



# European Timber Regulation (995/2010/EC)

## *Bureau Veritas Due Diligence Solution*



*Move Forward with Confidence*



# Bureau Veritas Group at a Glance



- ▶ Created in 1828
- ▶ Based in France, most international French company
- ▶ A global leader in conformity assessment services in the areas of
  - Quality,
  - Health and Safety,
  - Environment,
  - Social Responsibility,
  - Sustainable Development.
- ▶ More than 1'230 offices in 140 countries
- ▶ Over 60,000 skilled employees
- ▶ Servicing 400,000 customers across a wide range of end markets
- ▶ 2011 revenue: €3.4bn

**Americas**

- 153 offices, including 31 laboratories
- 30 countries



**France**

- 165 offices, including 14 laboratories



**EMEA (excluding France)**

- 388 offices, including 45 laboratories
- 77 countries



**Asia-Pacific**

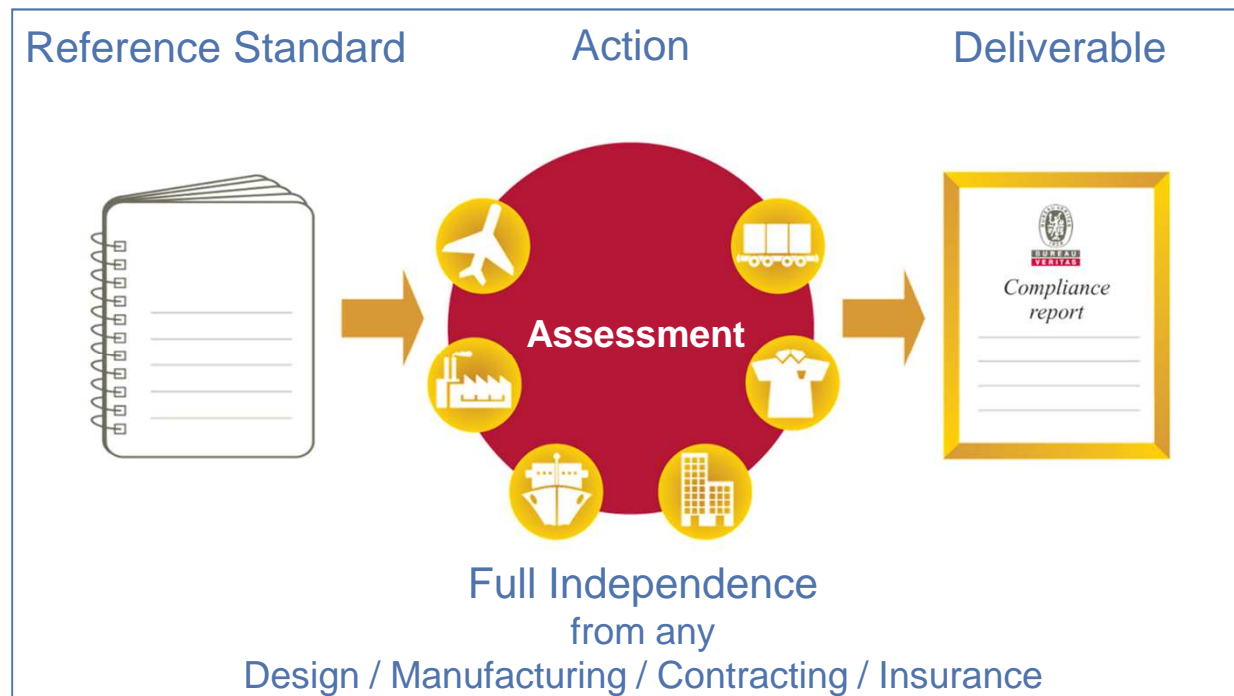
- 205 offices, including 66 laboratories
- 37 countries



## Our Profession : QHSE Compliance

“ Bureau Veritas helps its clients to improve their performances by offering services and innovative solutions in order to ensure that their products, infrastructures and processes meet standards and regulations ”

**Quality – Health – Safety – Environment – Social Responsibility**



# Bureau Veritas Certification: N°1 worldwide



More than  
**80,000** companies  
certified worldwide

Operating in over  
**100** countries

Over **100,000**  
certificates delivered

A **wide range** of  
certification  
and auditing solutions



**Provider**  
of world-class  
companies

Recognized by more  
than **40** national  
and international  
accreditation bodies

