



# 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 / m<sup>3</sup>)
- 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



**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

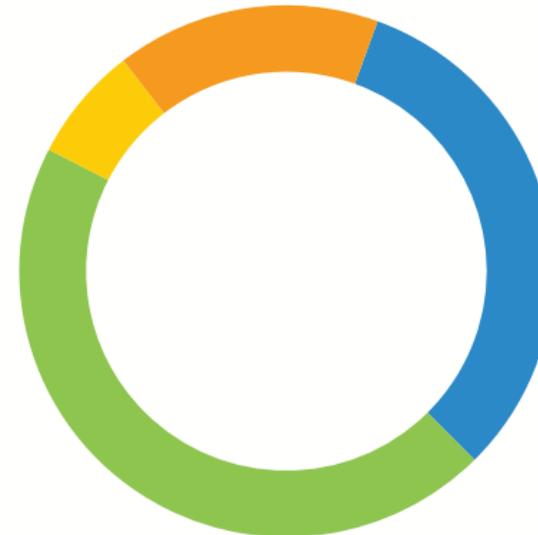


The White Oak Lottery: UK Mystery Sh



### 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

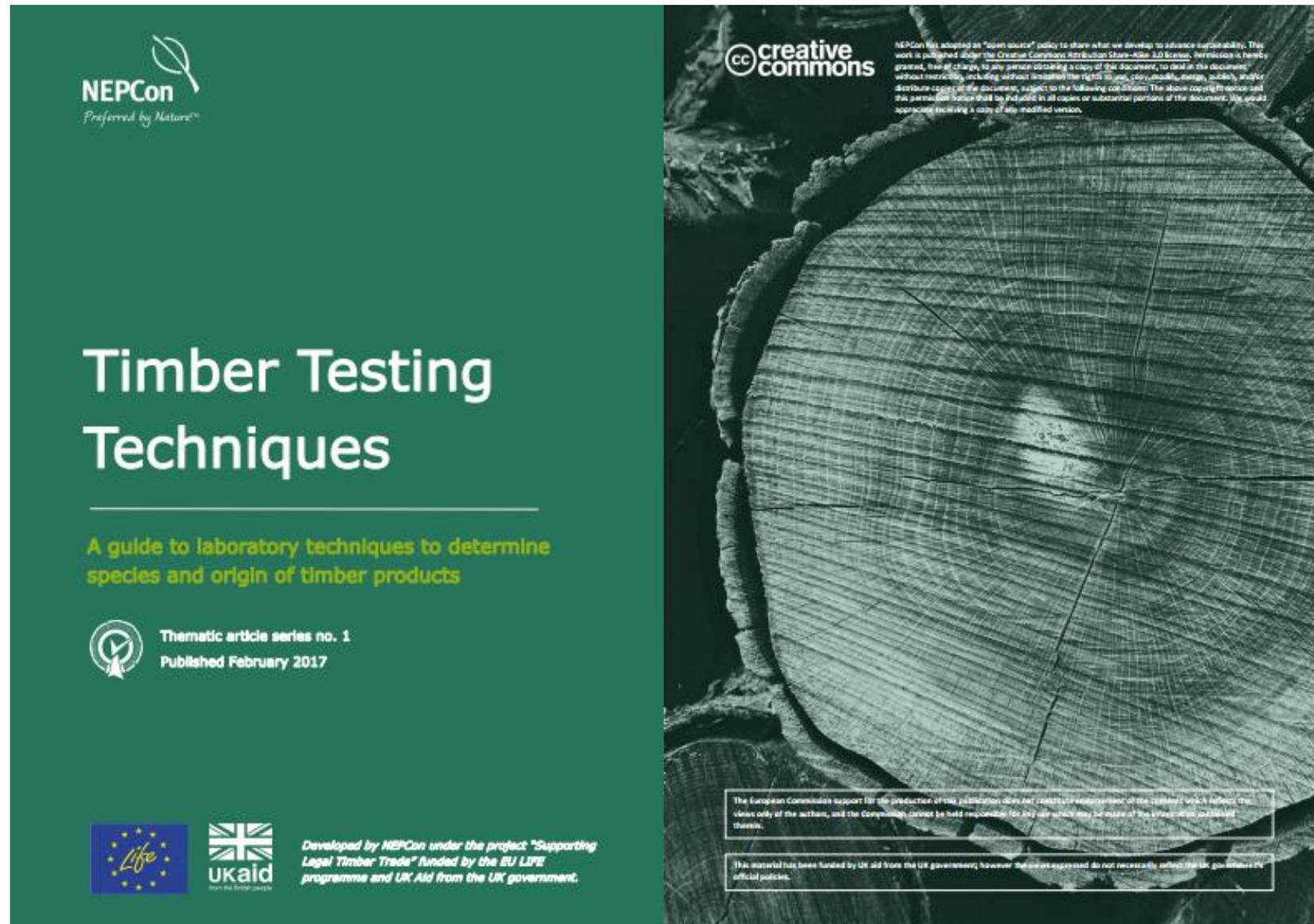
## Stable Isotope



- 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



  
NEPCon  
*Preferred by Nature™*

## Timber Testing Techniques

**A guide to laboratory techniques to determine species and origin of timber products**

 Thematic article series no. 1  
Published February 2017

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

 **creative commons**  
NEPCon has adopted an "open source" policy to share what we develop to advance sustainability. This work is published under the Creative Commons