

October 2017

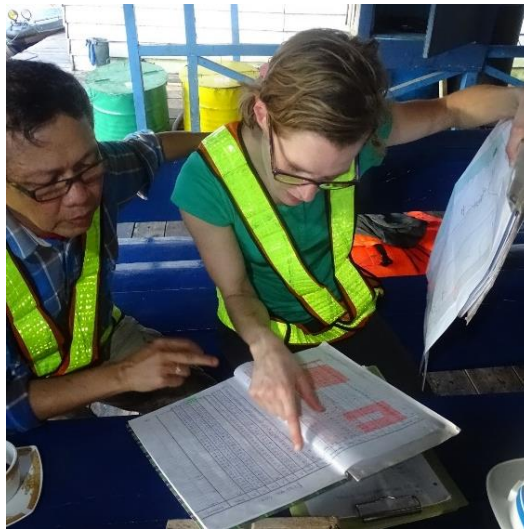


Welcome

Introducing the EUTR and tools to help you meet it

About Us

International
non-profit
organisation



We have been
working on
**sustainable land
use and responsible
trade of forest
commodities**
for over **20** years



A world where
**human
choices**
ensure
**a sustainable
future**



OUR VISION

To build
**commitment and
capacity**
for
**mainstreaming
sustainability**

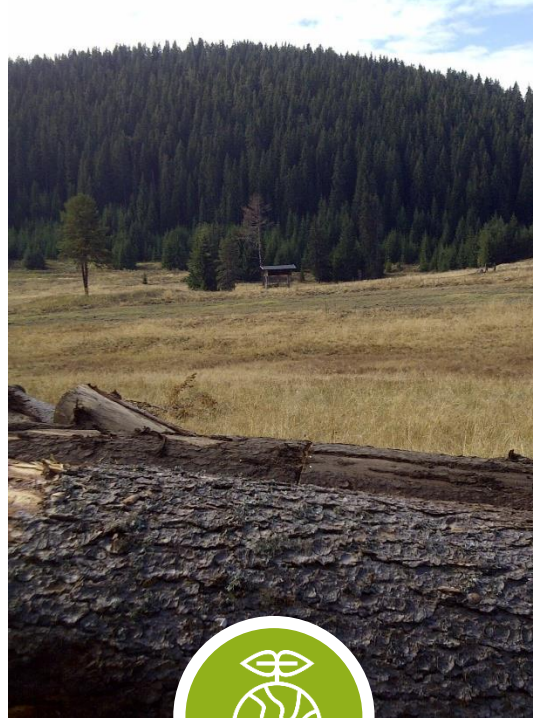


OUR MISSION

Programme Focus



Conservation



Land Use

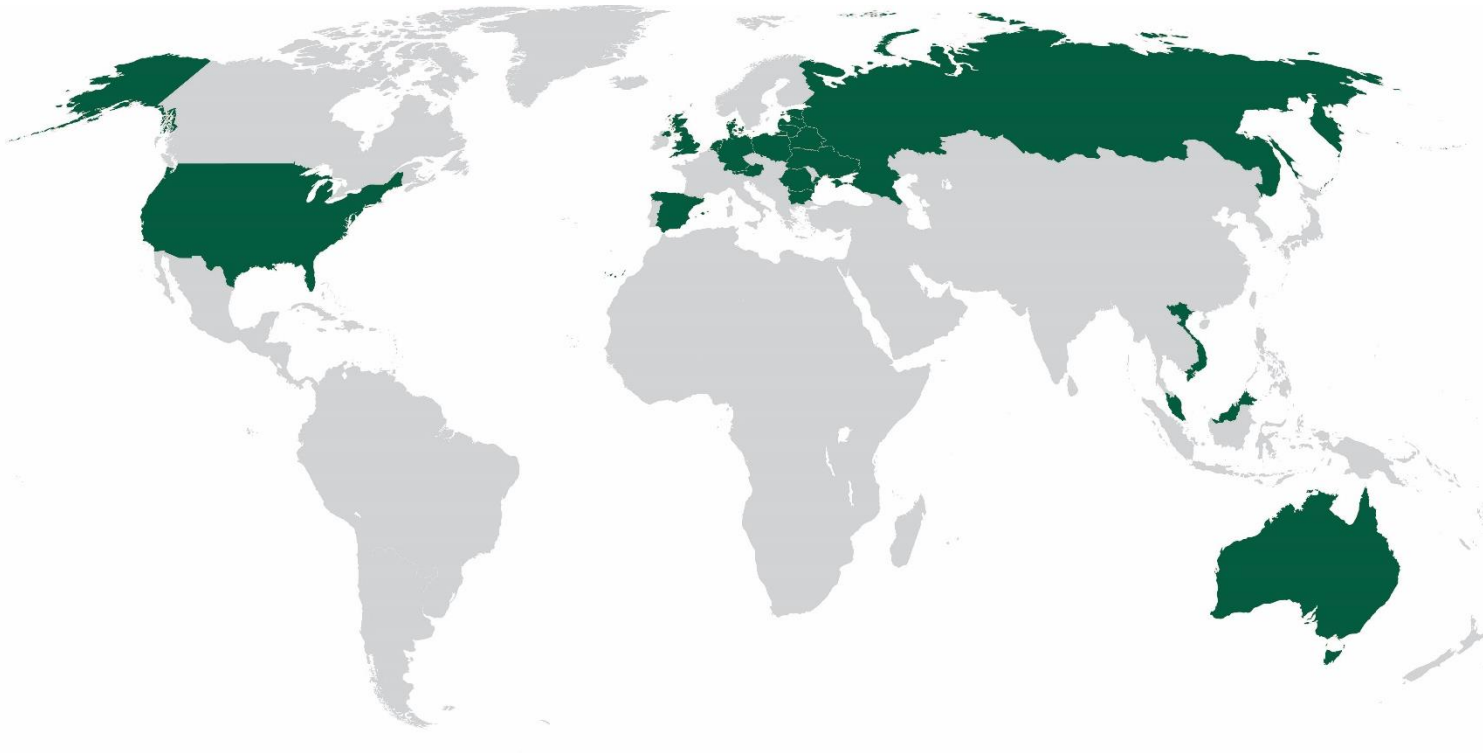


Traceability



Responsible
Sourcing

Our Team around the World



120+ full-time staff

19 countries

24 nationalities



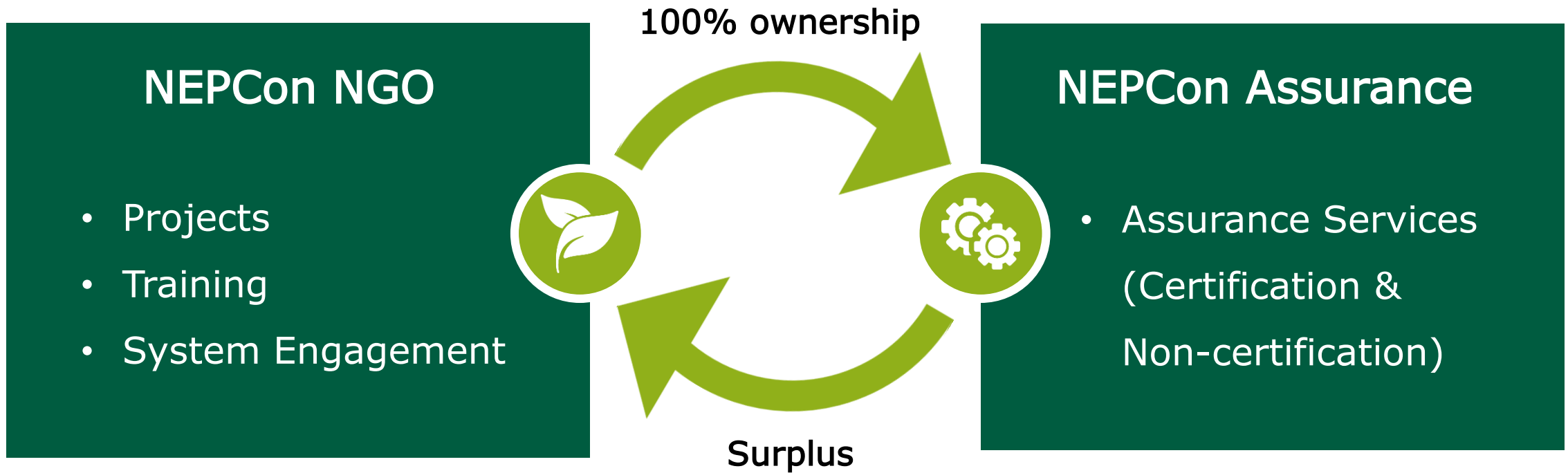
Network of **160+** consultants

16 legal registrations

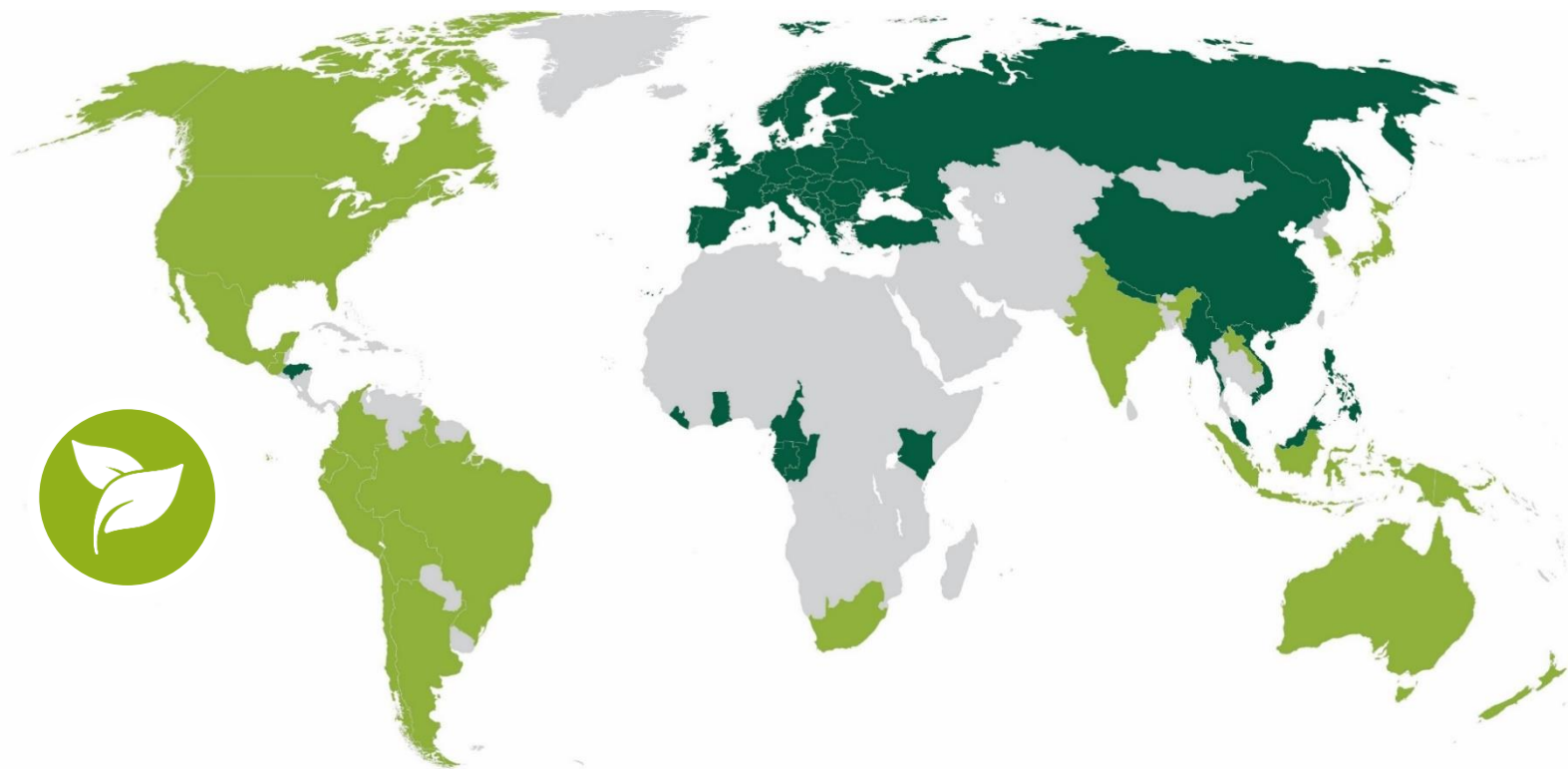
across **Europe, US**

Russia and Asia





Projects



We have worked on
non-profit projects
for **23** years



We have implemented
100+ projects
on natural resources
management



We have contributed to the **establishment** of **100+** **protected areas** and
the **development** of **70+** **management plans** for natural areas



Donors & Collaborators



European Commission



MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



YAYASAN SABAH GROUP

Training





Thousands of
delegates from over
30 countries
have joined
our training events

Look out for our events:
www.nepcon.org/events



Certification Services



6-0044-16-100-00



Certification Services



We have certified
over
31 million ha
of
FSC forestland



In
more than
15
countries



Certification Services

Chain of
Custody



We provide
FSC & PEFC
certification
to more than
1500
companies

In
more than
25
countries





NEPCon
**certification
scheme**
designed to
provide assurance
of robust
due diligence
for legality in
timber supply
chains

Our Clients



Keep in Touch with Us



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Supporting Legal Timber Trade



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NEPCon



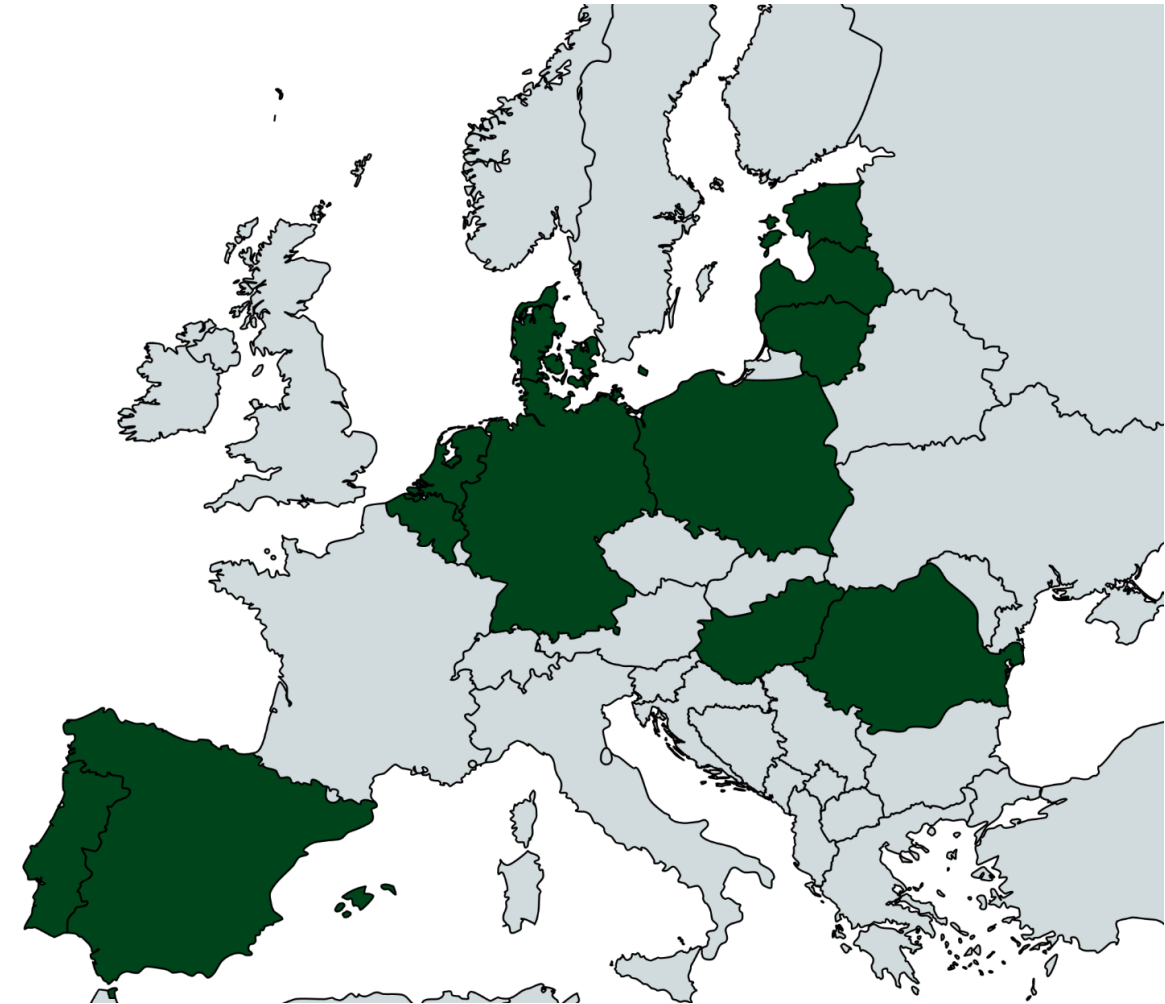
Country pages
includes
relevant **risk data**
and free
downloadable **tools**

**The
Sourcing
Hub**
helps companies
ensure
**responsible
sourcing**
of timber, cattle,
soy and palm oil
from
65 countries
in the world

Supporting Legal Timber Trade

Due diligence workshops
Meeting **EUTR** obligations in practice

Sep 28: Latvia	Nov 14: Lithuania
Sep 26: Estonia	Nov 14: Spain
Oct 17: Belgium	Nov 16: Poland
Oct 19: Netherlands	Nov 21: Romania
Oct 24: Germany	Nov 23: Hungary
Oct 31: Denmark	Nov 28: Portugal



- Provide an understanding of the **EU Timber Regulation (EUTR)**
- Raise awareness of how to create and maintain a **Due Diligence System** using **NEPCon's tools**

Workshop features



- Intensive course
- Focus on process vs. complete technical details
- Your classmates are resources
- Teamwork required
- Get involved!
- Please feel free to ask questions



Let's get started!



