



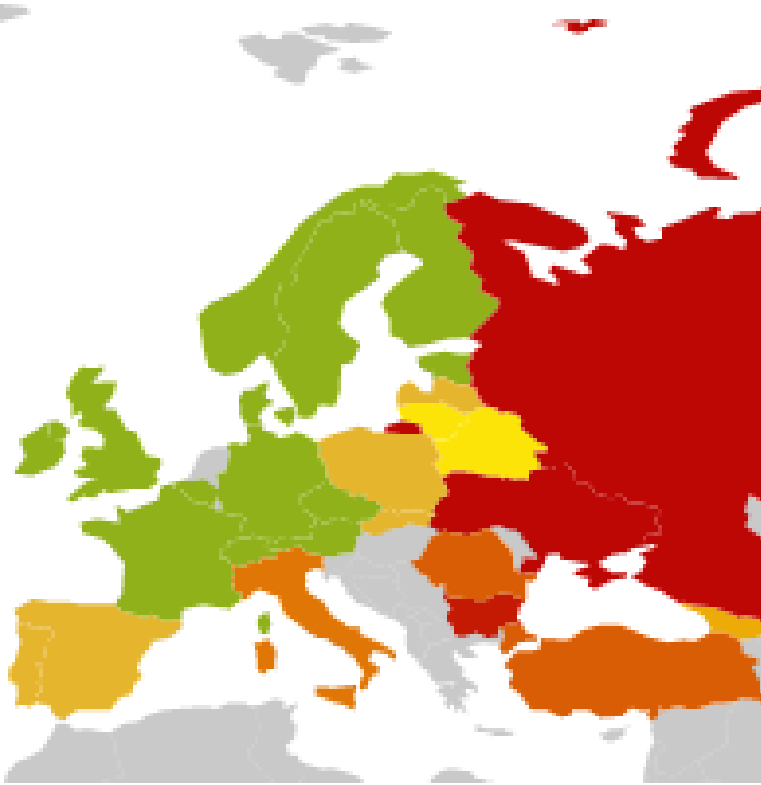
LOOKING AT RISK IN THE EU & UK: Considerations previously outside the scope of company's due diligence system