Over **5,700** highly trained  
and experienced auditors

# Bureau Veritas Certification portfolio



- ▶ QHSE Management System Certifications ▶ ISO 9001, ISO 14001, OHSAS 18001, EMAS...
- ▶ Sector- Specific Solutions and Management Systems ▶ Automotive, Aerospace, Railways, Food, Medical, Cosmetics, Oil & Gas, IT, Telecom...
- ▶ Supply Chain and Risk Management Solutions ▶ ISO 27001, ISO 28000, BS 25999, ISO 31000...
- ▶ Corporate Responsibility and Sustainable Development ▶ SA8000, ASR, CAP 26000, ISO 50001...  
▶ CDM/JI, EU ETS, Carbon Footprint, Biofuels...
- ▶ 2<sup>nd</sup> party audits and customized audit solutions ▶ Development of audit programs and certification schemes
- ▶ Training and certification of personnel/competencies ▶ IRCA training, all kinds of Management systems mentioned above

## Sustainability Certification Portfolio

## GHG Portfolio

<b>Forest Management</b>	▶ FSC ▶ PEFC ▶ OLB	<b>Wood Chain of Custody</b>	▶ FSC ▶ PEFC ▶ OLB	<b>Kyoto Protocol (UNFCCC)</b>	▶ CDM ▶ JI ▶ GIS
<b>Organic and Eco-Labels</b>	▶ EU Organic Label ▶ EU Ecolabel ▶ Paper-by-Nature	<b>Social accountability</b>	▶ ISO 26000 ▶ SA 8000 ▶ ASR	<b>EU ETS</b>	▶ Verification of emission reports
<b>Resource management</b>	▶ ISO 50001 ▶ Biomass and biofuels sust.	<b>Sust. Food resource and Organic</b>	▶ Global GAP ▶ MSC ▶ Sust. Aquaculture	<b>Non Kyoto GHG portfolio</b>	▶ ISO 14064 ▶ PAS 2050 ▶ VCS



## Understanding the European Regulation



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# What is legal timber ? Why is EU regulating ?

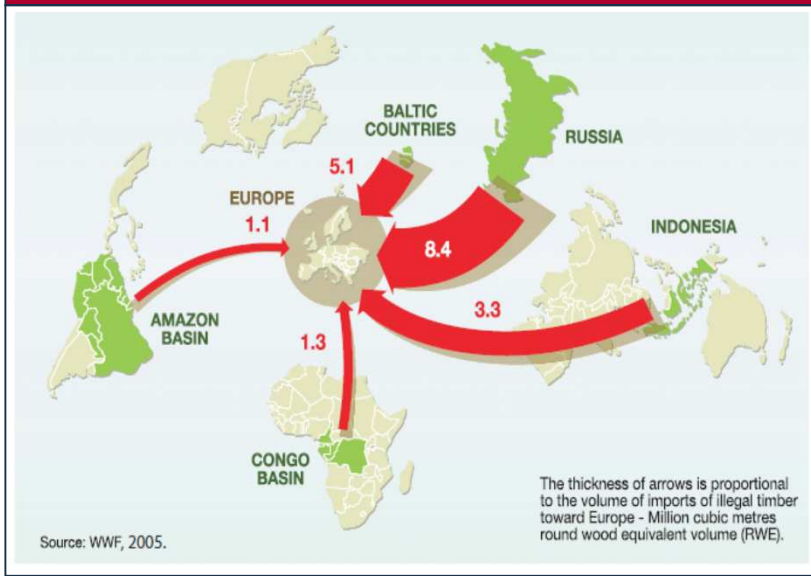
- ▶ Wood is a natural resource, managed by local authorities, delivering harvest permits according to local forestry laws
- ▶ Local authorities collect taxes and manage the balance between local development and preservation of nature
- ▶ European Union can only influence by regulating its own market (EUTR) and supporting development of exporting countries with bi-lateral agreements (FLEGT)

## What is illegal timber ?

Timber harvested in contravention with local regulations on forestry and trade of wood materials.

Based on local law.

