The European Union Timber Regulation (EUTR)
Content

- EUTR basics
- EUTR actors
- Product scope
- Introduction to due diligence
- EUTR Enforcement
EUTR basics

- **European Union Timber Regulation**
- EU Regulations are directly applicable / binding within EU Member States, which are responsible for implementation
- Main objective: address the presence of illegal timber by denying it access to the EU market
EU-FLEGT Action Plan

2008

EU Timber Regulation approved

2010

EU Parliament + Council Approved
Published In the Official journal 12 November 2010

EUTR enters into force

March 2013

2013

EU Commission will continue working toward effective and uniform EUTR implementation in cooperation with Member States

FLEGT Work Plan 2018-2022

2018

Review of the FLEGT Action Plan

2016

Need to strengthen implementation and enforcement of the EUTR

EC communication

“Stepping up EU Action to Protect and Restore the World’s Forests”

2019

Re-affirms implementation of the 2018-2022 Work Plan by the EU Commission
EUTR ACTORS
The main actors and their roles: overview

EUROPEAN UNION COMMISSION
- Formulates rules and guidance
- Develop and maintain a due diligence system and ensure its proper use
- Ensure enforcement of the EUTR
- May provide assistance and guidance to operators
- Ensure that they trade timber at low risk of illegality by using a due diligence system
- Ensure traceability of timber trade
- Ensure traceability of timber trade
- Approves entities as MO
- Grants operators the right to use their due diligence system (not mandatory for operators)
- Monitor operators
- Submit a report every 2 years
- Control
- Notify events of significant/repeated failure of operators

MONITORING ORGANISATIONS (MO)
- Ensure enforcement of the EUTR
- May provide assistance and guidance to operators
- Ensure traceability of timber trade
- Approve entities as MO
- Notify events of significant/repeated failure of operators

OPERATORS
- Ensure enforcement of the EUTR
- May provide assistance and guidance to operators
- Ensure traceability of timber trade
- Ensure that they trade timber at low risk of illegality by using a due diligence system
- Ensure traceability of timber trade
- Approve entities as MO
- Notify events of significant/repeated failure of operators

EU TIMBER INDUSTRY
- Ensure enforcement of the EUTR
- May provide assistance and guidance to operators
- Ensure traceability of timber trade
- Ensure that they trade timber at low risk of illegality by using a due diligence system
- Ensure traceability of timber trade
- Approve entities as MO
- Notify events of significant/repeated failure of operators

MEMBER STATES
- Competent Authorities
  - Ensure enforcement of the EUTR
  - May provide assistance and guidance to operators

End consumer of timber products
Countries and businesses exporting timber to the EU
Member States / Competent authorities
EU Member States

- **Detail rules on penalties** in their own legislation

- Obligation to **cooperate** with each other, with the administrative authorities of third countries and with the EU Commission

- May provide **assistance and guidance to operators**, including disseminating relevant information on illegal logging

- Check at regular intervals that Monitoring Organisations fulfil their requirements

- Send a report to the European Commission every 2 years

- Design one (or more) entity as **Competent Authority** ([see the list here](#) for the 27 Member States)
EU Member States - Competent Authorities

• Responsible for the actual implementation of the rules by operators

• Through **checks conducted on Operators**, including field audits
  - On the basis of a periodically reviewed plan
  - On a risk-based approach
  - Can be on the basis of substantiated concerns provided by third parties

• Obligation to keep record of checks

• Shortcomings and irregularities can lead to:
  - Notice of remedial actions to be taken by operators
  - Seizure
  - Fines
  - Other penalties
Operators and traders
Operators and traders

- **End consumer of timber products**
- **EU TIMBER INDUSTRY**
- **Traders**
  - Ensure traceability of timber trade
- **Operators**
  - Ensure traceability of timber trade
  - Ensure that they trade timber at low risk of illegality by using a due diligence system
- **Countries and businesses exporting timber to the EU**
- **EU forests**
• The timber industry is divided into 2 groups: operators and traders

• Operators are those **who place timber or timber products for the first time on the EU market**
  
  ➢ Placing = distributing or using
  
  ➢ Domestic operators vs Importing operators

• Traders are **all the other** businesses involved between the operator and the end consumer
  
  ➢ Caution: a sawmill can be a “trader”

• A company can be both an operator **and** a trader
  
  ➢ Example: a retailer is buying timber furniture from a supplier in Vietnam (operator) and from a supplier in Germany (trader)
Importing operators

Importing operators are:

- **The entities acting as the importer** when the timber is cleared by EU customs authorities for free circulation is the operator.