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

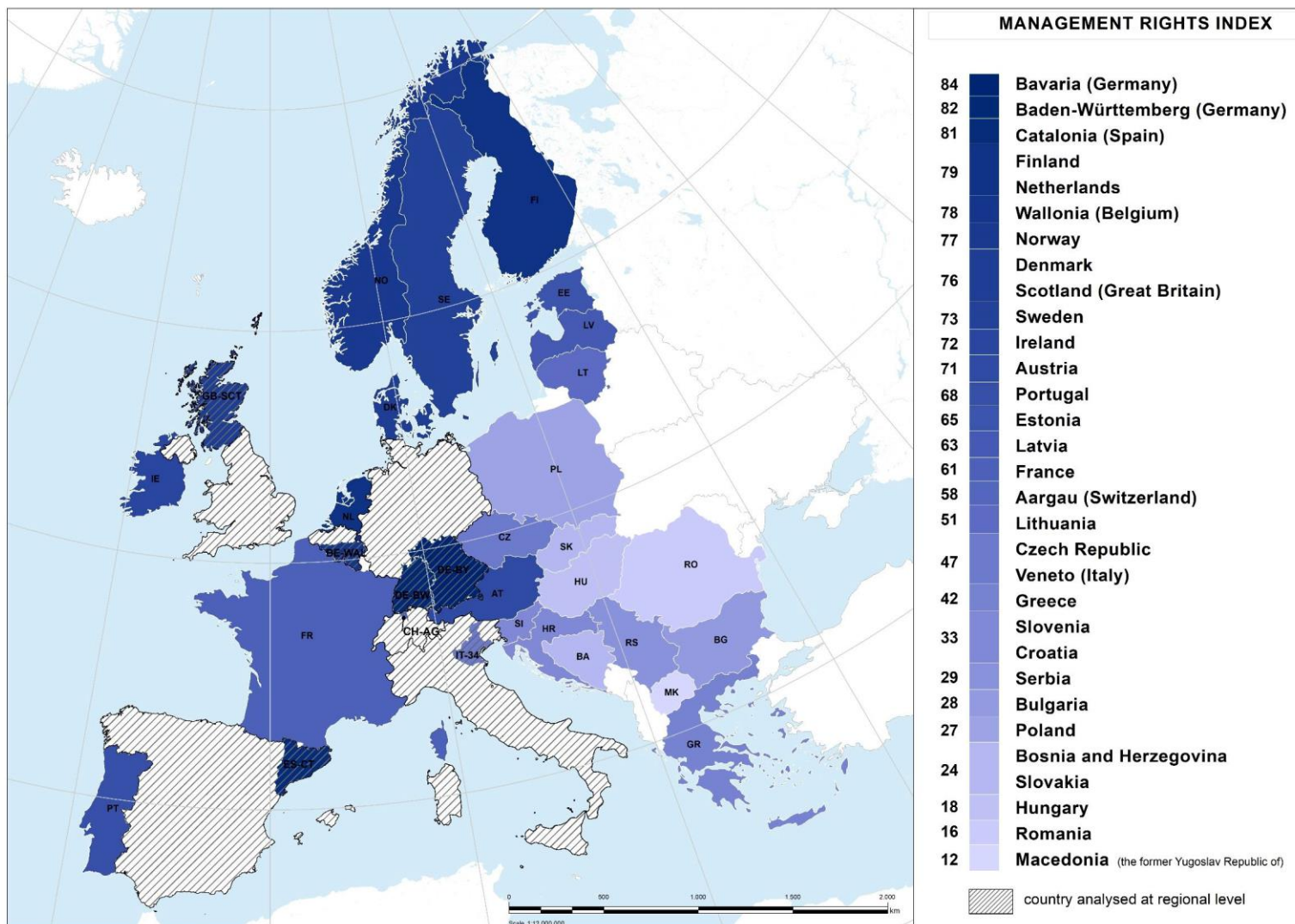


Recap



- Operators in the UK must now include timber and timber products harvested in Europe in their due diligence system.
- Europe cannot be considered a homogenous block when considering risk.
- Not all EU countries are considered low risk
- EU Operators must now do due diligence on timber and timber products harvested in the UK.

Management rights – 13 indicators: Land use change, FMP, management goals, select trees to be harvested, select rotation, species choice



Freedom with responsibilities



Mandatory “forestry regime”

Timber Legality Risk Profiles of UK & EU countries



LOW RISK
Austria
Belgium
Czech Republic
Denmark
Estonia,
Finland
France
Germany
Ireland
Luxembourg*
Netherlands*
Sweden
Norway
United Kingdom
Spain*
Portugal*

SPECIFIED RISK
Bulgaria
Croatia*
Hungary*
Italy
Latvia
Lithuania
Poland
Romania
Slovakia
Slovenia*

NOT ASSESSED
Cyprus
Greece
Malta

*For further information regarding the risk rating within each country and how to mitigate risks within the country of harvest refer to the [**Preferred by Nature Sourcing Hub**](#) or FSC Document Centre*

* Risk rating from FSC CNRA



UNITED KINGDOM

United Kingdom



Timber Risk Score: 100 / 100 in 2017. The Timber Legality Risk Assessment contains an evaluation of the risk of illegality in United Kingdom for five categories and 21 sub-categories of law. We found:

- Specified risk for 0 sub-categories.
- Low risk for 16 sub-categories.
- No legal requirements for 5 sub-categories.