The EUTR four years in:

NEPCon's Experience with Competent Authorities, NGOs and Companies

October 2017

How has the EUTR developed over the last four years?

- Competent Authority enforcement
- NGO campaigns
- Company implementation



Enforcement

- Inconsistent across member states
- Some competent authorities have been more active – e.g. Denmark, UK and Germany.
- Audits are taking place in some of the member states.
- Competence of Competent Authorities are growing.
- No public records of penalties being issued to Operators.




- UK CA [microscopic wood anatomy testing project](#) on Chinese plywood.
- Skogsstyrelsen, the Swedish CA, fined Almtra Nordic 17,000 Swedish krona (approximately 1800 EUR) [Teak from Myanmar](#)
- Danish CA [requires 7 Operators to improve due diligence on Burmese Teak](#) (more inspections in BE, IT, NL, SP, UK)
- Dutch CA sanctions [Fibois BV over purchase of Azobe \(*Lophira alata*\)](#) from CCT in Cameroon upheld by Dutch court (potential fine for future issues = 1800 EUR / m³)
- German court rules that [German CA \(BLE\) was correct to confiscate Wenge timber](#) imported in 2013 from DRC, due to falsified documents.


In February 2015, the UK CA released a report on the *Chinese Plywood Enforcement Project*.

Why Chinese plywood?

- High value veneer & low value core
- Complex supply chains
- Cheap
- High risk of corruption
- Evidence of illegal timber being imported into China



National
Measurement
Office



**EUTR:
Plywood imported
from China**

Nicolas Pillet & Michael Sawyer
Project prepared for DEFRA
February 2015

Enforcement project - UK

14 out of 16
companies supplied
an **insufficient due
diligence procedure**
(88%)

Further issues arose
with testing...

Company	Face declaration	Face tested	Core declaration	Core tested
1	Palaquium	Palaquium	Eucalyptus	Eucalyptus
2	Betula	Betula	Eucalyptus	Poplar
				Kedongdong
				Pine
3	Sapeli	Sapeli	Poplar	Poplar
				Elm
4	Palaquium	Palaquium	Poplar	Poplar
			Eucalyptus	Kasai
5	Bitangor	Palaquium	Poplar	Poplar
				Eucalyptus
6	Lotofa	Sapeli	Poplar	Poplar
7	Beech	Beech	Eucalyptus	Eucalyptus
8	Eucalyptus	Ozigo	Eucalyptus	Eucalyptus
				Poplar
9	-	Phenolic resin	Poplar	Poplar
10	Sapeli	Sapeli	Poplar	Poplar
11	Palaquium	Palaquium	Eucalyptus	Poplar
				Pulai
				Red Meranti
12	Eucalyptus	Bitangor	Eucalyptus	Eucalyptus
				Poplar
13	Bitangor	Bitangor	Poplar	Kasai Medang

- “Testing has become an essential tool in EUTR projects as it allows... to establish if a potential offence has been committed.”

UK CA

- A due diligence system cannot be considered appropriate if the product on which it focuses does not contain the species that researched and risk assessed within it.



DNA analysis to identify origin



The White Oak Lottery: UK Mystery Sh



Overall results, all samples (by continent of origin)

Actual origin, % of white oak samples



■ Asia ■ North America ■ Eurasia ■ Europe

- More than half of white oak product samples declared as “U.S. white oak” were not from North America at all

Wood Anatomy



- Identify species to genus level (e.g. *Quercus* spp.)

DNA



- Identify species to species level (e.g. *Quercus robur*)
- Identify geographic origin

Stable Isotope

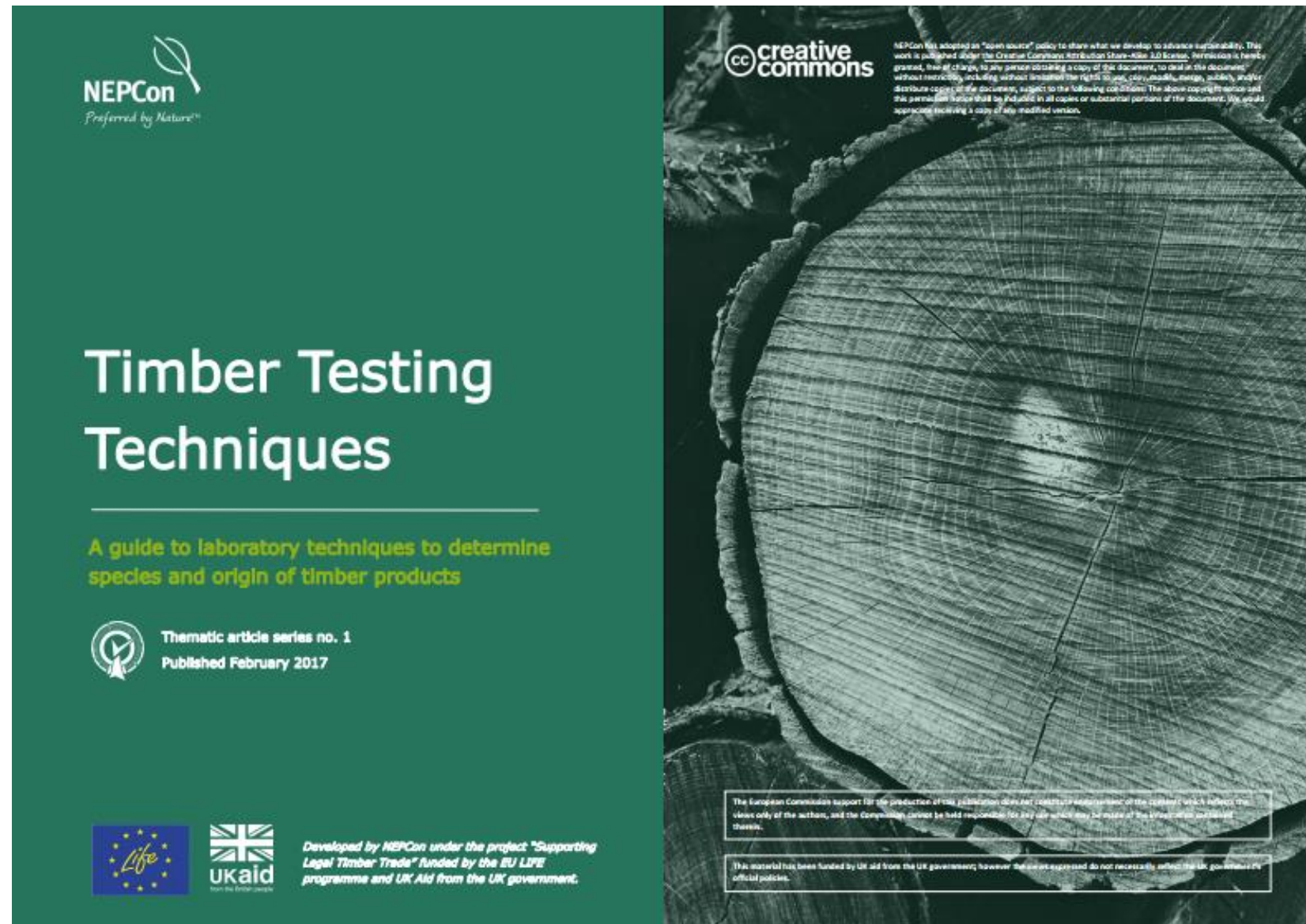


- Identify geographic origin

When to test?

- When new product lines are introduced
- When there are concerns about supplier claims
- When products contain different components or species
- When a company in the supply chain is changed
- When testing by 3rd parties has shown species/ origin differs from your claims

Timber testing



What are the penalties in the UK?

A person found guilty of an offence is liable:

- (a) on summary conviction; Fine up to £5,000 or imprisonment up to 3 months, or both.
- (b) on conviction on indictment; (unlimited) fine or imprisonment up to two years, or both.

Clarification from the CA:

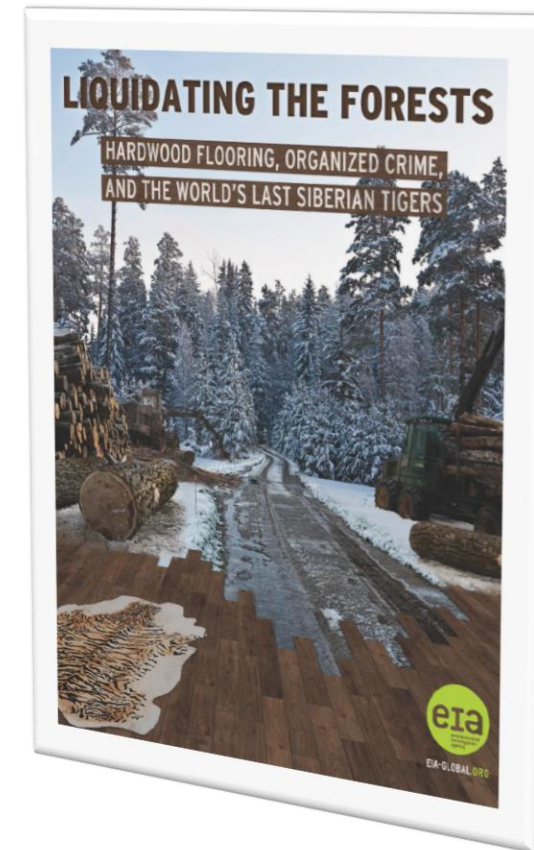
"the offence may be applied to each individual piece of timber within a consignment"

Perhaps more importantly...

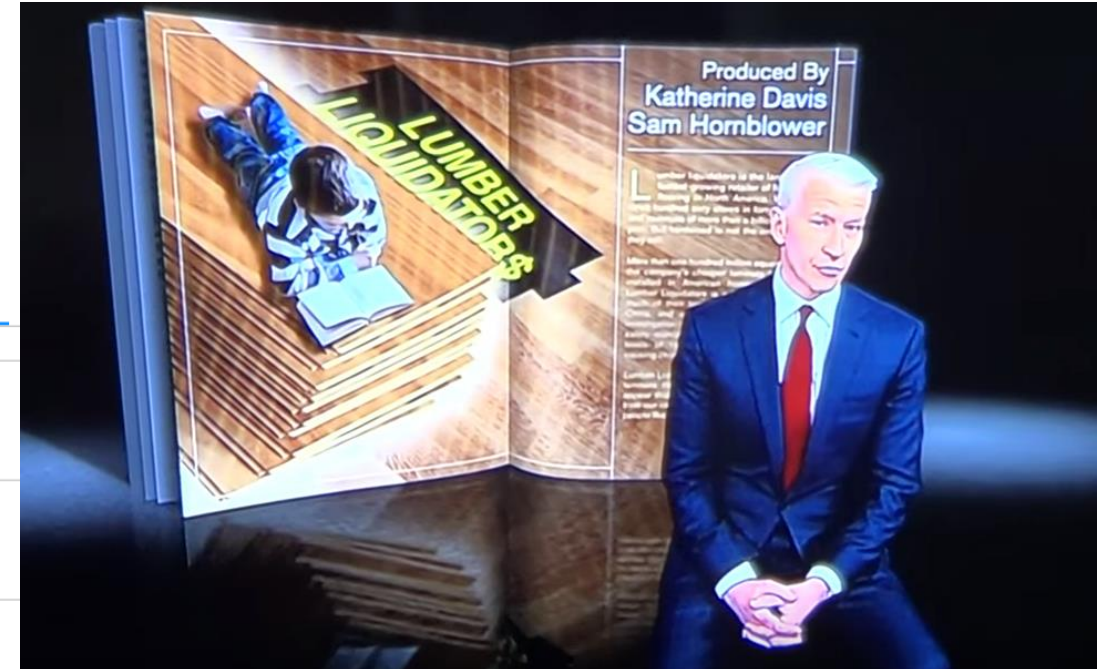


Confiscation of
supplies and disrupted
supply flow

Loss of buyers and
brand damage




Perhaps more importantly...




NGO Campaigns

How are NGOs involved?


- Raising profile of high risk cases in various countries
- Targeting specific companies
- Putting information in the public domain which Operators should consider as part of their risk assessment
- Highlighting the dangers on relying on documents alone





WWF
REPORT
UK
2015


#V



WWF

- A brief history of WWF >
- WWF Scotland >
- About WWF Scotland >
- WWF Cymru >
- About WWF Cymru >
- The Living Planet Centre >
- Living Planet Report 2014 >
- Who we are >
- Annual Review >
- Annual Report and Financial Statements >
- Other publications >
- Careers at WWF >
- Recent campaigns >
- Working with local authorities >
- Working with schools >

- Donate now >
- Join WWF >
- Adopt an animal >
- WWF's Earth Hour >
- Campaign with us >
 - Forest campaign >
 - Businesses: join the campaign >
 - Where does your wood come from? >
 - Wood buying tips for shoppers >
 - Wood buying tips for businesses >
 - Local authorities' timber pledge >
 - Businesses that have signed up >
 - 2015 Timber Scorecard >
 - Get personal about climate change >
 - Virunga campaign >
 - Earth Hour >
 - Great barrier reef >
 - Forest campaign >
 - Fundraising Events >
 - Other ways to give >
 - Change how you live >



Thanks for all your questions

Thanks for being the #VoiceOfTheForest – we were overwhelmed your thousands of questions to Fender and Oak Furniture Land - proof of what we already knew - that you all care strongly about the connection between the wood-based products you buy and the forests they come from.

The good news is that both companies are now taking us more seriously. Oak Furniture Land has even agreed to meet with us. But we have a long way for both companies to go before we are satisfied. Rest assured we will continue to ask both companies to take urgent action. [Find out how you can help below.](#)

Oak Furniture Land's response

They answered your questions with assurances that the wood in all their products is legally sourced (see below).

However there is no mention of whether they source their wood from well-managed forests.

Fender's response

Fender did not answer your individual questions (see below for the list we sent them), but sent us [a statement](#) and said:

"...yes; Fender's wood sourcing practices include extensive processes and protocols that ensure its products are legally compliant and responsibly sourced."

