

---

# WHITEPAPER EUTR IMPLEMENTATION

## UKRAINE V1-0

---

Created by Austrian traders, sawmilling, paper- and board companies.  
Coordinated by Veit Heigenhauser/Austropapier  
28.11.2019

EXAMPLE - DO NOT COPY

**Content**

- 1 Introduction ..... 3
- 2 Information gathering ..... 3
  - 2.1 General information ..... 4
  - 2.2 Forest Resources ..... 4
  - 2.3 Products and trade..... 4
  - 2.4 Administrative framework of Ukrainian forestry sector ..... 5
- 3 Information about risks on timber ..... 7
  - 3.1 Conflict timber ..... 7
  - 3.2 Illegal logging ..... 8
  - 3.3 Illegal sanitary logging ..... 8
  - 3.4 Overharvesting..... 9
  - 3.5 Taxes, fees and auctions..... 9
  - 3.6 Not legally registered suppliers ..... 9
  - 3.7 Illegal export ..... 9
  - 3.8 Supplier Information ..... 10
- 4 Risk assessment ..... 10
- 5 Risk mitigation measures..... 10
  - 5.1 Supply chain mapping ..... 11
  - 5.2 Regional approach..... 12
  - 5.3 Legal verification of the supplier..... 12
  - 5.4 Document review..... 12
  - 5.5 Certification as risk mitigation tool..... 14
  - 5.6 Stakeholder consultation..... 14
  - 5.7 Timber tagging system ..... 14
  - 5.8 On-site verification at supplier level ..... 15
  - 5.9 Verification at delivery level..... 16
- 6 Complaint system ..... 16
- 7 Summary..... 16
- 8 Bibliography ..... 17

## 1 Introduction

Austropapier represents the companies of the Austrian Paper Industry. The paper and wood processing industry of Austria is committed to the thorough implementation of the European Timber Regulation (EUTR; Nr. 995/2010). This Whitepaper document is a Guidance for EUTR conformity for wood and wood-based products originating in Ukraine and has been developed in cooperation with companies of the sawmill and panel board industry. While the document has been created by best knowledge, it does not claim to be in line with EUTR and does not limit in any way the operator's responsibility regarding the EUTR. It's the operator's responsibility and task to be in compliance with EUTR and the country specific demands.

European companies need assurance that their ambitious approaches to fulfil the EUTR are compliant with the regulation's requirements and the interpretations of national Competent Authorities. Since the situation in Ukraine is quite unclear for operators and competent authorities, a guideline that offers clarification on which control measures should be carried out in order to mitigate present risks is a helpful tool to ensure compliance with EUTR. The EUTR requires, according to Article 6, the implementation of a Due Diligence System consisting of information gathering, risk assessment and risk mitigation. Therefore, the aim of the document is to give an overview about the situation in Ukraine's forests, providing an analysis of prevalent risks regarding illegal logging and presenting feasible risk mitigation measures.

The three key elements of the due diligence system are:

Information gathering: The operator must have 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.

Risk assessment: The operator should assess the risk of illegal timber in its supply chain(s), based on the information identified above and taking into account criteria set out in the regulation.

Risk mitigation: If the assessment shows that there is a non-negligible risk of illegal timber in the supply chain, that risk can be mitigated by adequate control measures (w.A., 2010, S. Art. 6).

## 2 Information gathering

The first step to EUTR compliance is to gather information. Information must be gathered on:

- Legal Framework relating to forestry of the country of harvest (institutional setup, applicable laws, etc.)
- Supplier
- Product (species, product type)
- Supply Chain (complexity of the supply chain)

The information is either found in legally-required documents, issued by state authorities, published by stakeholders or provided by the supplier himself.

Prior to the first delivery, the potential supplier needs to undergo a risk assessment. The information that needs to be gathered depends on the kind of supplier.

This criteria and information sources used for the risk assessment and how a decision is made must be well documented in order to be recognized as sufficient during an EUTR control. In the following chapters, relevant information and further information sources regarding Ukraine are presented.

## 2.1 General information

Corruption Perception Index (CPI) 2018: 32/100 Points, Rank 120/180 (Transparency International e.V., 2019).

Environmental Performance Index (EPI) 2018: 52.87/100 (Yale University, 2019).