Legal Category	Sub-Category	Risk conclusion
Legal rights to harvest	1.1 Land tenure and management rights	Low
	1.2 Concession licenses	N/A
	1.3 Management and harvesting planning	Low
	1.4 Harvesting permits	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	N/A
	1.6 Value added taxes and other sales taxes	Low
	1.7 Income and profit taxes	Low
Timber harvesting activities	1.8 Timber harvesting regulations	N/A
	1.9 Protected sites and species	Low
	1.10 Environmental requirements	Low
	1.11 Health and safety	Low
	1.12 Legal employment	Low
Third parties' rights	1.13 Customary rights	Low
	1.14 Free prior and informed consent	Low
	1.15 Indigenous/traditional peoples rights	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Low
	1.17 Trade and transport	N/A
	1.18 Offshore trading and transfer pricing	Low
	1.19 Custom regulations	Low
	1.20 CITES	Low
	1.21 Legislation requiring due diligence/due care procedures	Low

SPECIFIED RISK – GROUP 1

Lithuania, Latvia, Poland, Slovakia



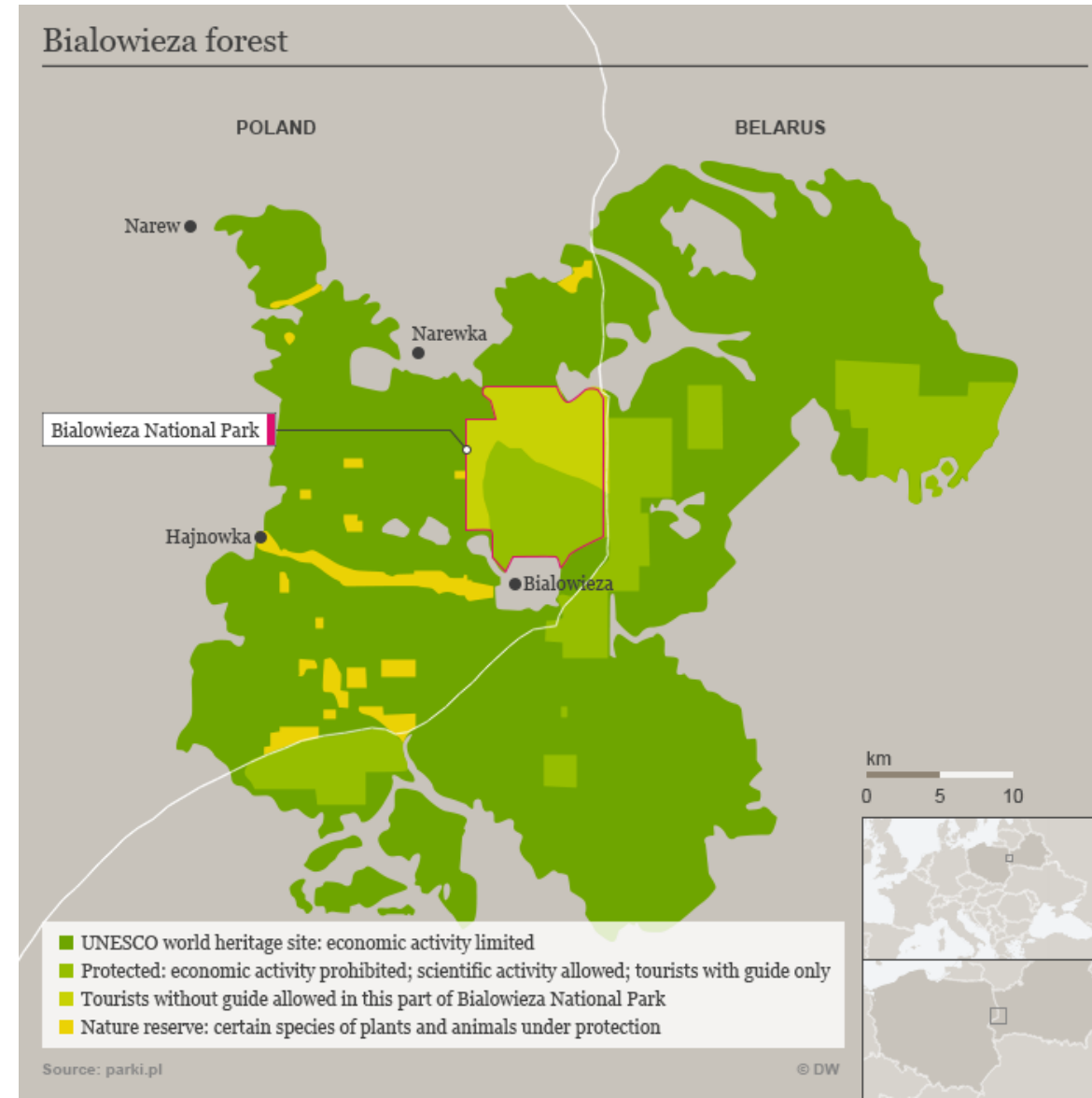
		Lithuania		Latvia			Poland				Slovakia			
Legal Category	Sub-Category	Risk conclusion		Risk conclusion			Risk conclusion				Risk conclusion			
		State Forest	Private Forest	State Forest	Private Forest	Protection /conservation forest	State Forest	Private Forest	Protecti on /conser vation forest	Protecti on /conser vation forest	Planne d harvest	Sanitar y logging	Extra logging	Non-forest land
Legal rights to harvest	1.1 Land tenure and management rights	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.2 Concession licenses	Low	Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1.3 Management and harvesting planning	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.4 Harvesting permits	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Specified	Low	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	N/A	N/A	N/A	N/A	N/A	Low	Specified	Low	Low	Low	Low	Low	Low
	1.6 Value added taxes and other sales taxes	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.7 Income and profit taxes	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Timber harvesting activities	1.8 Timber harvesting regulations	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.9 Protected sites and species	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.10 Environmental requirements	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.11 Health and safety	Specified	Specified	Specified	Specified	Specified	Low	Low	Low	Low	Low	Low	Low	Low
	1.12 Legal employment	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Third parties' rights	1.13 Customary rights	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.14 Free prior and informed consent	Low	Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	1.15 Indigenous/traditional peoples' rights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.17 Trade and transport	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.18 Offshore trading and transfer pricing	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.19 Custom regulations	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.20 CITES	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	1.21 Legislation requiring due diligence/due care procedures	Low	Specified	Low	Specified	Specified	Low	Specified	Low	Low	Specified	Specified	Specified	Specified