Most of the companies were either unable or not prepared to tell researchers where the wood came from, even when they were told by

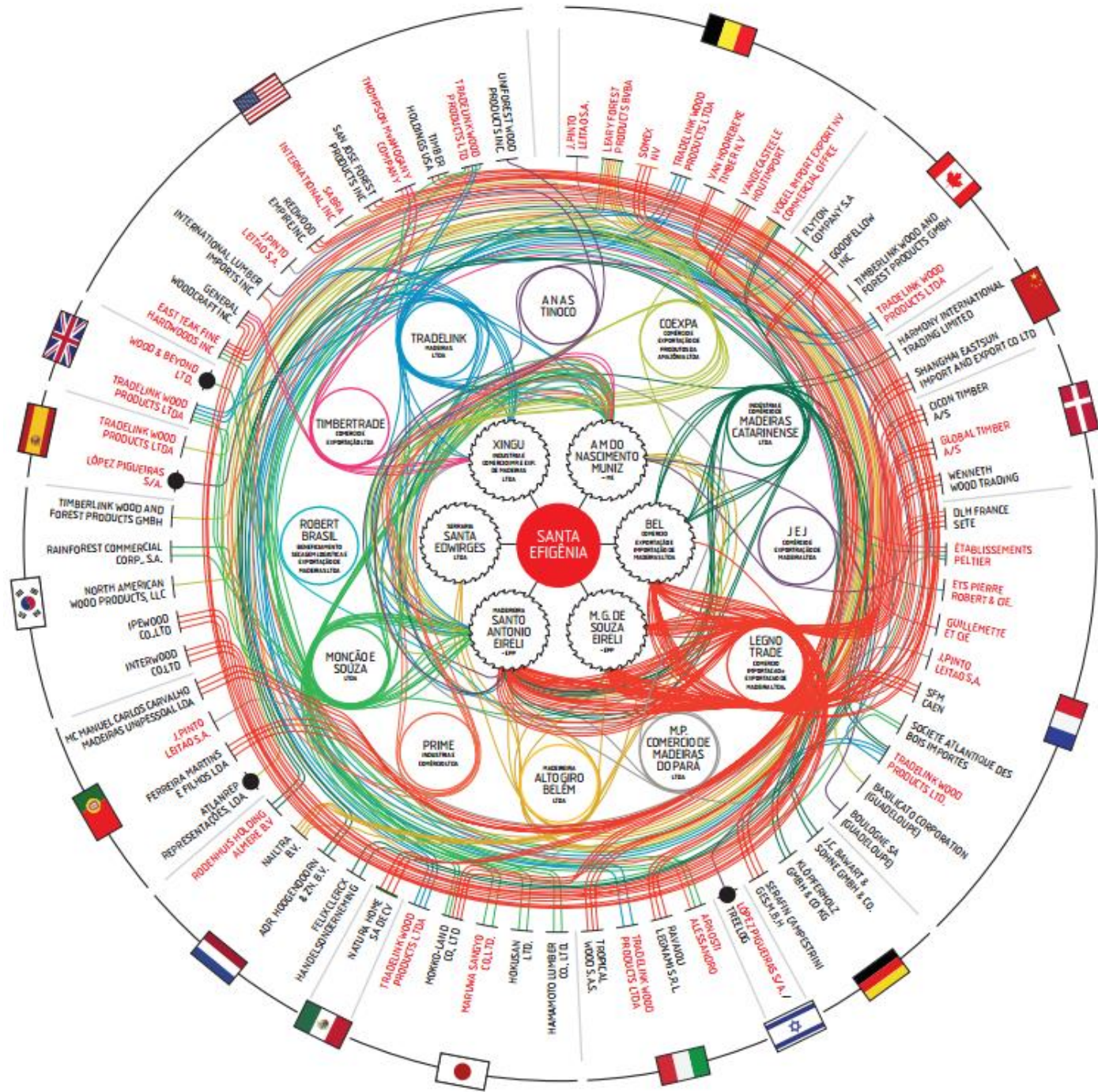
An aerial photograph of a lush Amazon rainforest. The canopy is a dense green, with a single tree in the upper right quadrant standing out with its bright yellow flowers. The image is framed by a red border on the right and top.

GREENPEACE

FOREST CRIME FILE
JUNE 2015

Greenpeace Brazil, Rua Fradique Coutinho
352, Pinheiros, São Paulo, CEP 05416-000, Brazil
Web: www.greenpeace.org/brazil/pt/
Email: relacionamento@greenpeace.org

The Amazon's Silent Crisis: **Licence to Launder**



An Industry Unchecked:

Japan's extensive business with companies involved in illegal and destructive logging in the last rainforests of Malaysia



global witness

September 2013





“Some ... of course, not all ... pretend they don't know.
The reason is simple: either they are stupid, cowards
or corrupt”

Nation [Home](#) > [News](#) > [Nation](#)

Published: Tuesday May 12, 2015 MYT 7:25:00 PM

Updated: Tuesday May 12, 2015 MYT 10:42:52 PM

MACC freezes 375 accounts worth over RM560mil with links to illegal logging in Sarawak

BY SHARON LING



Company Responses

Scenario

- Large furniture retailer based in Germany, Austria, Luxembourg
- Visited by German Competent Authority in 2014
- CA stated that inadequate due diligence information was provided to justify low risk conclusion for two supply chains
- The company immediately halted purchases from both supply chains whilst investigation was ongoing



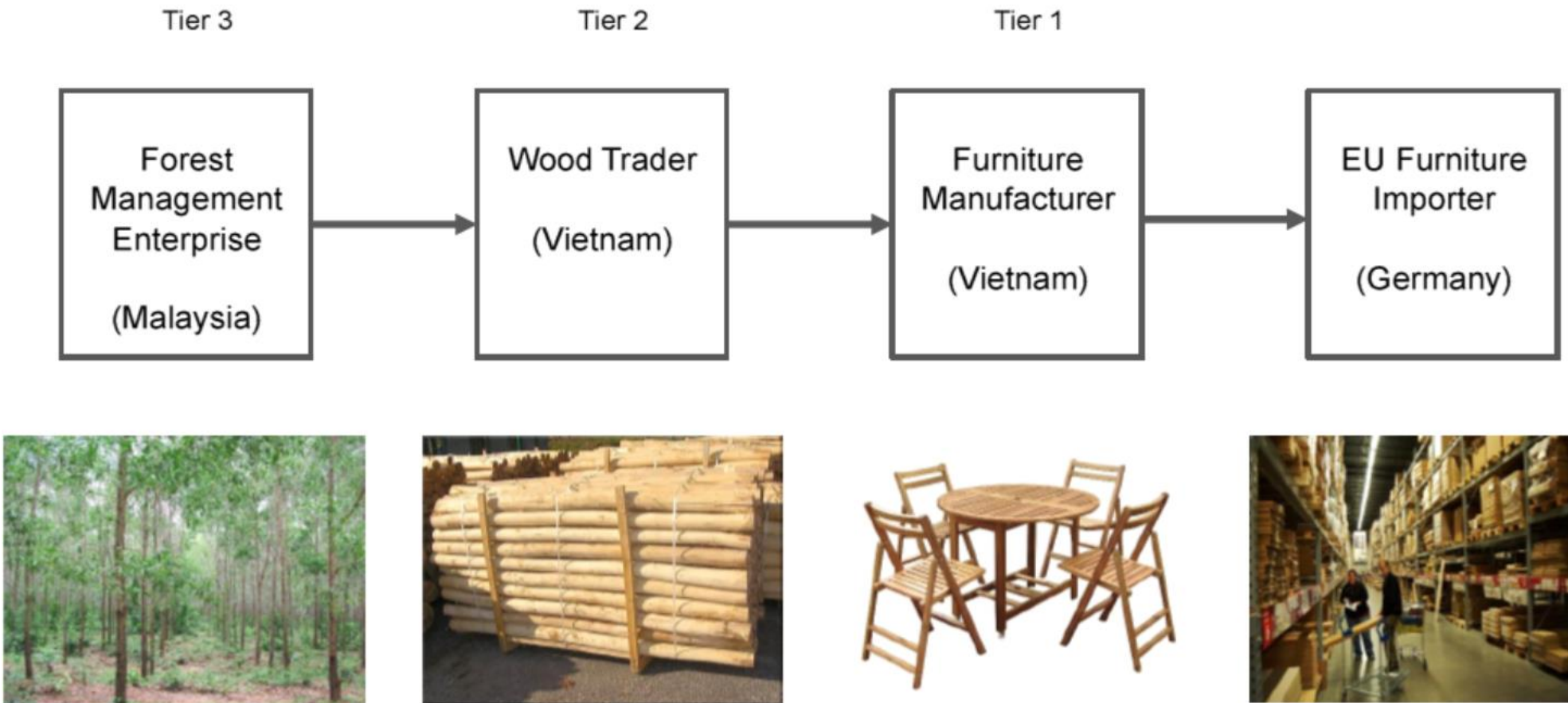
Supply chain verification

NEPCon assessment of two supply chains:

- 1) Teak furniture from factory in Vietnam made from plantation teak from Costa Rica; and
- 2) Acacia furniture from factory in Vietnam made from timber from Malaysia.

Desk based review of access to information, risk assessment and justification.

Step 1: supply chain mapping



Step 2: collect and review supply chain documentation

- Single certified source → *Acacia mangium* plantation
- Certification at forest level (FM) and all along the supply chain (CoC) – 3rd party verified
- Access to information found to be good:
 - Sales and purchase agreement for land
 - Forest Management Plan
 - Clarifying letter from FD regarding payment of royalties
 - Transport documents & invoices
 - Import/export permits
 - Certification reports
 - Business licences

Step 3: review due diligence system

- Risk assessment and mitigation procedures generally robust
- Weak procedures describing risk assessment of mixing in supply chain
 - Company should clarify and document how supply chain documentation and Chain of Custody (CoC) certification is used to justify low risk
- Isotope testing to verify origin and microscopic testing to verify species

Conclusions

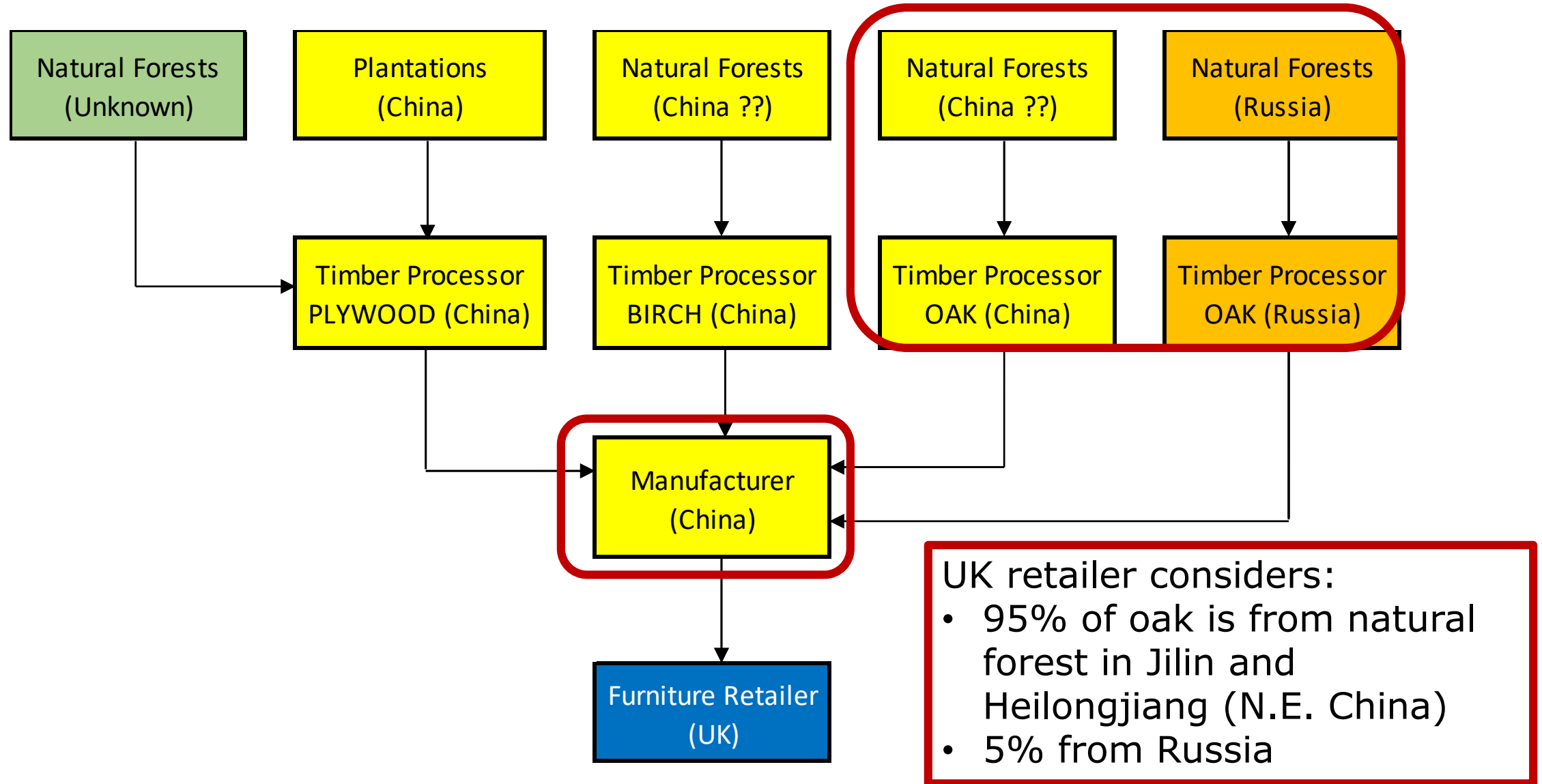
- NEPCon concluded low risk of illegal logging, trade and transport for both supply chains
- Only weakness was written risk assessment procedures
- Species and origin testing confirmed conclusions



Scenario

- Large furniture retailer based in the UK - deals in Oak and birch furniture which they import to the EU
- Have 4 suppliers - 2 of which are regular suppliers – with factories in China and Thailand.
- Were **visited by UK CA**
 - following the visit, they were issued with a **warning letter**, requesting information on the DDS they had in place for the oak furniture.
- Contacted NEPCon to conduct an evaluation of their DDS

Company 2



Evaluation findings: Mongolian Oak (*Quercus mongolica*)

1. **Insufficient information** in order to confirm Chinese origin.
High probability of (illegal) oak supply from Russian Far East.
2. **Document integrity in serious doubt:**
 - **VALIDITY:** not documents that all were valid and issued by the competent authority.
 - **COMPLETENESS:** missing, erroneous and conflicting information.
 - **RELATION TO MATERIAL:** connection between the documents and the material throughout supply chain was not clear.
3. **Russian supply chain documentation highly suspect.**

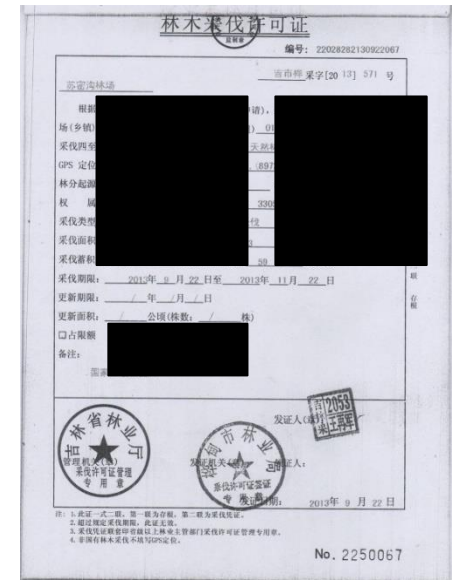
Documentation on Mongolian oak (China)

Heilongjiang province

- No supply chain documentation provided.
- Heilongjiang implemented a commercial logging ban in state-owned forests effective April 2014 (so supply, at volumes stated, is suspicious).

Jilin province

- Only Harvest Permits with issue dates from 2012 & 2013 were available → question regarding their applicability to the products purchased.
- Available permits for volumes insignificant to size of supply.
- Permits specify the type of forest as simply 'broad leaved', further lowering the volumes of oak which could possibly be harvested under the permits.



[illegible]

Risk mitigation recommendations

- **Cease supplies** from Chinese based supplier until appropriate long-term risk mitigation actions are put in place.
- Collection of **additional information** about product verification.
- **Sourcing certified** materials – both major suppliers were FSC CoC certified and the opportunity to source certified material from them existed.
- Sourcing from low risk national/ sub-national regions – e.g. France.
- Sourcing from Operators.

