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Review of timber legality verification schemes



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This report was prepared by Proforest and is based on the **Timber Legality Verification Schemes** joint project, in collaboration with the Chinese Academy of Forestry. Please refer to the Proforest website for details.

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LIST OF ACRONYMS AND ABBREVIATIONS

BV	Bureau Veritas
BREEAM	BRE Environmental Assessment Method
EU	European Union
EC	European Commission
FLEGT	Forest Law Enforcement Governance and Trade
FSC	Forest Stewardship Council
GFTN	Global Forest and Trade Network
ISO	International Standard Organisation
LEED	Leadership in Energy and Environmental Design
LEI	Indonesian Ecolabelling Institute
LHV	LegalHarvest Verification
MLTV	Mandatory Legal Timber Verification
NGOs	Non Governmental Organisations
OLB	Timber Origin and Legality (Originé et Légalité des Bois)
PEFC	Programme for the Endorsement of Forest Certification Scheme
RIFPI	Research Institute of Forestry Policy and Information (of CAF)
RIL	Reduced Impact Logging
SCS	Scientific Certification Systems
SFA	State Forestry Administration (China)
SGS	Société Générale de Surveillance
SW	SmartWood
TFF	Tropical Forest Foundation
TFT	The Forest Trust
TLTV	Timber Legality and Traceability Verification
TTAP	Timber Trade Action Plan
UK	United Kingdom
US	United States
VLO	Verification of Legal Origin
VLC	Verification of Legal Compliance
VPA	Voluntary Partnership Agreement
WWF	World Wide Fund for Nature

SUMMARY

Concerns over illegal logging and the associated trade in illegally produced wood products have increased substantially over the last decade. This has led to the introduction of several measures such as the EU Due Diligence Regulation and the US Lacey Act by wood products importing countries to exclude illegally produced timber from their market. The situation has caused experts to predict that demand for certification and legally verified wood products will continue to grow. In response to this, producers and producer country governments have adopted certification and legality verification schemes to meet the growing international market requirements, particularly the EU and the US.

Many legality verification schemes have emerged as a result of growing demand to demonstrate legality. They can be categorised broadly into three types: voluntary legality verification programmes, mandatory legality verification systems and NGO initiatives. They share similarities and yet are different from each other. Many companies find it difficult to navigate and understand the differences and what aspects of legality they cover.

This study was conducted to examine the characteristics of existing legality verification schemes covering the following aspects: how legality is defined, definition of legality, chain of custody requirements and product claims, and verification. It also includes the practical experiences in implementing voluntary legality verification schemes in Africa and Asia including costs of audits, documentation requirements to demonstrate legality and problems encountered.

Finally, this report also provides the extent to which the different legality verification schemes meet the market requirements in the EU and the US, including the Lacey Act in the US and the EU Timber Regulation in the EU. Some of the existing schemes can effectively solve the problems faced by exporters to the EU and US markets, as they can potentially meet the legislative requirements for legality. However, some schemes would require additional information and evidence in order to fulfil the legislation.

Certified timber
for sale to
consumers

photo:
Craig Moore



1. INTRODUCTION

1.1. Introduction to the report

Illegal logging and the associated trade in illegally produced forest products are major problems for many timber producing countries. They result in detrimental environmental and social impacts and cost governments billion of dollars in lost revenue. Governments, industry and civil society groups in timber producing, processing and consuming countries have recognised the importance of eliminating illegal logging and have tried different ways to tackle it.

As part of measures geared towards addressing the problem, some companies and governments have set standards through their procurement policies aimed at ensuring they buy only legal timber. Other measures including the recent introduction of the Lacey Act Amendment in the US and the Due Diligence Regulation (now Timber Regulation) in the EU provide key timber importing countries with legal mechanisms to exclude illegal timber from their markets.

While procurement policies have had an important impact on international trade, this has been confined to a relatively limited market segment. The new US and EU legislation will have a much wider impact, posing major challenges for exporters in both primary timber producing and processing countries, and for their customers in consuming countries, in being able to demonstrate that the products they trade in are from legal harvests.

As a major wood product processing country, which relies significantly on imported raw material and with about 40 per cent of its exports going to the US and the EU, these new demands are particularly relevant for Chinese exporters and their customers.

Although most governments of timber producing countries are currently implementing a wide range of control systems to ensure compliance with their laws and regulations, these vary widely in terms of scope and effectiveness and in most cases unlikely to meet the requirements of the newly introduced legislation. Similarly, companies in timber processing countries who import substantial volumes of unprocessed timber for further processing and re-exporting, need to ensure that their raw material comes from legal sources. This growing need to prove legality of wood products

has led to an increasing uptake of private sector certification and legality verification schemes as well as mandatory verification in some countries.

This study provides a detailed review of existing legality verification schemes, including both mandatory verification and voluntary certification and legality verification schemes used by the private sector. It examines aspects such as definition of legality, the verification process, the control of chain of custody (CoC) to ensure traceability and the legitimacy of public claims.

It was carried out through a combination of desk studies of existing legality verification schemes and initiatives, and interviews with verified operations in Asia and Africa to collect information on the practical implementation of the schemes. The report is presented in the following sections:

Section 1: Introduction to the report and legality verification

Section 2: Review of legality verification schemes and related initiatives highlighting their similarities and differences

Section 3: Results of interviews with managers of verified operations to collect information on practical experience of implementing different schemes in Africa and Asia

Section 4: What do legality verification schemes deliver in term of meeting market requirements for legality?

Timber being shipped from New Zealand to China.

photo:
Jane Carrudos



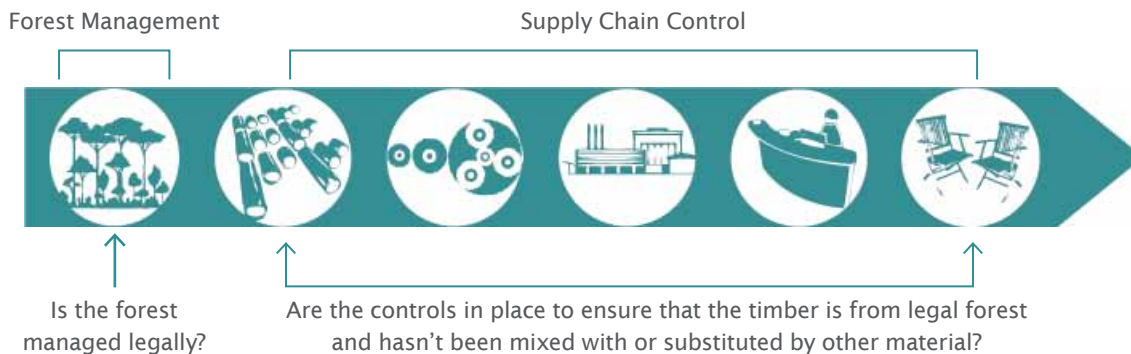
1.2. What is legal timber?

Before going into the details of legality verification schemes, it is important to be clear on what legal timber means. Legal timber generally refers to timber from forests which have been managed and harvested in compliance with the laws of the country and/or sub-national region where the timber originated, i.e. timber was harvested in accordance with national laws. There are two components to legal timber:

- **Forest management** – is the forest where the timber was harvested being managed legally?
- **Supply chain control** – what controls are in place to ensure that the timber really is from a legal source and has not been mixed with, or substituted by, other material?

Figure 1.2 shows the difference between legal origin and legal compliance. Legal origin is the basic component in demonstrating legality, demonstrating that timber comes from a forest with legal right to harvest. The second step is legal compliance, which extends to include compliance with all applicable laws in forest management activities. This means that timber comes from a forest with legal right to harvest, and the management activities comply with all applicable and relevant laws related to forest management and harvesting. Legal origin and legal compliance are the essential first steps in achieving sustainability. Further discussion on definition of legality is presented in Section 2.2

Figure 1.1
Legal timber



Legal forest management

It should be noted that some organisations differentiate two steps to legal forest management:

- **Verification of Legal Origin (VLO)** verifies that timber comes from a known and licensed source and that the entity that carried out the harvest had a documented *legal right to do so*.
- **Verification of Legal Compliance (VLC)** expands upon the basic component of VLO by verifying that timber harvesting and other relevant management activities in the forest where it was harvested complied with *all applicable and relevant laws and regulations*.

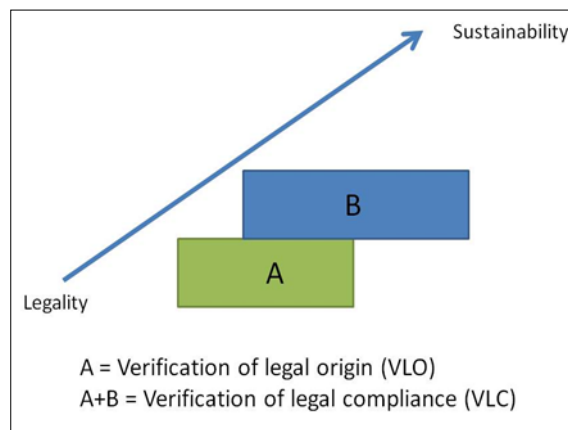


Figure 1.2
Verification of legal origin and legal compliance

Supply chain control

Apart from information on forest management, reliable supply chain control is also required. This is because in most cases there are several stages between the original forest and the final product, which allow possibilities for mixing or substitution of unknown timber with verified timber. Therefore, it is necessary to know at each stage of the supply chain what controls are in place to prevent the timber from a verified legal source being mixed with or substituted for other material. For example, this can be done by implementing an internal system for timber traceability.

1.3. What types of legality verification are available?

Verification refers to the process of checking that the forest management and supply chain controls meet a defined set of requirements, in this case, legality. It usually involves audits of forest management units and processing facilities, including field inspections, and reviews of documentation and management systems.

Legality verification schemes can be categorised broadly into three types:

- Voluntary legality verification programmes
- Mandatory legality verification systems
- NGO initiatives

This section presents an outline of the various legality verification schemes with the details provided in Section 2 of this report. Forest certification schemes generally contain a component of legality verification, but since no separate audit is conducted or statement issued specifically covering legality verification under certification, the component of legality within certification is not included in the scope of this report. Note that FSC is currently revising its Principles and Criteria (P&C) in which the revised criterion 1 covers legal compliance, which can be used on its own as legality verification.

1.3.1. Voluntary legality verification programmes developed by certification bodies

A range of organisations provide voluntary legality verification. The most commonly used legality verification programmes are those developed by certification bodies (CBs), sometimes referred to as conformity assessment bodies. These are organisations accredited by independent competent bodies to relevant ISO Guides¹ to ensure that they follow internationally recognised good auditing and certification practice. The following certification bodies have developed legality verification programmes:

- Bureau Veritas (BV)
- Scientific Certification Systems (SCS)
- Société Générale de Surveillance (SGS)
- SmartWood (SW)
- Double Helix Tracking Technologies (DoubleHelix)²

All with the exception of Double Helix, of these CBs are accredited to carry out forest management and CoC certification. Some of them are accredited to carry out both FSC and PEFC certification. However, there is *no accreditation of legality verification schemes* available. This type of voluntary legality verification programme is used by forest management companies and manufacturers/traders in the supply chain to respond to requests from their customers of proof that the products supplied have been legally produced. These programmes are applicable at company level.

Voluntary legality verification is not as well-developed as forest certification in the sense that it does not always follow international good practice (such as ISO Guides) in standard setting processes, certification, accreditation, product tracing and labelling. This means that there is no common approach on how legality verification schemes are being run and managed. Certification bodies developed their own legality verification schemes hence there are differences in terms of who defines legality and how it is defined, how verification is carried out, and what kind of public claims can be used. Further details can be found in section 2.

¹ ISO is a non-governmental organisation made up of a network of the national standards bodies from more than 140 countries in all regions of the world. As well as co-ordinating and managing the development of hundreds of international standards for different industry sectors, ISO has also produced a number of Guides to help with the development of certification schemes. The applicable ISO Guides for certification bodies relevant to forest certification and legality verification are ISO Guide 65 1996 General Requirements for bodies operating product certification systems and ISO/IEC 17021:2006 - Conformity assessment - Requirements for bodies providing audit and certification of management systems. ² DoubleHelix is the certification body for Certisource legality verification

Programmes	Introduction
Timber Legality & Traceability Verification (TLTV) by SGS	<p>TLTV originated in 2005 when SGS began to undertake legality verification audits for clients in Cameroon and the Republic of Congo in order to provide proof of legality to customers in the European market. Following the success of these first audits, the TLTV service was created. Note that SGS now offers the TLTV service in two steps: Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC). Please see more details regarding the difference between VLO and VLC in section 2.2 Definition of legality.</p>
Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC) by SmartWood (SW)	<p>VLO and VLC are run by SmartWood, a programme of Rainforest Alliance based in New York, US. Please refer to section 2.2 for details on VLO and VLC. The first generic SmartWood VLO and VLC standards were developed in November 2007 and they have recently been revised.</p>
Origine et Légalité du Bois (OLB – origin and legality of wood) by Bureau Veritas (BV)	<p>The standard for OLB (“Origine et Légalité du Bois” Origin and Legality of Wood) was developed in 2004 by Eurocertifor (which later became part of Bureau Veritas Certification) based in Paris, France. The development of this standard was based on forest companies’ need to prove the legality of their activities and of wood supply, mainly in tropical areas. Eurocertifor developed its first standard based on its experience in Central Africa and its knowledge of forest legality requirements in this region.</p>
Legal Harvest Verification (LHV) by Scientific Certification Systems (SCS)	<p>The LHV standard is a new verification programme developed and managed by Scientific Certification Systems (SCS). The second standard consultation phase was concluded in March 2010, and the latest version of both the forest and CoC is 19 July 2010. Several pilots are underway in Asia and South America.</p>
Legality Verification System by Certisource	<p>The Certisource Legality Verification System was launched in March 2007 as a means to verify the legality of merbau timber products from Indonesia. The latest version of Certisource legality criteria for Indonesia was finalised in June 2009. It is currently working only with timber concessions and processing sawmills in Indonesia exporting timber and timber products for customers in the United States, Europe, Australia, New Zealand and Singapore.</p>

Table 1.1

Voluntary legality verification schemes under review in this study

Voluntary legality verification programmes operate actively in several countries in Africa and Asia. Table 1.2 provides a summary of the areas and locations of forests which are legally verified by these schemes (as of September 2010):

Table 1.2
Summary of verified areas by different programmes (as of September 2010)

Verification programme	Verified area	Country
SGS TLTV-VLO	3.2 million ha	Malaysia, Indonesia and Papua New Guinea
SGS TLTV-VLC	4.3 million ha	Congo, Democratic Republic of Congo, Cameroon, Tanzania and Papua New Guinea
BV OLB	2.6 million ha	Gabon, Cameroon and Central African Republic
SmartWood VLO	1.4 million ha	Indonesia, Malaysia and the Philippines
SmartWood VLC	188,520 ha	Malaysia
Certisource	1.4 million ha	Indonesia

1.3.2. Mandatory legality verification programmes developed by governments

Mandatory legality verification programmes are implemented by or on behalf of governments. They are applicable at national or sub-national level. There are three main types of mandatory programmes globally: legality assurance and export licensing that will be required for Voluntary Partnership Agreement (VPA) under the EU FLEGT Action Plan; national or sub-national government regulation and documentation, and control services delegated by governments to private sector firms, such as the Mandatory Legal Timber Validation (MLTV) services offered by SGS.

Although the definition of legality and the details of how verification is carried out vary between countries, in all cases national (or where relevant sub-national) governments play an important role in the process of deciding which laws are included in a definition of legality, what controls are put in place for timber tracking, and the requirements for organisations that carry out verification.

Voluntary Partnership Agreement (VPA) licensing

The EU FLEGT Action Plan, launched in 2003, aims to combat illegal logging and the associated international illegal timber trade. Under this plan VPAs are negotiated between the EU and timber producing countries.

VPAs become legally binding trade agreements once negotiations are successfully concluded. An important part of each VPA will be the establishment of a licensing system to ensure that only timber products that have been produced in accordance with the national legislation of the exporting country are imported into the EU. The VPA process is government led and government agencies will ultimately be responsible for verification of legality and issuance of licences, although these responsibilities can be assigned to private sector entities. Independent monitoring of the legality assurance systems by a third party is required to ensure that they are operating as intended. The definition of legality, i.e., which laws of the country concerned are relevant and against which compliance is verified, is decided in each country through a process involving participation of all stakeholders. The first VPAs were signed in November 2009 with Ghana and in May 2010 with Republic of Congo (Brazzaville). Negotiations with Cameroon have also been concluded. It is expected that the FLEGT-licensed timber from Ghana will be available during 2011.

National government schemes

Many governments implement control systems to ensure compliance with regulations. They vary widely in term of scope and effectiveness. Some focus on verifying log exports, which does not necessarily cover checking compliance at forest management level.

For example, the Malaysian Timber Industry Board (MTIB) and the Sarawak Timber Industry Development Corporation (STIDC) issue licences for export of timber products. To apply for a licence, a company has to be registered as a timber exporter with either MTIB or STIDC. Upon receiving and verifying relevant documents (e.g. invoice, removal pass, customs form), MTIB or STIDC issue an export licence. Removal passes provide official evidence that the timber in a consignment is from a legal source or has been legally imported, and that the fees and taxes have been paid.

In Indonesia mandatory export registration (ETPIK) is required for exporting a range of timber products. ETPIKs are issued by the Timber Industry Revitalisation Board (BRIK). To qualify for an ETPIK companies must show: that all timber coming into their mills is accompanied by transportation permits (SKSHH), which serve a function similar to Malaysia's removal passes.

Since both countries are in the process of VPA negotiations, these systems are likely to be replaced or modified when their respective legality verification systems are fully set up.

Private sector verification on behalf of government, e.g. Mandatory Legal Timber Validation (MLTV)

Mandatory Legal Timber Validation (MLTV) is SGS's country level approach of monitoring and verifying wood production and tracking information. MLTV programmes/projects are developed for governments of timber producing countries aiming at monitoring and verifying timber production, commercialization and exportation. It involves the creation of a long-term operational partnership between the government and the Swiss-based inspection company, Société Générale de Surveillance (SGS), as an independent verifier. It may be designed to provide institutional capacity building in phases normally including: development, operation, transfer and post-hand over support to the national institution. MLTV verifies that all companies, across a whole country or province, consistently comply with specific legal requirements. The first programme was designed in 1994. Projects operated by SGS under this approach are currently operational in:

- Cameroon: one log export monitoring contract and one technical assistance contract to implement the national timber traceability system
- Democratic Republic of Congo: one national contract to implement a national timber production, commercialisation and export control programme
- Liberia: one national project contract to implement and manage the national timber traceability system
- Republic of Congo: one technical assistance contract to set up the national timber traceability system
- Papua New Guinea: one log export monitoring contract and one pilot project to set up a timber traceability system.

1.3.3. NGO initiatives

Most NGO initiatives are stepwise technical support programmes aimed at helping companies to achieve forest certification. Examples of these are **WWF's Global Forest and Trade Network (GFTN)**, **The Forest Trust (TFT)** and **Rainforest Alliance's SmartStep**. They are not designed to be used as legality verification per se although participants of these programmes have to demonstrate legal compliance as part of validating progress towards forest certification. For this reason, they are excluded in the scope of this study, though a brief introduction is included in this section.

However, two NGO initiatives focus on legality verification using a different approach to the voluntary legality verification programmes developed by certification bodies (section 2.1.1). These are the **Tropical Forest Foundation (TFF)** and **Timber Trade Action Plan (TTAP)**. This review includes these two programmes.

NGO initiatives with a focus on legality

Tropical Forest Foundation (TFF)

The Tropical Forest Foundation (TFF) is an international, non-profit, educational institution formed in 1990. TFF has established active on-the-ground reduced impact logging training programmes in Brazil, Guyana, Indonesia and most recently, in Gabon. The TFF developed a standard for Reduced Impact Logging (RIL) in 2006, which was revised in 2008 and 2009. The

RIL standard is not a legality verification scheme but contains a legality component. TFF does not carry out verification, but endorses the verification audit carried out by an independent auditor.

Timber Trade Action Plan (TTAP) legality checklist

The Timber Trade Action Plan (TTAP), managed by The Forest Trust (TFT) is a private sector project that provides technical assistance to suppliers of the members of European TTFs to achieve legality verification of their supply chains. Originally developed by the Timber Trade Federations of the UK, Netherlands, Belgium and France, it is now available to all members of European Timber Trade Federations. The main task of this EC co-funded project is to assist the members of participating TTFs and their suppliers in demonstrating the legality of timber in their supply chains through Third Party Verification (TPV) in Indonesia, Malaysia, Cameroon, Congo Brazzaville, Gabon (TTAP phase 1), Brazil, Guyana, Bolivia, Suriname and China (TTAP phase 2). TTAP is also available for other countries in these regions such as the Democratic Republic of Congo. TTAP provides assistance to forest managers or manufacturers to achieve legality verification, by using TTAP legality checklists to identify the gaps. TFT provides technical assistance throughout the whole supply chain (forest, sawmill and factory) to raise the level of management to pass an audit against the legality standard requested by the buyer and supplier.