Attribution-ShareAlike 3.0 license. Permission is hereby granted, free of charge, to any person obtaining a copy of this document, to deal in the document without restriction, including without limitation the right to use, copy, distribute, transmit, adapt, and/or distribute copies of the document, subject to the following conditions: The above copyright notice and this permission notice shall be included in all copies or substantial portions of the document. We would appreciate receiving a copy of any modified version.

The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.

## 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:

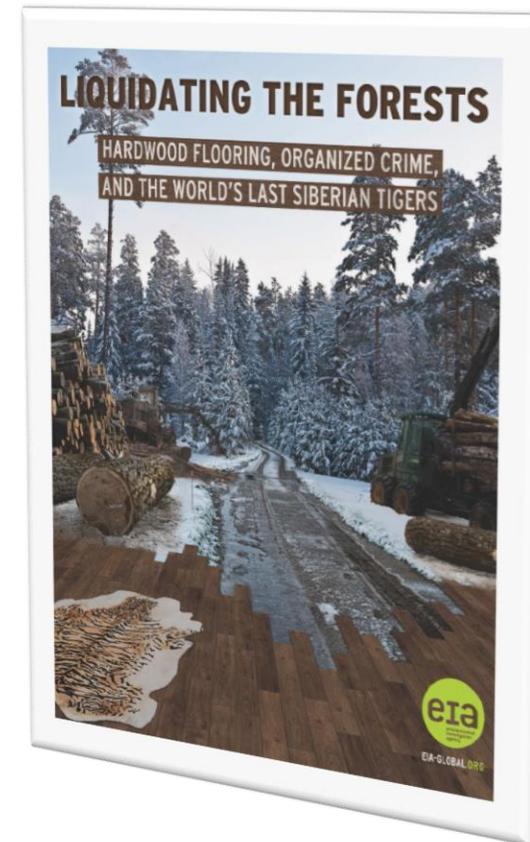
*"the offence may be applied to each individual piece of timber within a consignment"*

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



- 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."