## EU is the first destination of illegal wood



- ▶ Illegally harvested wood represents
  - between 10 to 30% of global wood trade
  - 40% of tropical wood are harvested illegally
  - 16 to 19% of wood imported in EU is from illegal origin
- ▶ Negative impacts on illegal trade of wood :
  - Major environmental damage (deforestation, biodiversity loss..)
  - Financing of conflicts and corruption
  - Loss of tax collection for exporting areas
  - Unfair competition to legal operations

# A twofold action plan to eradicate illegal timber in Europe



- ▶ Since 2003, the European Union has set a policy to eradicate trade of illegal wood : FLEGT, and engaging stakeholders (exporting countries, NGOs, industrials ..)
- ▶ 2 streams of actions :

- A** ▶ Voluntary Partnership Agreements (VPA) : bilateral agreement between EU and exporting countries, aiming at helping exporting countries strengthening the control of their forestry industry.
- ▶ Will trigger issuance of **FLEGT licenses** to demonstrate legal origin at importation.

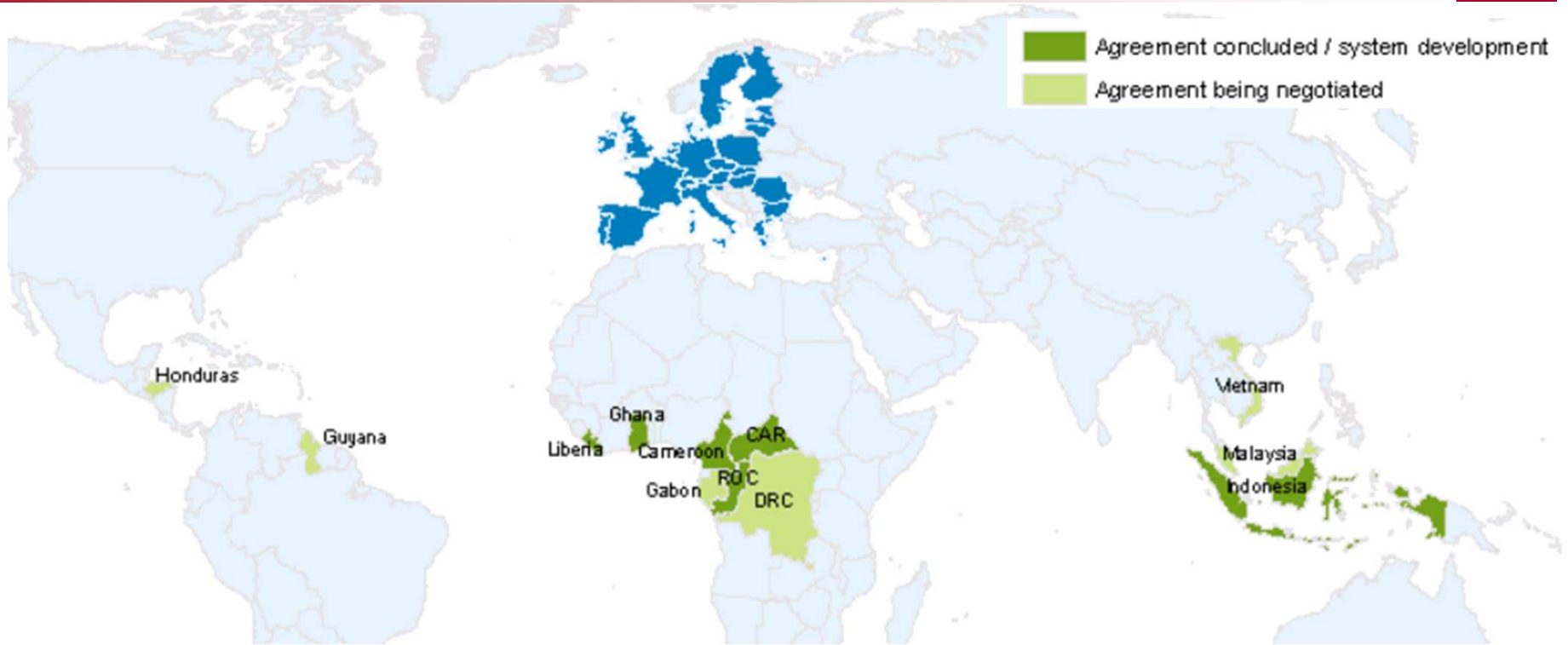
- B** ▶ **European Timber Regulation (n°995/2010/CE)**, regulating European companies “placing wood on the market”
- ▶ A similar approach is required in USA (Lacey Act, 2008) and Australia (Illegal Logging Prohibition Bill, 2012)