NGO initiatives focus on certification

For TFT forest projects, an initial scoping visit (before engaging a forest management project) is made to establish whether basic legality requirements are met using the FSC Controlled Wood standard⁴. This is assessed by second party visits (please refer to Box 1.1 for details). The findings of the second party audits are used to generate an Annual Work Plan, and no claim of legality verification can be made. If the FMU wants to obtain third party legality verification at VLC level prior to full FSC certification, then TFT will support them to achieve this.

For the **GFTN**, interested companies would have to undergo baseline appraisal before they are formally accepted as GFTN participants. GFTN has two types of participants: Forest and Trade Participants. Forest Participants refer to forest managers and owners, Trade Participants are GFTN Participants which are processors, manufacturers, traders, specifiers or end-users of forest products. Forest Participants have to demonstrate that they have legal right to harvest in the FMU. The audit also has to assess the FMU's compliance with the relevant standard of credible forest certification⁵ and to identify areas of non-compliance. Forest Participants have to submit an action plan with time-bound progress objectives for achieving credible forest certification within five years and to establish a timber tracking system from the forest to first point of sale within one year. Trade Participants have to develop an action plan to eliminate unwanted sources (including illegal timber) within five years and to achieve Chain of Custody certification within one year for one facility, and all facilities within five years. GFTN is a stepwise support programme and therefore does not give any verification statement on the legality of its participants. Many of the GFTN participants may, however, enrol in legality verification schemes. In such cases, the claims made by GFTN participants on legality are made under the auspices of the legality verification schemes, and not under the GFTN.

SmartStep was developed in May 2005 by the Rainforest Alliance through the SmartWood program. It has enrolled 3 participants in Ghana⁶ and 1 participant in Thailand, altogether holding 314,200 ha of forest land and working towards achieving full FSC certification. SmartStep does not have a separate standard for the service and participants are evaluated against the requirements of a FSC accredited national FM standard or a country adapted version of the SmartWood Generic Standard for Forest Stewardship. The minimum entry level requirement for SmartStep Forest Enterprises is to demonstrate they have the legal right to harvest in the FMU, as per SmartWood VLO standards, principles 1 to 3.

⁴ FSC CoC certification allows mixing of uncertified material in a product or product line, however, the uncertified material must meet certain requirements, which is called FSC controlled wood standard. Under the standard, certified companies must implement the FSC Controlled Wood requirements for 'uncertified wood' in their FSC Mixed product groups. The five categories of FSC controlled wood are: Illegally harvested wood; Wood harvested in violation of traditional or civil rights; Wood harvested from forests in which high conservation values are threatened by management activities; Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses; Wood from forests in which genetically modified (GM) trees are planted.

⁵ According to WWF, credible forest certification means certification of a forest as well-managed by a third party auditor under a certification system that WWF considers to adequately meet the certain criteria. For details please refer to A Framework For Assessing Credible Forest Certification Systems/Schemes, WWF/World Bank July 2006, available at <http://gftn.panda.org/resources/tools/>

⁶ Note that the SmartStep participants in Ghana are also GFTN Forest Participants.

SmartStep itself is not a legality standard and participants are not allowed to make claims of legally verified products unless they undergo legality verification or controlled wood audits. In order to make claims on the legal origin of the material, the SmartStep participant must be included in the scope of a valid VLO verification and the material handling must be tracked through an approved CoC control system such as the SmartWood generic CoC certification.

Box 1.1 Different levels of verification

First-party – carried out by the supplier/forest management enterprise itself and often referred to as internal audits.

Second-party – carried out by an organisation which has a relationship with the supplier/ the forest management enterprise. For example an assessment carried out by a consultant, a client, or organisation which provides support to the supplier/forest management enterprise.

Third-party – carried out by an organisation which is completely independent of the supplier. For example independent verification by a conformity assessment body, or usually called ‘certification body’

The higher the level of verification, the higher the level of independence and credibility of the assessment carried out.

Box 1.1

Different levels of verification



A second party audit of a furniture factory in China

photo: Proforest

2. REVIEW OF TIMBER LEGALITY VERIFICATION SCHEMES

This section provides a review of various timber legality verification schemes and approaches including voluntary legality verification programmes initiated by certification bodies, national legality licensing such as the EU FLEGT Voluntary Partnership Agreement (VPAs) and programmes subcontracted to a third party by the government, and the NGO initiatives. The framework used for this analysis covers several areas including general operation, governance structure, and definition of legality. Other areas are the standard development process, chain of custody requirements and public claims, verification, accreditation and monitoring requirements^{6A}.

2.1. Aspects examined in legality verification schemes

This section identifies key elements of the different legality verification approaches with the aim of highlighting the similarities and differences of these elements. For each type of legality verification schemes, the following aspects are examined:

Table 2.1

Aspects of legality covered in this review

Aspects	
How legality is defined	This is related to the process of how the definition of legality is developed, which parties are involved in defining legality, and whether the process includes stakeholder consultation or participations.
Definition of legality	<p>Legal timber refers to legal harvesting and management of forests where the timber originated. There are two components to legal timber:</p> <ul style="list-style-type: none"> • Forest management • Supply chain control <p>There is no universally agreed definition of legality that sets out which aspects of law should be included. Therefore, we refer to the following five aspects of legality which are consistent with the EU FLEGT Action Plan⁷:</p> <ul style="list-style-type: none"> • Legal right to harvest • Compliance with legislation related to forest management, environment, labour and welfare, health and safety • Compliance with legislation related to relevant taxes and royalties • Respect for tenure or use rights to land and resources that may be affected by timber harvest rights • Compliance with requirements for trade and export procedures <p>In addition, the following aspect is included:</p> <ul style="list-style-type: none"> • Additional criteria: compliance with international treaties e.g. ILO, CBD.
Chain of Custody requirements and product claims	The third component of legal timber covers supply chain control – what controls are in place to ensure that the timber really is from the legal source and has not been mixed with or substituted by other material? What kind of product claims is allowed?
Verification	This is related to how verification of legality is being carried out, including who carries out the verification of compliance in the forest and of CoC, and how it is conducted.

Detailed findings can be found in Annex 1.

^{6A} The analysis of legality verification was based on the schemes' documented requirements. Drafts were sent to the schemes for comments to ensure accuracy. However, Proforest cannot be held responsible for any discrepancies.

⁷ Please refer to FLEGT Briefing Notes number 2 What is legal timber?

2.2. Schemes under review

The legality verification schemes which were reviewed are listed in Table 2.2 below.

Types	Level	Name of the programme/scheme
Voluntary legality verification schemes by certification bodies	Company level (e.g. individual forest management enterprises, manufacturers, traders)	<ul style="list-style-type: none"> • Timber Legality & Traceability Verification (TLTV) by SGS, including VLO and VLC steps • Verification of Legal Origin (VLO) by SmartWood (SW) • Verification of Legal Compliance (VLC) by SmartWood (SW) • Origine et Légalité du Bois (OLB – timber origin and legality) by Bureau Veritas (BV) • Legal Harvest Verification (LHV) by SCS • Legality Verification System by Certisource
Mandatory legality verification	National or sub-national level	<ul style="list-style-type: none"> • FLEGT licensing under Voluntary Partnership Agreements (VPA) • Mandatory Legal Timber Validation (MLTV) offered by SGS
NGO initiatives	Company level	<ul style="list-style-type: none"> • Tropical Forest Foundation (TFF) • Timber Trade Action Plan (TTAP) legality checklist

Table 2.2

List of legality verification schemes under review

2.2.1. Voluntary legality verification

There is a range of programmes available in the market under voluntary legality verification scheme. These schemes are designed and run by certification bodies and are being used by forest management companies and manufacturers/traders in the supply chain to respond to requests for proof of legality, mainly in the EU markets. These schemes are applicable at company level. Detailed findings of voluntary legality verification schemes can be found in Annex 1.

A - How legality is defined

Before looking at how the definition of legality is developed in voluntary legality verification schemes, it is useful to refer to the process in voluntary forest certification schemes. Certification schemes' standards are developed by standard setting bodies, such as the Forest Stewardship Council (FSC), whose process follows international good practices as set out in ISO Guide 59: *Code of Good Practice for Standardisation and the ISEAL Code of Good Practice for Setting Social and Environmental Standards*. Certification bodies

do not set the standards but use the standard to check whether a company's practices comply with the requirements of the standard. For instance, SGS and SmartWood are certification bodies accredited to carry out FSC certification. The roles and functions of a standard setting body and a certification body are different from each other. The distinct roles played by these different bodies minimises conflicts of interest, enhances the credibility of the system and ultimately improves public acceptance.

On the contrary, all the voluntary legality verification schemes have been developed and run by certification bodies⁸. This means that certification bodies have duplicate roles: developing their own legality standard and using the standard (or an equivalent alternative) to check if a company's operations meet the requirements of the standard.

Each certification body has developed a generic definition of legality covering legal origin and/or legal compliance. This generic standard is then adapted locally to suit different country situations prior to its application in those countries.

⁸ Note that Certisource legality verification is conducted by Double Helix. Certisource does not develop its standard but use existing standards including GFTN.

None of the legality verification schemes included stakeholder participation in the process of defining legality. The definitions have been developed by the certification bodies themselves. However, they all included stakeholder consultation for solicitation of comments when the draft standards were developed.

B - Definition of legality

It should be noted that some certification bodies have developed two different levels of legality in their voluntary legality verification programmes:

- **Verification of Legal Origin (VLO)** verifies that timber comes from a known and licensed source that has a documented legal right to harvest. Suppliers must follow and maintain documented chain-of-custody systems.

- **Verification of Legal Compliance (VLC)** expands upon the basic component of VLO by verifying that timber harvesting, transport and processing comply with all applicable and relevant laws and regulations related to forestry. Suppliers must follow and maintain documented chain-of-custody systems.

Both SGS and SmartWood offer VLO and VLC services, while BV, SCS and Certisource do not differentiate between these two levels of legality and offer a legal compliance service. The differences between these two in terms of what aspects of legality they cover are demonstrated in the table 2.3 below:

Table 2.3

Aspects of legality covered by different schemes

	SGS TLTV- VLO	SGS TLTV- VLC	SW VLO	SW VLC	SCS LHV	BV OLB	Certisource
1. Legal right to harvest	✓	✓	✓	✓	✓	✓	✓
2. Compliance with legislation related to forest management, environment, labour and welfare, health and safety	⊖	✓	⊖	✓	✓	✓	✓
3. Compliance with legislation related to taxes and royalties	✓	✓	✓	✓	✓	✓	✓
4. Respect for tenure or use rights of land and resources that may be affected by timber harvest rights	✓	✓	✓	✓	✓	✓	✓
5. Compliance with requirements for trade and export procedures	✗	✓	✓	✓	✓	✓	✓
6. Additional criteria, compliance with international treaties e.g. ILO, CBD, CITES	✓	✓	✓	✓	✓	✓	✓

✓ Fully covered ⊖ Partially covered ✗ Not covered

As illustrated in Table 2.3, it is discernible that some of these programmes have gradual steps with respect to which aspects they cover and which they do not. For example, VLO standards from SGS and SmartWood do not cover all aspects of legality. The **SGS TLTV-VLO** standard fully covers aspects on legal right to harvest, respect for other parties' tenure or use rights and compliance with legislation related to taxes and royalties. However, it only partially covers compliance with legislation related to forest management, environment, labour and welfare, health and safety. It does not require compliance with trade and exports procedures.

The **SmartWood VLO** standard covers aspects on legal right to harvest, compliance with legislation related to taxes and royalties, and respect for other parties' tenure or use rights and compliance with requirements for trade and export procedures. Although it only partially covers criterion on compliance with legislation related to forest management, environment, labour and welfare, health and safety.

In terms of additional criterion on compliance with international treaties, all of the standards reviewed include compliance with CITES. Moreover, **BV OLB** requires compliance with international treaties including ILO and CBD. **SGS TLTV-VLC** requires the accounting procedures to be in conformance with national and/or international Good Accounting Practices (GAP) and working conditions in line with International Human Rights Standards and Labour Standards. **SmartWood VLC** requires the forest management enterprise to adhere to ILO's Fundamental Principles such as freedom of association and right to collective bargaining. Note that some of these criteria may exceed national laws, for example if the country has not ratified an international treaty.

C - Chain of Custody requirements and product claims

Tracing legally verified material through the production process- from the forest to the point of supply - is an important aspect of all the voluntary legality verification programmes included in this study.

Chain of custody requirements

All of the voluntary legality verification programmes

include chain of custody control requirements from the point of supply back to the forest source. A key requirement for this is that companies are not allowed to mix verified and unverified materials during processing. Some schemes (SmartWood and BV) allow mixing of other verified materials. Under the SmartWood programme, *'only products containing 100% verified material (or material verified or certified against an equivalent or higher level standard approved by SmartWood) are eligible for SmartWood claims'*. BV allows mixing of acceptable timber with verified timber. Acceptable timber includes Keurhout Legality and/or Sustainability, FSC, PEFC, SFI, CSA, MTCC. In addition, the suppliers' assessment programme is also considered as acceptable.

In order to make claims of producing/trading legally verified products, companies have to apply for CoC certification to ensure that they have a system in place to trace verified materials along different manufacturing processes.

A common feature of the voluntary legality verification programme is that all the programmes use **paper-based methodology** in CoC certification. This approach means that certification bodies examine documented evidence to confirm that timber is obtained from a legal source. They also compare information on the quantity of verified raw material purchased versus the quantity of verified product sold to ascertain whether there are any significant differences. The audit involves a review of documentation such as operation records, purchase and sales records.

In addition, Certisource uses DNA testing in their CoC audit to augment its findings from the paper base system. The **DNA verification system** provides a scientific validation of the paper-based CoC documentation by matching DNA samples taken from the same tree at different points in the supply chain. If the DNA samples match according to pre-defined statistical thresholds the CoC is validated. If they do not match then the CoC is not validated and a non-compliance is initiated.

Product claims

Product claims refer to the types of documentation (e.g. statement, certificate, license) used in making claims about a timber product originating from a legally

verified forest. It also includes rules for making on-product and off-product claims.

All the programmes reviewed have developed different approaches to making **product claims**. A significant difference in their approach to product claims lies in whether those who subscribe to the programme are allowed to use on-product or off-product labelling. SGS, SmartWood and SCS issue **verification statements** for companies which have been successfully audited and found to be compliant with their standards. Similarly, BV and Certisource issue **certificates** for companies which meet the OLB and Certisource requirements respectively. It is important to point out that a Certisource certificate is specific to a batch of logs of a single species, the product derived from which is exported to a single Certisource client.

All verification programmes allow the use of off-product claims regarding their verification status. Only SGS and BV allow on-product labelling. In addition, SGS has recently revised their **TLTV** standard to include **on-product labelling to end-consumers**: *'The SGS TLTV Mark may be used either on- or off-product which also includes end-consumer product labelling (meaning products that are sold directly to the general public) or communication directed towards end-consumers.'*

The validity of the verification statement differs in different programmes, these are summarised in the Table 2.4 below.

D - Verification

Verification to ascertain whether or not forest harvesting and associated transport and trade are carried out in accordance with the legal definition is an integral part of all the voluntary legality verification programmes. However, there are significant differences in how verification is conducted and who carries out the verification.

Who carries out verification?

Verification of forest sources and CoC are carried out by certification bodies which have developed their own legality verification programmes. SGS, BV, SmartWood and SCS are certification bodies which carry out a wide range of certifications for various industries, including forest certification. They have been externally accredited to ensure that their organisations and systems comply with ISO/IEC Guide 65: 1996⁹ and ISO/IEC 17021: 2006¹⁰. They have developed their own legality schemes and use their own auditors to perform the verification. This means that even though certification bodies received accreditation for other standards (e.g. FSC or PEFC), none of their legality verification schemes are accredited. It should be noted that verification process used by Certisource is different. Certisource is not a certification body. It appoints Double Helix Tracking Technologies (DoubleHelix) to act as its certification body. DoubleHelix is accredited against ISO Guide 65.

Table 2.4

Validity of verification statements in different schemes

Programme	Validity
SGS TLTV-VLO	Verification statement lasts for 2 years and the client has to move to TLTV-VLC
SGS TLTV-VLC	Verification statement lasts for 5 years, afterward the client should undergo a full re-evaluation
BV OLB	Certificate lasts for 5 years
SmartWood VLO & VLC	Verification statement lasts for 3 years
SCS LHV	Verification statements lasts 3 years, contingent upon results of annual surveillance audits
Certisource	Certificates are specific to a batch of logs of a single species.

⁹ General requirements for bodies operating product certification systems

¹⁰ Conformity assessment -- Requirements for bodies providing audit and certification of management systems

How is verification conducted?

All verification audits in voluntary legality verification include reviews of documentation and management systems, and field assessments in the forest. All of the voluntary legality programmes are forest management unit (FMU) based, except Certisource which is a batch based system. **FMU based** verification means that a forest holding, such as a concession or a private forest property, within the scope of verification will be assessed against the relevant standard and if it meets the requirements, will be awarded a verification statement or a certificate.

By contrast, Certisource uses a **batch based** system and does not verify FMUs or factories. Certisource only issues certificates to each batch of the product it verifies as meeting the requirements. Every time Certisource independent certification body verifies a batch of timber in the supply chain they also carry out an assessment of the forest operations – e.g. the license and annual cutting allowances, transport documents, and observations in the forest. An independent auditor is engaged to carry out an annual independent verification of concession legality.

2.2.2. Mandatory legality verification

Mandatory legality verification includes the planned export licensing systems being developed for Voluntary Partnership Agreements (VPA) under the EU FLEGT Action Plan, national and sub-national government schemes and verification on behalf of governments such as the Mandatory Legal Timber Validation (MLTV) service offered by SGS. By its definition, this type of mandatory legality verification is generally applicable at the national level and encompasses all operators.

A - How legality is defined

Voluntary Partnership Agreements (VPAs)

Under VPAs, the legality definition is a result of multi-stakeholder processes: *'The process to decide which laws should be included in a definition should generally involve wide consultation with all interested parties.'* Multi-stakeholder dialogue will take a different shape in each country but the general principle is to ensure meaningful and balanced participation from stakeholders.

Private sector support for government e.g. Mandatory Legal Timber Validation (MLTV)

MLTV is a private sector verification carried out on behalf of governments. The precise scope of each project depends on the mandate assigned to SGS. It does not include a process to define legality. However, if the scope of an MLTV project includes verification of compliance, SGS uses existing relevant laws in the respective country to check compliance.

B - Definition of legality

Voluntary Partnership Agreement (VPA)

As mentioned earlier, the first five aspects of definition of legality in table 2.3 are consistent with the FLEGT Action Plan. FLEGT Briefing Note number 2 lays out the general principles on what aspects of law should be included in the definition of legality in the timber legality assurance system (LAS) of a VPA.

'The long term aim of the FLEGT Action Plan is sustainable forest management. Definition of legally-produced timber should therefore incorporate laws that address the three pillars of sustainability – i.e. those aimed at economic, environmental and social objectives.'

Ghana is the only country which currently has a signed and ratified VPA with the EU¹¹; hence its VPA is used in this review. The definition of legality in the Ghana VPA covers all the five aspects listed below:

1. Harvesting rights: Granting of legal rights to harvest the timber within legally gazetted boundaries
2. Forest operations: Compliance with legal requirements regarding forest management including compliance with relevant environmental and labour legislation
3. Fees and taxes: Compliance with legal requirements concerning taxes, importation, royalties and fees directly related to timber harvesting and harvest rights
4. Other users: Respect for other parties' legal tenure or use rights to land and other resources that may be affected by timber harvest rights, where such other rights exist
5. Trade and customs: Compliance with legal requirements for trade and customs procedures.

¹¹ At the time of writing, the Republic of Congo signed the VPA agreement with the EU on 17 May 2010 but the agreement has not been ratified by both parties.

Private sector support for government e.g. Mandatory Legal Timber Validation (MLTV)

MLTV programmes/projects are developed for governments of timber producing countries aiming at monitoring and verifying timber production, commercialization and exportation. The definition of legality in each country differs. The precise scope of each project also depends on the mandate assigned to SGS, the company which runs this scheme.

Most MLTV projects include verification of compliance with relevant legal requirements relating to forest management and timber production and trade. In projects in Cameroon and in PNG (export monitoring contracts since 1994), in Liberia (since 2008), and in DRC (since 2010), SGS's mandate includes verification of compliance. In addition, all MLTV projects provide estimation of forest sector taxes and export taxes due by private operators. Some projects, such as in Liberia, go further; there the Chain of Custody Information Management System issues the invoices and controls the payments of the taxes to the Bank.

C - Chain of Custody requirements and product claims

Chain of custody requirements

Voluntary Partnership Agreements (VPAs)

One of the components of legality assurance systems under VPAs is a mechanism for control of the supply chain. This is detailed in FLEGT Briefing Note number 4, which includes 5 main principles of supply chain control:

1. Use rights: There is clear delineation of areas where forest resource rights have been allocated and identification of the holders of those rights.
2. Production and processing: there are effective mechanisms for tracing timber throughout the supply chain from harvesting to the point of export
3. Quantities: There are robust and effective mechanisms for measuring and recording the quantities of timber or timber products at each stage of the supply chain
4. Mixing of legally verified timber with other approved timber: If mixing of logs or timber from verified legal sources with logs or timber from other sources is allowed, there are sufficient controls in

place to exclude material which is from unknown sources or which was harvested without legal harvesting rights.

