



European Timber Regulation (995/2010/EC)

Bureau Veritas Due Diligence Solution



May 2016

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Context & Scope

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Which companies are obliged by EUTR?

1. European Companies importing wood-based products:



- ▶ **European authorities are competent to oblige any companies based in one the 28 EU State-member.** Therefore European companies which are the first to place a wood-based product on the European market are directly affected by this regulation.
- ▶ They have **to perform due diligence before shipment** and demonstrate no import of illegal wood.
- ▶ Otherwise they are **exposed to legal risks / penalties** defined by each EU member state (fines based on the value of goods, loss of tax from exporting countries, seizure of products, imprisonment, suspension of commercial activity)

2. Non-European companies:



- ▶ **Companies exporting wood-based products** towards the EU.
- ▶ They are not directly concerned by the regulation but they have to **demonstrate legal origin of all products** in order to continue business relations with European companies and **maintain access to the EU market.**
- ▶ The risk for companies not performing due diligence is that they are **exposed to being withdrawn from referencing list of their clients.**

Products in the scope of EUTR



The European Timber Regulation (EU) No 995/2010 scope of products is based on the **EU Customs code nomenclature**.

The Regulation **applies to both imported and domestically produced timber and timber products**.

Products concerned by the EU Timber Regulation

Roundwood and raw materials

- ▶ Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms
- ▶ Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared

1st transformation

- ▶ Railway or tramway sleepers (cross-ties) of wood
- ▶ Wood sawn or chipped lengthwise,
- ▶ Sheets for veneering [...], for plywood or for other similar laminated wood and other wood [...] of a thickness not exceeding 6 mm
- ▶ Wood [...] continuously shaped [...] along any of its edges, ends or faces,
- ▶ Particle board, oriented strand board (OSB) and similar board of wood or other ligneous materials
- ▶ Fibreboard of wood or other ligneous materials
- ▶ Plywood, veneered panels and similar laminated wood
- ▶ Densified wood, in blocks, plates, strips or profile shapes

2nd transformation

- ▶ Wooden frames for paintings, photographs, mirrors or similar objects
- ▶ Packing cases, boxes, crates, drums and similar packings [...] of wood; cable-drums [...]; pallets, box pallets and other load boards [...]
- ▶ (Not packing material used exclusively as packing material to support, protect or carry another product placed on the market.)
- ▶ Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves
- ▶ Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes

3rd transformation and beyond

- ▶ Pulp and paper of Chapters 47 and 48, with the exception of bamboo-based and recovered (waste and scrap)
- ▶ Wooden furniture
- ▶ Prefabricated buildings

Exempted Products

- ▶ Medical, dentist and veterinary furniture
- ▶ Tools (including wooden handles, brushes, brooms,...)
- ▶ Lamps and lighting
- ▶ Pens and pencil,
- ▶ Certain kinds of seats and sofas
- ▶ Toys,
- ▶ Printed paper (books, newspapers, pictures ...)
- ▶ Cork and derived products
- ▶ Pieces of art
- ▶ Musical instruments
- ▶ Clocks and watches
- ▶ Waste products



What about certification scheme ?

Most of them are based on legality principles ...

- ▶ Certification to FSC, PEFC or OLB is **not considered a sufficient and automatic proof of compliance with the EUTR**.
- ▶ Nevertheless, under certain conditions, they are **significant contribution to a risk analysis**. A critical assessment of the certificates are necessary

Article 4

Risk assessment and mitigation

Certification or other third-party verified schemes referred to in the first indent of the second paragraph of Article 6(1)(b) and in Article 6(1)(c) of Regulation (EU) No 995/2010 may be taken into account in the risk assessment and risk mitigation procedures where they meet the following criteria:

- (a) they have established and made available for third-party use a publicly available system of requirements, which system shall at the least include all relevant requirements of the applicable legislation;
- (b) they specify that appropriate checks, including field-visits, are made by a third party at regular intervals no longer than 12 months to verify that the applicable legislation is complied with;
- (c) they include means, verified by a third party, to trace timber harvested in accordance with applicable legislation, and timber products derived from such timber, at any point in the supply chain before such timber or timber products are placed on the market;
- (d) they include controls, verified by a third party, to ensure that timber or timber products of unknown origin, or timber or timber products which have not been harvested in accordance with applicable legislation, do not enter the supply chain.

