



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

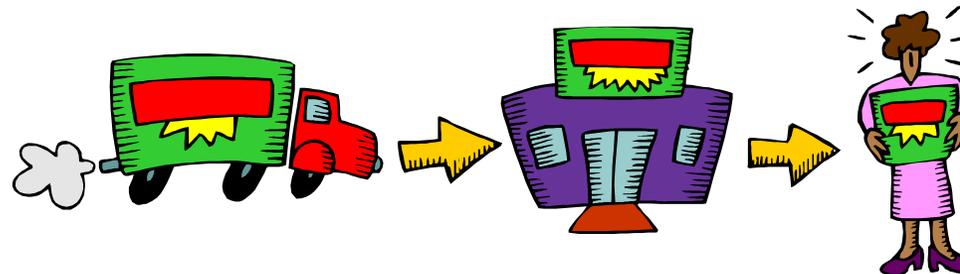
What is due diligence?

...through systems and procedures enabling:

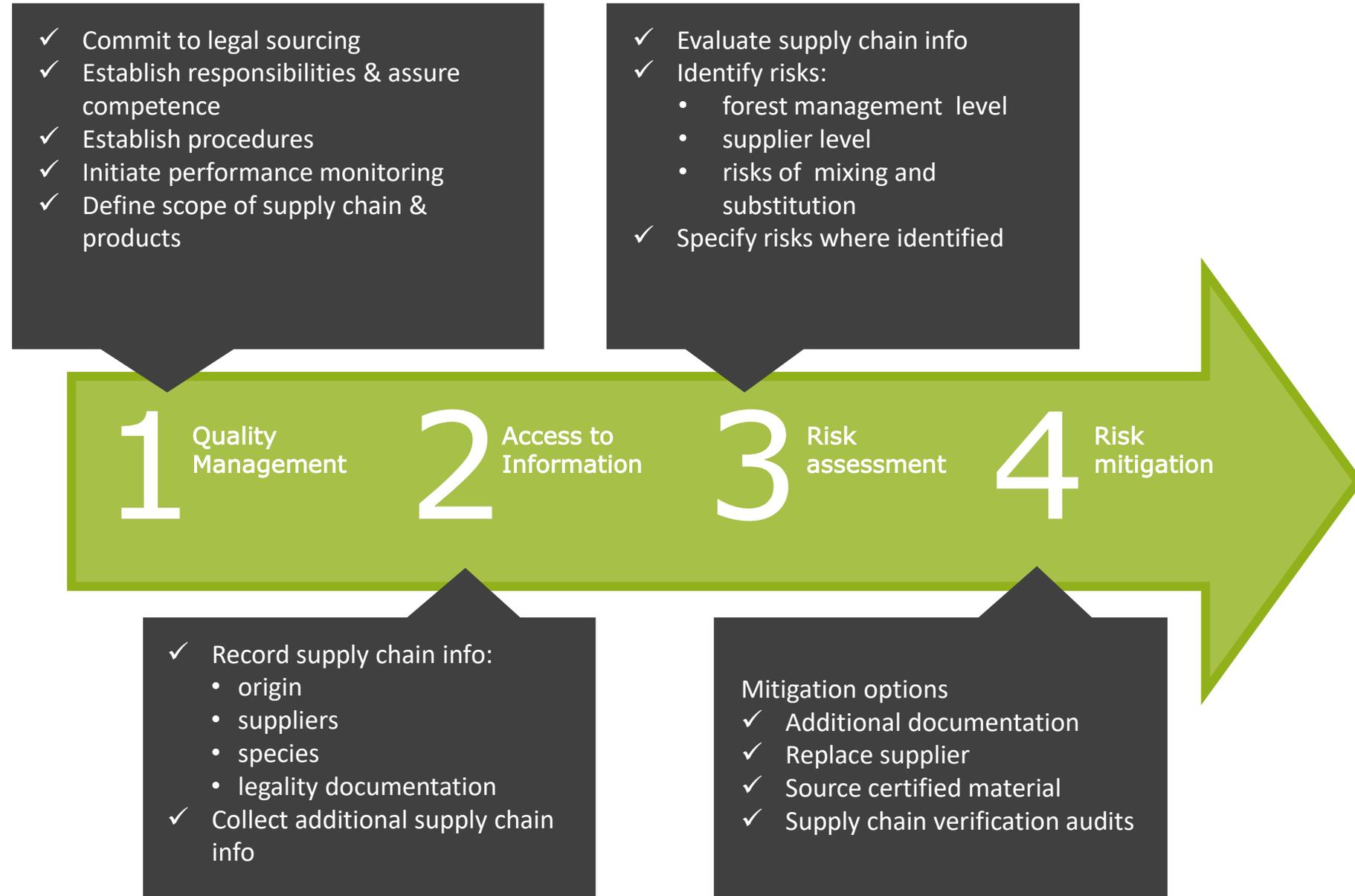
1. Access to information
2. Risk assessment
3. Risk mitigation

“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”

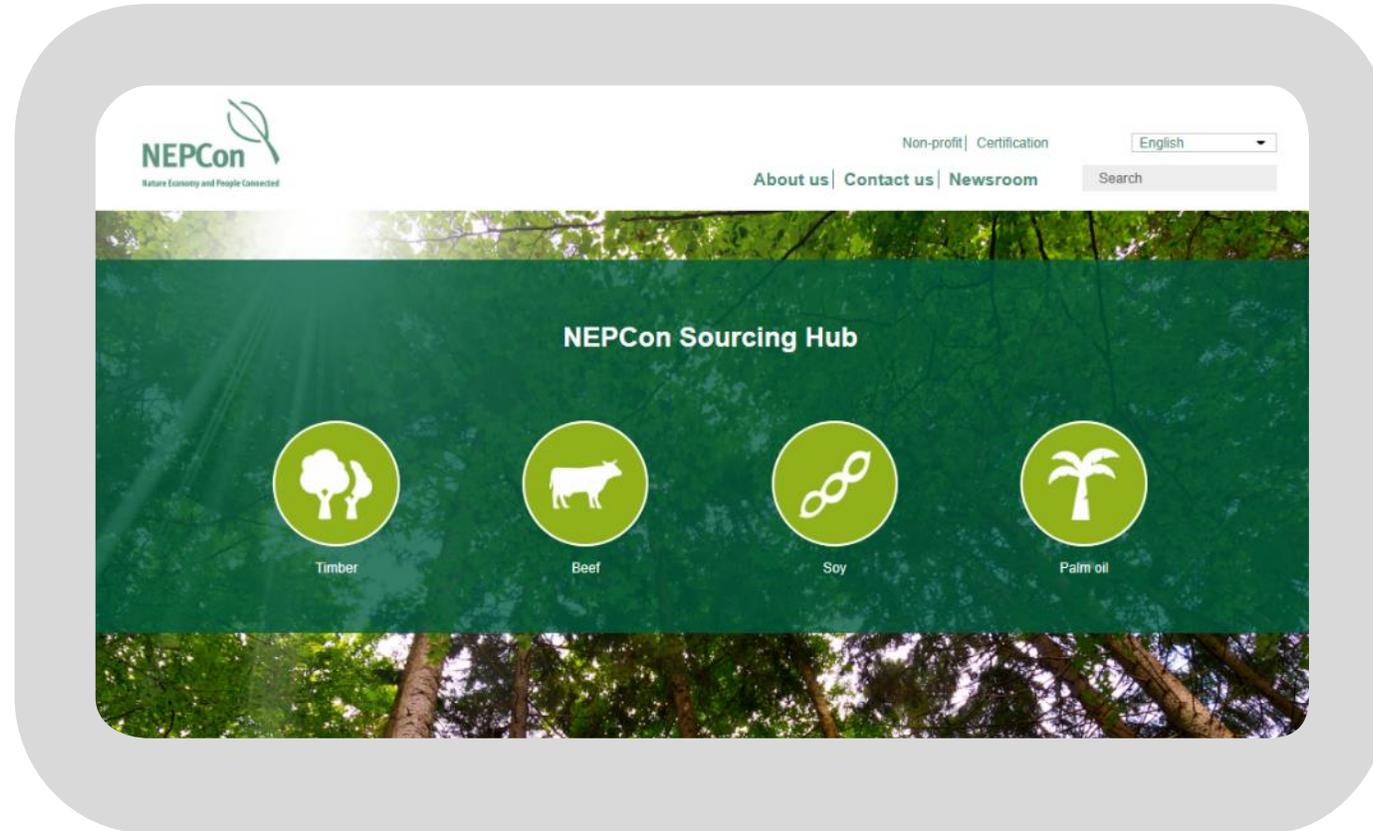
Source: EU Guidance document



What is due diligence?