5. Imported wood products: There are adequate controls to ensure that all imported wood products have been legally imported. Partner Countries are encouraged to develop legality assurance schemes which include a requirement for each operator to ensure that all timber, domestic or imported, is from a legal source. Note that the VPAs concluded with Ghana and Republic of Congo include the following restriction on issuance of FLEGT licences (Art 4 (3): *"The licensing authority shall not issue FLEGT licences for any timber products that are composed of, or include, timber products imported into Ghana from a third country in a form in which the laws of that third country forbid export, or for which there is evidence that those timber products were produced in contravention of the laws of the country where the trees were harvested"*. Similar clauses are expected to be included in other VPAs.

Private sector support for government e.g. Mandatory Legal Timber Validation (MLTV)

One of the key activities of MLTV is timber flow control. It consists of the tracking and physical inspection of products and documents, using advanced technology to identify and monitor the domestic, import/transit and export flows of forest products. For MLTV projects, SGS conducts documentary and field verifications at each point of the supply chain, from forest to export market. SGS field inspectors are in charge of mobile inspections or fixed inspections. SGS implements a comprehensive system encompassing every step of the supply chain from forest to markets through documentary control (DC), physical inspections (PI), and legality audits (LA).

Product claims

Mandatory legality verification is applied at a country level, and aims to provide assurance to the governments concerned that the relevant requirements have been met. Where applicable, they are intended to apply at the country level rather than at the level of individual companies or suppliers.

For VPAs only licensed timber from Partner Countries covered by their respective agreements will be permitted to be imported into the EU. Briefing Note 8 describes licensing of export shipments:

'FLEGT licences must be issued in the name of the Partner Country's licensing authority to all applicable timber shipments prior to their export to the EU.'

According to Ghana's VPA, the FLEGT licence is to become valid on its actual day of issue, and the period of validity shall not exceed three months. The date of expiry shall be indicated in the licence.

Ongoing work on "FLEGT visibility" in the EU will set out what public claims can be made about FLEGT-licensed timber.

As for **MLTV** projects, depending on the scope, government can claim what has been verified by SGS during export procedures. In Cameroon, PNG and Liberia, SGS is responsible for issuing export permits. As an example, in Liberia, the export permit and the specification are delivered by LiberFor team (name of the service created by SGS in Liberia) and then submitted to the Forestry Development Authority (FDA) for approval. The FDA puts its stamp on them.

D - Verification

Who carries out verification?

The FLEGT Briefing Note number 5 describes who is expected to carry out verification under **VPAs**. Verification may be carried out by a government agency, market participant or third party organisation, or some combination of these, which has adequate resources, management systems and skilled and trained personnel, as well as robust and effective mechanisms to control conflicts of interest. In Ghana, verification will be carried out by a government appointed agency: the newly created Timber Validation Department. Similarly, in Cameroon, the Government's Forest Ministry (MINFOF) will oversee the entire control and verification operations at Headquarters, working closely with regional and departmental forestry offices and logging company operators. In the Republic of Congo, the Internal Forestry Verification Department (IGEF) will be the administrative body responsible for ensuring that all checks have been carried out and that the associated administrative bodies have all completed their required tasks.

However, for private sector support for government under **MLTV** projects, verification is a combination of documentary and physical verification through the information / traceability system and in the field by SGS national staff, sometimes with associated authorities. SGS trains teams of field inspectors in charge of mobile or fixed inspections at critical points (forest, roads, mills, ports, etc.).

How verification is conducted

Both VPAs and **MLTV** require verification of system and documentation, together with field audits. FLEGT Briefing Note number 5 describes the general principle of verification under **VPAs**: *'There is a documented verification methodology which is appropriate, transparent, justified and effective and includes adequate checks or documentation, operating records and operations as well as collection of relevant information from external interested parties.'*

The verification methodology of **MLTV** depends on the project scope. But generally it includes verification of system and documentation, and assessment in the field:

'Forest Management Auditing & Monitoring uses documentary and field checks to investigate how resource management is planned and how management plans are being implemented in legitimate logging areas.'

2.2.3. NGO initiatives

A - How legality is defined

The Tropical Forest Foundation (TFF)

TFF has formulated requirements for legal origin and legal compliance, based on national legislation, including ratified international agreements and treaties. These legal requirements are contained in the generic standard TFF-STD-RIL-2006, which was the basis for developing the TFF legally standards for Indonesia (Legal Origin and Legal Compliance). The two legality standards that TFF uses in Indonesia have separate origins. The "Legal Origin" standard is actually a rewording of the SmartWood VLO standard for Indonesia put into a framework that TFF had developed in 2003. "Legal Compliance" is the standard that resulted from a long stakeholder consultation process started in 2003 facilitated by the Indonesian Ecolabeling Institute (LEI).

Timber Trade Action Plan (TTAP)

TFT developed the TTAP legality checklist by collating all existing legality standards in the following countries: Brazil, China, Cameroon, Gabon, Indonesia, Malaysia and Republic of Congo. Legality checklist for Democratic Republic of Congo (DRC) and Guyana are also being prepared and a field test in DRC is planned in October 2010. No multi-stakeholder participation was involved. TTAP legality checklists are a mere compilation of existing standards and initiatives, there is no need to have multi-stakeholder consultation

B - Definition of legality

Tropical Forest Foundation (TFF)

TFF has formulated basic legal requirements for forest management as one of the two steps in achieving RIL requirements. The standard includes the following 7 aspects:

1. Legal use rights
2. Harvest regulations including Impact Assessment
3. Royalties, taxes, fees and compensation
4. Management system
5. Customary tenure and use rights
6. Social laws and regulations
7. Environmental laws and regulations

The requirements for legal compliance cover the 7 aspects, while requirements for legal origin are limited to the first four aspects. However, it is important to note that the TFF legality standard is not used directly to assess forest companies. Forest management entities participating in the Forest Market Linking (FML) Programs should hold a third party verified certificate of Legal Origin. They are allowed to use the TFF 'Verified Legal' logo if they hold third party verified certificates of legal origin that meet TFF requirements for legal origin and requirements for independent auditors.

Only forest management entities that hold third party verified certificates of legal compliance are eligible to participate in the RIL Verified scheme. TFF accepts certificates issued by certification schemes that meet TFF requirements for legal compliance as well as TFF requirements regarding independent auditors.

Timber Trade Action Plan (TTAP)

The Timber Trade Action Plan (TTAP) is not a legality verification programme and does not define legality. Instead, it compiles its legality checklists from legality standards available in countries of operation such as Brazil, China, Cameroon, Gabon, Indonesia and Malaysia. These existing legality standards include, for example, voluntary legality verification schemes developed by certification bodies, legality definitions developed in VPA processes, WWF/Traffic and FORCOMS¹².

TFT provides technical assistance throughout the whole supply chain (forest, sawmill & factory) to raise the level of management to pass an audit against a certain legality standard requested by the buyer and supplier, for example, SGS TLTV or VLC of SmartWood. The legality checklist is an internal document used in an assessment to identify gaps between current practice and the standard required for third party legality verification. Companies using the TTAP legality checklist are not allowed to make any claim on legality.

C - Chain of custody requirements and product claims

Chain of custody requirements

Tropical Forest Foundation (TFF)

One of the requirements for granting the TFF Verified Legal and RIL Verified logos are CoC requirements. TFF has formulated basic requirements for each party in the CoC to deal with transport, processing, storage, and administration necessary to track Legal Verified and RIL Verified products. TFF will accept certificates issued by certification schemes that meet TFF requirements for the CoC, as well as TFF requirements regarding independent auditors. Products with Legal Verified logo are not allowed to be mixed with non-verified materials. Only timber of other verified legal origin is allowed to be mixed or assembled with RIL Verified products.

Timber Trade Action Plan (TTAP)

Companies participating in TTAP are free to choose which legality standard, and therefore CoC system they want to implement, but TTAP will make sure that its minimum requirements are met according to the document '*TTAP Requirements for Chain of Custody, Requirements for the control of TTAP supply chains*'.

¹² FORCOMS – Forest Concession Monitoring System in Central Africa - is an independent and voluntary initiative aimed at forest concession owners in Central Africa. Its primary purpose is to offer transparent and reliable information about the legality and sustainability of the activities of different forest operators in the sub-region to international tropical timber markets, governments and civil society via a FORCOMS website.

TTAP does not allow mixing of verified legal timber with unverified timber. They also require that materials of unknown origin must be kept separate from legally verified timber.

Product claims

Tropical Forest Foundation (TFF)

TFF Participants are allowed to use both on-product and off-product claims, but these must be limited to business-to-business communication. The **TFF Legal Verified** label is intended for use in conjunction with shipping documents, to be affixed to product consignments, and to be used in conjunction with publicity materials. **TFF RIL Verified** may be used on accompanying documents of timber and timber products, on promotion material and external statements. Similarly, the RIL Verified mark may be used on crates and bundles of RIL Verified® timber during transport and storage. The logo must be affixed in such a way that it will not become detached during transport or while in storage. The RIL Verified mark is valid for 5 years.

Timber Trade Action Plan (TTAP)

TTAP is not a legality standard and does not legally verify supply chains. When a supply chain has been legally verified by an independent auditor the claim information should be checked by the relevant standard setting body. All claims pertaining to the involvement of companies engaged in TTAP must first have written approval from TFF before being publicly released.

From Communication Protocol:

“The TTAP logo is not available for use by companies and cannot appear on any sales materials including, though not exclusively: packaging, leaflets, brochures, swing-tags and advertisements.”

D - Verification

Tropical Forest Foundation (TFF)

TFF does not carry out verification, but verifies/ endorses the verification audit carried out by an independent auditor. Forest management enterprises who wish to use TFF Verified Legal and TFF RIL logos have to meet the verification requirements set out by TFF. The TFF Legal Verified label is intended for use by ‘entry level’ applicants who have demonstrated their legality and have made a commitment to improving

management practices. They have to hold a third party verification of legal origin with CoC. They also have to sign an agreement for a RIL training program commitment to a schedule for full adoption of RIL practices within two years. TFF will decide whether a forest management entity and a well-defined forest management unit is responsible for qualifying for participation in the program and the use of the TFF Legal/CoC label.

Only forest management enterprises, which hold a third party verification of legal compliance with CoC are eligible for verification of compliance with the TFF RIL Standard. Applicants have to submit to TFF relevant information such as evidence of legal compliance with CoC. Upon receipt and acceptance by TFF of all relevant information and documents, TFF informs the applicant of its readiness to receive a proposal for any qualified auditor whom the forest manager wishes to engage for the assessment. The independent auditor has to meet the TFF requirements of an independent auditor. The independent auditor has to verify compliance of the harvesting operations with the relevant legality standard, compliance of third party CoC and compliance with TFF RIL standard.

Timber Trade Action Plan (TTAP)

TTAP is not a legality verification programme and does not carry out legality verification. TTAP guides and coaches companies until they are auditable. Once the companies are ready for legality audit, they are provided with a list of voluntary verification programmes. TTAP is neutral and does not recommend one over any other auditing body.

3. PRACTICAL EXPERIENCES OF IMPLEMENTING LEGALITY VERIFICATION

This section provides an overview of the practical experiences of implementing voluntary legality verification in Asia and Africa. A questionnaire supplemented by interview was the main survey material used to solicit data and information from the respondents. The questionnaire used for this can be found in Annex 2. The database and contact details of verified companies were either obtained from legality verification programmes or via websites. In some cases, questionnaires were sent directly to verified operations by the programme operators.

3.1. Interviewees

In all, 13 companies participated in this review, either by phone interview or by filling a questionnaire. This included forest managers and manufacturers, trading companies and 1 wholesaler. The respondents consisted of SGS TLTV-VLO certificates, SGS TLTV-VLC certificates, SmartWood VLO certificates, BV OLB certificates and Certisource certificate holder. Some companies were also certified under FSC or PEFC (MTCC).

Altogether, these legally verified companies manage forest areas totalling almost 5,500,000 ha are located in Cameroon, D.R.C., Gabon, Indonesia, Malaysia,

Philippines and Republic of Congo. Companies with only Chain of Custody certificates were based in Europe, including France, Switzerland, the UK, Belgium, Holland and Germany. Others were Italy, Poland, Czech Republic, Slovak Republic, Ukraine, Hungary, Sweden, Norway, Finland, Estonia, Latvia, Lithuania and Indonesia. Certificates were awarded between 2004 and 2010.

In terms of trade, the total volume traded by these companies was about 200,000 m³ of timber and timber products.

In addition, 3 certification bodies provided information in regards to verification costs, issues faced by companies, documentation requirements and the future demand for verified legal timber. This information is also incorporated in this section.

3.2. Interview results

3.2.1. Tree species from verified forests

The results of this study indicate that a wide range of timber species are traded as verified legal timber. Table 3.1 below provides the list of species that come from verified forests in Asia and Africa.

Table 3.1

Summary of available species from legally verified forests

Country	Species
Cameroon	Sapele, sipo, ayous, tali, kosipo, okan, moabi, azobe, tali, okan, lingara, padouk, kossipo, ebony, bosse, aiele, alep, iroko, moabi, movingui, wenge, dabema, frake, framire, sipo
Gabon	Okoume, Igaganga
Indonesia	Merbau
Republic of Congo	Sapele, Sipo, Tiama, Dibetou, Iroko, Wenge, Doussie, Padouk, Mukulungu, Tali, Ebony, Wenge, Azobe, Idigbo, Okoume, Okwen, Utile, Opepe, Khaya
D.R.C	Sapele, Sipo, Tiama, Dibetou, Iroko, Wenge, Doussie, Azobe, Padouk, Mukulungu, Tali
Malaysia	Dipterocarpaceae family, all legally harvestable commercial species, more than 50 species
Philippines	All legally harvestable commercial species

3.2.2. Scheme selection criteria

In order to understand the reasons for companies undergoing legality verification, legally verified companies were asked to explain why they try to achieve legally verified certificates. The results suggest that increase in demand for legally verified products from buyers (12) and increase access to markets (12) are two most important reasons for companies wanting to achieve legality verification certification. This was followed by the company's image and brand reputation (9). Only a few companies mentioned the EU Timber Regulation and the US Lacey Act. Of the 13 companies, only two indicated price premium as their reason for pursuing a legality verification certificate. However, two other companies have different reasons. One of these two companies mentioned that legality verification was a first step towards FSC certification while the other indicated that it guarantees access to the European market.

In order to identify reasons why companies select a particular scheme over the other, respondents were asked to provide reasons why a specific legality verification scheme is preferred over the others. The results of this suggest that the main reason for companies choosing specific legality verification scheme was due to the name and brand recognition of the scheme (10). This was followed closely by the scheme's acceptability by NGOs (6). Experience of the scheme in the country they operate (6) and staff availability for the scheme (5) followed in that order. The cost of the verification service scored low as a factor for choosing a scheme (3). Some companies also mentioned that in certain cases, the scheme they selected was the only one available in their country, or that their clients specifically asked for a particular scheme.

3.2.3. Cost of audits

According to accredited bodies, the cost of auditing varies significantly with the size and complexity of the operation under evaluation.

Within our sample of verified companies, costs of audits for forest managers varied regionally. In Africa, prices varied between 5,000 EUR and 20,000 EUR, with most of the companies having to pay between 5,000 EUR and 10,000 EUR. The sizes of forests vary from 277,000 ha to 1,160,000 ha in our sample of verified operations in Africa. In Asia, forest managers have paid up to 15,000 EUR, with most audits also costing between 5,000 EUR and 10,000 EUR. The sizes of forests range from 80,000 ha to 650,000 ha in our interviewed companies in Asia.

For processing companies, manufacturers or traders, cost of audits were slightly cheaper in Asia than in Africa. In Africa, audit costs went up to 8,000 EUR per audit, with an average between 5,000 EUR and 8,000 EUR. In Asia, prices per audit were up to 5,000 EUR, with an average between 2,000 EUR and 5,000 EUR per audit.

Most companies, regardless of the geographic region, spent more than 20 person days and more than 15,000 EUR to get their company to meet the legal requirements of their verification scheme. Some companies have invested in new members of staff to work full time throughout the year to handle the verification schemes processes.



Different legality programmes have different documentation requirements for different countries. In Indonesia, for instance, a harvesting map is required.

photo: CIFOR

3.2.4. Required documentation

The table below summarises the required documentation by different legality programmes in different countries

Table 3.2

Required documentation by different legality verification schemes

VLO/VLC	Country	Documentation
SmartWood-VLO	Indonesia	<p>For Forest Management (FM), documents included: Log measuring list, Forest product list, Log list, invoice for transporting round logs, invoice for transporting wood products, FMEs documents, Industrial Forest plantation permit, natural forest management permit, Industrial plantation permit, Forest product collection permit, Forest timber product exploitation permit, License for harvest of wood from private land, Decree for rezoning forest to non-forest, Pre-harvest timber inventory report, Production report, Land and building tax, Forest resource royalties, forest use plan, Forest Management Plan/ work planning to use wood as forest product, 5-year forest management plan, annual work plan, Forest area quotation decree, transporting document for round logs, EIA (Environmental Impact Assessment) report, letter of acknowledgement on tax registration number, Government regulation 30 (year 2003), maps of harvesting, letter of approval on FMU annual technical plan, receipts from latest taxes, fees and retribution payment, receipt from Forest Resource Royalties payment, documented procedure of CoC control system, Decree for establishment of monitoring and evaluation team, documentation on CoC training, site plan on FMU log yards, structure organisation, Standard operating procedure (SOP), internal audit.</p> <p>For Chain of Custody (CoC), documents included: Structure organisation, SOP, transport documents, daily production report, invoice, packing list, logs admission documents, internal audit and reports.</p>
SmartWood - VLO	Malaysia	<p>For FM: Timber Licences issued by the Forestry Department together with coupe permits, Forest Management Plan, harvesting plans, log extraction and timber sales agreement, sales procedures, licence agreements, SOPs for all operations especially those impacting on CoC (bush docket, transport passes, weighbridge docket, scaling forms), SOPs for harvesting and sales, receipts for tax/royalty payments, EIA and IA (Impact Assessment) compliance reports, sustainable forest management license agreement, annual work plans and compliance reports.</p> <p>For CoC: All legally required documentation from the relevant forestry departments (VLO standard) which act as links in the chain; and standard operating procedure to follow to create a credible CoC.</p>
SmartWood - VLO	Philippines	<p>For CoC: All legally required documentation from the relevant forestry departments (VLO standard) which act as links in the chain; and standard operating procedure to follow to create a credible CoC.</p>

VLO/VLC	Country	Documentation
SmartWood - VLC	Malaysia (Sabah)	<p>For FM:</p> <p>Letter from Sabah Forest Department to Yayasan Sabah providing waiver for approved FMP (Forest Management Plan) and AWP (Annual Work Plan), RIL (Reduced Impact Logging) operation guide book, EIA reports, log extraction agreements, timber sales agreements, SOP: EIA implementation procedures, sales procedures, HCVF assessments reports, Fauna Conservation Ordinance 1963, Guidelines on Occupational Safety and Health Act 1994, Biodiversity Enactment, Forest Enactment, logging road specification, table of species code, coupe permit, land use status in management area, regional land use forest management area, regional land use data, RIL area by block, areas with logging restriction, previous log production achievements, land use map of forest management areas, harvest plans, harvesting procedures, sustainable forest management licence agreement, EIA guidelines for logging and forest clearing activities, sample of attendance at training sessions, daily record of harvest by species, gazette notification.</p>
SGS TLTV VLC	Cameroon	<p>For FM:</p> <p>Registration number, taxpayer card, trading license, registration of the branding hammer, Annual Allowable Cut (AAC) permit registration, certificate of delineation of actual AAC, Certificate of delineation of AC limits, certificate of conformity of Inventory for the AC, definitive or temporary convention of exploitation, ruling of approbation of the management plan, five-year management plan, declaration of logging tax and receipt of payment for the last year, receipt of payment of exportation tax, approved management plan, report on community involvement meetings, local population plaint registration, social charity report, map/report of FMU boundaries, sample of attendance at training sessions, worker's documentation (birth date, appointment date, evidence of payment, contracts, social security payments), employee delegate report, quality document (procedures...), faunal, NTFP, EIA report, transport documentation, medical documentation (convention with hospital, infirmary), register of work accident,</p> <p>For CoC:</p> <p>Mill entrance notebook (when applicable), registration as timber transformation mill (when applicable), trading license, Individual, Protection Equipment (when applicable), traceability protocol, procedures, documentary system, juridical status, labour legality (contracts proof of payments of additional hours, insurances...).</p>
OLB	D.R.C	<p>For FM:</p> <p>Forest management plan, concession permit, logging permits, registration in the wood/ timber industry business, registration in the Chamber of commerce, transport/export documents, all tax payments, worker's contracts (working hours, salary), contracts with the local population ('cahier de charges'), legal documents on the industry & land property, environmental permits (for industry), purchase & sales invoices, concession & logging permits of 3rd party suppliers, statutes of the company, ownership documents.</p>

Table 3.2

Required documentation by different legality verification schemes

Table 3.2

Required documentation by different legality verification schemes

VLO/VLC	Country	Documentation
OLB	Republic of Congo	For FM: Concession permit, logging permits, registration in the wood/ timber industry business, registration in the Chamber of commerce, forest management plan, transport/export documents, all tax payments, worker's contracts, working hours – pay bills, contracts with the local population (cahier de charges), legal documents on the Industry & land property, environmental permits (for industry), purchase & sales invoices, concession & logging permits of 3rd party suppliers, environmental impact assessments for site disturbing activities, statutes of the company, ownership documents.
OLB	France	For CoC: Providers certificate, traceability protocols.
OLB	Gabon	For FM: Quality documents (protocols, system procedures, etc.), internal traceability system, transport documents, yard book, harvesting permits, exploitation documents, annual cut allowance. For CoC: System procedures, internal traceability system, Invoice supplier, transport documents.
OLB	Cameroon	For FM: Procedures, documentary system, juridical status, labour legality (contracts proof of payments of additional hours, insurance, etc.), certificate of tax payments (forest taxes such as logging tax, forest royalties, log transport), DF10, harvesting sites books, trucks books, data of the inventories, management plan, maps of concessions, concession attribution papers; and any other legally required documents in Cameroon.
Certisource	Indonesia	For CoC: Due Diligence – Concession license, receipts from royalties and taxes paid, felling licence, approved cutting plan for current year plus map, environmental impact assessment, master list of equipment and permits from FM. Per shipment – transportation documents showing the chain of custody from forest concession to manufacturer.

