FileDownload?file=00P3300000bv43hEAA>.

1.17.5. Risk determination

Overview of Legal Requirements

The activities related to transporting timber within Korea are set out in the COMMERCIAL ACT. According to the ACT, transport documents should include the specifications of wood as well as transport information.

Under the COMMERCIAL ACT, a consignor shall, upon the request of a carrier, issue a waybill. The following particulars shall be entered in a waybill:

- The type of the transported goods, their weight or dimensions, as well as the description and number of packages and markings there on;
- The destination;
- The name or trade name, place of business, or domicile of the consignee and the carrier;
- The freight charge and the distinction between advance payment and payment after arrival;
- The place and date where the waybill was prepared.

A carrier shall, upon the request of a consignor, deliver to him/her a bill of lading. The following particulars shall be entered in a bill of lading:

- The type of the transported goods, and their weight or dimensions, as well as the description and number of packages and markings thereon;
- The destination;
- The name or trade name, place of business, or domicile of the consignee and the carrier;
- The freight charge and any other expenses incurred in relation to the transported goods, and the distinction between advance payment or payment after arrival;
- The place and date where the bill of lading was prepared.

Legally harvested timber is traded and transported in compliance with COMMERCIAL ACT. Through evidential documents, the relevant information including origin/quantity/destination/etc. can be identified.

Monitoring is done through the commercial process. Even though forest legislation is relevant to the timber legality in terms of transport through ACT ON THE SUSTAINABLE USE of TIMBERS, this ACT is just a declaratory one.

There is no forest legislation that includes specific legal requirements about transporting timber within Korea. However, informal regulation is running in the field in order to identify the origin and the specifications of the legally harvested timber. That is, a forest owner and a timber trader exchange the sales invoice and other relevant documents at a forest gate (FSC certification reports). The later procedures after forest gate comply with COMMERCIAL ACT.

Description of Risk

According to experts consulted (2016), the monitoring system for the private forest may not be as clear as the national forest and public forests.

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- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100
- Government Effectiveness: 80/100
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- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector in South Korea. Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.17.6. Risk designation and specification

Low risk

1.17.7. Control measures and verifiers

N/A

1.18. Offshore trading and transfer pricing

Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens combined with artificial transfer prices is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and considered as an important generator of funds that can be used for payment of bribery and black money to the forest operation and personnel involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading as far as it is legally prohibited in the country, can be included here. Risk relates to situations when products are sold out of the country for prices that are significantly lower than market value and then sold to the next link in the supply chain for market prices, which is often a clear indicator of tax laundry. Commonly, the products are not physically transferred to the trading company.

1.18.1. Applicable laws and regulations

- ADJUSTMENT OF INTERNATIONAL TAXES ACT [Enforcement Date 01. Jan, 2015.] [Act No.12849, 23. Dec, 2014., Partial Amendment] Article 1, 11. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=165307&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- CUSTOMS ACT [Enforcement Date 01. Jan, 2016.] [Act No.13636, 29. Dec, 2015., Partial Amendment] Article 37-4. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=109645&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>

1.18.2. Legal authority

- Ministry of Strategy and Finance

1.18.3. Legally required documents or records

- Specification of international trade
- Duty documents

1.18.4. Sources of information

Non-Government sources

- OECD, 2016. *Tax Information Exchange Agreements (TIEAs)* [online]. Available at: <http://www.oecd.org/tax/exchange-of-tax-information/taxinformationexchangeagreementstieas.htm>
- Law360, 2014. *51 Countries Ink OECD Tax Information Exchange Agreement* [online]. Available at: <http://www.law360.com/articles/591238/51-countries-ink-oecd-tax-information-exchange-agreement>
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
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- Deloitte, 2015. *Global Transfer Pricing Country Guide* [online]. Available at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-transfer-pricing-country-guide-2015.pdf> [accessed 10 April 2017]
- KPMG, 2015. *Korea Tax Profile* [online]. Available at: <https://home.kpmg.com/content/dam/kpmg/pdf/2015/10/korea-2015.pdf> [accessed 6 April 2016]
- Jeong Wook Choi, Byung Choon Ihn, D. Kim and Ji Young Eom, 2016. *South Korea: Korean Tax Brief* [online]. November 2016. I. <http://www.mondaq.com/x/563960/tax+authorities/Korean+Tax+Brief+November+2016> [accessed 10 April 2017]
- PWC, 2017. *International Transfer Pricing 2015/16* [online]. Available at: <http://www.pwc.com/gx/en/services/tax/transfer-pricing/itp-download.html> [accessed 10 April 2017]
- PWC, 2015. *International Transfer Pricing 2013/14* [online]. Available at: <https://www.pwc.com/gx/en/international-transfer-pricing/assets/itp-2013-final.pdf> [accessed 15 April 2017]