Source : Regulation No. 607/2012/CE



Forest Stewardship Council

2. Is Certification accepted as automatic proof of compliance with the EU TR?

It is not. The Regulation does say that “*any voluntary chain of custody mechanism*” can be the basis for a Due Diligence System, but it needs to fulfil the requirements of the Regulation. “*Certification or other third-party verified schemes*” are also mentioned as potential tools in assessing risks of illegality related to timber or derived products.

There have been discussions about a “green lane” also for certified products, but this was not accepted by the Commission.

The [DDS Implementing Act](#) ⁶, of 6 July 2012, provides further clarification when certification schemes “*may be taken into account*” in the risk assessment and risk mitigation procedures (details see next question).

Source : FSC, Q&A on EUTR, version of November 7th, 2012



BV Due Diligence System (DDS)



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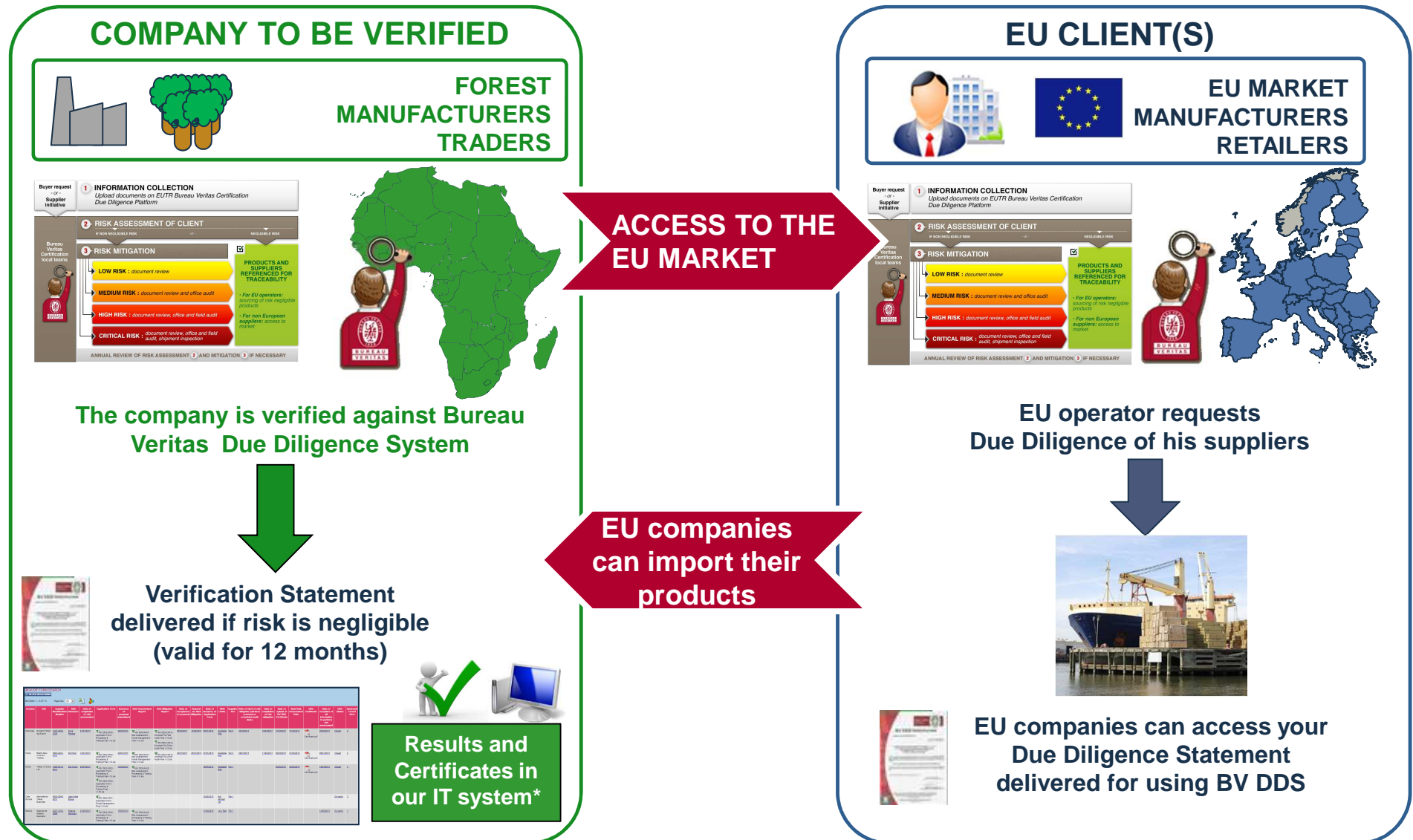
Due Diligence System

