

FOREST POLICY TRADE AND FINANCE INITIATIVE

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THE UNITED KINGDOM TIMBER REGULATION: CHANGING THE MARKET TO PROTECT FORESTS?

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Acronyms

BEIS	Department for Business, Energy and Industrial Strategy	HS	Harmonized System
CA	Competent Authority	ILAT	Illegal Logging and Associated Trade
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora	IUCN	International Union for Conservation of Nature
		NGO	nongovernmental organization
CoC	chain of custody	NMRO	National Measurement and Regulation Office
Defra	Department for Environment, Food and Rural Affairs	NRA	notice of remedial action
DFID	Department for International Development	OFAC	Office of Foreign Assets Control
DCR	Democratic Republic of Congo	OLAF	European Anti-Fraud Office
EC	European Commission	OPSS	Office for Product Safety and Standards
EIA	Environmental Investigation Agency	PEFC	Programme for Endorsement of Forest Certification
EU	European Union	PNG	Papua New Guinea
EU28	The 28 Member States of the European Union, 2012-2019	SME	Small and medium enterprise
EEA		UK	United Kingdom
	European Economic Area	UKTR	The Timber and Timber Products (Placing on the
EUTR	European Union Timber Regulation		Market) Regulations
FCDO	Foreign Commonwealth and Development Office	UN	United Nations
FLEGT	Forest Law Enforcement, Governance and Trade	UNEP	United Nations Environment Programme
FCS	Fragile and conflict-affected situations	US	United States
FSC	Forest Stewardship Council	VPA	Voluntary Partnership Agreement

Executive Summary

The European Union Timber Regulation (EUTR) came into force in 2013 (European Parliament 2010) to tackle illegal logging and drive demand for legally harvested timber products, by prohibiting the placement of illegally sourced timber on the European Union (EU) market. In the United Kingdom (UK), the EUTR came into force through the *UK Timber and Timber Products (Placing on the Market) Regulations* in the same year and was considered a key mechanism to help tackle global deforestation which is driving nature loss and climate change.

The EUTR was revolutionary in 2013: it was the first legal instrument at the EU level to require companies to undertake mandatory Due Diligence in their global supply chains, a concept that expanded the notion of corporate legal responsibility significantly. The Due Diligence requirements only applied to the first placer on the EU market ("Operator") but covered the full timber supply chain. By requiring documentation back to point of origin in the forest, the law made companies responsible for knowing about the activities of timber producers in the forest and all sub-suppliers along the way, with whom many did not have a contractual relationship.

Since the EUTR came into force in 2013, guidelines for undertaking Due Diligence have been published by the European Commission (EC), as well as a number of Non-Governmental Organizations (NGOs), to help clarify expectations of importers with respect to EUTR compliance and ultimately, preventing illegal timber being placed on the European single market. These have included advice for assessing and mitigating the risk of importing illegal wood products, both generally and with respect to specific source countries. At the same time, expectations have also been set around the actions that Competent Authorities (CAs), responsible for the enforcement of the EUTR, should take to assess compliance with the EUTR.

After nearly eight years of implementation, this report explores the questions:

- 1 What impact has the EUTR had on the UK's timber sourcing and trade? (Section 2)
- 2 How has UK enforcement of the EUTR worked to date? (Section 3)
- How have UK timber industry sourcing practices and Due Diligence standards evolved in response to the EUTR? (Section 4)

Answering these questions is important at a time when the UK's exit from the EU presents an opportunity to take stock, learn lessons, and suggest potential new improvements. The UK government has committed to continuing to regulate imports of illegal timber in Great Britain through the Timber and Timber Products (Placing on the Market) Regulations (referred to as the UKTR for implementation in 2021 and beyond), while it continues to enforce the EUTR in Northern Ireland.

It is time to refine the ambition and to define new standards for responsible business which will place the UK firmly as a global leader in the regulation of not only illegal timber products, but also other products of illegal deforestation and their associated trade.

KEY FINDINGS:

Trade:

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- The UK's imports of EUTR-regulated products¹ have increased 53 percent by volume between 2012 and 2019. The total volume of imports reached 24.2 billion kilograms (kg) of timber, pulp, and paper products by 2019. By value, imports rose by 21 percent.²
- Over 50 percent of directly sourced EUTR-regulated products (including pulp and paper) were imported from EU28 Member States in 2019. Post-Brexit, these products are now subject to UKTR enforcement checks. UK Operators importing such products from EU Member States have been exempt from enforcement checks up until December 31, 2020 when the UK formally exited the EU. From January 1, 2021, companies importing regulated products into Great Britain are subject to risk-based enforcement checks and will be expected to demonstrate that imports from the EU and European Economic Area (EEA) were legally harvested in their country of origin. This presents a considerable increase in the volume of timber subject to risk-based enforcement checks in 2021 potentially up to an 81 percent increase for timber products, or 115 percent increase for timber, pulp, and paper products combined.
- UK resources for enforcement of the EUTR have reportedly declined over the last four years, despite the increase in volumes of regulated imports. Between 2015 and 2017, the UK Competent Authority (CA) reported a total annual budget of £750,000 for EUTR enforcement, including checks, remedial actions, and issuance of penalties (UK CA 2017). This was reduced to £620,000 per annum between 2017 and 2019 (UK CA 2020).

Risk Profile of UK timber imports:

- Roughly 85 percent of all EUTR-regulated products imported into the UK in 2019 were sourced from countries considered low risk for illegal logging. This has remained relatively consistent (proportionally) since 2012. These countries are considered low risk based on governance, corruption, and harvest risk indicators.
- Direct imports from countries considered high risk for illegal logging account for only 7 percent of total imports in 2019 (by volume) but have increased 59 percent since 2013. The overall percentage of imports from fragile and conflict-affected situations (FCSs), as designated by the World Bank, has remained relatively constant at between 0.1 and 0.2 percent of total UK imports. This includes such countries as Myanmar, the Democratic Republic of Congo (DRC), and Papua New Guinea (PNG),
- EUTR-regulated product imports from Brazil and the Russian Federation, the UK's top two high risk source countries, have grown significantly since 2012. Imports from the Russian Federation have increased by 114 percent, while imports from Brazil have risen over 30 percent since 2012. Other high-risk countries such as Turkey, Vietnam, India, Egypt, Ukraine, and Morocco have also seen significant rising demand from UK buyers.
- UK buyers have shifted away from some high-risk countries that have received high enforcement, media, and/or NGO attention, but often subsequently shift towards sourcing from other high-risk countries.

¹ Harmonized System (HS) codes of timber products within the scope of the EUTR as listed in Annex 1 of the EUTR.

² Value in Euros as reported by the UK to Eurostat Comext.

While there has been a shift in sourcing away from some countries which carry a significant reputational risk or have been widely scrutinized in NGO reports, imports from high-risk countries have actually increased overall. For example, imports from Cameroon have declined 40 percent, with UK importers instead purchasing similar products and species from other high-risk countries such as the Republic of Congo and the DRC, both of which saw a 200 percent increase (by volume). Similarly, UK importers decreased direct sourcing from Côte d'Ivoire and Peru by 65 percent and 95 percent, respectively, from 2012 levels. This suggests that under the Due Diligence guidance requirements of the EUTR and the level of NGO scrutiny, companies do not feel comfortable with the available risk mitigation options in some high-risk countries.

■ The intention of the EUTR was not to shut off trade with countries considered potentially high-risk for illegal logging but, instead, to encourage more market incentives for a shift towards well-governed, sustainably managed forests in those source countries, and a responsible global trade in legal forest products. In order to encourage Operators to buy legal timber, even in high-risk situations, producer countries and industry urgently need to develop improved in-country systems and tools which allow for robust Due Diligence Systems (DDS) which are trusted by the marketplace. Development assistance to support such initiatives, where appropriate, is urgently needed.

UK Enforcement:

- In general, the UK's enforcement approach is targeting high-risk timber and supply chains. The UK's "project" based approach to enforcement, which involves selecting a project focus based on the risk posed by a particular source country, product or species appears to be targeting high-risk timber supply chains. However, there remains a lack of public information to fully determine the extent to which high-risk source countries and products have been subject to an enforcement project or series of checks.
- The UK Competent Authority (CA) has ramped up enforcement since 2013 and is a global leader in using a broad and sophisticated set of scientific testing tools to assess company compliance with the EUTR. The UK is poised to become a global leader in the use of, and support for, physical and chemical scientific testing to verify species and harvest location claims on supply chain documentation, thereby testing the effectiveness of companies' existing Due Diligence Systems. The UK CA reportedly used such scientific testing in 55 of the 96 enforcement checks on Operators between 2017 and 2019 a significantly higher rate than other EU Member States. In addition, the UK, in partnership with the United States (US), has also funded the development of an open-source collection of reference wood material under the WorldForestID³ program, designed to facilitate both industry and enforcement use of scientific testing. This will ultimately improve the transparency, verification, and credible certification in the forest sector.
- UK sanctions for EUTR non-compliance remain weak and could benefit from review. Minor non-compliances are addressed with a warning letter from the UK CA, more serious breaches with a notice of remedial action (NRA). Failure by an Operator to comply with an NRA can lead to the CA referring the Operator for criminal prosecution, but to-date, prosecutions have been "reserved for those who demonstrate flagrant or persistent violations of the regulations" (Department for Environment, Food and Rural Affairs February 2013).

The gradual increase in expectations on companies that have been checked worked well during the early implementation stage of the EUTR in 2013, as it allowed the enforcement authorities to build

 $^{^{\}rm 3}~$ For more information on the WorldForestlD program, see: https://worldforestid.org/

awareness about the regulation and encourage broad improvements in industry sourcing practices over time. However, after eight years of EUTR implementation, a robust stance on checks and sanctions for non-compliance should be in place.

- The number and value of fines and penalties are insufficient to deter non-compliance. For offences related to traceability, record-keeping, obstruction of an inspector, or NRAs, an Operator is liable on summary conviction to a fine not exceeding level 5 on the standard scale. The fine was capped at £5,000 but in 2015, this was amended to remove the cap with the potential for an unlimited fine (UK Government 2015). However, recent convictions have continued to pitch the fine at about £5,000 per offence. Non-compliant companies are paying more in court costs than in penalties for failing to effectively assess and mitigate the risk that the timber was illegally harvested in the source country.
- The UK has increased the proportion of enforcement actions taken since 2013 but as the UK has now left the EU, CAs will now likely need to take a variable approach to enforcement checks going forward, expecting less initially from companies that were formally only sourcing from within the EU and EEA, and thus have only just become Operators. It will be critical for enforcement expectations and sanctions to be ramped up quickly, and at a faster pace than when the EUTR was first implemented, to ensure a consistent high bar for all importers if illegal timber is to be effectively prevented from entering the UK market.

Enforcement transparency and cooperation:

- Trade (FLEGT) Expert Group set an important precedent for expectations on Operator Due Diligence. The UK is likely to enforce the EU-wide common positions on imports from Myanmar (teak) and Brazil that were agreed when the UK was a Member State of the EU.⁴ This is sensible, as there remain several concerns about verifying the legality of timber sourced from Myanmar, particularly considering the recent military coup, and Brazil is a top source country for the UK. Based on public trade data and enforcement data analysis, the UK CA appears to have been largely effective at enforcing the position on Myanmar teak as UK direct imports ceased after the joint enforcement position was agreed.
- Great Britain may have more flexibility under the UKTR to address circumvention within European Member States, but imports into Northern Ireland may remain vulnerable to the risk of circumvention. Minutes from the June 2020 European Commission Expert Group for the EUTR show that the European Anti-Fraud Office (OLAF) opened a Myanmar investigation in March 2020 in response to intelligence received from the UK implying that a UK company was importing Myanmar teak via Italy (European Commission 2020). Until December 31, 2020 UK companies sourcing from Belgium, Italy, or any other EU Member were considered "Traders" rather than "Operators" under the EUTR. The EUTR only provides significant powers to enforcement officials in those countries where the timber is first placed onto the European Single Market and against the "Operator." This means that officials in countries to which non-compliant timber is subsequently transported have little power to act under the EUTR. However, since January 1, 2021, any former "Trader" within Great Britain sourcing from an EU Member State is now an Operator and subject to checks. This provides an opportunity for the UK CA to enforce

⁴ Prior to the UK exit from the EU, there were two common enforcement positions agreed for Myanmar and Brazil. In the case of Myanmar, the EUTR CAs and EC officials concluded in the summer of 2018 that Myanmar teak imports systematically could not comply with the requirements of the EUTR. This position has been upheld ever since. As long as the enforcement position stands, importers are expected to refrain from placing teak from Myanmar on the European market. For Brazil, EU Member States adopted a common enforcement position in December 2018, publishing some specific risk assessment and mitigation guidelines in 2019. This common enforcement position specifically concludes that under the EUTR, risk when sourcing from Brazil is "not negligible" and that Due Diligence needs to be assessed on a case-by-case basis.

the common position on Myanmar teak for timber products imported both directly and indirectly into Great Britain. In the case of Northern Ireland, the UK CA will not conduct checks on timber that has entered from an EU or EEA country, and as such, remains a risk for the UK if EU-wide enforcement of the common position remains inconsistent.

■ The UK is a global leader in releasing data on enforcement, but public information on enforcement actions, compliance, and penalties remains patchy. The type and nature of information reported by the UK to the EC has been inconsistent across biennial reports, and at times contradicts the information released in the government's own progress review report. There is extremely limited information related to UK enforcement between 2013 and June 2016, when the UK CA started publishing information on statutory enforcement actions (covering NRAs issued and prosecutions). The information released into the public domain has improved since June 2016 and is one of the best examples of data transparency on EUTR enforcement throughout Europe and the world. However, the data covering 2013 to 2016 is difficult to compare to post-2016, making it challenging to determine overall impact on Operator sourcing policies. Releasing consistent information about non-compliance is in the public interest and provides a strong deterrent to Operators lagging behind other industry leaders. It demonstrates that the UK is serious about tackling illegal logging and is playing a global leadership role in releasing a robust set of enforcement data on environmental crime. In addition, consistent data allows for tracking impact over time to determine what has worked well and what should be changed.

Operator Sourcing Practices:

Forest Trends conducted detailed interviews with nine UK Operators in 2020. Results suggest:

- Surveyed importers are collecting more information as part of their Due Diligence in 2019 compared with 2012. While this is a small sample of 9 UK Operators, the results of the survey shed light on the types of changes that Operators have made and the specific impacts of the EUTR on industry. Specifically, UK Operators surveyed report that prior to the EUTR coming into effect in 2013, they would only collect information on their direct suppliers, the species, and any relevant phytosanitary certificates. Most companies interviewed for this report now routinely ask for additional information on indirect suppliers, or evidence such as invoices, shipping documents, certification and Chain of Custody (CoC) claims, and harvest licenses. Surveyed Operators report having also increased their scrutiny of evidence presented.
- Risk assessments are identifying source countries at a particularly elevated risk of illegal logging and trade. Countries identified as high risk are generally the same ones that have received significant NGO attention or suffer the most extreme governance and corruption challenges. China was by far the most likely to be considered high-risk by the Operators interviewed. At least five of the seven Operators importing from China declared the country to be "high-risk." "African countries in general," the Russian Federation, and Brazil were the next most frequently cited as being potentially high-risk for illegal logging. Ukraine, Myanmar, Central African Republic, "South American countries in general," PNG, the Solomon Islands, India, Latvia (linked specifically to the risk of illegal timber from the Russian Federation), Malaysia, and Cameroon were all listed as countries considered to be high-risk.
- Risk mitigation measures are more widely used and robust as a result of EUTR implementation in the UK, with companies reporting more time, budget, and other resources dedicated to risk mitigation.