Sourcing Oak Products from NE China

Broad agreement exists on how to mitigate risk of illegal timber from the Russian Far East

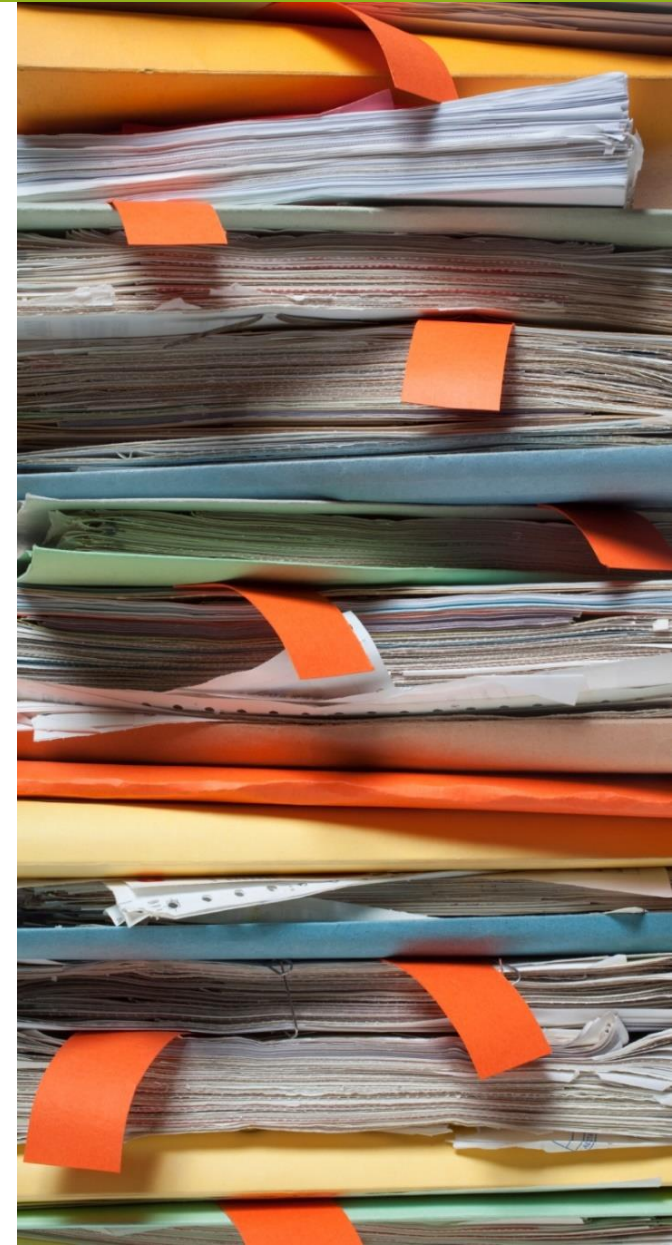
1. **Request current, accurate documentation demonstrating legal origin. Do not rely solely on collecting such documents:** ask probing questions of suppliers, conduct site visits, consult with local, well-informed stakeholders.
2. **Purchase certified materials.**
3. **Establish rigorous legality confirmation systems** that include field verification, 3rd party auditing & stakeholder consultation.
4. **Conduct timber testing** to determine that the species and origin match those claimed by suppliers.
5. If legality cannot be confirmed, **avoid products made from hardwoods that could be of Russian Far East origin.**



"Is this enough?"

Wrong question!

1. **Relevance:** What does the information tell you about risk of illegality?
2. **Validity:** Is the information genuine?
3. **Relatedness:** Does the information apply to *your* supply chain or shipment?



Quick quiz!

采伐类型: 主伐 采伐方式: ✓ 采伐强度:

采伐面积: 231 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

Checking for fake documents:

- Obvious mistakes
- Spelling mistakes and inconsistencies
- Formatting or text that's more blurry than the rest
- Check documents against an official database
- Check that information tallies across
- Use computer software to help check PDFs

CARTEGORY	
<input type="checkbox"/>	DOGS AND PUPPIES
<input type="checkbox"/>	CATS AND KITTENS
<input type="checkbox"/>	MONKEYS
<input checked="" type="checkbox"/>	BIRDS
<input type="checkbox"/>	OTHERS

CERTIFICATE OF ORIGIN	
The undersigned	President
ITL, LLC dba	
for	declares
that the following mentioned goods shipped on S/S	(Name of Ship)
on the date of	SEPTEMBER 14, 2015
consigned to	
	Viet Nam
are the product of the United States of America	



Fake Documents

How to spot them and what to do about them



Thematic article series no. 2
Published July 2017



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



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Key challenge...corruption

In countries with high level of corruption you can get any stamp and any signature – it is just a matter of payment.



From the Operators perspective:

- CA enforcement patchy but improving
- Enforcement and brand damage key driver of compliance
- Laboratory testing is a growing tool to verify legality claims
- NGOs are using the EUTR as leverage
- Access to supply chain information is key
- Evaluate documentation
- Lack of robust risk assessment is still a weakness

Time for:





Timber



Palm Oil



Beef



Soy

How to use the NEPCon Sourcing Hub in a due diligence process

October 2017

Firstly:

- Due diligence recap

NEPCon Sourcing Hub:

- Risk Assessments
- Tools for establishing a due diligence system
- Country-specific tools on the sourcing hub

- 1 Placing on the market of illegally harvested timber or timber products shall be prohibited
- 2 Exercise due diligence through system and procedures
- 3 Maintain and regularly evaluate the due diligence system

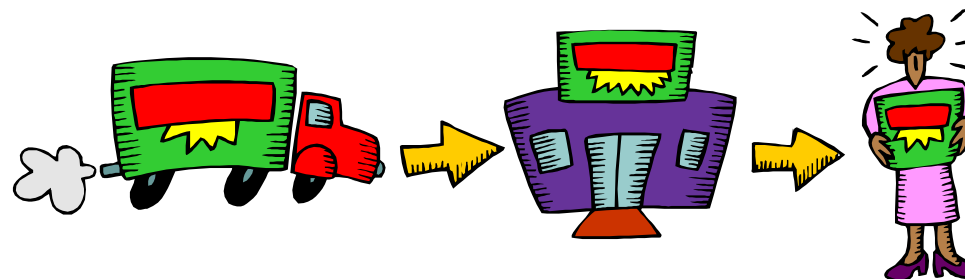
What is due diligence?

...through systems and procedures enabling:

1. Access to information
2. Risk assessment
3. Risk mitigation

“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”

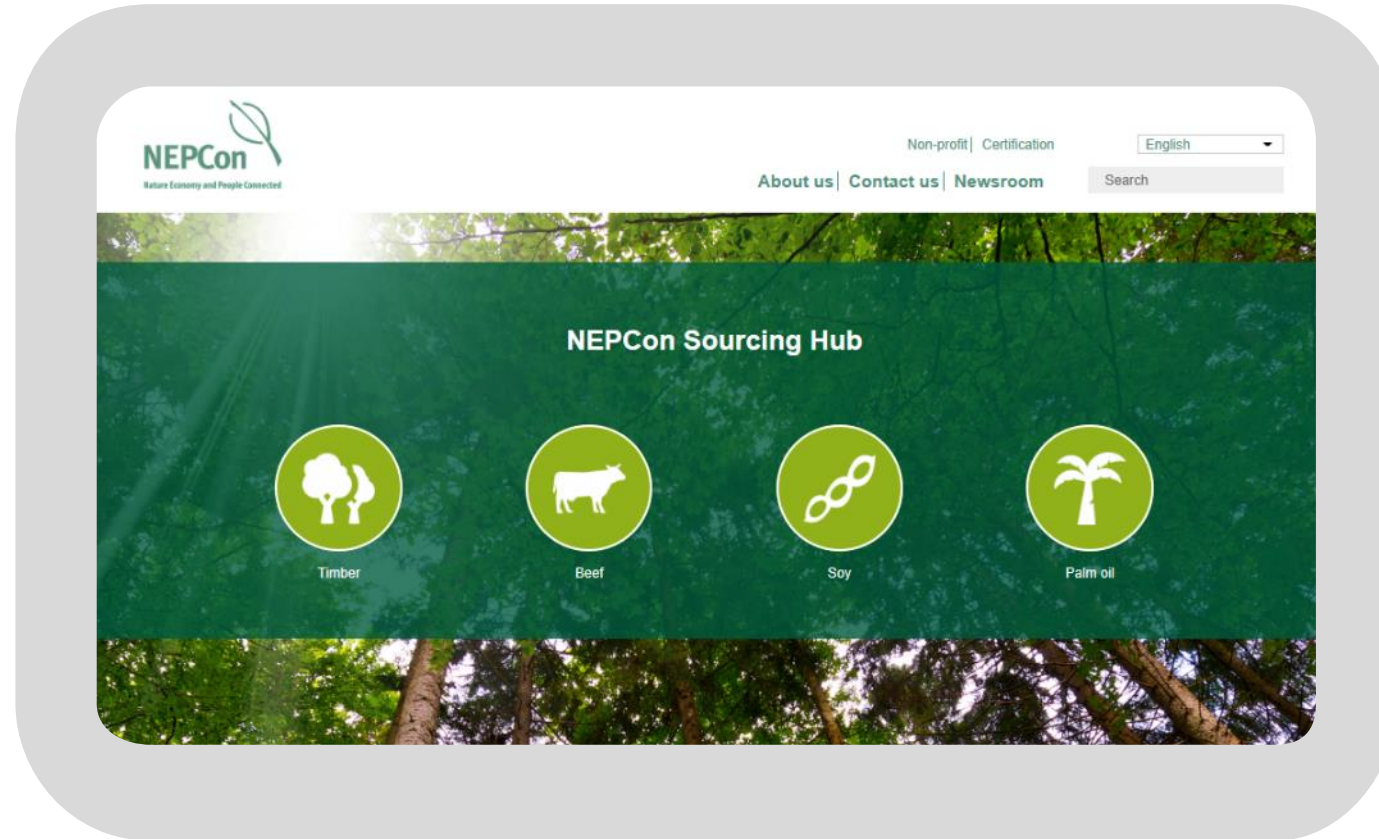
Source: EU Guidance document



What is due diligence?

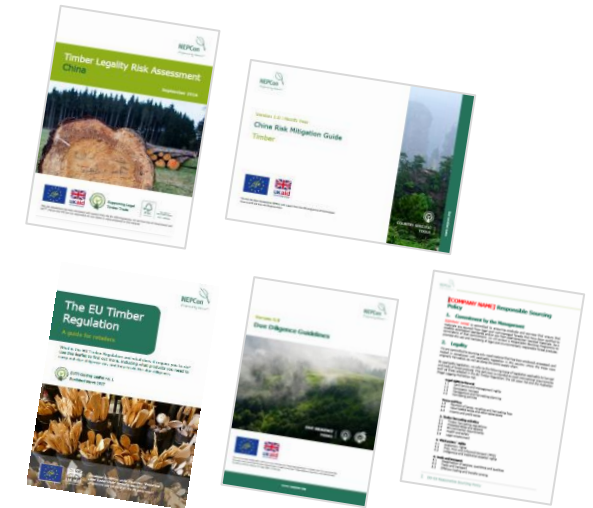
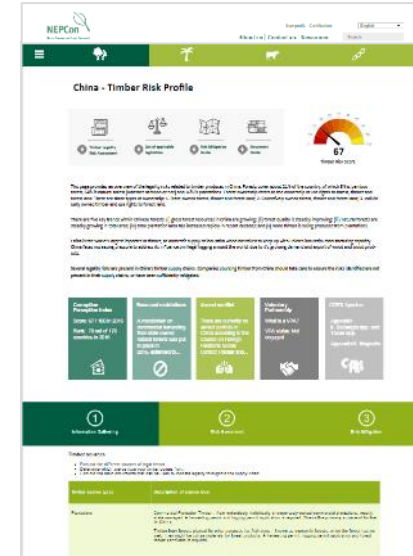
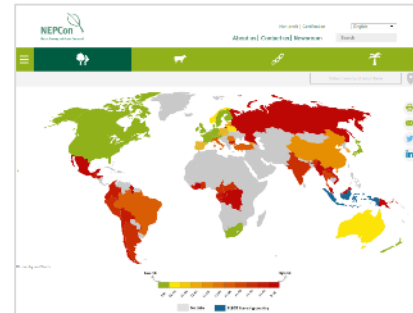
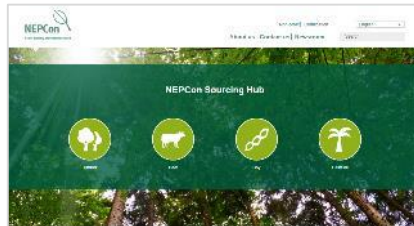


Launched August 2017... v1.0



www.nepcon.org/sourcinghub

Everything you need for due diligence in one place



1

SELECT
commodity

2

ACCESS
an overview map of
sourcing risks
+
SELECT
country for details

3

VIEW
country detailed risk data
(e.g. risks related to each
type of forest
production...)

4

EXPLORE
a suite of country
guidance and due
diligence tools to
mitigate the risks

Country specific guidance



Full Timber Legality Risk Assessment for all 62 countries



An overview of the relevant laws in a country from the **List Applicable Legislation**



Risk Mitigation guide to help identify the risks in the supply chain and what to do about them for a supply country



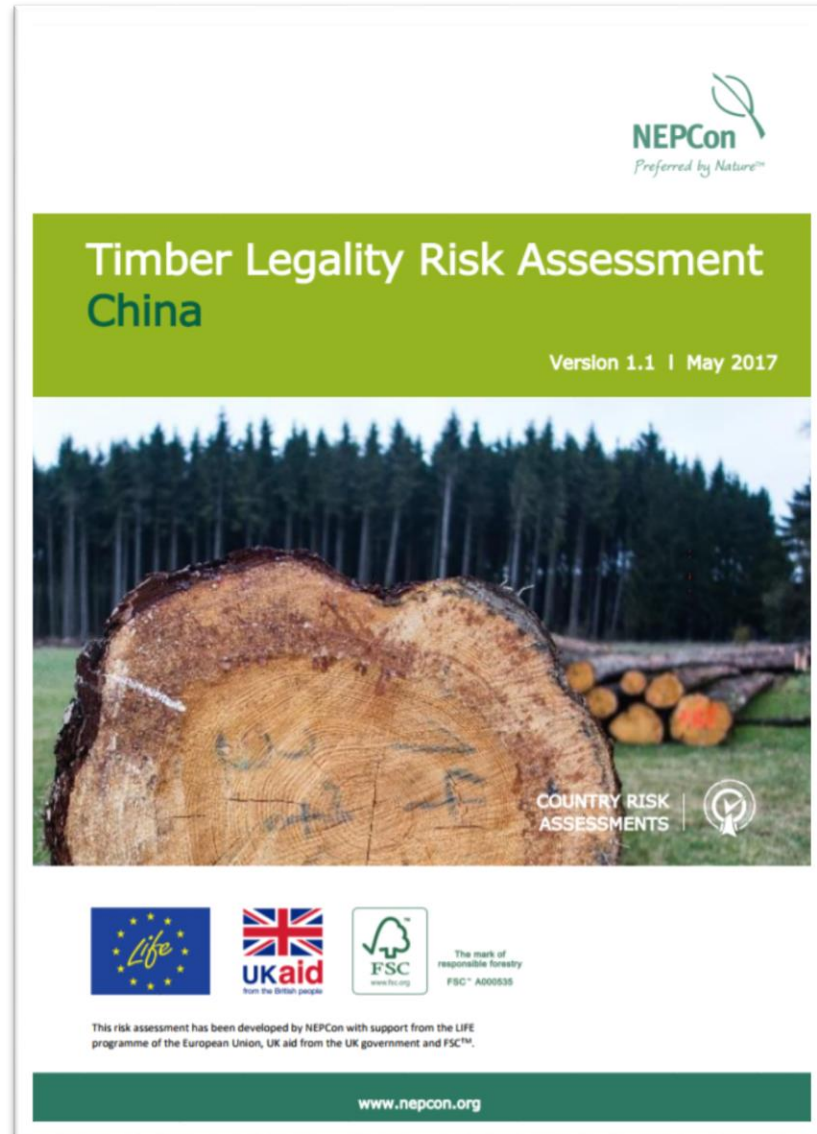
Document Guide to help determine exactly what type of documents to request from the suppliers, what they should look like and how to verify their authenticity

Due Diligence tools



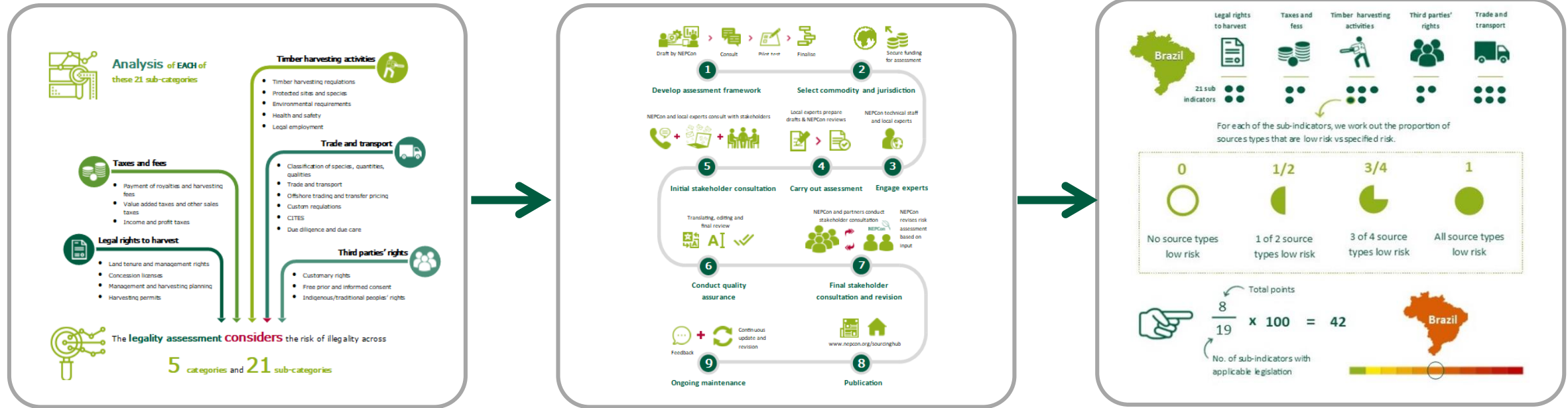
- Supplier Letters
- Due Diligence Guidelines
- Supplier Managing Form
- Risk Checklists
- Policy template
- Supplier Information Form
- etc.