- ▶ **The challenge for Bureau Veritas is to assess the risk level of the scope of products of a company based on the evidences of legality provided.**
- ▶ Exercising **Due Diligence** is the responsibility of the operator. This is a proactive and structured process, which needs to be documented, and operated as per these steps :
 - ▶ 1. Collection of information
Country / region of harvest, tree species, quantities imported, evidence of compliance with legislation
 - ▶ 2. Risk assessment, based on information provided
Risk assessment criteria need to be defined and results shall be documented
 - ▶ 3. Risk mitigation
Additional investigation and implementation of appropriate measures
 - ⇒ Actions proportionate to the level of risk
 - ⇒ Implement sufficient control to secure sourcing
- ▶ **Risk assessment is to be renewed at least within 12 months**
- ▶ If capable, the operator can develop its own system, or use the system of a capable recognized Monitoring Organization by the European Commission like Bureau Veritas

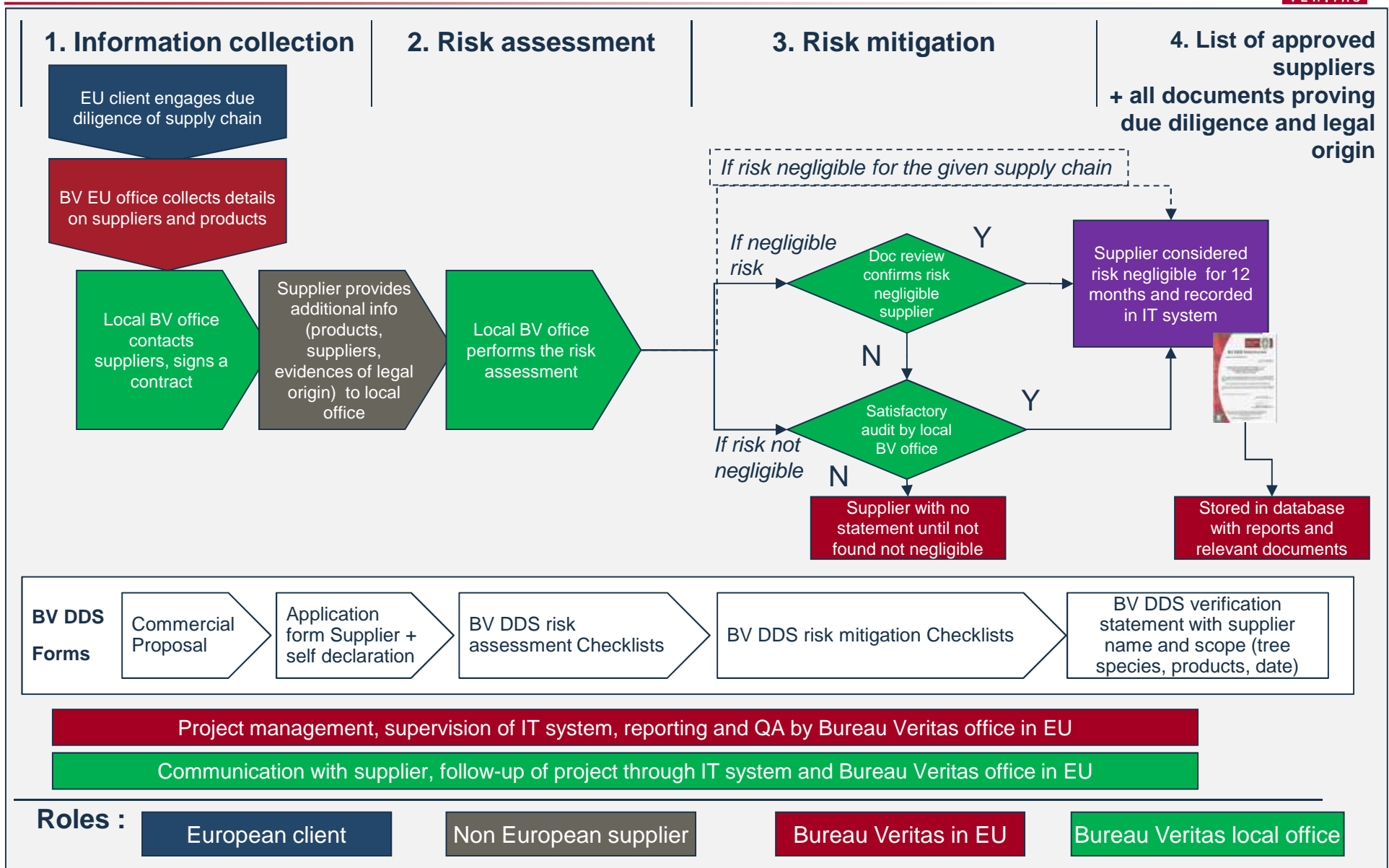
The European Commission has published guidelines to clarify the due diligence process