- All nine UK Operators surveyed noted an increase in buying and selling of certified timber, but this was reportedly not directly tied to EUTR implementation. Interviews with nine UK Operators suggest that while demand for certified timber has increased, this trend started prior to implementation of the EUTR. Several companies reported that the increased sourcing of certified timber merely reflected market demand and greater interest in more environmentally conscious products from consumers.
- UK Operators have increased their sourcing from Indonesia, the only country supplying FLEGT licensed timber.⁵ UK-wide imports of EUTR-regulated products from Indonesia increased by 126 percent since the EUTR came into effect in 2013, and by 26 percent since Indonesia started issuing FLEGT licenses in 2016. Surveyed UK companies noted the benefit of reduced Due Diligence required for FLEGT licensed timber.
- Interviewed companies most frequently conducted risk mitigation measures on products from China, Brazil, India, and Malaysia in 2019. Operators most frequently report using scientific testing to validate species and/or origin claims for timber sourced from Vietnam and China, reducing the number of suppliers for timber imported from China and India, and only buying certified products when importing from China, Malaysia, and Brazil.

Policy Recommendations:

Based on the findings of this report, Forest Trends recommends that the UK government:

- 1 Scale up resourcing and planning for proportionate enforcement of the UKTR in 2021 and beyond. The UK should allocate sufficient human and financial resources to tackle the full scale of the UK's timber product imports in 2021 and beyond, and encourage longer term enforcement planning, including capacity building for new Operators now finding themselves within scope of the UKTR (e.g., those importing from EU Member States). New enforcement projects should also instigate a structured rechecking timetable for companies, depending on their levels of compliance at their previous check.
- Set a gold standard for responsible business through the UKTR and apply this to checks on all UK importers. While a phased approach to enforcement is understandable given the number of companies that are newly within scope since the UK left the EU, the government must move quickly to standardize expectations on all UK importers. This will not only establish the UK as a leader in setting responsible business standards, but it will also prepare UK companies seeking to access the growing number of markets in Asia and the US which also control imports for illegal timber.
- Strengthen the penalty regime under the UKTR by increasing the financial penalties and offering a broader suite of civil sanctions that allow action before prosecution. The UK should broaden the sanctions that the CA can take, including Stop Notices and Variable Monetary Penalties which would enable a more flexible, proportionate, and ultimately effective approach to dealing with non-compliance. Fines actually applied need to be increased beyond £5,000 to reflect the seriousness of environmental crime.
- **Beginning in 2021, release consistent data on enforcement on an annual basis.** The UK government should retroactively release comprehensive data on enforcement projects undertaken by the UK CA and the statutory enforcement actions covering NRAs and prosecutions at regular intervals, preferably not exceeding twelve months. Consistent and comprehensive data allows for tracking UKTR impact over time, to determine what has worked well and what should be changed. Transparency is a critical component of effective governance which the UK can model as a global leader.

⁵ FLEGT licensed timber and timber products are considered to comply with the requirements EUTR, which means that Operators do not need to exercise Due Diligence on these products if there is a valid FLEGT license

- **4.1** Reporting on statutory actions covering NRAs and prosecutions should be standardized to include inter alia:
 - a. Date of enforcement action
 - **b.** HS code
 - c. Product
 - d. Company name
 - e. Source Country
 - **f.** Species (trade or scientific name)
 - g. Enforcement action taken by the CA
 - h. Breached regulation details
 - i. Type of infringement
 - j. Detail including the company response
- **4.2** Reporting on enforcement actions should include inter alia:
 - a. Resources for UKTR enforcement (human resources and budget for enforcement)
 - **b.** Number of companies trained
 - c. Number of checks conducted
 - d. Number of checks on which scientific testing was used
 - e. Aggregated percentage of scientific testing that failed to show species and/or location declared
 - f. Number of Warning Letters issued
 - g. Number of NRAs issued
 - **h.** Number of prosecutions completed including full detail on the prosecution outcome and financial penalties
 - Number of substantiated concerns received, and the associated source country, HS code, and species associated with the substantiated concerns (as appropriate based on the information received)
 - j. Enforcement projects conducted
- Promote consistent policies and enforcement with other countries implementing similar demandside timber import regulations. Greater consistency with other international efforts will help UK
 companies comply with global efforts to eradicate illegal timber from key consumer markets, as well
 as facilitating their own exports to other markets. The UK should continue to enforce existing common
 enforcement positions on teak from Myanmar and timber from Brazil and develop a strong relationship
 with other EU Member States on enforcement issues and on future common positions developed. The
 UK should also promote consistency in approaches with other global markets currently developing or
 implementing similar illegal timber imports regulations, such as the US, Australia, New Zealand, Japan,
 Republic of Korea, and China, including by actively sharing UK lessons and best practice.
- Ensure all lessons learned from national enforcement of the UKTR are reflected in the design of future regulatory approaches to controlling the trade in illegally sourced forest risk commodities, as well as revisions of the Modern Slavery Act and other supply chain accountability mechanisms.

1 Introduction

The European Union Timber Regulation (EUTR) came into force in 2013 (European Parliament 2010) to tackle illegal logging and drive demand for legally harvested timber products, by prohibiting the placement of illegally sourced timber on the European Union (EU) market. In the United Kingdom (UK), the EUTR came into force through the UK Timber and Timber Products (Placing on the Market) Regulations in the same year and was considered a key mechanism to help tackle global deforestation which is driving nature loss and climate change.

After nearly eight years of implementation, what impact has the EUTR had on the UK's sourcing of wood products and overall timber trade? How is enforcement working?

The UK's exit from the EU presents an opportunity to take stock and learn lessons. The UK government has committed to continue to regulate imports of illegal timber in Great Britain through the Timber and Timber Products (Placing on the Market) Regulations (referred to as the UKTR for implementation in 2021 and beyond), while continuing to enforce the EUTR in Northern Ireland. It is time to refine the ambition and define new standards for responsible business which will place the UK firmly as a global leader in not only the regulation of illegal timber products, but the regulation of other products of illegal deforestation and their associated trade.

The EUTR was revolutionary in 2013: it was the first legal instrument at the EU level to require companies to undertake mandatory Due Diligence in their global supply chains – a concept that expanded the notion of corporate legal responsibility significantly. The Due Diligence requirements only applied to the first placer on the EU market ("Operator") but covered the full timber supply chain. By requiring documentation back to point of origin in the forest, the law made companies responsible for knowing about the activities of timber producers in the forest and all sub-suppliers along the way, with whom many did not have a contractual relationship.

The theory of change behind the EUTR was that by reducing demand for illegal wood products, subsequent increased demand for demonstrably legal products would incentivize producers in forest rich countries to ensure well-governed, sustainably managed forests. As such, the EUTR has the potential to support not only sustainable forestry and reduced emissions contributing to climate change, but also the livelihoods of those that depend on forests. The EUTR has also been designed to complement the Forest Law Enforcement Governance and Trade (FLEGT) Voluntary Partnership Agreements (VPAs), legally binding trade agreements between the EU and timber-producing countries outside the EU, which have been typically supported by technical assistance programs to support improvements to regulation and governance of producer countries' forest sectors.

Since the EUTR came into force in 2013, guidelines for undertaking Due Diligence have been published by the European Commission (EC), as well as a number of Non-Governmental Organizations (NGOs) to help clarify expectations of importers to prevent illegal timber being placed on the European single market. These have included advice for assessing and mitigating the risk of importing illegal wood products, both generally and with respect to specific source countries. At the same time, expectations have also been set around the actions that Competent Authorities (CAs), responsible for the enforcement of the EUTR, should take to assess compliance with the EUTR.

This paper seeks to assess, after nearly eight years of implementation, the extent to which the UK has been able to prevent illegal timber from entering the UK market. It assesses questions such as:

- What impact has the EUTR had on the UK's timber sourcing and trade?
- How has UK enforcement of the EUTR worked to date?
- How have UK timber industry sourcing practices and Due Diligence evolved in response to the EUTR?

The Changing Nature of the UK Demand for Timber Products

2.1 Volume and Direct Source Markets

The UK's annual sourcing of EUTR-regulated products⁶ increased 53 percent by volume between 2012 and 2019. The UK imported 15.8 billion kg of these timber products in 2012 and by 2019, their volume had increased to 24.2 billion kg (Figure 1). By value, imports rose by 21 percent over the same period.⁷

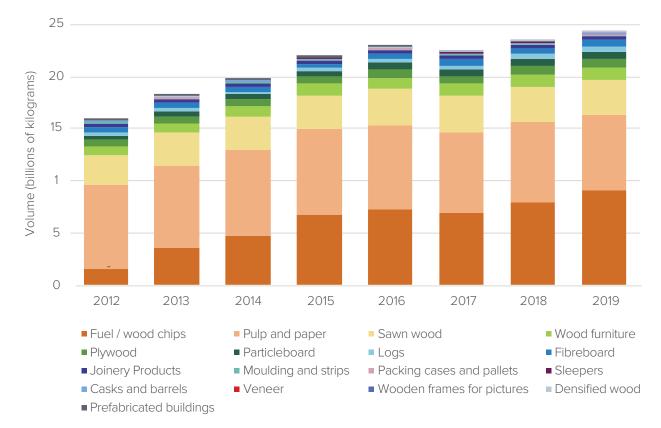


Figure 1 | UK imports of EUTR regulated timber products, 2012-2019

Source: Eurostat Comext 2020. Compiled by Forest Trends.

Starting in 2015, UK importers increasingly reduced their direct sourcing of EUTR-regulated timber products from EU Member States. At the same time, UK direct sourcing from outside the EU has grown, with non-EU imports overtaking EU-imports for the first time in 2016 and growing year on year since 2017 (Figure 2).

⁶ HS codes of timber products within the scope of the EUTR as listed in Annex 1 of the EUTR; Available at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:295:0023:0034:EN:PDF

⁷ Value in Euros as reported by the UK to Eurostat Comext.

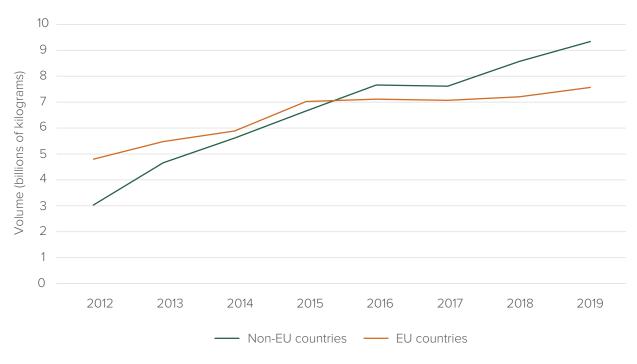


Figure 2 | UK timber product imports from EU and non-EU countries, excluding pulp and paper, 2012-2019

Up until December 31, 2020, when the UK formally exited the EU, UK Operators importing EUTR-regulated products from EU Member States have been exempt from enforcement checks since they were not considered to be Operators. Since January 1, 2021, however, the importation of regulated timber product from Europe is considered first placement on the UK market and is thus treated the same as any other timber product from around the world. Companies importing regulated products into Great Britain are now subject to risk-based enforcement checks and are expected to demonstrate that imports from the EU and European Economic Area (EEA) were legally harvested in their countries of origin. Companies importing regulated products into Northern Ireland, which will be implementing the EUTR, from the EU and EEA will not be subject to Due Diligence checks, since these products will be considered already placed on the EU market.

In 2019, 45 percent of timber products entering the UK were imported from EU28 Member States. When one includes pulp and paper, the number increases: more than 54 percent of EUTR-regulated products were sourced from within the EU28 (by volume). Post Brexit, where UK Operators will now be considered first placers of timber products imported from the EU, there will likely be a considerable increase in the volume of timber subject to risk-based enforcement checks from January 2021. Based on UK-wide imports from all countries in 2019, UK Operators could be facing an 81 percent increase in the volume of timber products subject to risk-based enforcement checks, or a 115 percent increase in the volume of timber, pulp, and paper products.

In 2019, the UK's top direct source country for EUTR-regulated imports was the United States (US). UK demand for US products increased by 456 percent since 2012 (by volume). At the same time, UK imports from Sweden, Germany, Finland, France, and Norway decreased marginally following a longer-term shift in sourcing to the Baltic States and the Russian Federation. Out of the top twenty countries directly supplying the UK market over the period; Estonia, Latvia, and Lithuania have seen the most significant increase in demand from UK importers (Figure 3).

7 600 6 500 Volume (billions of kilograms) 400 5 of in volume 4 300 3 200 Percent change 2 100 1 Finland Krance ■ Volume of imports in 2012 ■ Volume of imports in 2019 Percent change in volume of imports

Figure 3 | Top 20 UK source countries for EUTR regulated products, 2012-2019

Of countries with high-risk timber imports, UK imports from Brazil marginally increased. While importing only small amounts, UK imports dropped most significantly from the Central African Republic and Peru, as well as several other Central and Latin American source countries, including Honduras, Ecuador, Uruguay, and Nicaragua. Imports from Côte d'Ivoire were also down more than 65 percent between 2012 and 2019.

2.2 Product Trade Trends and Direct Source Countries

Logs and sawnwood (HS codes 4403 and 4407):

Log imports increased 48 percent between 2012 and 2019, with most significant increases from Ireland, the Russian Federation, Latvia, Lithuania, and Estonia (Figure 4). Log imports from Cameroon, Democratic Republic of Congo (DRC), and Republic of Congo all decreased over the period, but imports from Gabon were up 242 percent.

UK importers increased sawnwood sourcing by 18 percent between 2012 and 2019. Sweden remained the top source country in 2019, but Latvia, Finland, Germany and the Russian Federation all saw more significant increases in demand over the period (Figure 5).

Plywood (HS code 4412):

The UK increased plywood imports by 26 percent between 2012 and 2019. China has remained the top direct supplier over the period and imports were 5 percent higher in 2019 compared with 2012 (Figure 6).

Figure 4 | Top 20 source countries for logs and percent change, 2012-2019

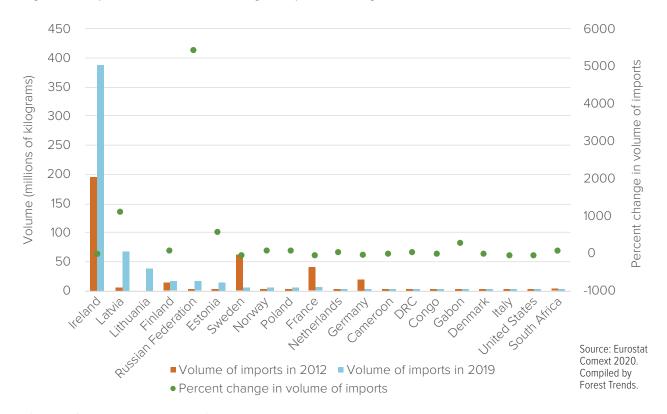
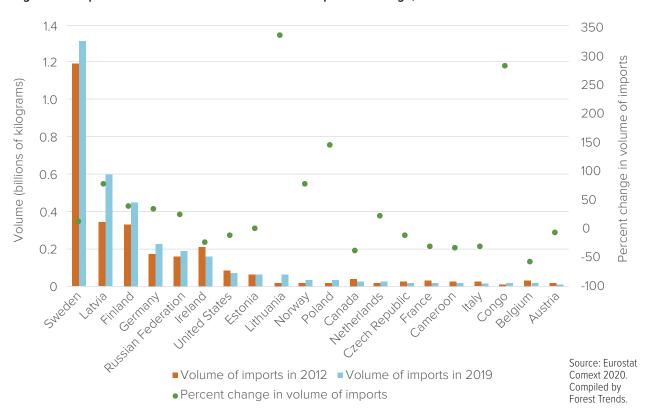


Figure 5 | Top 20 source countries for sawnwood and percent change, 2012-2019



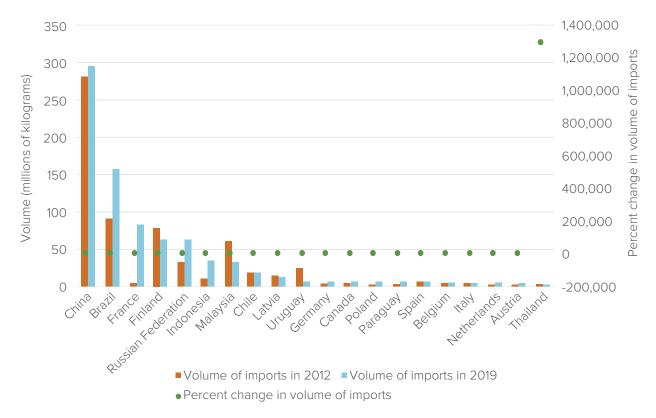


Figure 6 | Top 20 source countries for plywood in 2019 and percent change between 2012 and 2019

However, Chinese imports declined by almost 12 percent between 2018 (the all-time high) and 2019. At the same time, imports of plywood from within the EU increased in 2019 by 55 percent compared with 2018. Brazil remains a major plywood source for the UK and imports increased 72 percent since 2012. The Russian Federation has almost doubled its supply to the UK, while demand for Indonesian plywood has increased by 250 percent. Malaysia has seen a 47 percent decrease in the volume sourced over the period.