1.18.5. Risk determination

Overview of Legal Requirements

Korea has enforced a national law named "*Adjustment of International Taxes Act*" since 1995. The purpose of this Act is to prevent double taxation and tax evasion among the states, and to promote a smooth cooperation in tax affairs by establishing rules related to the coordination of taxation on international trades and the cooperation in tax administration among the states. The *Customs Act* of Korea has been forced in order to determine a fair dutiable value in terms of transfer price.

According to the ADJUSTMENT OF INTERNATIONAL TAXES ACT, a taxpayer engaged in international trades with a foreign related party shall submit, to the head of the tax office having jurisdiction over the tax payment place, a specification of such international trades. Under the CUSTOMS ACT, the head of a customhouse may request a taxpayer engaged in international trades with a foreign related party to submit the documents related to the determination of a dutiable value (hereinafter referred to as "duty documents") in order to verify the appropriateness of dutiable value.

Korean tax law contains a substance over form rule that allows the tax authority to re-characterize a transaction based on its substance. Where the tax burden of a company has been unjustly reduced through transactions with related parties, the tax authorities may recalculate the income amount of the concerned company based on the fair market value that would have been established between independent companies engaged in similar transactions under comparable circumstances (KPMG 2015).

Korea is a member of the OECD and has signed TIEAs (Law360, 2014). The purpose of TIEAs (Tax Information Exchange Agreements) is to promote international co-operation in tax matters through exchange of information. It was developed by the OECD Global Forum Working Group on Effective Exchange of Information (OECD, 2016).

PWC, in 2014 stated that 'the aggressive US approach to transfer pricing has apparently caused these countries (Japan, Korea and Germany are notable examples) to seek to match the extensive resources devoted to transfer pricing in countries such as the US, UK and Australia, and to legislate to introduce clearer rules on the subject to protect its tax base from predatory tax authorities around the world.

Description of Risk

According to EY (2016), Companies should expect to be audited every four to five years, depending on the size of the company, or more frequently if other special factors exist. The likelihood of transfer pricing being reviewed during a tax audit is high. The National Tax Service (NTS), as a matter of policy, requests transfer pricing documentation, and such requests can be made separately from a tax audit.

The NTS closely monitors companies whose profitability suddenly drops and companies whose profits fluctuate substantially over a number of years. These companies are likely to be subject to tax audits. Also, the NTS will likely scrutinize companies paying high royalties abroad or receiving high management service fee charges or cost allocations from overseas related parties. Generally, if transfer pricing is reviewed as part of a tax audit, the tax auditors are likely to challenge the method used by the taxpayer and may propose alternate methods that are less favorable to the taxpayer (EY 2015).

PWC states that a handful of legal cases involving TP have been filed, but very little information on these cases is publicly available. Some cases have been settled out of court, some cases are currently pending in domestic appeals and other cases have been elevated to MAPs (PWC 2017).

According to PWC (2017) the NTS examines corporate income tax returns including TP-related documentation, to identify taxpayers who display signs of non-compliance with TP regulations. The NTS then requests additional information from suspected taxpayers for review. Taxpayers who fail to submit TP-related data required by the LCITA are more likely to be selected for an audit. Taxpayers are also generally subject to periodic audits every four to five years, based on the five-year statute of limitations for taxes.