Source : European Commission

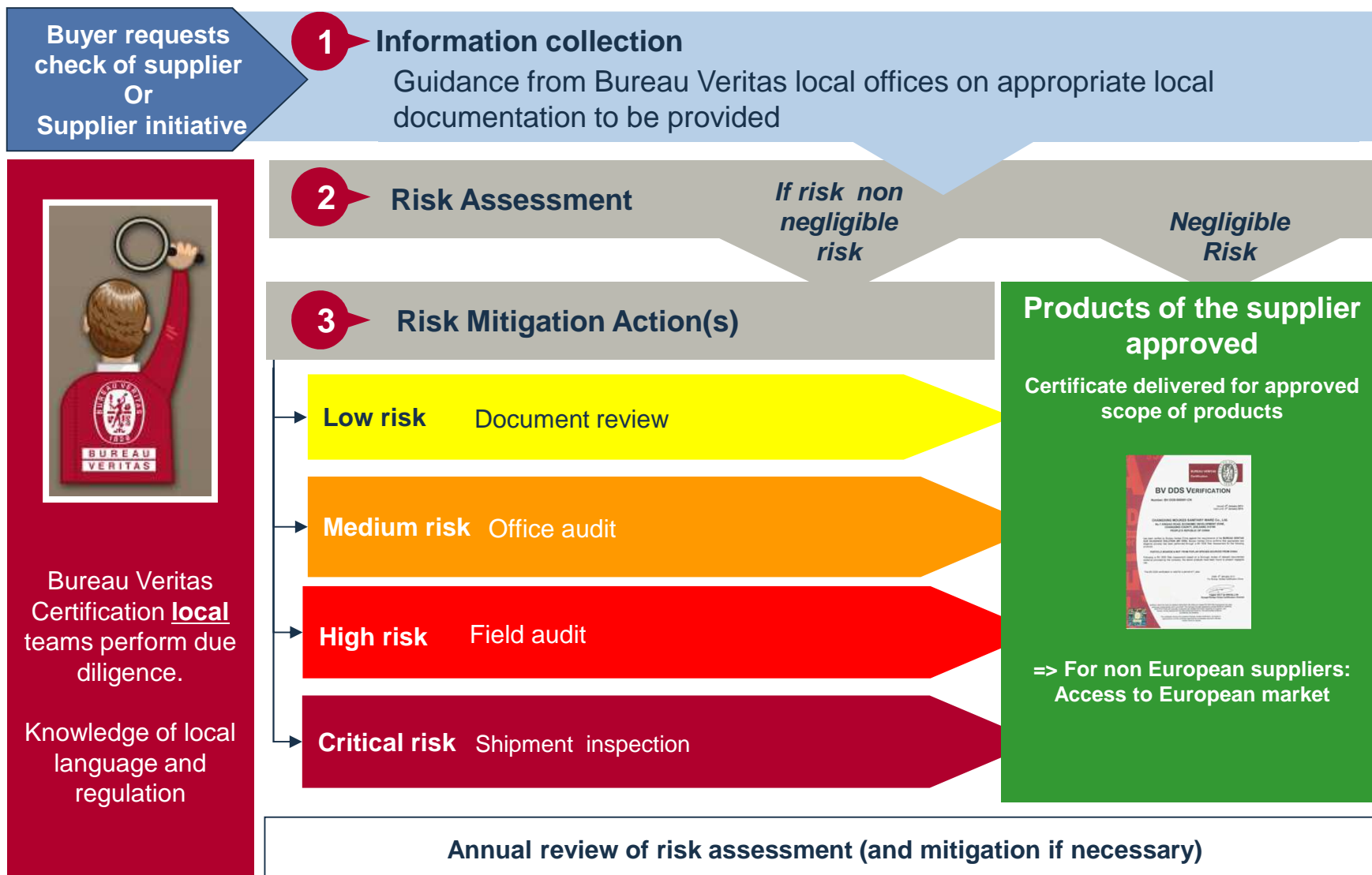
Service offered: Maintaining access to EU market and Assessment of legality