Source : European Commission



# A

## FLEGT (Forest Legality Enforcement, Governance and Trade) Status of Voluntary Partnership Agreements



Source : European Forest Institute

- ▶ First agreements signed with Ghana, Cameroon, Central African Republic, Republic of the Congo, Liberia, Indonesia
  - Objective : issuance of FLEGT licenses before march 2013 will most likely be failed
  - Very difficult implementation (law and governance, technical and organization issues)
- ▶ Late implementation of current agreements
- ▶ Slow negotiations and reject of other countries
- ▶ Risk for operators sourcing from VPA countries, as no mean will be provided to guarantee legal harvest before full operation of local FLEGT systems.



# European Timber Regulation (n°995/2010/CE) - EUTR



Legal document

- ▶ **European Regulation** : applicable directly to all European Economic operators, controlled by Members states

Application

- ▶ As of March 3rd, 2013

Who is concerned ?

What obligations ?

**“Operators”** : Any natural or moral person placing timber or timber products on the European market

Who are they ?

Importers (manufacturing, retail), and European foresters

- ▶ Obligations

1. Prohibited to place illegally harvested timber and any derived products on the market (obligation of result)

2. Exercise due diligence when placing timber and derived products on the market (obligation of means)

**“Traders”**: Any natural or moral person buying or selling timber products already on the European market

- ▶ Obligations

Minimal requirement of traceability (identification of suppliers and clients)

Source : European Commission

# EU Mandatory Due Diligence Requirements (995/2010/EC)

## Products in the scope of the Regulation



- ▶ **Roundwood and raw materials**
- ▶ 4401 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
  - 4403 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared
- ▶ **1st transformation**
  - 4406 Railway or tramway sleepers (cross-ties) of wood
  - 4407 Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm
  - 4408 Sheets for veneering [...], for plywood or for other similar laminated wood and other wood [...] of a thickness not exceeding 6 mm
  - 4409 Wood [...] continuously shaped [...] along any of its edges, ends or faces, whether or not planed, sanded or end-jointed
  - 4410 Particle board, oriented strand board (OSB) and similar board of wood or other ligneous materials, whether or not agglomerated [...]
  - 4411 Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances
  - 4412 Plywood, veneered panels and similar laminated wood
  - 4413 00 00 Densified wood, in blocks, plates, strips or profile shapes
- ▶ **2<sup>nd</sup> transformation**
  - 4414 00 Wooden frames for paintings, photographs, mirrors or similar objects
  - 4415 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.)
  - 4416 00 00 Casks, barrels, vats, tubs and other cooperers' products and parts thereof, of wood, including staves
  - 4418 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 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap)
  - Wooden furniture
  - Prefabricated buildings
- ▶ **Products exempted**
  - Certain kinds of seats and sofas
  - Toys,
  - Printed paper (books, newspapers, pictures ...)
  - Cork and derived products
  - Medical, dentist and veterinary furniture
  - Tools (including wooden handles, brushes, brooms,..)
  - Lamps and lighting
  - Pens and pencil,
  - Pieces of art
  - Musical instruments
  - Clocks and watches
  - Waste products
- ▶ A detailed recap list is given on this website : <http://www.cpet.org.uk/eutr/timber-and-timber-products>

# What is the obligation of due diligence ?

## How to proceed ?

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▶ 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

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

▶ 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 Monitoring Organization recognized capable by the European Commission

Source : European Commission

# What controls ? What risks ?

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- ▶ Each European Member state will develop a control plan on its local operators. These plans are currently in preparation.
  
- ▶ *A priori*
  - *Priorities in the control will be set in terms of :*
    - *Size, nature of activity, current of certification, use of a due diligence system of an MO*
    - *No control during importation (except for FLEGT materials) – not a custom-based regulation*
  
  - *Operators will be assessed for their ability to meet their obligations :*
    - *Obligation of means : exercise of due diligence (robust and reliable system)*
    - *Obligation of results : no illegal timber*
  
- ▶ Legal risks / penalties :
  - Defined by each EU member state :
  - Fines based on : value of goods,
  - loss of tax from exporting countries
  - Seizure of products
  - Suspension of commercial activity
  
- ▶ Non legal risks :
  - Image / reputation

Source : European Commission, French Ministry of Agriculture

# 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:

- 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;
- 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;
- 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;
- 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

- Are these products in the scope of certification of my supplier ?