- Definition is independent of the ownership of the product, or other contractual arrangements.

  - *In most cases, the importer can be identified as the “Consignee” in Box 8 of the customs declaration documents (Single Administrative Document).*
### Operators and traders

**Type** | Multiple choice  
---|---  
**Question** | Is your organisation (you may choose several):  
**Possible answers** | An operator  
| A trader  
| An exporter to the EU  
| Other  
| I am not sure
The obligations of operators

1. Prohibition to place on the market **illegally** harvested timber or timber products

2. Obligation to exercise **due diligence** through procedures and measures (“due diligence system”)

3. Maintenance and regular evaluation of the due diligence system (*except when the due diligence system of a Monitoring Organisation is used*)
The obligations of traders

1. Be able to identify
   - Suppliers
   - Buyers (except for final retailers selling to consumers)

2. Keep information for at least 5 years

3. Provide information to Competent Authorities
Obligations of operators and traders

Processors and Manufacturers

Sources outside the EU

Operator
- Traceability of timber trade
- Due Diligence System to avoid illegal timber

EU Internal Market

Trader
- Traceability of timber trade (record of suppliers and customers)

Trader
- Traceability of timber trade (record of suppliers)
PRODUCT SCOPE
Scope: which products are concerned?

- Products containing paper, cardboard, wood fibre or wood
- Complete list in EUTR Annex
- Identification based on EU customs codes

➢ EUTR Art. 2(a) + Annex
Scope: example of products not concerned

- Waste products
- “Seats”
- Packing (used as packing)
- Printed material
- Musical instruments
- Toys & games
- Pulp and paper made from bamboo
- Tools, brooms, handles made of wood
- ...

See our webpage
INTRO TO DUE DILIGENCE
What is due diligence?

<table>
<thead>
<tr>
<th>Type</th>
<th>Single choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>&quot;Due diligence&quot;...</td>
</tr>
</tbody>
</table>
| Possible answers | I have no idea what it means  
|             | I vaguely see what it means  
|             | I exactly know what it means |
What is due diligence?

“Operators are required to exercise due diligence. To that end they shall use a framework of procedures and measures, referred to as a ‘due diligence system’.”

Source: EU Timber Regulation

“A ‘due diligence system’ can be described as a documented, tested, step-by-step method, including controls, aimed at producing a consistent desired outcome in a business process”

Source: Commission Notice of 12.02.16, Guidance Document for the EU Timber Regulation
DDS – “Due diligence system”

• System, mechanism, procedures

• Objectives:

  Efficiently evaluate and mitigate **risk of selling or using illegally harvested timber**

  *In order to*

  Avoid placing illegally harvested timber on the market

• Composed of:

  • Set of **documents and tools** to be used

  • Consistent implementation of different **steps**
Risk
What is risk?

The notions of RISK and ILLEGALITY are at the heart of a Due diligence system.

Risk of illegality: the likelihood that a given legal obligation will **not** be enforced.

- **Forest-level risk**: in connection with the forest management and harvesting operations.
- **Supply chain risk**: during trade and transport of the material in the country of harvest.
- **Risk of mixing**: contamination with unknown and / or illegal material along the supply chain.
What is risk?

- Risk can be low but never absent

- Risk of illegality is either “negligible” or “non-negligible”
  - No “grey” or “medium” area
  - No threshold clearly defined
Legal / illegal timber
What is legal timber?

The notions of RISK and ILLEGALITY are at the heart of a Due diligence system

“In the absence of an internationally agreed definition, the legislation of the country where the timber was harvested, including regulations as well as the implementation in that country of relevant international conventions to which that country is party, should be the basis for defining what constitutes illegal logging.”

Ref: Regulation (EU) No 995/2010
What is legal timber?

“Applicable legislation” means the legislation in force in the country of harvest on:

1. **Rights to harvest** timber within legally gazetted boundaries

2. **Payments for harvest rights and timber** including duties related to timber harvesting

3. **Timber harvesting**, including environmental and forest legislation including forest management and biodiversity conservation, where directly related to timber harvesting

4. **Third parties’ legal rights** concerning use and tenure that are affected by timber harvesting

5. **Trade and customs**, in so far as the forest sector is concerned

➢ European Commission Notice C(2016)-755 of 12/02/2016, Part 4
Due diligence steps
Due diligence steps

1. Access to Information ➤ Obtain information about the supply chain

2. Risk Assessment ➤ Evaluate the risks of illegal harvested material entering the supply chain

3. Risk Mitigation ➤ Mitigate any identified risk
Due diligence steps

- Accessing information
- Assessing risks
- Mitigating risks
- Other measures
- Low risk conclusion
Elements of a DD system
• How an organisation implements those steps is going to be its due diligence system

An efficient and robust system should require at the minimum:

• Solid commitment from the organisation (endorsed at higher level, public, etc.)

