

The EU Timber Regulation

**A guide on managing relations
with your suppliers**

Are you required to carry out due diligence on the timber you sell? Use this leaflet to find out how to get all the information you require from your suppliers while also maintaining good relations with them



EUTR Guiding Leaflet no. 2

Published June 2017



Developed by NEPCon under the project "Supporting Legal Timber Trade" funded by the LIFE programme of the European Union and UK aid from the UK government.



NEPCon has adopted an “open source” policy to share what we develop to advance sustainability. This work is published under the Creative Commons Attribution Share-Alike 3.0 license. Permission is hereby granted, free of charge, to any person obtaining a copy of this document, to deal in the document without restriction, including without limitation the rights to use, copy, modify, merge, publish, and/or distribute copies of the document, subject to the following conditions: The above copyright notice and this permission notice shall be included in all copies or substantial portions of the document. We would appreciate receiving a copy of any modified version.

The European Commission support for the production of this publication does not constitute endorsement of the contents which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government’s official policies.

This leaflet has been produced for educational and informational purposes only. NEPCon is not liable for any reliance placed on this document, or any financial or other loss caused as a result of reliance on information contained herein. The information contained in the <name of doc> is accurate, to the best of NEPCon’s knowledge, as of the publication date.

Guide



How to carry out due diligence AND maintain relations with your suppliers



Are you required to carry out due diligence on the timber you sell to minimise the risk that it was harvested, transported or traded illegally?*

If so, you're going to have to ask your suppliers lots of questions – often impertinent-sounding questions that your suppliers

perhaps aren't going to be so happy to answer. Read this leaflet to find some suggestions of how to do this while maintaining good relations with your suppliers.

* If you're the first company to place timber or products containing timber on the EU market then the answer to this is likely yes.



Setting out right



How should you go about talking to your suppliers?

It's difficult to set the right tone for these discussions with suppliers. You're legally required to access information on the legality of the material, so the temptation is to start demanding answers. But the due diligence process will work best if you put the emphasis on collaboration.

In some cases – possibly quite a few cases – you will need to work with your suppliers to explain your legal requirements, and to explain why you're going to have to ask them lots of questions. In other words, you will probably need to help them understand what's needed; to help them help you.

It might even be a good idea to provide some training to your suppliers.

Suppliers will usually provide you with some form of documentation, but not necessarily the documentation that you're after. It's a good idea to ask your suppliers for the specific

documents you need. Doing this at the beginning avoids unnecessary hassle for your suppliers and sets up an expectation right from the start that you need specific evidence, not just any old paperwork.

We have spoken to a number of suppliers outside the EU that have been asked due diligence-type questions by their customers but had no idea why they were being asked these questions.

Monitoring Organisations

All EU-recognised monitoring organisations can provide companies with a template for their due diligence systems. In other words, you can use your own system, or adapt one developed by a monitoring organisation.



Due diligence



How should you start a conversation about the EUTR with your suppliers?

You need to start questioning your suppliers about where they get their timber from as early in the relationship as you can.

Preferably, this means before you have signed a contract with them, though of course this isn't possible if you're already sourcing from them.

Your initial conversations with your suppliers could include:

- ➔ Explaining your legal requirements to them, so they know why you're asking them a lot of questions.
- ➔ Offering them training, if appropriate – for example if they haven't heard of the EU Timber Regulation before or they don't know much about chain of custody.
- ➔ Agreeing lists of documents that should be provided with each shipment.

➔ Trying to come to an agreement where your suppliers will allow their facilities to be audited and their products to be tested in a lab. Such tests aren't just a way of trying to detect fraud; they're also a great way for your supplier to provide evidence that they're doing things legally.

➔ Helping your supplier to implement a chain of custody system in their facilities, if there's a risk that checked and unchecked material might get mixed up.

➔ If necessary, encouraging a supplier to find a safer source of timber, rather than you both trying to mitigate the risks of timber coming from a risky place.

In some situations, you might want to conduct a short assessment of a supplier before signing a contract with them.

If you're already in a contractual relationship with a supplier, then you should conduct your due diligence as soon as you can, and before you place any products on the EU market.

The contract



What can you include in your contract with suppliers?

In order for you to be able to carry out your risk assessment, you will need the information below from your suppliers. It can be helpful to include this in your contract with them.