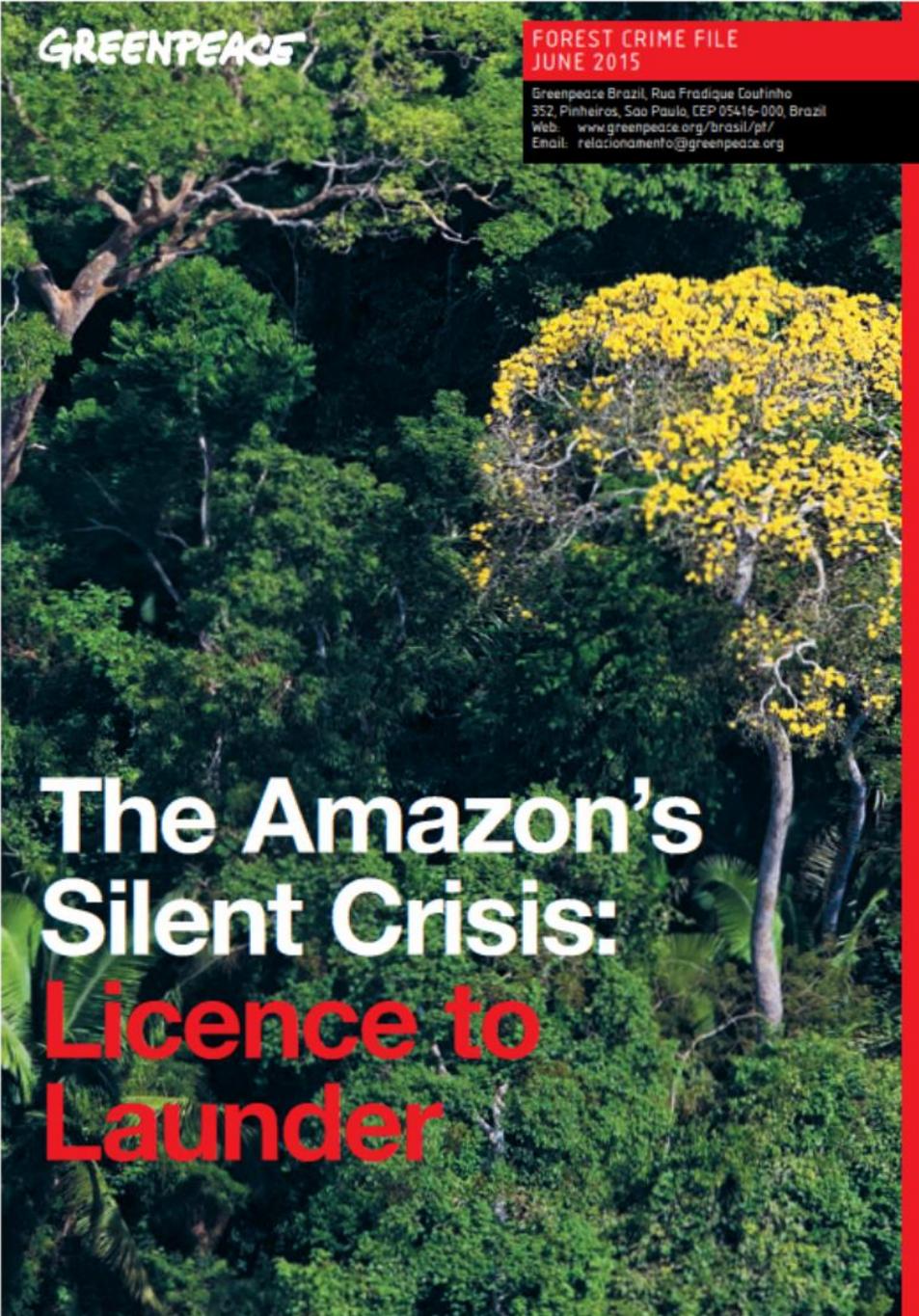
Most of the companies were either unable or not prepared to tell researchers where the wood came from, even when they were told by

The Greenpeace logo is located in the top left corner of the page. It consists of the word "GREENPEACE" in a bold, white, sans-serif font, with a small green leaf icon integrated into the letter "E".

**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/](http://www.greenpeace.org/brazil/pt/)  
Email: [relacionamento@greenpeace.org](mailto:relacionamento@greenpeace.org)

The background of the entire page is an aerial photograph of a lush Amazon rainforest. The canopy is a dense, vibrant green. A single tree stands out prominently in the center-right, its crown covered in bright yellow flowers. The lighting is bright, creating high contrast between the sunlit tops and the deep shadows of the forest floor.