• Clear responsibilities and competence of staff

• Documented procedure for clarity and continuity

• Regular quality controls (audits, internal and / or external), reviews and updates of the system
EUTR ENFORCEMENT
<table>
<thead>
<tr>
<th>Type</th>
<th>Single choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Has your company already been controlled by Competent authorities?</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Not sure</td>
</tr>
</tbody>
</table>
• **Operators** are liable to prosecution and penalty

• Sanctions shall be *effective, proportionate* to the severity of the violation and have *deterrent* effect

• National law of Member States will define the penalty range

• Possible sanctions include:
  
  • Fines
  
  • Seizures / confiscations
  
  • Imprisonment
  
  • Suspension of trade permit
• **Inconsistent** enforcement practices among States

• Number of inspections growing in general

• BUT: no solid aggregated data on enforcement cases
  
  • Reporting obligation from CA gathered in WCMC reports but overall quite inconsistent
  
  • WWF 2019 report pointing out lack of transparency from CAs on enforcement cases

Enforcement highlights

• **Importance of substantiated concerns** – reports from NGOs (Greenpeace, REM, EIA, Earthsight)

• **High profile countries** with repeated checks and penalties:
  - Brazil
  - Myanmar (teak)
  - Central African countries: DRC, Gabon, Central African Republic

• Main focus on insufficiency of the **due diligence system** of the operator
Questions?
EXPLORING DUE DILIGENCE
What it means in practice
Content

- Access to information
  - Mandatory information
  - Supply chain mapping
  - Information integrity

- Risk assessment
  - Species
  - Trade and transport
  - Origin
  - Risk of mixing

- Risk mitigation
  - Available actions
  - Case study

- Certification and due diligence
ACCESS TO INFORMATION
Mandatory information
### Mandatory information

<table>
<thead>
<tr>
<th>Type</th>
<th>Multiple choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Which information on timber products are absolute EUTR requirements (you may pick several)?</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Species</td>
</tr>
<tr>
<td></td>
<td>Forest of harvest</td>
</tr>
<tr>
<td></td>
<td>Botanical description of the tree</td>
</tr>
<tr>
<td></td>
<td>Product identification</td>
</tr>
<tr>
<td></td>
<td>Country of harvest</td>
</tr>
<tr>
<td></td>
<td>Wood physical property</td>
</tr>
<tr>
<td></td>
<td>Direct supplier identification</td>
</tr>
</tbody>
</table>
Requirements – mandatory information in all cases

- Information that shall **always** be known and documented:
  - Description of the product
  - **Quantity** (of material placed on the EU market)
  - **Supplier** (tier 1)
  - **Buyer** (Not applicable to retailers)
  - **Species** (scientific name)
  - **Origin** (country, and if applicable, region or concession)
  - Documents or other information indicating legal compliance

➢ EUTR Art. 5 & 6

This will change on a case by case basis
“Documents or other information indicating legal compliance of [...] timber and timber products with the applicable legislation”

Why?

• The applicable legislation is not the same depending on the country of harvest
• The degree of enforcement of the legislation in place is not the same everywhere
• Extent of this additional information collection depends on:

1. **Legislation in place**
   Need to know the legislation in the country of harvest

2. **Level of risk existing in the country**
   Need to know how well the legislation is enforced
Determining additional necessary information

- **Objective of documentation collection:**
  - Identify if / where there are risks of legal violation
  - Potentially mitigate identified risks
  - Conclude low risk of legal violation

- **How much** information and documentation is needed?
  - *Wrong question!*

- **Caution:** document collection **not an end in itself**

- It must **serve the purpose** of risk assessment and potentially risk mitigation
Determining additional necessary information

Correct question:

- **Which** information and documents **are relevant**?
  - What does an information / document tell us?
  - What is the purpose of a document?
  - How does it evidence compliance with forest-related legislation in place?
Supply chain mapping
Supply chain mapping

- The exercise of mapping supply chains is always a good starting point.

