



Due Diligence and Risk Assessment system



Timber Regulation
Enforcement Exchange
Paris, October 2016

Due Diligence and Risk Assessment system

- The official system of control: how it works and how to defraud it.
- BVRio's methodology and results.

The oficial system of control

How it works and how to defraud it

Timber transportation permits

The DOF/GF transfers the electronic Credits, from Seller to Buyer

DOF

GF

MINISTÉRIO DO MEIO AMBIENTE
INSTITUTO BRASILEIRO DO MEIO AMBIENTE E DOS RECURSOS NATURAIS RENOVÁVEIS Nº _____
DOCUMENTO DE ORIGEM FLORESTAL - DOF

1 - Emissor 2 - Itama/CTF
 3 - Endereço
 4 - Bairro 5 - Município
 6 - Origem 7 - Coordenadas
 8 - Endereço
 9 - Bairro 10 - Município
 11 - Roteiro de acesso
 12 - Autorização 13 - Tipo
 14 - Produto / Espécie 15 - Qtd. 16 - Un. 17 - Valor
 18 - Destinatário 19 - Itama/CTF
 20 - Endereço
 21 - Bairro 22 - Município
 23 - Destino 24 - Coordenadas
 25 - Endereço
 26 - Bairro 27 - Município
 28 - Roteiro de acesso
 29 - Meio de Transporte 30 - Placa/Registro 31 - Município Origem 32 - Município Destino
 33 - Nº Doc. Fiscal 34 - Validade 35 - Rota do transporte
 36 - Para uso da fiscalização do Ibama, repartições fiscais e outras
VERDE
 37 - Código de controle

Para verificar acesso: http://www.ibama.gov.br/ctf/consulta_dof.php

Guia Florestal para Transporte de Madeira em Toras - GF 1

Guia de Transporte: 1 DVFP: 1 Origem: _____ Nº Processos: _____ 2
 Nota Fiscal: _____ 3

Remetente
 Nome: _____ CNPJ/CPF nº: _____ Inscrição Estadual nº: CEPROF-PA: _____
 Tipo Log.: _____ Logradouro: _____ Nº: _____ Complemento: _____ Bairro: _____ Distrito: _____ Município: _____ CEP: _____
 UF: _____ Ponto de Referência: _____ Caixa Postal: _____

Destinatário
 Nome: _____ CNPJ/CPF nº: _____ Inscrição Estadual nº: _____
 CEPROF-PA: _____
 Tipo Log.: _____ Logradouro: _____ Nº: _____ Complemento: _____ Bairro: _____
 Distrito: _____ Município: _____ CEP: _____ UF: _____ Ponto de Referência: _____
 Caixa Postal: _____ Trajeto ao Destino: _____

OUTEIRO
Especie e seus correspondentes volumes:

Nº	Nome Científico	Nome Popular	Class.	Produto	Quantidade	Unid.	Preço Unitário	Preço Total

Memorial Descritivo de Transporte: _____
 Memorial Descritivo de Transporte: _____

Tipo de Transporte: [Exemplar Sm (I) - Rio (I)] 10
 Rodoviário: identificação do Veículo Transportado: _____
 Hidroviário: Número de embarcações: _____ País de origem: _____ Nome das embarcações: _____

Nº do DAE do Pagamento de ICMS: _____ Valor pago R\$: _____
 Nº do DAE do Pagamento de IPI do Produto de GF: _____ Valor pago R\$: _____

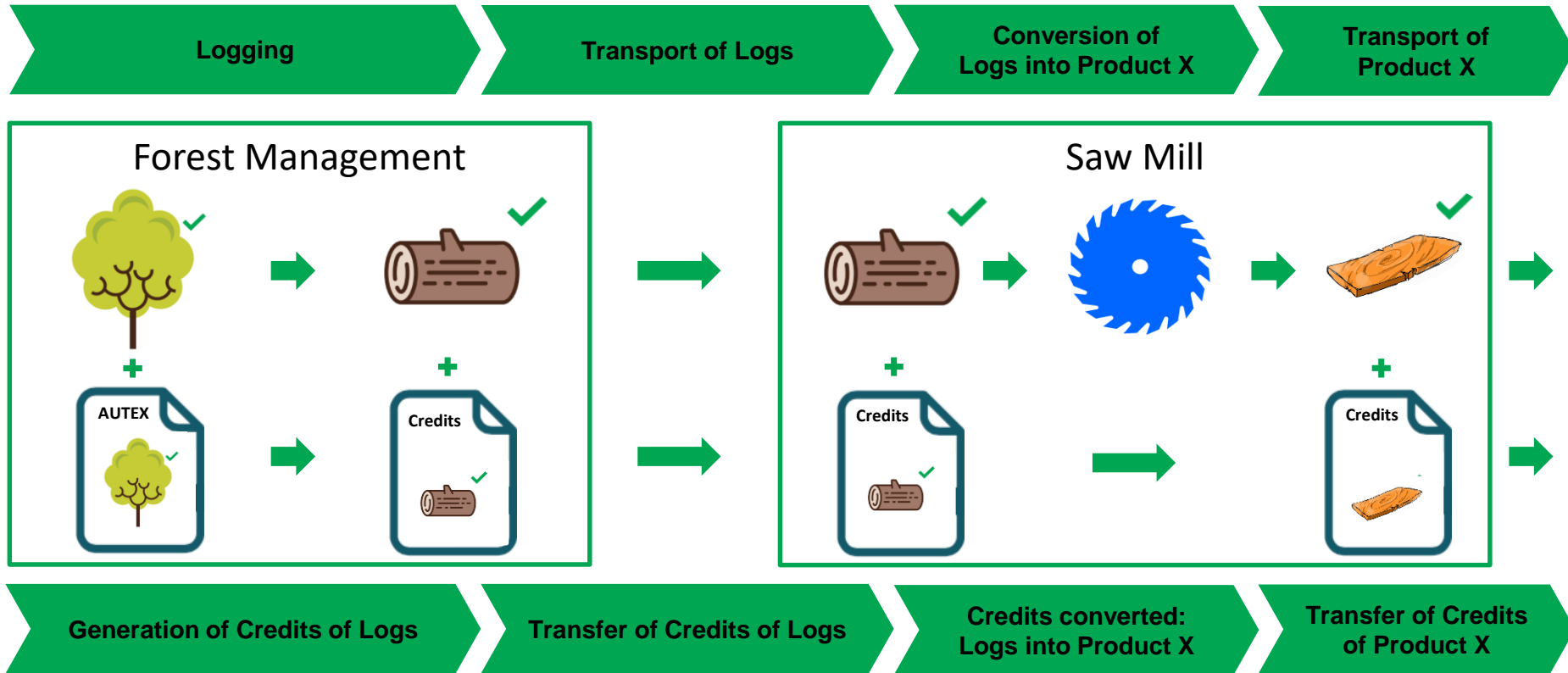
Data de Emissão: _____ Data de Validade em País: _____ 11
 CPF: _____ Responsável pela emissão: _____