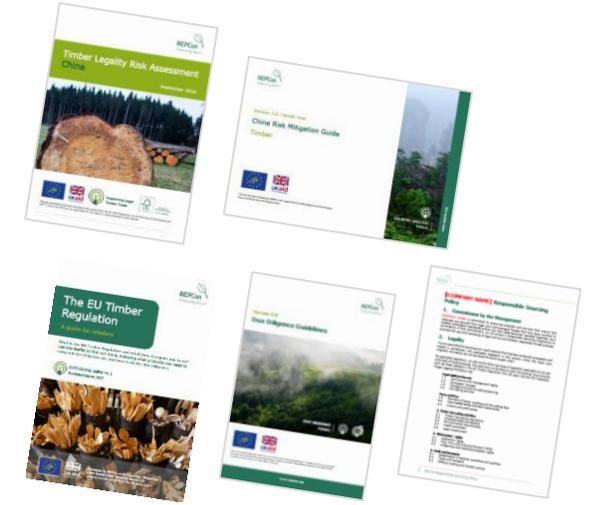
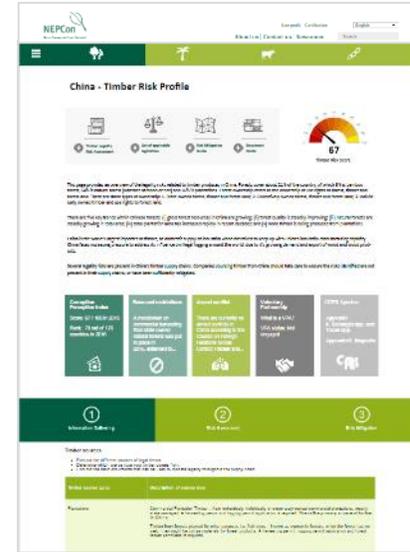


Launched August 2017... v1.0



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



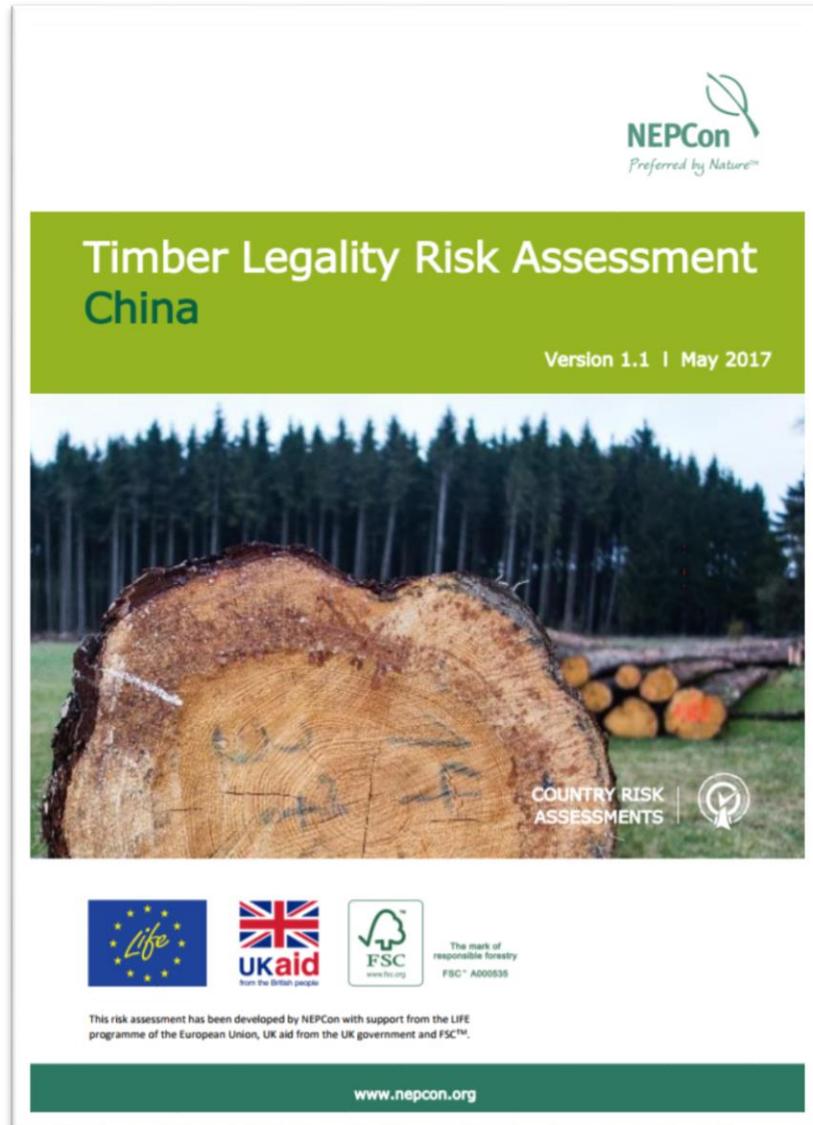
Document Guide to help determine exactly what type of documents to request from the suppliers, what they should look like and how to verify their authenticity

Due Diligence tools



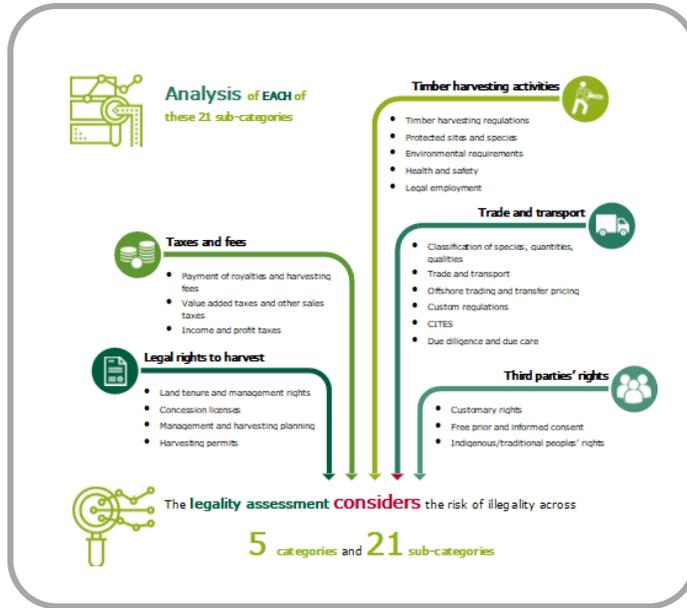
- Supplier Letters
- Due Diligence Guidelines
- Supplier Managing Form
- Risk Checklists
- Policy template
- Supplier Information Form
- etc.

Risk assessments...

