



The Forest Legality Perception Index *concept note*

Background

The EU Timber Regulation requires that importers implement Due Diligence systems that include assessment of risks for sourcing illegally harvested timber and timber products. The regulation also requires the same importers to carry out risk mitigating actions whenever any identified risk cannot be classified as “negligible”.

The problem in these requirements of asking companies to identify risks in their own supply chains rests on the fundamental difficulty of identifying and rating risks in terms of wood sourcing.

This means that well founded indication of whether or not a certain risk in a supply chain is negligible or not becomes fundamental in guiding the actions a given company will be expected to undertake.

However, no such system of identifying indicators of risk currently exists.

Our proposed solution:

Forest Legality Indicator Index

To provide a solution to the problem of identifying and grading indications of risks in wood supply chains, NEPCon is proposing a process to create a global index of risk indications for forest legality. The Index will be based on analysis of known risks of illegal logging in specific countries or regions based on research and reports as well as a survey and scoring of perceived risks. The aim is not only to identify risks on a general level, but to identify risks for specific legal issues as well as specific risks related the species and to supply chain complexity. This will allow organizations to carry out as effective and targeted mitigation activities as possible.

In identifying the supply chain risks that operators face, it is important that they can identify the type of risks applicable to particular situations. Therefore the Index will provide detailed information about the risks applicable in individual countries and specific supply chains in the following risk categories:



No system currently exists for Operators to consistently assess and rate supply chain legality risks.



- Risks originating from the source:
 - Legal right to harvest and approved planning authorizations
 - Taxes and fees
 - Environmental and operational regulations
 - Social regulations
 - Trade and transport

- Risks originating from the supply chain
 - Complexity of supply chain
 - Use of trade agents
 - Ownership of supply chain
 - Cross-border transport of material
 - Assembled or composite products
 - Integrity of tracking systems in the production
 - Availability and access to information and documents

- Risks originating from species
 - CITES species
 - Species known to be illegally harvested in certain areas
 - Species with national or regional protection status

We would hereby like to ask for your feedback on this concept note, and invite you to indicate your interest in participating in project development and/or opportunities to provide funding.



The Index will include an online interface with a clickable map showing different layers for different risk categories.

It will also be possible to run reports of the interface based on the supply chain information entered by the user. This will enable the user to receive a complete risk assessment profile with indicators of risks for the specific supply chains and products entered into the system.

NEPCon would like to take the idea of a Forest Legality Perception Index into development and testing. The premises are that the methodology and management of the system receives a broad recognition by a variety of relevant stakeholders. This is needed to provide the transparency and technical integrity required to make the system credible and fair.



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