POLAND

Białowieża Forest

- In 2017, the European Commission introduced an emergency logging ban in UNESCO protected Browsk, Białowieża, and Hajnówka Forest Districts within the Podlaskie County (in Polish, Wojwodoship), Region of Poland.
- In April 2018, the European Court of Justice ruled logging within this area as illegal. There have been concerns that the logging ban has not be observed and therefore the precautionary approach should be taken to ensure material from these regions are excluded



Recommendation



- FSC has recommended material from Browsk, Białowieża, and Hajnówka Forest Districts should not be sourced as controlled material
- **Therefore, wood (both certified and uncertified) should not be sourced from:**
- Podlaskie County (*Vojvodoship*) (including Browsk, Hajnówka, Białowieża Forest Management Units).
- For wood harvested in Poland a supplier declaration should be provided ensuring wood in the supply chain is not harvested from Podlaskie County (*Vojvodoship*).
- If harvested from Podlaskie County (Vojvodoship) then Forest transport documents are required to ensure the wood is sourced from low risk or certified areas (excluding FMUs Browsk, Hajnówka, Białowieża).



SPECIFIED RISK – GROUP 2

Bulgaria, Romania, Italy



Legal Category	Sub-Category	Bulgaria	Romania	Italy		
		Risk conclusion	Risk conclusion	Risk conclusion		
		All sources	All sources	State/ Public	Private	Firewood (Coppice forest)
Legal rights to harvest	1.1 Land tenure and management rights	Specified	Specified	Low	Low	Low
	1.2 Concession licenses	Specified N/A for private forests	Low	Low	Low	Low
	1.3 Management and harvesting planning	Specified	Low	Specified	Low	Low
	1.4 Harvesting permits	Specified	Specified	Specified	Low	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	Specified N/A for private forests	Specified	Low	Low	Low
	1.6 Value added taxes and other sales taxes	Specified	Low	Low	Low	Specified
	1.7 Income and profit taxes	Specified	Low	Specified	Specified	Specified
Timber harvesting activities	1.8 Timber harvesting regulations	Specified	Specified	Specified	Specified	Specified
	1.9 Protected sites and species	Specified	Specified	Specified	Specified	Specified
	1.10 Environmental requirements	Specified	Specified	Specified	Specified	Specified
	1.11 Health and safety	Specified	Specified	Specified	Specified	Specified
	1.12 Legal employment	Specified	Specified	Low	Specified	Specified
Third parties' rights	1.13 Customary rights	Specified	N/A	Low	Low	Low
	1.14 Free prior and informed consent	N/A	N/A	N/A	N/A	N/A
	1.15 Indigenous/traditional peoples' rights	N/A	N/A	N/A	N/A	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Specified	Specified	Low	Low	Specified
	1.17 Trade and transport	Specified	Specified	Low	Low	Specified
	1.18 Offshore trading and transfer pricing	Specified	Low	Low	Low	Low
	1.19 Custom regulations	Specified	Low	Low	Low	Low
	1.20 CITES	Low	Low	Low	Low	Low
	1.21 Legislation requiring due diligence/due care procedures	Specified	Specified	Specified	Specified	Specified