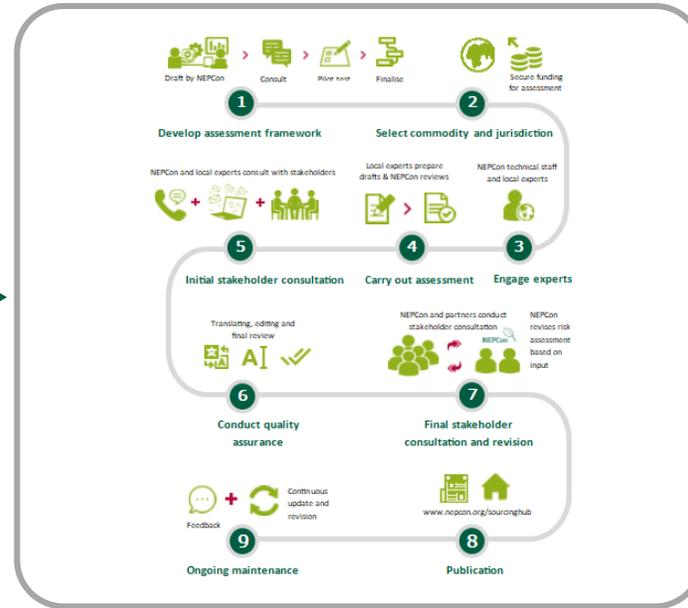


The heart of the Hub

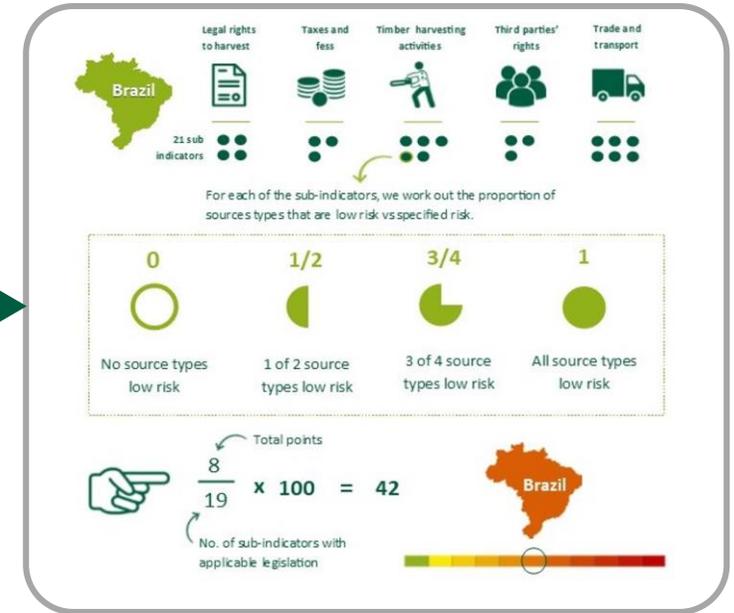
Risk assessments – development process



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

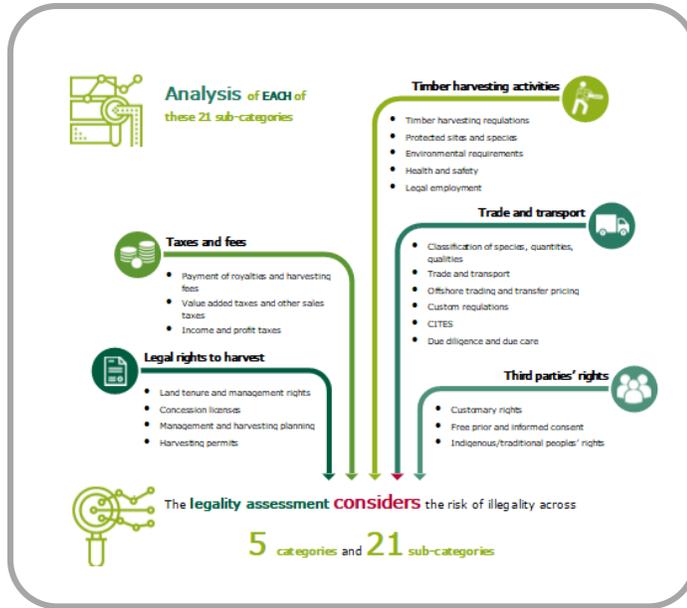


CALCULATE
the score for each country
+
COLOUR CODE
in the map

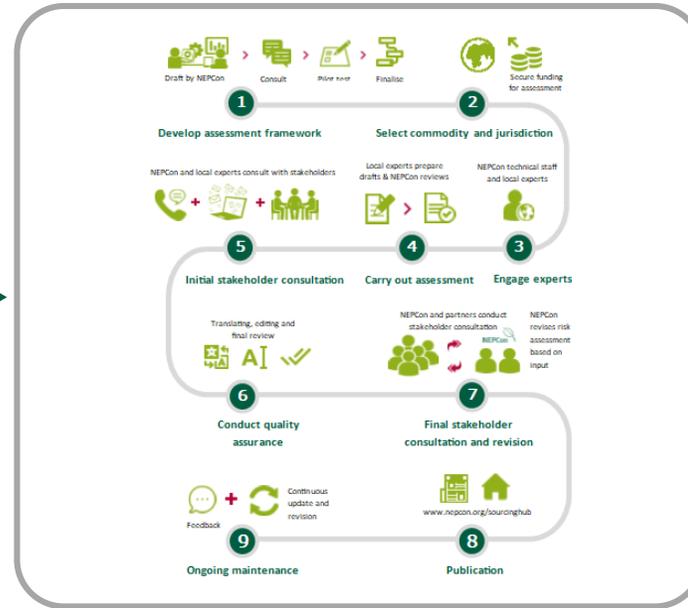
Comprehensive...

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

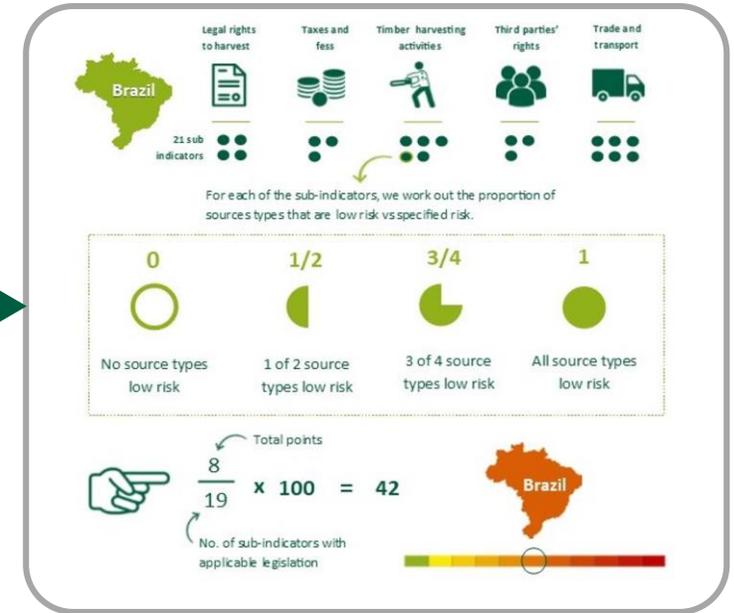
Risk assessments – development process



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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.

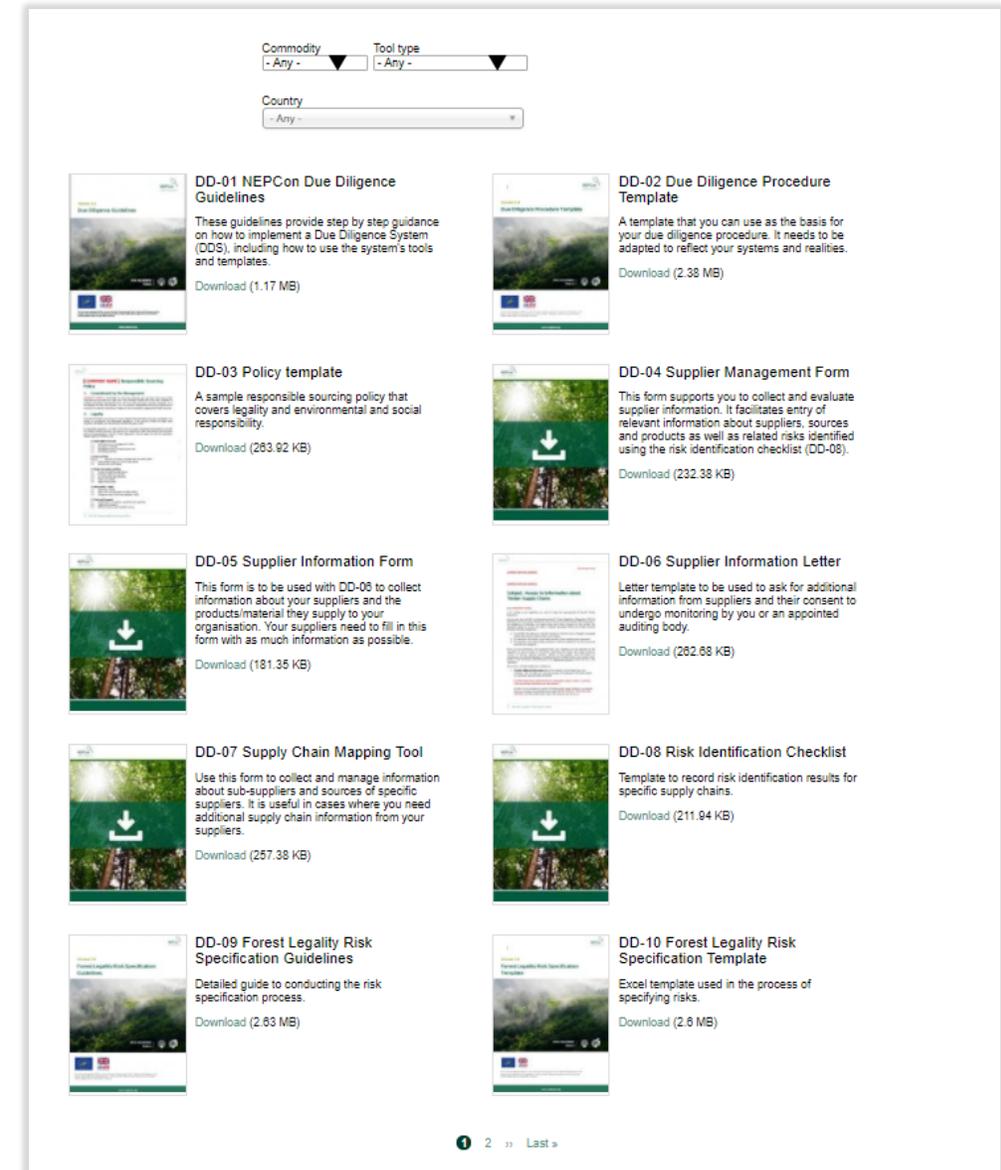
You can download all the **tools** and **templates** you need to set up a due diligence system in your business on the Sourcing Hub.



The screenshot shows a website interface with a green header bar containing five icons: a hamburger menu, a tree, a cow, a chain of three links, and a palm tree. Below the header, the main content area is white and features the heading "What is due diligence?". To the right of the text are three social media icons: an email icon, a Twitter icon, and a LinkedIn icon. The text below the heading reads: "‘Due diligence’ means taking reasonable care to avoid a negative outcome. In the case of the commodities we look at here: For **timber**, we mean minimising the risk that you are placing timber on the market that was harvested, transported or traded illegally in its country of harvest. We have adopted this definition because this is what the EU Timber Regulation requires companies that place timber on the market in the EU to do."