# **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



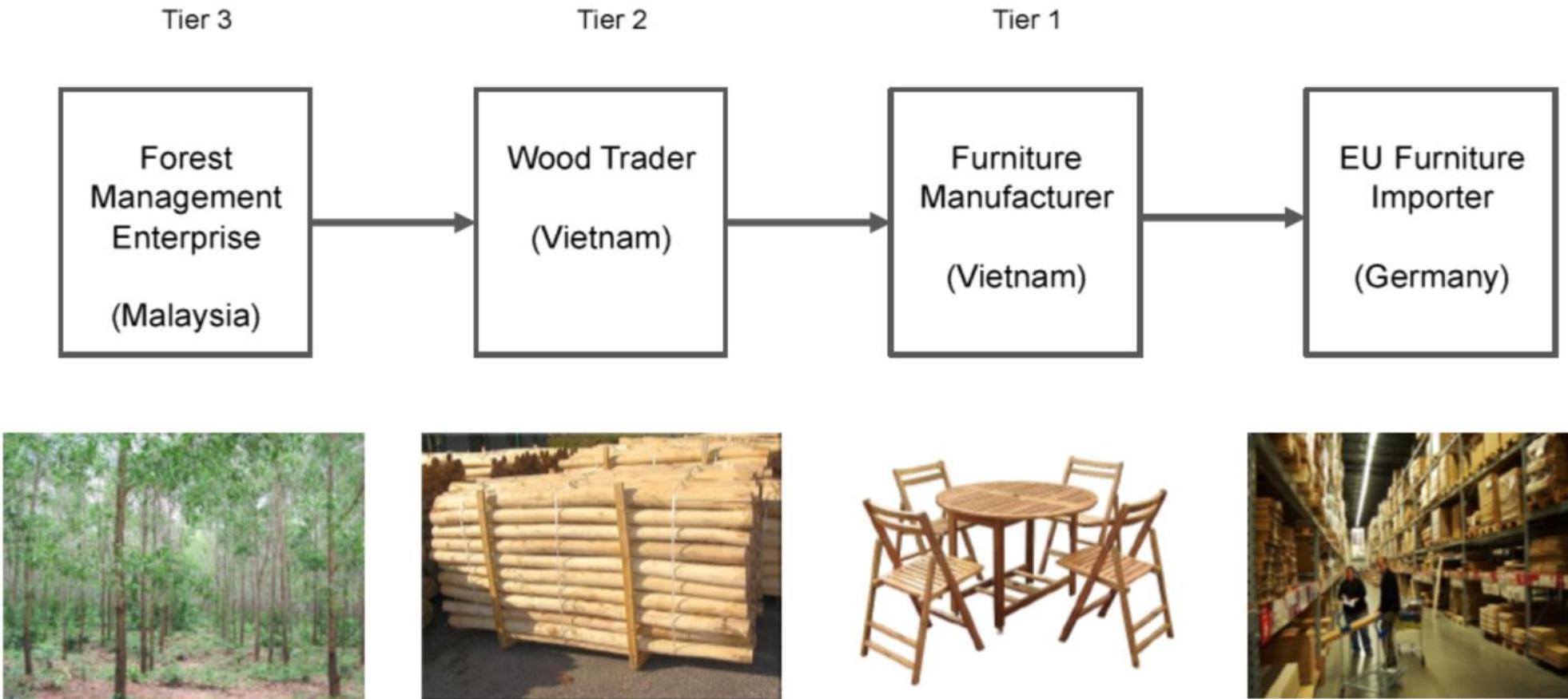
## Supply chain verification

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) – 3<sup>rd</sup> 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