Risk assessments...



The heart of the Hub

Risk assessments – development process



DEVELOP
the risk assessment
framework for the
commodity, e.g. defining
(sub)categories

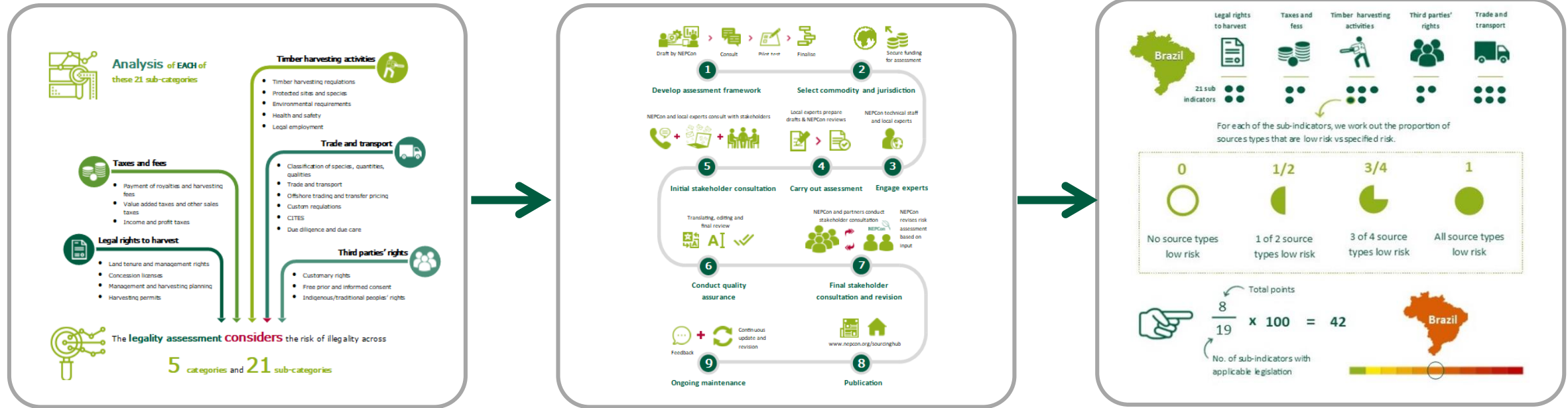
CONDUCT
risk assessments
+
CONCLUDE
the risk for each of the sub-categories

CALCULATE
the score for each country
+
COLOUR CODE
in the map

Comprehensive...

	Legality category	Legality Sub-Category
	Legal rights to harvest	<ul style="list-style-type: none"> • Land tenure and management rights • Concession licenses • Management and harvesting planning • Harvesting permits
	Taxes & fees	<ul style="list-style-type: none"> • Payment of royalties and harvesting fees • Value added taxes and other sales taxes • Income and profit taxes
	Timber harvesting	<ul style="list-style-type: none"> • Timber harvesting regulations • Protected sites and species • Environmental requirements • Health and safety • Legal employment
	Third parties' rights	<ul style="list-style-type: none"> • Customary rights • Free, Prior and Informed Consent • Indigenous peoples rights
	Trade & transport	<ul style="list-style-type: none"> • Classification of species, quantities, qualities • Trade and transport • Offshore trading and transfer pricing • Custom regulations • CITES

Risk assessments – development process



DEVELOP
the risk assessment
framework for the
commodity, e.g. defining
(sub)categories

CONDUCT
risk assessments
+
CONCLUDE
the risk for each of the sub-categories

CALCULATE
the score for each country
+
COLOUR CODE
in the map

Comprehensive...

Data sources for risk assessments



How do we determine low or specified risk?

Considered 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

Considered 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.

A Due Diligence System

1. Quality management

1. Quality management

Why are procedures needed?

- To provide a **systematic framework** for exercising due diligence and making it functional
- Enable systematic implementation and **external evaluation** of the system



UK Competent Authority (2015):

"...a lack of narrative explaining how the combination of document gathering, risk assessment and mitigation... enable the company to reach a conclusion of negligible risk"

1. Quality management

The Sourcing Hub contains extensive information about how to set up your due diligence system (DDS).

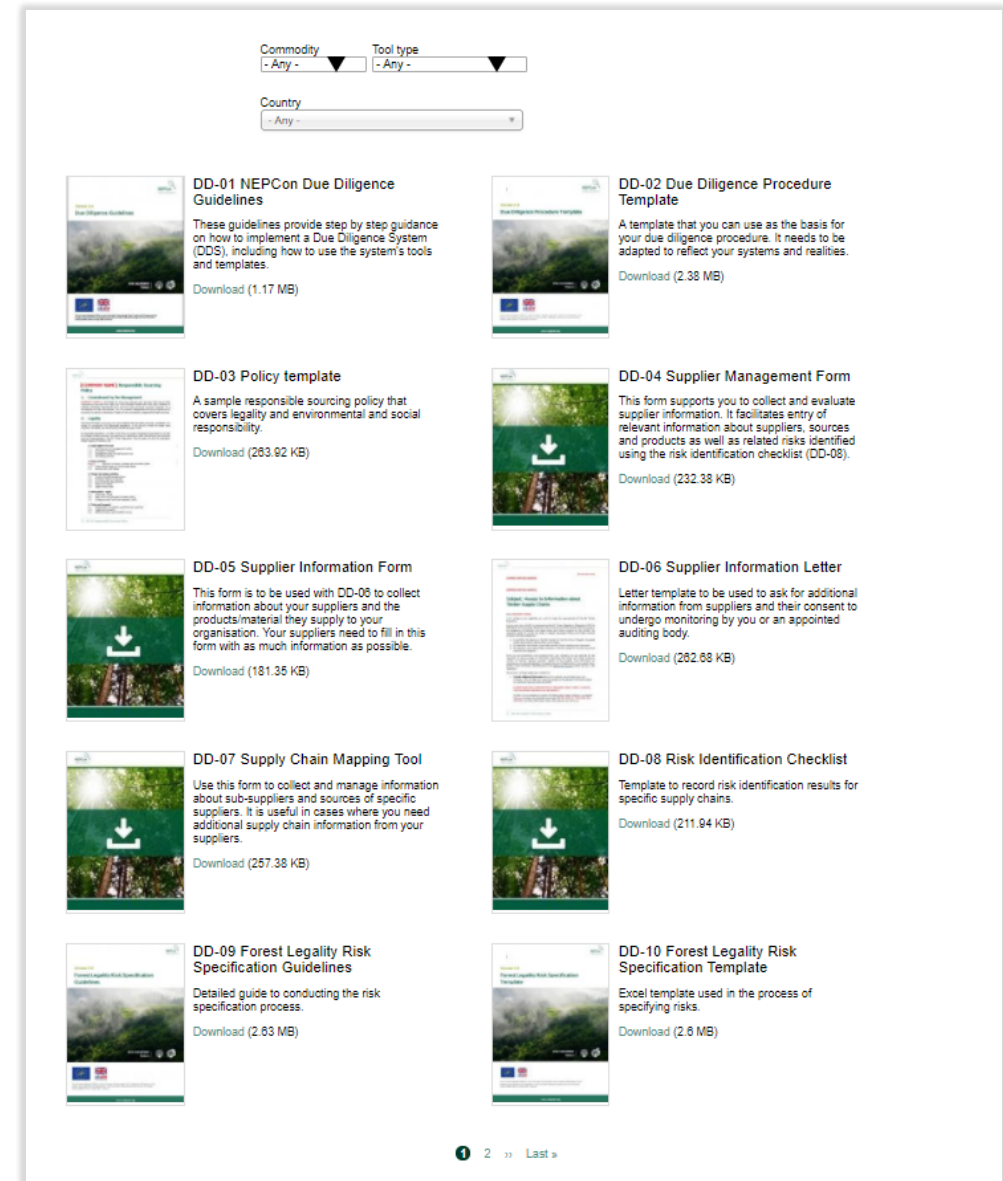
The NEPCon DDS includes several **templates** that may be used to ensure that systems and procedures are developed and implemented effectively.

You can download all the **tools** and **templates** you need to set up a due diligence system in your business on the Sourcing Hub.



1. Quality management

- Download the full NEPCon Due Diligence system on the Sourcing Hub
- <http://beta.nepcon.org/sourcinghub/info/what-due-diligence>

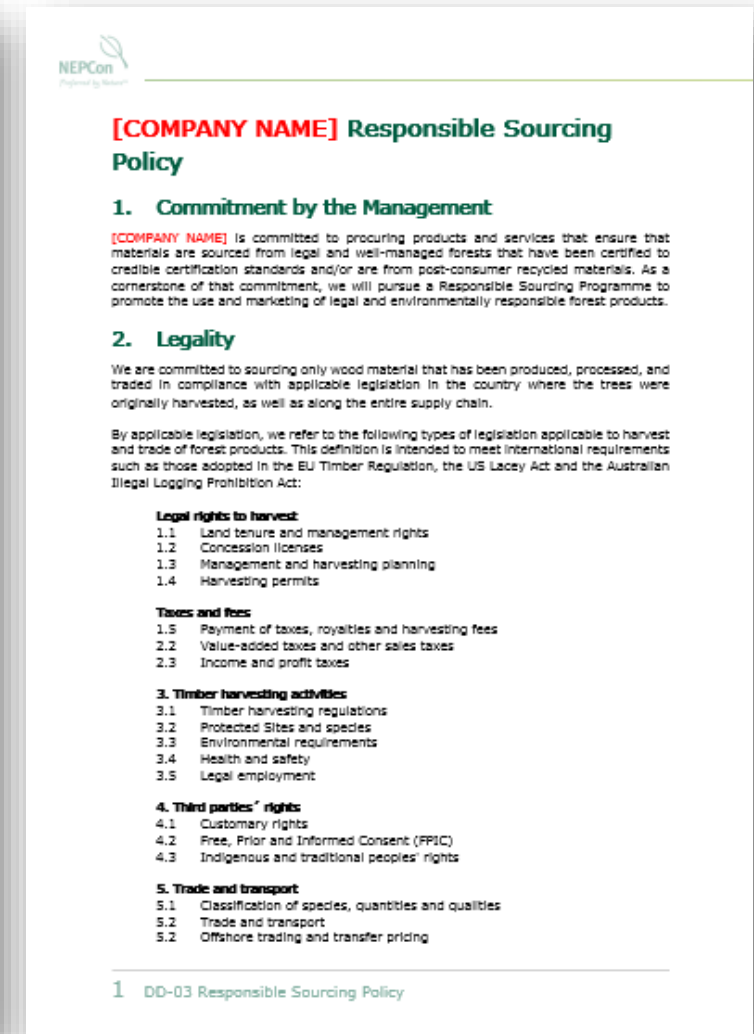


The screenshot displays the NEPCon Sourcing Hub interface. At the top, there are filters for 'Commodity' (set to '- Any -'), 'Tool type' (set to '- Any -'), and 'Country' (set to '- Any -'). Below the filters, a grid of 10 documents is shown, each with a thumbnail image, a title, a brief description, and a download link with the file size.

Document ID	Title	Description	Download Link
DD-01	NEPCon Due Diligence Guidelines	These guidelines provide step by step guidance on how to implement a Due Diligence System (DDS), including how to use the system's tools and templates.	Download (1.17 MB)
DD-02	Due Diligence Procedure Template	A template that you can use as the basis for your due diligence procedure. It needs to be adapted to reflect your systems and realities.	Download (2.38 MB)
DD-03	Policy template	A sample responsible sourcing policy that covers legality and environmental and social responsibility.	Download (263.92 KB)
DD-04	Supplier Management Form	This form supports you to collect and evaluate supplier information. It facilitates entry of relevant information about suppliers, sources and products as well as related risks identified using the risk identification checklist (DD-08).	Download (232.38 KB)
DD-05	Supplier Information Form	This form is to be used with DD-06 to collect information about your suppliers and the products/material they supply to your organisation. Your suppliers need to fill in this form with as much information as possible.	Download (181.35 KB)
DD-06	Supplier Information Letter	Letter template to be used to ask for additional information from suppliers and their consent to undergo monitoring by you or an appointed auditing body.	Download (262.68 KB)
DD-07	Supply Chain Mapping Tool	Use this form to collect and manage information about sub-suppliers and sources of specific suppliers. It is useful in cases where you need additional supply chain information from your suppliers.	Download (257.38 KB)
DD-08	Risk Identification Checklist	Template to record risk identification results for specific supply chains.	Download (211.94 KB)
DD-09	Forest Legality Risk Specification Guidelines	Detailed guide to conducting the risk specification process.	Download (2.63 MB)
DD-10	Forest Legality Risk Specification Template	Excel template used in the process of specifying risks.	Download (2.6 MB)

At the bottom right of the interface, there is a pagination control showing '1 2 » Last »'.

1. Quality management



2. Information gathering

2. Information gathering

- Product type
- Species
- Origin
- Quantity
- Supplier (tier 1)
- Documents or *other information* indicating legal compliance

Origin = Country, and if applicable, region or concession

Supply chain
information
is **key**



2. Information gathering



Important!