1. Quality management

- Download the full NEPCon Due Diligence system on the Sourcing Hub
- <http://beta.nepcon.org/sourcing-hub/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 is a grid of 10 document cards, each with a thumbnail image and a title. The documents are:

- 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 (2.83 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



NEPCon
Preferred by Nature™

Version 3.0
Due Diligence Guidelines

DUE DILIGENCE TOOLS

Life
UKaid
From the British people

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

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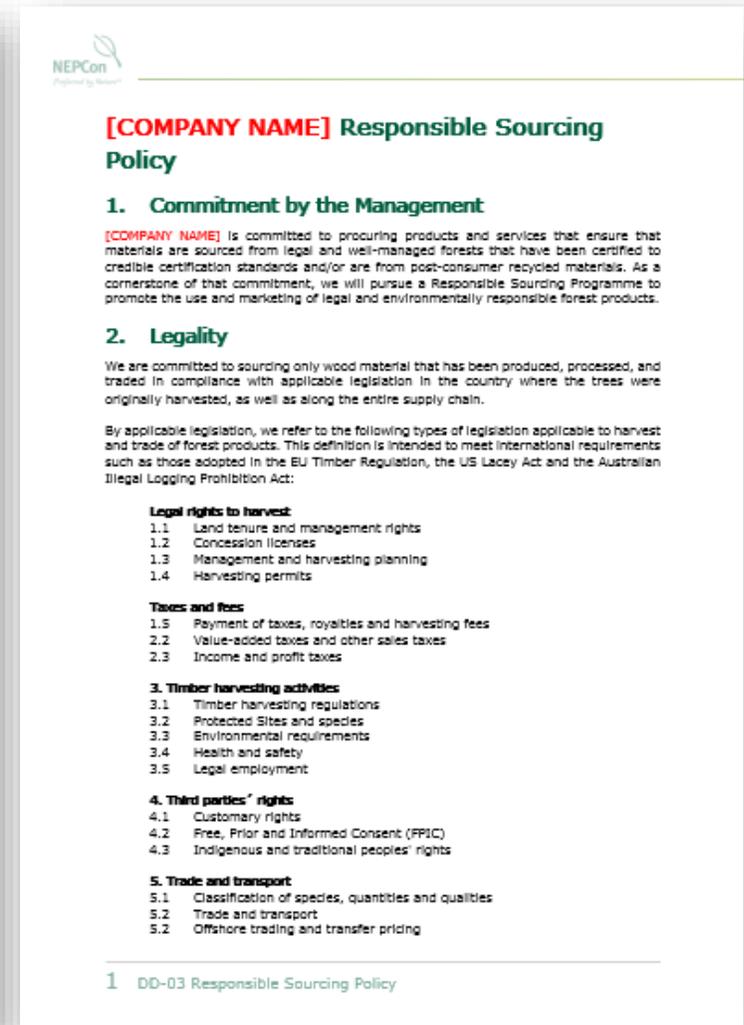
Version 2.0
Due Diligence Procedure Template

DUE DILIGENCE TOOLS

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www.nepcon.org



NEPCon
Preferred by Nature™

[COMPANY NAME] Responsible Sourcing Policy

1. Commitment by the Management

[COMPANY NAME] is committed to procuring products and services that ensure that materials are sourced from legal and well-managed forests that have been certified to credible certification standards and/or are from post-consumer recycled materials. As a cornerstone of that commitment, we will pursue a Responsible Sourcing Programme to promote the use and marketing of legal and environmentally responsible forest products.

2. Legality

We are committed to sourcing only wood material that has been produced, processed, and traded in compliance with applicable legislation in the country where the trees were originally harvested, as well as along the entire supply chain.

By applicable legislation, we refer to the following types of legislation applicable to harvest and trade of forest products. This definition is intended to meet international requirements such as those adopted in the EU Timber Regulation, the US Lacey Act and the Australian Illegal Logging Prohibition Act:

Legal rights to harvest

- 1.1 Land tenure and management rights
- 1.2 Concession licenses
- 1.3 Management and harvesting planning
- 1.4 Harvesting permits

Taxes and fees

- 1.5 Payment of taxes, royalties and harvesting fees
- 2.2 Value-added taxes and other sales taxes
- 2.3 Income and profit taxes

3. Timber harvesting activities

- 3.1 Timber harvesting regulations
- 3.2 Protected Sites and species
- 3.3 Environmental requirements
- 3.4 Health and safety
- 3.5 Legal employment

4. Third parties' rights

- 4.1 Customary rights
- 4.2 Free, Prior and Informed Consent (FPIC)
- 4.3 Indigenous and traditional peoples' rights

5. Trade and transport

- 5.1 Classification of species, quantities and qualities
- 5.2 Trade and transport
- 5.2 Offshore trading and transfer pricing

1 DD-03 Responsible Sourcing Policy

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!

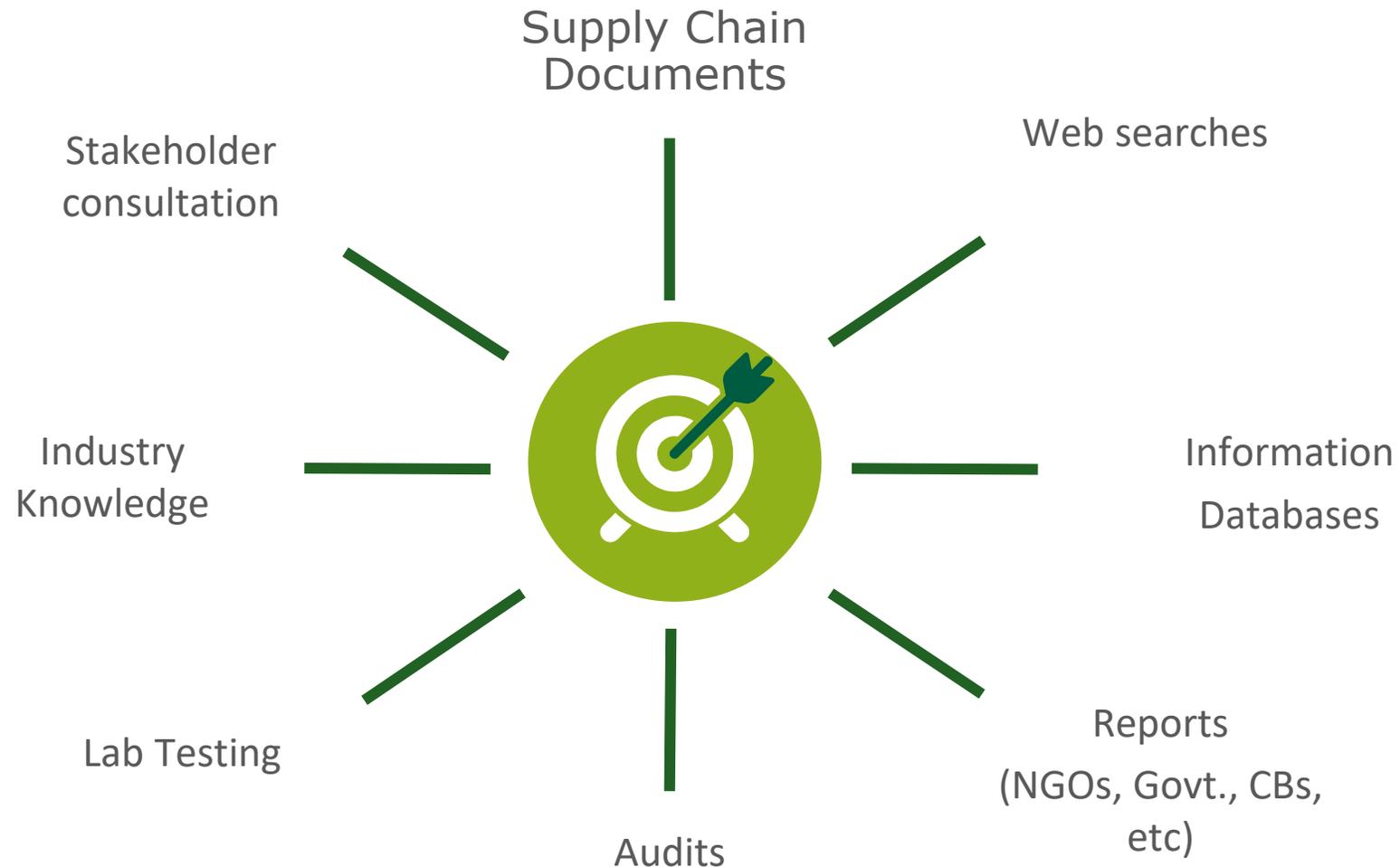
*"It should be stressed from the outset that **collecting documentation** must be done for the purposes of the risk assessment and should not be viewed as a self-standing requirement."*