Rule of Law Index 2019: Score 0,50; Rank 77 (woldjusticeproject.org, 2019).

## 2.2 Forest Resources

16.7% of Ukraine is covered with forests, which amounts to 9.7 million hectares of forested land. 50% of those areas are planted forests, 49% are naturally regenerated forests and 0.6 % are primary forests. While the Carpathians are mostly covered by primary and naturally regenerated forests, the forests in the flatlands are mostly production forests, with limited environmental value.

The forest area of Ukraine is growing due to afforestation projects, and the growth rate is between 0.1-0.3% per year (Timber Trade Portal, 2018). As the forest stands are largely young and middle-aged age classes, the allowed fellings amount to less than half of the net increment, which leads to a significant growth in stock (FAO, 2014). The current stock is at about 231 to 241 m<sup>3</sup>/ha (Kryntskyy, 2016). Up to 50% of Ukraine`s forests provide significant environmental value, resulting in their protection and limited exploitation. The share of protected areas is at 15.7 % (Kryntskyy, 2016).

While forest management certificates (FM certificates) are not considered as a green lane according to EUTR, it is a valuable control measure to indicate a negligible risk of illegal activities. According to the national FSC body in Ukraine, the state authorities intend to increase the reliability of their actions by an increase in FSC-certified areas. Currently, about 4.4 Mio. ha in Ukraine are certified against the national FSC scheme (FSC International GmbH, 2019).

## 2.3 Products and trade

Around 50% of Ukraine`s wood-based exports are destined for the EU market, mostly exported to Poland, Germany, Romania, Hungary and Italy (Timber Trade Portal, 2018). The supplied industries are into timber, pulp as well as paper and furniture. Processed wood products that are exported are veneer, plywood, sawn

timber, boards and a diversity of moulded materials. Around 8,000 companies in Ukraine are active in timber and timber processing and production, and the timber sector employs approximately 120,000 people (Timber Trade Portal, 2018).

In 2015, a 10-year ban on the exports of all types of raw logs was introduced. Since 2017 unprocessed timber of all species has been included in the wood export prohibition, which will continue until 2027. The ban includes the HS-Code number 4403 (Malmström, 2018). Excluded from the ban is material with the HS-Code number 4401, which is firewood. The legal export of timber under the HS-Code 4401 has been specified by the State Forest Resources Agency of Ukraine, which ordered that only logs with a maximum length of 2 meters can be exported (EUWID, 2019).

#### 2.4 Administrative framework of Ukrainian forestry sector

The **Ministry of Agrarian Policy and Food of Ukraine (MoAPFU)** is responsible for the formulation of forest policy and legislation. MoAPFU works in close cooperation with the **State Forest Resources Agency of Ukraine (SFRAU)** which implements the state policy in the forest sector. SFRAU is subordinated to the MoAPFU. The Headquarters of SFRAU is located in Kiev and has regional departments that administer Hunting, National Parks and Natural Reserves. In total, 73% of Ukraine`s forests are managed through this structure. The other forest area is state-owned as well, but managed by other ministries (e.g. Ministry of Defence) or municipalities (Boke, Zafran, Tokac, & Wall, 2016).

To increase transparency and to better control the legality of timber origins and legal supply chains, the SFRAU has developed an Electronic Wood Accounting System.

100% of forest management units under the direct authority of SFRAU are using the Electronic Wood Accounting system. In 2018, about 18 Mio. m<sup>3</sup> roundwoods were covered by this system. The Electronic Wood Accounting system enables responsible authorities to track the timber back to the harvesting unit (Timber&Equipment GmbH, 2019).

The **Ministry of Environment and Natural Resources (MoENRU)** holds supervisory functions over the SFRAU. MoENRU issues amendments and final approvals of Forest Management Plans (FMP) and the related Annual Allowable Cut (AAC). The **State Environmental Inspections of Ukraine (SEIU)**, which is subordinated to MoENRU, is implementing state control in all forests of the country. The State Forest Guard (staff of SFRAU) "have a law enforcement status and are entitled to carry a weapon while exercising their duty" (Boke, Zafran, Tokac, & Wall, 2016).