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](#)<sup>6</sup>, 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



## Our answer to the EUTR

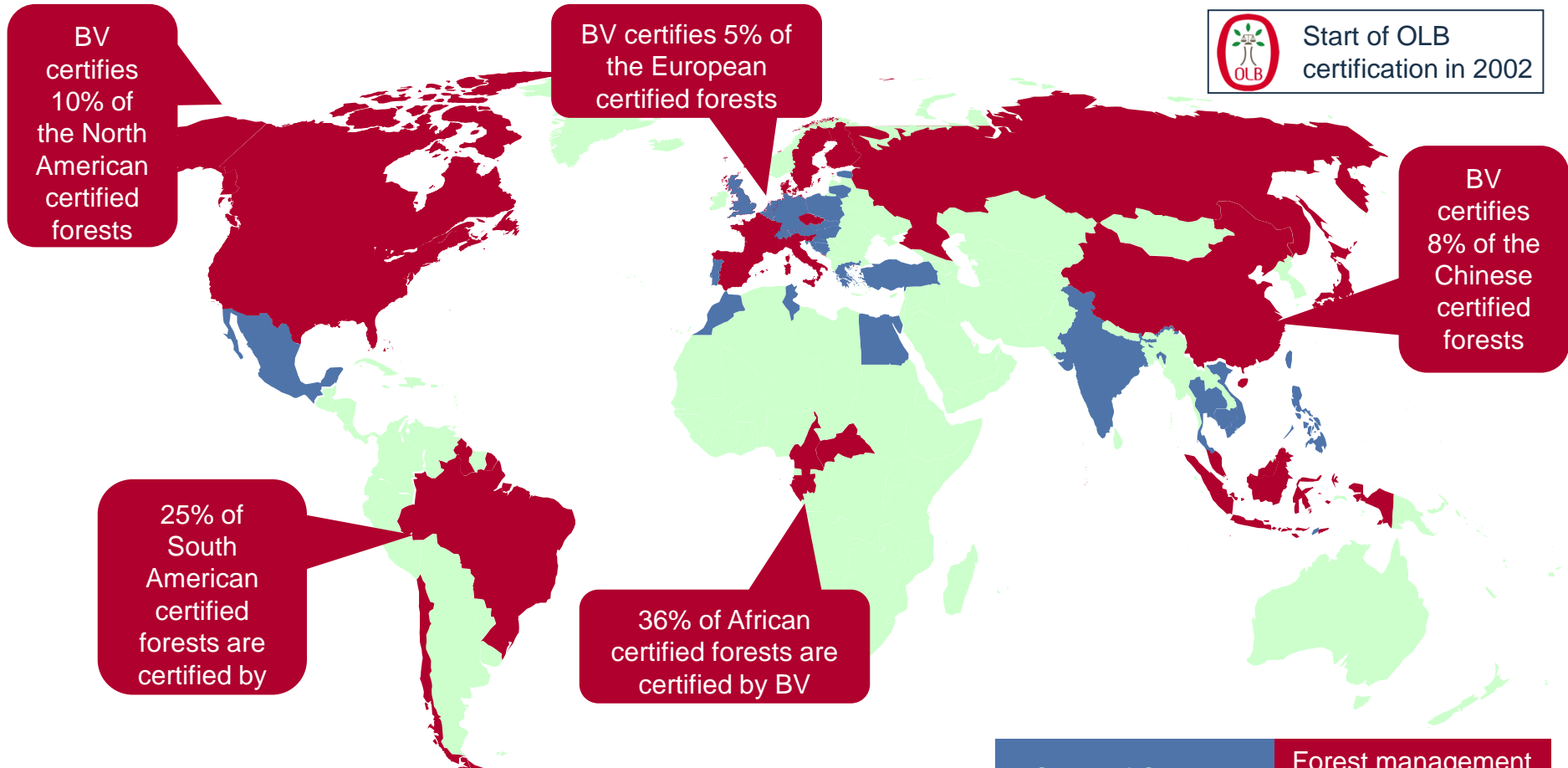


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# Our network and expertise in Forest Management and Chain of Custody certification are the foundation of our legitimacy to respond to the EUTR