- Efficient way of determining the country / region / forest of harvest (mandatory information).

- Need to evidence declarations on a supply chain.
  - Importance of sales or transport documents as evidence of commercial link.
Information to capture with supply chain mapping:

• Entities involved in the supply chain (name and location)

• How and where the product is transformed
  • Different components
  • Species
  • Industrial processes in play
  • Physical routes

• Certification claims if applicable
Supply chain mapping

- Oak
- Birch
- MDF
- Ply
- PB

French Operator

Dun Hui Ru Ting W
Jin, China

Wholesale
Behaves

Wholesale
Plywood

Green wood
Timber
Lisbon, Portugal

10 Sawmills

Plywood
Mill

Oak

Glico
International
Lumber LLC
USA

2) Bill of Lading
3) COO
4) Invoice
5) Phyto sanitary Cert

6) FSC Certificate Glico

Origin
W. Virginia
USA

Origin
Jin, China

1) Business License

2) Invoice & Packing List

11) Trade License
Supply chain mapping

- Excel template: supply chain mapping tool

<table>
<thead>
<tr>
<th>Material/Product</th>
<th>ID:</th>
</tr>
</thead>
</table>

Supply Chain Detail

<table>
<thead>
<tr>
<th>Tier</th>
<th>Supplier Name</th>
<th>Type of entity</th>
<th>Material Type</th>
<th>Species (scientific name)</th>
<th>Material certification (if applicable)</th>
<th>Certification code of supplier (if applicable)</th>
<th>Location</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
<tr>
<td>See GUIDE tab</td>
<td>Enter the name of the supplier. (primary manufacturer, raw material supplier, etc.)</td>
<td>Enter the type of entity for supplier.</td>
<td>Enter the material type. (logs, raw timber, planed timber, veneer, plywood, MDF, OSB, etc.)</td>
<td>Enter the names of the species in each product</td>
<td>Enter the type of certification/registration, if applicable</td>
<td>Enter the certification code for the applicable certification.</td>
<td>Enter the location (country, region, address) of the supplier.</td>
<td>Enter relevant contact details for the supplier. (contact person, email, telephone)</td>
</tr>
</tbody>
</table>

Supply Chain Example

<table>
<thead>
<tr>
<th>1</th>
<th>Components Ltd</th>
<th>Secondary Manufacturing</th>
<th>Furniture parts</th>
<th>Olearia monogelica</th>
<th>No</th>
<th>NPA</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Sawmills Ltd</td>
<td>Sawmill</td>
<td>Saw Timber</td>
<td>Olearia monogelica</td>
<td>No</td>
<td>NPA</td>
<td>China, Jils</td>
</tr>
<tr>
<td>3</td>
<td>forestry inc</td>
<td>Forest Enterprise</td>
<td>Logs</td>
<td>Olearia monogelica</td>
<td>No</td>
<td>NPA</td>
<td>Peru</td>
</tr>
</tbody>
</table>
Information integrity
Information integrity

• Ensuring the quality of information collected

• Key questions:

  1. Trustworthiness and level of evidence
  2. Validity / fraud detection
  3. Relatedness
  4. Corruption
1. Trustworthiness

- **Trustworthiness** and level of evidence

- Is concrete evidence / proof needed? How much evidence is needed?

- Different documents, different sources of information

- Timber testing

*Using laboratory testing to verify the species and origin of your forest products can enhance your due diligence system and avoid sourcing illegal timber.*
1. Trustworthiness
1. Trustworthiness

Multiple sources

- Field experience and reports (ours and others)
- Public summaries of certification audits
- NGO reports/newspapers
- EU FLEGT Process
- Government reports on compliance
- National statistical reports
- Stakeholder consultation
- Expert input
- Justice and tribunal records
2. Validity of information

- Determining if a document is valid:
  - Check dates of emission / signature
  - Presence of official signatures and stamps
  - Legal document are often standardized and based on a single template / form
  - Use of available online databases
2. Validity of information
2. Validity of information

采伐类型：立伐  采伐方式：  采伐强度：
采伐面积：231.2公亩（株数：9332株）
采伐蓄积：2115立方米（出材量：________立方米）
采伐期限：2016年4月16日至2016年6月16日
更新期限：________年_____月_____日
更新面积：________公顷（株数：_______株）
□占限额 □不占限额
2. Validity of information