Flooring (HS code 4409):

Overall, the UK reduced wooden flooring imports by 21 percent between 2012 and 2019. The most significant reductions were in flooring imports from China (down by 46 percent), Sweden (down by 71 percent), Canada (down by 48 percent), as well as Malaysia and Ukraine, which both saw decreases of 4 percent over the period (Figure 7). The UK increased sourcing from Indonesia (up 116 percent, making Indonesia the fifth most important source for UK importers of flooring). Sourcing of flooring products under HS code 4409 has also increased significantly from the Russian Federation and the Czech Republic.

Wooden furniture codes (HS codes 940330, 940340, 940350, and 940360):

UK imports increased 30 percent between 2012 and 2019. China saw a 12 percent increase over the period, while Italy and Poland increased their market share (59 percent increase in sourcing from Italy and 74 percent increase in sourcing from Poland). Other significant markets include Vietnam (28 percent increase) and Malaysia (41 percent increase) (Figure 8). There has been a rise in sourcing of furniture products from Australia, Belarus, the Middle East, Turkey, and India over the period, although overall volumes of imports remain less significant compared with the top ten source countries.

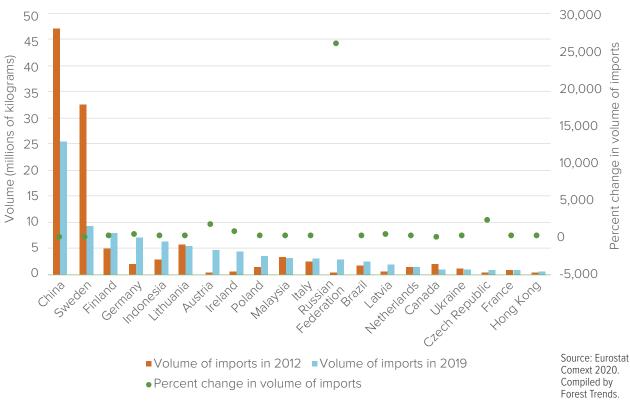
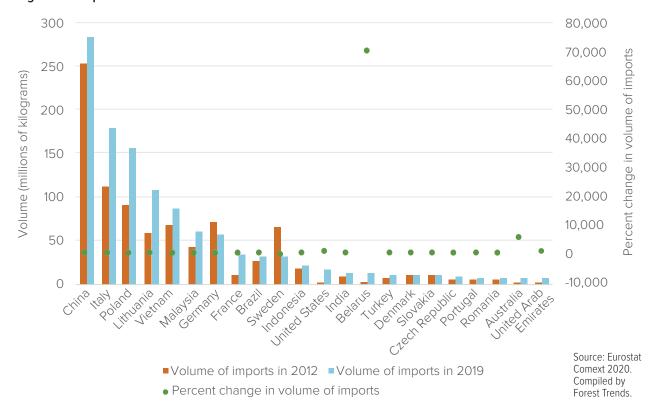


Figure 7 | Top 20 source countries for flooring in 2019 and percent change between 2012 and 2019





Wood chips/Fuel wood (HS code 4401):

The UK increased imports of wood chips by 468 percent between 2012 and 2019 (Figure 9). The majority of woodchips by volume were sourced from the US, Canada, Latvia, and Estonia. Other major source countries include Portugal, the Russia Federation, and Brazil, with Brazil starting to supply wood chips to the UK market from 2017. UK woodchip imports from Norway increased most significantly over the period. New major markets for wood chips include Thailand, which saw a more than 600 percent increase in UK demand between 2018 and 2019 alone.

6 16 change in volume of imports (millions) 14 5 Volume (billions of kilograms) 12 4 10 8 3 2 2 0 -2 ithuania ■ Volume of imports in 2012 ■ Volume of imports in 2019 • Percent change in volume of imports

Figure 9 | Top 20 source countries for wood chips in 2019 and percent change between 2012 and 2019

Source: Eurostat Comext 2020. Compiled by Forest Trends.

2.3 Risk Profile of UK Sourcing

The EUTR requires Operators to establish a Due Diligence System (DDS), gather information and evidence about the supply chain, and assess and mitigate any risk of illegal timber being placed onto the EU market. As such, understanding and assessing the risk of illegal timber entering a supply chain is critical to comply with the requirements of the EUTR.

By its very nature as an illicit act, the extent and nature of illegal logging is difficult to systematically monitor, and great efforts are taken to hide it. Forest crimes and illegal logging in many timber producing countries are not well documented and consistent national or global data on illegal logging does not exist (Forest Trends 2017).

Indices on poor governance and corruption have shown to be a relatively robust proxy for illegal logging, due to their high correlation with the failure of a country's public sector to enforce relevant laws or regulate



Background on Due Diligence*

The EUTR creates a requirement on "Operators," defined as any natural or legal person who first places timber and timber products onto the European Market to exercise Due Diligence.

Due Diligence requirements are designed to ensure that Operators undertake a risk management exercise to minimize the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market.

The three key elements of the Due Diligence system are:

- **Access to Information:** The Operator must have access to, and gather, information describing the timber and timber products, country of harvest, species, quantity, details of the supplier, and information on compliance with national legislation.
- 2 Risk assessment: The Operator should assess the risk of illegal timber in its supply chain, based on the information identified above and taking into account criteria set out in the regulation.
- 3 Risk mitigation: When the assessment shows that there is a risk of illegal timber in the supply chain, that risk can be mitigated by requiring additional information and verification from the supplier.

European Commission (EC) guidance published in 2013 and updated in 2016 has set standards for risk assessment, including listing some key questions and indicators which would suggest a heightened risk that the timber could be illegal. Guidance states that "the level of risk can only be assessed on a case-by-case basis as it depends upon a number of factors. Although there is not a single accepted system for risk assessment, as a general rule however, the Operator will have to address the following questions:

- Where was the timber harvested?
- Is the level of governance a concern?
- Are all documents indicating compliance with applicable legislation made available by the supplier, and are verifiable?
- Are there indications of involvement of any company in the supply chain in practices related to illegal logging?
- Is the supply chain complex?

European Commission guidance also specifies that "the higher the risk of corruption in a specific case, the more it is necessary to get additional evidence to mitigate the risk of illegal timber entering the EU market. Examples of such additional evidence may include third-party-verified schemes independent or self-conducted audits, or timber tracking technologies (e.g., with genetic markers or stable isotopes).

industries effectively (Forest Trends 2017). Nearly half of the world's forests are in nations suffering from what Transparency International calls "rampant" corruption (Sundstrom 2016). Most forest crimes identified by Interpol and the United Nations Environment Programme (UNEP) result from the inability of state forest administrations to enforce laws that regulate timber harvesting and trade (Nellemann et al. 2016). The complicity of government officials in corruption in many states undermines the enforcement of laws and regulations relating to forest protection and management, as well as the reliability of CoC systems. This suggests an increased risk of illegal harvesting and illegal wood entering supply chains.

In addition, fragile and conflict-affected situations (FCSs) face particularly severe development and governance challenges. They are typically characterized by weak institutional capacity, ineffective rule of law, political instability, and the threat or reality of on-going violence at variable scales. As a result, political instability and violence inherent in these states raises the likelihood of illegal timber entering supply chains substantially (Forest Trends 2020a).

EC EUTR guidance has set standards for risk assessment,⁹ including some key questions and indicators which would suggest a heightened risk that the timber could be illegal (Box 1). This suggests that regulated Operators should consider where the timber they are importing was harvested, the level of governance in that country, whether compliance documents are verifiable, any reported incidents of companies in the supply chain being involved in practices related to illegal logging and the complexity of the supply chain.

EC guidance also specifies that "the higher the risk of corruption in a specific case, the more it is necessary to get additional evidence to mitigate the risk of illegal timber entering the EU market." Examples of such additional evidence may include third-party-verified schemes independent or self-conducted audits, or timber tracking technologies (e.g. with genetic markers or stable isotopes)."

2.3.1 Political governance and conflict risk associated with the UK's timber imports

Forest Trends has developed a risk assessment approach that follows a growing body of work using existing data and metrics related to national governance, corruption, conflict, and harvest-risk indicators. The approach is designed to highlight the likelihood that timber may have been illegally logged in a source country, or the likelihood that illegal wood may have entered a supply chain.¹⁰ As such, this report draws on this approach to assess the risk profile of the UK's imported timber since the EUTR came into effect.

Overall source country risk profile:

There has been very little change in the overall source country risk profile of UK imports between 2012 and 2019 (Figure 10).

While the volume of imports from lower-risk source countries has increased, the proportion of low-risk sourcing vis-à-vis total imports has only marginally increased (by 2.6 percent). Overall, the UK directly imported roughly 84.8 percent of EUTR-regulated products from lower risk countries in 2019.

Volumes of direct imports from source countries assessed as higher-risk (based on the Forest Trends compilation of governance, corruption, and harvest risk indicators) have increased by 59 percent between 2012 and 2019, and accounted for roughly 7 percent of total imports by volume.

For a summary of the ways in which corruption negatively impacts environmental governance: Leitao, Alexandra. 2016. "Corruption and the Environment." Journal of Socialomics. 5,3. DOI: 10.4172/2167-0358.1000173. For examples of the links between government corruption and illegal logging: Gore, Meredith L., Jonah Ratsimbazafy and Michelle L. Lute. 2013. "Rethinking Corruption in Conservation Crime: Insights from Madagascar." Conservation Letters. 6,6. DOI: 10.1111/conl.12032. For a summary of the scope and results of studies on corruption and illegality in forest management: Sundstrom 2016 (References).

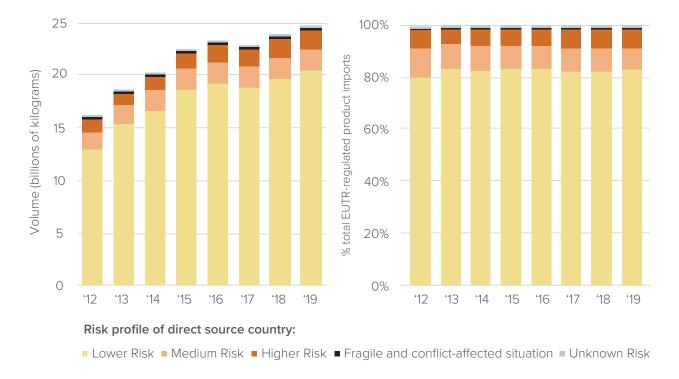
⁹ For more information see the European Commission Guidance Document for the EU Timber Regulation February 2016. Available at: http://ec.europa.eu/environment/forests/timber_regulation.htm.

¹⁰ See underlying methodology at Forest Trends ILAT Risk website. Available at https://www.forest-trends.org/fptf-ilat-home/.

Volumes of direct imports from medium risk source countries have increased 13 percent by volume, declined proportionally since 2012 from 10.8 percent of total imports to 8.0 percent by 2019.

At the same time, imports from FCSs, as designated by the World Bank in 2020, have remained relatively constant at between 0.1 and 0.2 percent of total imports by volume since the EUTR came into effect.

Figure 10 | Risk profile of UK EUTR-regulated imports and percent of total imports, 2012-2019



Source: Eurostat Comext 2020. Compiled by Forest Trends.

Source country risk profile by product:

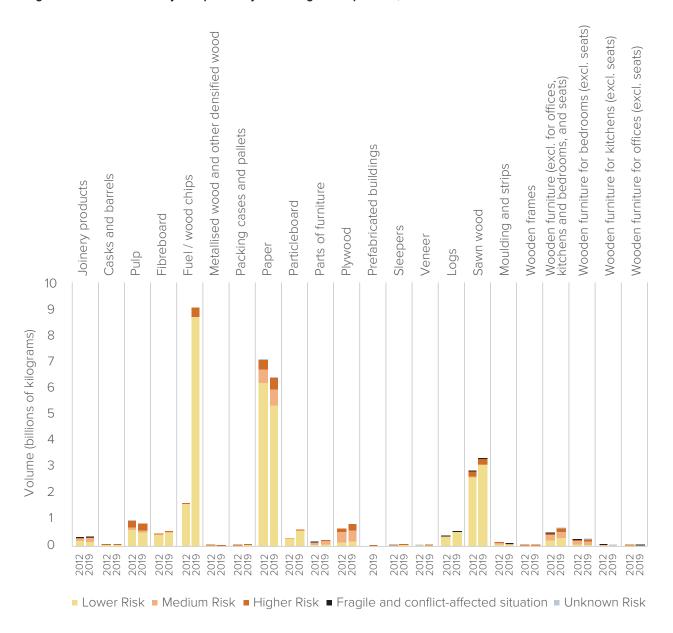
The UK's source country risk profile varies significantly by product (Figure 11). Plywood, joinery products, wooden furniture, and paper are most likely to have been sourced from higher-risk countries.

2.3.2 UK Sourcing from fragile and conflict affected situations:

There was a 3 percent decrease in the volume of EUTR-regulated products sourced from FCSs between 2012 and 2019. Based on volume, imports decreased from 37.6 million kilograms (Mkg) in 2012 to 33.5 Mkg in 2013 when the EUTR came into force. Since 2013, the volume of direct imports from FCSs has fluctuated, reaching 36.6 Mkg in 2019 (Figure 12).

However, reductions in UK direct sourcing from Cameroon appear to have been replaced by similar imported products from the Republic of Congo and DRC, which both saw a 200 percent increase in UK sourcing by volume. While UK importers decreased direct sourcing from Cameroon by 40 percent over the period, Cameroon still accounted for 48 percent of all EUTR regulated product sourcing from FCSs in 2019. Together, Cameroon, Republic of Congo, and DRC account for 98 percent of all FCS sourcing in 2019.

Figure 11 | Source country risk profile by EUTR-regulated product, 2012 versus 2019

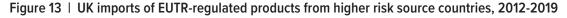


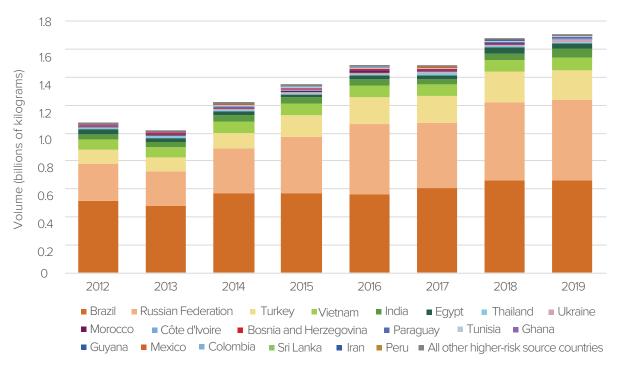
2.3.3 UK sourcing from higher risk source countries

Brazil and the Russian Federation have remained the top two higher-risk source countries supplying the UK since 2012 (Figure 13). Imports from the Russian Federation have increased by 114 percent, while imports from Brazil have risen over 30 percent since 2012. Turkey, Vietnam, India, Egypt, Ukraine, and Morocco have also seen significant rising demand. UK importers decreased direct sourcing from Côte d'Ivoire, with imports declining 65 percent since 2012 and Peru, where direct imports were down 95 percent on 2012 levels.