Based on the information reviewed, the transfer pricing requirements appear well enforced (Deloitte 2017, Deloitte 2015. KPMG 2015. Choi et al 2016. PWC 2017, PWC 2015)

In 2016, Transparency International scored South Korea 53/100. The 2015 World Bank Worldwide Governance indicators for South Korea were:

- Voice and Accountability: 69/100
- Political Stability and Absence of Violence: 52/100

- Government Effectiveness: 80/100
- Regulatory Quality: 84/100
- Rule of Law: 81/100
- Control of Corruption: 70/100

The relative levels of risk of corruption are considered low, and no sources reviewed, experts interviewed or field experiences indicate a specific risk of corruption within the forest sector or taxation sector in South Korea.

Extensive research, experience in the Korean forestry sector from the team of authors of this report and discussions with experts in Seoul in 2016 has not revealed any information to indicate a risk in this indicator.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.18.6. Risk designation and specification

Low risk

1.18.7. Control measures and verifiers

N/A

1.19. Custom regulations

Custom legislation covering areas such as export/import licenses, product classification (codes, quantities, qualities and species).

1.19.1. Applicable laws and regulations

- CUSTOMS ACT [Enforcement Date 01. Jan, 2016.] [Act No.13636, 29. Dec, 2015., Partial Amendment] Article 226, 229, 230-2, 241. Available at: <http://www.law.go.kr/IsInfoP.do?lsiSeq=115165&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>
- ENFORCEMENT DECREE OF CUSTOMS ACT [Enforcement Date 05. Feb, 2016.] [Presidential Decree No.26957, 05. Feb, 2016., Partial Amended] Article 246. Available at: <http://www.law.go.kr/IsSc.do?menuId=0&p1=&subMenu=1&nwYn=1§ion=&tabNo=&query=%EA%B4%80%EC%84%B8%EB%B2%95#undefined>
- ENFORCEMENT REGULATION OF CUSTOMS ACT [Enforcement Date 18. Jan, 2016.] [Departmental Regulation No.532, 18. Jan, 2016., Other Laws and Regulations Amended] Article 246. Available at: <http://www.law.go.kr/IsSc.do?menuId=0&p1=&subMenu=1&nwYn=1§ion=&tabNo=&query=%EA%B4%80%EC%84%B8%EB%B2%95#undefined>

1.19.2. Legal authority

- Ministry of Strategy and Finance

1.19.3. Legally required documents or records

- Export, import or return declaration
- Certificate of origin

1.19.4. Sources of information

Government sources

- Korea Customs Service, 2013. *Number of violations in indication of the origin on 2013* [online]. Available at: http://www.customs.go.kr/kcshome/cop/bbs/selectBoard.do?bbsId=BBSMSTR_1032&nttid=885&layoutMenuNo=168&siteId=main&searchCtgr=&searchCnd=&searchWrd=¤tPageNo=1&recordCountPerPage=10
- Korea Customs Service, 2014. *Number of violations in indication of the origin on 2014* [online]. Available at: http://www.customs.go.kr/kcshome/cop/bbs/selectBoard.do?bbsId=BBSMSTR_1032&nttid=1135&layoutMenuNo=168&siteId=main&searchCtgr=&searchCnd=&searchWrd=¤tPageNo=1&recordCountPerPage=10
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- Korean Delegation, 2014. Submission to the Second Senior Officials Meeting of the Asia Pacific Economic Cooperation (APEC) Experts Group on Illegal Logging and Associated Trade (EGILAT) (2014/SOM2/EGILAT/014 Agenda: III C) - Legal and Practical Reality in Korea - Illegal Timber Trade Prohibition. [online]. Available at: http://mddb.apec.org/Documents/2014/EGILAT/EGILAT/14_egilat_014.pdf [accessed 19 April 2017]
- Korean Forest Service, 2013. *Wood Trade and Forest Governance against illegal logging in Korea* [online]. Available at: <http://www.fao.org/fileadmin/templates/rap/files/meetings/2013/131016-s1-rok.pdf> [accessed 19 April 2017]