Of the companies interviewed, only companies from Africa mentioned documentation relating to worker's health, safety and rights.

3.2.5. Problems encountered

Most problems encountered by companies in getting legality verification, especially in producer countries, were a lack of knowledge of the requirements in legality verification schemes, followed by a lack of technical capacity to implement the system. Some companies also mentioned a lack of human and financial resources to implement the system but not as often. Some companies also stated the issue of having to keep up with changing standards of the legality verification schemes. Most importantly, companies mentioned having problems with the administrative structure within the country to obtain the required documentation for the legality verification scheme, including delays in acquiring documents, corruption, etc. In consumer countries, difficulties in getting suppliers to commit to the scheme were also mentioned.

More specifically, most companies are all already legally registered but still have issues related to timber tracking and procedures for their CoC in their handling of their VLO claims. At the VLC level, most problems encountered are related to detailed legal requirements such as for operational Health and Safety regulations and Social regulations.

This notwithstanding, some companies explained that they have had no major problems reaching legality verification.

In order to address these problems, companies in producer countries received advice from independent consultants or membership groups such as the GFTN, TFF, SmartStep. This also included training members of staff to solely work on the legality verification project or hiring new specialised staff and creating an annual financial plan for the legality verification process. At the other end of the supply chain, companies worked with their suppliers, providing support and insisting that their suppliers provide only legally verified products.

3.2.6. Legality requirements

Companies generally did not find significant differences between the legality requirements set out in the various standards and those required by national enforcement authorities to demonstrate legal compliance in the forestry and timber trade. However, in some cases, national laws only provided guidance regarding particular practices, whereas the legality verification scheme provided strict requirements for compliance.

3.2.7. Future trends

Most companies expect the market demands for verified legal timber to increase in the future although some pointed out that an increase in demand for certified (FSC, PEFC) timber will affect the demand for verified legal timber as keeping 2 certificates will not be practical for a company. Views on whether demands will increase globally or regional varied much more, with equal responses on both scenarios. It was also said that most demand will mainly come from Europe. These trend expectations were also shared by accredited certification bodies who expect to see an increase in demand for legally verified timber, especially due to the US Lacey Act and once the EU has finalized its Due Diligence Regulation. (Now the EU Timber Regulation)

All companies intend to maintain/extend their existing legality verified sites although some companies in progress towards certification (FSC, PEFC) stated that they will stop using legality verification schemes once all their sites have been certified to avoid duplication. Some companies are intending to expand their legality verification to other continents such as South America where they operate.

The results of this suggest that all the respondent companies intend to progress towards certification in the short to medium term. Some companies have already certified most if not all of their concessions to FSC/PEFC. Others have a detailed timeline for achieving certification. Companies are willing to collaborate with forest concessions that are working towards verification and certification of their timber supplies. Some companies expressed their interest in working with certified Chinese producers in the future.

3.3. Case studies

In this section we selected three case studies in three different countries (Cameroon, Republic of Congo and Malaysia) to illustrate the process that companies went through to get legality verification, including reasons for getting legally verified, costs incurred, the types of documents required, problems encountered and future trends.

3.3.1. Case Study A

In Cameroon, a company got their forest and primary manufacturing unit legally verified under the BV OLB scheme. The company mainly produces logs, sawn timber and plywood, using moabi as a primary species, but also species such as sapelli, ayous, sipo, tali, kosipo and okan.

The company decided to get legality verification to increase their access to markets as well as to improve their company's image and reputation. They also saw legality verification as a first step towards FSC certification.

The company's most important criteria for choosing a legality verification scheme were not only the name and brand recognition of the scheme, but also the fact that BV was the only certification body to have offices in Central Africa¹³.

The major problem encountered during the process of getting legally verified was a general lack of knowledge on the requirements in the legality verification scheme as well as on the Cameroonian law. To address the issue, the company hired independent consultants recommended by BV to provide training and recommendations on the various steps for the company to reach legality verification.

As part of the audit, the company had to provide a series of documents, including procedure reports, documentary system, juridical status, and employees' contracts with evidence of overtime pay and insurance, certificate of tax payments such as logging taxes, forest royalties, and log transport. Although it is difficult to track all expenses that the company incurred to reach legality verification, 20,000 EUR were spent on the legal verification audit. In addition, 2 full-time employees were recruited to work on certification for the company.

The company has now 100% of their volume legally verified under BV OLB. However, they are also FSC certified and may decide not to update their OLB certificate. They believe the real increase in demand will be for certified products rather than just legally verified.

A logging camp in Cameroon. Workers rights are part of most legality verification schemes.

photo:
J. G. Collomb/World
Resources Institute



¹³ Note: SGS is also established in Cameroon and Congo

3.3.2. Case Study B

In the Republic of Congo, a company with a forest concession, logging unit, primary and secondary manufacturing and trading unit with physical possession was legally verified under the SGS TLTV VLC scheme. The company has also achieved FSC certification. The company trades logs, lumber and veneer from a wide range of species, including sapele, sipo, tiama, dibetou, rroko, wenge, doussie, azobe, padouk, mukulungu, tali, etc.

The company decided to get legally verified as a response to buyers' demand for legally verified products and therefore to increase their access to the market as well as to improve the company's image and brand reputation among buyers. It was also a move to prepare the company for the proposed Due Diligence Regulation in the EU. (now the Eu Timber Regulation).

The selection of the scheme according to this company was based on the name and brand recognition of the scheme, its experience and staff availability in the Republic of Congo, its acceptability by NGOs and by the cost of the verification service.

Although the response from the company suggests that no major issues were encountered in getting legality verification it points out the difficulty in keeping up with the evolution of the scheme's requirements, requiring increased investments to keep compliance with the scheme, the requirements of which is increasingly becoming closer to those of FSC FM certification. The company has therefore gradually invested and improved its management, slowly working towards FSC certification, which was eventually achieved.

During the audit, the company was asked to provide a concession permit, logging permits, registration in the wood/ timber industry business, registration in the chamber of commerce, forest management plan, transport/export documents, all tax payments, worker's contracts, working hours, 'cahier de charges' (contracts with the local population), legal documents on industry & land property, environmental permits (for industry), purchase & sales invoices, concession & logging permits of third party suppliers, environmental impact assessments for site disturbing activities, statutes of the company, ownership documents, etc.

For the FM audit, costs were between 5,000 and 10,000 EUR per audit. CoC audits were cheaper at 2,000 EUR per audit. Most investments went into bringing the company up to speed with the requirements of legal compliance, representing more than 20,000 EUR and more than 20 person days.



A timber processing facility in the Republic of Congo.

photo: Scott Thompson / World Resources Institute

3.3.3. Case Study C

In Malaysia, a logging company with primary manufacturing unit achieved VLO verification by SmartWood. It is now also FSC certified for Control Wood (CW). The company trades logs, sawn timber and plywood of more than 50 species.

The company decided to get legally verified to increase their access to the market as there is an increased demand for legally verified products from their buyers, as well as to improve the company's image and brand reputation.

The company chose the scheme according to its name and brand recognition, and because of its staff availability in Malaysia.

The company did not encounter any major issues during the process of getting legally verified. It was time consuming but not difficult, especially considering the large amount of documents required for the audits. For these audits, the company had to provide all legally required documents for the region according to SmartWood VLO Standards, including timber licences issued by the Forestry Department together with coupe permits, a forest management plan, harvesting plans, royalty and tax payment receipts, structure organisation manual procedures for all operations, especially those impacting on CoC (bush docket, transport passes, weighbridge docket, scaling forms etc.), EIA and IA compliance reports, and many more.

According to this company, the costs for the audits varied between 5,000 and 10,000 EUR for FM verification and between 2,000 and 5,000 EUR for CoC verification. Most costs went into preparing the company to be legally verified and resulted in more than 20,000 EUR and more than 20 person days of investment. There is now about 10,000 m³ of legally verified sawn wood and plywood, with volumes still increasing although they also intend to achieve certification by the end of 2011. The company believes that demand for legally verified products will still increase in the future.

The company has now about 20 % of its volume legally verified and intends to increase this proportion for two major reasons: long term plans and commitment to achieving SFM and also because the company believes market demands for legally verified products will increase.

A timber barge
on Banteng
Rejan River,
Sabah, Malaysia

photo: Ben Beiske



4. WHAT DO THE SCHEMES DELIVER?

This section examines what different types of legality verification deliver in terms of meeting the market requirements for legal timber in the EU and US markets including the US Lacey Act, EU Timber Regulation in the EU, public procurement policies in EU Member States and private sector purchasing policies.

4.1. Voluntary legality verification schemes

Do voluntary legality verification schemes meet the US Lacey Act requirements?

The Lacey Act does not subscribe to or approve any certification or legality schemes. A company is not required to match any one standard of forest certification or legality verification. Companies have to exercise due diligence, termed due care under the Lacey Act, to eliminate illegal wood from the supply chains. It is entirely up to the private sector to comply as it sees fit.

However, all of the voluntary legality verification programmes that verify legal compliance can potentially meet the Lacey Act requirement as it can be considered as evidence of due care.

Do voluntary legality verification schemes meet the EU Timber Regulation requirements?

The Timber Regulation does not pre-approve specific legality verification or forest certification scheme that will meet the requirements, though it mentions that *'assurance of compliance with applicable legislation, which may include certification or other third-party-verified schemes which cover compliance with applicable legislation'*. The due diligence system will work on risk assessment, therefore, voluntary legality verification programmes that verify legal compliance are likely to be low risk as they cover applicable laws on right to harvest, payments for harvest rights and other duties, forest management and environmental legislation, third parties' legal rights, trade and customs legislation. Additional information is required for schemes which verify legal origin, to ensure that they meet all relevant law covered under the legislation.

Do voluntary legality verification schemes meet public procurement policies of EU Member States?

Both the Belgian and German governments require that timber comes from sustainable sources in their public procurement policies hence voluntary legality

verification schemes are insufficient to meet the requirements.

The minimum requirements of the Danish and French policies are legal timber. Both governments accept other types of evidence for legality as long as they meet their procurement requirements so potentially voluntary legality verification programmes can meet the requirements. However, all other type of evidence is assessed on a case-by-case basis.

The Dutch procurement policy preferentially requires sustainable timber but accepts legal timber if timber from a sustainable source is unavailable. Similarly, the Dutch government accepts other types of evidence and will be assessed on a case-by-case basis.

The UK government procurement policy accepts legal and sustainable or FLEGT-licensed timber and only FSC or PEFC certified timber comply with the policy. However, on the occasion that a particular type of product or timber species is required and if there is no sustainable timber or FLEGT-licensed timber, then the timber has to meet the UK government requirements for legality which will be assessed on a case-by-case basis. In this sense, voluntary legality programmes which verify legal compliance can potentially meet the requirements.

Do voluntary legality verification schemes meet the private sector requirements?

Many purchasing policies of individual companies also accept voluntary legality verification programmes. However, a few companies such as B&Q and HSBC only accept sustainable timber. All of the responsible purchasing policies of selected timber trade federations accept forest certification schemes. In addition, they also accept a range of evidence of legality, including voluntary legality verification programmes.

Green building initiatives such as UK BREEAM accept other schemes and specifically mention SGS in their policy, though it is not clear if this refers to SGS TLTV programmes. Neither US LEED nor Australia Green Star gives credits for timber from voluntary legality verification programmes.

4.2. Mandatory legality verification

Do mandatory legality verification schemes meet the US Lacey Act requirements?

The US Lacey Act does not prescribe a particular legality verification or forest certification scheme that will meet the requirements. However, FLEGT-licensed timber under a VPA can potentially meet the requirements of Lacey Act as it implies that the timber is produced in accordance with the national law, which meets the Lacey Act definition on legality: content of sovereign nations' own laws. FLEGT-licensed timber can be considered as evidence of due care.

Do mandatory legality verification schemes meet the EU Timber Regulation requirements?

The Timber Regulation specifically notes that FLEGT-licences are acceptable proof of legality. Timber from MLTV projects can potentially meet the requirements but it needs to be assessed on a case-by-case basis as the scope of which laws are included in MLTV projects differ.

Do mandatory legality verification schemes meet public procurement policies in EU Member States?

The acceptability of FLEGT-licensed timber in public procurement policies varies depending on the minimum requirements. The minimum requirements for both the German and Belgian procurement policies are for sustainable timber, hence FLEGT, which is regarded as legal only, is not considered under the current policies. The Belgian policy is currently under review and the government is seeking ways to provide market incentives for FLEGT-licensed timber.

The UK and the French policies have specific reference to FLEGT. The UK government has formally announced that FLEGT licensed sources will be accepted as equivalent of sustainable until 2015. The French government also accepts legality licences including FLEGT as proof of legality.

Though the Dutch government does not have any explicit reference to FLEGT-licences in its current policy, it also accepts FLEGT-licensed timber as meeting its legality requirements.

The Danish government does not currently have an official position on FLEGT in its procurement policy, but will include FLEGT-licensed timber as equivalent of legality.

Do mandatory legality verification schemes meet private sector requirements?

At the moment, none of the timber trade federations specifically mentions FLEGT-licensed timber, or timber from MLTV. Nevertheless, it does not mean that these mandatory legality verification programmes cannot meet the policies of companies.

Similarly, none of the private policies reviewed specifically mentioned FLEGT-licensed timber, or timber from MLTV. Nevertheless, it does not mean that these mandatory legality verification programmes cannot meet the policies of companies.

None of the green building initiatives specifically mention the acceptance of FLEGT-licensed timber or timber from MLTV projects.

4.3. NGO initiatives

Do NGO initiatives meet the US Lacey Act requirements?

All NGO initiatives can potentially meet the Lacey Act requirements as participants enrolled in these programmes have to undergo a baseline assessment of legality and that they are working towards certification. However, there is no independent verification of legality of participants hence there is no guarantee that they meet all aspects of legality as defined under the Lacey Act.

Do NGO initiatives meet the EU Timber Regulation requirements?

Products carrying the TFF RIL mark are likely to meet the Timber Regulation as one of the requirements for the use of the TFF mark is a VLC certificate. All other NGO initiatives including SmartStep, GFTN, TFT and TTAP (run by TFT) can potentially meet this legislation as participants enrolled in these programmes have to undergo a baseline assessment of legality and that they are working towards certification. However, there is no independent verification of the legality of participants hence there is no guarantee that they meet all aspects of legality as defined under the Timber Regulation.

Do NGO initiatives meet public procurement policies of EU Member States?

None of the public procurement policies specifically make reference to NGO initiatives.

Do NGO initiatives meet private sector requirements?

All of the responsible purchasing policies of timber trade federations require legal timber as a minimum requirement, and give preference to timber moving towards certification. All NGO initiatives including SmartStep, GFTN, TFF, TFT and TTAP can potentially meet trade federation requirements as participants enrolled in these programmes have to undergo baseline assessment of legality and that they are working towards certification.

Many responsible purchasing policies require legal timber as a minimum requirement, with the exception of B&Q and HSBC. They also give preference to timber moving towards certification. All NGO initiatives including SmartStep, GFTN, TFF, TFT and TTAP can potentially meet company policies as participants enrolled in these programmes have to undergo baseline assessment of legality and that they are working towards certification. In addition, HSBC support 'near compliant' clients who are in the process of achieving certification. In that sense, NGO initiatives which help companies to move towards certification can be accepted.

UK BREEAM accepts other schemes and specifically mentioned TFT and SmartWood in their policy. Neither US LEED nor Australia Green Star accepts timber from NGO initiatives.



This building project in Swansea, South-Wales, complies with the UK government policy on sustainable timber procurement.

photo: Proforest

5. CONCLUSIONS

Characteristics of legality verification programmes

Legality verification schemes reviewed in this report share many common aspects but differ in details. In terms of **how legality is defined**, each certification body that runs voluntary legality verification programmes has developed a generic definition of legality covering legal origin and/or legal compliance. This generic standard is then adapted locally to suit different country situations prior to its application in those countries. However, in mandatory legality verification systems like the VPA, the definition of legality is a result of the multi-stakeholders process. As for private sector support for government, e.g. Mandatory Legal Timber Validation (MLTV) of SGS, the precise scope of each project depends on the mandate assigned to SGS. It does not include a process to define legality.

Voluntary legality verification programmes which verify legal compliance (VLC) and mandatory legality verification of VPA cover the following **five aspects of legality**:

- Legal right to harvest
- Compliance with legislation related to forest management, environment, labour and welfare, health and safety
- Compliance with legislation related to taxes and royalties
- Respect for tenure or use rights of land and resources that may be affected by timber harvest rights
- Compliance with requirements for trade and export procedures

It is important to note that voluntary legality verification programmes which verify legal origin (VLO) do not fully cover the above aspects of legality. Mandatory legality verification, like MLTV programmes, are developed for governments of timber producing countries aiming at monitoring and verifying timber production, commercialization and exportation. The definition of legality of MLTV programmes in each country differs and therefore may not cover the above aspects.

Both voluntary and mandatory legality verification programmes cover **chain of custody requirements**, tracing timber back to the forest source. However, it is important to note that under a VPA the chain of custody control is only covered from the forest to the point of export. As for MLTV programmes, one of the key activities is timber flow control. It consists of the tracking and physical inspection of products and documents, using advanced technology to identify and monitor the domestic, import/transit and export flows of forest products. The exact details of MLTV programmes may differ in different countries.

All the voluntary legality verification programmes reviewed have developed different approaches to making **product claims**. A significant difference in their approach to product claims lies in whether those who subscribe to the programme are allowed to use on-product or off-product labelling. Only a few legality verification programmes allow the use of on-product labelling. Mandatory legality verification is applied at a country level, and aims to provide assurance to the governments concerned that the relevant requirements have been met. They are intended to apply at the country level rather than at the level of individual companies or suppliers. For VPAs only licensed timber from Partner Countries covered by their respective agreements will be permitted to be imported into the EU. As for MLTV projects, depending on the scope, government can claim what has been verified during export procedures.

Under voluntary legality verification programmes, **verification** of forest sources and CoC are carried out by certification bodies which have developed their own legality verification programmes. As for a VPA, verification may be carried out by a government agency, market participant or third party organisation, or some combination of these, which has adequate resources, management systems and skilled and trained personnel, as well as robust and effective mechanisms to control conflicts of interest.

Practical experiences in implementing voluntary legality verification

Interviews with 13 companies who are implementing legality verification programmes showed that there are many tropical species available from Africa and

Asia, such as Okoume, Iroko and Merbau. Increase in demand for legally verified products from buyers and increased access to markets are the two most important reasons for companies wanting to achieve legality verification certification. This was followed by the company's image and brand reputation, meeting the EU Timber Regulation and the US Lacey Act requirements. Only two indicated price premium as their reason for pursuing a legality verification certificate.

The cost of auditing varies significantly with the size and complexity of the operation under evaluation. Within our sample of verified companies, costs of audits for forest managers varied regionally. In Africa, prices varied between 5,000 EUR and 20,000 EUR, with the sizes of forests varying from 277,000 ha to 1,160,000 ha. In Asia, forest managers have paid up to 15,000 EUR, with the sizes of forests ranging from 80,000 ha to 650,000 ha.

