



The European Union Timber Regulation (EUTR)



LIFE - Support EUTR II - LIFE18 GIE/DK/000763



- 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



The 27 EU Member States

EUTR landmarks



⇒ EU considers feasibility of introducing legislation to control imports of illegal timber

**EU-FLEGT
Action Plan**

2008

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

**EUTR enters
into force**

March 2013

**FLEGT Work
Plan 2018-2022**

2018

2010

**EU Timber Regulation
approved**

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

2016

**Review of the
FLEGT Action Plan**

⇒ Need to strengthen
implementation and enforcement of
the EUTR

2019

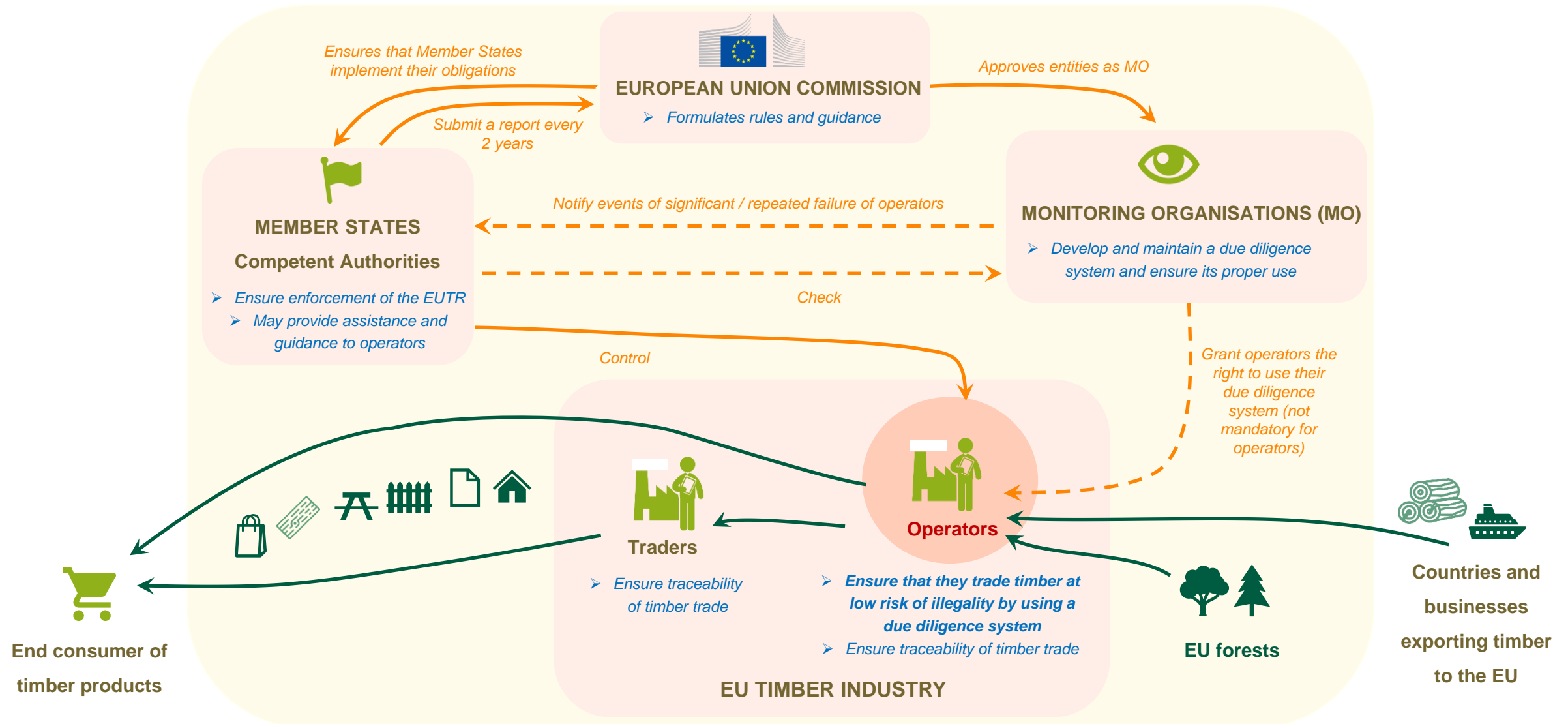
**EC communication
“Stepping up EU Action to Protect
and Restore the World’s Forests”**

⇒ Re-affirms implementation of
the 2018-2022 Work Plan by the
EU Commission



EUTR ACTORS

The main actors and their roles: overview



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)

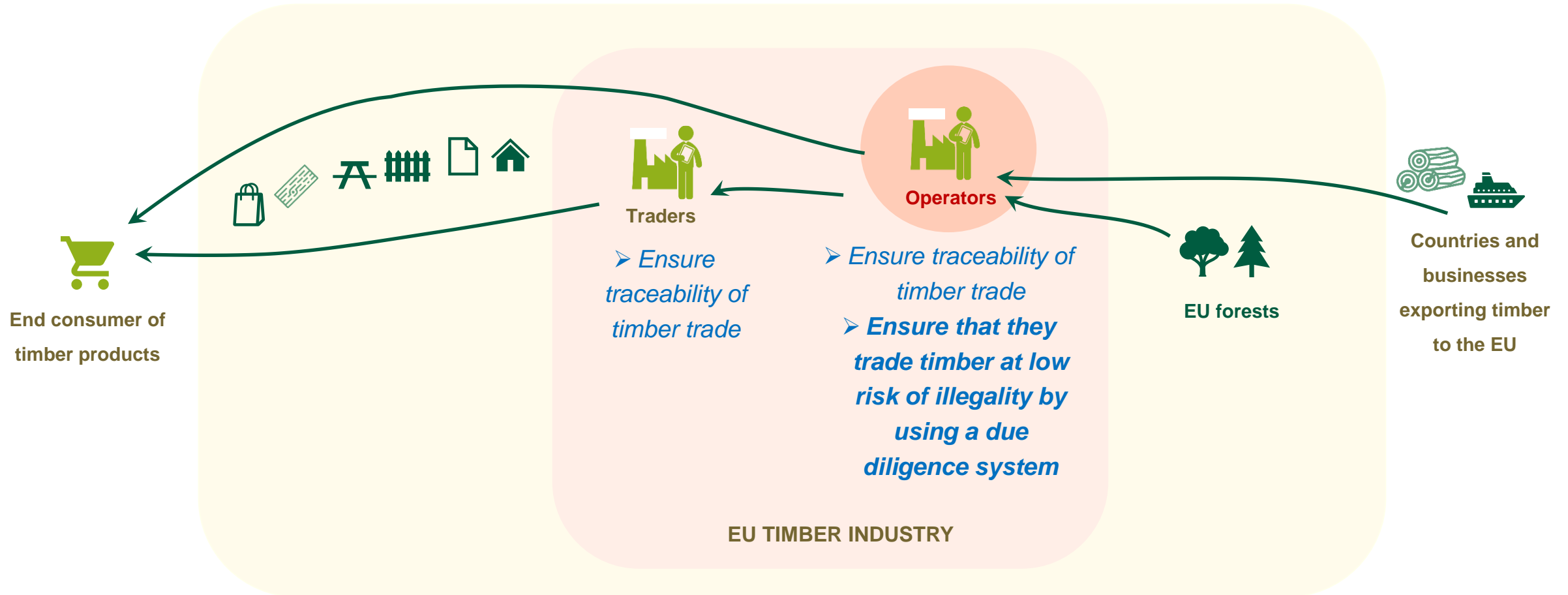


- Responsible for the actual implementation of the rules by operators
 - Through **checks conducted on Operators**, including field audits
 - *On the basis of a periodically reviewed plan*
 - *On a risk-based approach*
 - *Can be on the basis of substantiated concerns provided by third parties*
 - Obligation 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



Operators and traders

- 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

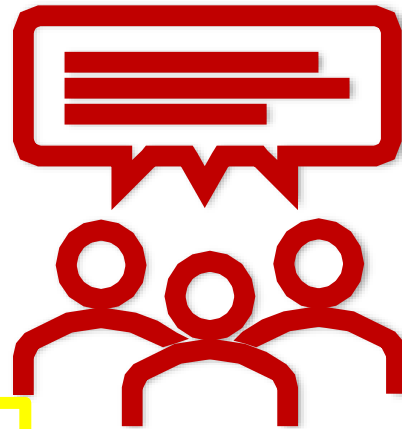


Importing operators are:

- **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).*

EUROPEAN COMMUNITY						1	2	3	4	5	6	7
Copy for the country of dispatch/export	1 Consignor/Exporter						No					
	3 Forms						4 Loading lists					
	5 Items						6 Total packages		7 Reference number			
	8 Consignee						No					
	Person responsible for financial settlement No											
	10 Country first destin.				11 Trading country				13 CAP			
	15 Country of dispatch/export						15 C disp./exp. Code		17 Country destin. Code			
	16 Country of origin						17 Country of destination					
	18 Identity and nationality of means of transport at departure						19 Ctr.		20 Delivery terms			
	21 Identity and nationality of active means of transport crossing the border						22 Currency and total amount invoiced		23 Exchange rate		24 Nature of transaction	
25 Mode of transport at the border		26 Inland mode of transport		27 Place of loading		28 Financial and banking data						
29 Office of exit						30 Location of goods						
31 Packages and description of goods	Marks and numbers — Container No(s) — Number and kind						32 Item No		33 Commodity Code			
	34 Country origin Code		35 Gross mass (kg)		37 PROCEDURE		38 Net mass (kg)		39 Quota			
	40 Summary declaration/Previous document											
	41 Supplementary units											
44 Additional information/ Documents produced/ Certificates and authorizations	A.I. Code											
	46 Statistical value											
47 Calculation of taxes	Type	Tax base	Rate	Amount	MP	48 Deferred payment			49 Identification of warehouse			
	B ACCOUNTING DETAILS											

Operators and traders



Type	Multiple choice
Question	Is your organisation (you may chose 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