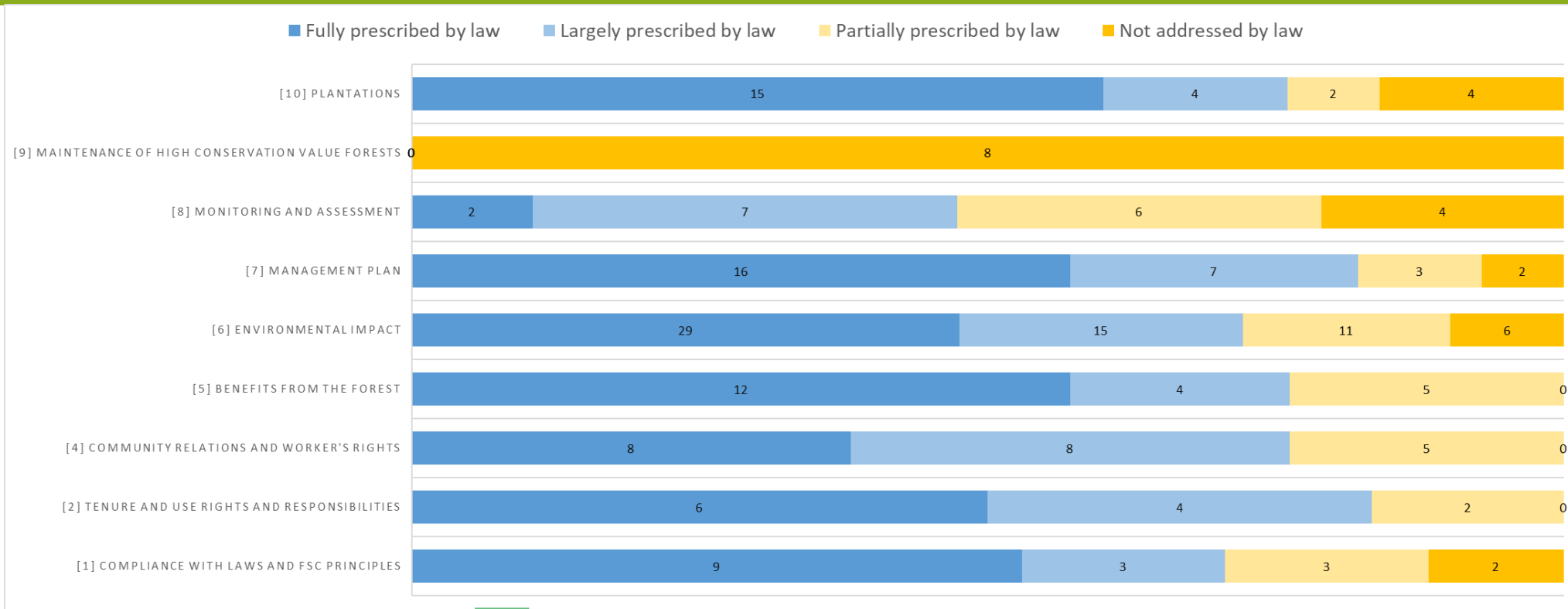
ROMANIA

Technical silviculture

- Multi-functional forestry introduced since 1954 – functional zoning system
- Mandatory forest management planning: each forest plot has a function assigned – protection or production
 - 52% forests are assigned with regulating ecosystem services: water, soil, climate, recreation and for biodiversity protection
 - 4% of forests are strictly protected
 - Current efforts to integrate old-growth forests as strictly protected areas
- Long production cycles – rotation of 90-140 years (Picea, Fagus, Abies, Quercus)
- Long regeneration periods (15-30 years)



Legal coverage of FSC® principles in Romania



69 % of the FSC® FM Standard in Romania is covered by the regulatory framework

V.S.

Brazilian FSC standard for natural forests

65 indicators reproducing legislation/202
32% of the indicators
(Piketty and Drigo, 2018)

(Source: Buliga and Nichiforel 2018)

Legal rights to harvest



- Risk of the Civil Code being broken when private land is passed on through inheritance. In particular, there's a risk that an inheritance certificate or other legal documents certifying the right to the property are not provided.
- Risk of harvest volumes exceeding those that are recorded in legal documents
- Risk of harvesting without the relevant permit, including harvested in areas outside of those for which permits do exist
- Risk of harvesting permits being issued for areas outside the boundaries of the relevant property
- Risk of harvesting permits for “accidental cuts” being illegally issued to mask illegal logging

Timber harvesting activities



- Risk of violating harvesting requirements as a consequence harvest certificates being issued without verification that harvesting contractors possess the prescribed equipment, machinery and adequately trained staff
- Risk of harvesting from high conservation value forests due to either a lack of/poor quality management plan for such areas and/or insufficient integration of conservation management plans with forest management plans
- Risk of breach of environmental requirements, including but not limited to:
 - Harvesting without the required environmental approval/permit being in place
 - Violation of the environmental legislations stipulated as condition of an environmental authorisation
 - Environmental authorisations issued post-harvesting
 - Environmental authorisations issued without consultation of the relevant conservation authorities
- Risk of inadequate implementation and oversight of health and safety regulations
- Risk of harvesting staff being employed without a formal employment contract and its associated safeguards on minimum salary, minimum age and required competences.

- Risk of inaccurate classification of timber origin
- Risk that volume is under-estimated in the field
- Risk of incorrect information on the origin and volume of timber being transmitted along the supply chain due to a lack of verification between Volume Estimation Documents (VED) and actual harvesting results
- Risk of transport of timber with delivery documents that do not indicate the true information due to inherent weaknesses and lack of compliance monitoring with the WOOD tracking system
- Risk of contravention of legislation requiring due diligence/duty of care given that these have only recently been adopted by the Romanian government

Risk mitigation



- ✓ Conduct desk assessments

AND

- Purchasing FSC 100% products and check the reports to see if are CARs related to illegal issues