40 35 Volume (millions of kilograms) 30 25 20 15 10 5 0 2019 2012 2013 2014 2015 2016 2017 2018 Cameroon Republic of Congo ■ Democratic Republic of Congo ■ Lebanon ■ Solomon Islands ■ Liberia Nigeria ■ Papua New Guinea ■ Myanmar ■ Mozambique Kosovo ■ Zimbabwe ■ Mali ■ Syrian Arab Republic (Syria) ■ Venezuela ■ Eritrea ■ Central African Republic ■ Marshall Islands ■ Gambia ■ Haiti ■ All other FCSs

Figure 12 | UK imports of EUTR-regulated products from fragile and conflict affected situations, 2012-2019





Source: Eurostat Comext 2020. Compiled by Forest Trends.

2.3.4 UK sourcing from medium risk source countries

China remains the top medium-risk source country supplying the UK, although the risk of Chinese manufactured products will vary based on species or original country of harvest as much of the timber used to manufacture products in China has been sourced elsewhere. While China imports significant amounts of timber from lower-risk countries, such as New Zealand, the US, and Canada, significant volumes of timber are also still being imported from higher risk countries – particularly from the Russian Far East and for tropical decorative hardwoods. UK imports of EUTR-regulated products from China increased by 17 percent between 2012 and 2019 (Figure 14).

2.5 2.0 Volume (billions of kilograms) 1.5 1.0 0.5 0 2012 2013 2014 2015 2016 2017 2018 2019 China Italy Malaysia Chile ■ Uruguay ■ Romania ■ Hungary Indonesia ■ Belarus ■ Serbia ■ Greece ■ Croatia ■ Saudi Arabia ■ Bulgaria ■ Cyprus ■ Qatar Sevchelles ■Bahrain ■ North Macedonia ■ All other medium risk countries

Figure 14 | UK imports of EUTR-regulated products from medium risk source countries, 2012-2019

Source: Eurostat Comext 2020. Compiled by Forest Trends.

Other major medium-risk source countries for UK sourcing include Italy, Indonesia,¹¹ Malaysia, Chile, Uruguay, Romania, and Hungary. UK imports from Malaysia decreased over the period by almost 10 percent. Imports from Uruguay and Chile also declined over the period. UK imports of EUTR-regulated products have increased by 126 percent from Indonesia since the EUTR came into effect.

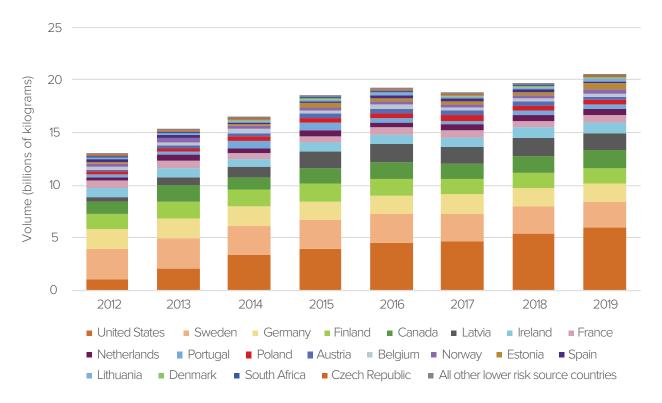
Indonesia's overall country governance risk score, for which this analysis is based on, suggests a medium-risk category. It is important to note that the forestry sector related risk is presumed low. Indonesia is the first, and currently, only, country in the world with an operational FLEGT licensing scheme. This means that the Government of Indonesia has made significant efforts to develop a mandatory national system to track and verify legality and control illegal timber, called the Sistem Verifikasi Legalitas Kayu (SVLK), which was established in 2009. Indonesia began issuing FLEGT licenses on November 15, 2016. As of 2019, the SVLK covers 99 percent of the total concession area. While Indonesia has made significant efforts to put in place a national system to track, verify legality, and control illegal timber imported into the country, corruption in Indonesia across the board – particularly at the local level – remains an issue that can undermine the system. Some early challenges should be expected given that this is a new system and the first such FLEGT licensing scheme operating globally. The SVLK has been recognized as meeting the standards set by the EUTR and the UKTR since November 2016 and EU importers are no longer required to conduct Due Diligence checks on timber from Indonesia. While SVLK / FLEGT licensing denotes complete compliance with the EUTR for European importers, a FLEGT license may not in and of itself guarantee compliance with timber import regulations in other jurisdictions, such as the US Lacey Act in the US.

2.3.5 UK direct sourcing from lower risk source countries

The UK increased direct imports from lower risk source countries by 58 percent based on volume. The UK's main lower-risk source countries include the US, Sweden, Germany, Finland, and Canada (Figure 15).

The UK also imports wood products marked as having been sourced from lower-risk countries, such as Singapore and Hong Kong, despite the fact that they have no significant forest production estates. Both Singapore and Hong Kong play a significant role in the transit and transshipment of goods: their re-export documentation can obscure true country origin, and thus true risk assessments based on country of origin. As a result, wood imports from countries like Singapore might be considered "low-risk," despite the fact that they have likely been sourced from other countries which may be higher-risk for illegal logging and trade.

Figure 15 | UK imports of EUTR-regulated products from lower risk source countries, 2012-2019



Source: Eurostat Comext 2020. Compiled by Forest Trends.

28

UK Enforcement Action and Penalties



3

BOX 2

Summary of the expectations on enforcement under the EUTR

The EUTR places requirements on EU Member States to implement and enforce the law. This includes:

- a. taking a risk-based approach to enforcement,
- b. setting and implementing effective, proportionate, and dissuasive penalties and sanctions,
- c. conducting checks on companies, including investigating substantiated concerns if and when submitted from third parties,
- d. cooperating with EU Member States, and
- e. effectively resourcing enforcement.

3.1 The UK's General Approach

The UK enforcement authority is currently the Office for Product Safety and Standards (OPSS), formally Regulatory Delivery and the National Measurement and Regulation Office (NMRO), part of the UK Government's Department for Business, Energy and Industrial Strategy (BEIS) that enforces the regulations on behalf of the Department for Environment, Food and Rural Affairs (Defra). The UK estimates that there are around 6,000 Operators importing timber into the UK and placing timber on the EU market for the first time (UNEP WCMC 2019).

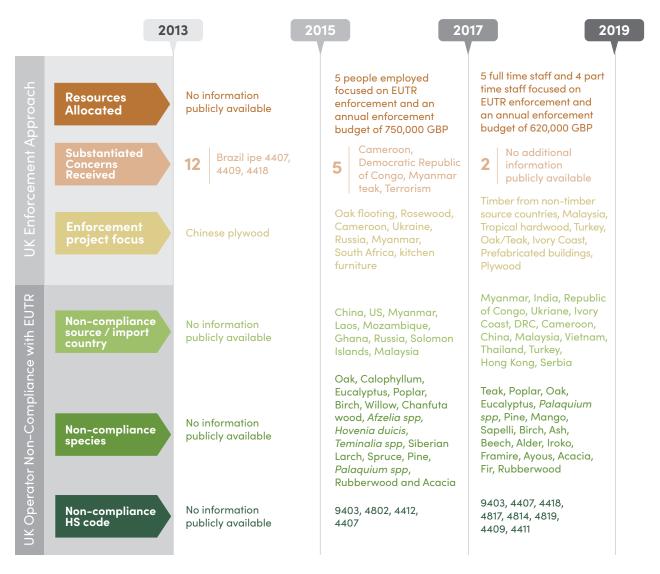
Information on enforcement has been made public through a range of data releases, including reports on specific enforcement "projects" and UK enforcement actions, including the number of checks on Operators through three biennial reports to the EC covering the timeframes: March 2013-February 2015, March 2015-February 2017, and March 2017-February 2019. The UK has also published statutory enforcement actions since June 2016 on the OPSS website. This information includes the names of companies that have received notices of remedial action and criminal penalties under the EUTR.

In general, the UK takes a "project" based approach to enforcement. This means that the enforcement authority selects a project focus based on the risk posed by a particular source country, product, or species, which are assessed internally using available information or third-party sources. The enforcement authority develops an annual operational plan which is used to identify enforcement projects for the year ahead. This plan is then discussed with Defra and proposed projects are reviewed by a project board. Each enforcement project usually includes checks on around 10-15 Operators and takes six months to complete. Operators are then selected for checks based on risk. The UK enforcement authority has reported that they consider the type of product, country or area of harvest, timber species, complexity or type of supply chain (e.g., products composed of materials from multiple origins), indirect trade routes, and export bans when deciding which companies to select for checks (UK CA 2020). Checks involve the CA contacting the selected businesses

 $^{^{12}}$ The UK reports on this timeframe while other Member States may report January to December.

¹³ For further information, see: https://www.gov.uk/government/publications/statutory-enforcement-actions.

Figure 16 | UK enforcement at a glance





and requesting the DDS for an identified import, which is then reviewed to assess compliance with legislation requirements. The UK enforcement authority will also revisit Operators that have been previously found non-compliant depending on the assessed risk, ideally within two years of a previous non-compliance but the timing of the revisit will be subject to the perceived risk and the resources of the CA.

The UK CA reports that it responds to minor non-compliances with a warning letter and more serious breaches with a notice of remedial action (NRA). After a notice of remedial action, the Operator has 28 days to respond, after which the enforcement authority will take a risk-based approach to decide whether follow-up checks are necessary. If Operators fail to comply with an NRA, the CA can refer the company for criminal prosecution. In such instances, the Operator can face either a fine or imprisonment for up to two years. In general, prosecutions are "reserved for those who demonstrate flagrant or persistent violations of the regulations (Defra 2013)."

3.2 Findings

■ In general, the UK's enforcement approach is targeting high risk timber and supply chains.

Through public information provided to the EC¹⁴ or through the UK's release of statutory enforcement action data and review comments on this report, Forest Trends knows that UK enforcement projects have targeted at the least the following high-risk timber products or higher-risk source countries:

2013-2015

Chinese plywood

2015-2017

- Oak flooring
- Kitchen furniture
- Rosewood
- Cameroon
- Ukraine
- Russia
- Myanmar
- South America

2017-2019

- Timber from non-timber source countries
- Malaysia
- Tropical hardwood
- Turkey
- Oak/Teak
- Ivory Coast
- Prefabricated buildings
- Plywood

This is based on information reported to the EC as part of the UK's biennial updates on implementation of the EUTR, presentations provided by the UK CA, and UK updates at the EUTR Expert Group meetings, as well as through bespoke project reports published by the UK enforcement authority.

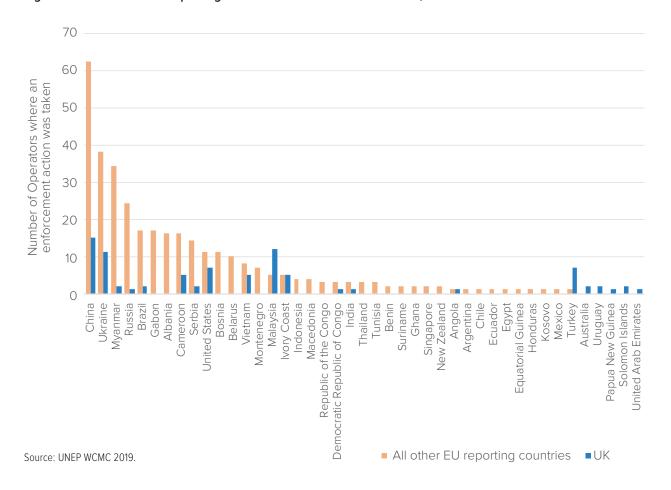
2019-2021

- German customs data
- High-end retail
- Belgian and Dutch customs data
- Fuelwood
- FLEGT License Verification

Information reported in the biennial updates to the EC on substantiated concerns further indicates that the UK has also targeted Brazilian ipé imports of HS codes 4407, 4409, and 4418 and imports from the DRC in addition to the countries, products, and species already listed above.

In terms of enforcement checks, the UK enforcement authority has checked Operators importing most of the highest risk products and HS codes by source country: HS codes related to furniture under (9403), paper (4802, 4817, 4814, and 4819), plywood (4412), sawnwood (4407), molding and strips (4418), flooring (4409), particleboard (4411), and prefabricated buildings under HS code (94060020). This also suggests a focus on complex products such as furniture, which have an elevated risk of containing illegally harvested timber due to the component nature of the product (which lends itself to blending of legal and illegal timber), and the length of the supply chain being vulnerable to falsification of documentation.

Figure 17 | UK and other reporting EU countries' enforcement actions, 2017-2019



Gaps in publicly available information make it challenging to determine the extent to which the UK enforcement authority has targeted other high-risk product HS codes based on the volume of imports, including pulp under HS code 47 and logs (4403) (Forest Trends 2020b).

The enforcement actions taken by the UK appear to be similar to those taken by other EU Member States between March 2017 and February 2019 (Figure 17). However, relative to other EU Member States, the UK has found higher rates of non-compliance related to products sourced from Turkey, Cameroon, and Côte d'Ivoire in the reporting period. The UK was the only Member State to report non-compliance related to checks on Operators sourcing from Papua New Guinea (PNG) and the Solomon Islands.

■ The UK enforcement authority has ramped up enforcement since 2013

With the start of EUTR implementation, the UK decided to take a phased approach to enforcement (Figure 18). The UK CA initially focused enforcement activities on engagement and capacity building in the early years of implementation between March 2013 and February 2015 to make Operators aware of the requirements. The CA reported that more than 500 Operators were engaged in the first two years.

The CA also completed 107 checks on importers, issuing 20 Notices of NRAs in the first two-year period of implementation. In addition, the UK enforcement authority released the results of an enforcement project on Chinese plywood imports in February 2015. Awareness and compliance were reportedly extremely low and the UK issued ten NRAs to importers of Chinese plywood (National Measurement Office 2015).

Since March 2015, the UK shifted more towards an "enforcement-led approach" and increased sanctions (Defra 2018), although the CA has continued to offer support to industry. At least 150 Operators were engaged through February 2017, with another 100 engaged by February 2019.

Figure 18 | History of the UK's enforcement approach



The CA checked 184 Operators between March 2015 and February 2017, issuing 40 warning letters and 37 NRAs in this period. Between 2017 and 2019, the CA completed 96 checks, issuing 67 warning letters or NRAs. There were two prosecutions resulting in two financial penalties.

■ The UK is a global leader in using a broad and sophisticated set of scientific testing tools to assess company compliance with the EUTR.

The UK has led internationally on the use of scientific approaches to traceability and verification of supply chain claims, stating that "timber testing has become an essential tool in EUTR projects as it allows...[us] to establish if a potential offence has been committed" (Preferred by Nature 2017). A DDS cannot be considered effective if species and location of harvest claims on the supply chain documentation are shown to be incorrect by scientific methods using physical and chemical properties of wood to establish its provenance.

The UK reported using scientific testing in 55 of the 96 checks between 2017 and 2019, suggesting that over 50 percent of checks involve the use of scientific testing for species and origin. This is a significant rate, particularly compared with other EU Member States during the same time period.

The UK, in partnership with the US, has also funded the development of an open-source collection of reference wood material under the WorldForestID program, designed to facilitate both industry and enforcement use of scientific testing, which will ultimately improve the transparency, verification and credible certification in the forest sector.

■ UK enforcement has focused on changing importer sourcing behavior but has not prosecuted a company for importing illegal timber in contravention of the "Prohibition" element of the EUTR to date.

The EUTR's Due Diligence concept was designed to avoid the necessity for "extra-territorial" jurisdictional judgements in European courts (i.e., EU judges would not be forced to rule on whether laws in other jurisdictions had been broken and resource-intensive evidence collection in other countries would not be needed to sanction non-compliant companies). Subsequent to the EC's first draft of the EUTR, the "Prohibition" element of the law was added by European Parliamentarians. After eight years in force, the prohibition element remains untried, not just in the UK, but across the whole EU. Prohibition judgements are extremely difficult for most courts to undertake without the active cooperation of the government in the country where the harm took place, both politically and technically. While there has been no formal discussion of the systemic challenges to prosecuting importers who contravene the prohibition, it appears that it is ultimately easier to enforce the part of the law which requires companies to collect and verify information in the European jurisdiction and disclose it to their regulators than to prosecute using the element of the law that relies on the collection of evidence of harms in source countries. Enforcement officials and environmental prosecutors consistently report that they have more faith in prosecuting laws which allow them to demonstrate compliance or demonstrate failure to meet requirements in their home jurisdiction. This approach allows for the iterative improvement of Due Diligence norms over time.