OBLIGATION
OF RESULT

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

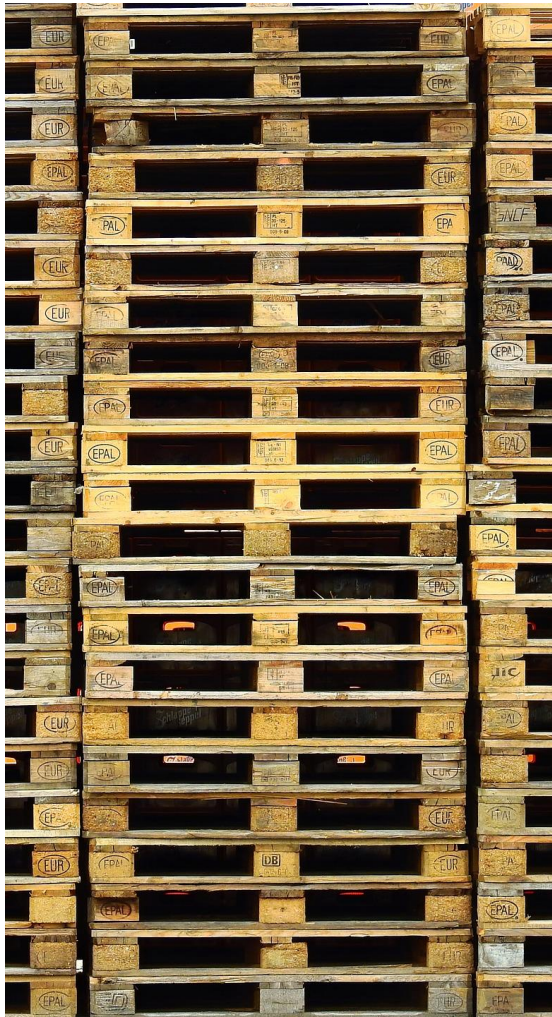


OBLIGATION
OF MEANS

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



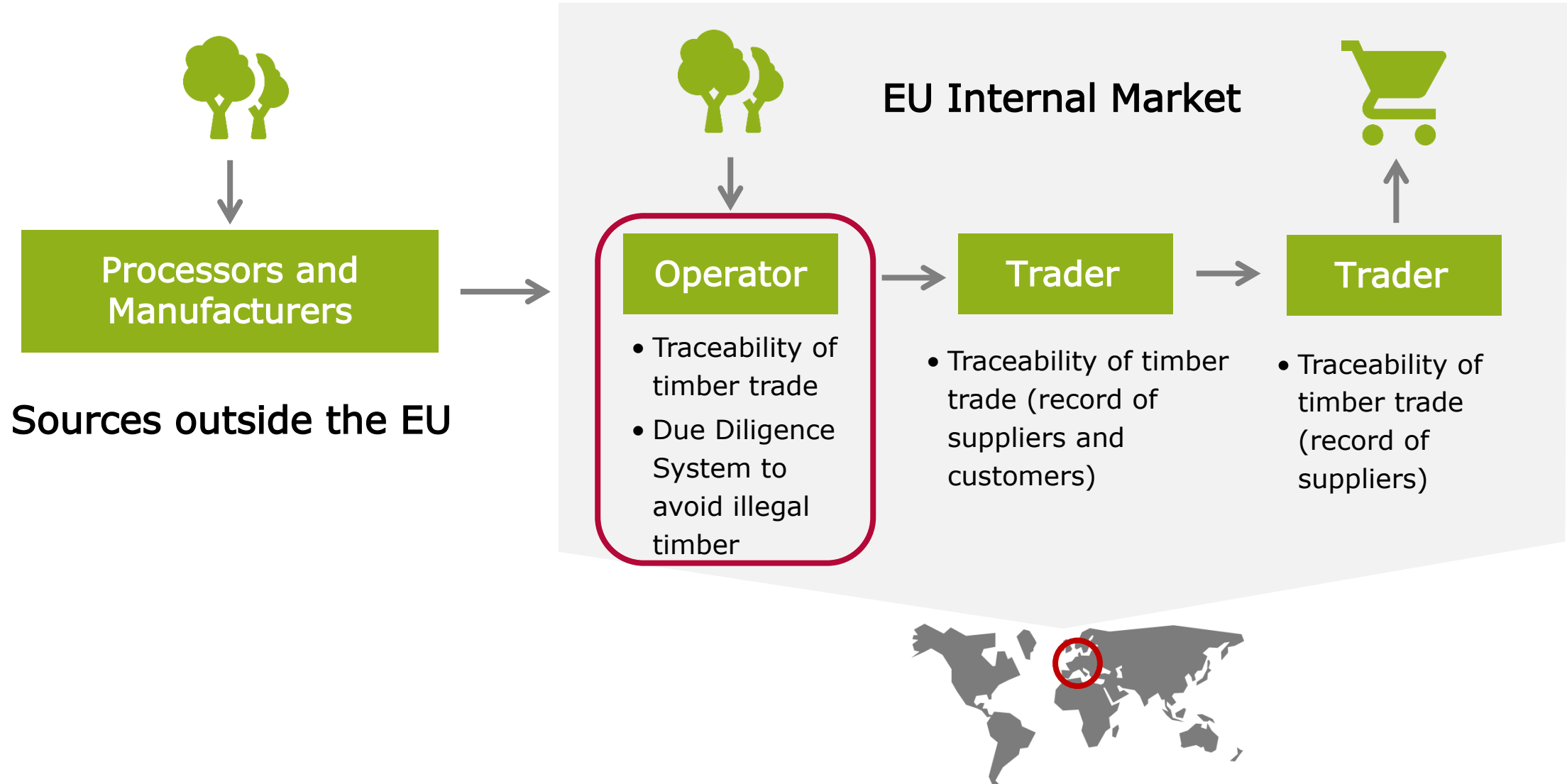
1. Be able to identify

- 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





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
- ...

A screenshot of the NEPCon website. The top left corner features the NEPCon logo with the tagline 'Nature Economy and People Connected'. The top right corner has a navigation menu with 'About us', 'Newsroom', and 'Contact us', along with a search bar and a language dropdown set to 'English'. A green navigation bar contains links for 'FSC', 'PEFC', 'SBP', 'LegalSource', 'RSPO', 'Carbon management', and 'RA Sustainable Agriculture'. The main content area is titled 'Products exempt from the EUTR' and includes a paragraph explaining that the list represents an overview of products exempt from the EU Timber Regulation, with figures in brackets indicating EU Combined Nomenclature chapters. Below this is a section titled 'LIST OF PRODUCTS EXEMPT FROM THE EUTR' with a bulleted list of categories: 'Waste products', 'Wood charcoal (4402)', 'Hoopwood; split poles; piles, pickets and stakes of wood', 'Wood wool and wood flour (4405)', and 'Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood (4417)'.

NEPCon
Nature Economy and People Connected

Non-profit | Certification English

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FSC PEFC SBP LegalSource RSPO Carbon management RA Sustainable Agriculture

Products exempt from the EUTR

This list represents our best overview of products exempt from the EU Timber Regulation. Figures in brackets indicate the chapters or individual classification numbers of the EU Combined Nomenclature[®] for products.

LIST OF PRODUCTS EXEMPT FROM THE EUTR

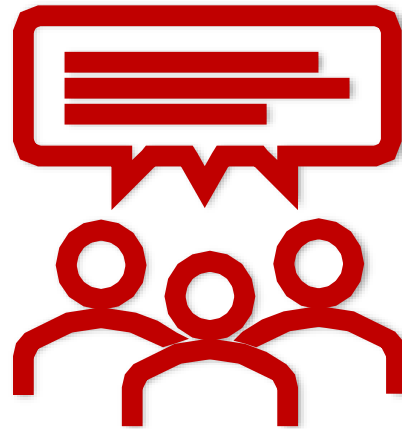
- **Waste products:** Timber products or components of such products manufactured from timber or timber products that have completed their lifecycle and would otherwise be disposed of as waste are not covered by the EU Timber Regulation, e.g. timber from buildings that are demolished in non EU countries
- **Wood charcoal** (4402)
- **Hoopwood; split poles; piles, pickets and stakes of wood,** pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking sticks, umbrellas, tools handles or the like; chipwood and the like (4404)
- **Wood wool and wood flour** (4405)
- **Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood** (4417)

See [our webpage](#)



INTRO TO DUE DILIGENCE

What is due diligence?



Type	Single choice
Question	"Due diligence"...
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 

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

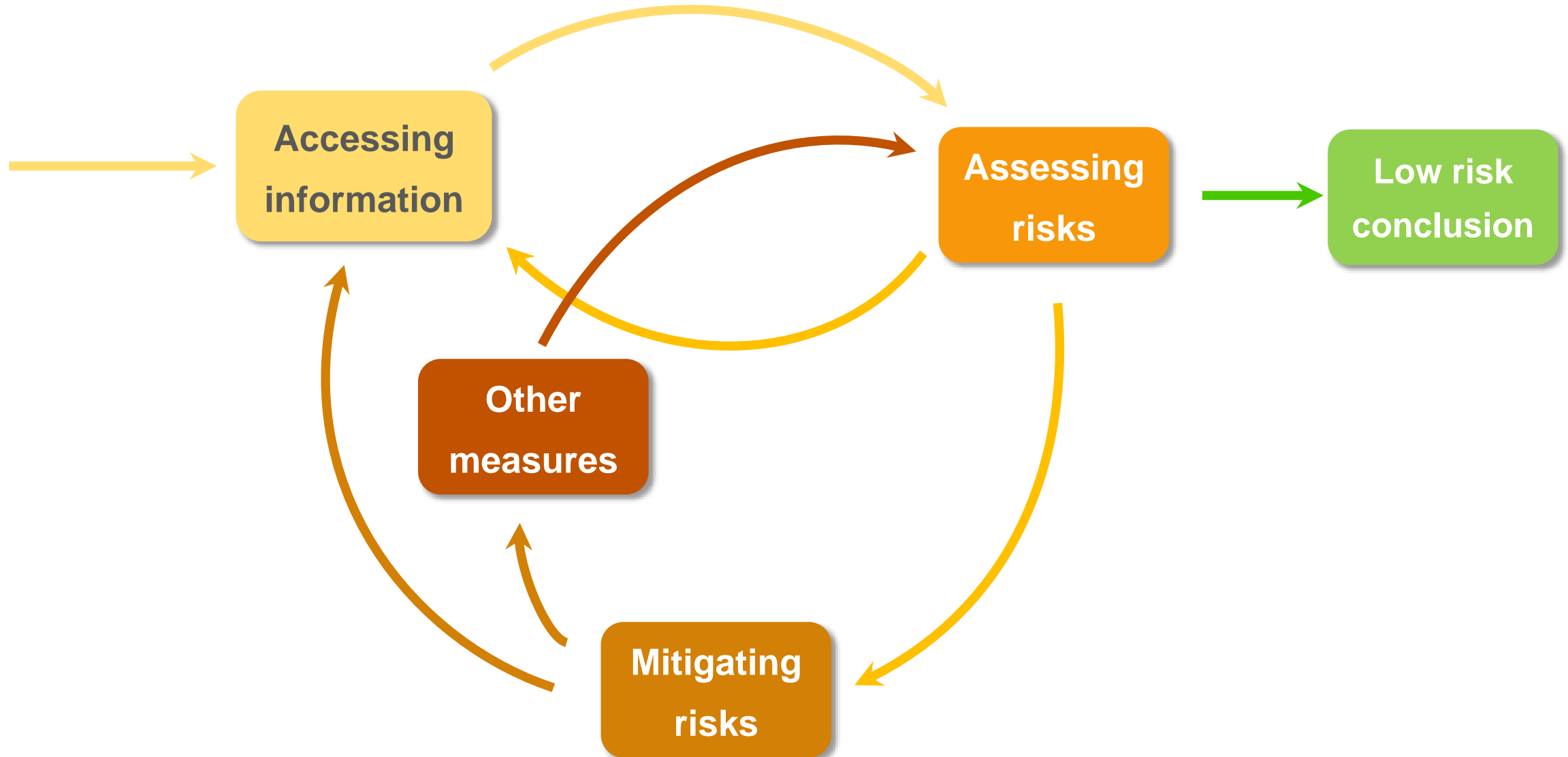
**Risk
Mitigation**



Mitigate any identified risk



Due diligence steps



Elements of a DD system

- How an organisation implements those steps is going to be its due diligence system
 - Who does what? When? Which tools? Etc.

An efficient and robust system should require at the minimum:

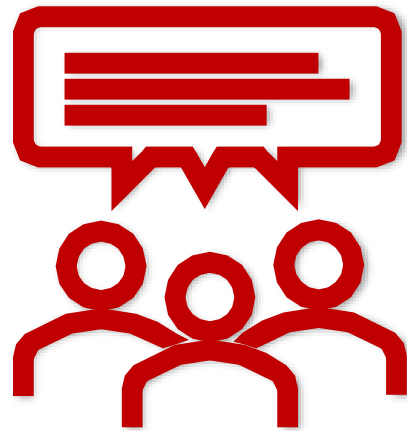


- Solid commitment from the organisation (endorsed at higher level, public, etc.)
- Clear responsibilities and competence of staff
- Documented procedure for clarity and continuity
- Regular quality controls (audits, internal and / or external), reviews and updates of the system





EUTR ENFORCEMENT



Type	Single choice
Question	Has your company already been controlled by Competent authorities?
Possible answers	Yes
	No
	Not sure

Enforcement

- **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

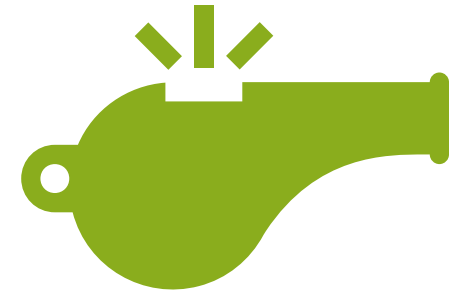


Sources: https://ec.europa.eu/environment/forests/timber_regulation.htm and <https://www.unep-wcmc.org/featured-projects/eu-timber-regulations-and-flegt/> and https://wwf.panda.org/discover/knowledge_hub/?357123/WWF-Enforcement--Review-of-the-EU-Timber--Regulation-EUTR

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



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- 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