12 000001100000100000210010700011

Assinatura Responsável _____

Identification of the buyer and the seller
 Product, species and volumes transported
 Route of transportation and identification of the vehicle

Legal logging



Illegal logging: how the fraud operates

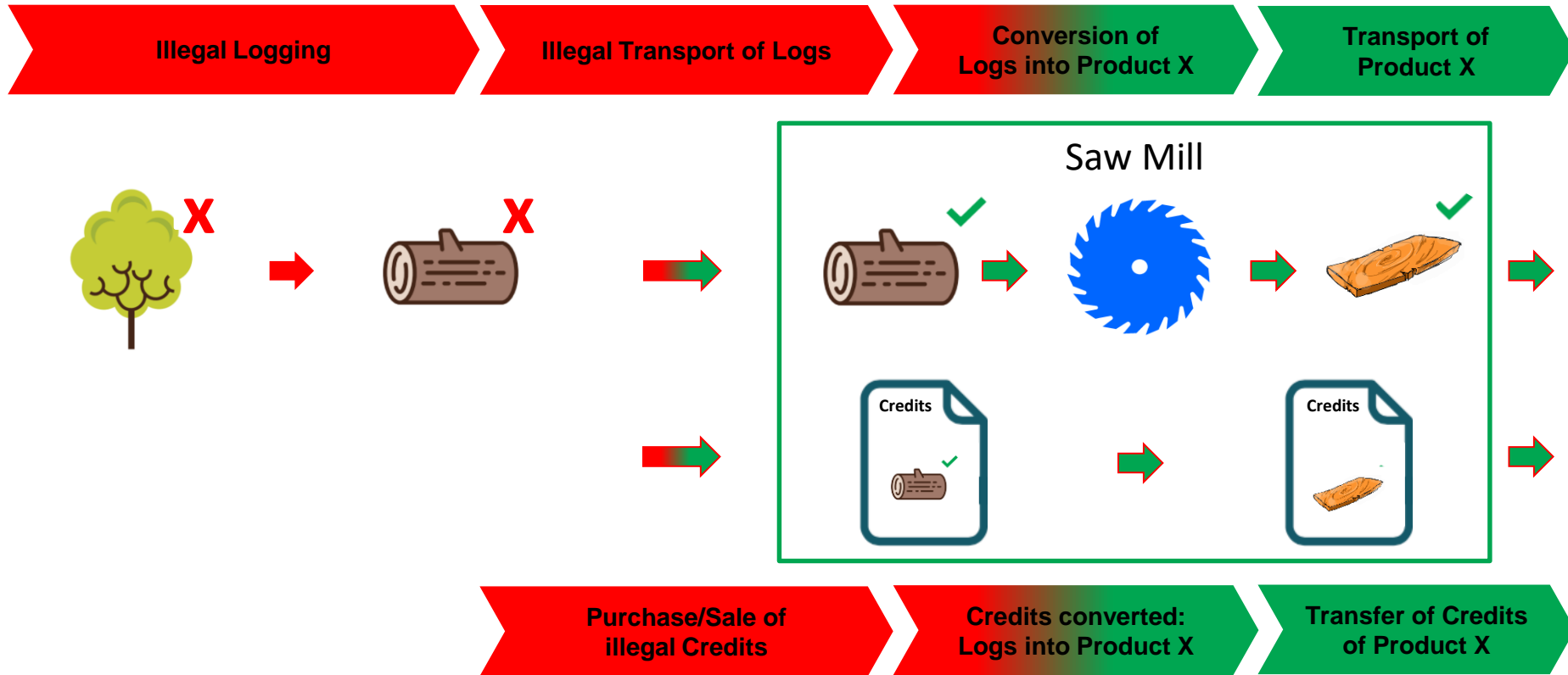


Saw Mill



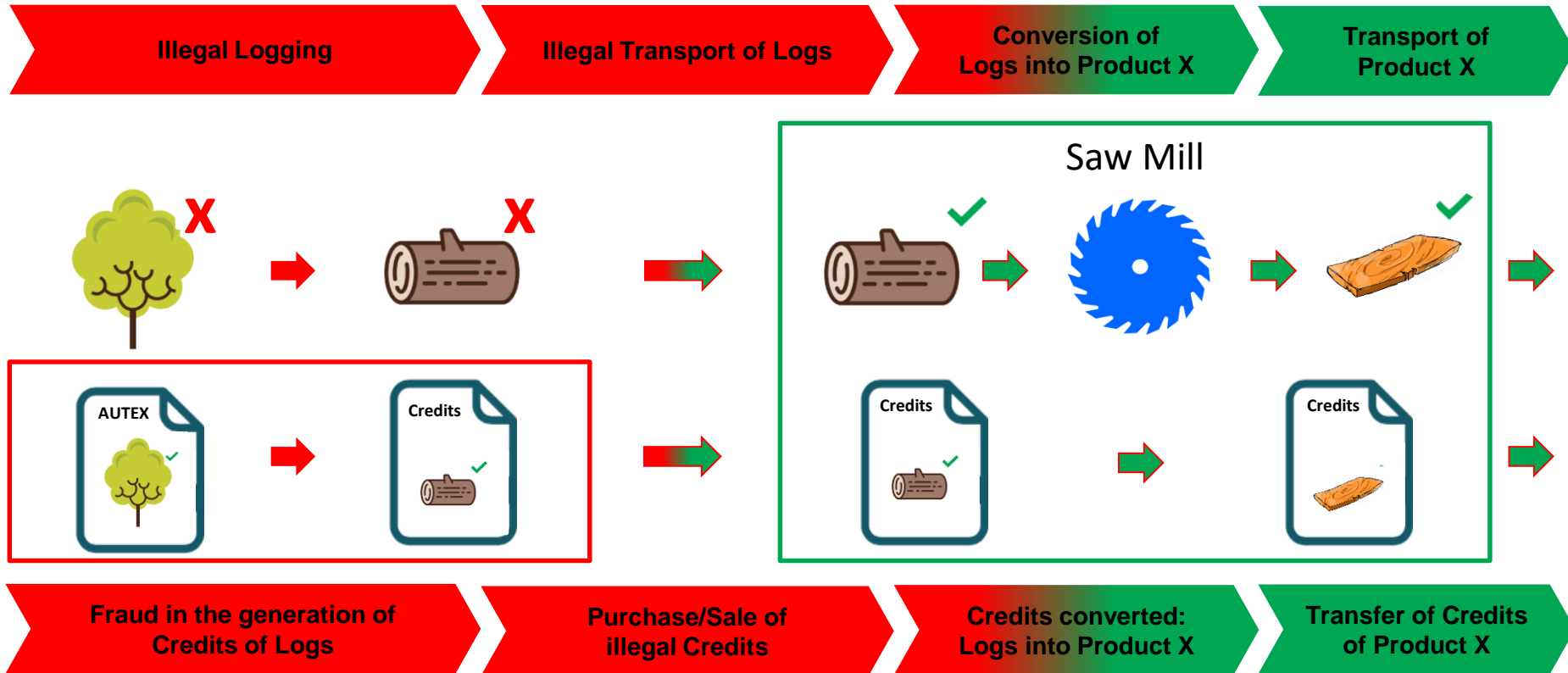
**Illegal Timber:
no access to the market**