The state`s tax and customs policies are implemented by the central executive body of the **State Fiscal Service of Ukraine (SFSU)** which is also performing checks of private sawmills and border inspections.

Forest Monitoring is performed by the Forest Planning Enterprise (Ukrderzhlisproekt), the Forest Pathology Enterprise (Ukrderzhliszakhyt) and the Forestry Innovation and Analytical Center (LIAC) – these institutions are under the authority of SFRAU.

Felling Licences are issued for final felling or sanitary felling. In each case the procedures differ.

For **harvest from final felling** the forest manager is applying for a felling licence at the competent Regional Department of SFRAU. SFRAU reviews compliance with FMPs and AAC. If conformity is ensured, the felling licence is issued and the SFRAU Headquarters, SEIU and SFSCU are informed.

**Sanitary fellings** are issued by the forest user itself (which mostly are State Forest Enterprises under SFRAU or Forest Enterprises under ministries). The necessity must be proven with a number of documents – **selective sanitary felling** is inspected by the State Enterprise for Forest Pathology and the State Forest Management Planning Enterprise.

**Sanitary clear felling** requires the approval of a special commission that consists of local authorities and civil society. If sanitary felling is planned in a protected area, the Ministry of Environment performs a site inspection and must approve the sanitary felling (Boke, Zafran, Tokac, & Wall, 2016).

EXAMPLE - DO NOT COPY

### 3 Information about risks on timber

Companies can create their risk assessments on the basis of the following information sources and risk assessments:

- FSC National Risk Assessment.
- NEPCON sourcing hub.
- Country overview Ukraine by UNEP and WCMC.

While those risk assessments give a general overview about the situation in Ukraine, the risks in the individual supply chain can differ (according to the region of harvest, complexity of supply chain, species, product type, etc.).

Considering its own supply chain, the company may re-evaluate every risk factor to assess what level is present in the supply chain. In order to support this process, an overview of typical risk factors which are identified according to Monitoring Organisations, Institutions and the Civil Society in Ukraine is presented here.

#### 3.1 Conflict timber

Since 2014, an open conflict has been prevalent in eastern Ukraine. The peak of the conflict occurred in 2014 during the Russian occupation of Crimea (<https://www.bbc.com/news/world-europe-46425777>).

Even if conflict timber is not automatically illegal, the EUTR Guidance document describes that armed conflicts can lead to illegal logging (w.A., 2016).

In addition to the Crimea area, an armed conflict is still ongoing in the areas of Luhansk and Donetsk. Therefore, wood and wood-based products from the regions of Crimea, Luhansk and Donetsk need to be avoided or must be controlled, so that it can be assured that the income generated does not benefit one of the conflict parties. Other regions affected by martial law declared on 28<sup>th</sup> November 2018 for 30 days, are no longer suspended and may still supply (wood or materials)(BBC,



Figure 1 Areas of armed conflicts;

<https://helsinki.org.ua/en/articles/yevhen-zakharov-about-human-rights-in-the-so-called-donetsk-and-luhansk-people-s-republics/>

2018).

If sourcing takes place close to the Russian border or close to the red-marked regions according to figure 1 in Ukraine, the company needs to verify on a daily

basis the conflict situation and make sure that the logging or trading does not benefit one of the conflict parties.

### 3.2 Illegal logging

According to the TAIEX report published by the EU, two categories need to be differentiated between when focusing on illegal logging. One case is **wood theft or illegal logging without papers**. The other one is **illegal logging with papers**, which is the result of corruption of the responsible authorities (Boke, Zafran, Tokac, & Wall, 2016).

#### 3.2.1 Illegal logging without papers

Illegal logging without papers is also called wood theft. Permits and related legal documents are missing. According to the State Forestry Committee in 2008 about 20,000 m<sup>3</sup> of timber were harvested illegally (Pavelko & Skrylnikov, 2010) or 0.1 % of the total timber harvested (Boke, Zafran, Tokac, & Wall, 2016). During the political change in Ukraine in 2016, illegal logging reached almost 28,000 m<sup>3</sup> of roundwood. Since then, illegal logging has been decreasing and in 2018 reached an all-time-low of 9,700 m<sup>3</sup> (Poliakova, 2018).