Common enforcement positions on Myanmar and Brazil agreed by EU Member States and the European Commission set an important precedent, revealing the ongoing risk of circumvention.

Common enforcement positions reflect a joint position developed on the legality and sourcing context for timber from a number of key source countries.

3.2.1 Myanmar teak

The EUTR/FLEGT Expert Group developed a joint position on Myanmar teak in the summer of 2018, concluding that such imports could not comply with the requirements of the EUTR (European Commission 2019). This position has been upheld ever since. As long as the enforcement position stands, importers are expected to refrain from placing Myanmar teak on the European market. The EC common position was designed to encourage clear and consistent enforcement across European Member States.

UK enforcement action appears to be largely effective at enforcing the position on Myanmar teak, as UK direct imports ceased after the joint enforcement position was agreed (Figure 19). Myanmar has been a key country of focus for the UK CA which conducted an enforcement project in the period between 2015 and 2017. The project culminated in 2016 with at least three NRAs against UK importers related to teak thought to have originated in Myanmar (Annex 1). The international NGO Environmental Investigation Agency (EIA) has since reported that every single Operator placing Myanmar teak onto the UK market was found to be in breach by EUTR Competent Authorities, which suggests that the UK has effectively closed off direct imports of non-compliant timber (EIA 2018).

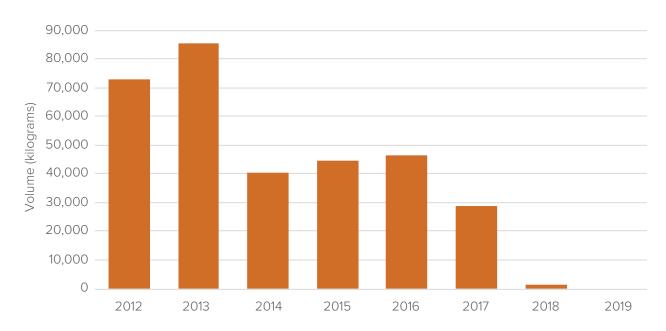


Figure 19 | UK wood product imports from Myanmar, 2012-2019*

Evidence suggests that while some EU countries are enforcing the EC common position on Myanmar teak effectively, as evidenced by decreased direct imports, teak is still entering the European market in ever greater volumes through other EU Member States (Forest Trends 2020a). Croatia, the Czech Republic, Greece, Italy, and Sweden all emerged as high-risk entry points in 2019 for companies attempting to circumvent EUTR enforcement. Strong enforcement actions in the Czech Republic have since closed off the trade in that country, and Croatia has opened an investigation into their one Operator with actions forthcoming.

^{*} The term "wood products" is used to refer to products within scope of the EUTR that are classified in the Combined Nomenclature under Chapter 44.

Source: Eurostat Comext 2020. Compiled by Forest Trends.

By tracking this high-risk timber entering the EU through these entry points, a significant proportion was found to have been traded internally within Europe, often ending up in countries that have closed off direct imports from Myanmar, such as Germany, Belgium, and the Netherlands. In 2019 alone, more than 3 Mkg of sawnwood, valued at over 20 million Euros, was sold on to companies based in Belgium, Germany, and the Netherlands. EIA has, for example, reported evidence that at least one Belgian company has been a major supplier of non-compliant Myanmar teak to the UK yachting industry (EIA 2020). The European Anti-Fraud Office (OLAF) opened a Myanmar investigation in March 2020 in response to intelligence received from the UK, which suggested that a UK company was found to be importing Myanmar teak via Italy (European Commission 2020).

UK companies sourcing from other EU Member States up until December 31, 2020 were considered "traders" rather than "Operators" under the EUTR. The EUTR only provides significant powers to enforcement officials in those countries where the timber is first placed onto the European Single Market and against the "Operator." This means that officials in countries to which non-compliant timber is subsequently transported have little power to act under the EUTR. However, since January 1, 2021, any former "Trader" within Great Britain that had been sourcing from an EU Member State is now an Operator and subject to checks. Great Britain may have more flexibility under the UKTR to address circumvention within European Member States. In the case of Northern Ireland, the UK CA will not conduct checks on timber that has entered from an EU or EEA country, and as such, remains a risk for the UK if EU-wide enforcement of the common position remains inconsistent.

3.2.2 Brazil

In December 2018, EU Member States adopted a common enforcement position related to timber sourced from Brazil, publishing some specific risk assessment and mitigation guidelines in 2019 (EC 2018b). This common enforcement position specifically concludes that under the EU Timber Regulation, risk when sourcing from Brazil is "not negligible" and that Due Diligence needs to be assessed on a case-by-case basis.

UK imports from Brazil have increased steadily since 2013, with a recent spike in wood chip imports since 2017 (Figure 20). Brazil is the top higher-risk source country for the UK, and it is critical that the consistent enforcement of the common position continues to ensure that effective risk mitigation measures are being undertaken by Operators.

The UK is likely to continue to enforce the EU-wide common positions that were agreed when the UK was a Member State of the EU. As such, it is paramount that the UK continues to engage with other EU Member States on the existing common enforcement positions to ensure consistency and maintain a strong enforcement approach to prevent the UK having lower standards than the rest of Europe. The UK should also look to engage EU Member States on emerging or new common positions developed as this provides opportunities to set consistent standards for Due Diligence and compliance across all jurisdictions with timber import regulations.

■ Fines and penalties have not been sufficient to deter non-compliance.

Penalties Article 19.2 of the EUTR states that "penalties provided for must be effective, proportionate and dissuasive (...)." They can include fines proportionate to the environmental damage, the product value, or tax losses calculated in a way that it effectively prevents economic gains by those committing the violation. Penalties can also include seizure of timber and timber products concerned or suspension of trade.

700 600 Volume (millions of kilograms) 500 400 300 200 100 0 2012 2013 2014 2015 2016 2017 2018 2019 ■ Pulp Plywood Fuel / wood chips Paper ■ Wooden furniture for bedrooms (excl. seats) ■ Wooden furniture (excl. for offices, kitchens and bedrooms, and seats) Sawn wood Sleepers Joinery Products ■ Fibreboard Moulding and strips ■ Wooden furniture for offices (excl. seats) ■ Particleboard ■ Parts of furniture ■ Wooden furniture for kitchens (excl. seats) Casks and barrels Packing cases and pallets ■ Veneer Metallised wood and other densified wood ■ Wooden frames ■ Logs

Figure 20 | UK imports from Brazil, 2012-2019

In the UK, Operators placing illegal timber or timber products on the market or breaching Due Diligence requirements are liable on summary conviction to a fine not exceeding the statutory maximum or to a term of imprisonment not exceeding three months, or to both.

For offences related to traceability, record-keeping, obstruction of an inspector, or notices of remedial action, an Operator is liable on summary conviction to an unlimited fine. Fines may be applied to each individual piece of timber within a consignment (Preferred by Nature 2017).

In practice, the number and value of UK financial penalties issued for non-compliance have been low. Across Europe, courts have consistently failed to appreciate the gravity of the environmental crimes that have been committed. Penalties have reflected a perception of failing to meet "bureaucratic" requirements, such as filing documents inappropriately, rather than the seriousness of failing to protect forests and prevent illegal timber entering a market.

As of May 2021, the UK government has completed only three prosecutions under the EUTR. In the first case, the court imposed a fine of £5,000 plus costs of the legal proceedings on a company that had failed to carry out Due Diligence for an imported timber product from India (BEIS 2018). The company had previously been found to be in breach of the EUTR in 2015, when an NRA, and later, a warning letter were issued. Failure to comply with the NRA and warning letter led to the prosecution. In a second case in 2018, a fine of £4,000 plus costs totaling £7,443 were imposed on a company importing timber from Cameroon (see Annex 1). Finally, in September 2019, a company pled guilty to two fines of £4,000 and was ordered to pay full costs of £5,177.86 and a victim surcharge of £170.00 for the two offences (a total of £13,347.86) (Forest Trends 2020c). Companies found guilty are paying more to cover the cost of the court case in the UK than the penalty applied for failing to effectively assess and mitigate the risk that the timber was illegally harvested in the source country.

The UK CA has historically reported difficulties when trying to progress cases to court for criminal prosecution after issuing an NRA and has publicly revealed challenges in satisfying "the public interest test," namely being able to demonstrate that prosecution is in the public interest so that the Insolvency Service will take the case to court (Defra 2018). The CA has since reported that EUTR prosecutions are now established and accepted as being in the public interest. Specialist prosecutors and judges have a critical role to play in effective adjudication of environmental cases and there is a growing body of evidence to suggest that non-specialist prosecutors and courts/judges fail to grasp the complexity and importance of environmental regulations.

The UK CA has also reported that a regime of civil sanctions (including Stop Notices and Variable Monetary Penalties) would enable a more flexible, proportionate, and ultimately effective approach to dealing with non-compliances (Defra 2018). While the UK considered including a penalty that would allow the CA to suspend the trade of a non-compliant Operator back in 2013, the government concluded that the requirements for implementing such a penalty, would create a disproportionate burden on businesses (Defra 2013). In addition, the UK has very limited powers regarding the seizure of timber. An inspector can only seize timber where there are reasonable grounds for believing that the timber has been illegally harvested. Thus, timber cannot be seized as a result of a breach to the Due Diligence requirements, and as such, the UK CA has never seized any timber to date.

At the same time, the use of injunctions on sale of timber has been effective in creating a sanction on companies with inadequate information about their wood, without creating the costs for regulators associated with prosecution or seizure followed by storage or disposal in other EU Member States. In the case of imports of teak from Myanmar, a statement that shipments would not be allowed to clear customs but would instead have to be returned to source at the expense of the importer was significantly more effective than legal cases in reducing the volume of product imported in Germany and Belgium (following the common enforcement position on Myanmar teak, which concluded in 2018 that such imports could not comply with the requirements of the EUTR) (Forest Trends 2020b).

■ Information related to enforcement remains patchy, and the UK needs to prioritize transparency, including providing consistent public information on an annual basis from 2021.

The information reported by the UK to the EC has been inconsistent across biennial reports, and at times, contradicts the information released in the government's own review report on progress, making it challenging to determine the extent to which the UK's enforcement is impacting Operator sourcing practices. There is extremely limited information related to UK enforcement in the period 2013 and 2016 when the UK OPSS started publishing information on statutory enforcement actions (covering NRAs issued and prosecutions) in June 2016. The information released into the public domain has improved since June 2016 and is one of the best examples of data transparency on EUTR enforcement throughout Europe and

the world. However, the gradual improvement and changes in the nature of data released since 2013 has meant that information related to enforcement and non-compliance is inconsistent over time.

Forest Trends submitted a Freedom of Information Request to the UK BEIS to collect additional information on the statutory enforcement actions since 2016. This information released to Forest Trends is presented in Annex 1.

Releasing consistent information about non-compliance is in the public interest and provides a strong deterrent to Operators lagging behind other industry leaders. It demonstrates that the UK is serious about tackling illegal logging and is playing a global leadership role in releasing a robust set of enforcement data on environmental crime. In addition, consistent data allows for tracking impact over time, to determine what has worked well and what should be changed. This is a critical component of effective governance.

Now that the UK has exited the EU, the UK government will no longer submit biennial update reports to the EC. As such, it is critical that the UK sets a global precedent for releasing and tracking data related to environmental crime through:

- 1 Reporting on statutory actions covering NRAs and prosecutions should be standardized to include interalia:
 - a. Date of enforcement action
 - **b.** HS code
 - c. Product
 - d. Company name
 - e. Source Country
 - f. Species (trade or scientific name)
 - g. Enforcement action taken by the CA
 - h. Breached regulation details
 - i. Type of infringement
 - j. Detail including the company response
- 2 Reporting on enforcement actions should include inter alia:
 - a. Resources for UKTR enforcement (human resources and budget for enforcement)
 - **b.** Number of companies trained
 - c. Number of checks conducted
 - d. Number of checks on which scientific testing was used
 - e. Aggregated % of scientific testing that failed to show species and/or location declared
 - f. Number of Warning Letters issued
 - q. Number of NRAs issued
 - **h.** Number of prosecutions completed including full detail on the prosecution outcome and financial penalties
 - i. Number of substantiated concerns received and the associated source country, HS code and species associated with the substantiated concerns (as appropriate based on the information received)
 - j. Enforcement projects conducted

■ Resourcing for UK enforcement has been scaled back in recent years and needs to be bolstered.

Information on the resources and annual budget for enforcement of the EUTR has only been reported since 2015. While there appears to be a consistent team of at least five staff employed to focus on EUTR enforcement, the annual budget has reportedly declined over the last four years. Between 2015 and 2017, the UK CA reported a total annual budget for EUTR enforcement, including checks, remedial actions, and issuance of penalties of £750,000 (UK CA April 2017). In the period between 2017 and 2019, the UK reported a reduction in the budget to £620,000 per annum (UK CA February 2020).

This trend is concerning given that UK will likely see a significant increase in the volume of UKTR-regulated products subject to risk-based UKTR enforcement checks in 2021. It is paramount that the UK government allocates sufficient human and financial resources to tackle the full scale of the UK's timber product imports.

4

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Importer Due Diligence and Sourcing Practices since the EUTR Became Operational

This Section seeks to understand how UK industry sourcing practices and Due Diligence have evolved in response to the EUTR. To do this, Forest Trends contracted Preferred by Nature to conduct detailed interviews with UK Operators in 2020. The survey aimed to speak with the Operators that have been subject to enforcement checks between 2016 and 2019 (see Annex 1 for full list) to allow a better understanding of how EUTR implementation and enforcement is working, and more specifically, how it is impacting company sourcing practices. Out of the 53 companies, the UK CA issued an NRA or prosecuted in the period, nine ceased trading as of August 2020, including two Operators which ceased trading during the COVID-19 pandemic.

Forest Trends approached the remaining 44 companies in February and August 2020 with six companies agreeing to take part in a detailed survey to understand how their operations and sourcing practices have changed. An additional three companies which had been checked by the UK CA but had been found compliant were added to the survey, bringing the total to nine Operators. The survey focuses on industry experiences in importing timber and furniture products within scope of the EUTR between 2012 and 2019. While nine companies are a small sample, the results of the survey shed light on types of changes that Operators have made and the specific impacts of the EUTR requirements/implementation on industry.

Forest Trends also worked with Preferred by Nature to interview 63 EUTR Operators across five EU Member States, in addition to the UK Operators. In general, the results were very similar, further highlighting that even with a small sample, the following findings are representative.

4.1 A Profile of the UK Operators Interviewed

Five of the nine companies interviewed are considered Small and Medium Enterprises (SMEs), with one company reporting under 10 employees and four companies reporting between 50 and 250 employees. Four Operators interviewed reported over 250 employees.

Eight of the nine companies reported only importing EUTR-regulated products directly into the UK (rather than first placing timber onto the market in an EU Member State), while one reported importing directly into the UK and EU Member States.

Three companies reported importing regulated wood products,¹⁵ three imported only wooden furniture products, and an additional three companies reported importing timber products¹⁶ (wood and wooden furniture products) in 2019.

Five companies reported that they import wooden furniture products under HS codes 940330, 940340, 940350, and 940360. Three companies import particleboard (HS code 4410) and fiberboard (HS code 4411). Two companies said that they import veneer, plywood, and packing cases. Logs, sawnwood, sleepers, flooring, and wooden frames are reportedly imported by one company.

¹⁵ The term "wood products" is used to refer to products within scope of the EUTR that are classified in the Combined Nomenclature under Chapter 44.

¹⁶ The term "timber products" is used to refer to wood products as classified in the Combined Nomenclature under Chapter 44 and furniture products under Chapter 94.



Surveyed companies report sourcing thirteen species based on Operators listing their top five traded species (Figure 21). The nine companies interviewed primarily report sourcing lower risk plantation species such as pine, poplar, and eucalyptus. Several potentially higher risk tropical species such as ipé, meranti, and cumaru were also reported. These are considered a species of concern with reported over exploitation or elevated rates of illegal logging.