Source: EU Guidance document



2. Information gathering

Information Sources



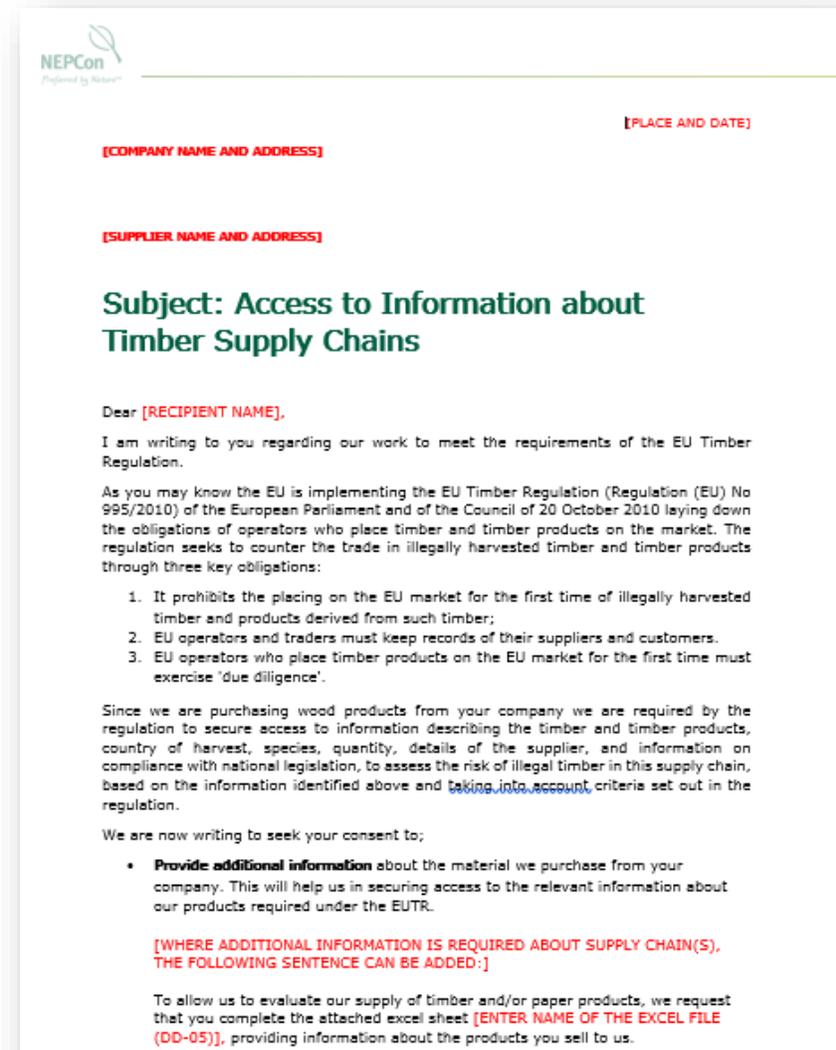
2. Information gathering

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
Prepared 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:

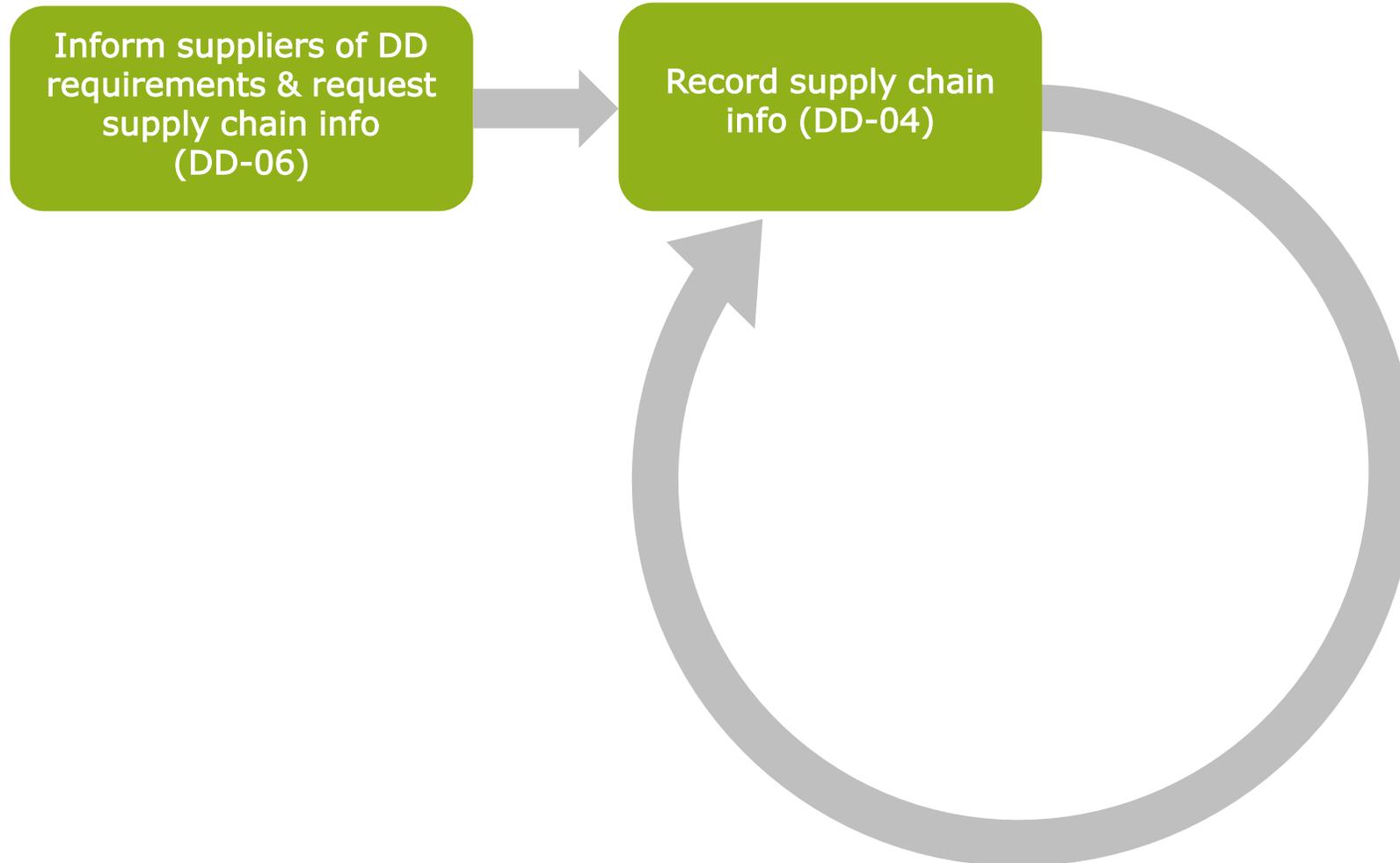
- **Provide additional information** about the material we purchase from your company. This will help us in securing access to the relevant information about our products required under the EUTR.

[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

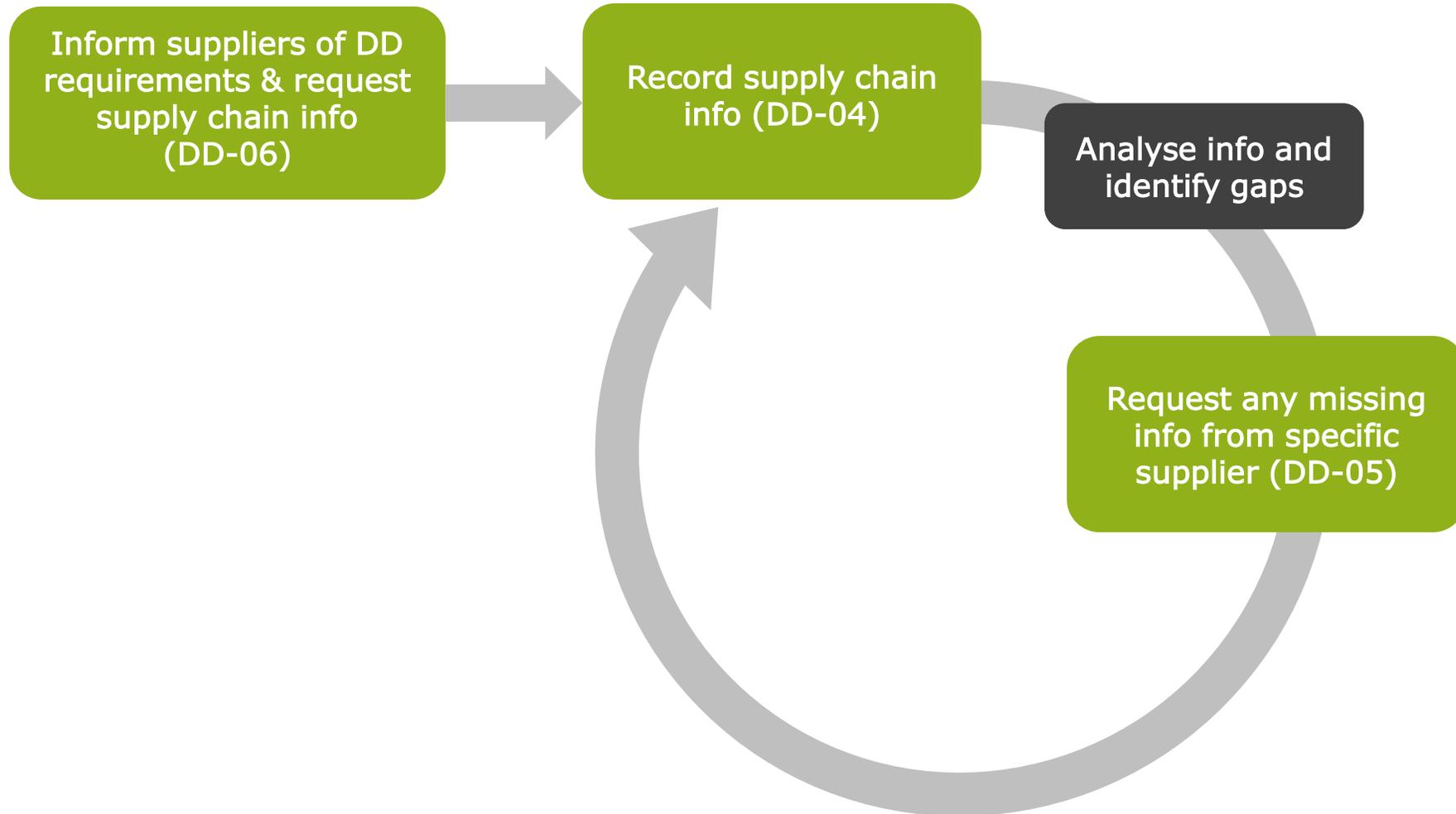
This document is the principal record for cataloguing supply chain information from all suppliers and recording risk assessment and mitigation actions as part of the [ORGANISATION NAME] due diligence system.