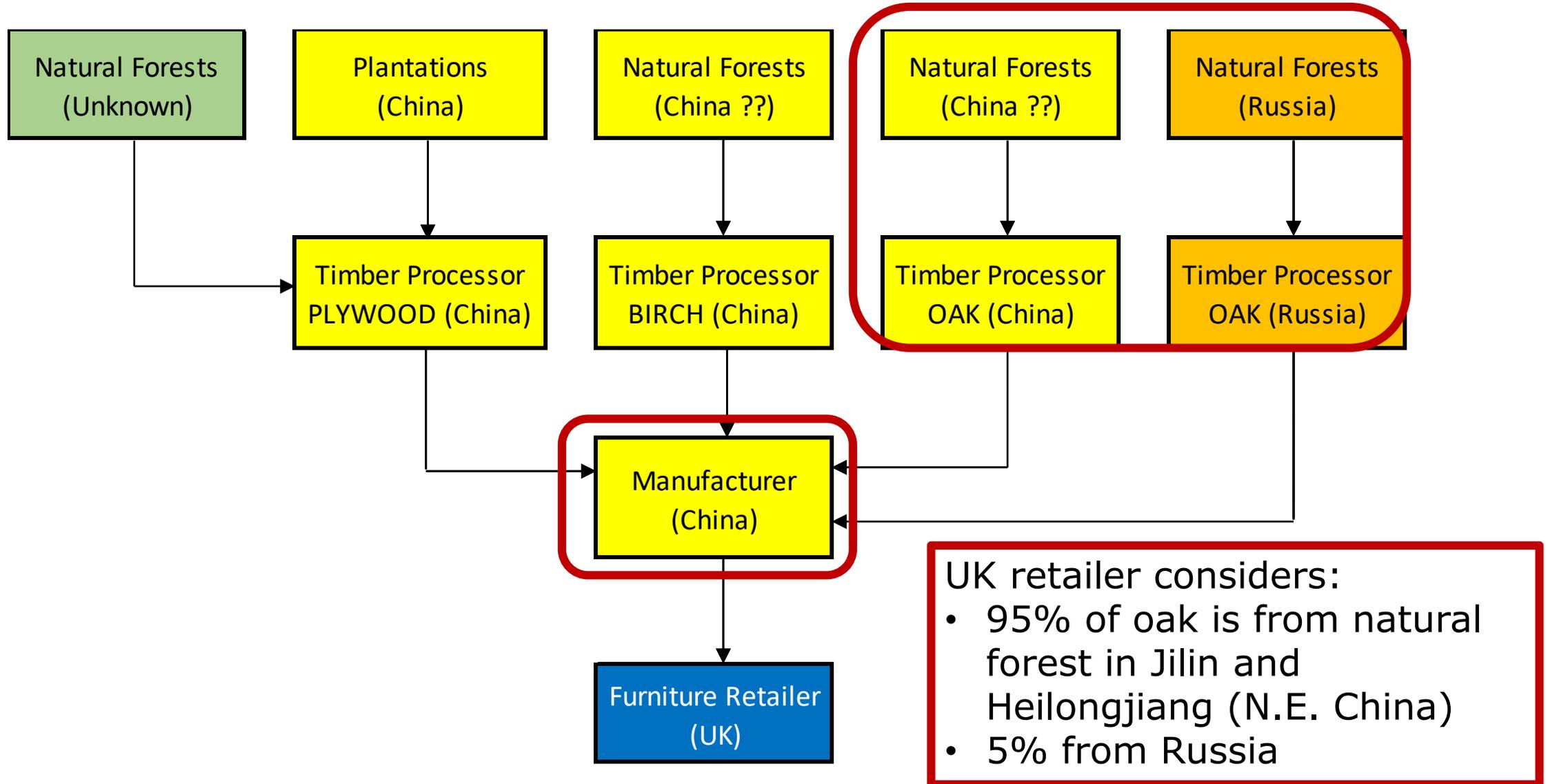
- NEPCon concluded low risk of illegal logging, trade and transport for both supply chains
- Only weakness was written risk assessment procedures
- Species and origin testing confirmed conclusions



## 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.**

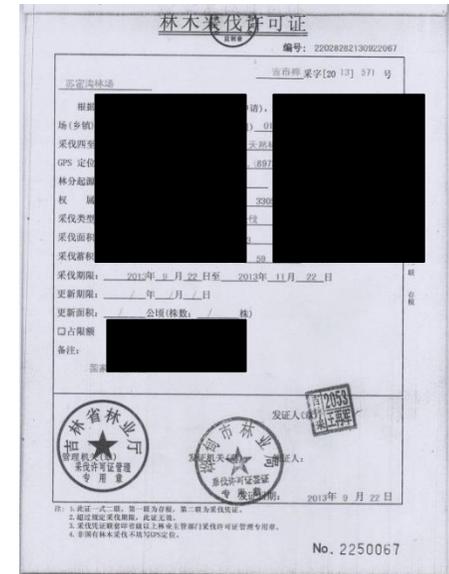
## Documentation on Mongolian oak (China)