7 Number of Operators listing species within their top five imports, based on value 6 5 3 0 Spruce Pine Oak MDF/composites Eucalyptus Birch Beech Tauari Poplar Rubberwood Douglas Fir Dark Red Meranti pé Cumaru

Figure 21 | The top species sourced by nine UK Operators in 2019

Operators report sourcing directly or indirectly (where the country of harvest was different from the country in which their suppliers were based) from 29 countries. At the same time, half of the Operators report that the timber was harvested in a different country from where their supplier was based. Figure 22 highlights the breakdown by supplier countries as well as the reported country of origin/harvest where different from the supplier country. Seven companies interviewed report sourcing from China, which was the most frequently referenced supplier/source country.

Five Operators report that they source from Indonesia and Malaysia. An additional two companies report that Malaysia was the country of origin, although their supplier was based in another country.

Three companies report direct suppliers in India, Vietnam, the US, and Brazil, with an additional two companies reporting that the US was the country of origin for the timber and an additional three companies reporting that Brazil was the country of origin. Brazil was most frequently cited country of origin/harvest for timber imported from a third country.

Several Operators report sourcing indirectly from countries considered at an elevated risk for illegal harvest based on governance, corruption, and harvest risk indicators, as well as documented in NGO reports. High rates of indirect sourcing were recorded for timber harvested from Cameroon, Cote d'Ivoire, Republic of Congo, PNG, and Ukraine.

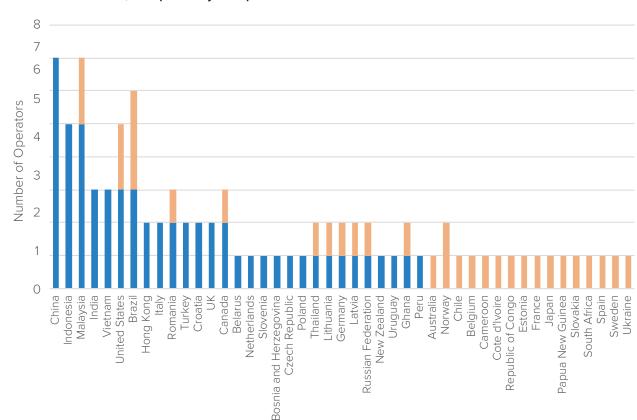


Figure 22 | Direct supplier countries and country of origin for timber where different from the supplier country in 2019, as reported by UK Operators

4.2 What are companies doing differently in 2019 compared with 2012 and before the EUTR came into force?

■ Timber country of origin differed from supplier country (no. of Operators reporting)

■ Almost all surveyed UK Operators now have dedicated compliance staff within their company, with roughly half now having a dedicated compliance budget.

Seven of the nine companies interviewed report having a dedicated staff to ensure EUTR/UKTR compliance, with four companies reporting a budget to subcontract compliance services. There appeared to be some confusion about the extent to which companies were formally working with official monitoring organizations. Only one company reported working formally with a monitoring organization.

- 1 Due Diligence: Access to Information/information gathering
- Companies are collecting and scrutinizing more information from suppliers.

Direct supplier country (no. of Operators reporting)

All eight companies interviewed that have been operating since 2012 collect more information as part of their Due Diligence process now than in 2012, before the EUTR came into effect. Several companies reported an exponential increase in the collection of information, noting that supply chains are now

assessed back to the country of harvest, and where relevant, to the forest concession level. Prior to the EUTR, many companies reported that they would only collect information on direct suppliers, species, and relevant phytosanitary certificates. Now they routinely request additional information on indirect suppliers: evidence such as invoices, shipping, transport documents, certification, CoC claims, and harvest licenses, in addition to worker's health and safety information

Seven of the eight companies reporting an increase in the information collected noted that they have also increased their scrutiny of all information and evidence provided since the EUTR came into effect. Specifically, companies reported additional checks on documents, including dates, species, the supplier, product description, size of the order, as well as the number of entities in the supply chain and certification claims. Several companies now also check the validity of the documents themselves.

2 Due Diligence: Risk assessment

■ UK Operators report an overwhelming increase in the use of tools and resources to assess the risk of illegal timber entering their supply chains, with most using a combination of tools such as Preferred by Nature's Sourcing Hub, Transparency International's Corruption Perception Index and the Forest Stewardship Council (FSC) risk assessments.

Despite a plethora of tools and information resources that have been developed to support risk assessments over the last few years, the UK Operators interviewed report using only a small subset of tools developed to specifically assess national risk.

Eight Operators report using Preferred by Nature's Sourcing Hub as a first step to assess the risk profile of a source country,¹⁷ while five companies reported using NGO reports and Transparency International's Corruption Perception Index. Four companies report using the Forest Stewardship Council (FSC) risk assessments, while three companies report using each of the Uppsala Conflict Data Program, which maps conflict and violence in countries, and general internet searches for reports of illegal logging in a source country. Finally, two Operators use reports released by international organizations and Secretariats, such as the CITES Secretariat, the World Bank and INTERPOL, to assess national risk for their supply chains.

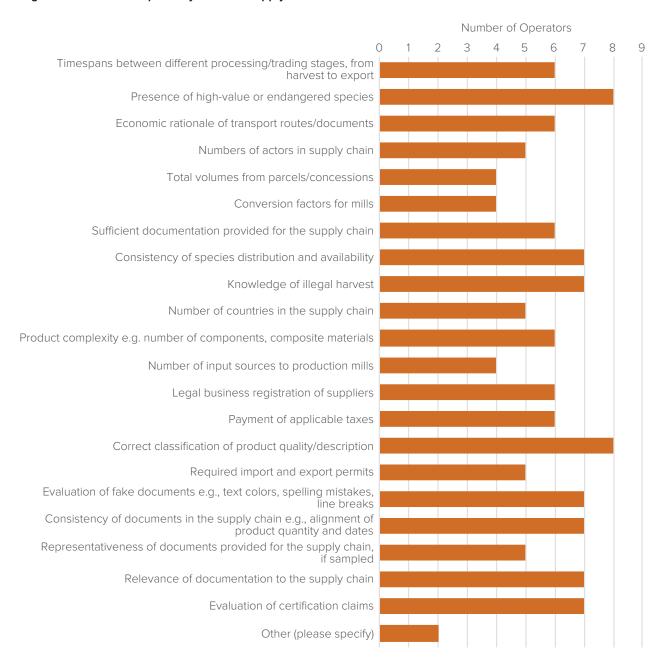
At the same time, Operators report using a much wider array of criteria and information resources to assess the risks associated with their *individual supply chains*. Six companies report using the International Union for Conservation of Nature (IUCN) Red List of Threatened Species, three companies reported using the UN Sanctions List, the EC's sanctions list, or the Office of Foreign Assets Control (OFAC) Specially Designated list to understand their supply chain risks. Two companies report using local networks, including media reports as well as government employees in the source country or consultants. Two companies report using the company documentation on the Open Timber Portal and one company reported using Independent Monitoring reports.

Companies are assessing an array of potential risks associated with their supply chains.

The majority of companies reported assessing the presence of high-value or endangered species, which indicates rising scarcity, increasing the value of the timber species and hence raising the risk of illegal logging (Figure 23).

¹⁷ Preferred by Nature was contracted by Forest Trends to conduct the interviews with the UK Operators.

Figure 23 | Criteria reportedly used for supply chain risk assessments



Seven Operators report assessing the consistency of species distribution and availability as well as information on rates of illegal harvest in a source country. Other issues of concern in assessing supply chain risk relate to the documentary evidence of legality. Seven Operators assessed the risk of fraud, including faked documents, consistency of documents in the supply chain, relevance of documentation to the supply chain, and reported evaluating certification claims.

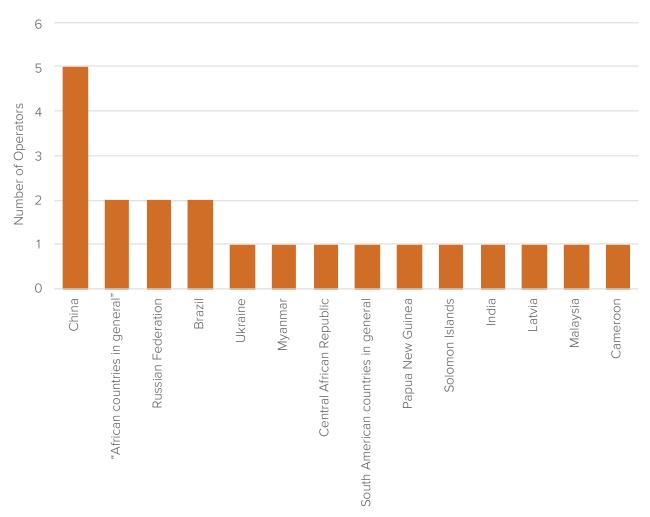
Operators report different approaches in deciding when to update their risk assessment for their supply chains.

Two companies reported only checking for new risk information or updating their supply chain risk assessments when sourcing new products or buying from new suppliers. Three companies reported routinely updating their risk assessments every twelve months and when a new product is imported. One company suggested that their approach to updating the risk assessment is based on the risk profile of the source country or supply chain. For lower-risk supply chains, they reported a review/check for new information once a year. If the supply chain is considered higher-risk, or the Operator has concerns, checks for new information would take place for every shipment.

Risk assessments are helping companies flag countries that are high risk for illegal logging and trade. Countries identified as high risk have generally received significant NGO attention or suffer the most extreme governance and corruption challenges.

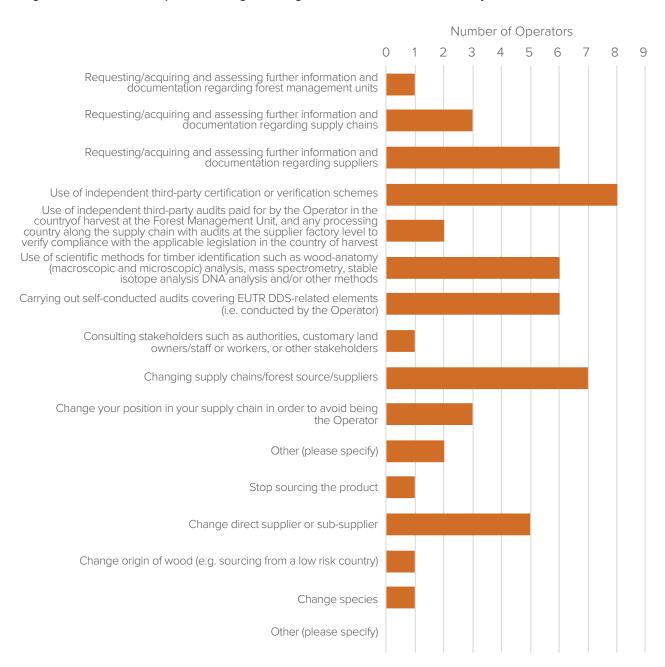
Seven Operators interviewed assessed at least one of their source countries as potentially high-risk in 2019. One company was unsure and one reported that they did not consider any of their source countries to be high-risk.

Figure 24 | Countries considered potentially high-risk by Operators



China was by far the most likely to be considered high-risk by the UK Operators interviewed. At least five of the seven Operators importing from China declared it as high-risk. "African countries in general," the Russian Federation, and Brazil were the next most frequently cited as being potentially high-risk for illegal logging. Ukraine, Myanmar, Central African Republic, "South American countries in general," PNG, the Solomon Islands, India, Latvia (linked specifically to the risk of illegal timber from the Russian Federation), Malaysia, and Cameroon were all listed as countries or regions considered to be high-risk for illegal logging and trade.

Figure 25 | Number of Operators using risk mitigation measures in 2018/2019, by measure



- 3 Due Diligence: Risk mitigation
- Risk mitigation measures are more widely used and robust as a result of EUTR implementation in the UK and companies are reporting more time and resource/budget dedicated to risk mitigation.

UK companies reported a more robust process of risk mitigation in 2019 compared with 2012, although many companies noted that audits and site visits to factories and forest concessions were taking place prior to the EUTR. At least two companies specifically noted that their risk mitigation measures improved as a direct result of enforcement actions taken by the UK enforcement authority.

At least five companies report allocating additional budget to carry out risk mitigation measures and looking to shift their resources so that the compliance budget is spent less on desk-based risk assessments and more on mitigation measures at the forest concession level. Several companies sourcing multiple forest-risk commodities are already considering systems and internal operating budgets that would allow them to take a holistic approach to Due Diligence across all imported commodities.

Eight companies reported conducting risk mitigation measures on their supply chains in 2019 and have used a variety of risk mitigation measures since the EUTR came into force (Figure 25). The following section highlights the risk mitigation measures most frequently undertaken by the Operators and the impacts the interviewees report as a result.

2012 2018/2019

4
3
2011
1
0

Figure 26 | Change in the proportion of timber imports that were certified between 2012 and 2019

Percentage of the total volume of imports that were certified

Unsure

<10%

10-50%

50-70%

>70%

Unsure

Certification and verification

10-50%

50-70%

>70%

<10%

All UK Operators surveyed are using independent third-party certification or verification schemes, such as the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), to mitigate the risk of illegal timber entering their supply chains.

Nine UK Operators suggested that while demand for certified timber started to increase prior to implementation of the EUTR, demand has likely accelerated with increased risk mitigation in recent years due to the EUTR. Several companies reported that the increased sourcing of certified timber merely reflected market demand, protection of reputation and brand, and greater interest in more environmentally conscious products from consumers.

Four companies interviewed for this paper reported importing less than 10 percent certified timber in 2012, with three reporting that they were importing over 50 percent certified wood in 2012. In 2019, the four companies that imported less than 10 percent certified timber increased their imports to between 10 and 50 percent certified timber. Three companies reported importing more than 70 percent certified timber in 2019 (Figure 26).

All nine companies interviewed report buying and selling FSC certified timber, with seven reporting also buying and selling PEFC certified timber. Three companies report purchasing FLEGT licensed timber from Indonesia, timber covered under the Peninsular Malaysia Timber Legality Assurance System (MTYLAS), and Sustainable Forestry Initiative timber.

The majority of companies interviewed report paying suppliers a premium price for certified timber. The additional cost was frequently presented as ultimately worth it for the company.

Around half of the companies interviewed reported being FSC or PEFC CoC certified. All had achieved their CoC certification status prior to the EUTR. One company reported that they were considering becoming CoC certified in 2021 specifically to support their compliance with the UKTR.

250

(See 200

150

150

0

2012

2013

2014

2015

2016

2017

2018

2019

Figure 27 | UK imports of EUTR regulated products, 2010-2019

Source: Eurostat Comext 2020. Compiled by Forest Trends.

■ UK Operators have increased their sourcing from Indonesia, the only country supplying FLEGT licensed timber.¹8

UK-wide imports from Indonesia have increased by 126 percent since the EUTR came into effect in 2013, and by 26 percent since Indonesia started issuing FLEGT licenses in November 2016. Surveyed UK companies noted the benefit of reduced Due Diligence required for FLEGT licensed timber. Some Operators reported shifting their sourcing of some specific species from Malaysia to Indonesia because the "green lane" for FLEGT licenses in terms of EUTR compliance was very cost effective (Figure 27).

Other risk mitigation measures used by surveyed Operators

Suppliers

■ UK Operators report improved relationships with direct suppliers overall, despite some reductions in the number of or changes to direct suppliers.

Seven companies reported changing their suppliers, while five Operators reported an overall reduction in the number of suppliers at various times since the EUTR become operational. Some reported an initial decrease when the EUTR came into effect in 2013, but most reported developing new relationships with additional suppliers since. Two companies reported large reductions in the number of suppliers of more than 50 percent since the EUTR came into effect and an additional company noted a reduction in suppliers but did not attribute that to the EUTR.

Three companies report no change or an increase in the number of suppliers since the EUTR came into effect. Most companies report improved relationships with their suppliers over time.

Many Operators report that terminating a contract was relatively rare because they would have identified most concerns before signing a contract.

