



Timber



Palm Oil



Beef



Soy

EUTR Due Diligence Activity

Autumn 2017



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- Introduction to Exercise: Activity: Inspection of an operator
- Part 1: Review of DDS procedures & supply chain mapping
- Part 2: Risk Identification & Preparation for onsite visit
- Part 3: Risk specification and mitigation

Activity: Inspection of an operator

The purpose of this activity is to help you to familiarise yourself with the tools and resources available on the Sourcing Hub.

This may include how these resources could assist:

- an operator to conduct due diligence
- an enforcement officer of a Competent Authority to evaluate the due diligence system implemented by an operator.

Activity: Inspection of an operator

- Case study of an operator sourcing from China and elsewhere.
- Fictitious (but based on real scenarios).
- Requires consultation of Sourcing Hub.
- Three parts, requiring:
 - Group work
 - Presentation of findings
 - Discussion/feedback.

Activity: Inspection of an operator

- You are an Enforcement Officer for a Competent Authority. You have been assigned an Operator to inspect.
- You have scheduled a date to visit the Operator and requested to that they send you their DDS in advance.
- Work in small groups to evaluate key elements of the DDS implemented by the Operator.
- Each part of the activity addresses a different element of the DDS.

Activity: Inspection of an operator

Part 1: Review of DDS procedures & supply chain mapping

Part 2: Risk Identification & Preparation for onsite visit

Part 3: Risk specification and mitigation

Activity: Inspection of an operator

- The Operator is 'Warehouse Furniture Ltd' an online furniture retailer, with an office and warehouse. The company is small-medium, with around 40 employees.



Time for



Group 1:

Group 2:

Group 3:

Part 1

Getting started: Review of DDS procedures & supply chain mapping

45 mins total (30 minutes preparation and work, 15 minutes presentation and discussion)

1. Read the information provided to you by the Operator:
 - Email
 - DDS procedures manual
 - Supplier management form (TR-05)
2. Note where you see any **significant gaps** in the DDS documented procedures.
3. Prepare a **supply chain map** based on the information provided.

Be ready to discuss your initial findings with the whole class

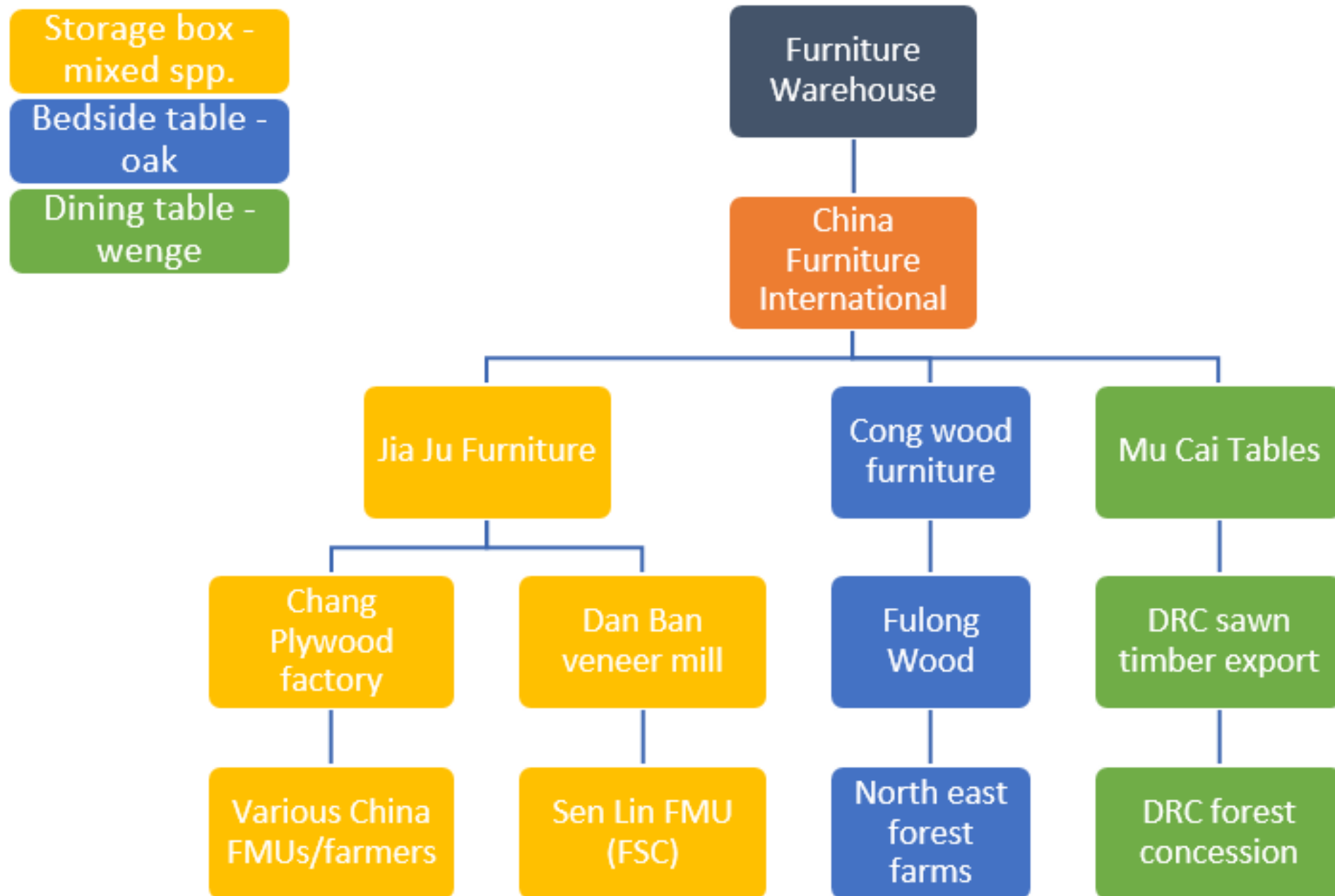
- NEPCon Sourcing Hub Due Diligence template documents DD-01 to DD-15