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)	Site 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 products?

Page 1

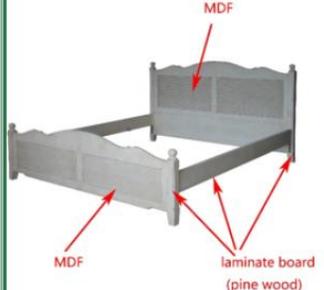


2. Information gathering



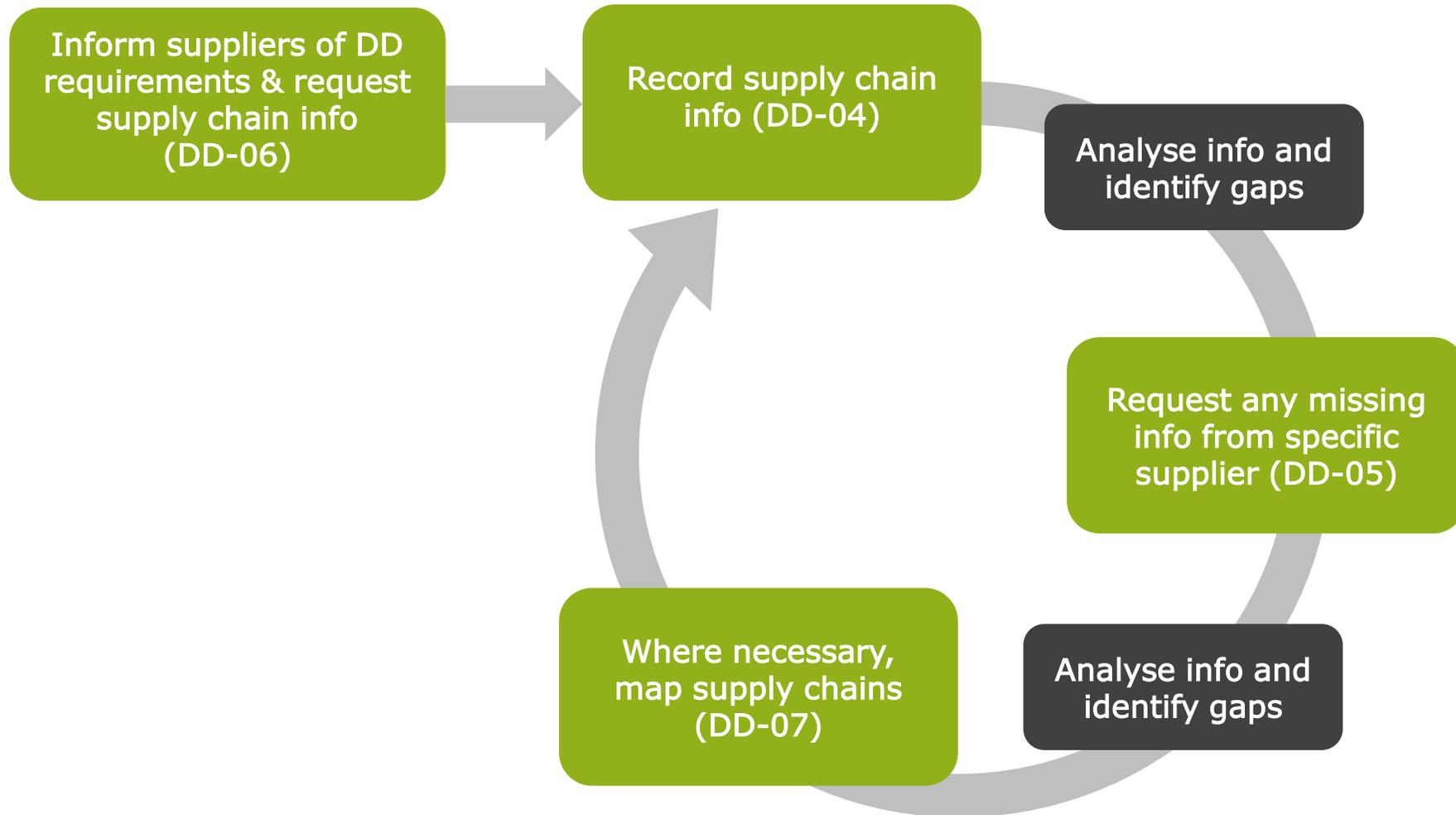
2. Information gathering

- 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.



2. Information gathering



2. Information gathering

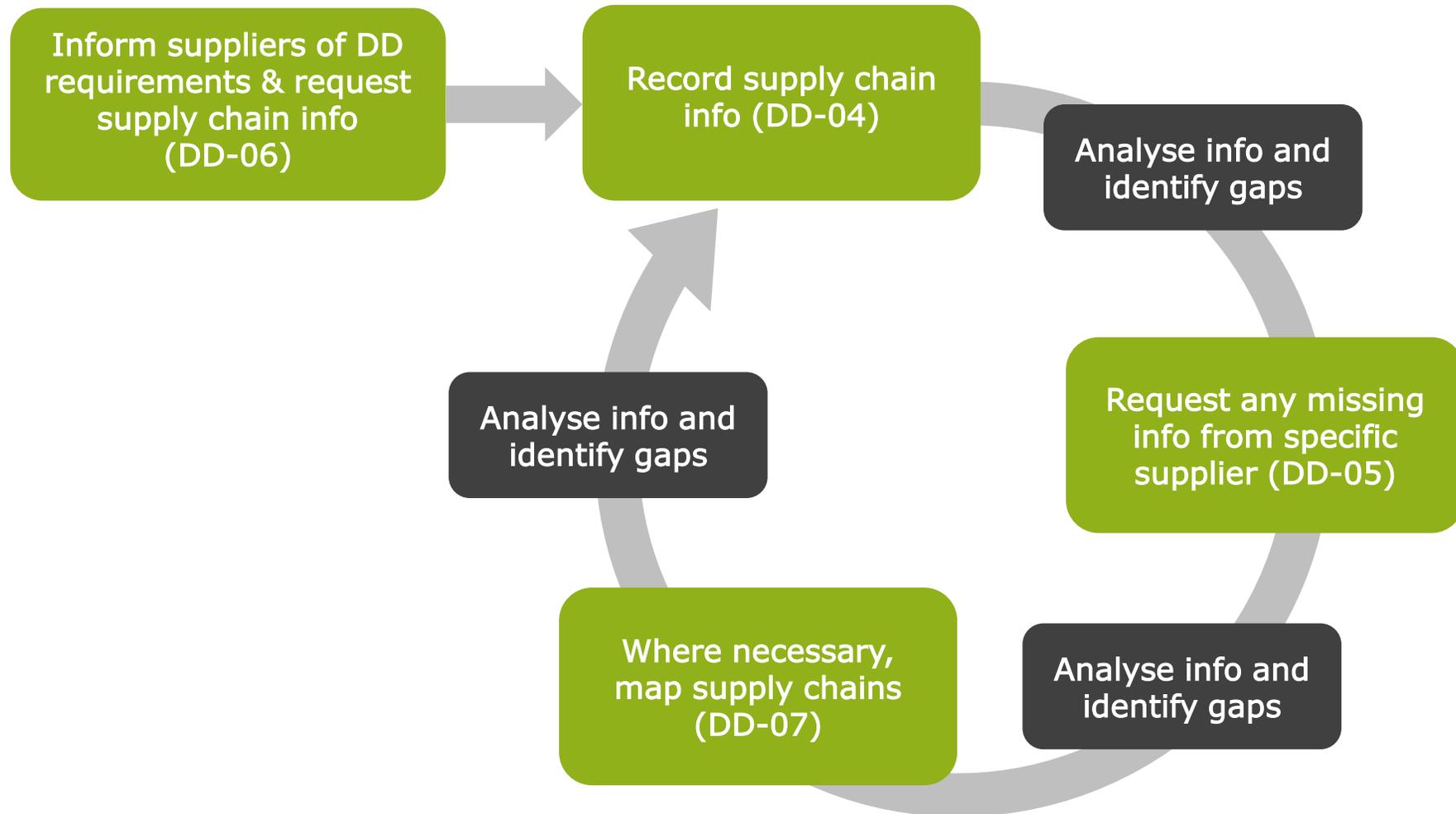
- Where necessary, map the supply chain back to source
- Information on each upstream supplier can be entered
- Including name, address, type of company, certification

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
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 Approved Management Plan

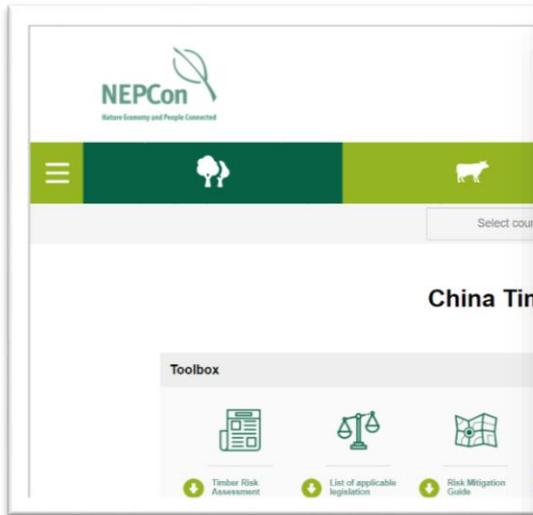


Supply Chain Mapping Tool (DD-07)