Or

- Conduct field visits

SPECIFIED RISK – GROUP 3

Croatia, Hungary, Slovenia



Risk designations in finalized risk assessments for Croatia

Indicator	Risk designation (including functional scale when relevant)
Controlled wood category 1: Illegally harvested wood	
1.1	Low risk
1.2	N/A
1.3	Low risk
1.4	Specified risk for private forests. Low risk for the rest of the country.
1.5	N/A
1.6	Low risk
1.7	Low risk
1.8	Specified risk for private forests. Low risk for the rest of the country.
1.9	Specified risk for private forests without a Forest Management Plan. Low risk for the rest of the country.
1.10	Specified risk for private forests without a Forest Management Plan. Low risk for the rest of the country.
1.11	Specified risk for private forests. Low risk for the rest of the country.
1.12	Specified risk for private forests. Low risk for the rest of the country.
1.13	N/A
1.14	N/A
1.15	N/A
1.16	Low risk
1.17	Low risk
1.18	Low risk
1.19	Low risk
1.20	Low risk
1.21	Low risk

Risk designations in finalized risk assessments for Hungary

Indicator	Risk designation (including functional scale when relevant)
Controlled wood category 1: Illegally harvested wood	
1.1	Low risk
1.2	NA
1.3	Low risk
1.4	Specified risk
1.5	NA
1.6	Low risk
1.7	Low risk
1.8	Low risk
1.9	Low risk
1.10	Specified risk
1.11	Specified risk
1.12	Specified risk
1.13	Low risk
1.14	NA
1.15	NA
1.16	Low risk
1.17	Low risk
1.18	Low risk
1.19	Low risk
1.20	Low risk
1.21	Low risk

Risk designations in finalized risk assessments for Slovenia

Indicator	Risk designation (including functional scale when relevant)
Controlled wood category 1: Illegally harvested wood	
1.1	Low risk
1.2	Low risk
1.3	Low risk
1.4	Specified risk
1.5	N/A
1.6	Low risk
1.7	Low risk
1.8	Low risk
1.9	Low risk
1.10	Low risk
1.11	Low risk
1.12	Low risk
1.13	Low risk
1.14	Low risk
1.15	N/A
1.16	Low risk
1.17	Low risk
1.18	Low risk
1.19	Low risk
1.20	Low risk
1.21	Low risk