<table>
<thead>
<tr>
<th>Type</th>
<th>Single choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Have you seen anything strange on this document?</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Not sure</td>
</tr>
</tbody>
</table>
2. Validity of information

采伐类型：立伐  采伐方式：_  采伐强度：_
采伐面积：231亩  公顷（株数：9332 株）
采伐蓄积：2115 立方米（出材量：________立方米）
采伐期限：2016年4月16日至2016年6月16日
更新期限：__________年____月____日
更新面积：__________公顷（株数：______株）
□占限额  □不占限额
3. Relatedness

- Does information tally *across* documents? Check the coherence of information on:
  - Dates
  - Volumes
  - Trading entities
  - Dimensions
  - Qualities
  - Species
  - Issuing authorities
  - Etc.
4. Corruption

Key Challenge!

In countries with a high level of corruption you can get stamp and signature on official document without complying with legislation.
RISK ASSESSMENT
Objective of risk assessment

- Assess information obtained
- Identify systemic risks in the country of harvest
  - All relevant legislation (5 legal categories)
- Assess whether systemic risks are applicable to the supply chain
  - Risk specification
  - Have enough detail to proceed with risk mitigation
- Identify risk that unknown material is entering the supply chain (risk of mixing)
Risk assessment criteria

- Origin
- Trade & Transport
- Species
- Supply Chain Complexity
## Risk assessment process

<table>
<thead>
<tr>
<th>Conclusive risk factors</th>
<th>Origin</th>
<th>Species</th>
<th>Trade and transport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• UN / EU Sanctions</td>
<td>• Armed conflicts</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>• Armed conflicts</td>
<td>• Timber harvest or trade bans</td>
<td>-</td>
</tr>
<tr>
<td>&quot;Green lanes&quot; exempted from due diligence</td>
<td>• Valid FLEGT licences</td>
<td>• Valid CITES licences</td>
<td>-</td>
</tr>
</tbody>
</table>

### IN ALL OTHER CASES

**What is the legislation in place?**

**What is the likelihood that this legislation is not enforced?**

<table>
<thead>
<tr>
<th>Eye-catcher situations: high profile cases</th>
<th>Origin</th>
<th>Species</th>
<th>Trade and transport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High profile countries: Brazil, Myanmar, Ukraine, DRC…</td>
<td>• IUCN Status</td>
<td>• Mis-classification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ipe, Kevazingo, Mongolian Oak, Rosewood…</td>
<td>• Transfer pricing</td>
</tr>
</tbody>
</table>
Species
<table>
<thead>
<tr>
<th>Type</th>
<th>Single choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Is it mandatory to have the complete scientific name under the EUTR?</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Not sure</td>
</tr>
</tbody>
</table>
Species: requirements

• Scientific name not absolutely mandatory

• But important in most cases in order to:
  • Find out information on the species through databases (IUCN, CITES, etc.)
  • Verify coherence of information in relation to the declared origin of timber
  • Assess the risk to the specific species

**EXAMPLE**

• *Quercus mongolica* is a high risk species in relation to prevalence of illegal harvesting. It naturally grows in West Russia, China, South and North Korea, Japan.

• *Quercus alba* is a low risk species that naturally grows in Canada and the USA.
• Known and documented species at risk of illegal logging

  • Ipe (Brazil)
  • Kevazingo (Gabon)
  • Rosewood (Madagascar)
  • Mongolian Oak (East Russia)
Species: IUCN Red list

- Indication of the **conservation status** of biological species, evaluating risk of extinction

- Several degrees: Least concern / Near threatened / Vulnerable / Endangered / Critically endangered / Extinct in the wild / Extinct

- In theory, an endangered species could be harvested and traded legally BUT it is more likely that an endangered species will be protected through harvesting ban or strict legal conditions applying to its harvest and / or trade
Trade and transport
Trade and transport: mis-classification

• Mis-classification on trade and transport documents is a well-known way to **avoid paying taxes**, or **conceal illegal harvesting**

• Pay attention to differences in the description of products on trade and transport documents:
  • Quantities
  • Sizes
  • Species
Trade and transport: transfer pricing

- Using international trade to avoid paying taxes on profits
  - Artificially low prices
  - Artificial low profit in country of harvest = low profit taxes in country of harvest
  - High profit made in oversee country with beneficial tax regime
Origin
INDONESIA is currently the only VPA country which has reached the stage of issuing FLEGT licences. The scope of timber product covered is included in Annex I of the Agreement.
Origin: high profile cases of illegal harvesting
Further evaluation of risks of illegality
Further evaluating the risk of illegal timber