#### 3.2.2 Illegal logging with papers

Illegal logging with papers requires corruption and/or infiltration of state agencies that issue legal papers to launder the actual illegal timber. According to the Illegal logging Portal, illegal logging with papers happens on a much bigger scale than wood theft. The report of the Swiss-Ukrainian Forest Development Project in Zakarpattya (FORZA) estimates about 1.25 Mio. m<sup>3</sup> of illegal logged timber before 2010 (Pavelko & Skrylnikov, 2010).

EarthSight, a British NGO, claims that this laundering of illegal logging with "legal papers" is still continuing (EarthSight, 2018).

### 3.3 Illegal sanitary logging

Sanitary logging is a very important instrument to stop or at least reduce the further outbreak of bark beetles and other threats to forests. Due to young and medium coniferous forests, bark beetles, windthrows and other threats to forests can easily spread.

Nonetheless, illegal sanitary logging is a threat to the integrity of supply chains (Forestry Department Food and Agriculture Organization of the United Nations, 2010).

According to investigations carried out by EarthSight in 2017, the requirements of sanitary logging are often not met, but sanitary felling is still carried out (EarthSight, 2018).

ASI, FSC's own "Assurance Service International", conducted On-Site-Audits in Ukraine to follow EarthSights investigations on the SFRAU. ASI reports that they

found no non-conformity with legal requirements and FSC requirements (ASI - Assurance Service International, 2019).

### **3.4 Overharvesting**

There are claims that illegal harvesting and other forest activities have led to a decrease in volume and forest area. According to FAO, the forest area in Ukraine has increased and so has the volume of the standing stock. The area increased between 1992 and 2016 by about 400,000 ha to a total area of 9.68 Mio. ha (Worldbank, 2019).

It's possible that the harvested amount is exceeding the annual allowable cut in certain compartments of Forest Management Units (FMUs).

### **3.5 Taxes, fees and auctions**

According to the NEPCon sourcing hub risk assessment for Ukraine, the official sales prices are often below the actual one, which is agreed on by both buyer and seller. The reason for this is to reduce the tax payments and to transfer the money illegally (NEPCon, 2019). According to the FSC national risk assessment for Ukraine, this risk is not specified, as long as the timber is sold with the electronic timber accounting, and volume and quality is accurate (Kravets, 2018).

Risks are especially prevalent for timber that originates from sanitary felling, as this timber can be sold outside of auctions. Timber that is harvested on regular cuts, has to be sold at auctions. Only registered companies are allowed to buy timber in auctions (EarthSight, 2018).

### **3.6 Not legally registered suppliers**

A lot of Ukrainian sawmills are not legally registered. The estimated figures state that there are around 12,000 illegal sawmills (UN environment; WCMC, 2018). According to local experts, these figures are widely overestimated.

Those sawmills/companies are neither entitled to participate in auctions nor are they paying the required fees and taxes. The only origin of material they can source from is either illegal logging or sanitary felling.

On the other hand, those sawmills are not able to export timber or by-products, as the Certificate of Origin is missing. Therefore, their material can't be part of a supply chain, which is intended for export.

### **3.7 Illegal export**

Since 2017 unprocessed timber of all species is included in the wood export prohibition, which will continue until 2027. The ban includes the HS-Code numbers 4403 and 4407.

Since then, the only possibility to export roundwood was firewood with the HS-Code 4401 (Malmström, 2018).

On January 1<sup>st</sup>, 2019 a new law was enacted that punishes illegal exporters of timber with up to 10 years imprisonment. Currently there is an unstable political situation in Ukraine, which leads to unclear rules and regulations regarding wood exports for Ukrainian wood exporters. Therefore, the risk to be accused of illegal export is high and roundwood export isn't taking place at the moment (WOODBIZFORUM, 2018) (World Resource Institute, 2018).

### **3.8 Supplier Information**

To identify the risk in the individual supply chain, every supplier should be required to sign a self-declaration. This self-declaration should contain the following information:

- Declaration of the supplier's suppliers.
- Area of wood procurement down to the FMU-level.
- Size of the supplier (annual volume turnover).
- Declaration that the supplier follows the Ukrainian laws and regulations in respect to forestry and timber trade.
- Declaration that the organisation or independent third-party-auditors can audit the supplier and verify the legality of documents.
- Declaration regarding the certification status of the supplier and the material to be supplied.