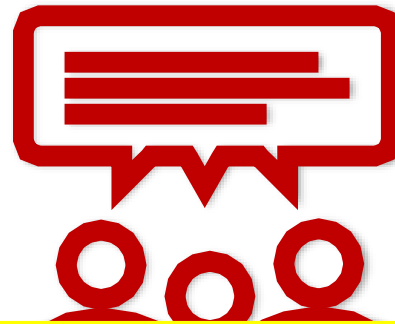




ACCESS TO INFORMATION

Mandatory information

Mandatory information



Type	Multiple choice
Question	Which information on timber products are absolute EUTR requirements (you may pick several)?
Possible answers	Species
	Forest of harvest
	Botanical description of the tree
	Product identification
	Country of harvest
	Wood physical property
	Direct supplier identification

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



**This will change on a
case by case basis**

Requirements – additional information to collect



“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

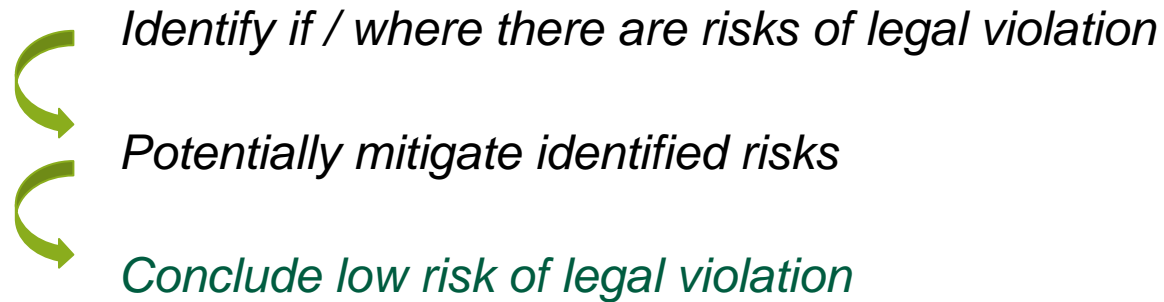


2. Level of risk existing in the country

Need to know how well the legislation is enforced

Determining additional necessary information

- Objective of documentation collection:



- **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

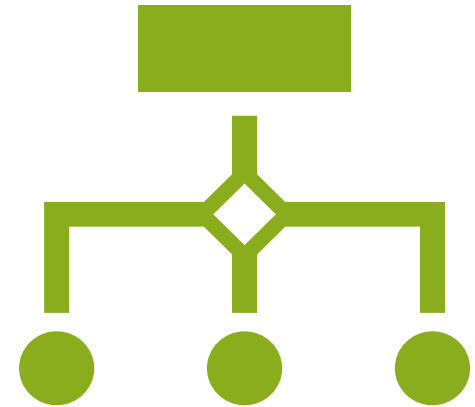
Correct question:

- **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

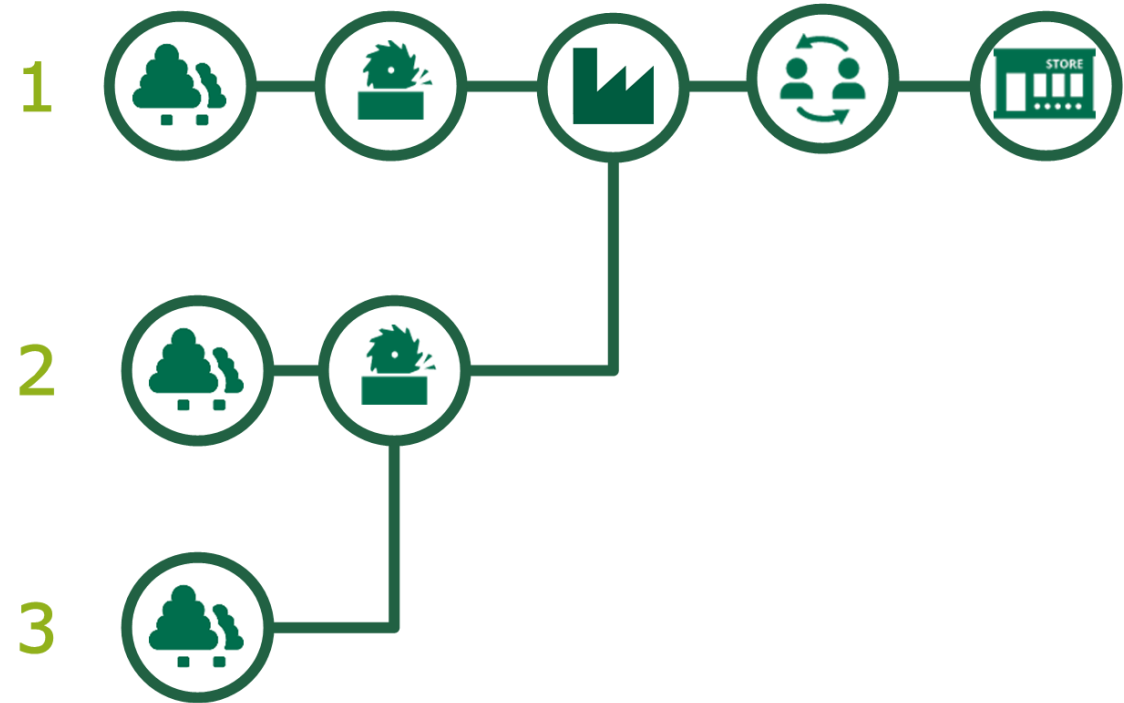
- The exercise of **mapping supply chains** is always a **good starting point**
- Efficient way of determining the **country / region / forest of harvest** (*mandatory information*)
- Need to evidence declarations on a supply chain
 - Importance of **sales or transport documents** as evidence of commercial link



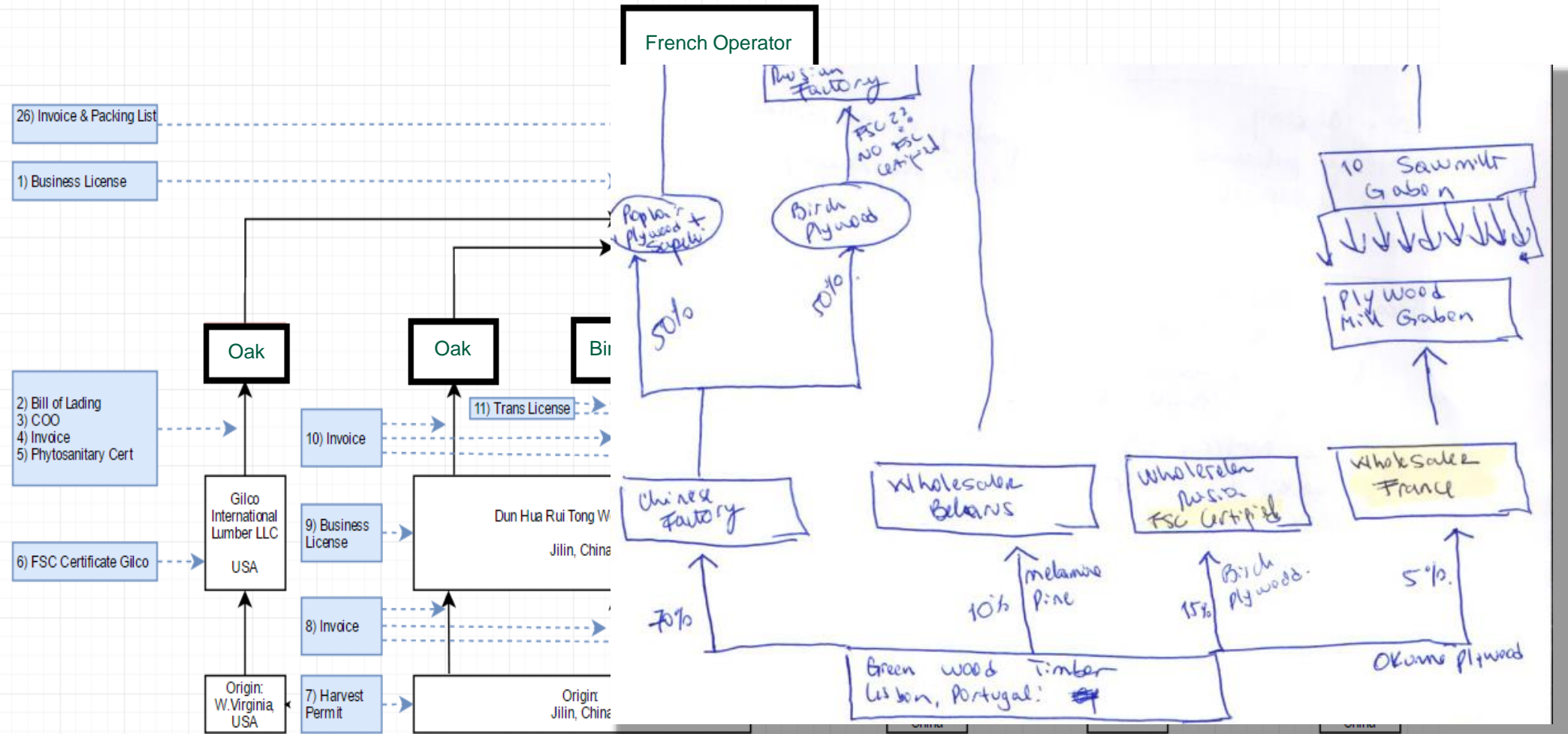
Supply chain mapping

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



Supply chain mapping



- Excel template: supply chain mapping tool

Material/Product:								
ID:								
Supply Chain Detail								
Tier	Supplier Name	Type of entity	Material Type	Species (scientific name)	Material certification (if applicable)	Certification code of supplier (if applicable)	Location	Contact information
See GUIDE tab	Enter the name of the supplier.	Enter the type of entity for supplier. <small>(primary manufacturer, secondary manufacturer, forest manager, trader, etc.)</small>	Enter the material type. <small>(logs, sawn timber, planed timber, veneer, plywood, MDF, chips, etc.)</small>	Enter the names of the species in each product	Enter the type of certification/verification, if applicable.	Enter the certification code for the applicable certification.	Enter the location (country, region, address) of the supplier.	Enter relevant contact details for the supplier. <small>(contact person, email, telephone)</small>
Supply Chain Example								
1	Components Ltd	Secondary Manufacturing	Furniture parts	Quercus mongolica	No	N/A	Vietnam	
2	Sawmills Ltd	Sawmill	Sawn Timber	Quercus mongolica	No	N/A	China, Jilin	
3	Forestry Inc	Forest Enterprise	Logs	Quercus mongolica	No	N/A	Russia	