Illegal logging: how the fraud operates



**Illegal Timber becomes
"legal" and have access to
the market**

Illegal logging: how the fraud operates



**Illegal Timber becomes
“legal” and have access to
the market**



Due Diligence and Risk Assessment system

What it is

How it works

(methodology and results)



Enter barcode number of a GF or DOF



Enter bar code of Guia Florestal (GF)

Full Due Diligence and Risk Assessment Report

The Full Due Diligence and Risk Assessment includes:

1. In depth analysis of risks and illegality of the whole Chain of Custody including track record of managers involved, satellite imagery analysis and volumes of precious species
2. Registration and Analysis on the Custody Chain



Due Diligence and Risk Assessment Report

BVRio Legal Timber

Due Diligence and Risk Assessment Report

Report number: #76/2016

Issuance date: 18/10/2016

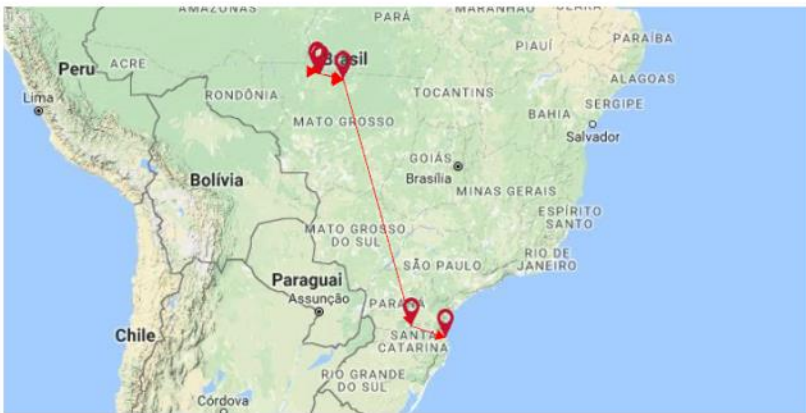
Timber lot description

Buyer of the lot:	
Product:	Decking
Volume:	18,5700 m³
Species:	Tabebuia alba

Chain of Custody

Timber Lot traced by BVRio from the forest to the last buyer declared ✓

Suppliers	Issues
#1	✓
#2	✓
#3	✓
#4	✓
#5	⚠



Disclaimer: See disclaimer at the last section of this document

Description of the Lot

- Buyer
- Product description
- Volume
- Species (common and scientific name)

Supply chain

- Identification of suppliers
- Consistency check for the declared Chain of Custody
- Due diligence and risk assessment for each supplier in the Chain of Custody

Place of harvest

- Location and satellite imagery
- Due diligence and risk assessment for the forest

How it works



Due Diligence and Big Data approach

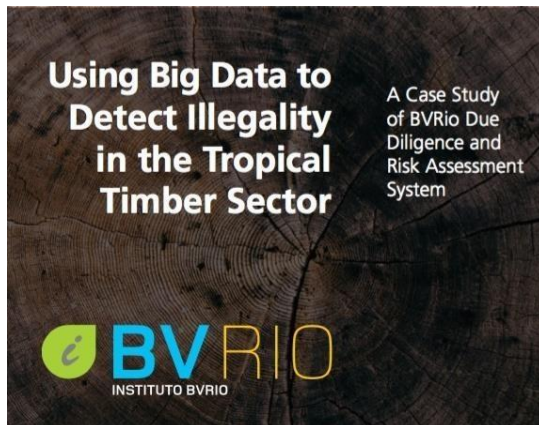


Compilation of all relevant public information available:

- Legal documentation;
- Infractions;
- Satellite imagery.

Big Data approach:

- Internal analysis;
- 22 different databases;
- Over 2 billion cross-checks per day.



Key Risk Indicators and Risk Rating Categories

Key Risk Indicators (KRIs)

Primary Risk Indicator

Logging Permit (AUTEX/AUTEF)

Licences

Federal infractions

Federal embargos

State infractions

State embargoes

Slave work

Complementary Risk Indicator

Overlap with protected areas

Logging operations

Volumes of valuable species

Track Record of the Holder of the Management Plan

Track Record of the Technical Manager of the Management Plan

Risk Rating Categories

No Indication of Infringements, Irregularities or Non-Compliance

Associated with the direct factors analysed, and negligible risk derived from indirect analyses.

Low to Medium Risk

Inconsistencies or uncertainties are associated with the production site analysed, or the system detects infractions and irregularities that are indirectly related to the timber consignment analysed.

Medium to High Risk

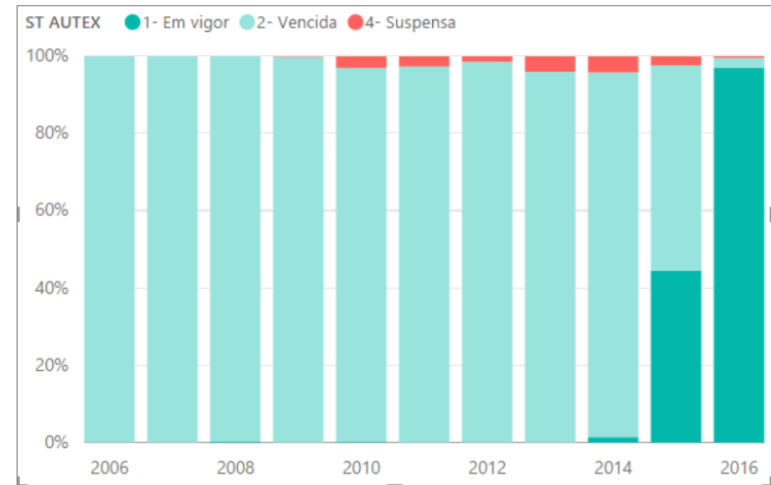
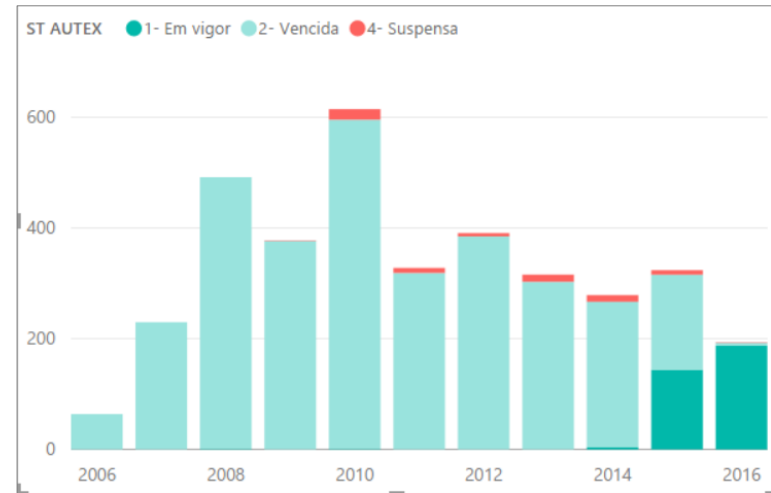
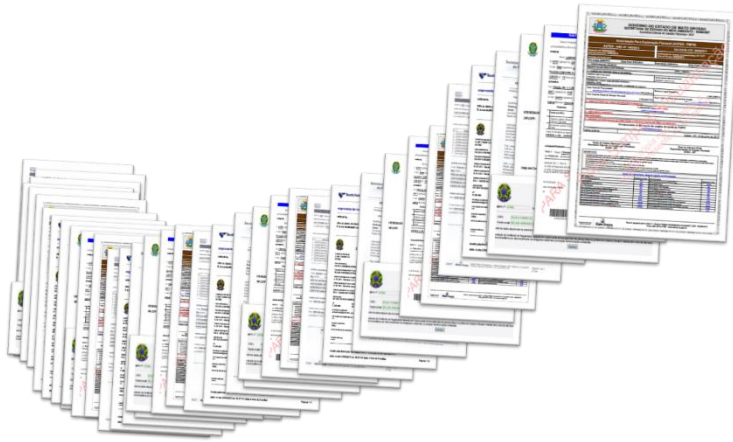
Proven infractions and/or non-conformances are found (of lower severity than those in the 'high risk' category), or there is a high risk of illegality based on the circumstantial evidence obtained through indirect analyses.