Conformance assessment

- Rule A
- Rule B
- Rule C
- Rule D

- Rule E
- Rule F
- Rule G

- Rule E
- Rule F
- Rule G

- Rule H
- Rule I

➢ What are the rules? Are they enforced?
Further evaluating the risk of illegal timber

Risk-based assessment

- Rule A
- Rule B
- Rule C
- Rule D
- Rule E
- Rule F
- Rule G

➢ What are the rules? How well are they enforced? What is the likelihood of non-compliance?
Further evaluating the risk of illegal timber

- Main steps of risk assessment:
  - Are specified risks present in the country of harvest of the timber?
  - If yes, are they relevant to the supply chain being assessed?
  - If yes, have they already been mitigated by something (an action, a document, etc.)?
Hypothetic case: *Timber from plantations is harvested in Country X and exported into the EU.*

- 3 origin risks have been detected in country X:
  
  1. Risk that timber is over-harvested in natural forests (exceeding quotas)
     - Not applicable to the supply chain as the timber comes from plantations.
  
  2. Risk that harvesting in conducted without the annual harvest permit being delivered by forest authorities
     - The exporter has already provided its annual harvest permit, which has been assessed as valid.
  
  3. Risk that mandatory social agreements with local communities are not signed prior to harvesting
     - This risk is applicable and has not yet been mitigated. It needs to be highlighted and addressed.
Supply chain complexity
Supply chain complexity

- Detect the risk that material could be mixed with:
  - Unknown material; and / or
  - Illegally harvested or traded material.
- Across the whole supply chain

Guiding questions:
- Have all the material entering the product been identified and accounted for?
- Would other input carry a different level of risk?
Supply chain complexity

<table>
<thead>
<tr>
<th>Type</th>
<th>Single choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>To evaluate the risk of mixing with unknown material, should we take into account:</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Only the forest</td>
</tr>
<tr>
<td></td>
<td>Only the sawmill</td>
</tr>
<tr>
<td></td>
<td>All tiers in the supply chain</td>
</tr>
<tr>
<td></td>
<td>All processing units in the supply chain</td>
</tr>
<tr>
<td></td>
<td>Only our direct supplier</td>
</tr>
</tbody>
</table>
Supply chain complexity

- Not a single way to evaluate mixing risks, but factors can be taken into account
- Complexity of the supply chain as a good indication
  - Length and route of the supply chain
  - Complexity of the product and the material (Multi-component? Composite material?)
- Strength of segregation / traceability systems in place
- Volumes mismatch
Supply chain complexity

Identification of all components of a product

Identification of all inputs in a product

10% Mixed Tropical Hardwoods (MTH)

90% Rubberwood
Supply chain complexity

Segregation systems in place within suppliers and sub-suppliers
RISK MITIGATION
Risk mitigation

- The better the risk is specified and understood, the more appropriate the mitigation action
- Each risk must be separately addressed
- Risk mitigation can be incremental and happen in several steps
- No strict list of actions available
- Verify and justify effectiveness

Supplier cooperation is KEY
Available risk mitigation actions
## Risk mitigation options

<table>
<thead>
<tr>
<th>Type</th>
<th>Multiple choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question</td>
<td>Which actions do you think can be appropriate for risk mitigation?</td>
</tr>
<tr>
<td>Possible answers</td>
<td>Timber testing</td>
</tr>
<tr>
<td></td>
<td>Requesting specific documents</td>
</tr>
<tr>
<td></td>
<td>Change the whole supply chain</td>
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<tr>
<td></td>
<td>Change only forest supplying timber</td>
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<tr>
<td></td>
<td>Conduct trainings at factories</td>
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<td></td>
<td>Request certified material</td>
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<td></td>
<td>Request the use of GPS data</td>
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<tr>
<td></td>
<td>Audit suppliers</td>
</tr>
</tbody>
</table>
Risk mitigation options

Avoid risk
- Replace supply chain
- Replace supplier

Control risk
- Change procedures
- Collect additional information
- Conduct supplier audit

Use certified material
- Use non-certified, low risk material

Collect additional documents
- Conduct timber testing
- Consult stakeholders
Collecting additional information

- When information is lacking or incomplete

- When the risk is specific to the absence or invalidity of required documentation
  - Risk of harvesting without an annual harvest permit
  - Risk of operating under an invalid forest concession agreement
  - Risk of operating under an outdated Forest Management Plan