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

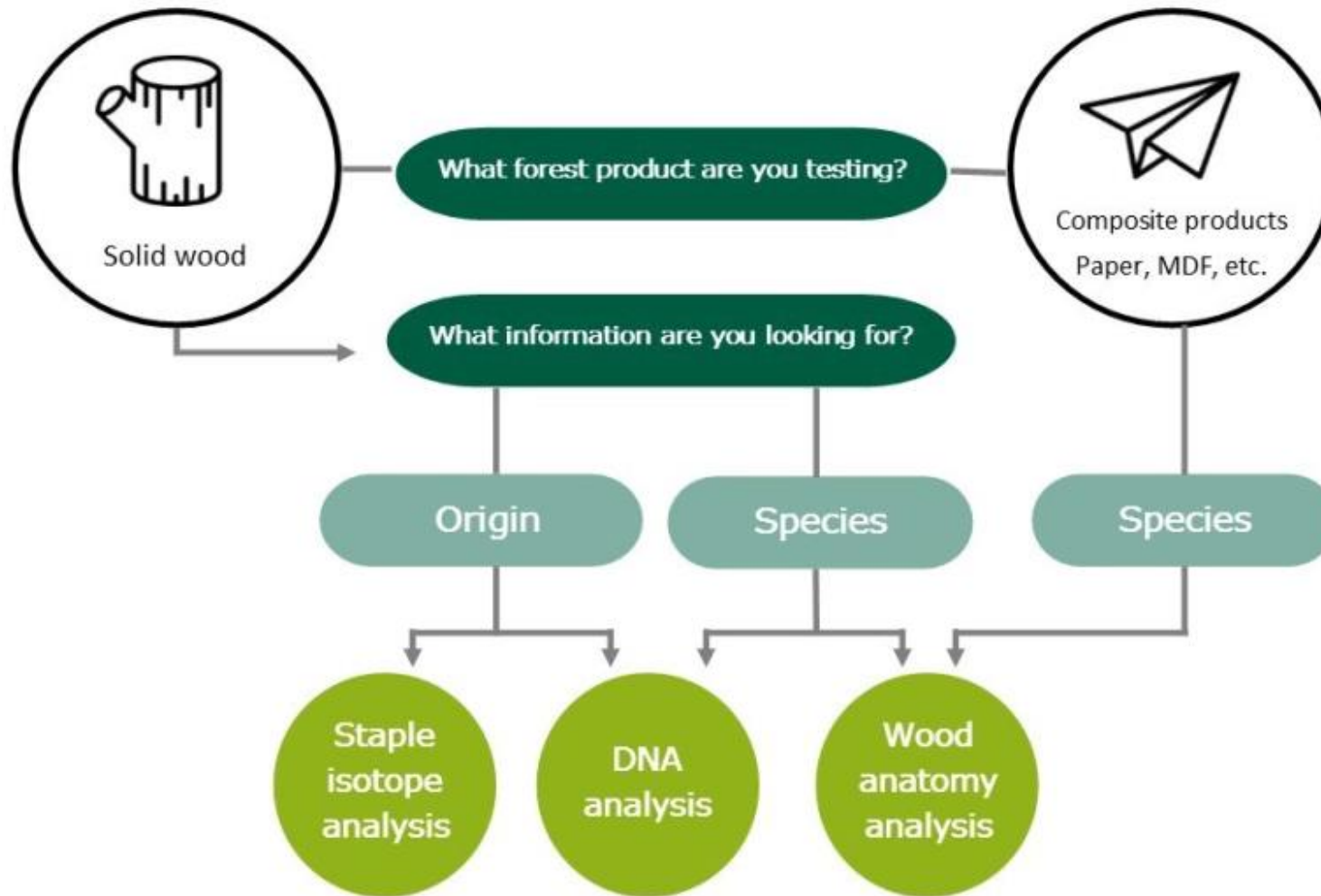
- **Trustworthiness** and level of evidence
- Is concrete evidence / proof needed? How much evidence is needed?
- Different documents, different sources of information
- Timber testing



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

2. Validity of information

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



Forest harvesting permit
林木采伐许可证

编号: 34020401151207001

Holder of permit
[Redacted]

采字[20]第[]号

Location
根据采伐申请, 批准的伐区调查设计(申请), 经审查, 批准在
场(乡镇) / 林班(村) / 作业区(组) / 小班(地块)采伐,
采伐四至: 东 西 南 北
GPS 定位: [Redacted]

Species
林分起源: 人工 林种: 一般用材林 树种: 杉木

权 属: 集体 林权证号(证明): /

采伐类型: 主伐 采伐方式: 皆伐 采伐强度: 20%

采伐面积: 3.99 公顷(株数: [Redacted])

采伐蓄积: 356.8 立方米

Time of harvesting (出材量)
采伐期限: 2015 年 1 月 1 日至 2015 年 1 月 31 日

更新期限: [Redacted]

更新面积: 3.99 公顷(株数: 2100 株)

占限期 不占限期

备注: 占限期
疏林, 采伐2100株, 商品材蓄积348.90立方米, 商品出材356.80立方米

Seal of issuing authority
[Redacted]

发证机关(章): [Redacted]


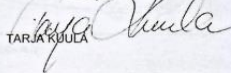
发证日期: 2015 年 1 月 31 日

Issuing time

注: 1. 此证一式二联, 第一联为存根, 第二联为采伐凭证。
2. 超过采伐期限, 此证无效。
3. 采伐凭证印章若被涂盖, 主管部门采伐许可证管理专用章。
4. 申请有林木采伐不填写GPS定位。

2. Validity of information



1 Assignor - Expéditeur - Expedidor SAEGEWERK HARTMANN GMBH		No. 00070413		COPY	
2 Consignee - Destinataire - Destinatario QINGDAO FENGZHIXIANG TRADING CO., LTD IN THE EAST OF XINZHI VILLAGE JIAOZHOU CITY QINGDAO CHINA		EUROPEAN COMMUNITY COMMUNAUTÉ EUROPÉENNE - COMUNIDAD EUROPEA			
		CERTIFICATE OF ORIGIN CERTIFICAT D'ORIGINE - CERTIFICADO DE ORIGEN			
		3 Country of Origin - Pays d'origine - País de origen European Community - Germany			
4 Transport details - Informations relatives au transport - Datos relativos al transporte (Optional)		5 Remarks - Remarques - Observaciones			
6 Item number, marks, numbers, number and kind of packages; description of goods		7 Quantity			
11 PACKAGES EUROPEAN BEECH TIMBER		34.667CBM			
8 THE UNDERSIGNED AUTHORITY CERTIFIES THAT THE GOODS DESCRIBED ABOVE ORIGINATE IN THE COUNTRY SHOWN IN BOX 3 L'autorité soussignée certifie que les marchandises désignées ci-dessus sont originaires du pays figurant dans la case No. 3 La autoridad infrascrita certifica que las mercancías abajo mencionadas son originarias del país que figura en la casilla No. 3					
TAMPERE CHAMBER OF COMMERCE					
TAMPERE 05.09.2014					
  TARJA KUULA					
Place and date of issue; name, signature and stamp of competent authority Lieu et date de délivrance; désignation, signature et cachet de l'autorité compétente Lugar y fecha de expedición; designación, firma y sello de la autoridad competente					

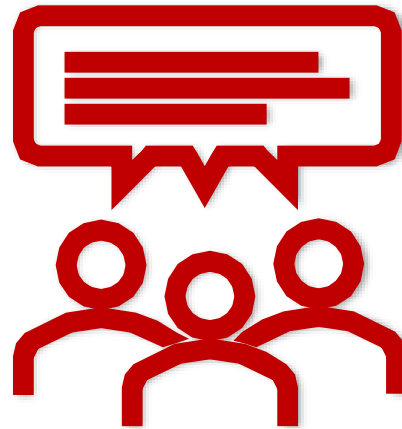
NON-NEGOTIABLE BILL OF LADING					
Printed: 07-Sep-2014 04:44 (XST) (*Status: BL, confirmed and completed)					
Shipper / Exporter (Complete name and address) SAEGEWERK HARTMANN GMBH		Booking No. BCVB345519		B/L No. HDMM VCQ13281718	
		Export Reference ORDER NO. 10103610			
Consignee (Complete name and address) TO ORDER		Forwarding Agent References			
		Port and Country of Origin GERMANY			
Notify Party (Complete name and address) QINGDAO FENGZHIXIANG TRADING CO. LTD IN THE EAST OF XINZHI VILLAGE JIAOZHOU CITY QINGDAO, SHANDONG PROVINCE CHINA		Also Notify / Domestic Routing / Export Instructions			
Pre-Carriage by HAMBURG EXPRESS V 065W		Place of Receipt * HAMBURG EUROPEAN PORT		Port of Discharge QINGDAO, CHINA	
Ocean Vessel/Voyage/Flag HAMBURG EXPRESS V 065W		Place of Loading HAMBURG EUROPEAN PORT		Place of Delivery * QINGDAO, CHINA, CY	
Onward Inland Routing		For Transshipment to		Final Destination (For the Merchants Ref.) QINGDAO, CHINA	
PARTICULARS FURNISHED BY SHIPPER					
Container No./Seal No. Mark and Numbers		No. of Containers or Other Pkgs.		Description of Packages and Goods	
				Gross Weight	
				Measurement	
65W 3CB		SHIPPER'S LOAD & COUNT		26,356.0000	
65W 77C		11 PACKAGES		34.6670	
		EUROPEAN BEECH LUMBER		CBM	
		COMBUST REPORTING NO. SEM 2055			
		FREIGHT PREPAID			
		HM06501043 / 5222535		11 PK	
Total Number of Containers or Packages (in words) 340 - RC CONTAINERS					
Freight & Charges					
FREIGHT AS ARRANGED					
Declared Value (Optional) : US\$					
Total Charges					
Number of Original B/L THREE (3)					
On Board Date SEP. 05, 2014					
Date of Issue (OBD: SEPTEMBER FIFTH, 2014) SEP 05, 2014					
Hyundai America Shipping Agency, Inc. as agent for the Carrier HYUNDAI MERCHANT MARINE CO., LTD.					
By					

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

2. Validity of information



Type	Single choice
Question	Have you seen anything strange on this document?
Possible answers	Yes
	No
	Not sure

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







Risk assessment process

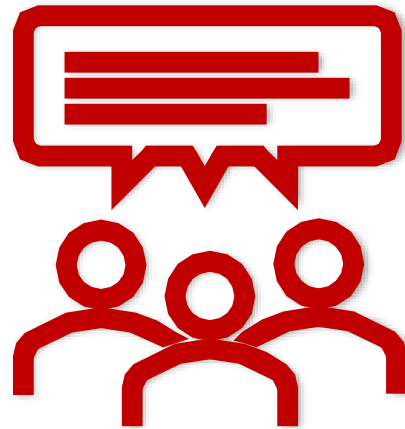
Origin 

Species 

Trade and transport 

<p>Conclusive risk factors</p>		<ul style="list-style-type: none"> • UN / EU Sanctions • Armed conflicts • Timber harvest or trade bans 	<p>-</p>	<p>-</p>
<p>“Green lanes” exempted from due diligence</p>		<ul style="list-style-type: none"> • Valid FLEGT licences 	<ul style="list-style-type: none"> • Valid CITES licences 	<p>-</p>
<p>IN ALL OTHER CASES</p>		<p style="text-align: center;"><i>What is the legislation in place?</i></p> <p style="text-align: center;"><i>What is the likelihood that this legislation is not enforced?</i></p>		
<p>Eye-catcher situations: high profile cases</p>		<p>High profile countries: Brazil, Myanmar, Ukraine, DRC...</p>	<ul style="list-style-type: none"> • IUCN Status • Ipe, Kevazingo, Mongolian Oak, Rosewood... 	<ul style="list-style-type: none"> • Mis-classification • Transfer pricing

Species



Type	Single choice
Question	Is it mandatory to have the complete scientific name under the EUTR?
Possible answers	Yes
	No
	Not sure

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.

Species: high profile species



- Known and documented species at risk of illegal logging
 - Ipe (Brazil)
 - Kevazingo (Gabon)
 - Rosewood (Madagascar)
 - Mongolian Oak (East Russia)

A screenshot of a Greenpeace International press release article. The article is titled 'Illegal logging of Ipê tree is causing irreversible damage to the Amazon' and is dated 20 March 2018. The text discusses the impact of illegal logging on the Amazon rainforest, mentioning the high value of Ipê wood and the resulting damage to biodiversity and the environment. The article is part of a series titled 'Trafic de bois au Gabon : les vastes ramifications du' and is categorized under 'ENVIRONNEMENT'. The Greenpeace logo and navigation links are visible at the top of the page.