High Risk

The production site is associated with proven severe infractions or illegality.

Primary Risk Indicators

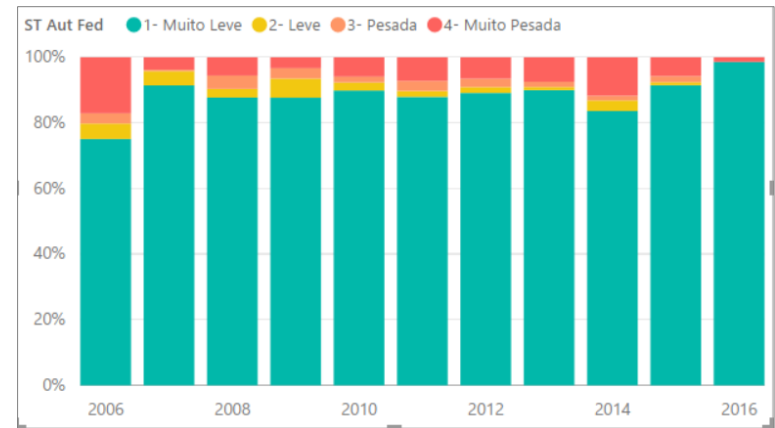
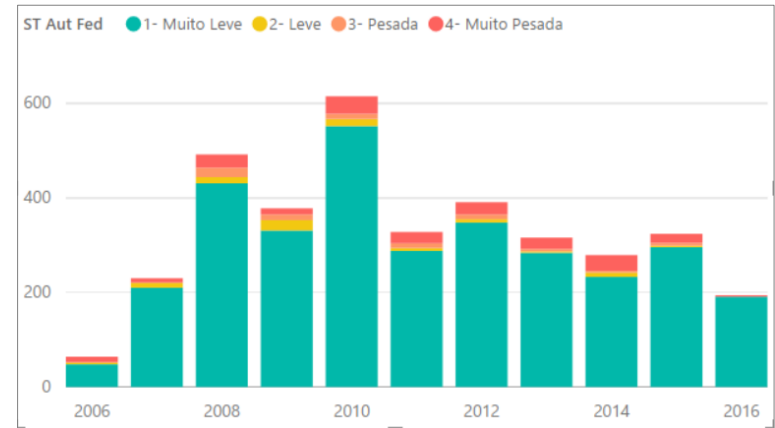
Logging permits and licences (last 10 years)



Risk Indicator	Assessment	Label
Existence and Authenticity of the document	Confirmado	✓
	Not Confirmed	⚠
Validity (status) of the document. For the purposes of the analysis of a GF/DOF, the "Valid" and "Expired" status refer to the date of the issuance of the GF/DOF. A GF/DOF issued 90 days after the expire date of the AUTEX will be labelled as Orange.	Valid	✓
	Expired	⚠
	Suspended	✗

Primary Risk Indicators

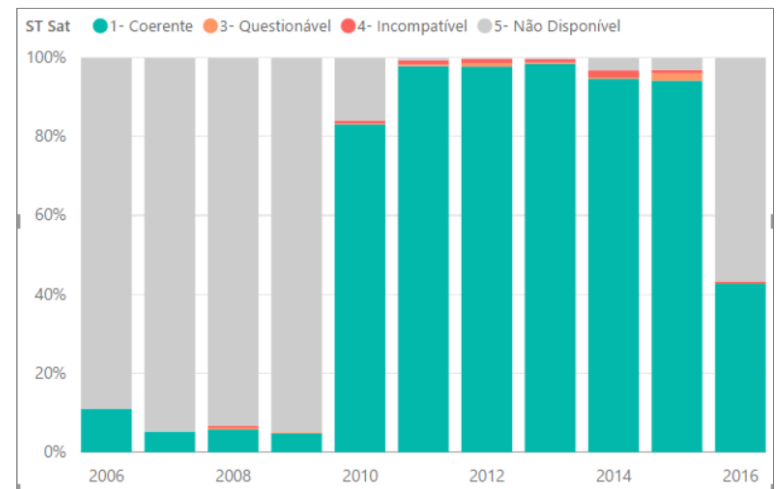
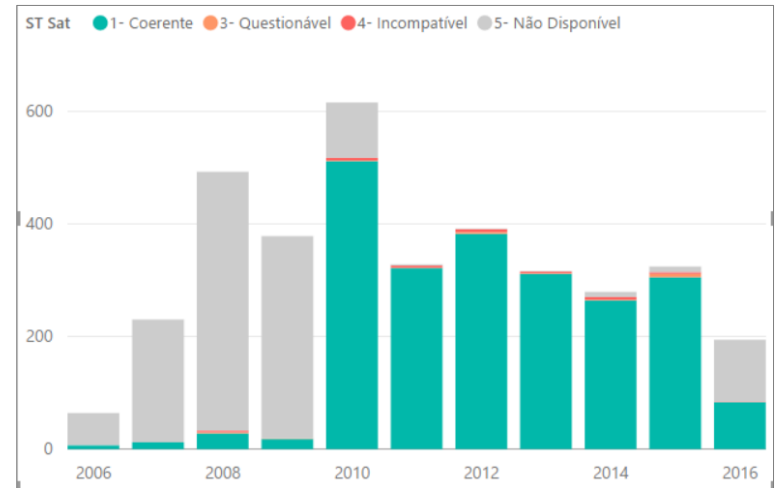
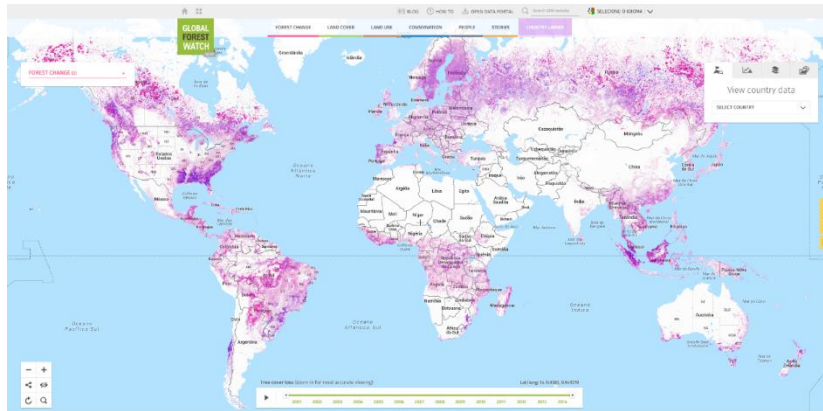
Environmental infractions (Ibama)