- No system of internal monitoring.
- No **Complaints** procedure
- No definition of **Scope**: products and supply chains are included within the scope of the DDS.
- Are there **Chain of Custody** / segregation procedures?
- No information on **Evaluating Documents and Information**. How documents and information are evaluated to identify if information is lacking about a product, or if information is inadequate to enable effective risk assessment.

- Procedures to ensure changes to supply chains shall be **communicated, prior to sale of any products.**
- Risk assessment **does not appear to cover trade and transport in the country of harvest.**
- No mention of sanctions on timber imports or exports by the **UN Security Council or the Council of the European Union;**
- No procedures to **evaluate Certification schemes** for their credibility and completeness.
- Not clear what is the **content of the Risk Mitigation Action Plan.**
- **Supplier consent** for providing info for due diligence / supplier auditing.
- Procedures in relation to **supplier verification audits**

Guidance

Supply chain map



Time for



Part 2

Risk Identification & Preparation for onsite visit

60 mins (40 minutes preparation and work, 20 minutes presentation and discussion).

Part 2 - Instructions

In your group, complete an initial evaluation of the Operator's due diligence for a product. Each group will focus on one product:

Group 1 = Storage box

Group 2 = Bedside table

Group 3 = Dining table

NOTE: If time allows, please feel free to select additional products.

Risk identification

1. Evaluate the (limited) supply chain information and risk description contained in the simplified Supplier Management Form.
2. Decide whether the level of information is satisfactory for:
 - **Product type**
 - **Species**
 - **Origin of the material**
3. Evaluate/conclude if the risk assessment conclusions and justifications are appropriate.
4. [OPTIONAL] Prepare your own risk description (and justification) for one of the supply chains. The tool DD-08 Risk Identification Checklist provides a comprehensive list of topics/questions for doing this.

Preparation for the on-site visit

5. Prepare a set of questions you would like to ask the Operator during the onsite visit.
6. Decide which member of your group will lead the onsite visit and/or divide topics and questions among team-members.