ENVIRONNEMENT

Trafic de bois au Gabon : les vastes ramifications du

GREENPEACE International ACT EXPLORE DON

PRESS RELEASE • Nature • #Forests

Illegal logging of Ipê tree is causing irreversible damage to the Amazon

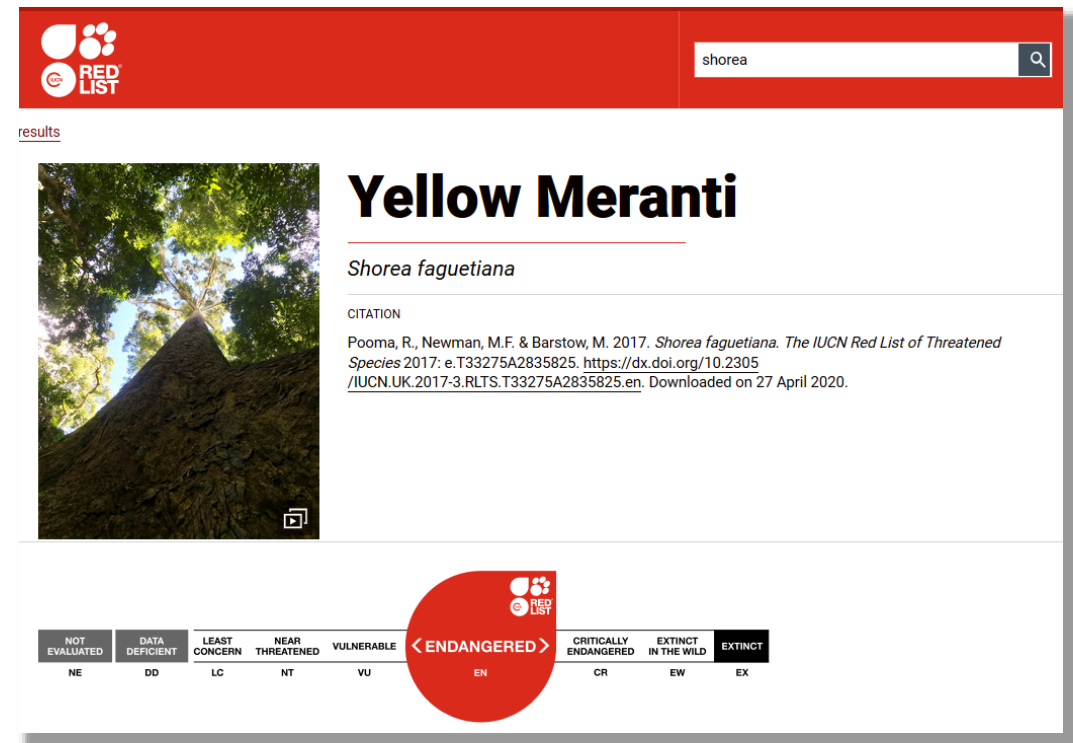
by Greenpeace International • 20 March 2018 | 0 Comments

Manaus, Brazil – A weak licensing system, along with indiscriminate and illegal logging of the Ipe tree is causing serious damage to the Amazon according to a Greenpeace Brazil investigation released today. According to the report, the high value of Ipe – which once processed into flooring or decking can fetch up to US\$2,500 per cubic meter at export ports – makes it profitable for illegal loggers to penetrate deep into the forest. The effects are already visible in the Brazilian Amazon, including deeper encroachment of illegal roads, a growing degradation of the forest, the destruction of biodiversity and an intensification of violence in the countryside[1].

Ro The F l'objet d'un vaste trafic.
Trail from Forest to Furniture

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



The screenshot shows the IUCN Red List entry for *Shorea faguetiana*. The page features a red header with the IUCN Red List logo and a search bar containing the word "shorea". Below the header, the word "results" is displayed. A photograph of a tree trunk is shown on the left. The main title is "Yellow Meranti" in large black font, with the scientific name *Shorea faguetiana* below it. A citation is provided: "Pooma, R., Newman, M.F. & Barstow, M. 2017. *Shorea faguetiana*. The IUCN Red List of Threatened Species 2017: e.T33275A2835825. <https://dx.doi.org/10.2305/IUCN.UK.2017-3.RLTS.T33275A2835825.en>. Downloaded on 27 April 2020." At the bottom, a conservation status scale is shown, with "ENDANGERED" highlighted in a red circle. The scale includes categories: NOT EVALUATED (NE), DATA DEFICIENT (DD), LEAST CONCERN (LC), NEAR THREATENED (NT), VULNERABLE (VU), ENDANGERED (EN), CRITICALLY ENDANGERED (CR), EXTINCT IN THE WILD (EW), and EXTINCT (EX).

Trade and transport

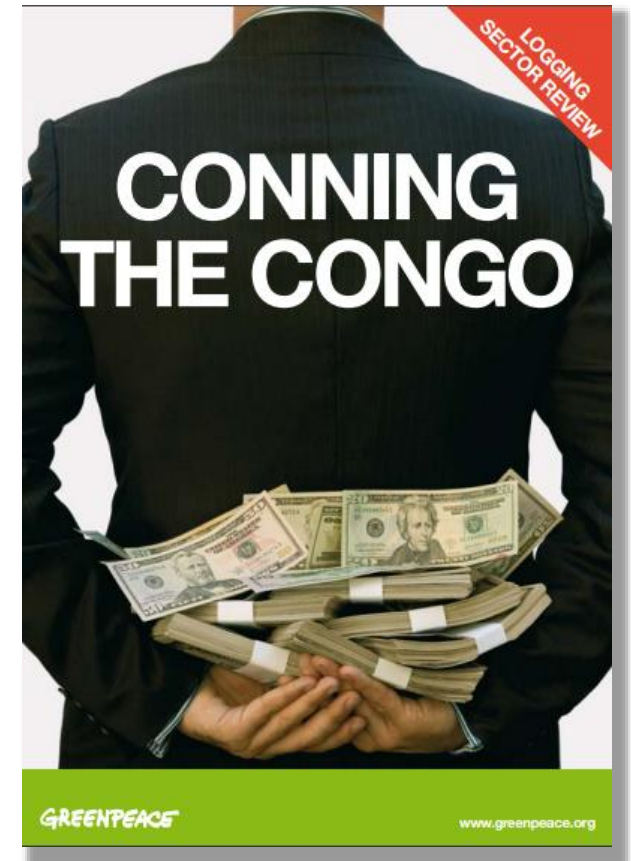
Trade and transport: mis-classification

- 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



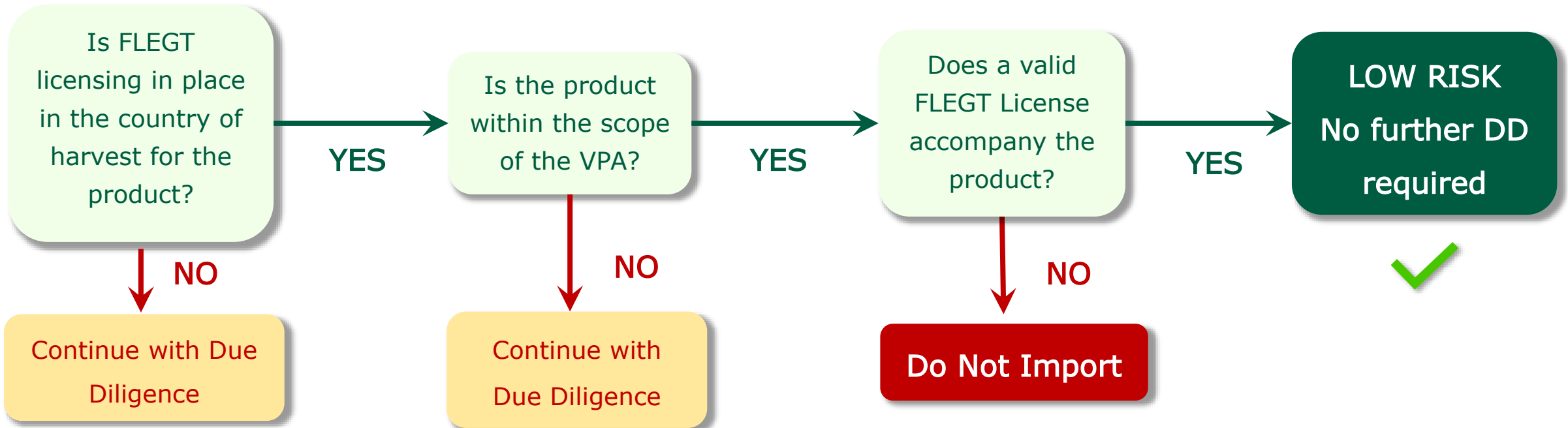
Trade and transport: transfer pricing

- 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 overseas country with beneficial tax regime



Origin

Origin: FLEGT Licences



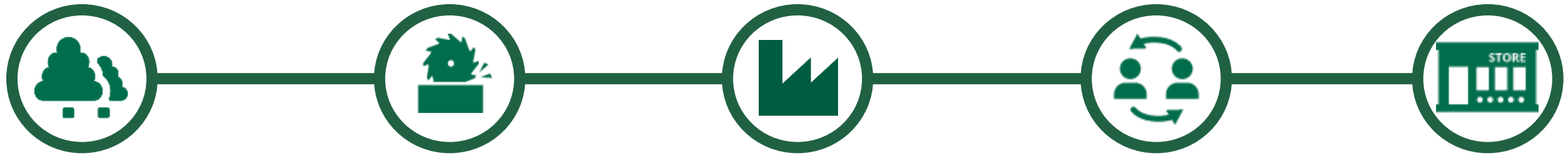
INDONESIA is currently the only VPA country which has reached the stage of issuing FLEGT licences.

The scope of timber product covered is included in [Annex I of the Agreement](#).

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*

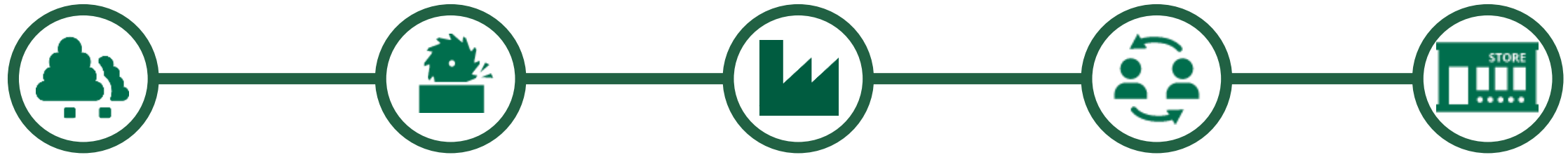
- *Rule E*
- *Rule F*
- *Rule G*

- *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* ⚠️

- *Rule E*
- *Rule F*
- *Rule G* ⚠️

- *Rule H*
- *Rule I*

➤ *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.)?



Further evaluating the risk of illegal timber



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 is 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.*

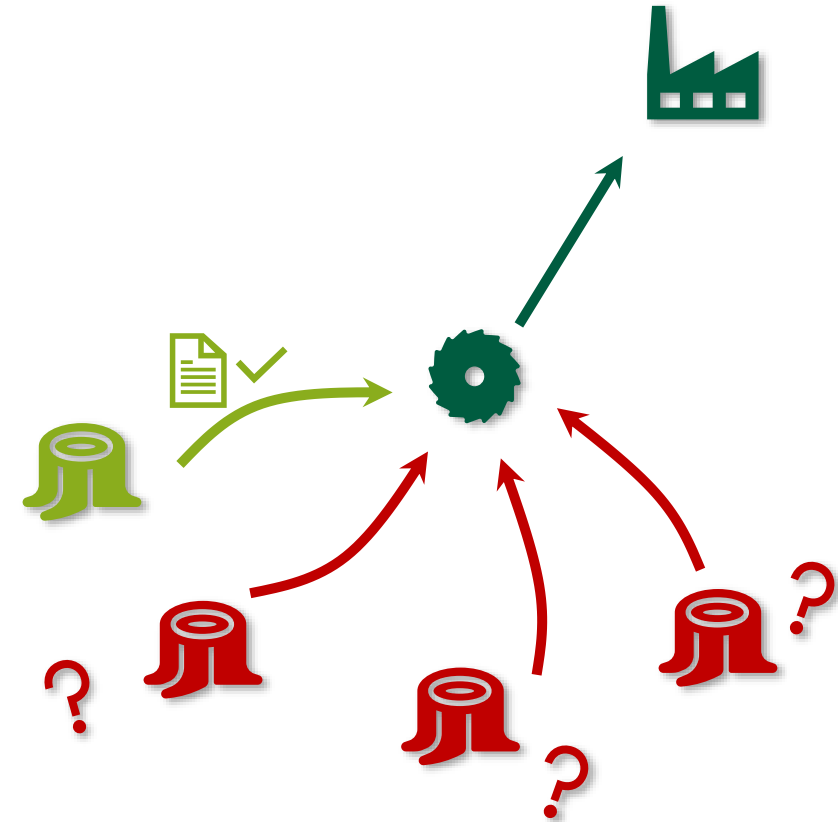
Supply chain complexity

Supply chain complexity

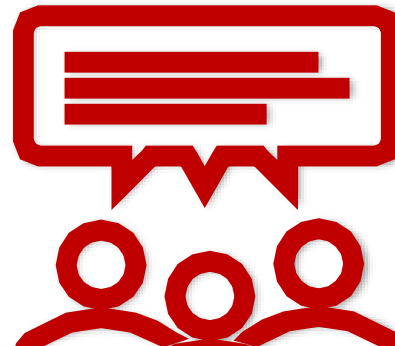
- Detect the risk that material could be mixed with:
 - Unknown material; and / or
 - Illegally harvested or traded material.
- Across the whole supply chain