Consolidated value of the fines	Assessment	Label
Up to R\$ 12.000,00	Negligible	✓
From R\$ 12.001,00 to R\$ 45.000,00	Low relevance	⚠
From R\$ 45.001,00 to R\$ 100.000,00	Medium relevance	⚠
Above R\$ 100.000,00	High relevance	✗

Complementary Risk Indicators

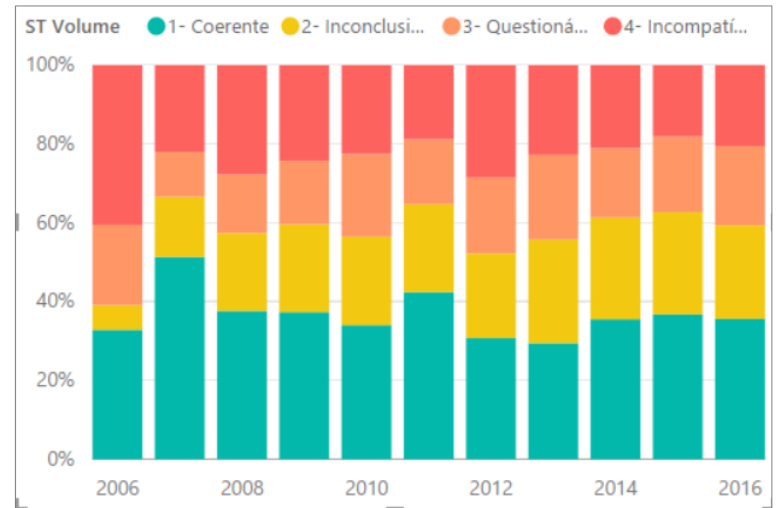
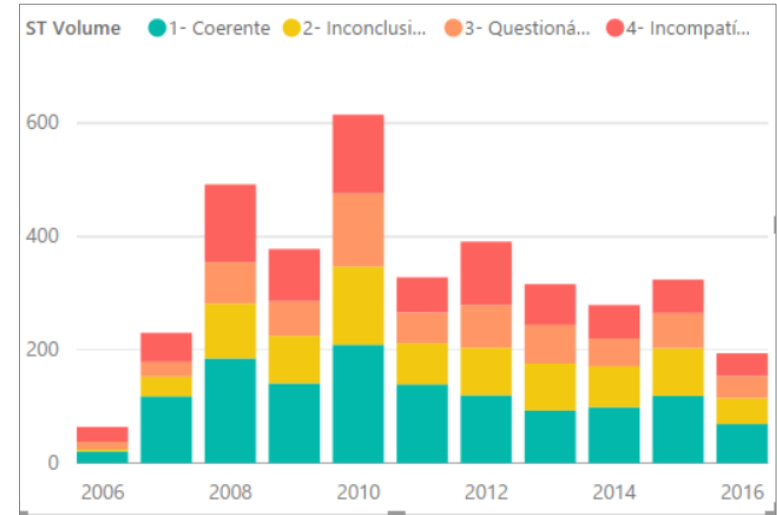
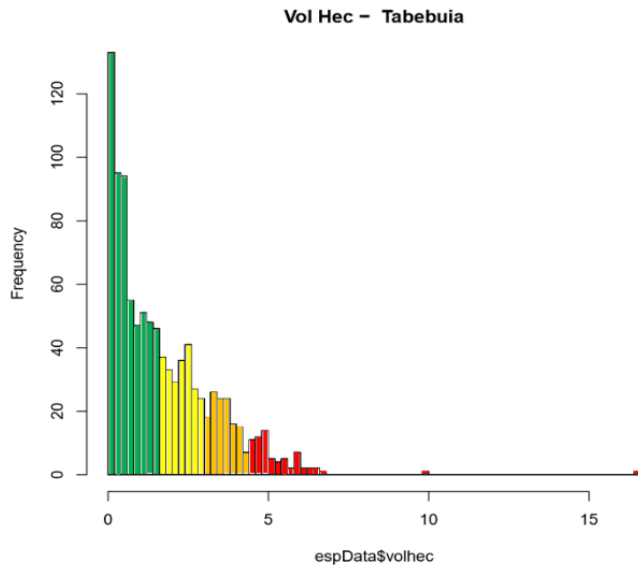
Satellite images and analyses Logging Operations



Risk indicator	Assessment	Label
Satellite analysis of the logging operation.	Coherent	✓
	Inconclusive	⚠
	Questionable	⚠
	Incompatible	✗

Complementary Risk Indicators

Compatibility of Volumes (most valuable species)



Risk Indicator	Assessment	Label
Volumes of valuable species in the logging permit.	Below average + 1 standard error	Coherent
	Below average + 2 standard error	Inconclusive
	Below average + 3 standard error	Questionable
	Above average + 3 standard error	Incompatible

Complementary Risk Indicators

Track record of the Parties

- 1) Compilation of all AUTEX of the Parties (Holder & Technical Manager).
- 2) Consolidation of individual scores of each Risk Indicator into one “Final Score” per Risk Indicator (“Net Present Value” of each individual Risk Indicator).

Key Risk Indicators	2006	(...)	2014	2015	2016	Final score for each individual Risk Indicator
Primary Risk Indicator						
Logging Permit	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Licences	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Federal infractions	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Federal embargos	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
State infractions	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
State embargoes	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Slave work	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Complementary Risk Indicator						
Overlap wiith protected areas and/or traditional people land	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Logging operations (satellyte analysis)	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score
Volumes of valuable species	Individual score 1	Individual score 2	Individual score 3	Individual score 4	Individual score 5	Final Score

Complementary Risk Indicators

Track record of the Parties

3) Consolidation of Final Scores (per Risk Indicator) into the “Track Record” score.