This declaration should be signed by the CEO of the supplier or by other members of the top management.

Additionally, a written contract should have information regarding species, volume and price information available. In case one of the these is not in line with normal business or with the self-declaration, the operator needs to be cautious.

## **4 Risk assessment**

Information shown in this document indicates that there are chances of illegal activities in the supply chain. Even if the bureaucracy is very demanding and controlling the situation well, the risk of illegal logging and illegal wood purchases can't be rated as negligible.

In case a company wants to purchase timber and wood-based products from Ukraine and import into the EU, risk mitigation measures need to be conducted.

It's the operator's responsibility to describe which risks are appearing in the company's individual supply chains. This identification process must be well documented and risk mitigation measures need to be used.

## **5 Risk mitigation measures**

As described in the previous chapters, different risks are identifiable in Ukraine. Due to the high bureaucratic demand that harvesting and timber transportation requires, the risks can be mitigated through document review and other control measures. For the implementation of the control measures, it's recommended to

use an already- existing system, like the due-diligence system of the ISO 38200 Chain of Custody standard for wood and wood-based products.

According to applicable legislation, companies' risk assessment shall be evaluated and if necessary be renewed at least every 12 months.

## 5.1 Supply chain mapping

The supplier declaration is the key tool for information gathering of the individual supply-chain. Related documents need to be reviewed and verified for plausibility by the importing organisation.

Important is the access of the operator throughout the whole supply-chain, down to the FMU level. In case the FMU is not always known by the supplier, the sub-supplier should be interviewed and the information should be collected. In a high-risk country like Ukraine, the elimination of unknown members in the supply chain is a requirement to successfully mitigate the risk.

As the supplier issues the self-declaration before the purchase contract is made, the verification of the information can be made prior as well.

A benefit of Ukrainian supply chains is the low risk of input from other countries, as Ukraine is almost exclusively a raw material exporter.

To verify the information of the supplier, the following documents need to be reviewed by the organisation. The quantity of information verification shall be based on the company's audit program. It is recommended to audit the direct supplier annually, and sub-suppliers on a risk-based approach.

### Information of Forest Management Units as direct supplier

For Forest Management Units, the following documents needs to be collected:

- Company registration number.
- Extract of the valid Forest Management Plan with the most relevant data.
- Harvesting permit.

In addition, to the above-named documents, the following information should be gathered:

- Origin of the material (normal or sanitary felling).
- Relevant media reviews (recommended).
- Third-party certification including the audit reports.

### Information of Traders/Sawmills as direct suppliers

For Sawmills and Traders, the following documents needs to be collected:

- Company registration number.
- Bills/invoices including VAT and harvesting tax on a common sample size (e.g. one month of supply).
- Electronic wood accounting system excerpts on a common sample size (e.g. one month of supply).

Additional to the above-named documents, the following information should be gathered:

- Origin of the material (normal or sanitary felling).
- List of suppliers.
- Relevant media reviews.
- Third-party certification (e.g. FSC, PEFC), if available.

## **5.2 Regional approach**

In Ukraine, one of the most important risk mitigation tools is to separate different regions with different characteristics.

At the eastern part of the country there is a high risk of conflict timber, military actions and unclear borders. Presumably the only adequate risk mitigation is to exclude deliveries from this region.

The Western section – mostly Zakarpattia County - contains mountain forests with several National Parks and high biodiversity values including virgin forests, several of them still not registered and remains without proper protection. In case of purchases from this region, the company's DDS shall be able to trace down origin with a high accuracy.

The central region, on the other hand, is mostly dominated with plantation-like-forests. These forests are usually monocultures, artificially regenerated and even if the harvest cycle is 80-100 years, the intense human impact is clearly visible. These forests are fully covered with Forest Management Plans, borders are well marked, and forest management follows the strict ten-year planning cycle.

The separation of the three sections of the country with clear borders can be the core concept of any DDS operated in Ukraine. This approach will help to perform detailed investigations where it is necessary and rely more on documents where risk is significantly lower.

## **5.3 Legal verification of the supplier**

The supplier is required to inform the customer about the company registration number. The number can be verified by requesting the information from the regional authority/local administration.