Non-Government sources

- Seoul NewPaper, 2010. *Activities and roles of Center for International Origin Confirmation* [online]. Available at: <http://go.seoul.co.kr/news/newsView.php?id=20100703014008>
- Asia Economy New, 2014. *Korea Forest Service(KFS) organized 'Rangers for inspecting the illegal distribute of wood products'* [online]. Available at: <http://view.asiae.co.kr/news/view.htm?idxno=2014042321000016944>
- Transparency International, 2017. *Corruption Perception Index 2016 – South Korea*. [online]. Available at: http://www.transparency.org/news/feature/corruption_perceptions_index_2016#table
- World Bank, 2015. *Worldwide Governance Indicators – Republic of Korea*. [online]. Available at: <http://info.worldbank.org/governance/wgi/#reports>
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- Chatham House, 2014. *South Korea 2013 Assessment Findings*. [online]. Available at: <https://indicators.chathamhouse.org/explore-the-data/south-korea> [accessed 4 April 2017]
- US Securities and Exchange Commission, 2017. *SEC Enforcement Actions: FCPA Cases* [online]. Available at: <https://www.sec.gov/spotlight/fcpa/fcpa-cases.shtml> [accessed 19 April 2017].
- GAN Integrity. (2017). *South Korea Corruption Report*. Available at: <http://www.business-anti-corruption.com/country-profiles/south-korea> [Accessed 4 October 2017].

1.19.5. Risk determination

Overview of Legal Requirements

Forest products also comply with CUSTOMS ACT as with other kinds of goods. In order to get permission for the exportation, an exporter should be confirmed by the customhouse about origin, quality, details, manufacturing method, use and quantity, as well as label or mark, etc.

Under the CUSTOMS ACT, goods that need to get permission, approval, and labels and meet other conditions, at the time of exportation or importation, as prescribed by the Acts and subordinate statutes, shall verify to the head of a customhouse that they have satisfied such requirements and conditions.

When the country of origin is confirmed in order to impose and collect customs duties in accordance with this Act, treaties, conventions, etc. to clear the customs on any import and export goods, to conduct an investigation, etc., any of the following countries shall be the country of origin:

1. The country in which all of the relevant goods are produced, processed or manufactured;
2. Where goods are produced, processed or manufactured in at least two countries, the country in which the final is carried out (i.e. the goods are given their essential characteristics):
 - A person who intends to export the goods shall declare the item, standard, quantity and price of the relevant goods, and other matters prescribed by Presidential Decree to the head of a customhouse.
 - The head of a customhouse shall not grant permission for customs clearance of any goods with a false label on their quality, details, manufacturing method, use and quantity (hereafter referred to as "quality, etc." in this Article) or with a misleading label or mark on their quality, etc. which violate the Acts and subordinate statutes governing the labels on quality, etc.

The ENFORCEMENT DECREE OF CUSTOMS ACT specifies that export, import or return declaration shall include the following information:

3. packing type, ID, quantity
4. place of destination, origin, shipment
5. (if indication of the origin is necessary) whether mandatory or not, display method, style
6. trademark
7. firm name, corporate registration number, customs code
8. temporary storage place

Description of risk

Korean custom legislation comprehensively covers areas such as export licenses, product classification (codes, quantities, qualities and species).

Description of Risk

No cases about issues in the forestry sector in Korea related to export licenses, product classification (codes, quantities, qualities and species) have been found in the research conducted for this report (Korean Customs Service 2013, 2014 and 2015). Similarly, regarding the export of timbers or wood products, cases related to violation of origin indication have also not been found (Korean Customs Service 2013, 2014 and 2015).

According to the 'Centre for International Origin Confirmation' of Korea Customs Service, other countries have requested the origin confirmation of Korean products mainly in terms of cars, household electrical appliances and clothes. So it seems origin violation of timber or wood product made by Korea is not the issue to other countries.