- Double checking information is also a risk mitigation action
  - For instance, using **timber testing** to verify the origin and/or species
Suppliers may be able to offer to change their products to different supply chains:

- Species
- Sub-suppliers or supply chain structure
- Origins
- Certification status
Replacing supply chains

High risk existing for FME close to protected areas (known illegal logging)
Changing procedures

• Suppliers might be able to share the burden of risk mitigation:
  • Access more information / documentation from their own suppliers
  • Agree to conduct extra checks before selling the products
  • Implement / improve their own Chain of custody / segregation system

• Collaborating with suppliers is key:
  • They are closer to the area of risk
  • They likely speak the necessary language
  • They likely have local knowledge
Auditing suppliers

1. Verify legal conformance of supply chain entities

2. Verify effectiveness of risk mitigation actions

➢ Are health and safety requirements implemented in the sawmill?

➢ Are the harvesting operations conducted out of protected areas within the FMU?

• Can include different activities depending on the types of risks:
  • Document review
  • Field visits
  • Interviews
  • Stakeholder consultations
ReReplacing suppliers

• Pushing suppliers to provide enough information or to implement changes in order to conclude low risk for their products may not always be possible

• Some suppliers may not be willing to collaborate
Risk mitigation case study
Case study

• Oak declared from Jilin province, China
• Risk identified: species + origin

Initial risk mitigation: timber testing
• Products sent to a lab
• Tested for origin
• Results showed more likely origin is Russian Far East (RFE)

Further mitigation Actions
• EUTR & Risk training to factory staff
• Change source to US Oak
• Implement document checking procedure
• Help supplier implement CoC system
• Regular re-testing to ensure only US Oak present
Risk mitigation outcomes

- Always keep records of:
  - Actions implemented
  - Justification of risk conclusion (specified or low)
  - If risk is not effectively or not fully mitigated
    - Continue implementing and evaluating mitigation actions
CERTIFICATION AND DDS
Using certified material

• Not a green lane under the EUTR

• Certified material must be included in due diligence

• May be used in the risk assessment or as a risk mitigation action
  • Factor decreasing the level of risk
  • Way of decreasing amount of verification to conduct

• The EUTR lists requirements for certification systems (Implementing Reg. 607/2012) and gives further guidance
Variety of schemes

→ Sustainable forest management (including legality), chain of custody

→ Legal forest management, chain of custody

→ Due diligence system, legal forest management, chain of custody

Using certified material

- Diversity of certification schemes
  - What they cover: *assess whether the certification scheme covers the applicable legislation as defined by the EUTR*
  - How they work: *verify that the certification scheme has elements upholding strength and credibility (COC systems, control over input from non-certified forests, control over false claims, etc.)*
- Preferred by Nature has conducted evaluation of FSC & PEFC and developed a generic tool detailing the steps of assessing certification schemes
Using certified material

If the scheme is assessed as appropriate:

1. Obligation to collect information on all countries of origin and all species included in the product is still applicable

2. Caution when part of the supply chain is going through countries with a high degree of corruption

3. Ensure the validity of certification claims
Using certified material

- Need to check the validity of the certification both:
  - Of the product
  - Of the entities selling certified timber
- Do not forget that a certified entity can sell both certified and non-certified products!
Ensuring validity of a certification claim

• Check the supplier certificate is valid
  • Preferably from official public databases
  • Electronic copies of a certificate should not be trusted alone as they would not reflect on any termination or suspension of the certificate

• Check the scope of the supplier’s certificate

• Always check relevant sales and transport documents:
  • They must include relevant certification claims (e.g. FSC Mix, PEFC 100%) and the supplier code
  • Check that the legal entity selling the product is included in the certificate scope
Ensuring validity of a certification claim

Example: FSC database: [https://info.fsc.org/](https://info.fsc.org/)

- You can search suppliers by:
  - Name
  - Certificate code
Questions?
Available tools for timber due diligence
Building a due diligence system

Identifying applicable legislation and country-level risks

Cross-checking information
DDS TOOLS
LegalSource DDS tools

LegalSource Standards

- Set of requirements to measure performance
- Compliant with EUTR and other due diligence legislations
- For any supply chain level entity
- Possible certification

Due diligence toolkit

- Templates
- Guidance

Sourcing Hub

Help implement

➢ We have an open source policy and those documents are freely available!
LegalSource DDS tools