The legal status of a supplier can be verified with an up-to-date company register excerpt and verified with an online crosscheck at the following homepage: <https://usr.minjust.gov.ua/ua/freesearch>.

The verification of the supplier may include simple internet search with keywords like, illegal harvest, high risk, etc.

Additionally, court decisions about criminal cases are available for public search where information can be obtained about affected companies.

## **5.4 Document review**

The entire supply chain is accompanied by official documents. Those are the prerequisite for the issuance of the certificate of origin. In case roundwood is

bought directly or indirectly from SFRAU controlled FMUs, the supply chain is tracked with the Electronic Wood Accounting System.

#### 5.4.1 Documents at FMU level

- Forest Management Plan (FMP)

The FMP is issued by the State Forest Management Plan enterprise, which is controlled by the Ministry of Environmental and Natural Resources (MoENRU). The FMP describes the Annual Allowable Cut (AAC) and the compartments which are to harvest. Every forest management unit needs an FMP to be able to carry out forest management in a legal manner.

- Harvesting Permit

The harvesting permit for final cuts is granted upon request of the forest manager by the competent regional department of the SFRAU. In case, the harvesting is approved, the State Fiscal Service of Ukraine is informed.

The harvesting permit for selective sanitary cuts can be issued by the forest manager himself. Those selective sanitary cuts are inspected by two authorities, the State Enterprise for Forest Pathology and the State Forest Management Planning Enterprise.

#### 5.4.2 Documents related to chain of custody

- Loading certificate / Waybill

The document is filled in by the supplier and includes information about loading volume, species and loading place. It therefore indicates the location of the harvesting site. It is issued by the State Forest Enterprises.

- Electronic wood accounting system

Roundwood bought from forest authorities under the control of SFRAU is accompanied by unique number-plates (tags), which are used to verify the harvesting unit and therefore, the origin of the material. Depending on the assortment, either each log is tagged or one tag per load. Additional information is available under chapter 5.7 of this document.

- Transport document

Transport documents refer to the electronic wood accounting system and are issued by the transport company. It includes information about the origin of the material and the destination. It can be verified online.

- Bills/Invoices including VAT

The bills/invoices have to include the required VAT. The law requires the storage of bills and invoices for at least 3 years.

#### 5.4.3 Export documents

- Certificate of origin

Obligatory for the export of many wood and wood-based products is the Certificate of Origin. It includes information about the FMU(s) purchased and

exported product(s), the exporter, the volume of exported product(s) in the Certificate of Origin. The certificate is issued and controlled by the State Forest Resources Agency of Ukraine (SFRAU). The Certificate of Origin is an important international trade document that certifies that goods in a particular export shipment are fully obtained, produced, manufactured or processed in a particular country. The Certificate of Origin is required for the following timber products: HS 4401 10 00 00; 4401 21 00 00; 4401 22 00 00; 4403; 4404; 4406; 4407 (UN environment; WCMC, 2018).

- Phytosanitary Certificate  
This certificate is issued by the State Enterprise for Forest Pathology.
- Nuclear Radiation Measurement  
The document is issued by the Sanitary and epidemiological service.
- CIM document or CMR document.

### **5.5 Certification as risk mitigation tool**

Third-Party-Verification is regarded as an important and valuable proof of sustainable forest management.

EUTR legislation allows the consideration of forest certification as one of the risk-mitigation tools, but certified input is not exempt from risk assessment and from applying additional risk mitigation tools if necessary.

Currently the only certification scheme active in Ukraine is FSC, with a significant area of 4.1 Mio. ha of forests in Ukraine (Kravets, 2018).

Forest certification schemes can be treated as a risk mitigation measure. Especially when it comes to forest audits, the certification bodies auditing the certificate holder against management standards, apply high standards and review many documents and conduct field audits/verifications. The forest audits are also allowing stakeholders to express their concerns and indicate illegal acts.

FMU audit reports are publicly available and possess a high degree of verification power. Chain of Custody audits reports are not public and are based on a sample-based document review and on-field-verification. Still, those audits are conducted by an independent third-party.

### **5.6 Stakeholder consultation**

While in the central sub-national region, the risk mitigation may focus on information coming from suppliers. In high risk regions, an active stakeholder consultation is recommended. This should include the environmental and nature protection state agencies. International and national NGOs should also be asked and their feedback should be taken into consideration.