- The species of timber, including its scientific name, if the trade name covers more than one species.
- The country the timber was harvested in.
- The sub-national region the timber was harvested in (where applicable).
- The names and addresses of suppliers and buyers, as well as sub-suppliers in the supply chain (where applicable).
- Evidence to indicate the risk of timber being harvested, traded or transported



The contract



What should you include in your contract with suppliers?

Other companies have included the following requirements in their contracts with suppliers:

- ➔ Suppliers are obliged to inform you if they plan to make changes to their supply chains, *before* these changes are made. This includes changes to the species of timber, where they source it from and who they source it from – in other words, any of the details listed above. This is important because you must conduct a risk assessment before your products are placed on the EU market. If your suppliers make any changes, the level of risk you face may go up or down.
- ➔ Suppliers will give access to you or your appointed 3rd party to conduct on-site audits. The audits can take place at your supplier's company, at companies within their supply chain, or at the forest-level. If you feel that unannounced audits may be beneficial, you could include this too.
- ➔ You reserve the right to test samples of their timber to verify species or origin. Our [article](#)² provides an overview of the advantages and disadvantages of the main commercially-available laboratory techniques. Even if timber samples are not tested, collecting samples regularly informs the supplier that you are independently checking their claims of origin or species. It also allows you to build up a database of samples, should you need to test samples in the future.
- ➔ If any of the information that they have provided you with turns out to be false, you reserve the right to get out of the contract.

2) <http://www.nepcon.org/newsroom/labtechniques>



Costs



Who should bear the cost of due diligence?

Checking whether the timber you're buying was sourced legally in its country of harvest can be a time-consuming job, especially if your supply chain is long or the timber comes from a country where laws are regularly flouted. Who should pay for these costs?

For example, if you need to conduct some laboratory tests on timber to verify its species or origin, who should pay for these? There are no hard and fast rules on this; it's something for you to agree with your suppliers.

Some European companies ask their suppliers to cover the costs of providing the information required to carry out this due diligence. But if your supplier is selling to many different companies and each company is asking for slightly different information, in a slightly different format, then this can be a problem for your supplier, especially if they are a small or medium sized company.

At worst, there's a risk that such companies might consider it too much work to sell to Europe and try to find alternative customers in non-regulated markets.

You will need to find a solution that works for you and for your suppliers. If your suppliers are small companies, or if they are struggling to help you with the due diligence you're required to do, you might consider:

- ➔ Helping them with their costs. It's plausible that this might even be cheaper for you in the long run if the alternative means losing a valued supplier (or getting into legal trouble for not having carried out sufficient checks).
- ➔ Helping them carry out the checks that they need to carry out – for example, helping your supplier ask questions of their suppliers, or clarifying exactly what sort of evidence you require from them.
- ➔ Employing a third party to help them map their supply chain.



Missing information



What information can your suppliers withhold from you?

You're going to be asking your suppliers a lot of questions and to provide a lot of documents. In some situations, they might be uncomfortable providing you with some of this information.

The key point to remember is that suppliers only have to provide you with the information that's relevant for you to be able to assess the risk of illegality.

For example

If you're sourcing from a country where the risk of illegal transfer pricing is negligible, but there's a risk that timber is harvested without the proper permits, then you don't need to see information about prices on invoices. If there's price information on documents you require, it would be fine for suppliers to blank these bits out.

Some suppliers (especially traders) are often reluctant to tell you the names of the companies they source from for fear of being cut out of the supply chain. You should be aware of these fears and try to allay them by explaining clearly that knowing the structure, length and role of companies in the supply chain is necessary to assess legality risks, which you are required to do by law.

If a supplier is concerned about disclosing sensitive information, it's possible for you to employ a third-party to evaluate the supply chain. The third party could be contractually obliged to keep certain sorts of information confidential.

Note though that it's you – the company that first places the timber product onto the EU market – that is legally required to ensure you are minimising the risks of selling illegal timber. This means that if you do employ a third party to conduct your due diligence, you need to make sure that you're confident they'll do a good job.