8. Risk Assessment and Risk Mitigation Action(s)



9. Verification Process for BV Due Diligence Solution





Main principles of Bureau Veritas Due Diligence System (BV DDS)



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Different checklists for the type of activity and each step of verification process



Checklists & Forms

Application Form: 4 checklists depending on the type of activity of the company (Forest Management, Forest Management Group, Processing & Trading, EU Economic Operator)

Risk Assessment: 3 checklists depending on the activity of the company (Forest Management, Processing & Trading, EU Economic Operator)

Risk Mitigation(s): 5 checklists depending on the recommended action(s) to mitigate risk determined during the risk assessment or previous risk mitigation action (Additional Document Review, Office Audit, Field Audit, Shipment Inspection – the last one not being performed by BVC Auditors)

Checklists: Risk assessment criteria



EU Risk assessment requirements are based on:

Country level: Some countries may be considered as presenting higher levels of risks due to: e.g. high levels of illegal activities, high levels of deforestation, corruption.

FMU* level: Timber must have been harvested by a legally registered company, within a legal FMU, and in compliance with legal requirements such as management plan, harvest license, etc.

Species level: Some species may represent a higher level of risk than other; e.g. CITES species, tropical species, etc.

Supply chain: The complexity of the supply chain and mixing of timber products from different origin will result in higher levels of risk.

FLEGT and Third party certification: FLEGT certificates or other third party certification can be taken into account.

**A "forest management unit" is a well defined and demarcated land area, predominantly covered by forests, managed on a long-term basis and having a set of clear objectives specified in a forest management plan.*

Checklists: Risk assessment criteria



Records & Documents

Country of origin level: Origin of all the timber and timber products (certificate of origin, invoices), Evidence of compliance with trade and customs legal requirements from country of origin available (e.g. Custom declaration, Export certificate, Payment of export duties), Corruption Index, Deforestation rates (FAO) etc

FMU* level: Documented evidence of legal operation available covering relevant national Forest management, Biodiversity conservation and Environmental requirements

Species level: Timber and timber product(s), Information regarding the type of ecosystem (industrial plantation, natural forest, primary ecosystem...), Protected species (CITES)

Supply chain: List of all suppliers with address and contact details, Volume/quantities purchased, processed and sold, Evidence of compliance with trade and customs legal requirements.

FLEGT and Third party certification: Valid certificate for a verified scheme issued by an independent third party, Registration on official verified scheme's website, Claim on official sales documents with a valid certificate number, etc.

For the local applicable legislation, you can use the documents from the following links:

- <http://gftn.panda.org/?202483/Framework-for-Assessing-Legality-of-Forestry-Operations-Timber-Processing-and-Trade>
- <http://www.globalforestregistry.org/map>

Checklists: Risk Levels



BV DDS Risk assessment framework is based on 5 levels of risk, from negligible to critical risk:

Risk level 1: **Negligible risk** – Registration on BV-IT Platform required

Risk level 2: **Low risk** – Registration on BV-IT Platform and additional risk assessment or document review required

Risk level 3: **Medium risk** – Registration on BV-IT Platform, additional risk assessment during office audit required

Risk level 4: **High risk** – Registration on BV-IT platform, additional risk assessment during office and field audit required

Risk level 5: **Critical risk** – Registration on BV-IT platform, additional risk assessment during office audit, field audit and shipment inspection required

BV DDS - Self declaration form



BUREAU VERITAS CERTIFICATION
BUREAU VERITAS DUE DILIGENCE SERVICES
(Based on EU Regulation 995/2010)

BV DDS SELF DECLARATION



BV DDS SELF DECLARATION

I undersign:

Company legal representative:	
Name legal entity:	
Legal address:	
Postcode and City:	
Country:	
Legal registration number:	

Declare:

Our organization (Legal entity and all related third party such as group members whenever relevant) has been duly informed of the EUTR DUE DILIGENCE Requirements and is committed to fully comply with EUTR DUE DILIGENCE Requirements regarding the legal origin of our timber and/or timber products.