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



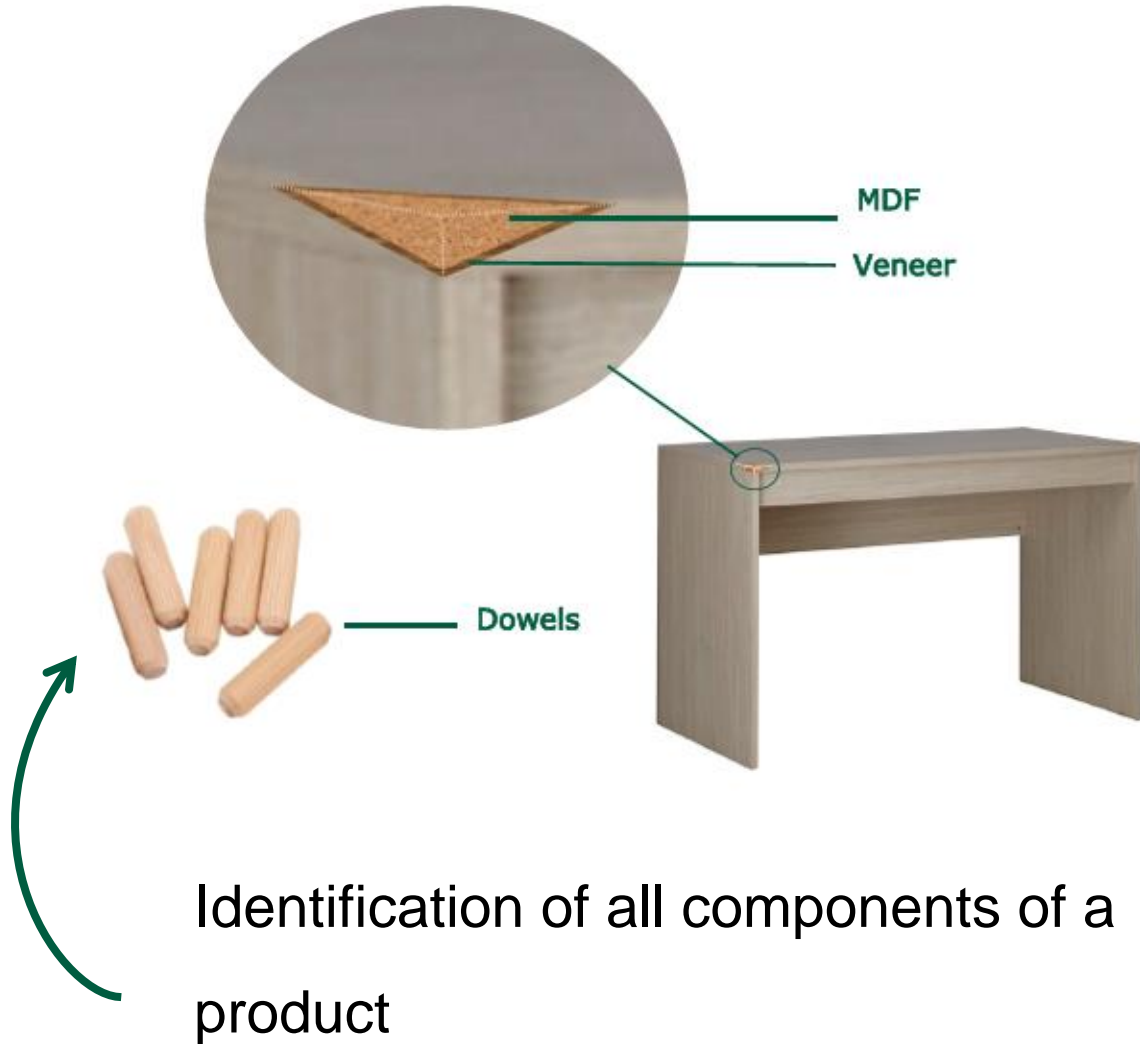
Type	Single choice
Question	To evaluate the risk of mixing with unknown material, should we take into account:
Possible answers	Only the forest
	Only the sawmill
	All tiers in the supply chain
	All processing units in the supply chain
	Only our direct supplier