- ▶ 2<sup>nd</sup> global operators, in more than 45 countries
  - 32 mha (8% of global certified forests)
  - 3300 CoC certificates (11% of Chain of Custody certificates)
- ▶ Strong knowledge of local harvest and trade regulations, and experience of field conditions
  - Local auditors with local language ability and knowledge of forestry regulations



# Bureau Veritas can support your compliance to EUTR



## 1/ Bureau Veritas Due diligence System (BV DDS)

- Validation of your suppliers (risk assessment and risk mitigation)
- Project management and reporting of the assessment campaign
  - Communication to suppliers and dissemination / follow-up
  - Logistics and administration of validations abroad
- Access to database of validated suppliers

Objectives : Conformity with the EUTR

- Demonstrate compliance of your procurement.
- Identify risky products and potential substitution

*Our due diligence system is in process of **recognition by the European Commission***

## 2/ Side services to support compliance to EUTR :

- Certification OLB / FSC / PEFC or gap analysis audits  
=> These audits can be integrated with mitigation actions of BV DDS
- Customized supplier audit  
Conformance criteria can be jointly defined

**Over 10 years  
experience with  
legality issues globally**

**Risk assessment and  
risk mitigation are  
performed by our local  
staff, in the place of  
harvest of  
transformation**

**Global reach thanks to  
our global network of  
auditors**

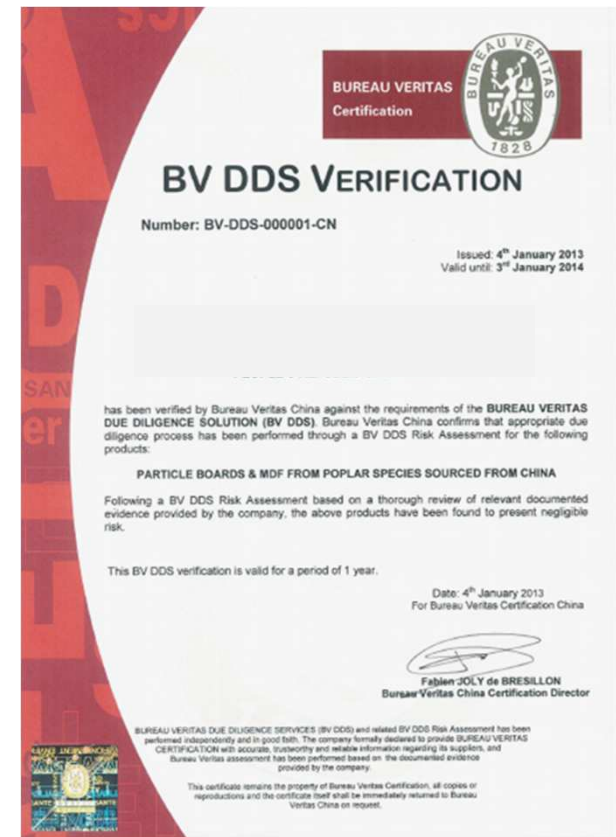
**Central coordination of  
the due diligence  
process**

# What is our Due Diligence System made ? How does it work ?



- ▶ Bureau Veritas is outsourced the due diligence of suppliers, and performs verification as per BV DDS procedures, under assessment by the European Commission
- ▶ Bureau Veritas manages the contact with suppliers (and the supplier of your supplier if needed) to ensure the legal origin of goods to be imported to Europe.
- ▶ After collection the suppliers information on an IT system, BV staff perform assessment of the supplier based on this information
- ▶ Once the assessment is completed, our staff shares its conclusions with the suppliers and communicates the results through the IT system
- ▶ Companies are validated as risk negligible for a given scope of materials sourced. Products can be sourced with negligible risks.
- ▶ All information on this process is documented and recorded, ready for any control by the authorities.
- ▶ Due diligence based on the cascading of the risk assessment to suppliers, and mutualization of costs

*Suppliers granted a verification statement valid for 1 year. They can use it with all of their clients*



BV DDS 1st license : Particle Board and MDF from Poplar sourced in China

# About risk assessment & mitigation

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## Risk Assessment

- ▶ Risk assessment performed by local technicians (local language and knowledge of regulatory issues),
- ▶ Mostly based on availability of information
- ▶ Risk criteria are defined in our procedures, approved by the European Commission, mostly based on :
  - Company type : Size, Company legal status, Payment of taxes
  - Country of origin of the materials, legal authorizations
  - Products : tree species, origin, Supply chain complexity : nb of links, certificate (OLB or FSC or PEFC)

## Risk mitigation

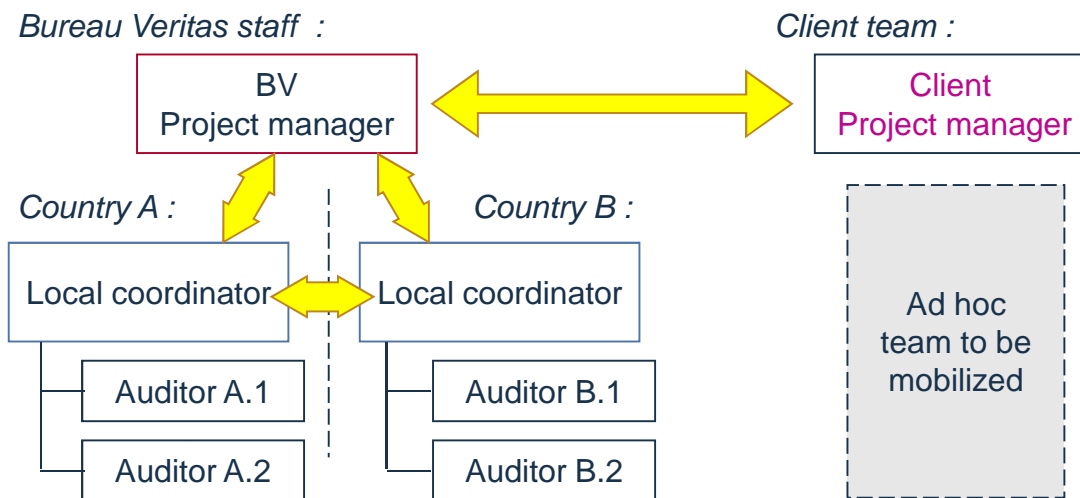
- ▶ Additional investigation to confirm the product is risk negligible
- ▶ Risk mitigation performed by local auditors (language and knowledge issues),
  - Office or field audits by OLB / FSC / PEFC auditors

## Note :

Risk mitigation of a tier-1 supplier may require risk assessment of a tier-2 supplier, and so on, until sufficient evidence of legal harvest can be proven

## Reach of global BV Network, central coordination of the process

- ▶ Relying on current OLB / FSC / PEFC experience
  - Network of 40+ countries, including all key regions
- ▶ Central coordination of the process by our teams
  - Management of transnational validation campaigns
  - Hotline / support available on technical questions
- ▶ Supervision by Project Management team in France + competence center based in China



# Benefits of our Due Diligence System



- ▶ Due diligence process outsourced to an independent and competent body recognized by the European Commission



- ▶ Global reach thank to our global network of auditors : local language and regulatory knowledge



- ▶ Mutualization of cost and engagement with suppliers, progressive



- ▶ Credible approach and support in case of control by authorities



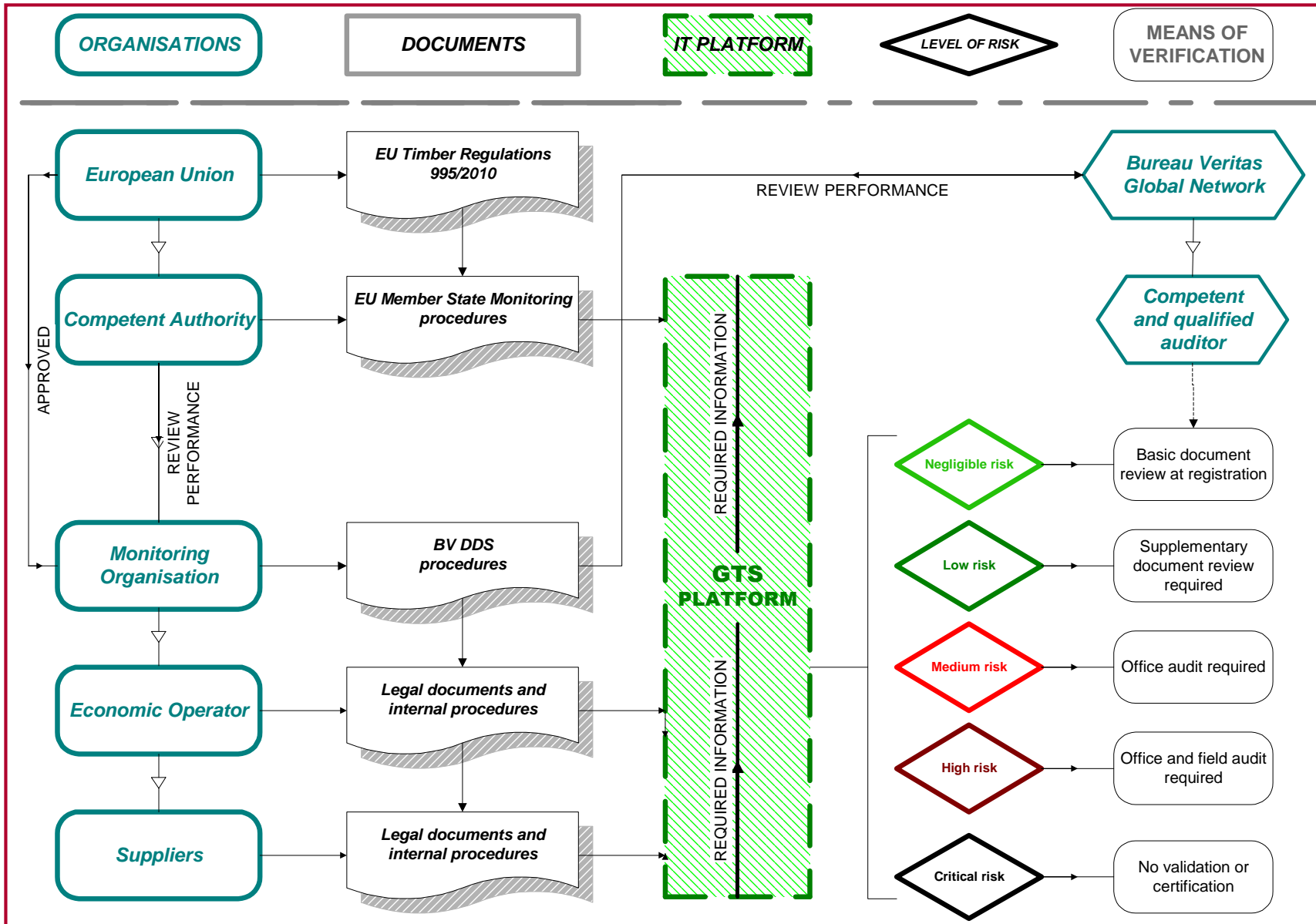


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# ***APPENDIX***

# Structure of Bureau Veritas Due Diligence System



## EU Requirements; Risk assessment criteria



### EU Requirements; 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.



# BV DDS; Risk assessment



## BV DDS-PRO-01; Risk assessment criteria

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

Risk level 1: **Negligible risk**; company based in EU country, trading activities only, all legal documentation available, all production data fully available per species and per product, no protected timber species or timber product traded.

Risk level 2: **Low risk**; based in low risk country outside of EU (FLEGT VPA), trading activities only most legal documentation available, most production data available, no protected timber species or timber product traded.

Risk level 3: **Medium risk**; based in non FLEGT country outside of EU, production activity, most legal documentation available, most production data available, no protected timber species or timber product traded.

Risk level 4: **High risk**; based in non FLEGT country outside of EU, forest management, most legal documentation available, but most production data missing, no protected timber species or timber product traded.

Risk level 5: **Critical risk**; Some of required legal documents are missing or most production data is missing, and protected or controversial timber species or timber products could be traded.

## BV DDS; Risk mitigation



### BV DDS-PRO-01; Risk assessment & mitigation

BV DDS Risk assessment framework will result in the application of 5 levels of risk mitigation measures to ensure legal origin of timber and timber products

Risk level 1: **Negligible risk** – Only registration on GTS Platform required

Risk level 2: **Low risk** – Registration on GTS Platform and document review required

Risk level 3: **Medium risk** – Registration on GTS Platform, document review and office audit required

Risk level 4: **High risk** – Registration on GTS platform, document review, office and field audit required

Risk level 5: **Critical risk** – Registration on GTS platform, document review, office audit, field audit and shipment inspection required