Our organization is fully committed to the responsible purchasing of timber and timber products from legal origin only. Our organization's immediate objective is to ensure that all timber and timber products that we purchase, process and/or trade are from legal origin and/or from post consumer recycled materials.

BV DDS - List documentation



BUREAU VERITAS CERTIFICATION
BUREAU VERITAS DUE DILIGENCE SERVICES
(Based on EU Regulation 995/2010)

LIST OF DOCUMENTS AND INFORMATION REQUIRED FROM APPLICANTS TO PERFORM BV DDS RISK ASSESSMENT

The documents required in this list will help Bureau Veritas Certification to determine and assess the level of maturity of your company regarding the European Timber Regulation.

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1. Company information

BV DDS Self Declaration;

Should be filled in and signed

Company legal registration; Documented evidence to demonstrate that the company is legally registered for the commercial activities it is involved in.

Copies can be considered as acceptable documented evidence, but in case of doubt, a copy that is officially confirmed by the relevant local authority may be requested.

Valid Certificate of registration, or	Chamber of Commerce Registration, or	TAX Registration, or
Official letter/declaration from local authority, or	Evidence of legal registration in process, etc.	

Size of the company; Documented evidence that shall be provided to demonstrate the size of the company may be as follow:

Number of employees and contractors (e.g. small = less than 10; large = more than 100), or	Annual turnover related to forest products (e.g. small = 10 million US \$; large = more than 100 million US \$), or	Registered capital, etc.
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2. Legal information and documents

Tax, duties and fees; Documented evidence that can be used to demonstrate that the company is paying all relevant taxes, duties and fees may be as follow, as required by the commercial activities of the company:

Copies can be considered as acceptable documented evidence, but in case of doubt, a copy that is officially confirmed by the relevant local authority may be requested.

Valid certificate or official letter from relevant local authority, or	Evidence of payment to relevant local authority, or
Evidence of value added taxes, income taxes, or	Custom duties, etc.

Trade and customs legal requirements

Company shall have appropriate documented evidence to demonstrate that trade and customs legal requirements have been complied with, such as relevant documented evidence of compliance with trade and customs legal requirements from country of origin available

(e.g. Custom declaration, Export certificate, Payment of export duties).

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BV DDS - Risk Assessment process



Bureau Veritas requires detailed information in order to provide your organisation with appropriate services tailored to your needs.
Bureau Veritas has strict confidentiality procedures and the information provided below will only be used to provide your organisation with relevant Due Diligence Services to the highest professional standards.

PROCESSING & TRADING SECTION A : Company Details

* Mandatory fields (Information required)