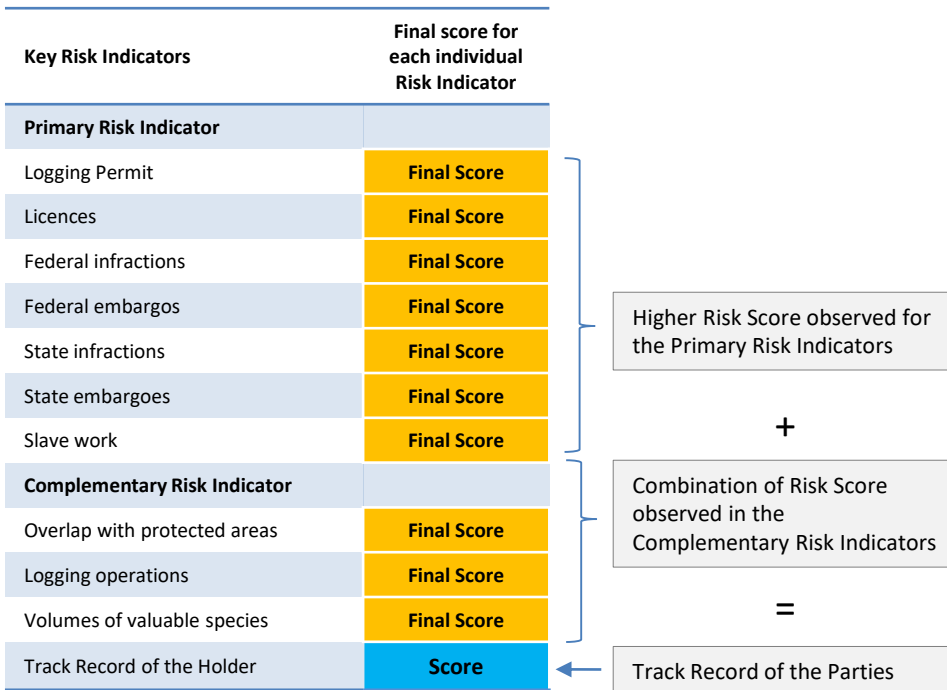


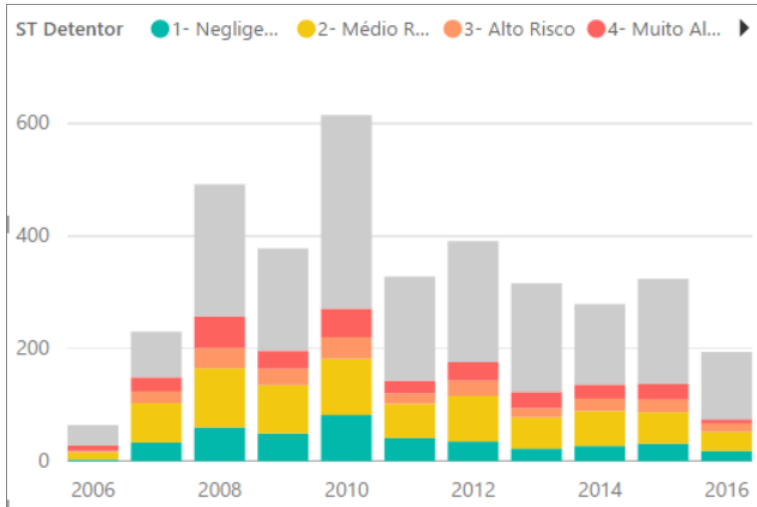
Table: criteria for the consolidation.

Higher Risk level observed for the Primary Risk Indicators	+	Complementary Risk Indicators	=	Classification of the Track Record of the Holder of the logging operations
✘	+	-	=	✘
⚠	+	✘	=	✘
⚠	+	✘ ✘	=	✘
⚠	+	✘ ⚠	=	⚠
⚠	+	✘	=	⚠
⚠	+	⚠ ⚠	=	⚠
✔	+	✘ ✘	=	✘
✔	+	✘	=	⚠
✔	+	⚠ ⚠	=	⚠
✔	+	⚠	=	⚠
✔	+	⚠	=	✔

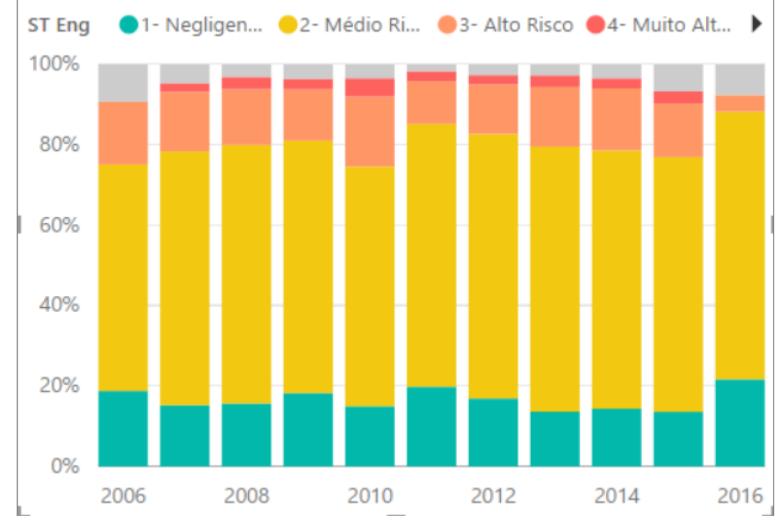
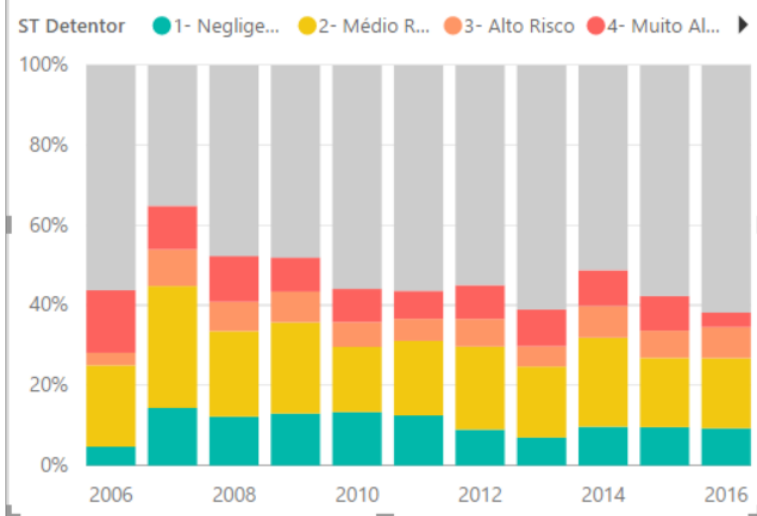
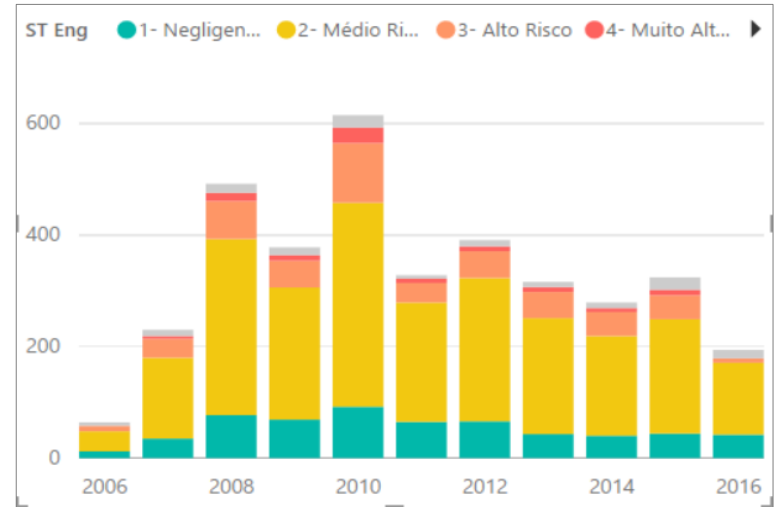
Complementary Risk Indicators