Most problems encountered by companies in getting legality verification were a lack of knowledge of the requirements in legality verification schemes, followed by a lack of technical capacity to implement the system. Less frequently, some companies also mentioned a lack of human and financial resources to implement the system. Some companies also stated the issue of having to keep up with changing standards of the legality verification schemes. Most importantly, companies mentioned having problems with the administrative structure within the country to obtain the required documentation for the legality verification scheme, including delays in acquiring documents, corruption,

etc.

Meeting market requirements on legality

Legality verification which verifies legal compliance can potentially meet the requirements of the EU Timber Regulation and the US Lacey Act. However, some schemes would require additional information and evidence in order to fulfil the legislation. In terms of public procurement policies, both the Belgian and German governments require that timber comes from sustainable sources hence voluntary legality verification schemes are insufficient to meet the requirements. The new guidelines of the Danish procurement policy recommend other tools for verifying legal timber, including SGS TLTV and VLC of SmartWood with other voluntary legality verification schemes potentially meeting the policy. The French government's approach relies on independent verification of legality and sustainability so voluntary legality verification programmes can potentially meet the requirements. The Dutch and the UK government may accept voluntary legality verification schemes when sustainable sources are not available, and compliance with the policy will be assessed on a case-by-case basis.

The acceptance of FLEGT licences in public procurement policies varies. The German and Belgium governments will not accept FLEGT licences at this stage. However, the UK, Danish and the French governments explicitly mentioned that FLEGT licensed timber will be accepted as proof of compliance.

Many private sector purchasing policies accept voluntary legality verification schemes; however, only a few accept forest certification as proof of compliance. At this stage, mandatory legality verification programmes such as FLEGT are not specifically mentioned in private sector purchasing policies; nevertheless, it does not mean that mandatory legality verification schemes cannot meet private sector purchasing policies.

ANNEX 1 DETAILED ANALYSIS OF VOLUNTARY LEGALITY VERIFICATION SCHEMES

Review of SGS TLTV Legality of Production (LP)

Sources utilised:

RD-TLTV-02-01, General Conditions for TLTV services (2008);

RD-TLTV-01-02, TLTV Code of Practice (2008);

AD-TLTV-11-04, Assessors qualification requirement;

AD-TLTV-33-05, TLTV Generic Standard (2010)

AD-TLTV-50-07, TLTV CoC Standard (2010);

AD-VLO-33-02, TLTV VLO Generic Standard (2009);

AD-TLTV-33-PNG-02, TLTV Standard for Papua New Guinea (2008);

RD-TLTV-05-01, Complaints and Appeals;

RD-TLTV-20-04, TLTV Mark Usage Guideline (2010);

PROC-TLTV-04-02, Corrective action requests;

PROC-TLTV-06-01, Complaints and Appeals;

WI-TLTV-14-03 Development and use of local standards for evaluations

<http://www.forestry.sgs.com/timber-legality-traceability-verification-tltv.htm>

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiates and manages it?	<p>Started in 2005 with Vicwood Thanry in Cameroon and later in 2005 with a pilot project in Rep. of Congo, IFO (Danzer Group) standard was developed from various frameworks, one of them being the FORCOMS draft standard on legality (2005). The main person responsible at that time was Alain Verney, who is now CEO of SGS Congo (in Pointe Noire). The initiative came from private sector clients who needed proof of legality for their markets in Europe.</p> <p>After successful execution of the first audits, it was decided to create the TLTV (Timber Legality & Traceability Verification) Service. The Service is owned by SGS SA headquarter in Switzerland, Geneva, Governments & Institutions Services (GIS) Division, managed by the Forestry Monitoring Programme (FMP).</p>
1.2 Is it operational? And where?	<p>Yes. TLTV-LP is a generic standard. Legality verification of forests (TLTV-LP VLO/VLC) is found in Rep. of Congo, Democratic Rep. of Congo, Cameroon, Tanzania, Papua New Guinea, Indonesia and Malaysia.</p> <p>Chain-of-Custody statements are issued to companies in Europe (Netherlands, Belgium, Germany, UK, France, Denmark, Switzerland), USA, Malaysia, PNG, Indonesia, Australia.</p>

Aspects	Findings
1.3 How many ha of forests have been verified against this standard? And where?	<p>The total area is:</p> <p>3,173,917 TLTV Verified Legal Origin (VLO) (Malaysia, Indonesia, PNG)</p> <p>4,308,752 TLTV Verified Legal Compliance (VLC) (Congo, DRC, Cameroon, PNG, Tanzania)</p> <p>7,482,669 total area verified under TLTV Service</p>
2. Governance structure	
2.1 What is the governance structure of the scheme? Which interest groups are represented?	<p>The TLTV Service is a private company service with its own standard. Internally, the GIS division manages the service. The report review and the final decision to issue a statement is made by the Qualifor Director who operates independently under the Systems & Services Division (SSC). Between GIS and SSC a Service Agreement exists which details duties and services. Qualifor is the FSC accredited program of SGS that handles all forest certification services like FSC, PEFC, SFI etc. Qualifor has an Advisory Board (in accordance with FSC requirements) whose duties have been extended to advise on issues (disputes etc.) of the TLTV Service.</p>
2.2 Is the standard/legality definition endorsed by the government of the respective country (if a national standard is available)?	<p>It has been accepted by the Keurhout Foundation (NL) for Keurhout legal and CPET (UK) for Category B Assessment.</p> <p>The Danish Government has followed the United Kingdom in recognizing SGS` TLTV Programme as a valid legality verification system. On 19 May 2010, the Danish Ministry of the Environment, Forest and Nature Agency launched its new, revised guidelines on public procurement of legal and sustainable timber which recommend, among others, SGS` TLTV Programme as evidence for the legality of purchased timber.</p> <p>A Generic TLTV Standard (VLO and full TLTV standard = VLC) exists. Local adaptation of the Generic standard and stakeholder consultation is mandatory since 2009.</p>
2.3 Is the governance and management of the verification system documented in clear procedures?	<p>There is a range of documents available:</p> <ul style="list-style-type: none"> • GIS (FMP) and Qualifor Service Agreement • Procedures on: Conflict of Interest, Sales & Contract Review, LP Main Evaluation, LP Surveillance Evaluation, LP Re-evaluation, CoC Main Evaluation, CoC Surveillance Evaluation, Corrective Action Requests, Internal Review, Statement Issue & Transfer, Complaints & Appeals, Internal Audit & Mngt Review, Document & Information Control, Recruitment & Training, Records & Communication • Furthermore: Associated Documents (important documents for audits, e.g., report templates, assessors Qualification requirements, site visit form etc...), Contractual Documents (Subcontractor Contract, Observer Contract, Advisory Board Contract etc.), Reference Documents (Code of Practice, General Conditions, Assessor's Guidelines, Stakeholder Briefing Notes, LP Summary, CoC Summary, Third Party Supply Regulations, On-/Off-product mark rules etc. and Work Instructions (Verification Time lines, Sampling and Itineraries, Stakeholder Consultation, Development and Use of Local Standards etc.) are available. <p>The TLTV Services comprises close to 100 documents (associated docs, reference docs, procedures, policies, contractual docs, work instructions)</p>

Aspects	Findings
<p>2.4 Does the scheme include a mechanism for handling complaints and disputes?</p>	<p>Yes. There is an internal procedure for handling complaints from clients and stakeholders.</p> <p>RD-TLTV-05-01 Complaints and Appeals Process:</p> <p><i>2.1 Members of the public, employees and others may wish to register a complaint with SGS about legality issues of legality of production or chain of custody verification statement-holders.</i></p> <p><i>2.10 All complaints are tabled for consideration at the SGS QUALIFOR/ TLTV Advisory Board meetings. The SGS Forestry Monitoring Programme Director or TLTV Service Manager may, at their discretion, refer consistent and repeated complaints to a sub-committee of the Advisory Board who oversee the activities of the programme.</i></p> <p><i>3.1 If a verification statement is not issued following evaluation, or an existing verification statement is suspended or withdrawn, the client may appeal according to the process outlined in the SGS Code of Practice (RD-TLTV-01) valid at the time.</i></p> <p>PROC-TLTV-06-01 Complaints and Appeals:</p> <p><i>5.1 Complaints of a serious nature will be dealt with by the Programme Director/Manager in collaboration with the Project Manager.</i></p> <p><i>5.2 The complainant(s) shall be kept informed of progress in evaluating the complaint/appeal.</i></p> <p><i>5.3 All proposed actions in response to the complaint or appeal shall be detailed within six (6) months of receiving the complaint or appeal, extendable to twelve (12) months under exceptional circumstances and with approval of the Programme Director or Manager. Full implementation of actions and confirmation of implementation (e.g. correction and closing out of non-compliances that may have been identified as a result of the complaint or appeal) shall be completed in compliance with the requirements specified in the SGS TLTV Management system.</i></p>
<p>2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?</p>	<p>Partial. There is no formally laid down provision for updating and reviewing requirements but the TLTV Service is flexible to respond to changes, may they be requested internally or externally.</p>
<p>3. Standard – definition of legality</p>	
<p>3.1 Legal right to harvest</p>	<p>Yes, covered by both VLO and VLC</p> <p><i>‘Criterion 2.1 The Company has legal access and harvesting rights to the forest land on which it operates</i></p> <p><i>Indicator 2.1.1 The Company has a legal title to the land on which it operates and to the forest resource.</i></p> <p><i>Indicator 2.2.4 The Company has a valid harvesting licence or permit in place and ensures that the requirements of the harvesting license and/ or permit are adhered to.’</i></p>

Aspects	Findings
<p>3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety</p>	<p>Partial for VLO. It only contains some requirements on forest management. It does not cover requirements on environment, labour and welfare, health and safety.</p> <p>Forest management</p> <p><i>'Criterion 2.2 The Company has obtained the necessary approvals for its forest and related operations</i></p> <p><i>Indicator 2.2.1 Where obligatory, the Company has carried out forest inventories and received official approval for it.</i></p> <p><i>Indicator 2.2.2 Where obligatory, the Company has developed a forest management plan and has received due official approval for it.</i></p> <p><i>Indicator 2.2.3 The Company has the necessary environmental authorisations in place. Such authorisations are issued by the appropriate environmental authorities and are valid.</i></p> <p>Yes for VLC:</p> <p>The above criteria and indicators and the following:</p> <p>Forest management</p> <p><i>'Criterion 5.1 The Company has clearly identified authorised harvesting areas and positioned its planned forest activities in accordance with approved plans or regulations</i></p> <p><i>Criterion 5.2 The Company's operations and activities are geographically implemented in accordance with approved plans</i></p> <p><i>Criterion 5.3 Felling strictly complies with species and trees as authorised, restricted or imposed by applicable international conventions, national or local regulations, and the management plan</i></p> <p><i>Criterion 5.5 The Company can prove that the quantity or volume of harvest is compliant with the authorised amounts</i></p> <p><i>Criterion 5.6 The Company can prove that the abandonment of trunks or portions of trunks is consistent with applicable regulatory requirements'</i></p> <p>Environment</p> <p><i>'Criterion 6.1 The Company respects areas where logging is prohibited or restricted</i></p> <p><i>Criterion 6.2 The Company preserves biodiversity</i></p> <p><i>Criterion 6.3 The Company minimizes negative environmental impacts</i></p> <p><i>Indicators 6.3.1 to 6.3.8 - The Company complies with regulations referring to air, soils, water, chemicals, noise, energy, waste and other safety risks to people and the environment.'</i></p> <p>Labour and welfare</p> <p><i>'Criterion 7.2 The Company respects the rights of workers as derived from relevant national or international regulations</i></p> <p><i>Indicator 7.2.3 The Company remunerates its workers in accordance with applicable legal requirements.</i></p> <p><i>Indicator 7.2.5 The Company complies with its corporate social obligations to its workers.</i></p> <p><i>Criterion 7.3 The Company only uses legally constituted contractors or subcontractors in its operations and protects the rights of its contractors' or subcontractors' workers</i></p> <p><i>Indicator 7.3.2 The Company ensures that the rights of its contractors' or subcontractors' workers are respected.'</i></p> <p>Health and safety</p> <p><i>'Indicator 7.2.2 The company respects basic working conditions as prescribed by law and the regulatory requirements relating to health and safety'</i></p>

Aspects	Findings
3.3 Compliance with legislation related to relevant taxes and royalties	<p>Yes for both VLO and VLC</p> <p><i>Criterion 3.2 The Company consistently settles due payments to the appropriate authorities in a timely manner.</i></p> <p><i>Indicator 3.2.1 The Company has paid applicable royalties, fees and taxes relating to forestry and timber processing activities within the prescribed time period.</i></p> <p><i>Indicator 3.2.2 The Company has paid the applicable import and export duties within the prescribed time period</i></p> <p><i>Indicator 3.3.2 The Company is not involved in unlawful accounting or financial practices that inter alia attempt to evade or escape taxes and/ or tax liability.</i></p>
3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights	<p>Yes for both VLO and VLC</p> <p><i>Criterion 2.1 The company has legal access and harvest right to the forest land on which it operates.</i></p> <p><i>Indicator 2.1.1 The Company has a legal title to the land on which it operates and to the forest resource.</i></p> <p><i>Indicator 2.1.2 The Company knows and respects the legal or customary rights of local communities within the allocated areas.</i></p>
3.5 Compliance with requirements for trade and export procedures	<p>Yes for VLC:</p> <p><i>Criterion 8.1 The Company ensures that the processing, transport, and delivery of products to customers comply with relevant legal requirements.</i></p> <p><i>Indicator 8.1.4 The Company adheres to timber transport obligations or restrictions.</i></p> <p><i>Indicator 8.1.5 The Company follows export procedures and adheres to export obligations or restrictions.</i></p> <p><i>Indicator 8.1.6 Where applicable, the Company has submitted its import and/or export declarations to the appropriate authorities within the prescribed time period.</i></p>
3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD	<p>Yes for VLC:</p> <p><i>Criterion 6.2 The Company preserves biodiversity</i></p> <p><i>Indicator 6.2.1 The Company protects endangered species (flora, fauna, other) as provided for under CITES and other instruments.</i></p>
4. Standard development process	
4.1 Who developed the standard? Did the development process include a multi-stakeholder participation?	<p>Initially (back in 2005) the standard was developed between SGS Head office, SGS Congo and various clients. In 2008 an extensive international stakeholder consultation was carried out and the standard was finalized in 02-2009. Since then there have been some updates, the latest in 25/03/2010 (minor amendments).</p>
4.2 What is the decision making process?	<p>On the issue of the verification statement: Auditor recommends company to be issued with a TLTV statement. Report is sent to Qualifor's Programme Director office. Internal review is organized and carried out, statement is issued or report goes back to auditor/project manager.</p> <p>On the standard: Correspondence with the stakeholders that submitted input to the consultation process, internal panel (mostly management team of TLTV Service, Regional managers and Qualifor Programme Director) discuss points. Final decision is taken by Head of TLTV Service (Director FMP).</p>

Aspects	Findings
4.3 Did the development process follow an agreed protocol?	No.
4.4 Is it a generic standard? Has local/regional standard been developed?	It is a generic standard. The standard has been adapted for the PNG and Sarawak context (AD-TLTV-33-PNG-02 and AD-TLTV-33-MY-01) and also for Republic of Congo, Gabon, Cameroon and Indonesia. They are in the process of starting the stakeholder consultation for Congo, Gabon and Cameroon.
4.5 What are the procedures for adaptation of local/regional standard?	<p>WI-TLTV-14-03, there are 2 possibilities:</p> <p>If a national legality standard exists, or <i>“if a locally adapted and broadly recognized ‘legality standard’ from a regional or international scheme is available”</i>, and if such standard fulfils the minimum requirement of the SGS TLTV standard, then the TLTV service will endorse it (Article 7).</p> <p>If such standards are not available, the TLTV staff will internally adapt the generic standard to the local conditions. SGS <i>“is not required to seek or develop a consensus with regards to its local adaptation of its TLTV generic standard”</i>. But the person responsible for the project <i>“shall seek broad stakeholder comment on the adaptation”</i> (article 6).</p>
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	Yes. AD-TLTV-33-05, I 9.2.3: <i>“All (intermediate) products are included in the system from the stump to the point of sale/processing”</i> .
5.2 Does it allow mixing of non-verifiable raw materials?	No. I 9.2.4: <i>“Critical control points are identified and properly managed to avoid mixing of verified and unverified material”</i> .
5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?	RD-TLTV-01-02, article 7: <i>“When [...] the TLTV Programme is satisfied that the client meets all the registration requirements, it will inform the client and issue a statement”</i> .
5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?	<p>Yes. AD-TLTV-50-08, article E: <i>“The SGS TLTV Mark may be used either on-, or off-product which also includes end-consumer product labelling (meaning products that are sold directly to the general public) and communication directed towards end-consumers”</i></p> <p>In the new RD-TLTV-20-04, ‘TLTV Mark Usage Guideline’, it is specified that timber and timber products originating from forests verified according to the full SGS TLTV VLC Standard (Verification of Legal Compliance) can be traded collectively as ‘TLTV Legality-Verified’. Timber and timber products originating from forests verified according to the SGS TLTV VLO Standard (Verification of Legal Origin) can be traded collectively as ‘TLTV-VLO Legal Origin’.</p>

Aspects	Findings
5.5 What control mechanism is in place for making claim of the products?	<p>Clients need to seek approval from SGS before they can publish or print the claim.</p> <p>Auditor has to control proof of claims during CoC audit.</p> <p>AD-TLTV-50-07, Requirement 1.1.3 <i>“Records should be maintained of all incoming verified (TLTV-VLC) / verified legal origin (TLTV-VLO) material including information on volumes or number of pieces. All verified material must be covered by invoices reflecting the supplier’s statement numbers”</i></p> <p>Requirement 1.5.2 <i>“Sales invoices and other documentation related to sales of verified material include the chain-of-custody statement number, in the correct format”</i></p>
6. Verification	
6.1 Who carries out verification of forest source and CoC?	<p>SGS Auditors or sub-contractors</p> <p><i>“SGS uses auditors that are qualified to perform the TLTV services and usually work also for the SGS Qualifor program. For this purpose, SGS may in its absolute discretion use its own employees or external auditors”, (RD-TLTV-01—02, article 2).</i></p>
6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?	<p>There is no accreditation of the legality standard.</p> <p>SGS is accredited by the FSC and by PEFC. The TLTV Service is not internationally accredited. TLTV audits are mainly carried out by SGS FSC auditors.</p>
6.3 Are there documented requirements for the qualifications of auditors?	<p>Yes. AD-TLTV-11-04: the auditors must have at least a university degree and 5 years of professional experience in an area relevant to the evaluation. He must also follow an ISO 14000 (or ISO 9000 or OHSAS 18000) course, the SGS TLTV course. Finally, the auditor must follow an internal training programme, including participation in at least 2 audits, and then lead an audit which is witnessed by a Trainer Assessor.</p>
6.4 Do verification audits include review of documentation and system, and assessment in the forest?	<p>Yes. For each indicator, the standard will specify the kind of document and field verification the auditors should undertake and the person who should be interviewed.</p>
6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?	<p>Yes. Stakeholder consultation became mandatory in 2009. The auditors must interview representatives of the governmental authorities, local communities, stakeholders and clients.</p>

Aspects	Findings
6.6 Is the summary report of an audit of the legality verification system publicly available?	Yes. RD-TLTV-01-02, article 8: Public information “ <i>The client shall agree to a summary of the main assessment and surveillance report (Public summary Report) as the details of the statement being made publicly available</i> ”. http://www.forestry.sgs.com/tltv-summary-reports.htm
6.7 What is the frequency of the surveillance audit?	RD-TLTV-01-02, article 10: Maintenance of statements and surveillance, “ <i>Periodic surveillances shall be carried out, the first at a six month interval and thereafter annually [...]</i> ”
6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?	Yes. PROC-TLTV-04-02: A major CAR raised during a main evaluation must be closed out within 6 months. If it is raised during surveillance or a re-evaluation audit, it must be closed out within 3 months. Under exceptional cases this may be extended to 6 months with the approval of the Forestry Monitoring Director or TLTV service manager. A minor CAR shall normally be addressed in full within 12 months, but if there is suitable justification this may be extended to 24 months.
6.9 How long does a certificate/ licence, statement last?	TLTV/LP-VLC: The statement lasts for 5 years; afterwards the client should undergo a full re-evaluation. TLTV/LP-VLO: the statement lasts for 2 years (Confidential doc.). Then the client has to move to TLTV-VLC.
6.10 Does the scheme include rules for termination of the certificate/ licence/ statement?	Yes. In, RD-TLTV-01-02: Suspension (art. 16): <i>if a corrective action is not closed within the time limit, if there is a misuse of the statement, if 2 similar Major CAR are raised during the life of the statement or 5 new Majors are raised during a single surveillance visit.</i> Withdrawal (art 17): <i>a statement may be withdrawn if (1) the client takes inadequate measure in case of suspension or goes out of business or (2) the client terminates its contract with the TLTV Programme.</i> Cancellation (art. 18): <i>a statement will be cancelled if the clients advise the TLTV programme that it does not wish to renew the statement or no longer offers the products.</i>
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	SGS is accredited for its FSC/PEFC/SFI/CSA audit. But there is no accreditation for the SGS legality standard.