Regarding the risk of corruption in South Korea, the US Securities and Exchange Commission (SEC) maintains a list of the SEC's Foreign Corrupt Practices Act (FCPA) enforcement actions. The FCPA, which prohibits companies issuing stock in the U.S. from bribing foreign officials for government contracts and other business. There have been two prosecutions involving South Korea to date, both in 2011:

- Diageo – SEC charged one of the world's largest producers of premium alcoholic beverages for making \$2.7 million in improper payments to government officials in India, Thailand, and South Korea to obtain lucrative sales and tax benefits. Diageo agreed to pay more than \$16 million to settle the case. (7/27/11) [Administrative Proceeding]
- International Business Machines Corp. – SEC charged IBM for providing improper cash payments, gifts, and travel and entertainment to government officials in China and South Korea in order to secure the sale of IBM products. IBM agreed to pay \$10 million to settle the SEC's charges. (3/18/11)

According to GAN Integrity (2017) "Corruption levels are generally low in the border administration presenting companies exporting and importing across South Korea's borders with low risks (GETR 2016 in GAN Integrity 2017). The country ranks among the best in the world in terms of trading across borders; Corruption is rarely cited as a problematic factor for importing and exporting and companies report efficient customs clearance procedures and high levels of transparency (DB 2017 in GAN Integrity 2017). Irregular payments and bribes are rare, but cannot be completely ruled out (DB 2017 in GAN Integrity 2017)."

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Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.19.6. Risk designation and specification

Low risk

1.19.7. Control measures and verifiers

N/A

1.20. CITES

CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention). Note that the indicator relates to legislation existing for the area under assessment (and not e.g., the area from which CITES species are imported).

1.20.1. Applicable laws and regulations

- WILDLIFE PROTECTION AND MANAGEMENT ACT [Enforcement Date 27. Jan, 2016.] [Act No.13882, 27. Jan, 2016., Partial Amendment] Article 16. Available at: <http://www.law.go.kr/lsInfoP.do?lsiSeq=115453&chrClsCd=010203&urlMode=engLsInfoR&viewCls=engLsInfoR#0000>

1.20.2. Legal authority

- Ministry of Environment

1.20.3. Legally required documents or records

- Export permit
- Certificate of origin

- Certificate for artificial propagation of globally endangered species

1.20.4. Sources of information

Government sources

- Korean government, 2016. *Searching system for CITES species established by Korean government* [online]. Available at: <http://cites.kbr.go.kr/content/view.do?menuKey=27&contentKey=1>
- (Korea Forest Service, 2016) *Statistics for international trade of forest products in Korea* [online]. Available at: <http://soft.forest.go.kr/foahome/user.tdf?a=user.index.IndexApp&c=1010>
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1.20.5. Risk determination

Overview of Legal Requirements

Korea has controlled the international trade of globally endangered species through 'Wildlife Protection and Management Act'. The purpose of this Act is to prevent the extinction of wildlife by systematically protecting and managing wildlife and the habitats. The regulations of this Act related to globally endangered species are very similar to the rules of CITES, because this Act benchmarks the main rules and the species list of CITES (Korea joined CITES on 1993). An importer or exporter or someone who wants to deal with CITES species should obtain permissions from the Minister of Environment in terms of trading specification, origin and artificial propagation, etc.

The WILDLIFE PROTECTION AND MANAGEMENT ACT requires that those who intend to export, import, take out or bring in globally endangered species and processed products thereof shall obtain permission of the Minister of Environment.

1. That they shall be compatible with the restriction on transactions according to the species involved in the Annex (I , II and III) to the Convention on International Trade in Endangered Species.
2. That the export, import, taking out or bringing in of an animal or plant does not jeopardize the existence of the species.
3. The globally endangered species and processed products thereof that have been imported or brought in with permission under the main sentence of paragraph (1) shall not be used for any purpose other than import or bringing in.
4. When a person intends to multiply globally endangered species imported or brought in with permission under the main sentence of paragraph (1), he/she shall get a 'Certificate for artificial propagation of globally endangered species'.

Description of Risk

Only one tree species, *Pinus koraiensis* is or Korean Pine in common nomenclature is CITES listed in Appendix III. According to CITES (2010), The Russian Federation requested the help of CITES Parties to control the trade in the Korean pine (*Pinus koraiensis*) a species from Eastern Asia and Japan used in the timber industry. In addition to the threat to the pine itself from illegal trade in timber, rapid deforestation of stands of this species is undermining efforts to conserve the last remaining Amur tigers in the Russian Far East.