2. Information gathering

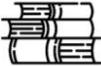


...and you can download the Document Guide to find out more:




Version 1.0 | April 2017

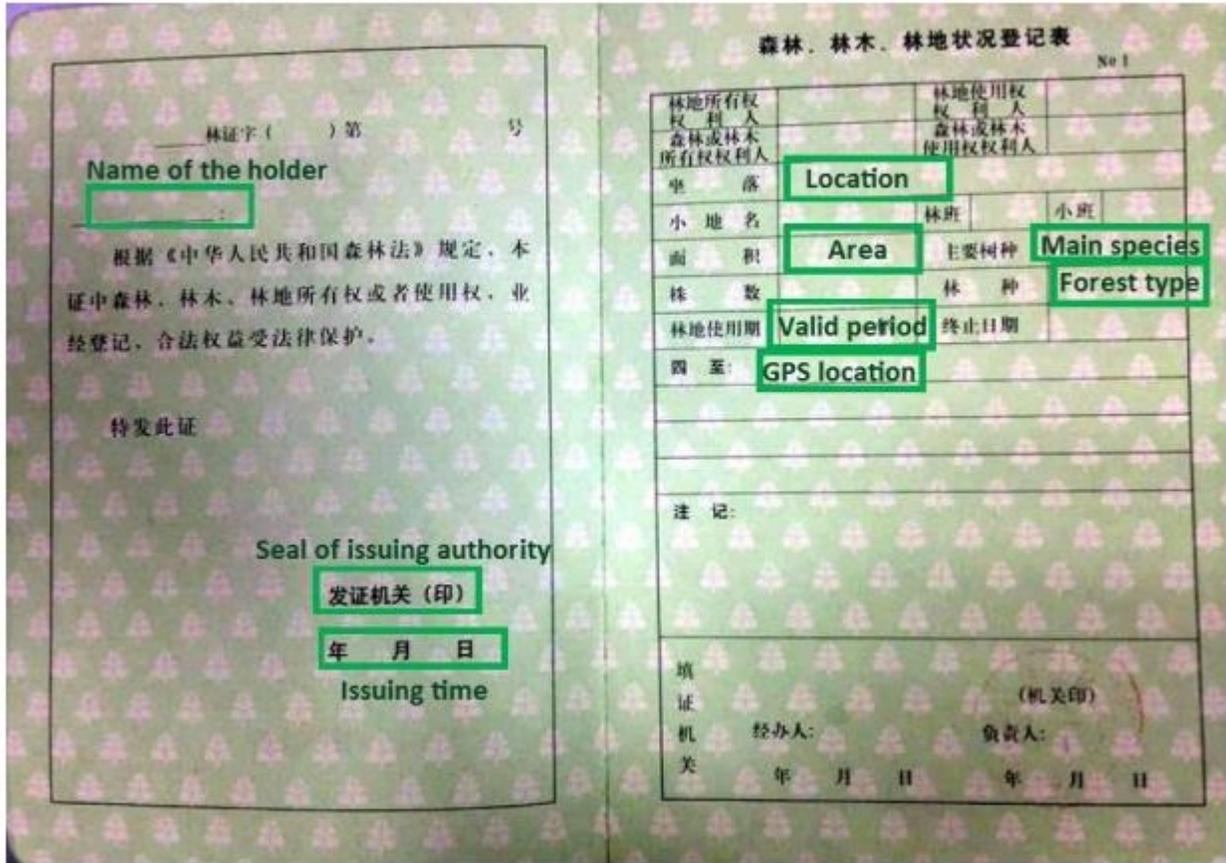
China Document Guide





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

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	
东至	GPS location		
西至			
注记:			
填证机关			
经办人:		负责人:	
年 月 日	年 月 日	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

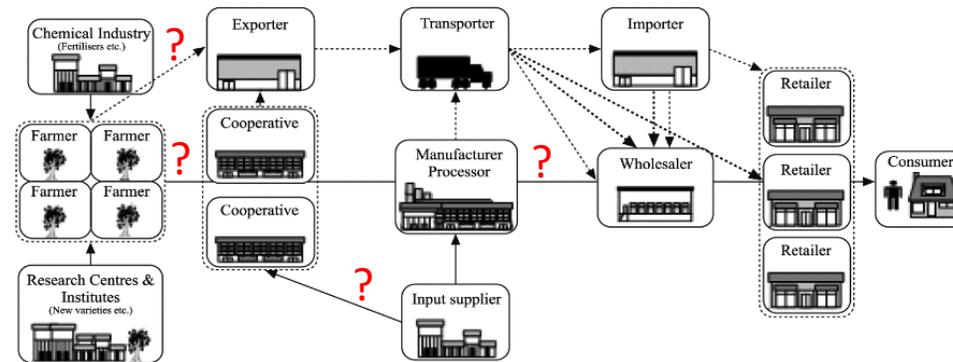
3. Risk Assessment

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

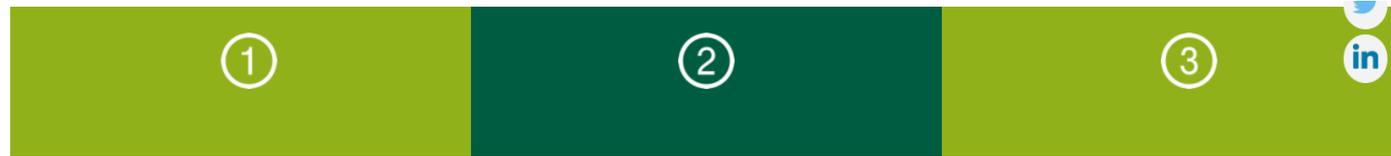
Risk Assessment

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 management
- 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 i legislation and h have analysed th

Plantatio Forest

This matrix summarises report.

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

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1.1.2. Legal authority

- State Forestry Admin for the laws about for
- State Administration Administration and M
- State Administration

1.1.3. Legally required d

- 8) Administration Measu December 2000 – A
- 10) Company Law of the 2006 – Article 6-9:

1.1.4. Sources of inform

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

<http://wenku.baidu.com/view/51d05pRrXKD3WAd>

- 11) Taxation Registrati & 2. Available at: <http://www.gov.cn>
- 12) Regulations Govern Forest Land dated 4 <http://www.gov.cn>
- 13) Land management August 2004. Avail

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 - Tax Registration C

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- 2) ELDIS regional and
- 3) Environmental Inve international.org;

- 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> July 2015]
- 4) Ping, L. (2014). *Large-S Recommendations*. Was Available at: <http://www.acquisition-for-app-fore> [Accessed 3 November 2015]
- 5) Ping, L. and Xiaobei, W. *China: Status, Issues, a Resources Initiative*, pp <http://www.rightsandresources.org/enso-in-south-china-sta> 2015]
- 6) Kram, M., Bedford, C., Wang, Y., Yu, G., Yu, Q. *Guide to Land Use, Lan* Beijing: The Nature Co <http://www.nature.org/>
- 7) zgxcfx.com. (2013). *For tenure reform*. [online].
- 8) forestry.gov.cn. (2012). *land in Sinan County, G* <http://www.forestry.gov.cn>
- 9) Transparency.org. (2011). *Index 2014 for China*. [<http://www.transparenc>]
- 10) The World Bank. (2014). *Report for China, 1996-* <http://info.worldbank.org>

1.1.1.5. 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

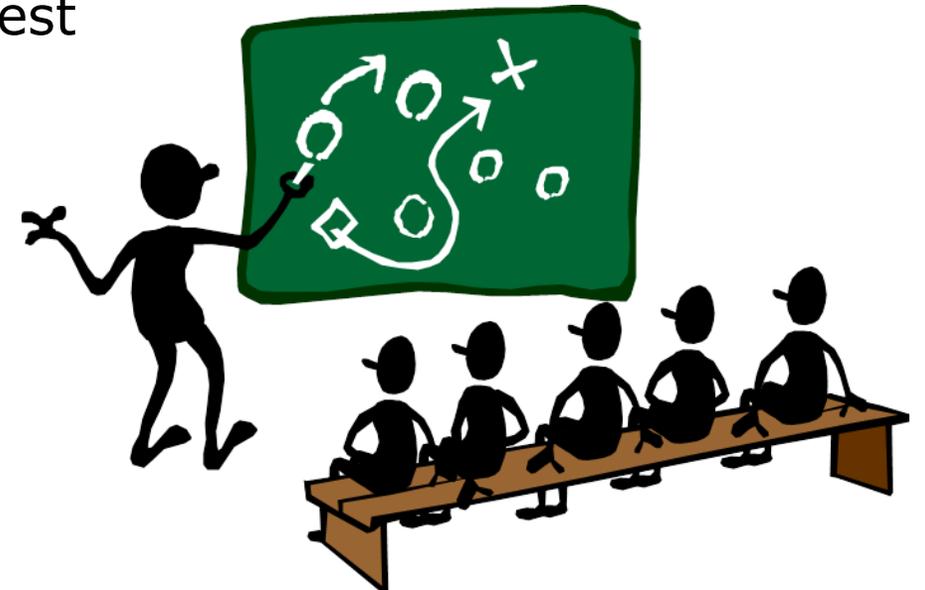
If the risk of placing illegal timber on the market is not negligible, risk must be mitigated.