Aspects	Findings
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	No. Only internal controls.
8. Other aspects	
8.1 Are there any requirements/ timetable for verified operations to progress towards certification?	No.
8.2 Does the scheme have information on the current (estimated) volumes traded?	Yes, but it is not published.
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	Yes. If it is permitted by law of the country.

Review of the Rainforest Alliance’s SmartWood programme’s Verification of Legal Origin (VLO)

Source documents:

- SmartWood Generic Standard for Verification of Legal Origin (VLO), 15 October 2009
- Verification of Legal Origin/Verification of Legal Compliance – Client Guide to Services, 24 April 2009
- SmartWood Legality Verification Services website: http://www.rainforest-alliance.org/forestry.cfm?id=legal_verification
- Certification Complaints, Appeals and Disputes Resolution Policy, August 2005’
- VLO-VLC Supplementary Guide to Evaluation, May 2009
- The Evaluation Handbook, October 2008
- in Legality Standard Adaptation Procedures, January 2010
- Audit and Risk Committee Charter

The following aspects will be considered in the analysis of different legality verification schemes:

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiates and manages it?	The first generic SmartWood (SW) VLO standard was developed in November 2007. The current and latest generic standard has been valid since 18 January 2010. VLO was initiated and is managed by SmartWood programme of Rainforest Alliance.
1.2 Is it operational? And where?	VLO standard is operational and is applicable worldwide. In the meantime it is operational in China, Malaysia, Indonesia and the Philippines as local standards have been developed in these countries.
1.3 How many ha of forests have been verified against this standard? And where?	There are 1,376,618 ha of forests verified against VLO. They are located in Indonesia (453,118 ha), Malaysia (874,623 ha) and the Philippines (48,877 ha).
2. Governance structure	
2.1 What is the governance structure of the scheme? Which interest groups are represented?	Rainforest Alliance is a non-profit organisation based in New York City and has offices worldwide. It is run by a board of directors from across a range of sectors. According to the website, a Rainforest Alliance Audit and Risk Committee have been established. Independent of the financial control of the organization and certification and verification decision-making, the Committee meets on a quarterly basis and reviews at least annually the performance in maintaining full independence. The Committee is also charged with recommending to the Board the retention and termination of our independent auditor. According to the Audit and Risk Committee Charter: <i>‘The committee shall consist of three or more directors of the Board who, for the term of their service on the committee:</i> <ol style="list-style-type: none"> <i>1. are not remunerated by Rainforest Alliance in any way (whether by reason of being employed by Rainforest Alliance or otherwise);</i> <i>2. do not have any material financial interest in any entity doing business with Rainforest Alliance; and</i> <i>3. are not involved with RA certification decision-making.’</i>

Aspects	Findings
2.2 Is the standard/legality definition endorsed by the government of the respective country (if a national standard is available)?	There are currently 4 national standards, which have been developed in China, Malaysia, Indonesia and the Philippines. These standards are not endorsed by the government of the respective countries.
2.3 Is the governance and management of the verification system documented in clear procedures?	<p>Yes. The governance and management of the verification schemes is detailed in a range of documents:</p> <ul style="list-style-type: none"> • SmartWood Services Administrative Manual • VLO-VLC Supplementary Guide to Evaluation • Complaints, Appeals and Disputes Resolution Policy • Confidentiality Policy • Internal Audit Procedures • Non-conformance and Corrective Action Procedures • Regional Quality Audit Checklist
2.4 Does the scheme include a mechanism for handling complaints and disputes?	<p>According to SmartWood website:</p> <p><i>‘We have an established procedure for complaints and appeals that may be exercised by owners of the business that was audited or outside stakeholders. Designated staff members investigate all complaints as well as appeals of certifications. Responses are documented and decisions provided to those who made the complaint.’</i></p> <p>Complaint and dispute procedures are detailed in Certification Complaints, Appeals and Disputes Resolution Policy:</p> <p><i>‘SmartWood shall keep a record of all appeals, complaints and disputes and remedial actions relative to certification, take appropriate subsequent action and document the action taken and its effectiveness...’</i></p> <p>The procedures include:</p> <ul style="list-style-type: none"> • Lodging of complaints, appeals, disputes • Written response • Notification of SmartWood certified operation • Opportunity for certification operation response • Initial SmartWood response • Independent dispute resolution • Resolution • Public certification summary
2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?	<p>Yes, the current standard is the second version.</p> <p>There is no provision for regular up-date, but SmartWood aims to update the standard every 2 years or when necessary.</p>

Aspects	Findings
3. Standard – definition of legality	
3.1 Legal right to harvest	<p>Yes, Principle 1 Legal Right to Harvest:</p> <p><i>‘The legal status of the forest management unit (FMU) shall be clearly defined and boundaries delineated. The forest management enterprise (FME) shall prove that it has validly obtained the legal right to operate and to harvest timber from within the defined forest management unit.</i></p> <p><i>1.1 Clear and documented legal registration of FME with authorisation to carry out forest management activities shall exist</i></p> <p><i>1.2 FME shall have authorisation to harvest in Forest Management Units</i></p> <p><i>1.3 Evidence shall exist that the forest management area has been legally classified for the type of land-use or commercial activities conducted.’</i></p>
3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety	<p>No, the VLO standard only <i>partially</i> covers compliance with legislation related to forest management.</p> <p>Principle 2 Approved Planning Authorisations and Operations:</p> <p><i>‘The forest management enterprise shall have received the necessary approval for the basic and fundamental planning requirements legislated as necessary to enable forest management and shall adhere to fundamental planning and operational requirements and production restrictions and quotas within the permitted harvest rights.’</i></p> <p><i>2.1 If legally required, a forest management plan shall be in place and approved by the relevant authorities.</i></p> <p><i>2.2 If legally required, annual operating or harvesting plans shall be in place and approved by legally qualified authorities.</i></p> <p><i>2.3 Legally prescribed dimension restrictions and annual allowable cut or production quotas shall clearly be included in applicable planning and operational documents and adhered to in practice.</i></p> <p><i>2.4 Harvesting and felling shall be strictly confined to areas and species approved for harvesting by national, regional or local regulations; these shall be adhered to in practice and, if legally required, identified in the operating or harvesting plans.</i></p> <p><i>2.5 If legally required, Environmental and Social Impact Assessments shall be prepared.’</i></p>
3.3 Compliance with legislation related to relevant taxes and royalties	<p>Yes, Principle 3: Payment of Relevant Fees and Taxes:</p> <p><i>‘The forest management enterprise shall fulfil obligatory taxes, fees and/or royalty payments associated with maintaining the legal right to harvest and permitted harvesting volumes.</i></p> <p><i>3.1 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.’</i></p>
3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights	<p>Yes, Principle 1 Legal Right to Harvest:</p> <p><i>1.2: FME shall have authorization to harvest in Forest Management Units.</i></p> <p><i>1.2.1: FME shall have documented permission from the resource owner to harvest, including those with rights held according to customary law, where legally recognized.</i></p>

Aspects	Findings
3.5 Compliance with requirements for trade and export procedures	<p>Yes, Principle 4: Legal Registration, Transport, and Trade: <i>'The organisation (company or FME) shall be legally registered and approved for conducting the defined business as well as it shall adhere to applicable transport as well as trade, import or export regulations, procedures and restrictions.</i></p> <p><i>4.3.1 Permission to trade CITES-listed species shall be documented, and compliance with the applicable provisions and requirements of CITES shall be demonstrated.'</i></p>
3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD	Not covered
4. Standard development process	
4.1 Who developed the standard? Did the development process include a multi-stakeholder participation?	<p>Rainforest Alliance is a member of ISEAL and follows their guidelines for standard setting. SmartWood is following the ISEAL <i>"Code of Good Practice for Setting Social and Environmental Standards"</i> under which the following consultation process is required:</p> <ul style="list-style-type: none"> • <i>Two rounds of consultation (if required)</i> • <i>Each round shall include a period of at least 60 days for the submission of comments. However, this period may be shortened in exceptional circumstances where justified by a policy of the standard-setting organization. In such cases, the modifications and justification shall be documented, and the comment period shall still be no less than 30 days.</i> • <i>A second round of comment submissions is only necessary when unresolved issues persist after the first round. In addition, one round of comments is sufficient where there are no objections raised or substantial comments received in that round (ISEAL <i>Code of Good Practice for Setting Social and Environmental Standards – implementation Manual</i> section 5.4)</i> <p>In accordance with these guidelines, SmartWood will initiate the consultation process with a 60 days initial consultation round and, depending on issues identified, initiate a second round if unresolved issues persist.</p> <p>For developing national standard adaptations of the generic standard, SmartWood draws from existing multi-stakeholder processes or definitions of legality and applies consultation with stakeholders according to the Verifications procedure VER-14. (see also 4.5 below)</p>
4.2 What is the decision making process?	There is no provision for a decision making process beyond the stakeholder consultation and comment.
4.3 Did the development process follow an agreed protocol?	<p>Rainforest Alliance is a member of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), an organization established to strengthen the integrity of social and environmental certification systems and whose members are international standard-setting, certification and accreditation organizations.</p> <p>See 4.1</p>

Aspects	Findings
4.4 Is it a generic standard? Has a local/regional standard been developed?	<p>The VLO standard is a generic standard; however, local standards in China, Malaysia, Indonesia and the Philippines have been developed.</p> <p><i>‘For all countries and regions where the Rainforest Alliance’s SmartWood program will conduct verification of legal origin or legal compliance (VLO/VLC), a standard adapted for that country or region will be developed prior to any VLO/VLC audits.’</i></p> <p>From SmartWood website.</p>
4.5 What are the procedures for adaptation of local/regional standard?	<p><i>‘The development of local standard will follow the framework of generic legality standards and will be adapted to account for the laws, regulations, acts, and decrees defined for the given jurisdiction. These versions will draw from existing multi-stakeholder processes or definitions of legality, as they exist, and will be developed through consultation with stakeholders.’</i></p> <p>From the SmartWood website.</p> <p>Details are contained in Legality Standard Adaptation Procedures:</p> <p>3.1 <i>‘SmartWood shall seek broad stakeholder comment on the adaptation of its generic standard to the area in which it is planned to be used.’</i></p> <p>4.1 <i>‘SmartWood Regional Office or Partner shall complete a local adaptation of the generic standards, and publish the resulting locally adapted generic standard on the Rainforest Alliance website in an official language of the country in which it is to be used, prior to the main evaluation site visits.’</i></p>
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	<p>Yes, the VLO standard includes a principle on CoC:</p> <p><i>‘Documented control of the chain of custody (CoC) of forest products is a fundamental requirement in the traceability of the verified forest products from the forest source through manufacturing and distribution to ensure the authenticity of a verified product claim.’</i></p> <p><i>This principle applies from the point of harvest up to the forest gate for forest management enterprises (FMEs) and between handling steps for processing facilities, suppliers, manufacturers, and traders. The “In-forest Production Criteria” refer specifically to CoC for FMEs. The multi-site criteria are only applicable in case the verification includes multiples sites in the scope of verification.’</i></p>
5.2 Does it allow mixing of non-verifiable raw materials?	<p>No. Principle CoC 16:</p> <p><i>‘Organisation shall not mix verified and non-verified material through processing; only products containing 100% verified material (or material verified or certified against an equivalent or higher level standard approved by SmartWood) are eligible for SmartWood claims.’</i></p>
5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?	<p>Part II, 1. Verification:</p> <p><i>‘SmartWood will provide any organisation that has been successfully audited and compliant with these standards opportunities to communicate that message by means of a Verification Statement that SmartWood issues.’</i></p>

Aspects	Findings
<p>5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?</p>	<p>Companies who achieved verification are allowed to use off-product claim only; on-product claims are not allowed. Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: <i>‘How can the Verification Statement be used in marketing and promotion?’</i> <i>...the Verification Statement can be used in promotional communication and the verification code number (e.g. SW-VLO/C-####) can be put upon invoices and products to permit traceability. The RA/SW Verification logo can also be used for claims and promotional purposes within specific limits, but the logo cannot be used on-product.’</i> VLO standard: <i>‘The Verification Statement includes the following information:</i></p> <ul style="list-style-type: none"> • <i>Company, seller, or representatives’ name(s) and contact details</i> • <i>Verification code</i> • <i>Validity period of the statement</i> • <i>Forest products types</i> • <i>Overview of all participating sites in case of multi-site verification scope’</i>
<p>5.5 What control mechanism is in place for making claim of the products?</p>	<p>Part III, Verification Service Policies: 7. <i>‘Rainforest Alliance will determine the limits of use to Rainforest Alliance and/or SmartWood names, verification mark or logos in conjunction with this service business to business and off-product communications’</i> Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: <i>‘How can the Verification Statement be used in marketing and promotion?’</i> <i>All public communications about verification claims have to (be) approved by the Rainforest Alliance prior to use.’</i></p>
<p>6. Verification</p>	
<p>6.1 Who carries out verification of forest source and CoC?</p>	<p>Audits are carried out by auditors of SmartWood programme.</p>
<p>6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?</p>	<p>There is no accreditation of SmartWood legality standards. However, the SmartWood programme is accredited by FSC to carry out forest management and CoC certification against FSC standards.</p>

Aspects	Findings
<p>6.3 Are there documented requirements for the qualifications of auditors?</p>	<p>Yes. According to section 6 Auditor qualification requirements of VLO-VLC Supplementary Guide to Evaluation:</p> <p><i>'The required qualifications for VLO/VLC auditors are in general terms equivalent to FSC FM/CoC and CoC auditors though some special conditions apply for auditors that are going to carry out evaluation of companies against the VLO/VLC standards (see below).</i></p> <p><i>Requirements that are specific for VLO/VLC auditors are:</i></p> <ul style="list-style-type: none"> • <i>Field experience in areas related to the legal requirements of the specific country/region pertaining to forest management, wood processing and wood products trade;</i> • <i>Completed training in VLO/VLC evaluation. This training includes a program with 1-2 days of classroom (include review of VLO/VLC standards and procedures - e.g. standards, evaluation guides and report templates - and relevant SmartWood training materials) and 1-2 days of fieldwork, plus some review of initial independent work. While formal training is desirable, auditors may be provided with orientation on VLO/VLC procedures by a qualified auditor through on the job training;</i> • <i>Knowledge of verification decision making, and in particular the definition and identification of major and minor non-conformances;</i> • <i>Field experience with SmartWood VLO/VLC verification standards and verification processes (e.g. experience as an observer or auditor on at least 2 VLO/VLC audits);</i> • <i>Local language skills (or support from a local language speaker).'</i>
<p>6.4 Do verification audits include review of documentation and system, and assessment in the forest?</p>	<p>Yes. Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services:</p> <p>Assessment procedures, step 4 onsite assessment:</p> <p><i>'The assessment will include onsite visit by SmartWood auditors to all (or a sample of) points of the market chain included in the scope of the verification.'</i></p> <p>Audit procedures:</p> <p><i>'Audit are conducted by qualified SmartWood auditors and include the following activities:</i></p> <ul style="list-style-type: none"> • <i>Review of operations records</i> • <i>Review of records of sales of verified products</i> • <i>On-site field visits to different sites and facilities of the operation.'</i>

Aspects	Findings
<p>6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?</p>	<p>Verification audits do not always include stakeholder consultation. Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: Assessment procedures, step 5: <i>‘Generally, a formal stakeholder consultation is not a requirement of a legality verification assessment and a public notification of an assessment is not necessary. However, it may be necessary to engage with certain categories of stakeholders such as regulatory agencies and government ministries, legal experts and, in some cases, local communities, and representatives or indigenous people, labour unions and relevant NGOs’</i> Part III Verification Service Policies of VLO standard states: 6. <i>‘...In cases where customary tenure is regarded as a particularly important issue, SW may choose to carry out stakeholders consultation in connection to the verification assessment or audits.’</i></p>
<p>6.6 Is the summary report of an audit of the legality verification system publicly available?</p>	<p>Yes, Part II, 2. Reporting: <i>‘SmartWood shall provide summary reporting of information about the companies audited and those covered by an active verification statement. This public summary information is maintained up to date and posted on the SmartWood website. The verification statement shall be available upon request.’</i></p>
<p>6.7 What is the frequency of the surveillance audit?</p>	<p>Surveillance audit is carried out once a year. However, in high risk cases and for companies with more than 5 CARs, 6 month surveillance audits will be required.</p>
<p>6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?</p>	<p>Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: Assessment procedures, step 7 Determining conformance: <i>‘Major CARs issued during an assessment need to be closed prior to issuance of verification (i.e. they are pre-conditions). Minor CARs alone will not prevent issuance of the verification statement, though failure to adequately address minor CARs within an agreed timeframe (normally 3-6 months) will result in their promotion to Major CARs.’</i> According to the section 10 of the Evaluation Handbook:</p> <ul style="list-style-type: none"> • <i>‘Minor CARs can have a maximum timeline of 12 months (in exceptional and well justified cases up to two years)</i> • <i>Major CARs can have a maximum timeline of 3 months (in exceptional and well justified cases up to six months)’</i>
<p>6.9 How long does a certificate/licence, statement last?</p>	<p>The verification statement lasts for three years (Note this is a new policy change as of June 2010).</p>

Aspects	Findings
6.10 Does the scheme include rules for termination of the certificate/licence/statement?	<p>Section 9.4 Conformance evaluation sequences of the Evaluation Handbook:</p> <p>Major non-conformance during assessment: <i>'The non conformance shall be addressed and properly corrected BEFORE certificate can be issued. In case of major non conformances, a new audit shall be conducted during which only these issues are evaluated again for conformance.'</i></p> <p>Major non-conformance during annual surveillance audit: <i>'Client is given a short time (usually three months) to address and correct the non conformance. If the non conformance is not corrected within this timeframe, the certificate shall be suspended. Separate audit is required to check conformance with the identified aspects.'</i></p>
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	<p>There is no accreditation for legality standard. The VLO standard is not accredited, however, SmartWood is an accredited certification body under FSC certification.</p> <p>According to the SmartWood website: <i>'The FSC audits the Rainforest Alliance annually at the headquarters level as well as through sample-based auditing of field performance through audits of SmartWood forest management and chain-of-custody certificate holders. Every five years the FSC undertakes a complete re-accreditation of the Rainforest Alliance; the last re-accreditation took place in 2006.'</i></p> <p>However, this is related to SmartWood accreditation to carry out FSC FM and COC audits, not for its own legality standards VLO & VLC.</p>
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	<p>No, the VLO standard does not include requirements for external monitoring of the quality of verification audits. Also see 7.1 above.</p>
8. Other aspects	
8.1 Are there any requirements/timetable for verified operations to progress towards certification?	<p>Yes, Part III Verification Service Policies</p> <p>3. <i>'...SmartWood may decide to limit the time during which it will provide verification services to 3 years if it is found that the client does not take appropriate action to seek a higher level of certification or identify certified sources. The decision on whether or not to continue verification services will be taken based on an evaluation of the organisations activities to achieve a higher level of certification. Dependent on progress and the type of organisation (FME or industry) SmartWood may require the organisation to enter into our SmartStep Programme or move on to a higher level of verification'</i></p>
8.2 Does the scheme have information on the current (estimated) volumes traded?	<p>The SmartWood website contains public summary reports of verified operations, which includes volumes of verified materials by each company. There is no aggregated figure which is readily available; readers have to do their own calculation. However, this will become available in the future in both Rainforest Alliance and Keurhout websites.</p>
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	<p>No, Part III, Verification Service Policies:</p> <p>2. <i>'SmartWood shall not provide VLO or VLC verification of wood or wood products originating from conversion of natural forest to plantation or other land uses, even if the local regulatory authority has deemed it legal for natural forest to be cleared.'</i></p>

Review of the Rainforest Alliance’s SmartWood programme’s Verification of Legal Compliance (VLC)

Source documents:

- SmartWood Generic Standard for Verification of Legal Compliance (VLC), 18 January 2010
- Verification of Legal Origin/Verification of Legal Compliance – Client Guide to Services, 24 April 2009
- SmartWood Legality Verification Services website: http://www.rainforest-alliance.org/forestry.cfm?id=legal_verification
- Certification Complaints, Appeals and Disputes Resolution Policy, August 2005’
- VLO-VLC Supplementary Guide to Evaluation, May 2009
- The Evaluation Handbook, October 2008
- Legality Standard Adaptation Procedures, January 2010
- Audit and Risk Committee Charter

The following aspects will be considered in the analysis of different legality verification schemes:

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiates and manages it?	The first VLC standard was developed in November 2007. The current and latest standard is valid from 18 January 2010. VLC was initiated and is managed by SmartWood programme of Rainforest Alliance.
1.2 Is it operational? And where?	VLC standard is operational, it is applicable worldwide.
1.3 How many ha of forests have been verified against this standard? And where?	There is one FME in Sabah, Malaysia Verified, the verified areas is 188,520 ha
2. Governance structure	
2.1 What is the governance structure of the scheme? Which interest groups are represented?	Rainforest Alliance is a non-profit organisation based in New York City and has offices worldwide. It is run by a board of directors from across a range of sectors. According to the website, a Rainforest Alliance Audit and Risk Committee have been established. It is independent of the financial control of the organization and certification and verification decision-making, the Committee meets on a quarterly basis and reviews at least annually the performance in maintaining full independence. The Committee is also charged with recommending to the Board the retention and termination of the independent auditor. According to the Audit and Risk Committee Charter: <i>‘The committee shall consist of three or more directors of the Board who, for the term of their service on the committee:</i> <ul style="list-style-type: none"> • <i>are not remunerated by Rainforest Alliance in any way (whether by reason of being employed by Rainforest Alliance or otherwise);</i> • <i>do not have any material financial interest in any entity doing business with Rainforest Alliance; and</i> • <i>are not involved with RA certification decision-making.’</i>

Aspects	Findings
2.2 Is the standard/legal-ity definition endorsed by the government of the respective country (if a national standard is available)?	Not applicable. A VLC standard for Sabah has been developed. Has not been officially endorsed.
2.3 Is the governance and management of the verification system documented in clear procedures?	<p>Yes. The governance and management of the verification schemes is detailed in a range of documents:</p> <ul style="list-style-type: none"> • SmartWood Services Administrative Manual • VLO-VLC Supplementary Guide to Evaluation • Complaints, Appeals and Disputes Resolution Policy • Confidentiality Policy • Internal Audit Procedures • Non-conformance and Corrective Action Procedures • Regional Quality Audit Checklist
2.4 Does the scheme include a mechanism for handling complaints and disputes?	<p>According to SmartWood website:</p> <p><i>‘We have an established procedure for complaints and appeals that may be exercised by owners of the business that was audited or outside stakeholders. Designated staff members investigate all complaints as well as appeals of certifications. Responses are documented and decisions provided to those who made the complaint.’</i></p> <p>Compliant and dispute procedures are detailed in Certification Complaints, Appeals and Disputes Resolution Policy:</p> <p><i>‘SmartWood shall keep a record of all appeals, complaints and disputes and remedial actions relative to certification, take appropriate subsequent action and document the action taken and its effectiveness...’</i></p> <p>The procedures include:</p> <ul style="list-style-type: none"> • Lodging of complaints, appeals, disputes • Written response • Notification of SmartWood certified operation • Opportunity for certification operation response • Initial SmartWood response • Independent dispute resolution • Resolution • Public certification summary
2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?	<p>Yes, the current standard being evaluated is the second version.</p> <p>There is no provision for regular up-date, but SmartWood aims to update the standard every 2 years or when necessary.</p>

Aspects	Findings
3. Standard – definition of legality	
3.1 Legal right to harvest	<p>Yes. Principle 1 Legal Right to Harvest:</p> <p><i>‘The legal status of the forest management unit (FMU) shall be clearly defined and boundaries delineated. The forest management enterprise (FME) shall prove that it has validly obtained the legal right to operate and to harvest timber from within the defined forest management unit.</i></p> <p><i>1.1 Clear and documented legal registration of FME with authorisation to carry out forest management activities shall exist</i></p> <p><i>1.2 FME shall have authorisation to harvest in Forest Management Units</i></p> <p><i>1.3 Evidence shall exist that the forest management area has been legally classified for the type of land-use or commercial activities conducted.’</i></p>
3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety	<p>Yes. Principle 5: Fulfilment of Harvesting Regulations:</p> <p><i>‘The FME shall be operating in compliance with all local and national laws relating to the harvesting of forest products. Management plans and annual operating plans as required by law shall exist, shall contain accurate information, and be adequately implemented..</i></p> <p><i>5.1 Compliance with all relevant local and national laws, and legally binding codes of practice relating to forest management and harvesting operations shall be documented.</i></p> <p><i>5.2 The FME shall be in compliance with all forest management plan requirements</i></p> <p><i>5.3 The FME shall be in compliance with all requirements in annual operating or harvesting plans’</i></p> <p>Principle 6: Fulfilment of Environmental Regulations:</p> <p><i>‘The FME shall demonstrate compliance with all local and national laws relating to the environmental obligations of a forest management operation.</i></p> <p><i>6.1 Environmental precautions and mitigations required as a result of the impacts identified in the environmental assessment shall be implemented or demonstrated.</i></p> <p><i>6.2 All legally required procedures for surveying, managing and protecting endangered or threatened species within the management unit shall be followed.</i></p> <p><i>6.3 Employees of the organisation shall be prohibited from hunting and trade in wildlife, unless it is legally permitted and they have documented permission from the resource owner.’</i></p> <p>Principle 7: Fulfilment of Social Regulations:</p> <p><i>‘The FME shall demonstrate compliance with all local and national laws relating to social issues such as health & safety, labour laws, and other parties’ use rights.</i></p> <p><i>7.1 The FME and contractors shall meet all applicable laws and/or regulations covering health and safety of employees and their families.</i></p> <p><i>7.3 All employees of the FME shall be paid and treated in conformity with national law and international conventions as applicable.’</i></p>

Aspects	Findings
3. Standard – definition of legality	
3.3 Compliance with legislation related to relevant taxes and royalties	<p>Yes. Principle 3: Payment of Relevant Fees and Taxes: <i>'The forest management enterprise shall fulfil obligatory taxes, fees and/or royalty payments associated with maintaining the legal right to harvest and permitted harvesting volumes.'</i></p> <p>3.1 <i>All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.'</i></p>
3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights	<p>Yes. Principle 1 Legal Right to Harvest: 1.2: FME shall have authorization to harvest in Forest Management Units. 1.2.1: <i>FME shall have documented permission from the resource owner to harvest, including those with rights held according to customary law, where legally recognized.</i></p> <p>Principle 7: Fulfilment of Social Regulations <i>'The FME shall demonstrate compliance with all local and national laws relating to social issues such as health & safety, labour laws, and other parties' use rights.'</i></p> <p>7.4 <i>Legally recognised customary user rights shall be taken into account in management of forest resources.</i></p> <p>7.5 <i>Where notification of stakeholders affected by forest operations is legally required, timely announcements shall be made about planned activities within the legally specified time limits.'</i></p>
3.5 Compliance with requirements for trade and export procedures	<p>Yes. Principle 4: Legal Registration, Transport, and Trade: <i>'The organisation (company or FME) shall be legally registered and approved for conducting the defined business as well as it shall adhere to applicable transport as well as trade, import or export regulations, procedures and restrictions.'</i></p> <p>4.3.1 <i>Permission to trade CITES-listed species shall be documented, and compliance with the applicable provisions and requirements of CITES shall be demonstrated.'</i></p>
3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD	<p>Yes. Principle 7 Fulfilment of social regulations: 7.3.1 The FME shall document adherence to the International Labour Organisation's Fundamental Principles:</p> <ul style="list-style-type: none"> • Freedom of association and the effective recognition of the right to collective bargaining • Elimination of all forms of forced or compulsory labour • Effective abolition of child labour • Elimination of discrimination in respect of employment and occupation <p>Principle 8 Control of Unauthorised activities: <i>'The FME shall work to control unauthorised or illegal activities. The FME shall identify, monitor, and implement activities to control illegal or unauthorised activities that may occur within the FMU.'</i></p> <p>8.1 <i>Illegal or unauthorised activities that may occur within or through the forest shall be identified.</i></p> <p>8.2 <i>Illegal or unauthorised activities shall be controlled in collaboration with the resource owner, regulatory agencies, and other interested parties as appropriate.'</i></p>

Aspects	Findings
4. Standard development process	
<p>4.1 Who developed the standard? Did the development process include a multi-stakeholder participation?</p>	<p>Rainforest Alliance is a member of ISEAL and follows their guidelines for standard setting. SmartWood follows the ISEAL <i>“Code of Good Practice for Setting Social and Environmental Standards”</i> under which the following consultation process is required:</p> <ul style="list-style-type: none"> • Two rounds of consultation (if required) • Each round shall include a period of at least 60 days for the submission of comments. However, this period may be shortened in exceptional circumstances where justified by a policy of the standard-setting organization. In such cases, the modifications and justification shall be documented, and the comment period shall still be no less than 30 days. • A second round of comment submissions is only necessary when unresolved issues persist after the first round. In addition, one round of comments is sufficient where there are no objections raised or substantial comments received in that round (ISEAL <i>Code of Good Practice for Setting Social and Environmental Standards – implementation Manual</i> section 5.4) <p>In accordance with these guidelines, SmartWood will initiate the consultation process with a 60 days initial consultation round and, depending on issues identified, initiate a second round if unresolved issues persist. For developing national standard adaptations of the generic standard, SmartWood draw from existing multi-stakeholder processes or definition of legality and apply consultation with stakeholders according to Verifications procedure VER-14. (see also 4.5 below)</p>
<p>4.2 What is the decision making process?</p>	<p>There is no provision for a decision making process beyond the stakeholder consultation and comment.</p>
<p>4.3 Did the development process follow an agreed protocol?</p>	<p>Rainforest Alliance is a member of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), an organization established to strengthen the integrity of social and environmental certification systems and whose members are international standard-setting, certification and accreditation organizations.</p> <p>See 4.1</p>
<p>4.4 Is it a generic standard? Has a local/regional standard been developed?</p>	<p>The VLC standard is a generic standard and a national standard has been developed for Sabah Malaysia.</p> <p><i>‘For all countries and regions where the Rainforest Alliance’s SmartWood program will conduct verification of legal origin or legal compliance (VLO/VLC), a standard adapted for that country or region will be developed prior to any VLO/VLC audits.’</i></p> <p>From SmartWood website.</p>

Aspects	Findings
4. Standard development process	
4.5 What are the procedures for adaptation of local/regional standard?	<p><i>'The development of local standard will follow the framework of generic legality standards and will be adapted to account for the laws, regulations, acts, and decrees defined for the given jurisdiction. These versions will draw from existing multi-stakeholder processes or definitions of legality, as they exist, and will be developed through consultation with stakeholders.'</i></p> <p>From the SmartWood website.</p> <p>Details are contained in Legality Standard Adaptation Procedures:</p> <p>3.1 <i>'SmartWood shall seek broad stakeholder comment on the adaptation of its generic standard to the area in which it is planned to be used.'</i></p> <p>4.1 <i>SmartWood Regional Office or Partner shall complete a local adaptation of the generic standards, and publish the resulting locally adapted generic standard on the Rainforest Alliance website in an official language of the country in which it is to be used, prior to the main evaluation site visits.'</i></p>
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	<p>Yes, the VLC standard includes principle on CoC:</p> <p><i>'Documented control of the chain of custody (CoC) of forest products is a fundamental requirement in the traceability of the verified forest products from the forest source through manufacturing and distribution to ensure the authenticity of a verified product claim.'</i></p> <p><i>This principle applies from the point of harvest up to the forest gate for forest management enterprises (FMEs) and between handling steps for processing facilities, suppliers, manufacturers, and traders. The "In-forest Production Criteria" refer specifically to CoC for FMEs. The multi-site criteria are only applicable in case the verification includes multiples sites in the scope of verification.'</i></p>
5.2 Does it allow mixing of non-verifiable raw materials?	<p>No. Principle CoC 16:</p> <p><i>'Organisation shall not mix verified and non-verified material through processing; only products containing 100% verified material (or material verified or certified against an equivalent or higher level standard approved by SmartWood) are eligible for SmartWood claims.'</i></p>
5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?	<p>Part II, 1. Verification:</p> <p><i>'SmartWood will provide any organisation that has been successfully audited and compliant with these standards opportunities to communicate that message by means of a Verification Statement that SmartWood issues.'</i></p>

Aspects	Findings
5. Chain of Custody (CoC) requirements and public claims	
<p>5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?</p>	<p>Companies who achieved verification are allowed to use off-product claim. Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services:</p> <p><i>'How can the Verification Statement be used in marketing and promotion?</i></p> <p><i>....the Verification Statement can be used in promotional communication and the verification code number (e.g. SW-VLO/C-#####) can be put upon invoices and products to permit traceability. The RA/SW Verification logo can also be used for claims and promotional purposes within specific limits, but the logo cannot be used on-product.'</i></p> <p>VLO standard:</p> <p><i>'The Verification Statement includes the following information:</i></p> <ul style="list-style-type: none"> • Company, seller, or representatives' name(s) and contact details • Verification code • Validity period of the statement • Forest products types • Overview of all participating sites in case of multi-site verification scope'
<p>5.5 What control mechanism is in place for making claim of the products?</p>	<p>Part III, Verification Service Policies:</p> <p><i>7. 'Rainforest Alliance will determine the limits of use to Rainforest Alliance and/or SmartWood names, verification mark or logos in conjunction with this service business to business and off-product communications'</i></p> <p>Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services:</p> <p><i>'How can the Verification Statement be used in marketing and promotion?</i></p> <p><i>All public communication about verification claims have to approved by the Rainforest Alliance prior to use.'</i></p>
6. Verification	
<p>6.1 Who carries out verification of forest source and CoC?</p>	<p>Audits are carried out by auditors of SmartWood programme.</p>
<p>6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?</p>	<p>There is no accreditation of legality standard. However, the SmartWood programme is accredited by FSC to carry out forest management and CoC certification against FSC standards.</p>

Aspects	Findings
<p>6.3 Are there documented requirements for the qualifications of auditors?</p>	<p>Yes. According to section 6 Auditor qualification requirements of VLO-VLC Supplementary Guide to Evaluation: <i>‘The required qualifications for VLO/VLC auditors are in general terms equivalent to FSC FM/CoC and CoC auditors though some special conditions apply for auditors that are going to carry out evaluation of companies against the VLO/VLC standards (see below).</i> <i>Requirements that are specific for VLO/VLC auditors are:</i></p> <ul style="list-style-type: none"> • <i>Field experience in areas related to the legal requirements of the specific country/region pertaining to forest management, wood processing and wood products trade;</i> • <i>Completed training in VLO/VLC evaluation. This training includes a program with 1-2 days of classroom (include review of VLO/VLC standards and procedures - e.g. standards, evaluation guides and report templates - and relevant SmartWood training materials) and 1-2 days of fieldwork, plus some review of initial independent work. While formal training is desirable, auditors may be provided with orientation on VLO/VLC procedures by a qualified auditor through on the job training;</i> • <i>Knowledge of verification decision making, and in particular the definition and identification of major and minor non-conformances;</i> • <i>Field experience with SmartWood VLO/VLC verification standards and verification processes (e.g. experience as an observer or auditor on at least 2 VLO/VLC audits);</i> • <i>Local language skills (or support from a local language speaker).’</i>
<p>6.4 Do verification audits include review of documentation and system, and assessment in the forest?</p>	<p>Yes. Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: Assessment procedures, step 4 onsite assessment: <i>‘The assessment will include onsite visit by SmartWood auditors to all (or a sample of) points of the market chain included in the scope of the verification.’</i> Audit procedures: <i>‘Audit are conducted by qualified SmartWood auditors and include the following activities:</i></p> <ul style="list-style-type: none"> • <i>Review of operations records</i> • <i>Review of records of sales of verified products</i> • <i>On-site field visits to different sites and facilities of the operation.’</i>

Aspects	Findings
<p>6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?</p>	<p>Verification audits do not always include stakeholder consultation.</p> <p>Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: Assessment procedures, step 5: <i>'Generally, a formal stakeholder consultation is not a requirement of a legality verification assessment and a public notification of an assessment is not necessary. However, it may be necessary to engage with certain categories of stakeholders such as regulatory agencies and government ministries, legal experts and, in some cases, local communities, and representatives or indigenous people, labour unions and relevant NGOs'</i></p> <p>Part III Verification Service Policies of VLO standard states: 6. <i>'...In cases where customary tenure is regarded as a particularly important issue, SW may choose to carry out stakeholders consultation in connection to the verification assessment or audits.'</i></p>
<p>6.6 Is the summary report of an audit of the legality verification system publicly available?</p>	<p>Yes, Part II, 2. Reporting: <i>'SmartWood shall provide summary reporting of information about the companies audited and those covered by an active verification statement. This public summary information is maintained up to date and posted on the SmartWood website. The verification statement shall be available upon request.'</i></p>
<p>6.7 What is the frequency of the surveillance audit?</p>	<p>Surveillance audit is carried out once a year. However, in high risk cases and for companies with more than 5 CARs, 6 month surveillance audits will be required.</p>
<p>6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?</p>	<p>Verification of Legal Origin/Verification of Legal Compliance, Client Guide to Services: Assessment procedures, step 7 Determining conformance: <i>'Major CARs issued during an assessment need to be closed prior to issuance of verification (i.e. they are pre-conditions). Minor CARs alone will not prevent issuance of the verification statement, though failure to adequately address minor CARs within an agreed timeframe (normally 3-6 months) will result in their promotion to Major CARs.'</i></p>
<p>6.9 How long does a certificate/licence, statement last?</p>	<p>The verification statement lasts for three years (Note this is a new policy change as of June 2010).</p>
<p>6.10 Does the scheme include rules for termination of the certificate/licence/statement?</p>	<p>Section 9.4 Conformance evaluation sequences of the Evaluation Handbook: Major non-conformance during assessment: <i>'The non conformance shall be addressed and properly corrected BEFORE certificate can be issued. In case of major non conformances, a new audit shall be conducted during which only these issues are evaluated again for conformance.'</i></p> <p>Major non-conformance during annual surveillance audit: <i>'Client is given a short time (usually three months) to address and correct the non conformance. If the non conformance is not corrected within this timeframe, the certificate shall be suspended. Separate audit is required to check conformance with the identified aspects.'</i></p>

Aspects	Findings
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	<p>There is no accreditation for legality standard. The VLC standard is not accredited, however, SmartWood is an accredited certification body under FSC certification.</p> <p>According to SmartWood website: <i>'The FSC audits the Rainforest Alliance annually at the headquarters level as well as through sample-based auditing of field performance through audits of SmartWood forest management and chain-of-custody certificate holders. Every five years the FSC undertakes a complete re-accreditation of the Rainforest Alliance; the last re-accreditation took place in 2006.'</i></p> <p>However, this is related to SmartWood accreditation to carry out FSC FM and COC audits, not for its own legality standards VLO & VLC.</p>
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	<p>No, the VLC standard does not include requirements for external monitoring of the quality of verification audits. Also see 7.1 above.</p>
8. Other aspects	
8.1 Are there any requirements/ timetable for verified operations to progress towards certification?	<p>Yes, Part III Verification Service Policies: 3. <i>'...SmartWood may decide to limit the time during which it will provide verification services to 3 years if it is found that the client does not take appropriate action to seek a higher level of certification or identify certified sources. The decision on whether or not to continue verification services will be taken based on an evaluation of the organisations activities to achieve a higher level of certification. Dependent on progress and the type of organisation (FME or industry) SmartWood may require the organisation to enter into our SmartStep Programme or move on to a higher level of verification'</i></p>
8.2 Does the scheme have information on the current (estimated) volumes traded?	<p>The SmartWood website contains public summary reports of verified operations, which includes volumes of verified materials by each company. However, there is no aggregated figure which is readily available; readers have to do their own calculation.</p>
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	<p>No, Part III, Verification Service Policies: 2. <i>'SmartWood shall not provide VLO or VLC verification of wood or wood products originating from conversion of natural forest to plantation or other land uses, even if the local regulatory authority has deemed it legal for natural forest to be cleared.'</i></p>

Review of BV's Origine de Légalité des Bois (OLB)

Source documents:

- Standards for the control of timber origin and legality – Forestry Companies - RF03 OLB FC - version 3.2, December 2009
- Chain of Custody Standard - Origin and Legality of Timber- RF03 OLB CdC v3.2, December 2009
- Description of the OLB certification process for Forest Companies Ref.: GP01 OLB FC - 1.0 version, published September 2009
- Description of the OLB certification Chain of Custody process GP01 OLB CoC - Version 2.0, published September 2009
- OLB (Origine et Légalité des Bois) certification specific terms, SF05 part 2 OLB - version 1.1, published September 2009
- Programs Schemes / certification accepted by OLB - 18th August 2009.

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiates and manages it?	The standard of OLB (" <i>Origine et Légalité du Bois</i> " Origin and Legality of the Wood) was developed in 2004 by Eurocertifor (who later became part of Bureau Veritas Certification), a certification body based in Paris, France. The development of this standard was based on public opinion and on forest companies needs proving the legality of their activities and of wood supply, mainly in tropical areas. Eurocertifor developed its first standard based on its experience in Central Africa and its knowledge of forest field and legality requirements in this region. Since then the standard has been enriched by the certification body's experiences and network all around the world. It is therefore internationally applicable. More recently the standard has evolved in order to answer to international and national governance on timber procurement.
1.2 Is it operational? And where?	Yes, it is applicable worldwide and is currently operational in Gabon, Cameroon and CAR.
1.3 How many ha of forests have been verified against this standard? And where?	So far, 2,647,587 ha have been certified by OLB in Gabon, Cameroun and CAR.