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 inputs in a product



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

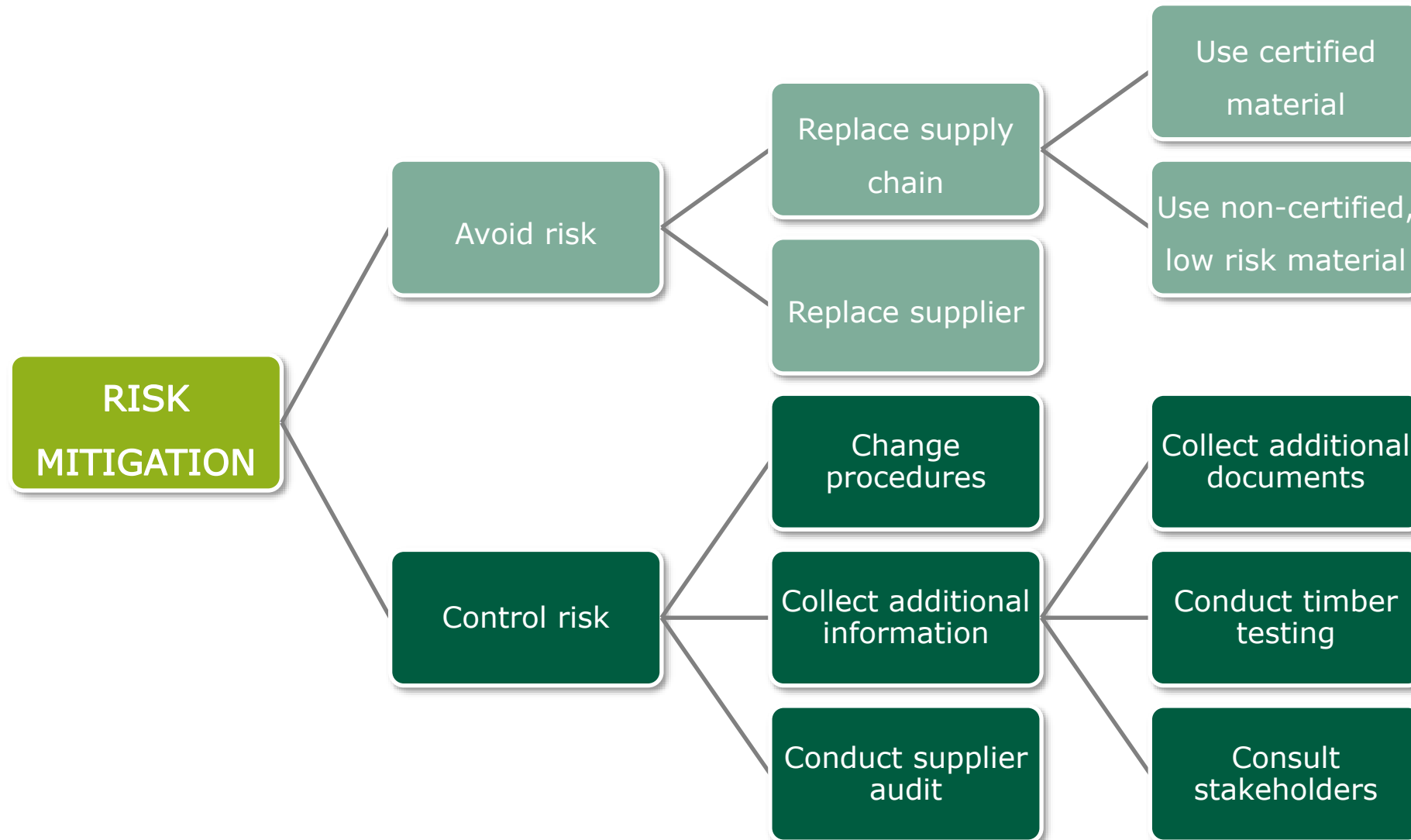
Available risk mitigation actions

Risk mitigation options



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

Risk mitigation options



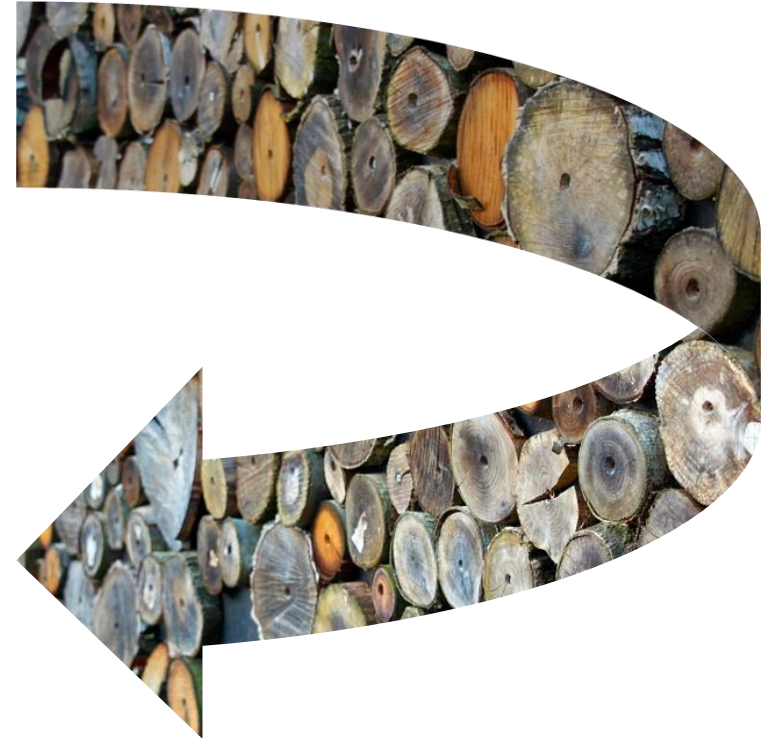
Collecting additional information

- 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

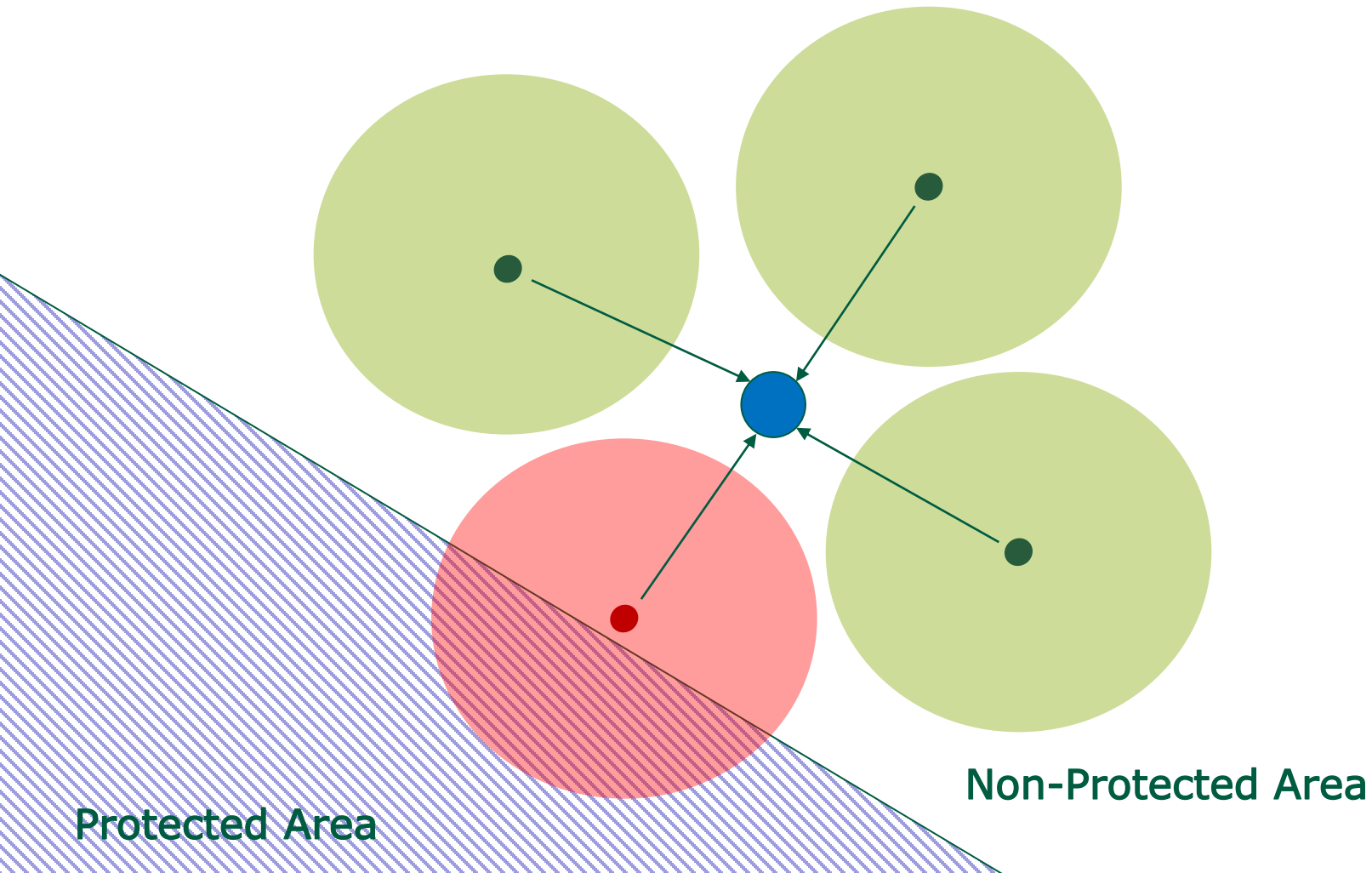


Replacing supply chains

- 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



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



Replacing 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

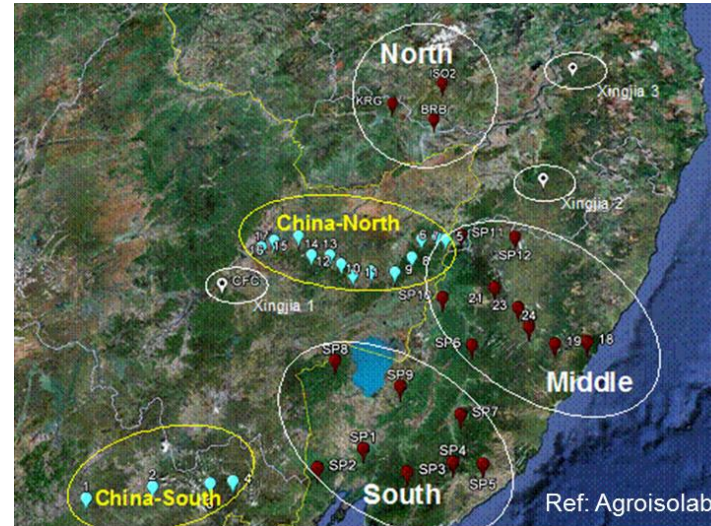
Case study

- 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



Origine et Légalité des Bois

→ Legal forest management, chain of custody



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

Among others:



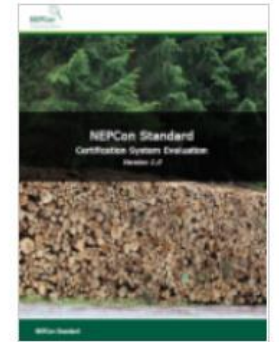
CertiSource



Etc.

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/>

The screenshot shows the FSC Public Certificate Search interface. On the left is a navigation menu with the FSC logo and the text 'FORESTS FOR ALL FOREVER'. The main content area is titled 'PUBLIC CERTIFICATE SEARCH' and includes a search bar for license codes. Below this, there are sections for 'Organization' and 'Certificate' with various search filters. Red arrows point to the 'Certificate Search' menu item, the 'Legal name of the organization' input field, and the 'Status' dropdown menu.

FORESTS FOR ALL FOREVER
FSC

WELCOME TO THE PUBLIC CERTIFICATE SEARCH

We have updated the look and feel of our search. This is the one stop for inquiries up to 24 hours.

PUBLIC SEARCH HOME

- Certificate Search
- Project Certificate Search
- Trademark Service license holder search
- Certificate Holder Login

ENTER LICENSE CODE

License Code (FSC-C) Search for license code (FSC-C followed by 6 digits) directly

OR USE THE FOLLOWING FIELDS TO SEARCH LICENSE HOLDER(S)

Organization

- Name: Legal name of the organization
- Country: All
- State/County: The state or county of the organization
- Show Sites/Member:

Certificate

- Status: Valid
- Certificate Code: All - All - () ()

- You can search suppliers by:
 - Name
 - Certificate code

Questions?





Available tools for timber due diligence



LIFE - Support EUTR II - LIFE18 GIE/DK/000763



- Building a due diligence system
- Identifying applicable legislation and country-level risks
- Cross-checking information





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



➤ *We have an open source policy and those documents are freely available!*

- Toolkit available for download from the Sourcing Hub
- Guidance
 - Due diligence (DD-01)
 - Due diligence for forest managers (DD-11)
 - Risk specification (DD-09)



The screenshot shows the NEPCon website's 'Due Diligence Toolkit' page. The header includes the NEPCon logo (Nature Economy and People Connected), a language dropdown set to 'English', and navigation links for 'About us', 'Newsroom', and 'Contact us'. A green navigation bar contains icons for a menu, people, a cow, glasses, and a palm tree. The main content area is titled 'Due Diligence Toolkit' and contains the text: 'Here you will find tools developed by NEPCon that will help you to improve or set up your own Due Diligence System.' Below this is a large green button with a download icon and the text 'Full Due Diligence toolkit Download here'. To the right is a vertical list of menu items: 'Toolkits overview', 'Risk Assessments tools', 'Due Diligence Toolkit', 'Risk Tools', 'Articles and leaflets', 'Training material and videos', and 'External resources'. Below the button is a section for 'DD-01 NEPCon Due Diligence Guidelines' dated June 2017, with a description: 'These guidelines provide step by step guidance on how to implement a Due Diligence System (DDS), including how to use...' and a 'Download pdf (1.17 MB)' link. At the bottom, there are language options: 'Deutsch | English | Español | Estonian | Français | Hungarian | Lietuvių' and 'Latvian | Polish | Portuguese, Portugal'.

- 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)



The image shows two overlapping documents. The left document is the 'NEPCON Responsible Policy' for a company named '[COMPANY NAME]'. It includes sections for '1. Commitment by the Management', '2. Legality', and '3. Timber harvesting activities'. The right document is the 'Due Diligence Procedure Template', Version 2.0, which features a background image of a misty forest and logos for 'DUE DILIGENCE TOOLS', 'LIFE', and 'UKaid'.

NEPCON
Preferred by Nature™

[COMPANY NAME] Responsible Policy

1. Commitment by the Management
[COMPANY NAME] is committed to procuring product materials are sourced from legal and well-managed forests with credible certification standards and/or are from post-pesticide management. As a cornerstone of that commitment, we will pursue a Responsible Sourcing Policy to promote the use and marketing of legal and environmentally sound products.

2. Legality
We are committed to sourcing only wood material that is legally harvested and traded in compliance with applicable legislation in the country of origin, as well as along the entire supply chain. By applicable legislation, we refer to the following types of legislation and trade of forest products. This definition is intended to include such as those adopted in the EU Timber Regulation and the US Lacey Act.
Illegal Logging Prohibition Act:

- 1. Legal rights to harvest
 - 1.1 Land tenure and management rights
 - 1.2 Concession licenses
 - 1.3 Management and harvesting planning
 - 1.4 Harvesting permits
- 2. Taxes and fees
 - 2.1 Payment of taxes, royalties and harvest taxes
 - 2.2 Value-added taxes and other sales taxes
 - 2.3 Income and profit taxes
- 3. Timber harvesting activities
 - 3.1 Timber harvesting regulations
 - 3.2 Protected Sites and species
 - 3.3 Environmental requirements
 - 3.4 Health and safety
 - 3.5 Legal employment

Version 2.0
Due Diligence Procedure Template

DUE DILIGENCE TOOLS

LIFE
European Union

UKaid
from the British people

This tool has been developed by NEPCON as a part of the project "Supporting Legal Timber" funded by the LIFE programme of the European Union and UK aid from the UK government, as well as the project "Responsible Sourcing of Soy, Palm Oil and Cattle" funded by DANIDA, Ministry of Foreign Affairs of Denmark.

www.nepcon.org

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

Zooming in on applicable legislation

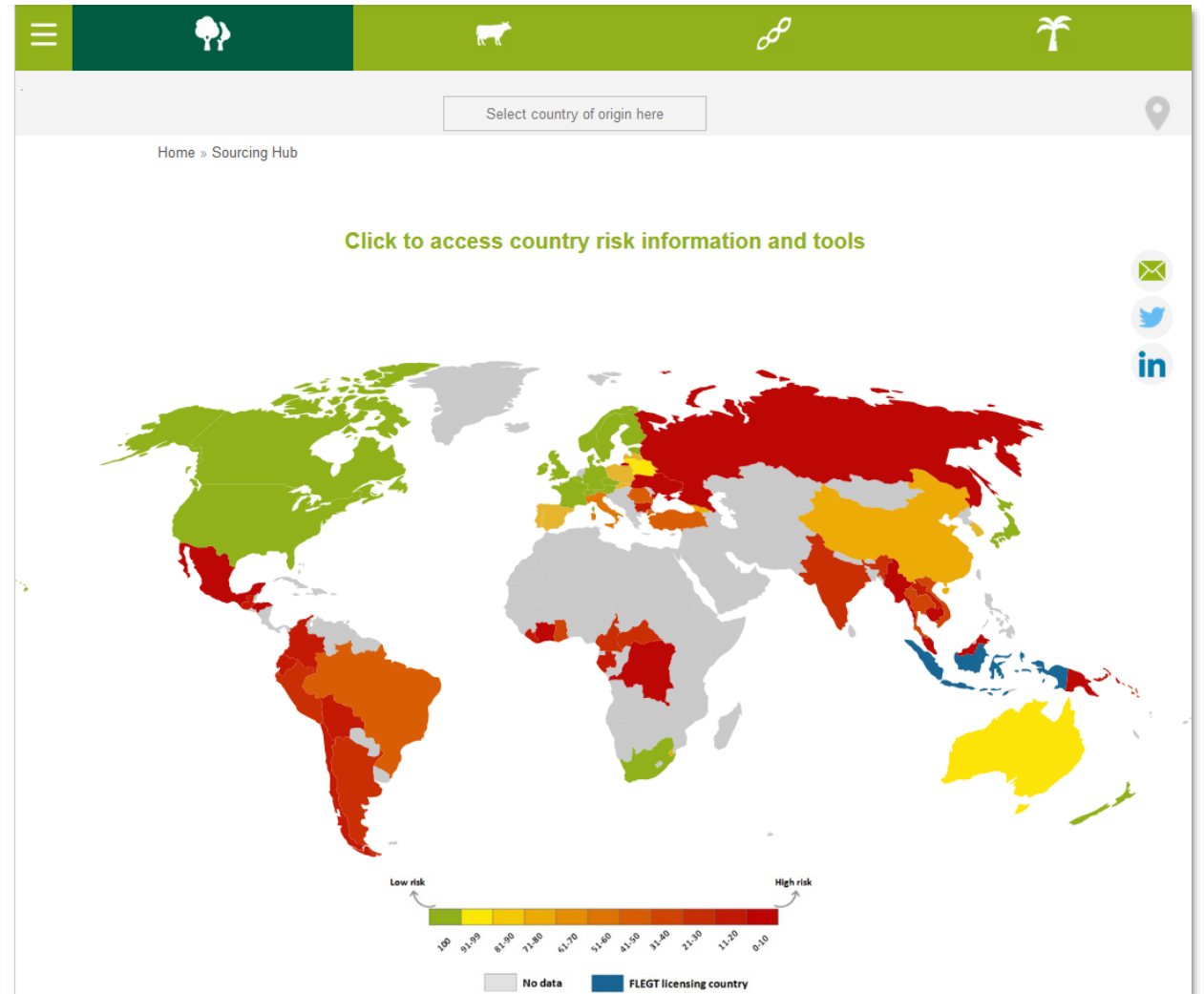
- 2 important questions for risk assessment:
 1. What are the forest-related regulations in the country of harvest?
 - *Concerns the legal categories 1 to 5*
 2. What is the risk that the legislation is not properly enforced?
 - *Knowing the likelihood of non-compliance for each legal sub-category, as well as the scale and impact*
- Very challenging part of risk assessment!
- **Access country level timber legality risk assessments**