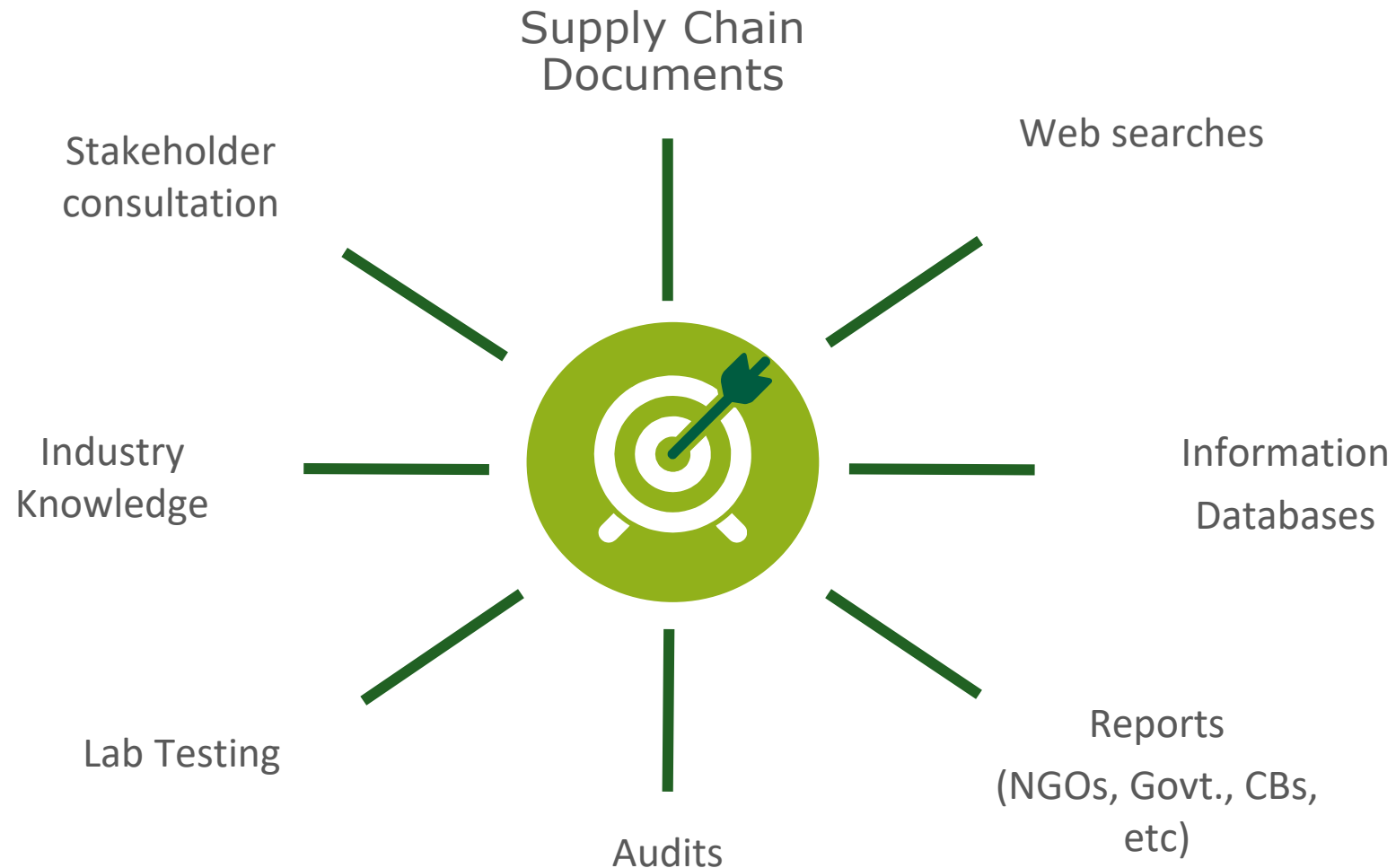
*"It should be stressed from the outset that **collecting documentation** must be done **for the purposes of the risk assessment** and should not be viewed as a self-standing requirement."*

Source: EU Guidance document



2. Information gathering

Information Sources



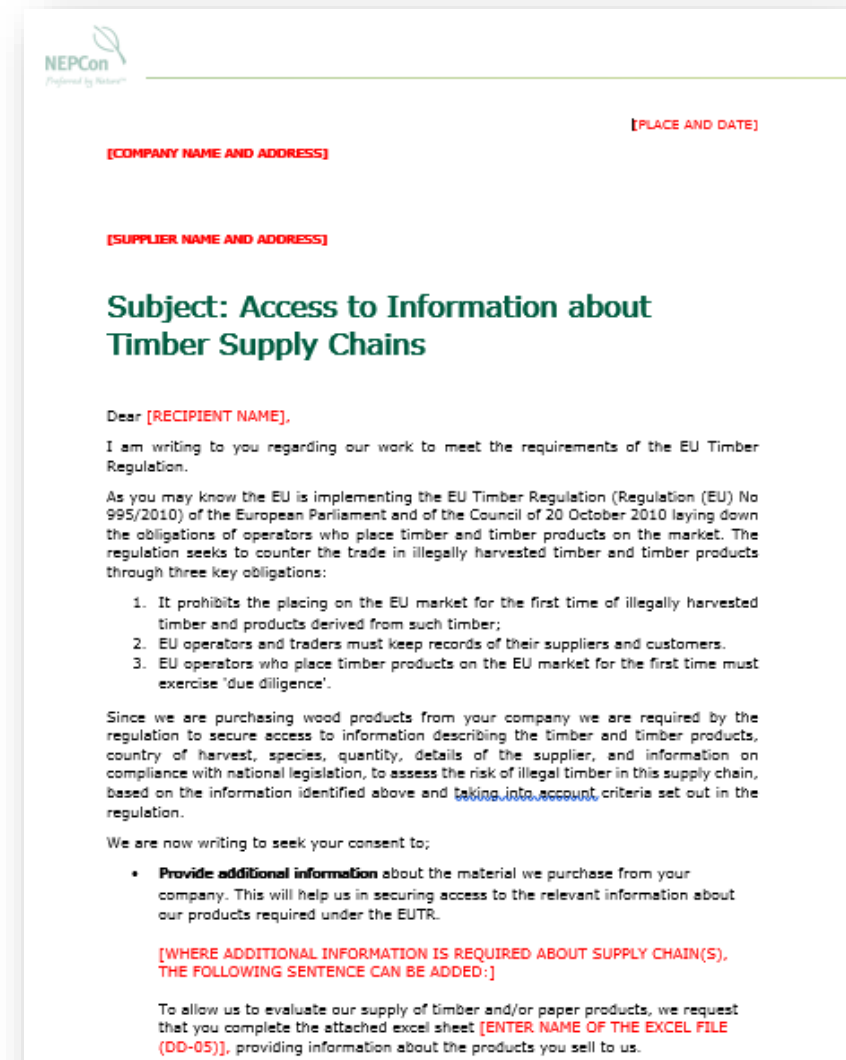
2. Information gathering

Inform suppliers of DD
requirements & request
supply chain info
(DD-06)



2. Information gathering

- For informing suppliers of information needs
- For requesting information about supply chains
- Consent form to secure access to evidence, audits & testing materials



NEPCon
Preferred by Nature

[PLACE AND DATE]

[COMPANY NAME AND ADDRESS]

[SUPPLIER NAME AND ADDRESS]

Subject: Access to Information about Timber Supply Chains

Dear [RECIPIENT NAME],

I am writing to you regarding our work to meet the requirements of the EU Timber Regulation.

As you may know the EU is implementing the EU Timber Regulation (Regulation (EU) No 995/2010) of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market. The regulation seeks to counter the trade in illegally harvested timber and timber products through three key obligations:

1. It prohibits the placing on the EU market for the first time of illegally harvested timber and products derived from such timber;
2. EU operators and traders must keep records of their suppliers and customers.
3. EU operators who place timber products on the EU market for the first time must exercise 'due diligence'.

Since we are purchasing wood products from your company we are required by the regulation to secure access to information describing the timber and timber products, country of harvest, species, quantity, details of the supplier, and information on compliance with national legislation, to assess the risk of illegal timber in this supply chain, based on the information identified above and taking into account criteria set out in the regulation.

We are now writing to seek your consent to;

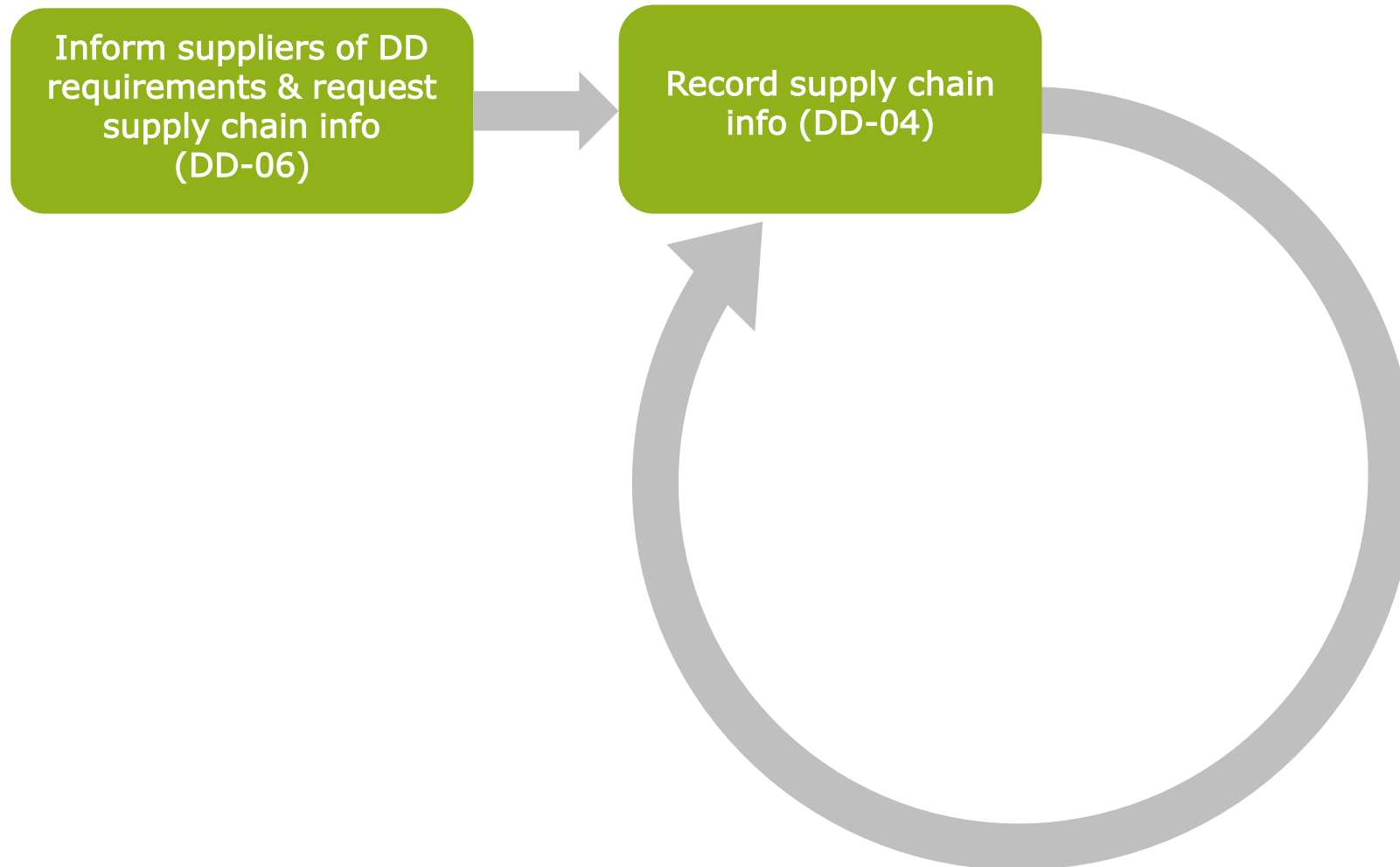
- **Provide additional information** about the material we purchase from your company. This will help us in securing access to the relevant information about our products required under the EUTR.

[WHERE ADDITIONAL INFORMATION IS REQUIRED ABOUT SUPPLY CHAIN(S), THE FOLLOWING SENTENCE CAN BE ADDED:]

To allow us to evaluate our supply of timber and/or paper products, we request that you complete the attached excel sheet [ENTER NAME OF THE EXCEL FILE (DD-05)], providing information about the products you sell to us.



2. Information gathering



2. Information gathering

- Excel master document
- For systematic recording of all suppliers & supply chain information
- Helps identify gaps in information
- Document risk conclusions

[ORGANISATION NAME] Supply Chain Overview

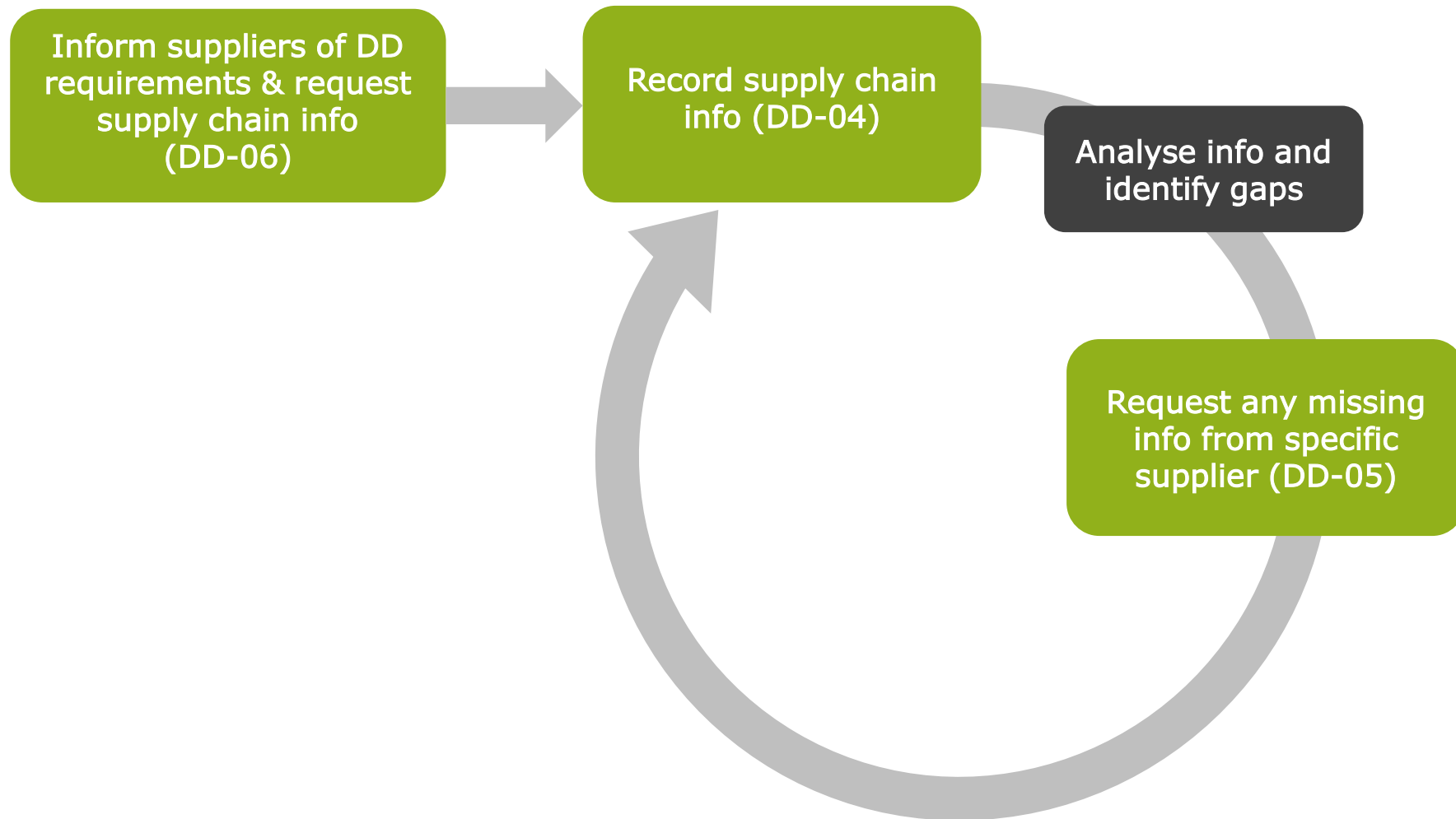
This document is the principal record for cataloguing supply chain information from all suppliers and recording risk assessment and mitigation actions as part of the [ORGANISATION NAME] due diligence system.

1. Supplier information					2. Product information									3. Material Origin			
Supplier ID	Supplier name	Supplier country	SUPPLIER verification/ certification	Certification code	Product ID	Product description	EU Product Group	PRODUCT verification / certification	Component or single material	Component description	Species (scientific name)	Species (trade name)	Volume	Country of harvest	Sub-national region of harvest (if known)	Harvest concession (if known)	Species information
Enter the name or ID of the first tier supplier.	Enter the name of supplier	Enter the country in which the supplier is based	Select the type of certification/verification applicable to the SUPPLIER.	Enter the certification code of the supplier	Enter the product ID	Enter the description of the product or component. This should contain information that can identify the product.	Select the relevant EU customs product code, if applicable.	Select the type of certification/ verification applicable to the PRODUCT, if applicable.	If more than one component is used per product, please indicate this by selecting "component" and go to the "COMPONENT PRODUCTS" tab.	If a component product, note the type of component in each line.	Enter the scientific name of the species.	Enter the trade name of the species.	Enter the volume purchased during the last 12 months	Enter the country of HARVEST of the material.	Enter information about the region of harvest, if known.	Enter location of harvest, if known.	Do you have access to information about the supply chain product?