COUNTRY OF ORIGIN FOR YOUR PRODUCTS

Countries close to Ukraine

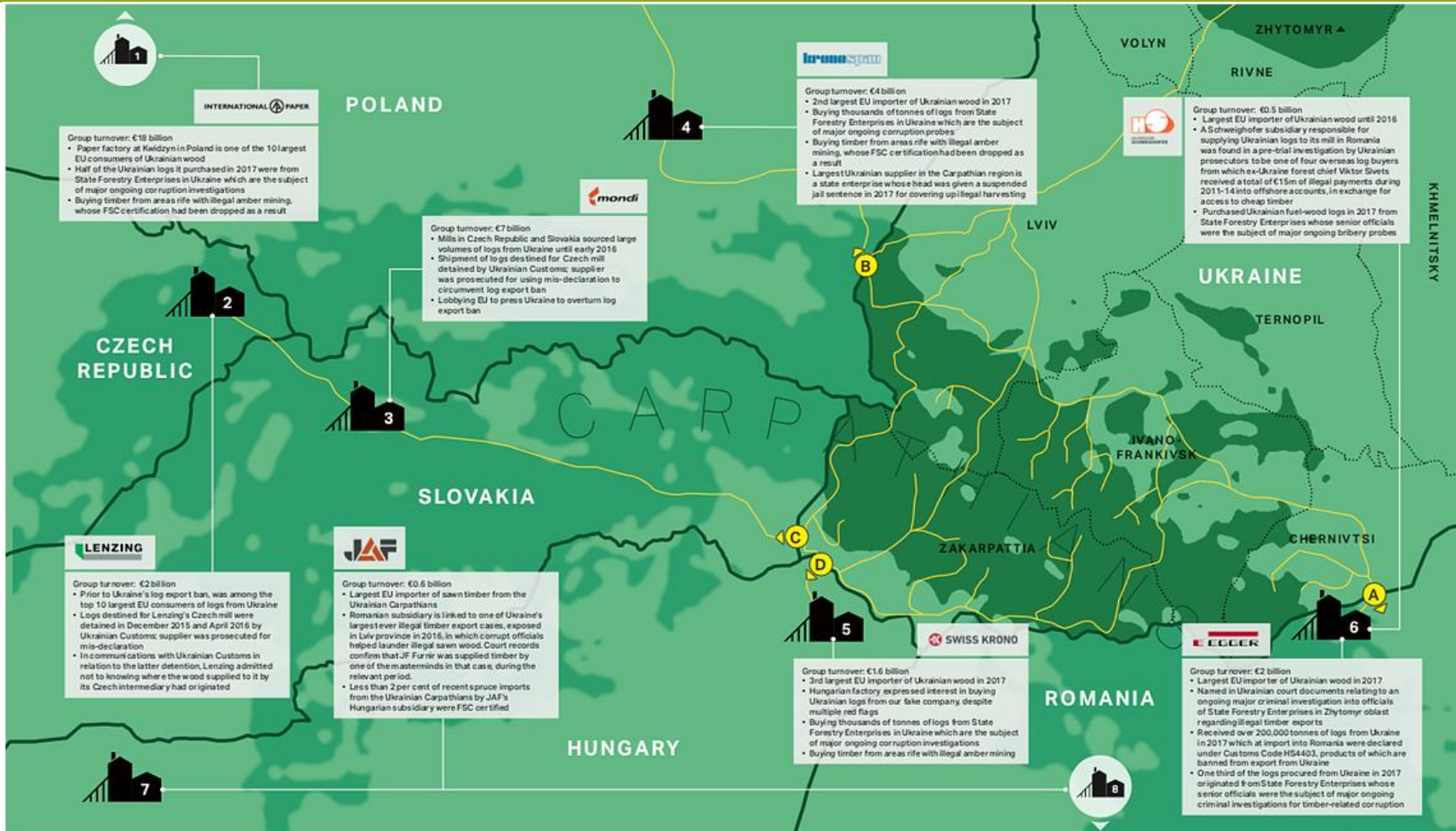
Ukraine is close to

- Romania
- Hungary
- Slovakia
- Poland



Complicit in Corruption: How billion-dollar firms and EU governments are failing

Ukraine's forests



8 companies from Poland, Slovakia, Czech Republic, Hungary and Romania are sourcing from Ukraine

THE EU MONSTER MILLS BUYING HIGH-RISK UKRAINIAN WOOD

For full details and sources, plus responses to our findings from the companies mentioned, please refer to the main text of the report



MILL

1. International Paper Kwidzyn
2. Biocel Paskov (Lenzing Grp)
3. Mondi Steti Slovakia
4. Silva Ltd - Krosnospan Mielec
5. Swiss-Krono Hungary
6. Holzindustrie Schweighofer / Egger Romania
7. JAF Holz Ungarn
8. JF Furnie



CUSTOMS POINT

- A. Vadul-Siret
- B. Korczowa-Krahovets
- C. Chop
- D. Batovo

KEY

- Carpathian mountains Ukraine
- Selected rail routes
- Oblast (province) borders
- Country borders

(Source: Earthsight, 2018)

CONCERNS ABOUT THE IMPLEMENTATION OF THE EUTR

Illegal timber from Myanmar continues to enter the EU



“While the COVID-19 pandemic has reduced European imports of timber, imports of teak sawnwood from Myanmar remain on the rise. According to a Forest Trends analysis, in the first six months of 2020, they were 10 percent higher than the same period in 2019.

While some Member States are enforcing the EUTR and effectively stopping imports of Myanmar teak, it appears from the analysis that the timber is finding its way into the EU market through entry points in Poland, Italy, Croatia, Greece, Portugal, Spain and Sweden. Of these countries, Poland has recorded the biggest increase in imports (385 percent compared to the first six months of 2019). Additionally, Forest Trends analysis states that one of the Italian importing companies is under investigation by the European Anti-Fraud Office (OLAF) since March 2020.”

(Source: ClientEarth, 2020)

Questions?