Legal categories

1. Legal right to harvest
2. Taxes and fees
3. Timber harvesting activities
4. Third parties' rights
5. Trade and transport

Sourcing Hub

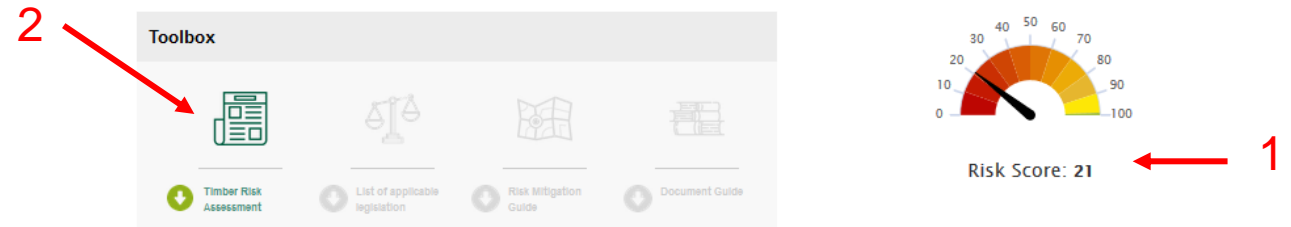
- PBN [Sourcing hub for timber](#) = around 60 timber producing countries
- Provides information about risks on compliance with timber-related legislation by countries
- Select a country by clicking on the map or entering the country name on top



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

India Timber Risk Profile



Timber Risk Score: 21 / 100 in 2017. The [Timber Legality Risk Assessment](#) contains an evaluation of the risk of illegality in India for five categories and 21 sub-categories of law. We found:

- Specified risk for 15 sub-categories.
- Low risk for 4 sub-categories.
- No legal requirements for 3 sub-categories.

This page provides an overview of the legality risks related to timber produced in India.

India has around 70 million hectares of forests, which covers 24% of the country. Around 15.7 million hectares are primary forest, 43 million hectares of otherwise naturally regenerated forest, and around 12 million hectares are planted forest. The total forest area is increasing by around 1 million hectares a year.

About 85% of the forest area is publicly owned, and 15% privately owned (FAO, 2015). Most of the public forests are administered by the government, and some of them by communities and indigenous groups.

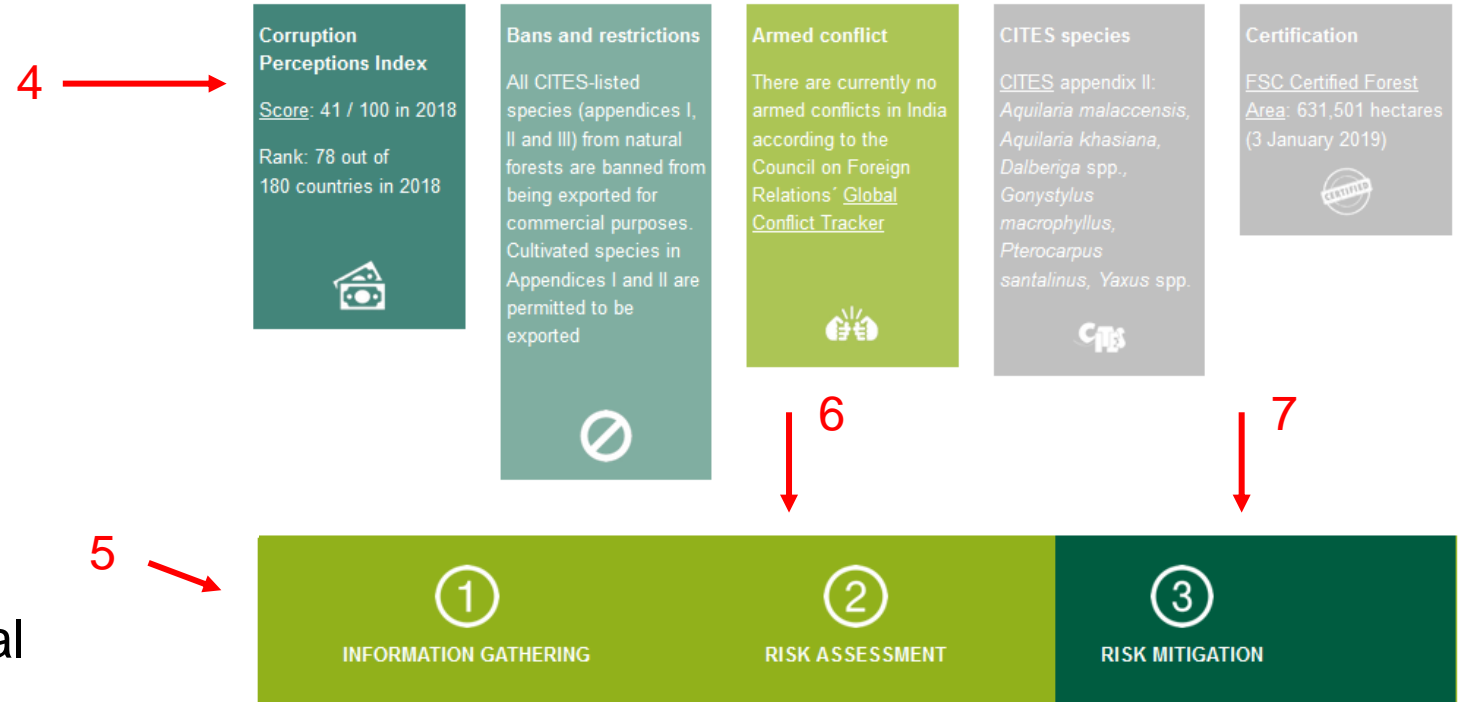
India produced almost 50 million m³ of logs in 2014, of which only a small proportion was exported. The export value of primary timber products exceeded USD 80 million (ITTO, 2015).

Illegal logging and trade of high-value timber is a major problem in many parts of the country. In 2009, the Ministry of Environment and Forests estimated that 2 million m³ of logs were illegally felled per year. Several legality risks are present in India, relating to legal rights to harvest, taxes and fees, timber harvesting activities, third parties' rights, and trade and transport.

As India is one of the world's largest importers of wood-based products, it is also a major consumer of illegal timber. The volume of illegal imports has increased, and in 2012 almost 20% of timber imports were estimated to be illegal. There has been limited acknowledgement of the problem within the country, and little response from the government (Chatham House, 2014). Companies sourcing timber from India should take care to ensure the risks identified are not present in their supply chains, or have been sufficiently mitigated.

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



There are five recommended actions to mitigate the risks associated with the timber sources from India.

1. Fully map your supply chain

- Our [supply chain mapping tool](#) can help you do this.

2. Obtain and verify documents

- Land tenure documents
 - Land records and ownership documents
 - Records of rights to government forests as provided to private persons
 - Public notifications showing government ownership of forests

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
- NEPCo Forest Legality Risk Specification guidelines (DD-09):

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.

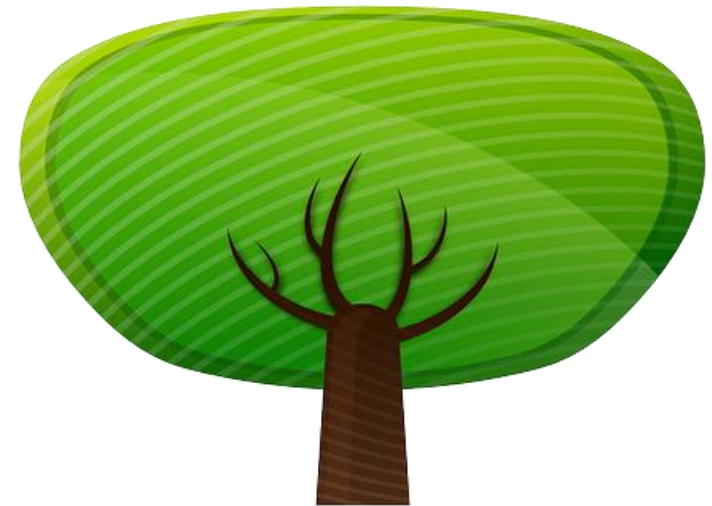




CROSS-CHECK INFORMATION

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

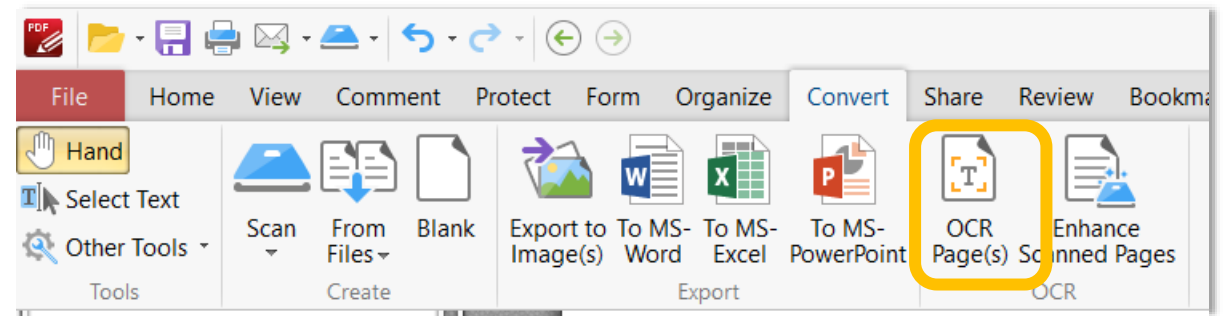
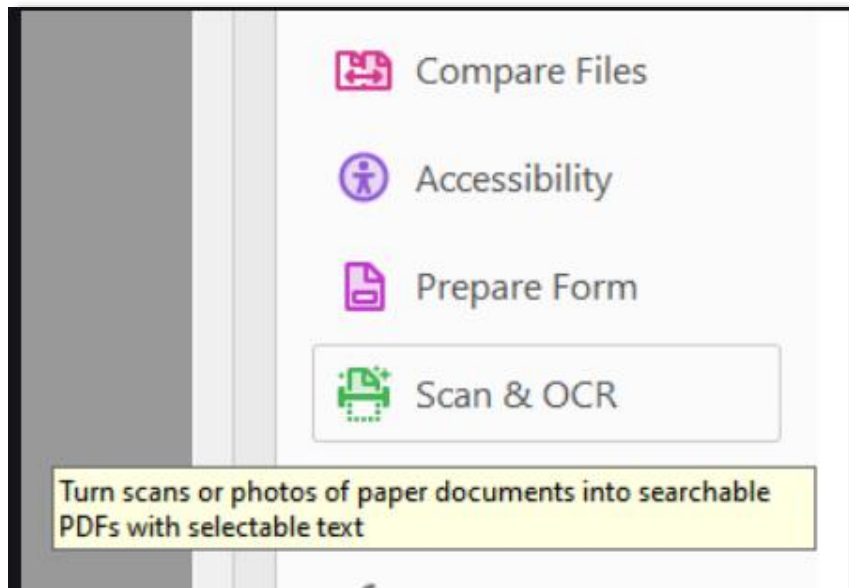


- [Open Timber Portal](#) (Congo Basin) – *forestry documents*
- Kew's [Plants of the World Online](#) database - *species distribution*
- [IUCN Red List](#) (“Geographic range” section) - *species distribution*
- [Global Biodiversity Information Facility](#) - *species distribution*
- [EUFORGEN](#) - *species distribution*
- [ResourceTrade.Earth](#) from Chatham house – *trade routes*
- [FAOSTAT](#) Forestry trade flows – *trade routes*
- [STIX](#) – 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?