In Korea, *Pinus koraiensis* is not a main tree that is used for timber or wood production. Moreover, pine nut from this tree is much more valuable as an income source to the Korean people rather than timber or wood product from Korean Pine. Korean Pine can theoretically be imported or exported as timber or wood products, because this species is under

Appendices III of CITES, however, according to the electronic statistics system for international trade of forest products in Korea, there is no records about international trade of Korean Pine from Korea.

A review of the Biennial reports to the CITES commission reveal a functioning CITES authority in Korea. The most recent report a number of CITES related incidents in Korea detected by the enforcement agencies, these were:

- 25 significant seizure/confiscation cases in 2013 (3 turtles, 1 monkey, 21 parrots and other birds)
- 40 significant seizure/confiscation cases in 2014 (1 monkey, 16 fennec foxes, 23 parrots and other birds)

A review of all available reports (2003-2014) does not include any information of cases related to CITES listed timber species.

Risk Conclusion

This indicator has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

1.20.6. Risk designation and specification

Low risk

1.20.7. Control measures and verifiers

N/A

1.21. Legislation requiring due diligence/due care procedures

Legislation covering due diligence/due care procedures, including e.g. due diligence/due care systems, declaration obligations, and /or the keeping of trade related documents, legislation establishing procedures to prevent trade in illegally harvested timber and products derived from such timber, etc.

1.21.1. Applicable laws and regulations

N/A. The 2013 Act on the Sustainable Use of Timber includes countermeasures against illegal timber from Korea or from elsewhere being traded and used in the country. However, no "Enforcement Ordinance" has yet been adopted, an ordinance that would effectively activate the legislation. It is anticipated that Republic of Korea will introduce voluntary due diligence among timber traders and manufacturers by 2017 (Min 2016). Timber and other wood products processing companies and the wider public are largely unaware of the legislation or of the fact that their country stands out among timber consumer countries by how much illegal timber still enters the country (De Jong et al 2016).

1.21.2. Legal authority

N/A

1.21.3. Legally required documents or records

N/A

1.21.4. Sources of information

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1.21.5. Risk determination

N/A

1.21.6. Risk designation and specification

N/A

1.21.7. Control measures and verifiers

N/A

Annex I. Timber source types

The table **Timber Source Types in Republic of Korea** identifies the different types of sources of timber it is possible to find in the country of origin.

'Timber Source Type' is a term used to describe the different legal sources of timber in a country, in order to allow a more detailed specification of risk. The Timber Source Type is used to clarify:

- which forest types timber can be sourced from legally;
- what the legal requirements are for each source type, and
- if there are risks related to certain source types and not others.

Timber Source Type can be defined by several different characteristics. It may be based on the actual type of forest (e.g. plantation or natural), or other attributes of forests such as ownership, management regime or legal land classification. In this context Timber Source Types are defined and discerned using the following characteristics:

- a) **Forest type** - refers to the type of forest such as plantation or natural tropical forest, or mixed temperate forest. Often the clearest differentiation is between natural forest and plantations.
- b) **Spatial scale (Region/Area)** - relating to meaningful divisions of a nation. However, in some cases the assessment may be carried out at national level where that allows the risk assessment to establish risk at a meaningful level. E.g. a small country with uniform legislation and a uniform level of risk in all areas of the country, as national level assessment may be enough. In case there are significant differences in the legal framework or legality risks between different types of ownership (e.g. public forest, private forest, industrial forest), between different type of forest (e.g. natural forest and plantations) and/or between different geographical regions the conformance risk evaluation shall specify these differences when specifying the risk and apply the appropriate control measures.
- c) **Legal land/forest classification** - refers to the legal classification of land. Focus is on land from where timber can be sourced, and this could entail a number of different legal categories such as e.g. permanent production forest, farm land, protected areas, etc.
- d) **Ownership** - Ownership of land may differ in a country and could be state, private, communal etc. Ownership of land obviously have impacts on how land can be managed and controlled.
- e) **Management regime** - Independently of the ownership of the land, the management of forest resources may differ between areas. Management may also be differentiated as private, state, communal or other relevant type.
- f) **License type** - Licenses may be issued to different entities with a range of underlying requirements for the licensee. A license might be issued on a limited area, limited period of time and have other restrictions and obligations. Examples could be a concession license, harvest permit, community forestry permit etc.

