

Exercise

Read the scenario below and work through the exercise, as guided by the trainers. The exercise has been split into two sessions. You will work in small groups and will be asked to share your findings with the rest of the class after each session.

The scenario

You are the Compliance Manager of a European Operator. Your company wishes to start sourcing new products from a trader based outside of the EU. You request information on the country of origin for each product so that you can investigate the risks at the national level in the country.

Your company is looking to buy sawn wood from a trader in Russia, Pavel Ivanov, who is FSC certified. According to Pavel Ivanov the timber sourced is Mongolian oak (*Quercus mongolica*) and birch (*Betula* spp.) sourced from two different sawmills. Ptiza Sawmill supplies the birch wood. They own the forest entity and do the sawmilling themselves. The sawn wood is delivered directly to the trader Pavel Ivanov together with concession license agreements for the forest entity, as well as a transport document and VAT invoice. The Mongolian oak is sourced from a sawmill in Krasnoyarsk in Siberia. The sawmill states that they know the forest level and have included a signed document stating that the timber is legally harvested.

You have been asked to prepare a presentation on the risks at both supply chain level and forest level for the Purchasing Manager, to determine if and how you will proceed with sourcing these products.

Commented [AW1]: This scenario can be switched for any other, depending on what is most suitable for the participants.

The other scenario developed already is for China: According to your immediate supplier, the input material is a mix of *Paulownia tomentosa* and *Populus balsamifera*. Material is delivered directly from forest to the sub-supplier who processes the wood into plywood. The plywood is then bought by an agent, who is your immediate supplier. The material is coming from two different forest entities. A harvesting permit has been provided only for the *Paulownia tomentosa*, but according to your supplier the *Populus balsamifera* is from a plantation forest and he can provide a signed document stating legal compliance signed by the plywood producer. The signed document has been provided together with transport documents from forest level to sub-supplier.

Session 1: Supply chain mapping and risks

Estimated time: 40 minutes

- 30 minutes for preparation; and
- 10 minutes for group presentation, discussion and feedback.

1. Prepare a supply chain map based on the information provided.

Draw your supply chain map here

2. Do you currently have the following information for each supply chain?

- a. Product type**
- b. Species**
- c. Origin of the material**

	Y	N	Comments / Notes
Product type			
Species			
Origin of the material			

3. Risk specification – mixing of material from other origins in the supply chain

Consider where the principle mixing risks lie. Below is a section from the NEPCo 'Risk Identification Checklist (tool DD-08, risk categories 10-12), fill in the answer for each category.

			Answer
Supply chain complexity	10.1	Does the supply chain consist of many tiers back to the forest of origin?	
	10.2	Does the supply chain span different countries before the final product is placed for commercial circulation?	
Product complexity	11.1	Is the product made of multiple material components?	
	11.2	Is the product or its components made from composite or complex materials?	
Material identification	12.1	Could the input material be substituted by similar material inputs which have a different species or origin?	

	12.2	Can supply chain entities provide clear documentation and information on the material input and species included in the product?	

4. Overall evaluation of the supply chain

You can use this box to summarise your findings about the supply chain information and mixing risks.

Be ready to present a summary of your findings to the whole class.

Session 2: Forest Level risks

Estimated time: 50 minutes

- 30 minutes for preparation; and
- 20 minutes for presenting results from each group, discussion and feedback.

Tools

- Sourcing Hub country page(s)
- Timber Legality Risk Assessment(s) – available in English only

5. Risk specification – forest level

- a) Review the country page(s) and risk assessment(s) for the source country on the NEPCon Sourcing Hub.
- b) Develop an overview of the risks associated with the source country, in **one category of law**, e.g. legal rights to harvest, timber harvesting activities or taxes and fees.

Country:
Category: <i>e.g. Legal Rights to Harvest</i>
Risks:

6. Risk mitigation

- a) Pick **two** of the specified risks and consider how they affect your supply chain(s).
- b) Evaluate options for mitigating the specified risks and select the risk mitigating actions you would choose to establish, considering effectiveness and cost efficiency.

Guiding questions for you to consider when doing risk mitigation:

1. Documents; what documents would you ask for, and what would you consider when checking the documents?
2. Stakeholder consultation; who would you talk to and what would you ask?
3. Onsite visits; what would you look for onsite? Would you go yourself, or send a third party?

Risk 1:
Risk Mitigation:
Risk 2:
Risk Mitigation:

Be ready to present a summary of your findings to the whole class.