### 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.





## 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.

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

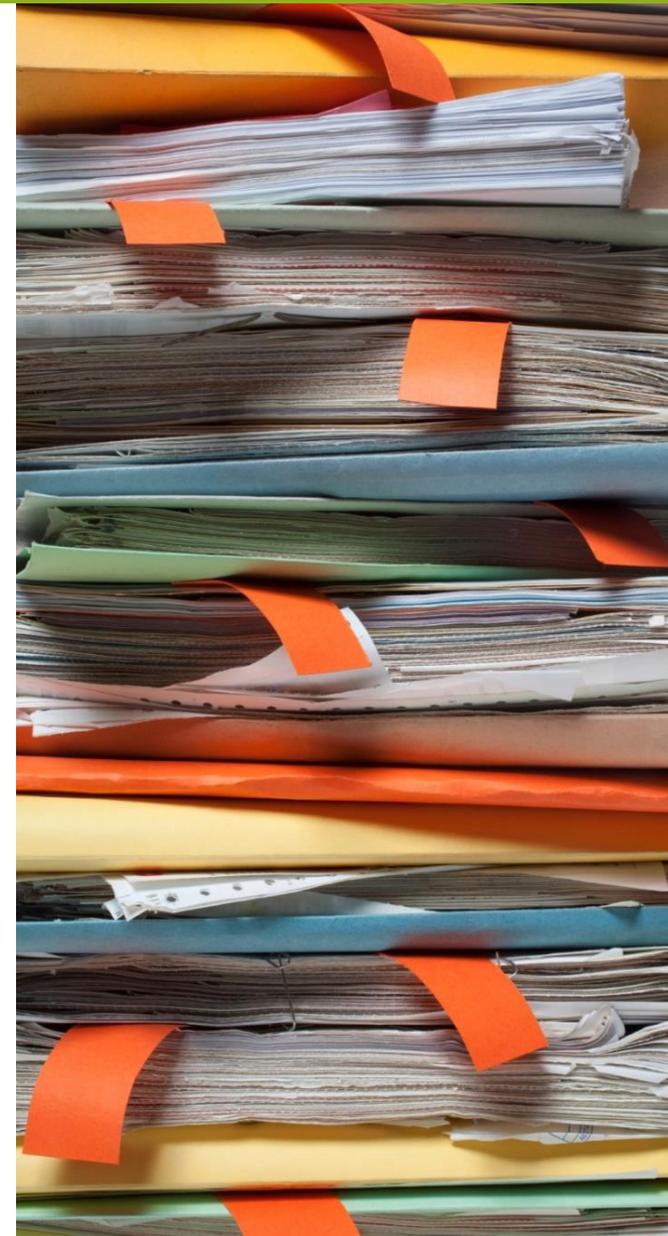
1. **Request current, accurate documentation demonstrating legal origin. Do not rely solely on collecting such documents:** ask probing questions of suppliers, conduct site visits, consult with local, well-informed stakeholders.
2. **Purchase certified materials.**
3. **Establish rigorous legality confirmation 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

## 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 [REDACTED] President  
ITL, LLC dba [REDACTED] declares  
for [REDACTED]  
that the following mentioned goods shipped on S/S [REDACTED] (Name of Ship)  
on the date of **SEPTEMBER 14, 2015** consigned to [REDACTED]  
[REDACTED] 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.



NEPCon has adopted an "open source" policy to share what we develop to advance sustainability. This work is published under the [Creative Commons Attribution-ShareAlike 3.0 licence](#). Permission is hereby granted, free of charge, to any person obtaining a copy of this document, to deal in the document without restriction, including without limitation the rights to use, copy, modify, merge, publish, and/or distribute copies of the document, subject to the following conditions: The above copyright notice and this permission notice shall be included in all copies or substantial portions of the document. We would appreciate receiving a copy of any modified version.

The European Commission support for the production of this publication does not constitute endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.

## 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 a still a weakness

Time for:

