



Case study – fictive scenario



April 2021



FLEGT-REDD+ project
FONDS FRANÇAIS POUR
L'ENVIRONNEMENT MONDIAL





GOOD WOOD

Monthly team meeting

April 7, 2021

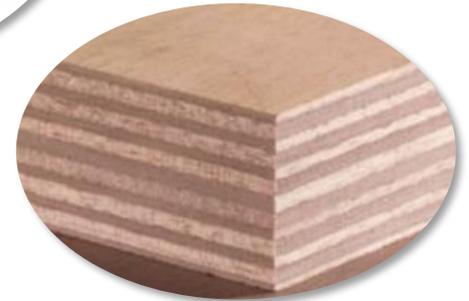
Ms. Woodry, CEO

Welcome!

Let's start our meeting!

The first item on the agenda is our decision to expand our product range. We want to offer our customers tropical wood panels.

In particular, I would like to be able to offer several qualities, including solid wood, plywood and veneered MDF.



Ms. Somil, Quality Director



There are two things I would like to remind everyone.

Firstly, our company policy gives top priority to certified products.

We can make exceptions only when no similar products are available on the market.

Indeed, here is our comparative table of possible approaches, considering our supplies from many countries with risks of illegality linked to practices on the ground.





	Non-certified supply chains	Certified supply chains
Level of efforts	Higher	Lower
	<i>Complete document collection Programming field missions</i>	<i>Reduced document collection Less direct field missions</i>
Competency / quality	Lower	Higher
	<i>Basic in-house knowledge on all forestry contexts</i>	<i>Expert auditors familiar with their environment Independence & monitoring</i>
Cost	Higher	Lower
	<i>Required field missions are very likely - high cost</i>	<i>Additional costs smoothed out and distributed among all the entities involved</i>

Ms. Somil, Quality Director



Secondly, for any new product we place on the market, we must apply our Due Diligence System in accordance with the applicable Regulation.



M. Desfauret, Regulatory Compliance Officer



I suggest a three-step action plan.

1. Find the right products and suppliers.

That's up to the sales team.

2. Ensure that the certification scheme for the identified products is integrated within our DDS. If necessary, update the DDS. I will handle it.

3. Apply our DDS to products in order to validate a low risk of illegality before they are placed on the market. We will do it together.

M. Desfauret, Regulatory Compliance Officer



Let's start working on plywood.



Sales team

We are aware of a panel manufacturer located in China. He has a very good reputation.

Their website mentions Okoume plywood.

We can choose between:

- FSC 100%
- FSC Mix 70%
- FSC Controlled wood



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



Our DDS already includes the use of FSC certified products.

In particular, we must demonstrate that the FSC system:

- Is robust and complies with the quality criteria defined by the EUTR
- Enables traceability and control of materials throughout the supply chains
- Covers the 5 relevant legal categories



PLYWOOD

1. Product identification

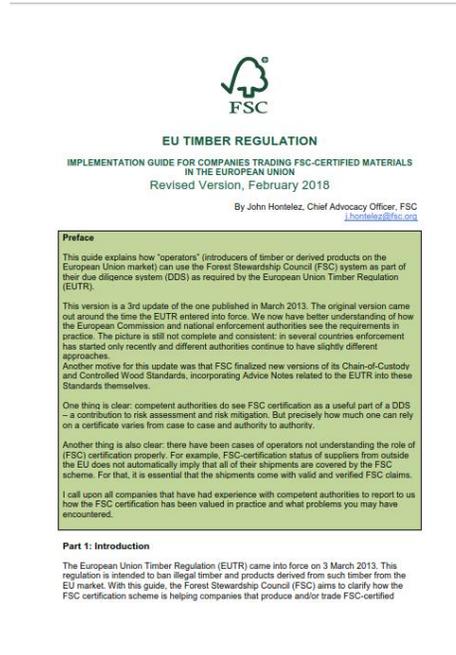
2. DDS update

3. Application du SDR

Regulatory Compliance Officer



PLYWOOD



Therefore, our procedures refer to the FSC guidance which includes these elements.

1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



We also need to pay attention to cases where there are possible shortcomings / problems in specific countries.

We found that documented weaknesses often occur in highly corrupt countries.



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

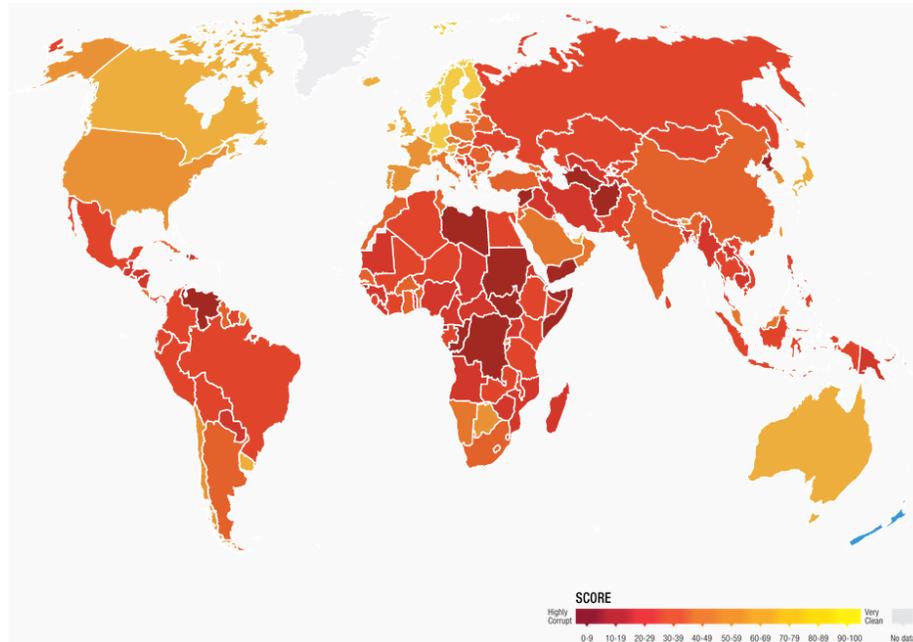
Regulatory Compliance Officer

To facilitate our work, we have taken the decision to strengthen the checks for countries of harvest with a CPI below 45.



CORRUPTION PERCEPTIONS INDEX

2020



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



Here is our decision tree for certified products,
including FSC.

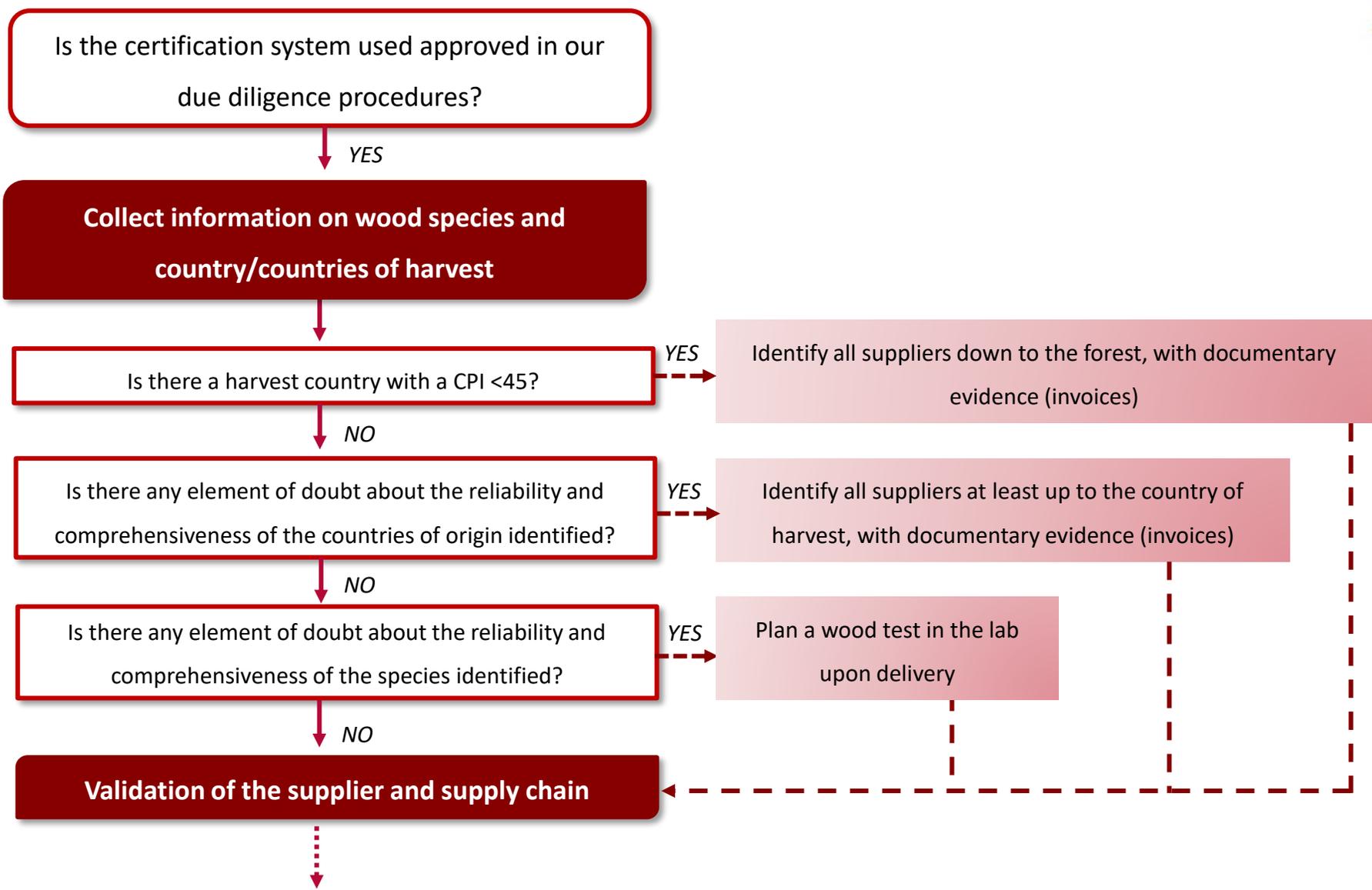


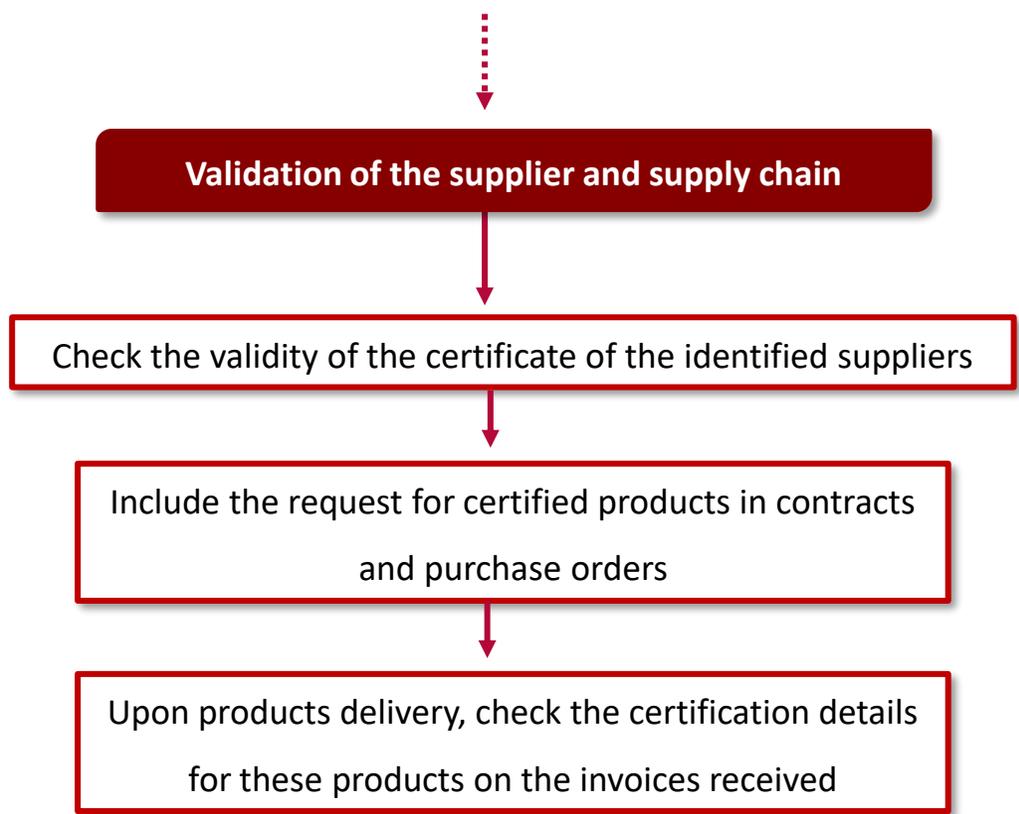
PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR





Regulatory Compliance Officer



PLYWOOD

Is the certification system used approved in our due diligence procedures?

YES

I confirm that this first condition is verified for the FSC system.



1. Product identification

2. DDS update

3. Application du SDR

Sales team



PLYWOOD

Let's call the supplier to find out about the species and the countries of harvest.

The Okoume in our panels comes from Gabon. Some of the inner layers are made of poplar from other countries. I am sending you a summary table.



Dehua TB



! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

Sales team

Here is the email.

Re: Composition of plywood panels Reply Reply All Forward ...

From : Dehua TB
To : Good Wood 07/04/2021

Please find below the details for species and countries of harvest about our panels. Attached are some additional documents about those supplies.

FSC 100%	Poplar <i>Populus deltoides</i> Origin: China	Oukoume <i>Aucoumea klaineana</i> Origin: Gabon
FSC Mix 70%	Poplar <i>Populus tremuloides</i>	
FSC CW	Origin: USA	

! FICTIVE EXAMPLE !



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Sales team

Here is a first attached document.

INVOICE

From: TGI - Gabon

To: Dehua TB - China

Date: 24 September 2020

Description	Unit Price	Qty	Total
Peeled Veneer FSC 100% BV-COC-109734		200	
GRAND TOTAL			



PLYWOOD

! FICTIVE EXAMPLE !

1. Product identification

2. Mise à jour du SDR

3. Application du SDR

Sales team

And here is a second.

INVOICE

From: CEB - Gabon

To: TGI - Gabon

Date: 03 August 2020

Description	Unit Price	Qty	Total
Logs FSC 100% BV-FM/COC-840169		200	
GRAND TOTAL			



PLYWOOD

! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

Sales team & quality



PLYWOOD



Gabon's CPI is 30.

According to our procedures, we must have a clear and documented supply chain up to the forest.

With the documents received, this is indeed the case.



DEHUA TB

China – Manufacturer

FSC Code?

TGI

Gabon – Peeling factory

BV-COC-109734

CEB

Gabon – Forest Management Unit

BV-FM/COC-840169

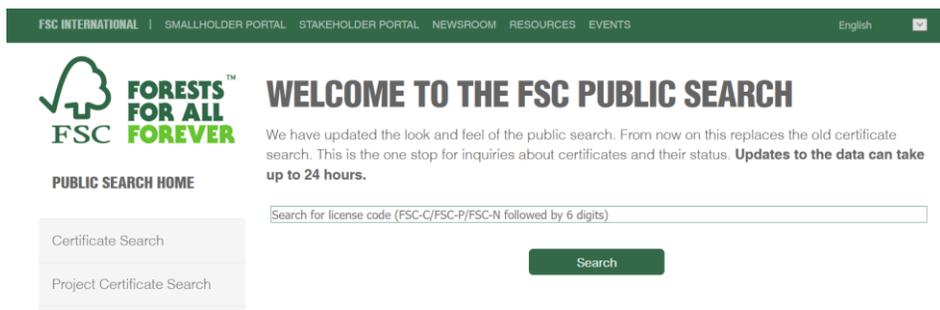
! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

Sales team



Let's check the validity of the FSC certificates of these three suppliers.

DEHUA TB

China – Manufacturer

FSC Code?

TGI

Gabon – Peeling factory

BV-COC-109734

CEB

Gabon – Forest Management Unit

BV-FM/COC-840169

! FICTIVE EXAMPLE !



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Do we have more information about the poplar component?

No. We have not received anything about this.

Let's be vigilant. Recent FSC investigations have highlighted violations of the system by Chinese companies marketing plywood with tropical wood faces.



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR



Forest
Stewardship
Council®

Action on Potential Fraud in Plywood Supply Chains

FSC suspends and terminates several FSC certificates in the plywood supply chain.

January 4, 2021



PLYWOOD



1. Product identification

2. DDS update

3. Application du SDR

Does this mean that the whole system is discredited and unusable?

Not at all!

On the one hand, it is clear that the system itself incorporates actions to combat fraud and misuse. This is rather a good sign.

We just need to be aware of the particular cases and contexts where this is likely to happen.

This is why our procedures require enhanced traceability for certain countries.



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Yes. So let's follow our procedures.

For the Chinese poplar (CPI = 42), we will ask for the traceability of all entities up to the forest, backed with sample invoices.

For the US poplar, we will request traceability of all entities up to the US exporter.



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR

Based on these elements, we will make a decision on which product to choose.

FSC 100%	Poplar <i>Populus deltoides</i> Origin: Chine	Oukoume <i>Aucoumea klaineana</i>
FSC Mix 70%	Poplar <i>Populus tremuloides</i>	Origin: Gabon
FSC CW	Origin: USA	

Can we really trust « Controlled Wood » (CW) products ?

! FICTIVE EXAMPLE !



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR



PLYWOOD

CW products are a bit peculiar.

Firstly, they can only be sold with a certification claim between certified companies.

This status will not be communicated to the final consumer.

Here are the claims that can be found on labels.



1. Product identification

2. DDS update

3. Application du SDR



PLYWOOD

1. Product identification

2. DDS update

3. Application du SDR



PLYWOOD

CW products may come from a CW-certified forest, which therefore complies with legality criteria – but not with as many sustainable management criteria as a FM-certified forest.

More commonly, they may come from a non-certified forest. In this case, they have been subject to a legality risk assessment by a qualified entity of the supply chain.

This entity will have an FSC CW certification code. Here is an example.



FSC FORESTS FOR ALL FOREVER

CERTIFICATE

Information from 2021/03/31 - 9:46 UTC
Certificate Code **DNV-COC-001077**
License Code **FSC-C125195**
Controlled Wood Code **DNV-CW-001077**

[PUBLIC SEARCH HOME](#)

1. Product identification

2. DDS update

3. Application du SDR



PLYWOOD

This entity will have to comply with a specific standard for this, and will be audited on this basis.

Overall, the FSC Controlled Wood standard is setting a similar approach to the one of an operator placing wood on the European market.

The aim is to ensure the legality of the wood through a risk assessment approach.

Buying CW certified timber therefore means that the risk of illegality has already been assessed by another actor in the chain.



1. Product identification

2. DDS update

3. Application du SDR



PLYWOOD

Regarding the risk of illegality in the country of harvest, we can therefore conclude that the risk is "low", regardless of the certification claim.

Anyhow, let's wait for the requested traceability documents to mitigate the risk of false declaration.

Finally, apart from our regulatory obligations, we can make a decision depending on if we want to favour the share of wood coming from certified sustainably managed forests.



1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



Now let's look at the possibilities of sourcing solid wood panels.



I suggest targeting wood from Cameroon.

Let's look at the availability of the resource directly on the online databases of forest certification schemes operating in the region.



SOLID WOOD



1. Product identification

2. DDS update

3. Application du SDR

We already have a pre-selection of companies.

Let's ask a local sales agent to suggest something and take care of the paperwork.

I can offer you OLB certified wood. I will send you a proforma invoice.



Agentimber



SOLID WOOD

! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR



SOLID WOOD

Is the certification system used approved in our due diligence procedures?

OUI

Our system does not yet include OLB certification.

I will look for assessment evidence to justify its compliance with EUTR criteria.

I will update our DDS according to these elements.

1. Product identification

2. DDS update

3. Application du SDR



Here is the document received from the agent.

PROFORMA INVOICE

From: Agentimber, Cameroon

To: Good Wood, UE

Date: 7 April 2021

Description	Unit Price	Qty	Total
Sawn <u>Azobe</u> (<u>Lophira alata</u>)		1	
GRAND TOTAL			



SOLID WOOD

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

There is no mention of certification on the invoice.

Moreover, our agent does not appear in the OLB database of chain of custody certified companies.

 <p>Bureau Veritas Certification 92937 Paris La Défense www.certification.bureauveritas.fr</p>	<p>Liste des organismes certifiés OLB Chaîne de contrôle <i>Chain of custody enterprise OLB certified bodies list</i></p>	<p>Date de mise à jour : 04 August 2020 Version : 2.20 Réf : DO 071005A</p>
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It will therefore be a broken chain of custody.

! FICTIVE EXAMPLE !



SOLID WOOD

1. Product identification

2. DDS update

3. Application du SDR

In any case, we need to map the supply chain up to the OLB certified forest(s).

A sample of invoices with OLB claims from the Forest management enterprise to Agentimber will therefore be required.



Agentimber

I'm taking care of it.

! FICTIVE EXAMPLE !



SOLID WOOD

1. Product identification

2. DDS update

3. Application du SDR

We have received all the documents requested from Agentimber.



PROFORMA INVOICE

From: SIENCAM - Cam

From: SIENCAM - Cameroon

To: Agentimber - Cameroon

OLB-CERT/FC-170801

OLB-CERT/FC- 10988585

Date: 07 April 2021

Date: 19 February 2021

Description

Sawn timber OLB
Origin: UFA 00 004

Azobé - Lophira alata

Description	Unit Price	Qty	Total
Sawn timber OLB Origin: VC 07 02 114 <u>Azobé - Lophira alata</u>		1	
GRAND TOTAL			



Upon delivery of the products, we will complete our DD records with :

- The final invoice from Agentimber
- Available export documents

! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

SOLID WOOD



With these invoices, traceability is confirmed between the forest and Agentimber.

After review, I consider that the OLB system does cover the relevant legal categories and meets the EUTR criteria.
At the forest level, there is therefore no risk of illegality as robust third party verifications are conducted.



SOLID WOOD

! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

Agentimber does not take physical possession of the timber.
It will travel directly from the sawmill to us.

And we will not buy a product with a
certification claim from Agentimber.
We will not be able to sell this product with
a certified claim to our customers.

I leave it to you to see if this has a commercial impact.
As far as I'm concerned, it doesn't change the risk of
illegality since the risk of mixing with wood from
another non-certified forest is low..

! FICTIVE EXAMPLE !



SOLID WOOD

1. Product identification

2. DDS update

3. Application du SDR



Quality Director



Where we are with veneered MDF?



Sales team



We have located a manufacturer in Vietnam.
They says they have PEFC certified panels.

They must send us a proforma invoice.



VENEERED MDF

! FICTIVE EXAMPLE !

1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



The PEFC system is already integrated into our due diligence procedures.

The decision tree is the same as for FSC products.

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Here is their email. Let's open the attachment

Re: Proforma invoice Reply Reply All Forward ...

From : Best Pannels VN
To : Good Wood  07/04/2021

Please find attached a proforma invoice.

PROFORMA INVOICE

From: Best PANNELS - Vietnam

To: Good Wood – UE



Date: 07 April 2021

Description	Unit Price	Qty	Total
Veneered MDF with <u>Anigre</u> face		1	
GRAND TOTAL			



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

It's strange, there is only a PEFC logo. There is no certification claim clearly linked to the product, nor a certificate code.

PROFORMA INVOICE

From: Best PANNELS - Vietnam

To: Good Wood – UE



Date: 07 April 2021

Description	Unit Price	Qty	Total
Veneered MDF with <u>Anigre</u> face		1	
GRAND TOTAL			



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Let's check if this factory is listed in the official PEFC database.



VENEERED MDF

The screenshot shows the PEFC website's search interface. At the top, there is a green navigation bar with the PEFC logo and menu items: WHAT WE DO, WHAT YOU CAN DO, FOR BUSINESS, STANDARDS & IMPLEMENTATION, and DISCOVER PEFC. Below the navigation bar, the page title is 'Find Certified' with a 'Print results' button. A search input field contains the placeholder text 'Logo license number, certificate number or company name'. Below the input field are two buttons: 'Search' and 'Use the Advanced Search'.

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



Best PANNELS

Indeed, we buy certified products but we are not ourselves certified.

Another broken chain of custody?
Let's ask for clarifications on the origin of the wood and the species.

Let me send you sample invoices from our suppliers.



Best PANNELS



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Here is what we have received for MDF.



INVOICE

From: EGGER – Gagarin

To: Best PANNELS, Vietnam

Date: 20 June 2020

Description	Unit Price	Qty	Total
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MDF

INVOICE

From: EGGER – Wismar

To: Best PANNELS, Vietnam

Date: 15 October 2020

Description	Unit Price	Qty	Total
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MDF
70% PEFC
PEFC/06-38-171

[REDACTED]

316

[REDACTED]

GRAND TOTAL

GRAND TOTAL

[REDACTED]



VENEERED MDF

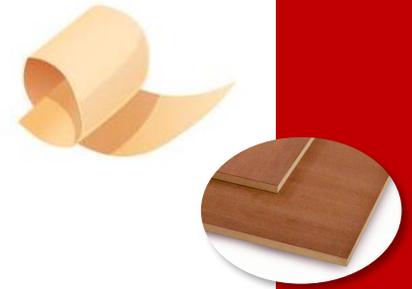
1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

For one of them, I can see the certification claim and code. For the other invoice, it seems that the products are not certified.



INVOICE

From: EGGER – Gagarin

To: Best PANNELS, Vietnam

Date: 20 June 2020

Description	Unit Price	Qty	Total
MDF			
GRAND TOTAL			



INVOICE

From: EGGER – Wismar

To: Best PANNELS, Vietnam

Date: 15 October 2020

Description	Unit Price	Qty	Total
MDF		316	
70% PEFC PEFC/06-38-171			
GRAND TOTAL			



VENEERED MDF

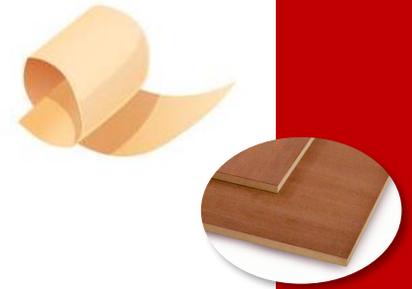
1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

If I understand correctly, there are two factories of the same group that send out panels.



INVOICE

From: EGGER – Gagarin

To: Best PANNELS, Vietnam

Date: 20 June 2020

Description	Unit Price	Qty	Total
MDF			
GRAND TOTAL			



INVOICE

From: EGGER – Wismar

To: Best PANNELS, Vietnam

Date: 15 October 2020

Description	Unit Price	Qty	Total
MDF		316	
70% PEFC PEFC/06-38-171			
GRAND TOTAL			



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Let's check this in the official PEFC database.



VENEERED MDF

The screenshot shows the PEFC website's search interface. At the top, there is a green navigation bar with the PEFC logo and menu items: 'WHAT WE DO', 'WHAT YOU CAN DO', 'FOR BUSINESS', 'STANDARDS & IMPLEMENTATION', and 'DISCOVER PEFC'. Below the navigation bar, the page title is 'Find Certified'. A search input field contains the placeholder text 'Logo license number, certificate number or company name'. Below the input field are two buttons: a green 'Search' button and a white 'Use the Advanced Search' button. A 'Print results' button is also visible in the top right corner of the search area.

1. Product identification

2. DDS update

3. Application du SDR

Regulatory Compliance Officer



For my part, I went to the group's website and found a statement on the species and origins of all their products.

The document is dated October 2020 and is therefore up to date.

Let's go and see the two factories in question.

MORE FROM WOOD.

QUALITY MANAGEMENT ISO 9001
Manufacturer Declaration - Timber origin



Coding: VRG270 EN
Revision: 18

Manufacturer declaration about the timber origin

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



We can therefore know the regions of origin and the species of the panels coming from the Russian factory.

Based on the invoice received, these are non-certified panels.

Even if we can get PEFC certified panels from this Russian mill, the CPI for Russia is 30.

Applying our procedures will mean tracing the supply chains further upstream.

It is possible but it implies a higher level of effort.

The risk is lower with PEFC certified panels of European origin.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! EXEMPLE FICTIF !

Can Best PANNELS ensure that the panels we buy will be exclusively from the Wismar factory in Germany?

Yes, this is quite feasible on our side.



Best PANNELS



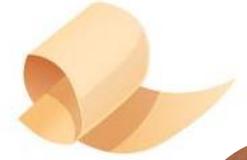
VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



Best PANNELS is not subject to a third party verified chain of custody standard.

It will therefore be necessary to gather further evidence to conclude that there is a low risk of mixing at their level.

As a first step, we could schedule a remote meeting with Best PANNELS to understand how the factory operates. They could describe orally their procedures for receiving, storing, processing and shipping products.

This will allow us to draw a first conclusion.

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



A member of the sales team is due to visit Vietnam in 6 months.

We can include a visit Best PANELS to make direct observations on the segregation and traceability of the products within the factory.

It will be important to write a site visit report mentioning these observations.

It will be included in our due diligence records for this supply chain.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



We know enough elements about MDF.
What do we know about the wood
veneer of this product?



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Here is what we have received for veneer.

INVOICE

From: SOTRA-CONGO, Congo

To: Best PANNELS, Vietnam

Date: 6 December 2020

Description
Sliced veneer – <i>Aninga</i>

INVOICE

From: SOTRACI, Côte d'Ivoire

To: Best PANNELS, Vietnam

Date: 19 January 2021

Description	Unit Price	Qty	Total
Sliced veneer – <i>Aninaeria robusta</i>		62	

INVOICE

GRAND TOTAL **From:** VENEER LTD, Ghana

To: Best PANNELS, Vietnam

Date: 17 November 2020

Description	Unit Price	Qty	Total
Sliced veneer – <i>Aningeria robusta</i>		18	
GRAND TOTAL			



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



None of these veneers are certified.

After all, this is only a tiny proportion of the final product.

This is true, but the EUTR does not make a difference. We have to apply our DDS.

If these products are not certified, nobody has assessed their legality. It is up to us to do so.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



There are many risks of illegality associated with timber harvesting in these three countries.

Can we identify if any companies offer certified Anigre?

Let's first look at the FSC database. We can search by species.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Can Best PANNELS approach the CIB company in Congo to source FSC certified wood for the Anigre veneer to be included on our products?

Yes, this is quite feasible on our side.



Best PANNELS



VENEERED MDF

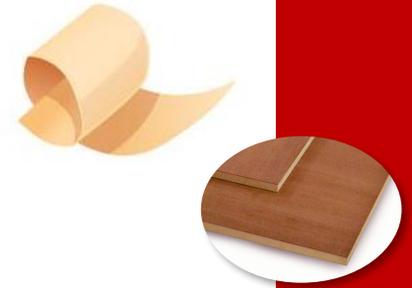
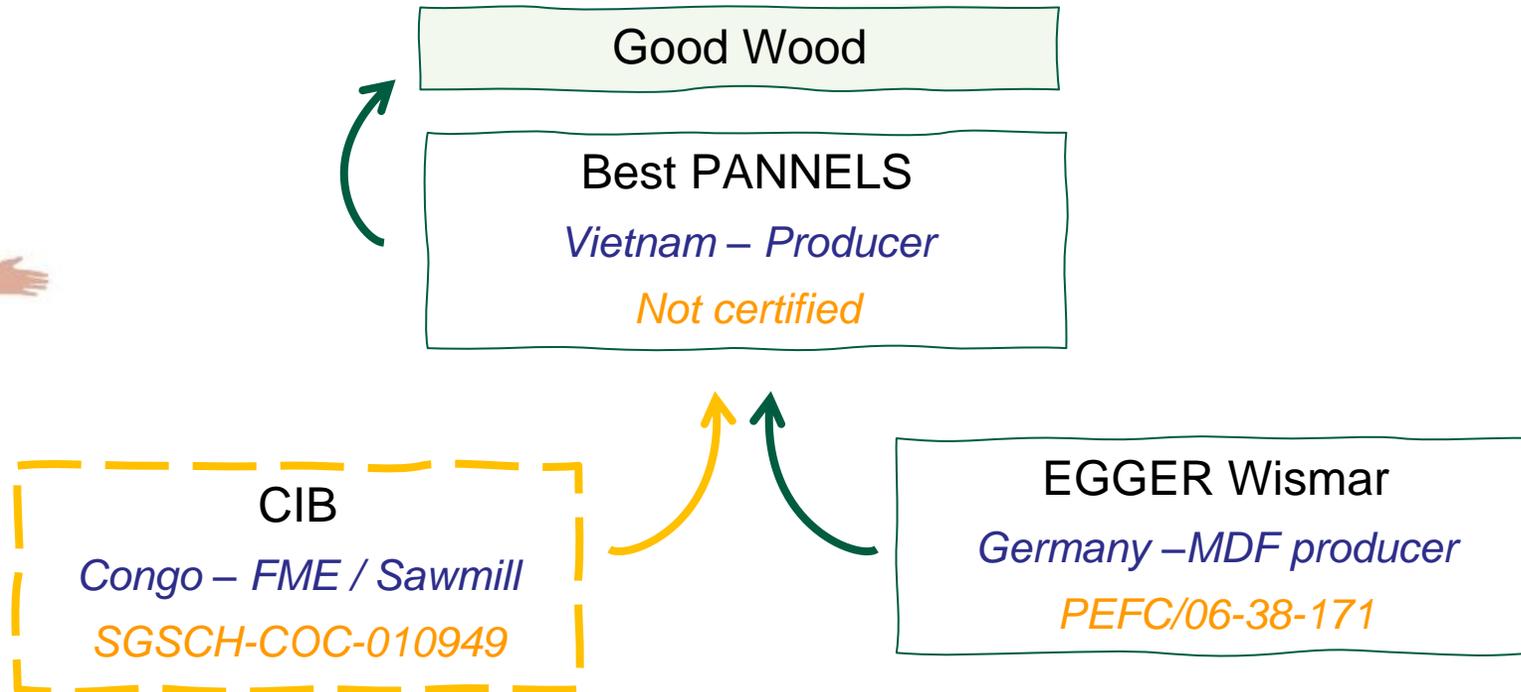
1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !

Let's hold on to this supply chain, pending confirmation from our supplier.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

! FICTIVE EXAMPLE !



If the new Congolese supply chain is confirmed, we will miss the traceability up to the forests, backed by invoices.

Both for MDF and veneer, with regard to the risk of illegality at the forest level for all harvesting countries, we can conclude "low risk".

On the other hand, we will have to take measures to be able to verify and justify a low risk of mixing within the Vietnamese factory.



VENEERED MDF

1. Product identification

2. DDS update

3. Application du SDR

CEO



We have made good progress!

I look forward to our new catalogue.

We can adjourn this meeting!



Thank you!