- NEPCon Sourcing Hub country pages
- DD-04 Supplier Management Form
- DD-08 Risk Identification Checklist

Guidance

[illegible]

1. Supplier information		2. Product information					3. Origin				4. Risk assessment	
Supplier name	Supplier country	Product type / description	EU Product Group	PRODUCT verification / certification	Species (scientific name)	Species (trade name)	Country of harvest	Sub-national region of harvest (if known)	Supply chain information	Access to legality documentation	Risk assessment conclusion	Risk description and justification
China Furniture International	China	Storage box (veneer)	9403 60	FSC	Populus deltoides		China	Jiangsu Province	FSC forest management certificate of the FMU FSC chain of custody certificate for Jia Ju furniture	Complete	Low	Low risk, as the material is FSC-certified and the FSC certificate database shows that the certificates are valid.

Guidance

1. Supplier information		2. Product information					3. Origin				4. Risk assessment	
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China Furniture International	China	Bedside table	9403 50	No	<u>Quecus mongolica</u>	Mongolian Oak	China	North-east China	Harvest document for forest Certificate of Origin Customs documentation for export from China Invoices and delivery notes between some but not all tiers	Incomplete	Specified	The origin is near the Russian border and there have been reports about illegally logged timber from Russia being transported to China and processed for sale. We assume extra checks will be needed here.

Guidance

1. Supplier information		2. Product information					3. Origin				4. Risk assessment	
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China Furniture International	China	Dining table	9403 40	No		Wenge	Democratic Republic of the Congo	Concession	Forest concession contract Forest management plan Court of Commerce registration of the concession holder Invoice between concession and DRC sawmill and exporter Export certificate Batch report ready for exportation Invoice between Mu Cai Tables and China Furniture International	Complete	Low	The Court of Commerce registration of the concession holder show that it is legally registered and the forest concession contract and forest management plan indicate that the timber was legally harvested. The export documentation also indicates legal export. Scientific species name is needed.

Time for



Part 3

Risk specification and mitigation

105 mins (60 minutes preparation and work, 45 minutes presentation and discussion)

Conduct the interview which forms part of the on-site inspection – to verify and gather further information where possible.

Based on all information gathered - and using the tools from the Sourcing Hub as described below – address the following four questions.

Be ready to present a summary of your findings above, with the whole class.

1. Which specific risks apply to the supply chain you have evaluated?
2. Which of these risks are addressed by the Risk Mitigation Action implemented/proposed by the operator?
3. Do you consider the Risk Mitigation Action implemented/proposed by the operator has/will mitigated the risks?
 - a) Consider actual/possible weaknesses in the Risk Mitigation Action implemented by the company.
4. Can your group consider any alternative, effective, Risk Mitigation Actions that may be worth considering?

- NEPCon Sourcing Hub
<http://www.nepcon.org/sourcinghub>
- Country pages
- Risk assessments
- Risk mitigation guides
- Document guides

Time for



Part 4

Risk specification and mitigation

60 mins. 40 minutes preparation and work, 20 minutes presentations and discussion.

Part 4 - Instructions

1. **Risk specification – mixing of material from other origins in the supply chain**
 - a) Select one supply chain and consider where the principle mixing risks lie. See '*Supply chain complexity*' in DD-08 Risk identification checklist.

1. **Risk specification – forest level**
 - a) Review the **country pages and national risk assessments** for China and the Democratic Republic of the Congo, which can be downloaded from the NEPCon Sourcing Hub.
 - b) Develop an overview of risks associated with **one sourcing country and one category of law**

3. **Risk mitigation**
 - a) Pick two of the risks that were specified in the risk assessment and consider how they affect your supply chain(s).
 - b) Evaluate options for mitigating the specified risks and select risk mitigating actions you would choose to establish, considering effectiveness and cost efficiency.

- NEPCon Sourcing Hub
<http://www.nepcon.org/sourcinghub>
- Country pages
- Risk assessments
- Risk mitigation guides
- Document guides
- DD-01 Due Diligence Guidelines
- DD-08 Risk identification Checklist

10	Supply chain complexity	10,1	Does the supply chain consist of many tiers back to the forest of origin?
		10,2	Does the supply chain span different countries before the final product is placed for commercial circulation?
11	Product complexity	11,1	Is the product made of multiple material components?
		11,2	Is the product or its components made from composite or complex materials?
12	Material identification	12,1	Could the input material be substituted by similar material inputs which have a different species or origin?
		12,2	Can supply chain entities provide clear documentation and information on the material input and species included in the product?

Time for



The End

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