Company Name (Legal Entity)*

长兴安吉斯竹业有限公司

SECTION B : Risk Assessment

Company Level Risk Criteria	Risk Level 1	Risk Level 2	Risk Level 3	Documented evidence reviewed	BV DDS Guidance
Company legal registration	Documented evidence of legal registration			Changxing Industry and Commercial Administration Bureau Certificate Number 330522000005605 dated 2011 July 26 License valid from 2006 November 06 until 2056 November 05 Activities covered: Cabinet, bamboo and timber handycraft production and sales, import and export of goods Trader Official Registration No 3300795561409 dated 29 June 2011	Documented evidence that can be used to demonstrate that a company for the commercial activities it is involved in may be as follow: - Valid Certificate of registration, - Chamber of commerce Registration, - TAX Registration, - Official letter/declaration from local authority, - Evidence of legal registration in process, etc. Copies can be considered as acceptable documented evidence, but in copy that is officially confirmed by the relevant local authority may be re
Taxes, duties and fees	Documented evidence of payment of taxes, duties and fees			VAT Certificate Number 330522795561409, issued by National and Local Zhejiang Province Tax Bureau, dated 2011 July 27	Documented evidence that can be used to demonstrate that a company relevant taxes, duties and fees may be as follow: - Valid certificate or official letter from relevant local authority, - Evidence of payment to relevant local authority, - Evidence of value added taxes, income taxes, - Custom duties. Payment of relevant taxes, duties and fees can also be performed through such as the buyer whenever relevant (small owners, local communities). Copies can be considered as acceptable documented evidence, but in copy that is officially confirmed by the relevant local authority may be re
BV DDS Self Declaration	BV DDS Self Declaration is completed, signed and available			BV DDS Self Declaration signed and received on 10 December 2012	BV DDS Self Declaration shall be completed and signed by the legal representative company. Whenever relevant the BV DDS Self Declaration shall be stamped with the stamp of the company.
Company size	Small (See guidance for definition)			Turnover related to timber products represents only a small proportion of the overall turnover of the company and is currently less than 10 million US \$.	Documented evidence that can be used to demonstrate the size of the company activities related to the handling, transformation, processing and/or trading of timber products may be as follow: - Number of employees and contractors (e.g. small = less than 10; large = more than 10) - Annual turnover related to forest products (e.g. (small = 10 million US \$, large = more than 100 million US \$), - Registered capital, etc.
Outsourcing manufacturing activities	No outsourcing			No outsourcing activity is taking place	Information that shall be used is the number of outsourcing contracts signed by the company in order to have products manufactured by a third party. Outsourcing is based on legally enforceable contract with a third party

BV DDS - Risk Assessment finding



SECTION E : BV DDS Conclusion & REC

BV DDS Risk Assessment Findings		BV DDS Recommendation
<p>The company has provided BV with detailed documented evidence to demonstrate that the Particle Boards made from Poplar species are from legal origin. Based on the documented evidence provided, BV China was able to trace back the timber raw material from Poplar species throughout the supply chain, all the way to the forest of origin.</p> <p>All the companies in this supply chain (Particle board from Poplar species timber) is also FSC certified by BV China.</p> <p>While particle boards are composite timber products and may present a level of risk when timber from different origins are being mixed, it was possible to identify that all the poplar species used for making the particle boards processed by the company are all coming from one single State Forest Bureau which is also certified by BV China.</p> <p>Therefore based on the information and documented evidence provided by the company it is concluded that the operation of the company present a level of risk that can be considered as NEGLIGIBLE according to BV DDS definition for particle boards made from poplar species sourced from the following State Forest Bureau in China:</p> <p>Jilin Yanbian Forestry Group Dun Hua Forestry Co.,Lt.</p>		<p>No further risk mitigation required as NEGLIGIBLE RISK has been demonstrated for Particle Boards from Poplar Species sourced from China, and forest of origin has been identified based on information provided by the company.</p>
BV DDS Risk Mitigation Recommended		CONCLUSION (whenever required)
Additional Document Review or Risk Assessment of suppliers	N/A	
Office Audit	N/A	
Field Audit	N/A	
Individual shipment inspection	N/A	
NAME BV DDS RISK ASSESSMENT REVIEWER/AUDITOR		Date Risk Assessment
Hubert de Bonafos		04-Jan-13

BV DDS - Verification statement



BUREAU VERITAS
Certification

BV DDS VERIFICATION

Number: BV-DDS-000001-CN

Issued: 4th January 2013
Valid until: 3rd January 2014

CHANGXING MOUKES SANITARY WARE Co., Ltd.
No.1 XINQIAO ROAD, ECONOMIC DEVELOPMENT ZONE,
CHANGXING COUNTY, ZHEJIANG 313100
PEOPLE'S REPUBLIC OF CHINA

has been verified by Bureau Veritas China against the requirements of the **BUREAU VERITAS DUE DILIGENCE SOLUTION (BV DDS)**. Bureau Veritas China confirms that appropriate due diligence process has been performed through a BV DDS Risk Assessment for the following products:

PARTICLE BOARDS & MDF FROM POPLAR SPECIES SOURCED FROM CHINA

Following a BV DDS Risk Assessment based on a thorough review of relevant documented evidence provided by the company, the above products have been found to present negligible risk.

This BV DDS verification is valid for a period of 1 year.