One company specifically reported that while they have rejected a few products, the timing of risk assessments has often meant that the product is already made. Thus, they typically escalate the issue internally and address the situation moving forward by working with the supplier to draft and monitor a corrective action plan. If improvements aren't made, then termination of the contract could be expected, or the Operator will conduct Due Diligence more regularly on the supply chain.

Use of scientific testing

Six of the nine UK Operators interviewed report using scientific testing to verify timber species and origin claims. Scientific testing of document claims is increasingly mainstream in company Due Diligence and in the enforcement of laws to exclude illegal wood from global trade. This follows growing evidence of fraud and mismanagement in traceability systems in the forest sector.

The majority of the companies reporting the use of scientific testing are using stable isotope analysis to test the geographic origin of the wood in a tested product. Four of the companies are also using microscopic wood anatomy analysis, one company is using macroscopic wood anatomy analysis, and one is using DNA to test the species (Figure 28).

¹⁸ FLEGT licensed timber and timber products are considered to comply with the requirements EUTR, which means that Operators do not need to exercise Due Diligence on these products if there is a valid FLEGT license.

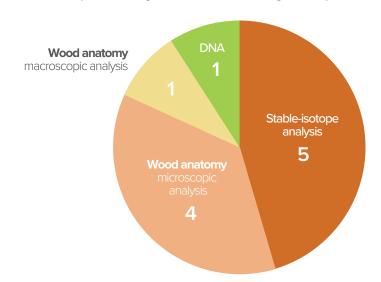


Figure 28 | Number of companies using scientific wood testing techniques

Surveyed Operators report using risk mitigation measures most frequently on products from China, Brazil, India, and Malaysia in 2019. Operators most frequently reported using scientific testing to check species and origin for timber sourced from Vietnam and China, reducing the number of suppliers for timber from China and India, and only buying certified timber for products from China, Malaysia, and Brazil.

China: Five of the surveyed companies reported undertaking risk mitigation measures on imports from China in 2019 (Figure 29). This included checking document claims, auditing suppliers and reducing their number of suppliers.

Brazil: Four companies reported undertaking risk mitigation measures on imports from Brazil in 2019, with plantation timber considered lower risk than the high-value natural forest species such as ipé, cumaru and jatoba. For Brazilian timber, companies most frequently check document claims for fraud, conduct audits and site visits and purchase certified timber.

India and Malaysia: Three companies reported undertaking risk mitigation measures on timber sourced from India and Malaysia in 2019. Companies reported running trainings for suppliers in India, conducting audits and checking document claims as well as reducing their total number of suppliers. Companies reported only buying certified timber from Malaysia and checking these document claims.

At least one company interviewed reported that they conducted risk mitigation measures on timber sourced from Turkey, Indonesia, Vietnam, the Russian Federation, Cameroon, Romania, and Peru.

As a result of increased risk mitigation, surveyed UK companies report reduced imports of tropical hardwood species from some high-risk source countries carrying a significant reputational risk.

Six companies interviewed for this paper report moving away from sourcing either a certain species or timber from a specific source country. Operators most consistently report avoiding or stopping sourcing from African countries, particularly DRC, Central African Republic, Cameroon, and the Ivory Coast. In some cases, when looking to source African hardwoods, these companies avoided acting as the Operator.

Four companies report reduced imports from China, specifically referencing concerns around ash and oak sourced from China and tropical timber in general in Chinese supply chains because there is "no way to ensure credible Due Diligence."

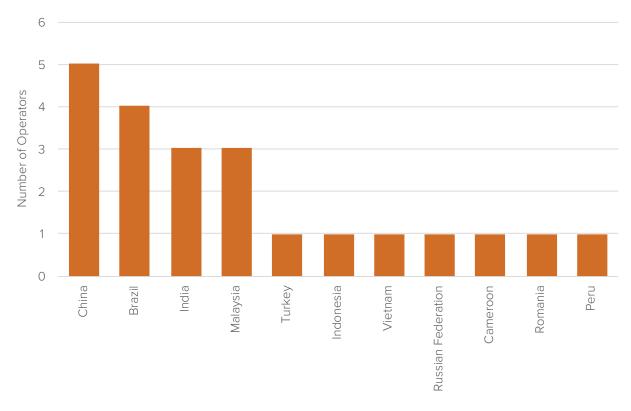


Figure 29 | Source countries Operators report most commonly require risk mitigation measures, 2019

Companies also report avoiding importing from the Solomon Islands and PNG as well as moving away from sourcing *Calophyllum spp*.

While none of the companies interviewed reported importing timber from Myanmar, at least two companies specifically noted that they would not source from Myanmar since it is "essentially prohibited since 2012."

Companies anecdotally report a more complicated picture surrounding Brazil and Peru, with companies still willing to import plantation species but increasingly concerned about ipé and other high-value natural forest species. One company referenced stopping sourcing from Ukraine.

■ Following eight years of implementation, surveyed UK Operators report very limited structural changes in their business model.

Many of the companies interviewed report no change in their business model. However many noted increased physical presence through offices, more consultants based in the source region, or an increased focus (both staff time and budget) on Due Diligence and a more systems-based approach to supply chain traceability and management.

One company specifically reported that after being contacted by the UK CA, they decided to change their position in the supply chain to avoid acting as the Operator or primary importer into the UK. The company said that the costs of implementing the EUTR are the same regardless of whether the importer is an SME or a large, international corporation and therefore, they decided to shift the compliance costs and legal responsibility to another larger company.

One company reported that they are increasingly looking at rental, re-use, and vintage furniture options which qualifies as importing recycled material and would exempt them from the EUTR requirements.

5

Conclusions and Recommendations

The EUTR came into force in 2013 to tackle illegal logging and drive demand for legally harvested timber products, by prohibiting the placement of illegally sourced timber on the EU market. In the UK, the EUTR came into force through the UK Timber and Timber Products (Placing on the Market) Regulations in the same year and was considered a key mechanism to help tackle global deforestation, a driver of landscape degradation, biodiversity loss, and climate change.

After nearly eight years of implementation, the question remains: what impact has the EUTR had on the UK's sourcing of wood products and overall timber trade? How is enforcement working? This paper has sought to answer these questions to better understand the extent to which the UK is effectively preventing illegal timber from entering the national market, thereby reducing global incentives for illegal logging.

Assessing these questions in the UK context is important. As of January 1, 2021, the UK left the EU, and while the UK has committed to regulate imports of illegal timber through enforcing the UKTR in Great Britain, and continue to enforce the EUTR in Northern Ireland, the UK's exit from the EU presents an opportunity to take stock and learn lessons. As the UK starts to enforce the UKTR in 2021, it is time to refine the ambition and to define new standards for responsible business that will firmly position the UK as a global leader in the regulation of products derived from illegal deforestation. This section presents the conclusions from the paper and offers several recommendations for policy makers.

5.1 Conclusions

5.1.1 Volume of timber subject to the EUTR/UKTR

The UK's imports of EUTR-regulated products have increased 53 percent by volume between 2012 and 2019, reaching 24.2 billion kg of timber, pulp, and paper products in 2019. By value, imports rose by 21 percent over the period.

The increase in volume has been accompanied by a significant shift in UK sourcing. Since 2015, UK Operators have increasingly imported from outside the EU. At the same time, direct sourcing from EU Member States remains significant. In 2019, 45 percent of timber products entering the UK were imported from EU28 Member States. When one includes pulp and paper, the number increases: more than 54 percent of EUTR-regulated products were sourced from within the EU28 (by volume).

UK Operators importing such products from EU Member States have been exempt from enforcement checks up until December 31, 2020, when the UK formally exited the EU at the end of the transition period. From January 1, 2021, companies importing regulated products into Great Britain are subject to risk-based enforcement checks and will be expected to demonstrate that imports from the EU and EEA were legally harvested in their country of origin. Companies importing regulated products into Northern Ireland from the EU and EEA will not be subject to Due Diligence checks. This presents a considerable increase in the volume of timber subject to risk-based enforcement checks in 2021. Based on UK-wide imports in 2019, this could include an 81 percent increase in the volume of timber, pulp, and paper products. At the same time, UK resources for enforcement of the EUTR have reportedly declined over the last four years. Between 2015 and 2017, the UK CA reported a

total annual budget for EUTR enforcement, including checks, remedial actions, and issuance of penalties of £750,000 (UK CA April 2017). This was reduced to £620,000 per annum in the period between 2017 and 2019 (UK CA February 2020). If the UKTR is to remain a credible legislative instrument, it will be critical for the UK government to allocate sufficient human and financial resources to tackle the full scale of the UK's timber product imports in 2021 and beyond.

5.1.2 Risk profile of UK imports

Trade data suggests that there has been very little change in the overall proportional source country risk profile when considering where the UK imports have been sourced from since 2012. The volume of direct imports from countries considered lower-risk based on governance, corruption and harvest indicators has increased substantially from 13.0 billion kg in 2012 to 20.5 billion kg in 2019. This represents a 2.6 percent increase in the overall proportion of imports from lower-risk sources, which accounted for roughly 84.8 percent of all EUTR-regulated products imports by volume in 2019.

At the same time, the overall percentage of imports from FCSs as designated by the World Bank has remained relatively constant at between 0.1 and 0.2 percent of the total. Since 2013, the volume of direct imports from FCSs has fluctuated but reached 36.6 Mkg in 2019.

Imports from source countries assessed as higher-risk for illegal logging have increased by 59 percent over the period, with direct imports from higher-risk source countries accounting for roughly 7 percent of total imports by volume in 2019.

Brazil and the Russian Federation have remained the top two higher-risk source countries and have supplied the largest volume of wood products to the UK since 2012. Imports from the Russian Federation have increased by 114 percent, while imports from Brazil have risen over 30 percent since 2012. Turkey, Vietnam, India, Egypt, Ukraine, and Morocco have also seen significant rising demand.

However, there has been a shift in sourcing away from some high-risk and high-scrutiny source countries. Specifically, this has included a 40 percent decline in sourcing from Cameroon, with UK importers instead looking for similar products and species in the Republic of Congo and DRC, both of which saw a 200 percent increase in UK sourcing by volume. UK importers decreased direct sourcing from Côte d'Ivoire, with imports also declining 65 percent since 2012, and Peru, where direct imports were down 95 percent on 2012 levels.

While it is possible to buy legal wood in a country that ranks high for corruption and governance challenges, these findings suggest that under the Due Diligence guidance requirements of the EUTR and the level of NGO scrutiny, companies do not feel comfortable with the available risk mitigation options in these high-risk countries.

5.1.3 Enforcement targeting

The UK's "project" based approach to enforcement, which involves selecting a project focus based on the risk posed by a particular source country, product, or species appears to be targeting high-risk timber supply chains. However, there remains a lack of public information to fully determine the extent to which high-risk source countries and products have been subject to an enforcement project or series of checks. A comparison with the enforcement actions taken in other EU Member States for the period between March 2017 and February 2019 highlights that the UK has proportionally found higher rates of non-compliance related to products sourced from Turkey, Cameroon, and Côte d'Ivoire in the reporting period. The UK was the only European Member State in the period to report non-compliance related to checks on Operators

sourcing from PNG and the Solomon Islands. A project-based approach to enforcement should involve a list of companies that require re-checks every few years to ensure that long-term improvements to company Due Diligence and sourcing practices are fully realized. This approach also requires long-term funding and planning for enforcement to be most effective.

Enforcement ultimately relies on robust contextual information. The UK has a long tradition of funding research, capacity building, and promoting transparency through the former Department for International Development (DFID) and now Foreign, Commonwealth and Development Office's (FCDO) Forest Governance Markets and Climate program. This has significantly increased the information available on the timber legality context in a number of DFID/FCDO priority countries. However, for the most part, accounts are snapshots in time published as individual reports, rather than systematic real-time monitoring and recording of trade dynamic shifts over time. In addition, a focus on a relatively small number of high-profile countries through international development spending and policy objectives leaves an information gap for many countries with a significant number of producers and traders in timber products. As such, enforcement targeting and industry assessments of high-risk sourcing contexts can become skewed towards the most highly scrutinized source countries or contexts where NGOs and other international organizations have the most funding to operate.

In this context, UK Operators interviewed for this paper most consistently reported avoiding or stopping sourcing from African countries, particularly the DRC, Central African Republic, Cameroon, and Côte d'Ivoire. In some cases, when looking to source African hardwoods, these companies reported avoided acting as the Operator. Operators also noted concerns about sourcing ash and oak from China, as well as direct sourcing from the Solomon Islands, PNG, and Myanmar. These countries have been subject to NGO reporting and investigations over several years, as well as enforcement projects and targeting from the UK CA. This suggests that long-term funding to cover information gathering and ongoing assessments of the timber legality context are important in encouraging greater awareness of the risks in certain supply countries or supply chains. However, the intention of the EUTR was not to shut off trade with countries considered potentially high risk for illegal logging but, instead, to encourage a shift to well-governed, sustainably managed forests in those source countries, and a responsible global trade in legal forest products. In order for Operators to continue to buy legal timber in high-risk environments, there remains a critical need for systems and tools to support Due Diligence to be developed by producer country governments and the private sector, and for development assistance to be available to support such initiatives, where appropriate.

5.1.4 Enforcement tools and sanctions

The UK CA has ramped up enforcement since 2013 and is using a broad set of tools to assess company compliance with the EUTR. The UK is poised to become a global leader in the use of and support for scientific testing with "timber testing (having) become an essential tool in EUTR projects as it allows...(the UK CA) to establish if a potential offence has been committed" (Preferred by Nature 2017). A Due Diligence system cannot be considered effective if species and location of harvest claims on the supply chain documentation are proven incorrect by scientific methods using physical and chemical properties of wood to establish its provenance. The UK reported using scientific testing in 55 of the 96 checks between 2017 and 2019, suggesting that over 50 percent of checks involve the use of scientific testing for either species or origin. This is a significant rate, particularly compared with other EU Member States from 2017 to 2019. In addition, Defra, in partnership with the US Forest Service, has funded the development of an open-source collection of reference material under the WorldForestID banner, designed to increase the potential for scientific testing to support transparency, verification, and credible certification in the forest sector.

While the UK is increasingly acting as a global leader in the support of tools to assess non-compliance, the sanctions regime associated with the EUTR remains weak and would benefit from review. Minor non-compliances are addressed with a warning letter, and more serious breaches with a notice of remedial action (NRA). Failure of an Operator to comply with an NRA can lead to the CA referring the company for criminal prosecution, but prosecutions are "reserved for those who demonstrate flagrant or persistent violations of the regulations" (Defra, 2013). This approach, and the gradual increase in expectations on companies that have been checked in the past, can work well. It allows the enforcement authorities to build awareness of a regulation and encourage broad improvements in industry sourcing practices over time. However, after eight years of EUTR implementation, a robust stance on checks and sanctions for non-compliance should be in place.

Fines and penalties remain insufficient to deter non-compliance. For offences related to traceability, record-keeping, obstruction of an inspector, or NRAs, an Operator is liable on summary conviction to an unlimited fine. In practice, however, the number and value of UK financial penalties actually issued for non-compliance have been low. Across Europe, there has been a lack of appreciation within courts for the gravity of failing to meet seemingly "bureaucratic" requirements. This means that penalties have reflected the seriousness of failing to file documents appropriately, rather than the seriousness of failing to protect forests and prevent illegal timber entering a market. Companies found in breach of the regulations in the UK are paying more to cover the cost of the court case than the actual penalty applied for failing to effectively assess and mitigate the risk that timber was illegally harvested in the source country. The UK CA has itself reported that it would welcome a regime of civil sanctions (including Stop Notices and Variable Monetary Penalties), which would enable them to take a more flexible, proportionate, and ultimately effective approach to dealing with non-compliances (Defra April 2018).

The UK has increased the proportion of enforcement actions taken since 2013, but as the UK has now left the EU, it is likely that the CA will take a variable approach to enforcement checks going forward, expecting less initially from companies that were formally only sourcing from within the EU and EEA, and thus have only just become Operators. It will be critical for enforcement expectations and sanctions to be ramped up quickly, at a faster pace than when the EUTR was first implemented, to ensure a consistent high bar for all importers and effectively prevent illegal timber from entering the UK market.