- **Toolkit** available for download from the Sourcing Hub

- **Guidance**
  - Due diligence (DD-01)
  - Due diligence for forest managers (DD-11)
  - Risk specification (DD-09)
LegalSource DDS tools

- Templates
  - Due Diligence Manual (DD-02 or DD-12)
  - Policy (DD-03)
  - Excel data sheets (DD-04, DD-05, DD-07)
  - Supplier information letter (DD-06)
  - Risk identification checklist (DD-08)
  - Risk specification (DD-10)
  - Certification scheme evaluation template (DD-13)
  - Supplier audit report (DD-14)
  - Product statement (DD-15)
Other DDS tools

- Working with a Monitoring Organisation

- Using dedicated IT systems designed to map supply chains, handle and record risk assessments

- Better tap into the potential of free / low-cost software (e.g. Excel databases)

- Having a serious evaluation process (internal or external)
RISK ASSESSMENT TOOLS
2 important questions for risk assessment:

1. What are the forest-related regulations in the country of harvest?
   - Concerns the legal categories 1 to 5

2. What is the risk that the legislation is not properly enforced?
   - Knowing the likelihood of non-compliance for each legal sub-category, as well as the scale and impact

Very challenging part of risk assessment!

Access country level timber legality risk assessments
Sourcing Hub

- PBN Sourcing hub for timber = around 60 timber producing countries
- Provides information about risks on compliance with timber-related legislation by countries
- Select a country by clicking on the map or entering the country name on top
On the country page, you will see:

1. A global risk score (the higher the score, the lower the risk and the other way around)
2. A detailed risk assessment (PDF document)
3. An overview of the country
Scrolling down:

4. Important high-level information

5. Guidance on information gathering

6. A summary of existing risks by legal category

7. Guidance on risk mitigation actions
Other timber legality country risk assessment

- Other sources of information to detect risks of illegal harvesting at a country level
  - FSC Centralised National Risk Assessments
  - FAOLEX Database (list of legislations only)
  - ETTF Timber Trade Portal
  - BV Rio Practical Guides to Conducting Due Diligence (series of documents for different countries)
  - Australian Government Country Specific Guidelines
  - WRI Open Timber Portal WRI Forest Legality Initiative Risk Tool
  - APEC Experts Group on Illegal Logging and Associated Trade (EGILAT): Timber legality guidance
  - Client Earth Forest logbook: Aggregator of other sources of information.
  - Chatham House Forest Governance and Legality Portal

⚠️ Make sure that risk assessments from other sources do address all EUTR legal categories
Custom country risk assessment

- If no risk assessment is available for a country, this step must be carried out by the Operator implementing Due Diligence.

- NEPCon Forest Legality Risk Specification guidelines (DD-09):
  - Describes the steps of evaluating risks.

### LOW RISK

Problems that are:
- Temporary
- Unusual or non-systematic
- Limited in their impact
- Effectively controlled by monitoring and enforcement by efficient and effective government agencies

### SPECIFIED RISK

Problems that:
- Affects a **wide area** and/or causes significant damage and/or continues over a **long period of time**.
- Indicates the absence or break down of **enforcement of the legal system**.
- Is not corrected or adequately responded to when identified.
- Has a **significant negative impact** on society, the production of forest products and other services, the forest ecosystem and the people directly and indirectly affected by forest operations.
CROSS-CHECK INFORMATION
Open and free platforms

- Distribution of species (natural or plantations)
- Trade routes
- Document validity when available
- Certification claims
- Forest-related documents
- ...
Small selection of useful platforms

- **Open Timber Portal** (Congo Basin) – *forestry documents*
- Kew’s [Plants of the World Online](https://www.plantsoftheworldonline.org/) database - *species distribution*
- [IUCN Red List](https://www.iucnredlist.org) ( “Geographic range” section) - *species distribution*
- [Global Biodiversity Information Facility](https://www.gbif.org) - *species distribution*
- [EUFORGEN](https://www.euforgen.org) - *species distribution*
- [ResourceTrade.Earth](https://resourcetrade.earth) from Chatham house – *trade routes*
- [FAOSTAT](https://www.fao.org) Forestry trade flows – *trade routes*
- [STIX](https://www.stix.gob.br) – Sustainable Timber Information Exchange – *trade routes*

➢ *Also use keywords in search engine!*
Better handling foreign languages

- Make use of online translation tools
- Use character recognition (OCR) on PDF / images
Questions?