### **5.7 Timber tagging system**

One of the most important technical tools in Ukraine is obligatory tagging. 100% of FMUs under SFRAU are using the Electronic Wood Accounting System to track

the timber throughout the supply chain. In 2018, roughly 18 Mio. m<sup>3</sup> units of roundwood had been tracked with this system.

During every step in the supply chain, forest authorities, ministries, police and customs offices have full access and rights to verify the legality of the timber.

After trees are harvested but prior to their transport, the roundwood is marked with unique number-plates that support the physical tracking of the material. Additionally, prior to transport, the freighter has to print a delivery receipt directly in the forest. When doing so, the GPS coordinates are transferred to a main server, where all responsible authorities (forest, police, customs offices) have access to this information. This enables the authorities to cross-check between planned and approved harvesting units and the timber origin.

After transportation, the roundwood customer has to send the purchasing data to the main server as well, where a quantity check can be carried out (Timber&Equipment GmbH, 2019).

Most FMUs are requested to sell all logs tagged with the origin of the wood. As an additional verification system, the truck's licence plate can be verified by a publicly- available state system.

This enables the operator to perform a desk-based audit of randomly collected delivery notes and obtain reliable information of the supplying FMUs.

## **5.8 On-site verification at supplier level**

Usually on-site verification of the supplier is considered the most important and most accepted method of risk mitigation.

A supplier verification requires a more complex approach than just a single visit or meeting, including:

- Skilled Staff.
- Documented audit procedures (questionnaire).
- Audit Scope to be defined and communicated to the supplier in advance.

While direct suppliers should be audited annually, the sub-suppliers can be audited on a sample-based methodology, based on the risk-based approach.

The person carrying out the on-site audits shall be familiar with the legal and administrative framework of forestry and timber trades in Ukraine.

In case the company doesn't have such trained staff, the company shall hire consultants as auditors, who can prove their knowledge and experience.

During on-site audits, the same information and documents should be collected and gathered as described in chapter 5.1 (supply chain mapping). In addition to the direct supplier audits, the information should also be gathered at the sub-supplier level and the material should be traced back to the FMU. In addition to information gathering, the gained information also needs to be verified according to characteristics like reliability and plausibility.

## 5.9 Verification at delivery level

In case the supplier and the whole connected supply-chain passed the initial audit, the individual delivery needs to undergo checks as well.

Regarding the supply/delivery itself, the following documents need to be reviewed, according the source:

- Loading certificate/waybill.
- Certificate of origin (where applicable).
- For SFRAU controlled deliveries, information from Electronic Wood Accounting System.
- Transport document.

## 6 Complaint system

To enable stakeholders to inform companies about irregularities regarding EUTR-related issues in their supply chains, a complaint system should be established.

The complainant should be informed that the complaint has been received, and the complaint should be followed with an analysis. The complainant should be informed about the status and the result of the analysis.

## 7 Summary

The term 'negligible' in the context of EUTR means that material can be imported when the origin and the trade of the timber is legal. If the risk of illegal origin or trade can't be considered negligible, the wood-based products can't be imported into the European Union.

Acknowledging that Ukraine is a high-risk sourcing country for wood-based products, risk can be mitigated by using the tools provided in this document.