TIMBER SOURCE TYPES IN REPUBLIC OF KOREA

Forest type	Region/Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
Semi-natural forest	Nationwide	<p>Classification of Mountainous Districts (based on MOUNTAINOUS DISTRICTS MANAGEMENT ACT)</p> <p>1. Preserved mountainous districts: (a) Mountainous districts for forestry use: Referring to such mountainous districts, designated by the Administrator of the Korea Forest Service among the following mountainous districts, as necessary to enhance functions of forestry production, such as creating forest resources and establishing the foundations for forestry management:</p> <p>(i) Forests for seed collection and experimental forests prescribed in the Forest Resources Creation and Management Act;</p> <p>(ii) Permanent State forests prescribed in the State Forest Administration and Management Act;</p> <p>(iii) Mountainous districts in the forestry promotion districts prescribed in the</p>	1. National forest: Korea Forest Service	1. National forest: Korea Forest Service	N/A	Korea Forest Service and local governments are responsible for the 10 years forest management plan for national forests and public forests respectively. The private forest owner is also responsible to prepare and submit forest management plan to local government in order to receive harvesting permission under the law requirements. Forestry Cooperative Federation supports development of forest management plan for private owners under the membership agreement.
			2. Public forest: local government	2. Public forest: local government		
			3. Private forest: individual owner	3. Private forest: individual owner or Forestry Cooperative in proxy		

	<p>Forestry and Mountain Villages Development Promotion Act;</p> <p>(iv) Other mountainous districts required to promote functions of forestry production and prescribed by Presidential Decree;</p> <p>(b) Mountainous districts for public interest: Referring to such mountainous districts, designated by the Administrator of the Korea Forest Service among the following mountainous districts, as necessary to enhance public interest functions, such as natural disaster prevention, water source protection, natural ecosystem preservation, natural scenery preservation, and promotion of public health and recreation, along with forestry production:</p> <p>(i) Natural recreation forests prescribed by the Forestry Culture and Recreation Act;</p> <p>(ii) Temple forests;</p> <p>(iii) Restricted areas for the conversion and temporary use of mountainous districts under Article 9;</p> <p>(iv) Mountainous districts in special protection districts for wildlife under Article 27 of the Wildlife Protection and</p>				
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Management Act and in wildlife protection districts under Article 33 of the same Act;

(v) Mountainous districts in park areas under the Natural Parks Act;

(vi) Mountainous districts in protective zones for the preservation of cultural heritage assets under the Cultural Heritage Protection Act;

(vii) Mountainous districts in water-source protection areas under the Water Supply and Waterworks Installation Act;

(viii) Mountainous districts in development restriction zones under the Act on Special Measures for Designation and Management of Development Restriction Zones;

(ix) Mountainous districts in green areas prescribed by Presidential Decree among those under the National Land Planning and Utilization Act;

(x) Mountainous districts in ecological and scenery conservation areas under the Natural Environment Conservation Act;

(xi) Mountainous districts in wetlands protection areas under the Wetlands Conservation Act;

		<p>(xii) Mountainous districts in specified islands under the Special Act on the Preservation of the Ecosystem in Island Areas including Dokdo;</p> <p>(xiii) Mountainous districts in Baekdudaegan Protection Areas under the Baekdu-Daegan Protection Act;</p> <p>(xiv) Mountainous districts in forest protection areas under the Forest Protection Act;</p> <p>2. Semi-preserved mountainous districts: Mountainous districts other than preserved mountainous districts.</p>				
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About

Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint project run by NEPCon with the aim of supporting timber-related companies in Europe with knowledge, tools and training in the requirements of the EU Timber Regulation. Knowing your timber's origin is not only good for the forests, but good for business. The joint project is funded by the LIFE programme of the European Union and UK aid from the UK government.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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