Track record of the Parties: Results

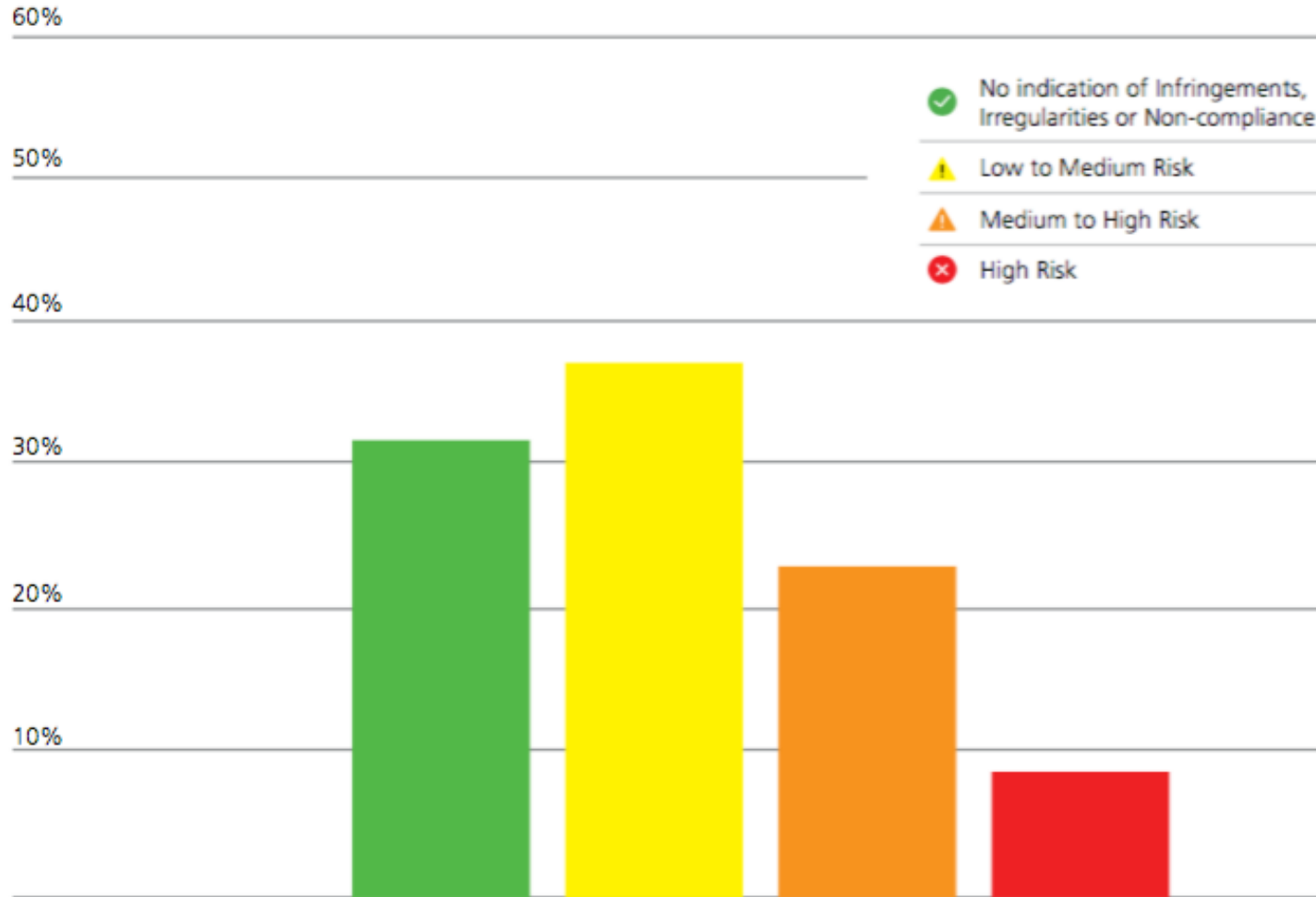
Holder of the Forest Management Plan



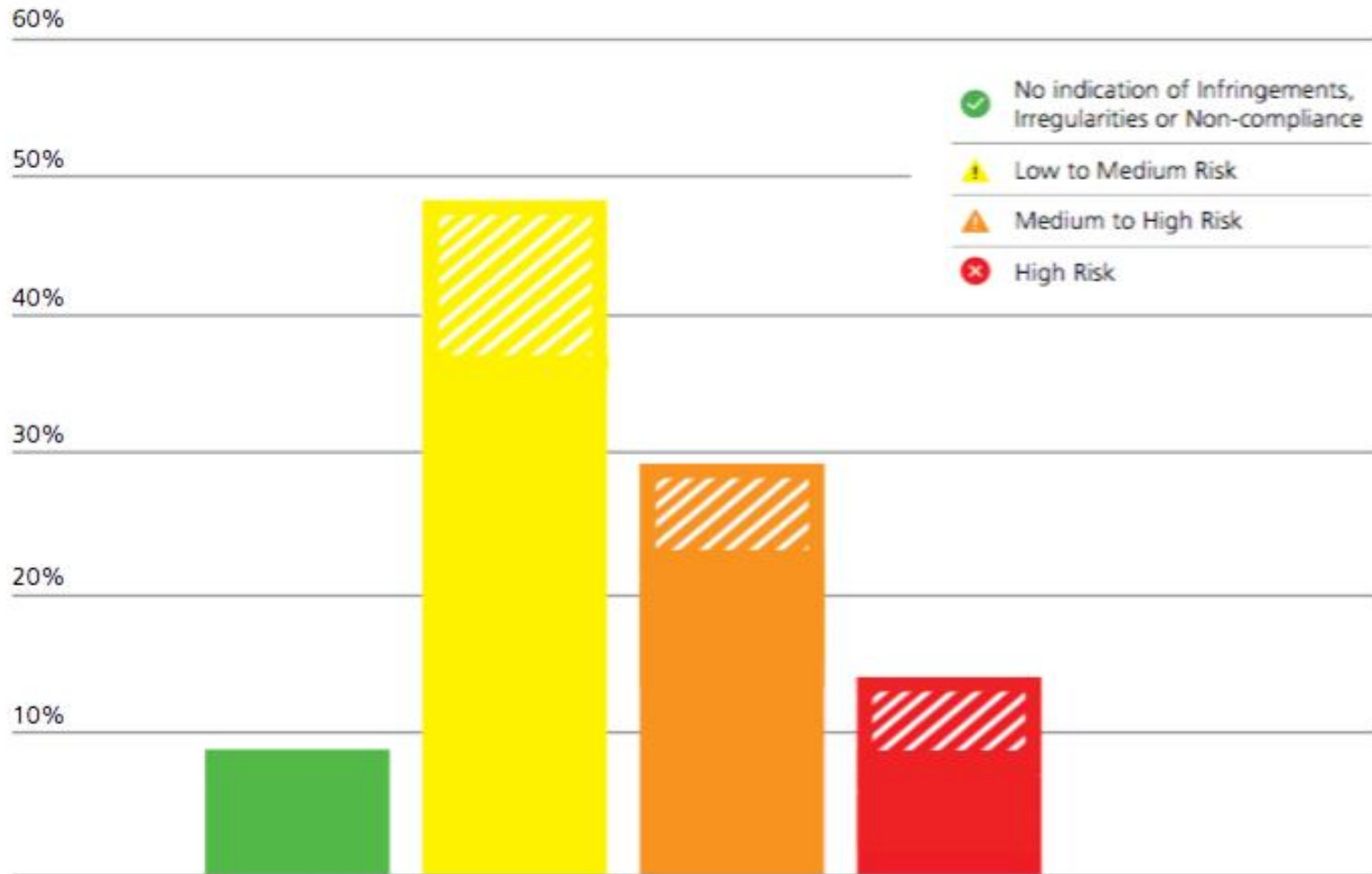
Technical Manager of the Forest Management Plan



Profile of all AUTEX (not considering track record of the parties)



Profile of all AUTEX (considering track record of the parties)



Track record of the parties

Analysis of Supply Chain Profile

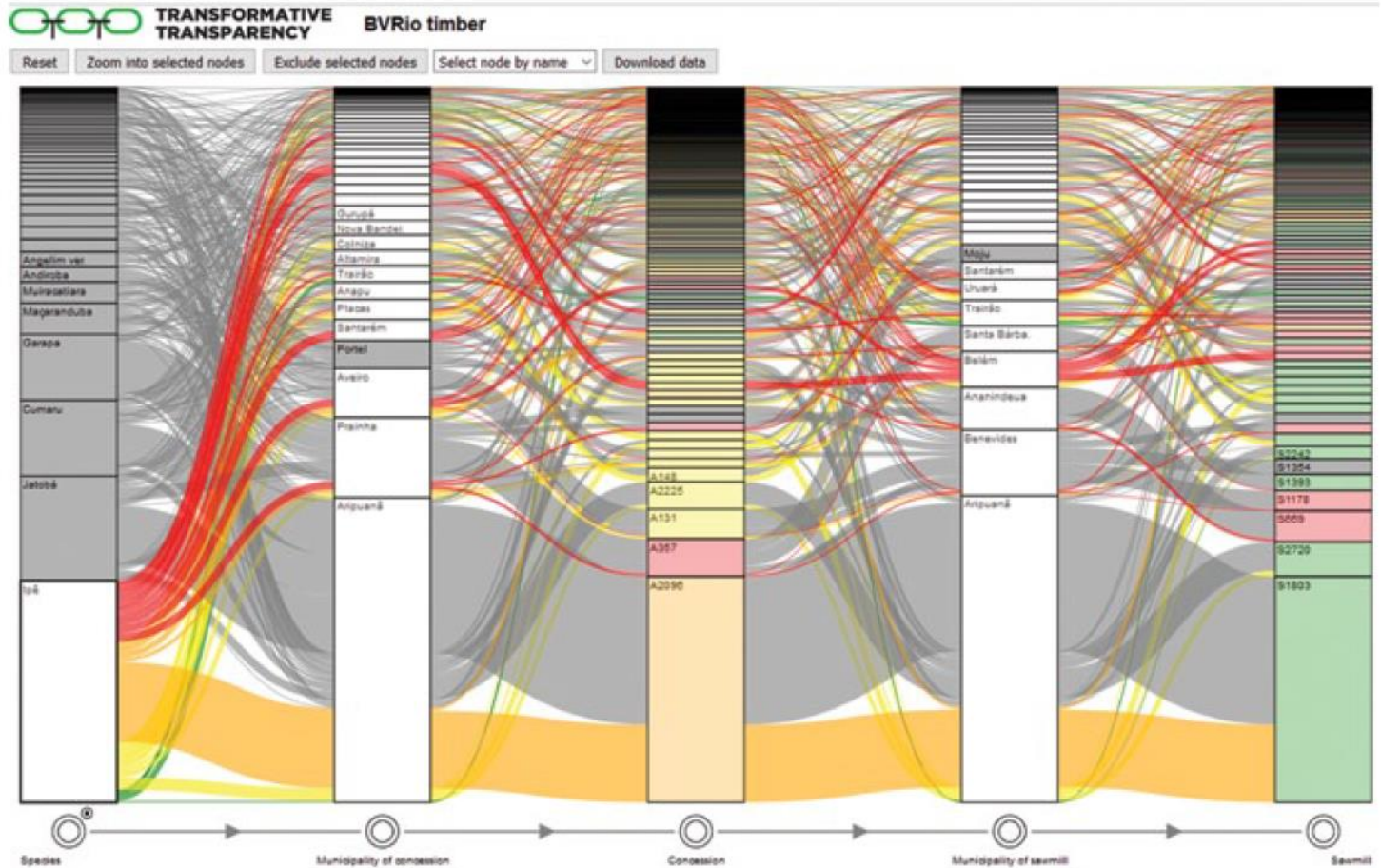


Figure 1: Transformative Transparency Platform showing the supply chain of timber from Pará State, provided by BVRio.

Accuracy



Analysis of all forest management holders with more than 1 AUTEX, and at least one infraction.

In 99% of these cases the system identified pre-existing risk indicators.

BVRio Institute

- A Brazilian organization with the mission to develop market mechanisms to facilitate compliance with environmental laws



Advisory Committee



Acknowledgements