## 8 Bibliography

- ASI - Assurance Service International. (2019, 09 23). *ASI-assurance.org*. Retrieved from <http://www.asi-assurance.org/s/post/a1J1H000001maBLUAY/p0679>
- BBC. (2018, December 26). *bbc.com*. Retrieved from [bb.com: https://www.bbc.com/news/world-europe-46684602](https://www.bbc.com/news/world-europe-46684602)
- Boke, S., Zafran, J., Tokac, O., & Wall, J. (2016). *EU TECHNICAL ASSISTANCE AND INFORMATION EXCHANGE (TAIEX) EXPERT MISSION REPORT - REFORM OF FOREST GOVERNANCE UKRAINE*. Brussels: European Commission.
- EarthSight. (2018). *Complicit in Corruption*. London.
- EUWID. (2019, 11 08). *euwid-wood-products.com*. Retrieved from <https://www.euwid-wood-products.com/news/roundwoodsawnwood/single/Artikel/ukraines-ban-on-exports-to-be-extended-to-firewood.html>
- FAO. (2014). *Country Report, Ukraine*. Rome: FAO.
- Forestry Department Food and Agriculture Organization of the United Nations. (2010). *Global Forest Resources Assessment 2010 Country Report Ukraine*. Rome: FAO.
- FSC International GmbH. (2019, 09 23). *FSC.org*. Retrieved from <https://fsc-int.maps.arcgis.com/apps/webappviewer/index.html?id=06188ad39e5344db96a4a181e135c393&mobileBreakPoint=300>
- Kravets, P. (2018, 12 15). *FSC.org*. Retrieved from [FSC.org: https://fsc.org/en/document-center/documents/244](https://fsc.org/en/document-center/documents/244)
- Kryntskyy, C. K. (2016). *Forestry in Ukraine: Current state and development trends*. Brasov: Transilvania University of Brasov.
- Malmström, M. (2018, March 21). *europarl.europa.eu*. Retrieved from [europarl.europa.eu: http://www.europarl.europa.eu/doceo/document/E-8-2018-000063-ASW\\_EN.html](http://www.europarl.europa.eu/doceo/document/E-8-2018-000063-ASW_EN.html)
- NEPCon. (2019, 04 25). *nepcon.org*. Retrieved from <https://www.nepcon.org/de/node/1554506>
- Pavelko, A., & Skrylnikov, D. (2010). *Illegal Logging in Ukraine*. Retrieved from <https://www.illegal-logging.info/sites/files/chlogging/uploads/IllegalLogginginUkraine.pdf>
- Poliakova, L. P. (2018, 11 09). *Legality of Timber Harvesting in Ukraine - Challenges, State and Perspectives*. London, UK.
- The Presidential Office of Ukraine. (2019, 07 09). *President of Ukraine*. Retrieved from <https://www.president.gov.ua/en/news/prezident-zobovyazav-lisgospi-minoboroni-do-1-listopada-zapr-56293>
- Timber Trade Portal. (2018). *timbertradeportal.com*. Retrieved from <http://www.timbertradeportal.com/countries/ukraine/>
- Timber&Equipment GmbH. (2019, 07 10). *timber-equipment.de*. Retrieved from <http://timber-equipment.de/de/ukraina-de/>

Transparency International e.V. (2019, 11 08). *transparency.org*. Retrieved from <https://www.transparency.org/cpi2018>

UN environment; WCMC. (2018). *Ukraine - Country overview to aid implementation of the EUTR*. Brussels: EU.

w.A. (2010, 10 20). REGULATION (EU) No 995/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL. Brussels, Belgium: European Union.

w.A. (2016, 02 12). *ec.europa.eu*. Retrieved from [https://ec.europa.eu/environment/forests/pdf/Guidance%20conflict%20timber\\_EG%20Agreed.pdf](https://ec.europa.eu/environment/forests/pdf/Guidance%20conflict%20timber_EG%20Agreed.pdf)

Whatwood.ru. (2019, 02 11). *whatwood.ru*. Retrieved from <http://whatwood.ru/english/in-2018-in-ukraine-illegally-cut-down-17-7-thousand-m3-of-wood-three-years-ago-the-volume-of-illegal-logging-was-24-1-thousand-m3-of-wood/>

*wolrdjusticeproject.org*. (2019, 11 08). Retrieved from <http://data.worldjusticeproject.org/>

WOODBIZFORUM. (2018, September 6). *WOODBIZFORUM*. Retrieved from *WOODBIZFORUM*: <https://www.woodbizforum.com/ukraine-adopted-a-law-restricting-illegal-logging/>

World Resource Institute. (2018). *forestlegality.org*. Retrieved from *forestlegality.org*: <https://forestlegality.org/content/logging-and-export-bans>

Worldbank. (2019, 04 25). *data.worldbank.org*. Retrieved from <https://data.worldbank.org/indicator/AG.LND.FRST.ZS?locations=UA>

Yale University. (2019, 11 08). *epi.envirocenter.yale.edu*. Retrieved from <https://epi.envirocenter.yale.edu/epi-topline>

EXAMPLE