5.1.5 Enforcement transparency and cooperation

Common enforcement positions agreed by the EUTR/FLEGT Expert Group set an important precedent for expectations on Operator Due Diligence and have revealed the ongoing risk of circumvention. The UK is likely to continue to enforce the EU-wide common positions that were agreed when the UK was a Member State of the EU. This is sensible, as there remain several concerns about verifying the legality of timber sourced from Myanmar, and Brazil is a top source country for the UK. It is therefore important that the UK continues to engage with other EU Member States on the existing common enforcement positions to ensure consistency and maintain a strong enforcement approach to prevent the UK having lower standards than the rest of Europe. The UK should also look to engage with EU Member States on emerging/new common positions developed in the future. This will be an important opportunity to set consistent standards for Due Diligence and compliance across all jurisdictions with timber import regulations and offer simplicity for traders operating in multiple jurisdictions.

Public information related to enforcement remains patchy, and the UK should prioritize transparency, including providing consistent public information on an annual basis. Releasing consistent information about non-compliance is in the public interest and provides a strong deterrent to Operators lagging behind

other industry leaders. It demonstrates that the UK is serious about tackling illegal logging and is playing a global leadership role in releasing a robust set of enforcement data on environmental crime. In addition, consistent data allows for tracking impact over time, to determine what has worked well and what should be changed. This is a critical component of effective governance. Now that the UK has exited the EU, the UK government will no longer submit biennial reports to the EC. As such, it is time for the UK to set a global precedent for releasing and tracking data related to environmental crime by continuing to publish the statutory enforcement actions covering NRAs and prosecutions with additional data at regular intervals not exceeding 12 months.

5.1.6 Operator sourcing practices

Detailed interviews with nine UK Operators suggest that importers are collecting more information as part of their Due Diligence in 2019 compared with 2012. Nine companies are a small sample, but the results of the survey shed light on the types of changes that Operators have made and the specific impacts of the EUTR requirements/implementation on industry.

Companies reported an exponential increase in the collection of information, noting that supply chains are now assessed back to the country of harvest, and where relevant, to the forest level, including an assessment of relevant trade, transport documentation, and business information, such as invoices. Companies reported that prior to the EUTR coming into effect in 2013, they would only collect information on their direct suppliers, the species, and any relevant phytosanitary certificates. The majority of companies interviewed for this paper report that they now routinely ask for additional information on indirect suppliers, or evidence such as invoices, shipping documents, certification, chain of custody claims, and harvest licenses and have also increased their scrutiny of evidence presented.

UK Operators reported an overwhelming increase in the use of tools and resources to assess the risk of illegal timber entering their supply chains and are considering a wide array of potential risks associated with their supply chains. Risk assessments appear to be identifying source countries at a particularly elevated risk of illegal logging and trade. Countries identified as high-risk have generally received significant NGO attention and/or suffer the most extreme governance and corruption challenges. China was by far the most likely to be considered high risk by the Operators interviewed. At least five of the seven Operators reportedly importing from China declared it as "high-risk." "African countries in general", the Russian Federation, and Brazil were the next most frequently cited as being potentially high-risk for illegal logging. Ukraine, Myanmar, Central African Republic, "South American countries in general," PNG, the Solomon Islands, India, Latvia (linked specifically to the risk of illegal timber from the Russian Federation), Malaysia, and Cameroon were all listed as countries considered to be high-risk.

Interviews suggest that risk mitigation measures are more widely used and robust as a result of EUTR implementation in the UK, with companies reporting more time and resource/budget dedicated to risk mitigation. Interviewed companies most frequently conducted risk mitigation measures on products from China, Brazil, India, and Malaysia in 2019. In response, Operators most frequently reported using scientific testing to check species and origin for timber sourced from Vietnam and China, reducing the number of suppliers for timber imported from China and India, and only buying certified products when importing from China, Malaysia, and Brazil.

Despite assessing risks associated with supply chains, UK Operators interviewed generally reported that they were able to mitigate the risks to negligible. In instances where the risk could not be mitigated, some companies reported that they import the product anyway and make changes to their Due Diligence approach going forward.

Operators report an increased knowledge and understanding about illegal logging and supply chain risks. In addition, companies have noted an increase in UK buying and selling of certified timber, but this was reportedly not directly tied to EUTR implementation. Interviews with nine UK Operators suggest that while demand for certified timber has increased, this trend started prior to implementation of the EUTR, although demand has likely accelerated with increased demand for risk mitigation in recent years. Several companies reported that the increased sourcing of certified timber merely reflected market demand and greater interest in more environmentally conscious products from consumers.

UK companies report increased sourcing of FLEGT licensed timber as a result of the EUTR. Indonesia is the first, and currently, only country in the world with an operational FLEGT licensing scheme; UK companies increased the volume of their imports of FLEGT licensed timber by 126 percent since the EUTR came into effect in 2013 and by 26 percent since Indonesia started issuing FLEGT licenses in 2016. Companies reported that sourcing from Indonesia reduced their time and resources to carry out risk assessments and mitigation measures.

5.2 Policy Recommendations

Based on the findings of this report, Forest Trends recommends that the UK government:

- Scale up resourcing and planning for proportionate enforcement of the UKTR in 2021 and beyond. The UK should allocate sufficient human and financial resources to tackle the full scale of the UK's timber product imports in 2021 and beyond and encourage longer term enforcement planning, including capacity building for new Operators now finding themselves within scope of the UKTR (e.g., those importing from EU Member States). New enforcement projects should also instigate a structured rechecking timetable for companies, depending on their levels of compliance at their previous check.
- **Set a gold standard for responsible business through the UKTR and apply this to checks on all UK importers.** While a phased approach to enforcement is understandable given the number of companies that are newly within scope since the UK left the EU, the government must move quickly to standardize expectations on all UK importers. This will not only establish the UK as a leader in setting responsible business standards, but will also prepare UK companies seeking to access the growing number of markets in Asia and the US also controlling imports for illegal timber.
- 3 Strengthen the penalty regime under the UKTR by increasing the financial penalties and offering a broader suite of civil sanctions that allow action before prosecution. The UK should broaden the sanctions that the CA can take, including Stop Notices and Variable Monetary Penalties, which would enable a more flexible, proportionate, and ultimately effective approach to dealing with non-compliance. Fines actually applied need to be increased beyond £5,000 to reflect the seriousness of environmental crime.
- Release consistent data on enforcement on an annual basis from 2021. The Government should retroactively release comprehensive data on enforcement projects undertaken by the UK CA and the statutory enforcement actions covering NRAs and prosecutions at regular intervals, preferably not exceeding 12 months. Consistent and comprehensive data allows for tracking UKTR impact over time to determine what has worked well and what should be changed. Transparency is a critical component of effective governance, which, as a global leader, the UK is in a position to model.



5.1.6 Reporting on statutory actions covering NRAs and prosecutions should be standardized to include inter alia:

- a. Date of enforcement action
- **b.** HS code
- c. Product
- d. Company name
- e. Source Country
- f. Species (trade or scientific name)
- g. Enforcement action taken by the CA
- h. Breached regulation details
- i. Type of infringement
- j. Detail including the company response

5.1.6 Reporting on enforcement actions should include inter alia:

- a. Resources for UKTR enforcement (human resources and budget for enforcement)
- b. Number of companies trained
- c. Number of checks conducted
- d. Number of checks on which scientific testing was used
- e. Aggregated percentage of scientific testing that failed to show species and/or location declared
- f. Number of Warning Letters issued
- g. Number of NRAs issued
- **h.** Number of prosecutions completed including full detail on the prosecution outcome and financial penalties
- Number of substantiated concerns received, and the associated source country, HS code, and species associated with the substantiated concerns (as appropriate based on the information received)
- j. Enforcement projects conducted
- Promote consistent policies and enforcement with other countries implementing similar demandside timber import regulations. Greater consistency with other international efforts will help UK
 companies comply with global efforts to eradicate illegal timber from key consumer markets, as well
 as facilitate their own exports to other markets. The UK should continue to enforce existing common
 enforcement positions on teak from Myanmar and timber from Brazil and develop a strong relationship
 with other EU Member States on enforcement issues and on future common positions developed. The
 UK should also promote consistency in approaches with other global markets currently developing or
 implementing similar illegal timber imports regulations, such as the US, Australia, New Zealand, Japan,
 Republic of Korea, and China, including by actively sharing UK lessons and best practice.
- 6 Ensure all lessons learned from national enforcement of the UKTR are reflected in the design of future regulatory approaches to controlling the trade in illegally sourced forest risk commodities, as well as revisions of the Modern Slavery Act and other supply chain accountability mechanisms.

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Annex 1

UK Statutory Enforcement Actions in the period between June 2016 and March 2020

The following table of information on UK enforcement actions was released to Forest Trends in September 2020 following a Freedom of Information request to the UK Government.

Annex I: UK EUTR Statutory Enforcement Actions April 2016 to March 2020. Source of information: https://www.gov.uk/government/publications/statutory-enforcement-actions

Date of enforcement	HS code	Product	Company	Source	Species (trade or	Enforcement action taken by UK Competent Authority	
action				Country	scientific name)		
Jun-16	94034010 10	A shipment of kitchen cabinets	Grosvenor Trade Kitchens Limited	China	Mixed wood products	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Aug-16	9403	Kitchen island	Neptune (Europe) Limited	USA	US Oak and other low risk species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Aug-16	4802 10	A shipment of wooden photo frames	Poundland Limited	China	MDF mixed species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Sep-16	4412	A shipment of Plywood	Peri LTD	Solomon Islands and China	Calophyllum (SI) and Eucalyptus (China)	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Sep-16	4412	A shipment of decorative board (plywood)	Mersey Timber Limited	Russia	Poplar and Birch	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Sep-16	4412	Plywood	The Floor Shop Limited	Unknown (processing country China)	Poplar and Willow	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Oct-16	9403	A shipment of kitchen units	Paragon Kitchen Limited	Unknown (processing country China)	MDF, various species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Oct-16	9403	A shipment of kitchen base units	Konexa Kitchens Limited	Unknown (processing country China)	MDF, various species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Oct-16	9403	A shipment of rosewood furniture	Finesse Furniture Limited	Burma, Laos, Mozambique & Ghana	Chanfuta wood, Afzelia spp, Hovenia duicis hund, Terminalia spp	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Oct-16	4407	Sawn timber from Russia	Prowood Limited	Russia	Latrix Siberica - Siberian Larch	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Dec-16	4407	Sawn Timber	Russian Cellulose Company Limited	Russia	Spruce & Pine	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Dec-16	4407	Sawn Timber	Carmichael International LTD	Russia	Spruce & Pine	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing	



Annex I: UK EUTR Statutory Enforcement Actions April 2016 to March 2020. Source of information: https://www.gov.uk/government/publications/statutory-enforcement-actions

						on the Market) Regulations 2013	
Jan-17	Unknown	Plywood Poplar Core WBP glue	Shawfield Timber LTD	Solomon Islands	Palaquium Face	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jan-17	9403	Outdoor furniture set	JTF Wholesale Limited	Laos	Poplar, Eucalyptus, Oak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-17	9403 6010 00	MDF Furniture	Heartlands Furniture	Malaysia	Rubber wood and Acacia	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
May-17	4407, 9403	Teak Decking	Pendennis Shipyard (Holdings) Limited	Unknown	Teak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
May-17	4407	One shipment of teak	Stones Marine Timber Limited	Myanmar	Teak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jul-17	9403	A wardrobe	Ercol Furniture Limited	Unknown	Poplar, Oak, Eucalyptus, Palaquium, Pinus	Notice of Remedial Actions, issued under Regulation 1 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Oct-17	94036010 and 94035000	Artisan sideboard	Angora 2011 Limited trading as Lombok	India	Mango wood, MDF	Prosecution	
Oct-17	4407 27 9000	A shipment of sapelli timber	Murdock Hardwood Industries Limited	Republic of the Congo	Sapelli	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	4418	A shipment of engineered hardwood flooring product	Turgon Limited	Ukraine	Oak and Birch	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	4418	A shipment of engineered hardwood flooring product	Browns Carpentry Limited	Ukraine	Oak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	9403	A shipment of mixed wooden furniture	Global Chair Components Limited	Ukraine	Ash & Beech	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
UK	9403	A shipment of mixed wooden furniture	Nathan Furniture Limited	Ukraine	MDF, Oak, Pine, Beech, Ash, Alder	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	4418	A bespoke wooden panel product	Specialised Panel Products Limited	Ukraine	Pine and Birch	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	4407 28 99	A shipment of Iroko timber	Boss Lumber UK Limited	Ivory Coast	Iroko	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	44072997 00	Framire square edged timber	Premier Forest Products Limited	Ivory Coast	Framire	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-17	4407999600 and 4407299500	Sawn timber from DRC and teak decking from Myanmar	NGH Timber Limited	DRC and Myanmar	Teak from Myanmar. (Unknown species for sawn timber from DRC)	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Dec-17	44072899 00	A shipment of Iroko timber	Whitmore's Timber Company Limited	Ivory Coast	Iroko	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-18	4407299500	A quantity of Ayous timber	Hardwood Dimensions (Holdings) Limited	Cameroon	Ayous	Prosecution	
Mar-18	4817	Six drawer storage unit	B and M Retail Limited	China	Unknown	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Mar-18	4814	Wallpaper decoration stickers	The Hypermarket Limited	Malaysia	Acacia, Eucalyptus, Douglas Fir	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Mar-18	4817	Gold Star gift boxes	Harrods Limited	China	Unknown	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Mar-18	4819	Gift boxes	Heaven Scent Incense Limited	Malaysia	Unknown	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
May-18	4409	A shipment of hardwood flooring	Furlong Flooring (Southern) Limited	China	Oak, Eucalyptus	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jun-18	4409	A shipment of hardwood flooring	SWI (UK) B.V	Unknown	Oak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Aug-18	9403609000	A shipment of wooden furniture	Lloyd Pascal and Co. Limited	Malaysia	Rubberwood	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Aug-18	9403601000	Oak Bookcase	Papaya Trading	Vietnam	Oak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-18	9403500000	A shipment of wooden bedroom furniture	Caphan Limited	Malaysia	Unknown	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Nov-18	9403	A shipment of wooden bookcases	Alba Beds Limited	Thailand	Rubber wood	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	

Annex I: UK EUTR Statutory Enforcement Actions April 2016 to March 2020. Source of information: https://www.gov.uk/government/publications/statutory-enforcement-actions

Jan-19	9403	A shipment of wooden furniture	Baca Exclusive Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jan-19	9403	A shipment of wooden furniture	London Table and Chair Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jan-19	9403	A shipment of MDF furniture	IPEK Mobilya (UK) Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-19	4411	A shipment of laminate flooring	Floor Factory Limtied	Hong Kong	Poplar	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-19	4407	A shipment of ash and oak sawn timber	P B Hardwoods Limited	Serbia	Ash and Oak	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-19	9403	A shipment of kitchen worktops	TGK Services Limited	Cameroon, France, Serbia	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Feb-19	9403	A shipment of wooden furniture	Acacia Trading Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Mar-19	9403	A shipment of wooden furniture	Marque Furniture Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Mar-19	4412	A shipment of Plywood	Caralla Laminate Systems Limited	China	Poplar	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
May-19	9403	Wooden furniture	Décor Home Furniture Ltd	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
May-19	9403	Wooden furniture	Roberto Rossellini Limited	Turkey	MDF Multiple Species	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Jun-19	9403	Tables	Alfresco Concepts (UK) Limited	Nicaragua	Carapa guianensis	Notice of Remedial Actions, issued under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	
Sep-19	9403	Brazilian Pine Corona Bedframe and American Oak Stirling Cabinet	Heartlands Furniture	Brazil and Vietnam	Brazilian Pine, American Oak	Prosecution	
Dec-19	94036010	Chester Grey TV Stand	The Cotswold Company (UK) Ltd	USA	Quercus Alba, Poplar, MDF Multiple Species	Notice of Remedial Actions, issued on 5th December 2019 under Regulation 11 of the Timber and Timber Products (Placing on the Market) Regulations 2013	





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