Date: 4th January 2013
For Bureau Veritas Certification China

Fabien JOLY de BRESILLON
Bureau Veritas China Certification Director

BUREAU VERITAS DUE DILIGENCE SERVICES (BV DDS) and related BV DDS Risk Assessment has been performed independently and in good faith. The company formally declared to provide BUREAU VERITAS CERTIFICATION with accurate, trustworthy and reliable information regarding its suppliers, and Bureau Veritas assessment has been performed based on the documented evidence provided by the company.

This certificate remains the property of Bureau Veritas Certification, all copies or reproductions and the certificate itself shall be immediately returned to Bureau Veritas China on request.

- ▶ The verification statement provides information on:
 - The company
 - The products and supply chain that were verified
 - Tree species involved
 - Country / region of origin
- ▶ Only delivered to Suppliers who can demonstrate that their supply chain presents negligible risk
- ▶ Valid for 12 months (if no change)
- ▶ Registered in the DDS centralized database

Use of an IT platform to record process information



- Secured access with differentiate reading / writing authorizations
- Each step of the process is recorded and verified documents can be enclosed along with audit reports

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AUDIT FORM SEARCH																					
FILTER SELECTIONS																					
RECORDS 1 - 13 OF 13		Page Size: 25																			
Country	Site	Supplier Identification Number	Risk Reviewer	Date of completion of risk assessment	Application Form	Issuance of proposal amendment	Risk Assessment Report	Risk Mitigation Report	Date of acceptance of proposal	Request for Risk Mitigation	Date of Issuance of Application Form	RISK LEVEL	Supplier Tier	Date of start of risk mitigation (all docs received or scheduled audit date)	Date of completion of risk mitigation	Date of upload of BV DDS Certificate	Next Risk Assessment Date	DDS Certificate	Date of reception of all information to perform risk assessment	DDS Status	Upstream Forest Row
Indonesia	Sumatra Timber log Export	4123-4848-2329	Suna Penaga	21/01/2013	BV DDS-SF02-Application Form-Processing & Trading-Final v1.0.xls	29/03/2013	BV DDS-RA01-Risk Assessment-Forest Management-Final v1.0.xls	BV DDS-CK01c-Checklist FM-Field Audit-Final v1.0.xls BV DDS-CK01b-Checklist FM-Office Audit-Final v1.0.xls	05/03/2013	13/02/2013	08/01/2013	Neoliberal Risk	Tier 2	03/03/2013	19/03/2013	31/03/2013	31/03/2014	Certificate.pdf	05/02/2013	Closed	2
China	Beijing Raw Materials Trading	5983-2223-9732	Pei Hokin	14/01/2013	BV DDS-SF02-Application Form-Processing & Trading-Final v1.0.xls	20/01/2013	BV DDS-RA01-Risk Assessment-Forest Management-Final v1.0.xls	BV DDS-CK01b-Checklist FM-Office Audit-Final v1.0.xls	22/01/2013	25/01/2013	07/01/2013	Neoliberal Risk	Tier 2	29/01/2013	11/02/2013	02/03/2013	01/03/2014	Certificate.pdf	09/01/2013	Closed	2
China	Timber of China Ltd	4398-8312-9212	Dei Xiping	24/04/2013	BV DDS-SF02-Application Form-Processing & Trading-Final v1.0.xls BV DDS-SF02-Application Form-Processing & Trading-Final v1.02.xls	15/05/2013	BV DDS-RA02-Risk Assessment-Processing & Trading-Final v1.0.xls				16/04/2013	Neoliberal Risk	Tier 1			03/05/2013	02/05/2014	Certificate.pdf	18/04/2013	Closed	3
Cote d'Ivoire	International Timber Business	4093-2845-9231	Jean-Aimé Eboué		BV DDS-SF01-Application Form-Forest Management-Final v1.0.xls						15/05/2013	Not defined yet	Tier 1							On-going	3
Mexico	Negocio de Madera Mexicano	4327-1232-9999	Ricardo Sánchez	21/05/2013	BV DDS-SF02-Application Form-Processing & Trading-Final v1.0.xls	15/05/2013	BV DDS-RA02-Risk Assessment-Processing & Trading-Final v1.0.xls				11/04/2013	Low Risk	Tier 1						14/05/2013	On-going	1

- This information is centralized and accessible in real-time by our teams over the globe

Thank you!



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