Push for certification

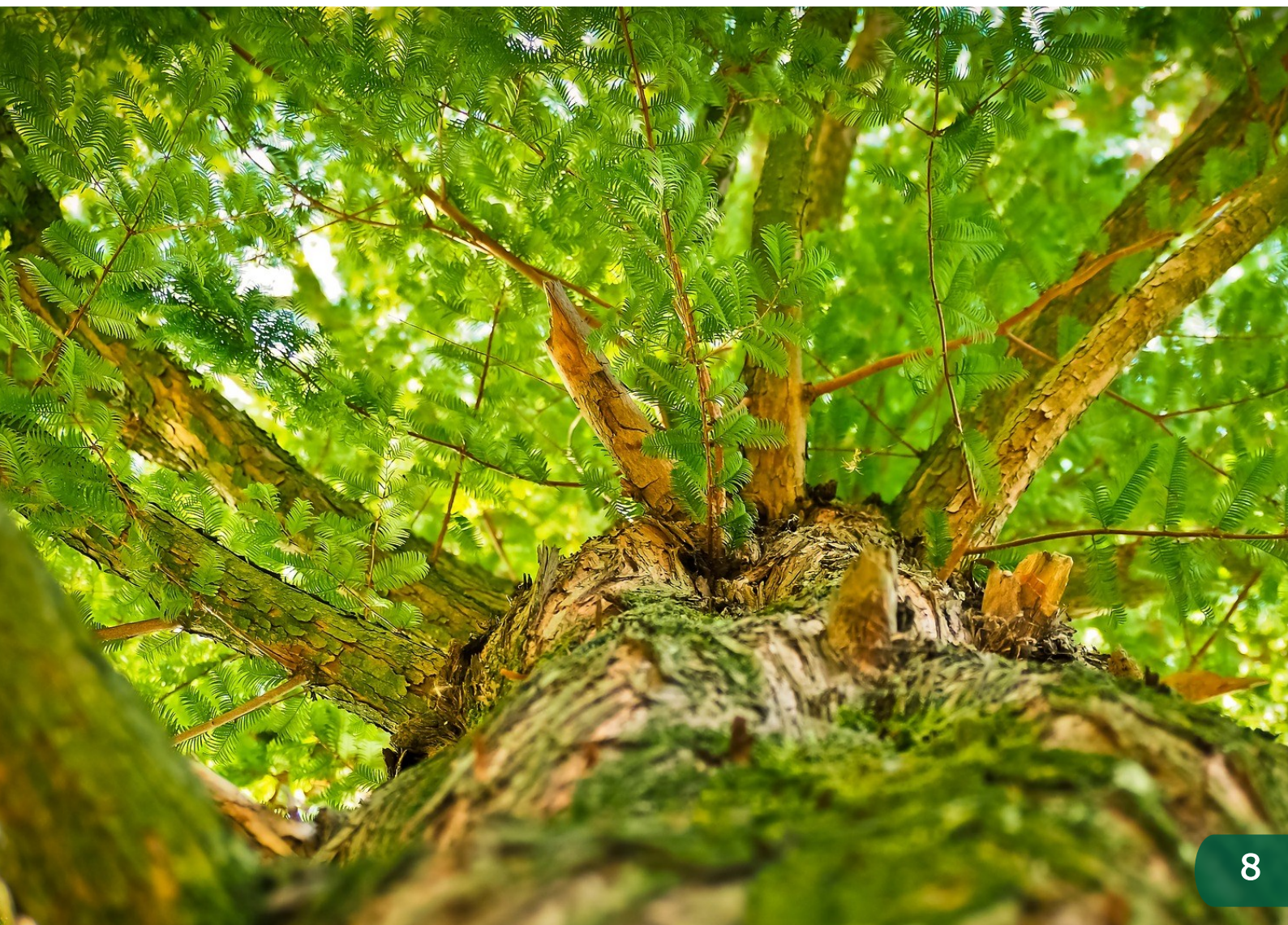


Encourage your suppliers to get certified

One way to make it easier for you to carry out your due diligence is to encourage your suppliers to get certified – for example by encouraging them to get FSC or PEFC chain of custody certified, and for them to source material that comes from FSC-certified forests.

Sourcing from certified suppliers does not mean that you can just assume that your material meets all EU Timber Regulation requirements. In particular, there are still significant issues with sourcing certified material from high risk countries.

However, certification should make it easier for you to access information on supply chains, improve traceability and reduce the risk of mixing of known and unknown materials, or low risk and high risk materials.





Free forest legality training sessions?

NEPCon is hosting [free one-day training sessions](#) to help companies meet the EU Timber Regulation requirements. We will cover how to carry out risk assessments and how to mitigate risks. The training sessions will be held in autumn 2017 in the following countries: Denmark, Poland, Belgium, Netherlands, Germany, Spain, Portugal, Estonia, Latvia, Lithuania, Romania and Hungary.



www.nepcon.org/eutr-registration-form

About Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint initiative 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 initiative 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.

NEPCon |

info@nepcon.org | www.nepcon.org