Page 1

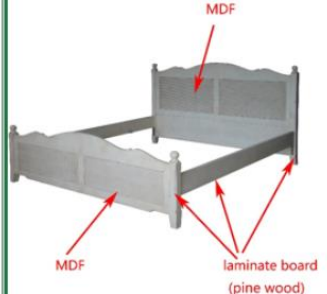


2. Information gathering



2. Information gathering

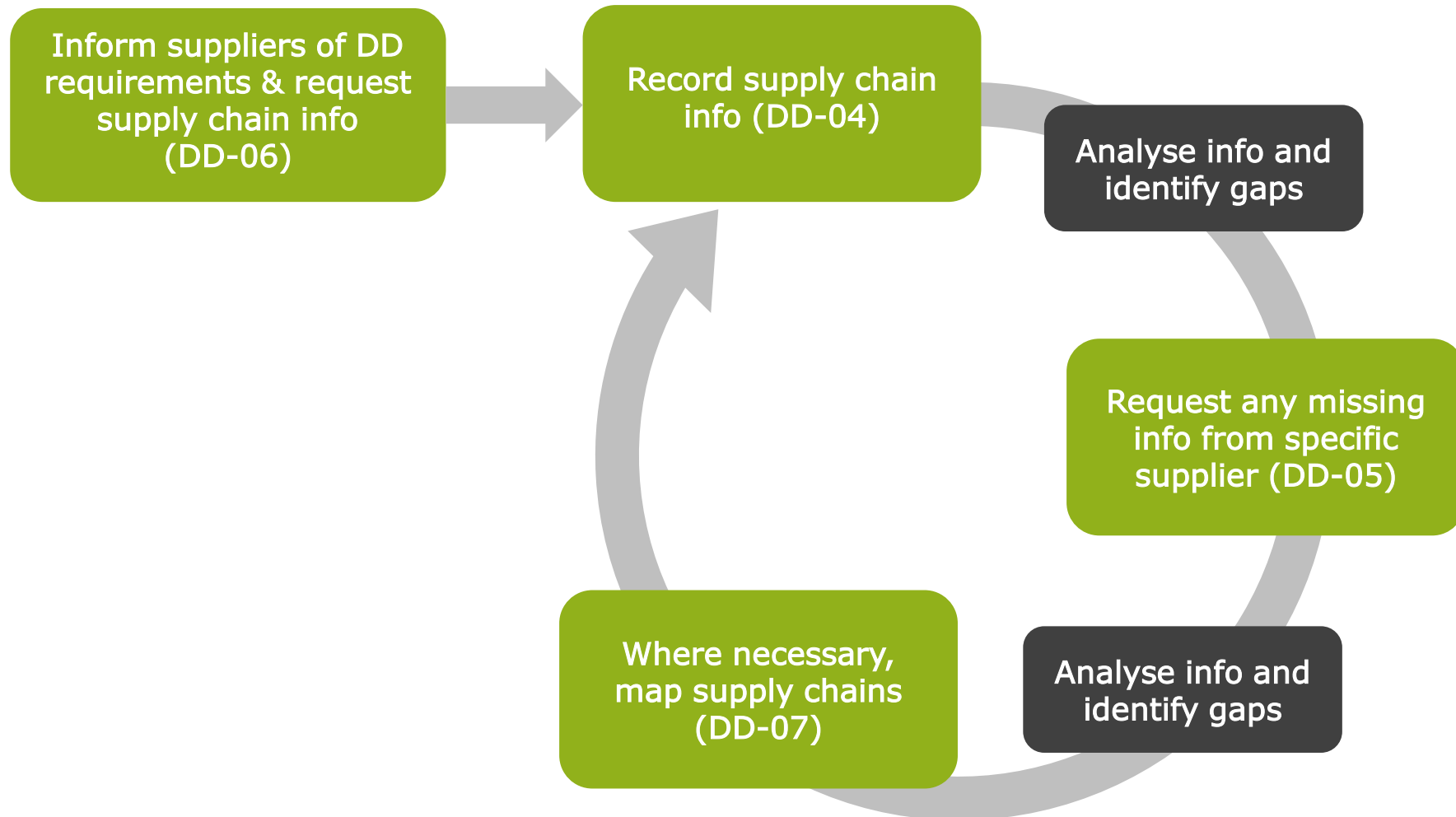
- Collect missing information from specific supplier
- Provides supplier an overview of current information in order to make clear where gaps exist
- Supplier completes sheet and returns missing information & supporting evidence

1. Product Information						2. Information about origin			4. Agreement on materials included?	
Product type/description	EU Product Group	PRODUCT verification / certification	Component or single material	Species (scientific name)	Species (trade name)	Country of harvest (if known)	Sub-national region of harvest (if known)	Harvest concession (if known)	Image	NEPCon Comments
10194021	9403 30, 940...		Component	1. Cunninghamia lanceolata, 2. MDF(Eucalyptus,pinus, and other mixed woods), 3. Plywood(Populus spp.plywood with Pinus spp veneer)	1. China Fir 2. Eucalyptus species, Pine species, other unknown species 3. Pine specie(s) + Poplar specie(s)	China	1. FIR FROM GUIZHOU PROVINCE 2. MDF FROM FUJIAN PROVINCE 3. LAMINATE BOARD PLYWOOD FROM GUANGXI PROVINCE			1. No Cunninghamia lanceolata in the image.



Supply Chain Information Form (DD-05)

2. Information gathering



2. Information gathering

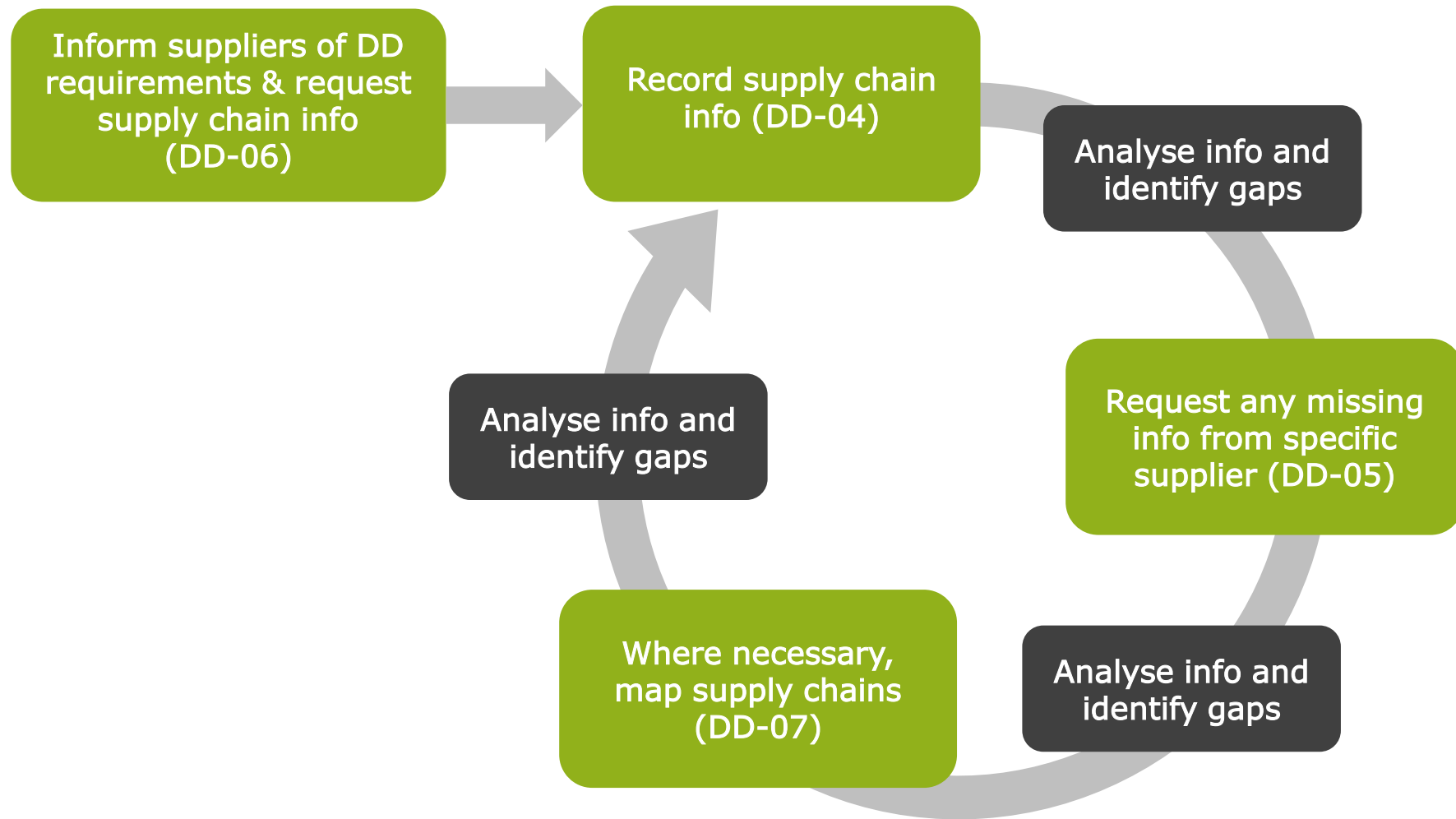
- Where necessary, map the supply chain back to source
- Information on each upstream supplier can be entered
- Including name, address, type of company, certification

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	Supporting Documentation
See GUIDE tab	Enter the name of the supplier.	Enter the type of entity for supplier. (primary manufacturer, secondary manufacturer, forest manager, trader, etc.)	Enter the material type. (logs, sawn timber, planed timber, veneer, plywood, MDF, chips, etc.)	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. (contact person, email, telephone)	List documentation (or other information) to support the information entered.
Supply Chain Example									
1	Components Ltd	Secondary Manufacturing	Furniture parts	Quercus mongolica	No	N/A	Vietnam		#1 Supply contract with components factory (price information covered) #2 Invoices and delivery notes for supply of sawn timber
2	Sawmills Ltd	Sawmill	Sawn Timber	Quercus mongolica	No	N/A	China, Jilin		#1 Business registration of sawn mill #2 Supply contract with forest #3 Invoices and delivery notes for supply of sawn timber #4 Transport licences
3	Forestry Inc	Forest Enterprise	Logs	Quercus mongolica	No	N/A	Russia		#1 Invoices (price information covered) to Sawmill #2 Transport licences #3 Harvest licences #4 Access Management Plan

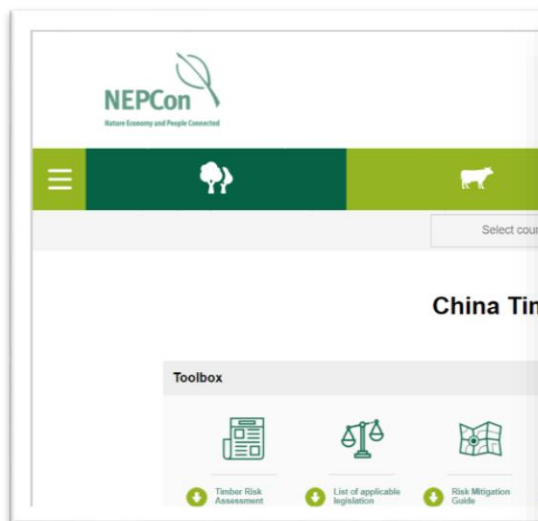


Supply Chain Mapping Tool (DD-07)

2. Information gathering



...and you can download the Document Guide to find out more:



Example of forest tenure certificate

森林、林木、林地状况登记表 No 1

林地所有权 权利人	林地使用权 权利人		
森林或林木 所有权权利人	森林或林木 使用权权利人		
坐落	Location		
小地名	林班	小班	
面积	Area	主要树种	Main species
株数	林种	Forest type	
林地使用期	Valid period	终止日期	
四至	GPS location		
注 记:			
填证机关			
经办人:		负责人:	
年 月 日		年 月 日	

林证字()第 号

Name of the holder

根据《中华人民共和国森林法》规定,本证中森林、林木、林地所有权或者使用权,业经登记,合法权益受法律保护。

特发此证

Seal of issuing authority

发证机关(印)

年 月 日

Issuing time

3. Risk assessment

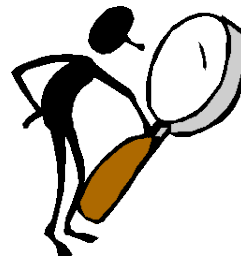
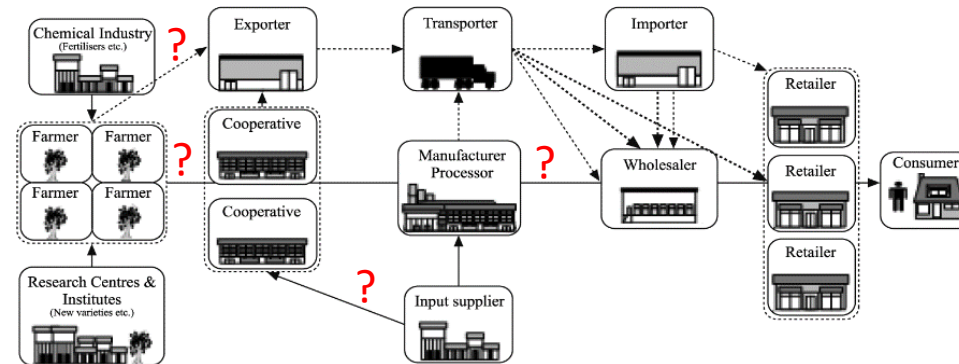
3. Risk Assessment

Objectives



- Evaluate the risk that forest products are:
 - Illegally *harvested*,
 - Illegally *transported/traded*, or
 - *Mixed* with material with illegal or unknown origin.

- Identify *where* risks may exist in supply chains
- *Specify* risks to a level that enables effective risk mitigation.



3. Risk Assessment

Criteria shall include:

- **assurance of compliance** with applicable legislation which may include certification or other third-party verified schemes which cover compliance with applicable legislation
- prevalence of illegal harvesting of **specific tree species**
- **prevalence of illegal harvesting** or practices in the area of **origin**, including consideration of the prevalence of **armed conflict**
- UN Security Council or the Council of the EU **sanctions** on timber imports or exports
- **complexity of the supply chain** of timber and timber products

3. Risk Assessment

Risk conclusion

Negligible risk (low risk)

OR

Non-negligible risk (specified risk)



3. Risk Assessment

Key concepts

- Risk can be low but can never be absent
- No threshold is defined
- Operator must define the threshold when to mitigate risk
- There needs to be a clear and comprehensive justification for this conclusion



3. Risk assessment

- In the previous step, you secured access to information on your supply chains.
- Now, you can assess the risk associated with those products.

1

Information Gathering

2

Risk Assessment

3

Risk Mitigation

3. Risk assessment

In the *Risk Assessment* tab (2), there is a summary of the risks identified at a country level. They are divided into the five areas of law relevant to the EUTR:



Risk assessment summary

Legal rights to harvest



- Risk of lack of registration and tenure certificates (applicable only to collective forest plantation only)
- Risk of conflicts in relation to land rent (applicable only to collective forest plantation only)
- Risk of lack of management plans and failure to meet the requirements for drafting management plans (applicable on to state-owned forest management enterprises)
- Risk of harvesting without permit and unlawful issuing of harvesting permit

Taxes and fees



- Risk that value-added taxes (VAT) are not paid appropriately

Timber harvesting activities



- Risk of lack of use of safety equipment
- Risk of lack of employment contracts
- Risk of lack of social security payments

Trade and transport



- Mis-/under reporting on customs declarations

Tracability



- Risk of false declaration of origin
- Risk of timber mixing in production and trade

B. Overview

Timber Risk S

This report conta
sub-categories of

- Specified
- Low risk
- No legal

The Timber Risk
concern legal rig
transport.

For Legal Rights

- A lack of
plantation
- Conflicts
(1.1.)
- A lack ma
managem
- Harvestin

For Taxes and F
law (1.6).

For Timber Harv

- Safety ec
- Employm
- Social se

For Trade and T
exacerbated by

Timber source

There are three
originates from
legislation and h
have analysed th

Plantatio
Forest

This matrix summarises
report.

Legal Category	
Legal rights to harvest	1.1
	1.2
	1.3
	1.4
Taxes and fees	1.5
	1.6
	1.7
Timber harvesting activities	1.8
	1.9
	1.1
	1.1
Third parties' rights	1.1
	1.1
	1.1
Trade and transport	1.1
	1.1
	1.1
	1.1
	1.2
Diligence/due care procedures	1.2

D. Le

LEGAL

1.1. L Legislat that incl covers Risk ma regulati manage rights h

1.1.1.

- 1) C
- 2) G
- 3) L
- 4) P
- 5) F
- 6) R
- 7) P
- 8) A
- 9) L
- 10) C

1.1.2. Legal authority

- State Forestry Admin
- State Administration
- State Administration

1.1.3. Legally required d

- Numbers below refers to
- 8) Administration Measur
 - 10) Company Law of the
 - 11) Taxation Registratio

1.1.4. Sources of inform

- 1) Chatham House. Av
- 2) ELDIS regional and
- 3) Environmental Inve

- 2) Greenpeace (2005). *Inv*

Available at:
<http://www.greenpeace.org/005/investigation-app-f>

- 3) Blog.sina.com.cn (N.Y.)

Available at: <http://blog.sina.com.cn>

- 4) Ping, L. (2014). *Large-S*

Available at: <http://www.acquisition-for-app-fore>

- 5) Ping, L. and Xiaobei, W.