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

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



The cover of the EUTR Guiding Leaflet no. 2 features the NEPCon logo at the top right. The title 'The EU Timber Regulation' is in a dark green rounded rectangle, with the subtitle 'A guide on managing good relations with your suppliers' below it. A central text block asks if the reader is required to carry out due diligence on timber and provides instructions. The bottom section shows a handshake and logos for the LIFE program and UKaid.

NEPCon
Preferred by Nature™

The EU Timber Regulation

A guide on managing good relations with your suppliers

Are you required to carry out due diligence on the timber you sell? Use this leaflet to find out how to get all the information you require from your suppliers while also maintaining good relations with them

 EUTR Guiding Leaflet no. 2
Published May 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.

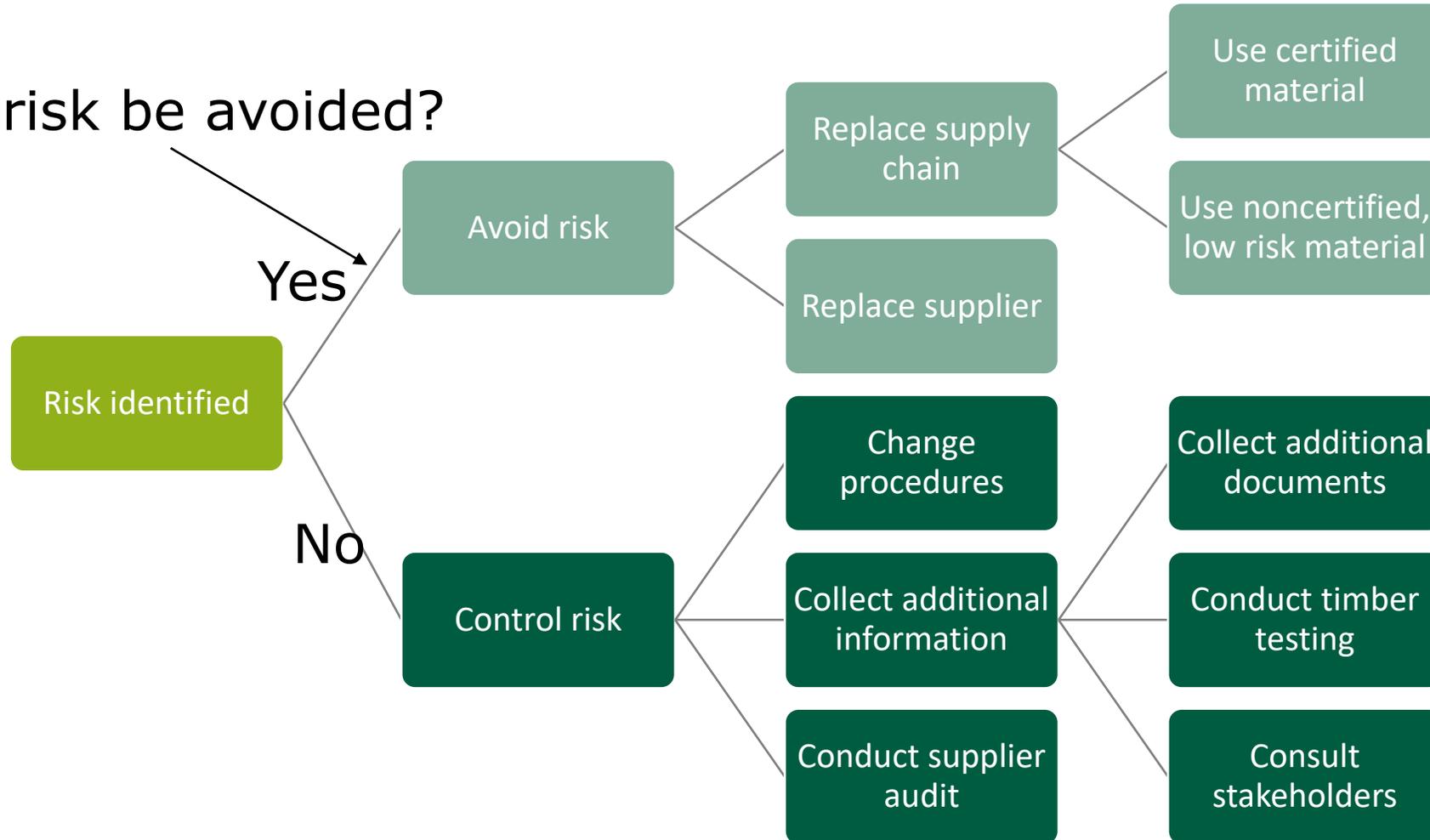
Good supplier relations is key

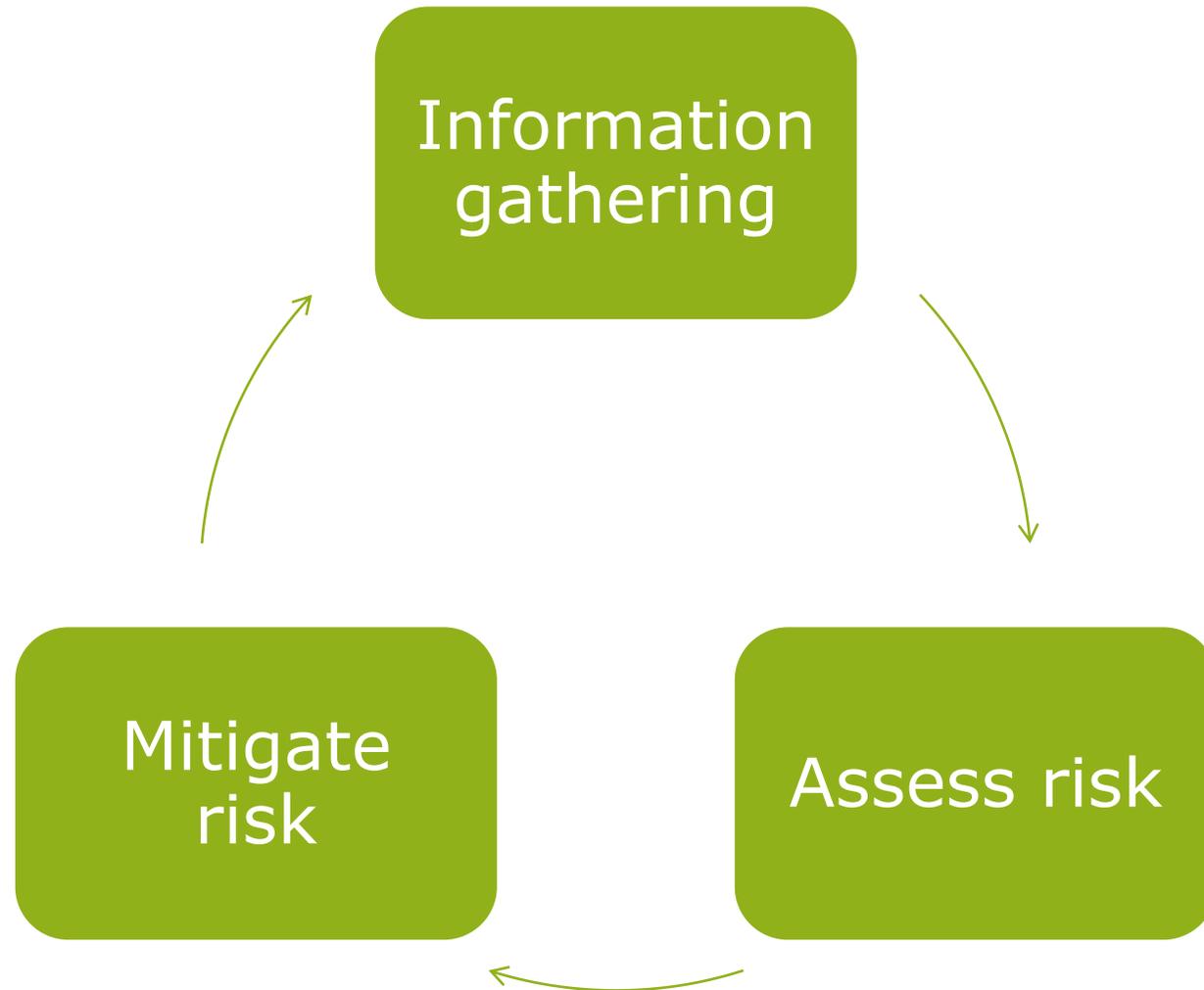


4. Risk mitigation

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



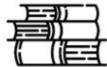
This tool has been developed by NEPCon with support from the LIFE programme of the European Union and UK aid from the UK government.



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 Certificate• Phytosanitary 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			
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	zhuk@csemc.com
工商登记注册日期	1999-9-22	工商登记注册号	Business registration code

依法办理工商登记的企业还须填写以下内容

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)还须填写以下内容

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

Time for