Available at: <http://www.rightsandre>

- 6) Kram, M., Bedford, C.,

Available at: <http://www.nature.org/>

- 7) zgxcfx.com. (2013). *For*

Available at: <http://www.forestry.gov>

- 9) Transparency.org. (201

Available at: <http://www.transparenc>

- 10) The World Bank. (2014)

Available at: <http://info.worldbank.o>

1.1.5. Risk determination

Overview of legal requirem
The Constitution, General Pri
that forest resources are own
according to laws. There are

- (i) State-owned fo
- (ii) Collectively ow

included in forestry land subject to planning. This could be considered a potential risk. However, these non-forestry lands are included within land use rights certificates, which can serve as evidence that the certificate holder owns the use right of land and the right to use the resources on the land. At any rate, to safeguard the interests of farmers, China now allows the issuing of forest tenure certificates for forest on non-forestry land, and some cities or provinces have been implementing the policy.

Risk Conclusion

Based on the available information, the risk in this category has been generally assessed as Low at the country level. However, also based on the available information, risks in some southern provinces in China persist and can be assessed as Specified, including: Hainan, Yunnan and Guangdong. The risks are reflected in two aspects: 1) some collective forests are not registered or issued with forest tenure certificates; and 2) harvesting on non-forestry land.

1.1.6. Risk designation and specification

Low risk:

China

Specified risk:

Commercial Plantations in some areas in Hainan, Yunnan, Guangdong and possibly other provinces within the Southern Collective Forest Region (Hunan, Jiangxi, Fujian, Zhejiang, Hubei).

1.1.7. Control measures and verifiers

- Harvesting permit may be used to confirm the ownership or tenure.
- In areas with land tenure conflicts: Consultation with neighbors, local communities and other stakeholders shall confirm that land tenure rights are clear and – where applicable – lease of the land has been agreed by all the land owners.
- Contractors shall have a valid forest land contract signed by all land tenure owners involved in the area.
- Contractors leasing forest land shall hold the forest tenure certificate (or similar document) to show the tenure transfer registration.
- Stakeholder consultation shall confirm that the legal status of the operation or rights for conducting the established activities are not subject to court orders or other legally established decisions to cease operations.
- Valid business registration documents (Business Registration Certificate and Tax Registration Certificate) shall exist for companies.

1.2. Concession licenses

Legislation regulating procedures for the issuing of forest concession licenses, including use of legal methods to obtain concession license. Especially bribery, corruption and nepotism are well-known issues in connection with concession licenses. The intent of this indicator is to avoid risk related to

Additional tools to assist with the risk assessment process:

- Annex 2 of **DD-01** The Due Diligence Guidelines introduces the risk identification process.
- **DD-08** Risk Identification Checklist Template provides a template to conduct risk identification on specific supply chains.
- Record the risk conclusion in the **Supplier Management Form DD-04** to provide an overview of risk across all supply chains.
- **The Supply Chain Mapping Tool DD-07** can be used to record supply chain information at a detailed level.
- Annex 3 of **DD-01** The Due Diligence Guidelines provides guidance on how to specify risks
- The **Certification System Evaluation Checklist DD-13** can be used to record the certification scheme assessment.

4. Risk mitigation

4. Risk Mitigation

If the risk of placing illegal timber on the market is not negligible, risk must be mitigated.

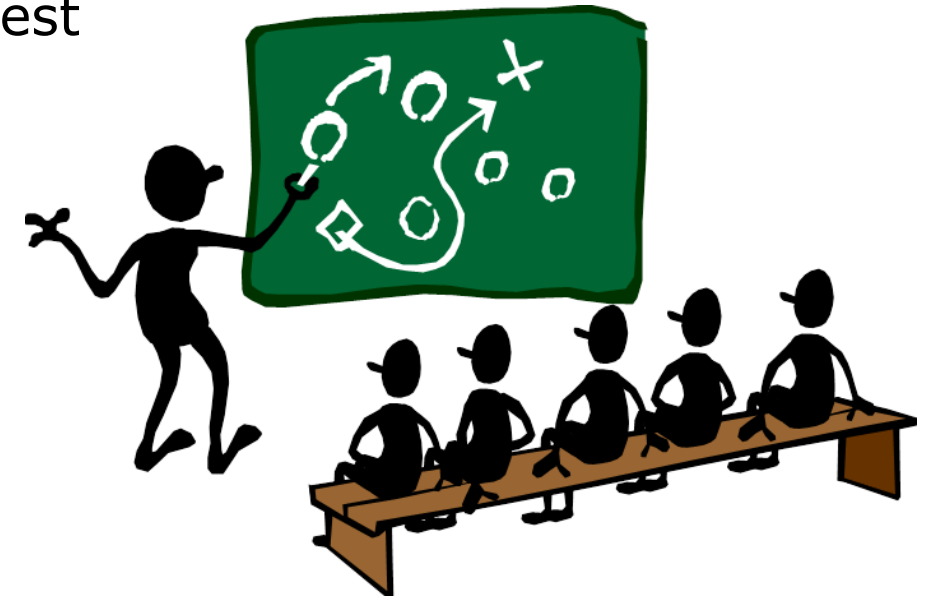
Risk mitigation measures may include:

- requiring additional information and documents from suppliers
- agreeing mitigation actions in collaboration with suppliers
- third party verification/certification
- Carry out supplier or forest verification audits to verify legal conformance
- replacing suppliers

4. Risk Mitigation

Identifying the appropriate action

- Mitigating measures shall address the specific risks identified
e.g. risk of lack of health & safety training for forest workers → request and verify training records, evidence of external audits
- Justify effectiveness
- Verify effectiveness



4. Risk mitigation



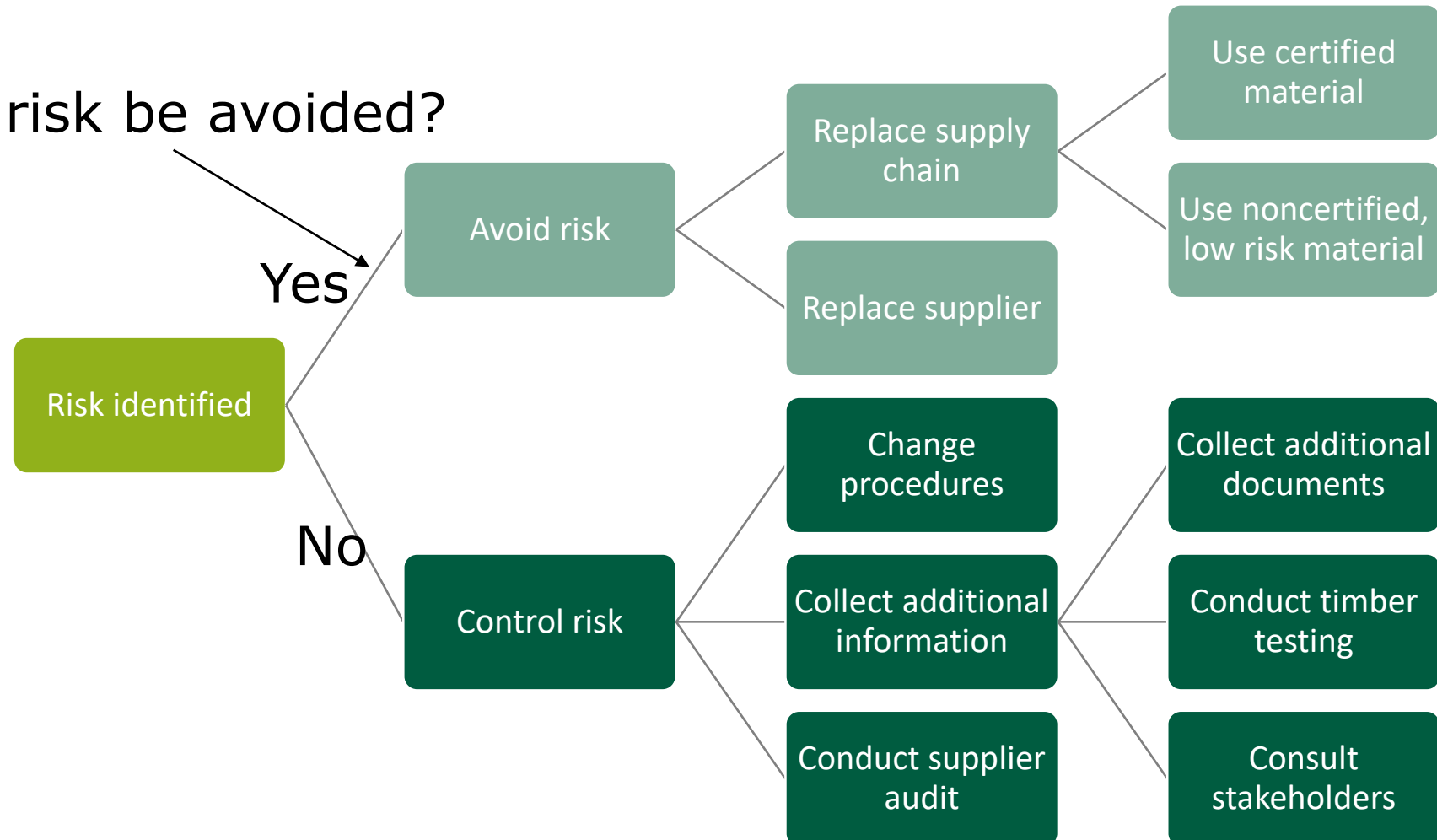
Good supplier relations is key

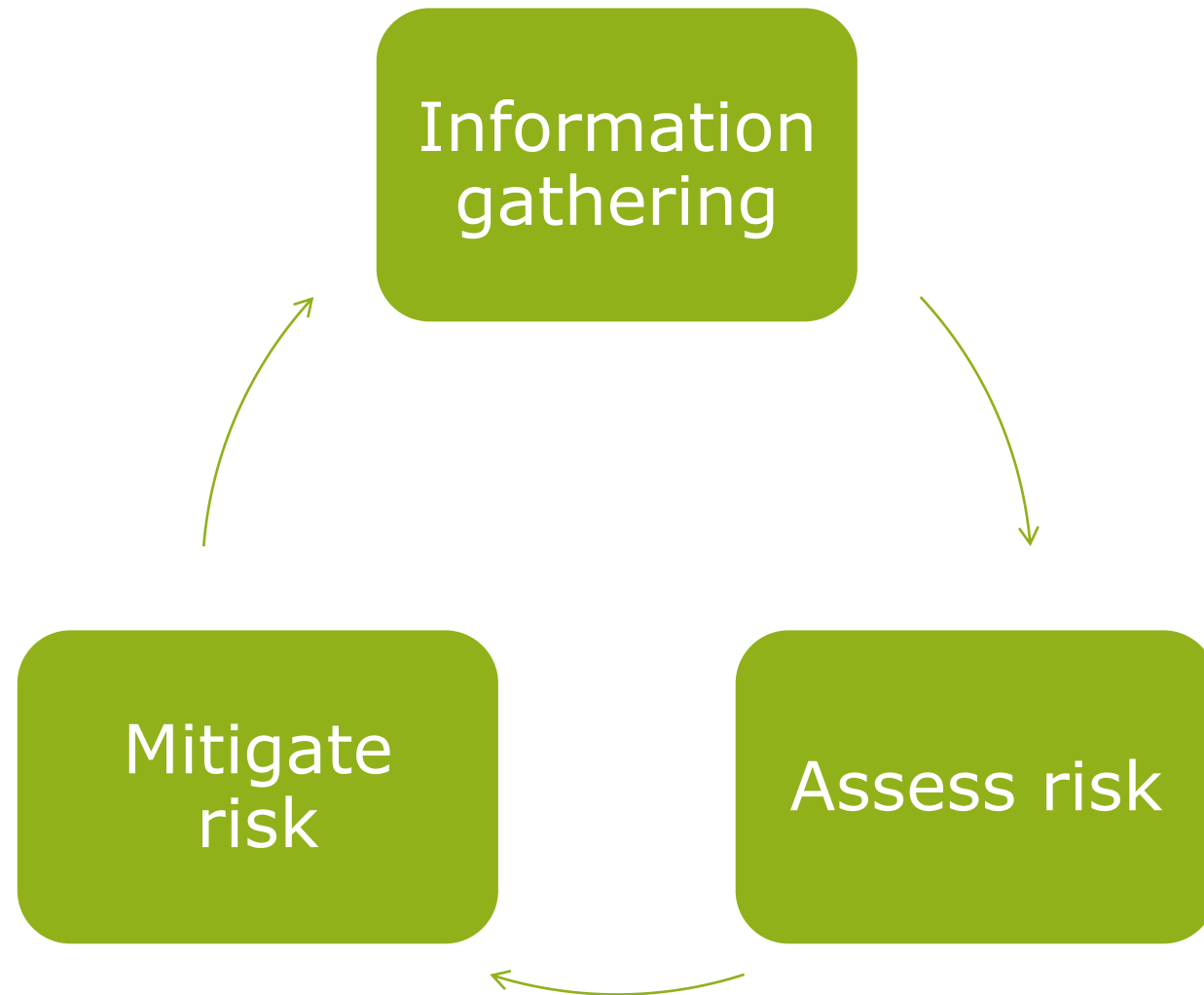


4. Risk mitigation

Process can take different paths: **avoidance or mitigation**

Can the risk be avoided?





4. Risk mitigation



Version 1.0 | May 2017

China Risk Mitigation Guide

Timber



This tool has been developed by NEPCon with support from the LIFE programme of the European Union and UK aid from the UK government.



Customs Regulations

Risk	Applicable to	Indicator of legal compliance	Potential mitigation actions	How to verify legal compliance (verifier)
Mis-/ under reporting on customs declarations	All timber sources	Products shall be correctly classified (type, HS customs code, species, quantities, etc.).	Review and verify documents Check information on all import/ export documentation (including Customs Declaration Registration Approval Certificate and phytosanitary certificate (where applicable)) and verify that information corresponds to material received.	Find relevant key document examples in the China Document Guide <ul style="list-style-type: none">Customs Declaration Registration Approval CertificatePhytosanitary certificate (where applicable)

4. Risk mitigation



Example 14: Customs declaration registration approval certificate for customs declaration company

(Registration form of external trade proprietor)

Applicable to: Forest entities who export timber to other countries

Purpose and content of document: All entities that have import and export business should register at Ministry of Commerce of China to obtain the right to import and export. The registration form shows that the holder has the right to legally import and export. The contents of the registration certificate are: name of the entity (both English and Chinese names), address, organisation code, contact information, business registration code etc.

Holder of document: Forest entities exporting timber to other countries

Document issued by: Ministry of Commerce

Signature/Seal required by: Local branches of Ministry of Commerce

Key considerations when checking the document:

- ☐ Is the name the same as on the business registration certificate?
- ☐ Is the business registration code the same as that appearing on the business registration certificate?
- ☐ Is the information in the custom registration system:

Example of Customs declaration registration approval certificate for customs declaration company

Customs Declaration Registration Approval Certificate
对外贸易经营者备案登记表

备案登记表编号: 00841088 进出口企业代码: 1100100009512

经营者中文名称	Company name		
经营者英文名称	S		
组织机构代码	100009512	经营者类型 (由备案登记机关填写)	国有企业
住所			
经营场所(中文)			
经营场所(英文)			
联系电话	59518667	联系传真	59518636
邮政编码	100861	电子邮箱	zhul@csenc.com
工商登记注册日期	1999-9-22	Business registration code 工商登记注册号	

依法办理工商登记的企业还应填写以下内容

企业法定代表人姓名	周文明	有效证件号	450403194408280919
注册资金	贰仟零肆拾玖万元	(折美元)	

依法办理工商登记的外国(地区)企业或个体工商户(独资经营者)还应填写以下内容

企业法定代表人/个体工商户负责人姓名		有效证件号	
企业资产/个人财产		(折美元)	

备注
英文名称变更, 旧证号: 00621165

填表前请认真阅读背面的条款, 并由企业法定代表人或个体工商户负责人签字、盖章。

Seal of issuing authority

备案登记机关
2010年12月21日



Country
page



Risk
Assessment



Risk
Mitigation
Guide



Document
Checklist



List of
applicable
legislation

China, Honduras, Liberia

Now available

Now available

Now available

Now available

Now available

Ghana and DRC

Now available

Now available

Now available

Now available

Other 57 countries

Now available

Now available

Coming soon

Coming soon

Language versions

[illegible]

Language versions

[illegible]

Time for