Aspects	Findings
2. Governance structure	
<p>2.1 What is the governance structure of the scheme? Which interest groups are represented?</p>	<p>“Bureau Veritas registre international de classification de navires et d’aéronefs, hereafter 'Bureau Veritas' is a limited liability Company (Société anonyme) incorporated under the French law.</p> <p>Bureau Veritas Annual Shareholders' Meeting held in Paris on June 3, 2009 approved the change in the Company Corporate Governance moving from a dual structure with a Management Board and a Supervisory Board to a single one with a Board of Directors.</p> <p>Board of Directors:</p> <p>The Board of directors has ten members</p> <p>Specialised Board Committees:</p> <p>The Board has three specialised committees, namely an Audit and Risk Committee, a Strategic Committee and a Nomination and Compensation Committee.</p> <p>The Executive Committee:</p> <p>The Executive Committee, chaired by the Chairman and Chief Executive Officer, examines and approves questions and decisions relative to the Group’s strategy and general organisation. It adopts the policies and procedures set for general application for the Group as a whole. In addition, each of the three vertical businesses, as well as the Industry & Facilities division, has his own Executive Committee.”</p> <p><i>(Bureau Veritas Website)</i></p> <p>The OLB certification process is managed by Forest - Wood Department of Bureau Veritas Certification France. A certification Committee is constituted for the certifications issued by the Forest - Wood department.</p> <p>To preserve the impartiality of its activities BV Certification organize a Committee to:</p> <ul style="list-style-type: none"> a) help develop the operating principles of its certification activities; b) protect the decision’s integrity on granting, maintaining, renewal, extension, reduction, suspension or withdrawal of certification; c) counteract any tendency of a certification body to leave commercial considerations or others, prevent and provide objective consistent with the certification; d) advise on matters affecting confidence in certification, including public perception.
<p>2.2 Is the standard/legality definition endorsed by the government of the respective country (if a national standard is available)?</p>	<p>The standard is not endorsed by the governments of Gabon, CAR and Cameroon.</p>
<p>2.3 Is the governance and management of the verification system documented in clear procedures?</p>	<p>The Bureau Veritas Certification process follow is defined on our BMS (Business Management System). The BMS manage the process for every certification product sold by BV. The BMS is an internal system and is accessible only to BV staff (who are assigned a password).</p>

Aspects	Findings
<p>2.4 Does the scheme include a mechanism for handling complaints and disputes?</p>	<p>Section 9 of <i>Description of the OLB certification process for Forest Companies GP01 OLB FC - Version 1.0</i> and Section 8 of <i>Description of the OLB certification Chain of Custody process GP01 OLB CoC - Version 2.0</i> both describe the mechanisms in place for handling complaints and disputes and both have the following statement:</p> <p><i>“Nevertheless, if a conflict appears within the scope of a certification decision, Bureau Veritas Certification has set up disputes resolution procedures, enabling to deal with the latter with maximum independence and according to the following particularities:</i></p> <ul style="list-style-type: none"> • <i>Everything is implemented by Bureau Veritas Certification to solve the conflict in an amicable manner.</i> • <i>when the conflict concerns a certification decision, the certification Committee intervenes in the resolution.”</i> <p>More specifically regarding suspension of certificates:</p> <p><i>“The company which certificate has been suspended or withdrawn has one week delay to react on this decision.”</i></p>
<p>2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?</p>	<p>Yes, the FC (Forest Company) and CoC standard requirements reviews are done annually during the Bureau Veritas Forest-Wood Committee meeting.</p>
<p>3. Standard – definition of legality</p>	
<p>3.1 Legal right to harvest</p>	<p>Forest companies need to prove legal right to harvest as outlined in section 1 - <i>Compliance with the Law</i>:</p> <p><i>“1.2 - The company shall give proof that it complies with national laws, implementing regulations and other administrative requirements concerning forestry operations</i></p> <p><i>1.2.1 - The company shall give proof that the harvested forestry area is legally classified as exploitable*</i></p> <p><i>Note : an administrative classification under process can be accepted by the audit team, according to the local context and if the company brings relevant documentary evidence.</i></p> <p><i>1.2.2 - The company owns all the official and valid authorisations that are necessary for forestry operations in the assessed forest surface areas.”</i></p>

Aspects	Findings
<p>3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety</p>	<p>Yes. In Standards for Forestry Companies (RF03 OLB FC):</p> <p>Forest management:</p> <p><i>'1.2.3 The company shall develop and implement a planning document for forestry operations, or a forest management plan (when required by local regulation)*:</i></p> <ul style="list-style-type: none"> • <i>This document shall describe the planned cuttings and their location, the wood volumes to be removed, the minimum logging diameters MLD (when applicable) and the harvested species.</i> • <i>The document shall define an annual cutting plan that clearly describes the harvest areas and the forecasted volumes per cutting.</i> • <i>The standards for forest inventories are respected (when existing), and inventory works are approved by the competent authority, whenever possible</i> • <i>When a forest management plan is required by the local regulation, it shall be approved by the competent authority.</i> <p><i>1.2.5 The forest harvesting prescriptions, both regulatory and/or recommended in the forestry operations schedule or in the forest management plan, are respected (cutting plan, authorised volumes, minimum diameter, authorised species, harvesting method, marking method, use of compulsory statement and monitoring documents and so on)*</i></p> <p>Environment:</p> <p><i>'1.4 - The company shall give proof that it complies with national laws, implementing regulations and other administrative requirements concerning environmental aspects</i></p> <p><i>1.4.1 - The company has carried out an environmental impact study according to the scale and the intensity of the forest operations and management and according to the sensitivity of the environment. The company has drawn conclusions from its results in an operational programme.</i></p> <p><i>1.4.2 - The company respects all the regulatory environmental requirements concerning mostly water, air, land, biodiversity, energy, noise, and waste when applicable.</i></p> <p><i>1.4.3 - The company respects the harvesting and civil engineering methods that are recommended or required by the national regulation in force or, if not, by the sub-regional standards.</i></p> <p><i>1.4.4 - The companies owning classified installations respect the regulatory environmental requirements.</i></p> <p><i>1.4.5 - The companies owning installation(s) massively using chemical, toxic or dangerous products are submitted to specific measures that limit the environmental risks.</i></p> <p><i>1.4.6 - The hydrocarbons used during forestry operations, as well as the generated waste (including domestic waste from life bases) are managed appropriately.</i></p> <p><i>1.4.7 - The measures and recommendations related to the environment appearing in the approved forest management plan and in the impact study are implemented.'</i></p>

Aspects	Findings
	<p>Labour and welfare:</p> <p><i>'1.3 - The company shall give proof that it complies with national laws, implementing regulations and other administrative requirements concerning social aspects</i></p> <p><i>Requirements concerning workers:</i></p> <p><i>1.3.1 - The company complies with the essential laws and regulations relative to employment and work, including the following requirements:</i></p> <ul style="list-style-type: none"> <i>• Hired workers receive formalized documents complying with the regulation as it stands that prove their link with the company with regard to the work carried out.</i> <i>• Workers are declared and receive the agreed payment (respecting the minimum wage in force)</i> <i>• Members of staff shall be free to organise and negotiate their hiring according to conventions 87 and 98 of the International Labour Organisation</i> <i>• The legal hiring age is respected</i> <i>• Working hours and schedules are respected, and overtime is paid when the case arises.</i> <i>• Workers' representatives are elected in accordance with the regulation in force</i> <p><i>- Internal rules are developed and communicated to workers</i></p> <p><i>- The redundancy or layoffs procedures respect the applicable regulation'</i></p> <p>Health and safety:</p> <p><i>'1.3.2 - There is company's policy for health and safety at work that complies with the legal and regulatory requirements and that was developed in clear cooperation with workers.</i></p> <ul style="list-style-type: none"> <i>• The legal medical examinations are made (initial employment and annually)</i> <i>• Appropriate individual protection equipment is made available to all workers and external contributors</i> <p><i>Note : the definition of the individual protection equipment must be based on a risk analysis for each position.</i></p> <ul style="list-style-type: none"> <i>• The company has the means allowing evacuation and taking in charge of workers who suffer an industrial accident, regardless of their contract type</i> <i>• Emergency and dangerous situations are identified. Preventive and emergency measures are developed and communicated to workers</i> <i>• There is a Health and Safety at Work Committee (functional) within the company (when required by the local regulation)</i> <p><i>1.3.3 - Workers of isolated forestry sites benefit from decent living conditions (that comply with the regulation in force, if there is one):</i></p> <ul style="list-style-type: none"> <i>• Workers and their family benefit from facilities for their supply in vital goods and drinkable water</i> <i>• The life bases where workers and their family are accommodated are satisfactory as regard sustainability, salubrity and hygiene conditions.'</i>

Aspects	Findings
3.3 Compliance with legislation related to relevant taxes and royalties	<p>Yes. Forest companies need to comply with legislation related to relevant taxes and royalties as outlined in section 1 - <i>Compliance with the Law</i>: <i>“1.1.3 - The company shall have dully paid all its taxes, rights or other applicable fees required by law” (RF03 OLB FC)</i></p>
3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights	<p>Yes. Forest companies need to respect tenure and use rights to land and resources as outlined in section 1.3: <i>“The company shall give proof that it complies with national laws, implementing regulations and other administrative requirements concerning social aspects:”</i> <i>“Requirements concerning the communities impacted by forestry activities:</i> <i>1.3.5 - Appropriate devices shall be used to try and solve the conflicts relative to land rights (property) and forest rights.</i></p> <ul style="list-style-type: none"> • <i>All the local communities having land rights on the forest concession are identified.</i> • <i>The land rights (property) and forest rights of the communities concerned by the assessed surface areas are identified and respected.</i> • <i>The significant conflicts are observed in an objective and independent way by the company, which deals with them explicitly and records them.” (RF03 OLB FC)</i>
3.5 Compliance with requirements for trade and export procedures	<p>Yes. In the standard for forest companies (RF03 OLB FC): <i>“1.1.2 - The company fulfils the requirements of the activity sector(s) it exercises in (for instance: collective labour conventions or trade union, if they exist)”</i> In the standard for chain of custody (RF03 OLB CdC): <i>“4.2 - Requirements relating to the legality of the company</i> <i>The company shall be legally constituted according to the local regulation in force, while complying with the requirements of the activity sector(s) it exercises in. It shall be up-to-date of its tax liability.</i> <i>4.2.2 - The company fulfils the requirements of the activity sector(s) it exercises in (if there are any, defined in collective labour conventions or by a trade union, for instance).”</i></p>
3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD	<p>Yes, Forest companies need to comply with the CBD, CITES, ILO and ITTA. <i>“1.5 - The requirements from international treaties such as CITES, ILO or ITTA conventions and the convention on biological biodiversity shall be respected.</i> <i>1.5.1 - The company respects the regulations on the protected species listed by CITES which are present in the assessed forest surface areas.</i></p> <ul style="list-style-type: none"> • <i>The protected species that are listed by CITES are identified</i> • <i>Protected species are not harvested</i> • <i>The harvesting and management methods of the species listed by CITES comply with the established protocols</i> <p><i>1.5.2 - The company respects the conventions and international treaties signed by its country” (RF03 OLB FC)</i></p>

Aspects	Findings
4. Standard development process	
4.1 Who developed the standard? Did the development process include a multi-stakeholder participation?	Eurocertifor (now Bureau Veritas) developed the standard. It did not involve multi-stakeholder participation.
4.2 What is the decision making process?	<p>The standard is revised once a year (in August because it is the memento-peak) depending on the various comments received during the year by the auditors BV, from clients and the international bodies (Keurhout, CPET, etc).</p> <p>The FC (Forest Company) and CoC standard requirements review is done annually during Bureau Veritas Forest-Wood Committee.</p> <p>Whole new OLB standards versions are submitted to the BV Forest-Wood Committee.</p>
4.3 Did the development process follow an agreed protocol?	The Bureau Veritas Certification process is defined on BV BMS (Business Management System). The BMS manage the process for every certification product sold by BV. The BMS is an internal system and is accessible only to BV staff (who are assigned a password).
4.4 Is it a generic standard? Has a local/regional standard been developed?	OLB is a generic standard and no local/regional standard has been developed.
4.5 What are the procedures for adaptation of a local/regional standard?	This is an international standard
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	<p>Yes. In the CoC Standard (RF03 OLB CdC):</p> <p><i>“E – General principle of timber traceability</i></p> <p><i>Those standards were developed for the control of timber origin and traceability from the forest to the first processing.</i></p> <p><i>Technically, wood traceability will have to be carried out through the identification of each log and then sawlog, while maintaining the correspondence between log and sawlog references.</i></p> <p><i>Then if the activity of the forestry company includes the industrial processing of logs and products’ processing, the company shall fulfil the requirements of OLB Chain of Custody standards (RF03 OLB CdC).”</i></p>

Aspects	Findings
<p>5.2 Does it allow mixing of non-verifiable raw materials?</p>	<p>Partial. CoC Standard (RF03 OLB CdC):</p> <p><i>'Segregation</i></p> <p><i>2.2.4 The stocks of certified supplies are segregated from the stocks of uncertified supplies.</i></p> <p><i>2.2.5 Ongoing production using certified raw material is segregated from other ongoing production, in either space or time</i></p> <p><i>2.2.6 Certified finished products are stocked separately from other finished products.'</i></p> <p><i>'2.3 - Credit system</i></p> <p><i>Purchase of material which is not OLB-certified</i></p> <p><i>2.3.1 - When purchasing uncertified timber to be integrated to OLB production, the company shall purchase acceptable timber.</i></p> <p><i>2.3.2 - Acceptable timbers shall either:</i></p> <ul style="list-style-type: none"> <i>- Be covered by the « suppliers' assessment program »: see appendix 1</i> <i>- Be covered by one of the verification programs recognized by OLB</i> <p><i>2.3.3 - The company shall implement a system for the tracking of purchased timbers that cannot be classified as "acceptable", so as to ensure it is not mixed with acceptable timbers or OLB timbers.'</i></p> <p>Acceptable timber comes from Keurhout Legality and/or Sustainability, FSC, PEFC, SFI, CSA, MTCC (Programmes schemes/ certification accepted by OLB, 18 August 2009)</p> <p>Keurhout admits all FSC and PEFC certificates to the Keurhout-Sustainable system. Keurhout recognises FSC Controlled Wood as Verified Legal Timber.</p> <p>However, the suppliers' assessment programme is not robust as it is not assessed independently by certification bodies.</p> <p>Appendix 1: Suppliers' Assessment Program, CoC Standard (RF03 OLB CdC):</p> <p><i>'A. Definition of the Suppliers' Assessment Program</i></p> <p><i>The company shall define a process for the regular assessment auditing of uncertified timber suppliers based on the following requirements:</i></p> <ul style="list-style-type: none"> <i>• suppliers shall be audited on site at least once a year;</i> <i>• the audits are carried out by employees who are competent in the assessed area and aware of audit techniques;</i> <i>• checklist(s) shall be defined, based on the relevant and adapted requirements from this appendix;</i> <i>• the company shall identify and store the records that prove the compliance of assessed supplies with this appendix;</i> <i>• the company issues and stores the minutes of those assessment</i>

Aspects	Findings
<p>5.2 Does it allow mixing of non-verifiable raw materials?</p>	<p><i>B. Suppliers' Requirements to be verified</i></p> <p><i>The company must verify the following requirements at its suppliers:</i></p> <ul style="list-style-type: none"> • <i>The supplier shall be a legally established forestry company;</i> • <i>The supplier honours its tax liabilities as forestry company;</i> • <i>The supplier shall give proof that the harvested forest area is legally classified as exploitable, and that it received the necessary authorisations to carry out forestry activities;</i> • <i>The supplier shall develop and implement a planning document for its forestry operations, or a forest management plan (when required by local regulation);</i> • <i>When a forest management plan is required by the local regulation, it shall be approved by the competent authority;</i> • <i>Harvesting prescriptions are respected. This applies to prescriptions from the planning document for forestry operations or the forest management plan approved by the authorities, (volumes, diameter, species, CITES, marking, use of compulsory tracking slips and so on);</i> • <i>The boundaries of the harvested surface area are materialized;</i> • <i>The supplier shall give proof that the assessed timbers were indeed harvested in the forest that is legally exploitable.'</i>
<p>5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?</p>	<p>In GP01 OLB FC:</p> <p><i>"8.4 List of information and documents to be made public:</i></p> <p><i>Within the scope of certification, certain elements must be made public. That requirement applies as soon as the forest entity receives a certificate:</i></p> <ul style="list-style-type: none"> • <i>name and address of the forest entity;</i> • <i>certificate number;</i> • <i>last name and first name of the person to be contacted within the scope of the certification;</i> • <i>the OLB public summary: which is a summary of the report with non-confidential elements."</i>

Aspects	Findings
<p>5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?</p>	<p>Yes. Certified companies are allowed on and off-products claims using OLB or OLB/BV trademarks as long as they follow a series of rules defined under section 13 Scope of GP01 OLB CoC.</p> <p><i>“OLB trademark use right is exclusively conferred to certified bodies having received an OLB certificate. The use right is time limited to the certificate period of validity. It is automatically removed in case of certificate suspension or withdrawal. It is cancelled in case of client liquidation and cannot be given up to a third party. In case of certificate withdrawal, the client will have to, at its own expense, remove OLB trademarks to any material previously used.” (From SF05 part 2 OLB)</i></p> <p><i>“Whenever certified organisations use the OLB/OLB+ trademark, that use should comply with the following requirements:</i></p> <ul style="list-style-type: none"> • <i>Use the OLB/OLB+ and Bureau Veritas Certification trademarks as required in the following paragraph (Trademark usage authorisations).</i> • <i>Prior to any OLB/OLB+ trademark use or any reference to certification, a use project shall be submitted to Bureau Veritas Certification for approval.</i> • <i>Any OLB product invoice shall include the nature, quantity (volume or other unit) and OLB product type (in the product description) of the OLB products, as well as the certificate reference and its validity period.</i> • <i>Bureau Veritas Certification shall receive at least once a year the updated and exhaustive list of goods sold under the OLB trademark. This list shall detail the nature, quantities and consignees of those products.</i> • <i>Note that the OLB+ certification is designed solely for organisations’ promotional purposes and does not apply to product labelling.” (From GP01 OLB CoC – 13.1 Trademark usage requirements)</i>
<p>5.5 What control mechanism is in place for making claim of the products?</p>	<p>A control mechanism is defined in GP01 OLB CoC section 14 Trademark monitoring:</p> <p><i>“Organisations Bureau Veritas Certification is in charge of supervising the OLB/OLB+ usage terms at the organisations it awards certification. However, this mission is delegated to the OLB/OLB+ trademark steering committee, which can also carry out surveillance.</i></p> <p><i>Overall, trademark usage control is carried at two levels:</i></p> <ul style="list-style-type: none"> • <i>The first level corresponds to a systematic control prior to the trademark use, when use projects are submitted to Bureau Veritas Certification for approval.</i> • <i>The second level corresponds to a continuous control, which is not systematic.</i> <p><i>OLB/OLB+ trademark misuses can be reported to Bureau Veritas Certification at the time of:</i></p> <ul style="list-style-type: none"> • <i>Control visits, surveillance audits or unexpected control visits carried out by Bureau Veritas Certification auditors, or</i> • <i>Conflicts (complaints or protests) arising from one of the certification stakeholders, or</i> • <i>Denunciations, be they written or oral, from a third party.</i> <p><i>Whenever auditors observe a misuse, it is mentioned in the report submitted to the OLB Programme manager.”</i></p>

Aspects	Findings
6. Verification	
6.1 Who carries out verification of forest source and CoC?	Bureau Veritas auditors.
6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?	BV is accredited to carry out FSC forest management and CoC certification, though there is no accreditation of OLB standard.
6.3 Are there documented requirements for the qualifications of auditors?	<p>Yes.</p> <p><i>“Bureau Veritas Certification only calls on Forest-Wood industry specialists, in order to favour the following points:</i></p> <ul style="list-style-type: none"> • <i>Independence</i> • <i>Mastering of forest management techniques and processes</i> • <i>Knowledge of the industry.</i> • <i>Besides, to be described as Bureau Veritas Certification auditors, these specialists must:</i> • <i>prove a technical competence and a professional experience in the forestry field;</i> • <i>have followed a specific training for auditing and the OLB system standard;</i> • <i>have validated that training by having achieved at least three audits.</i> <p><i>Finally, Bureau Veritas Certification specialized auditors are appointed for certification audits realization according to the three following criteria:</i></p> <ul style="list-style-type: none"> • <i>Competence in the type of forests concerned by certification</i> • <i>Nearness to the location of the forest entity.</i> • <i>Availability on the certification dates wished by the applicant.</i> <p><i>Bureau Veritas Certification auditors favour a pragmatic and practical approach. Prior to any other thing, they assess the OLB system put in place in the company as a tool allowing the applicant entity to master its activities and to improve them.”</i></p>
6.4 Do verification audits include review of documentation and system, and assessment in the forest?	<p>Yes.</p> <p><i>“5.2.2 - The audit’s proceeding</i></p> <ul style="list-style-type: none"> • <i>Visit the applicant’s offices:</i> <p><i>There the audit team carries out an assessment of the company’s system for planning, forest management, human resources’ management, documentation records and surveillance setting up as described in a management scheme. It also collects detailed and precise information on sites, exploited species and volumes as well as on the exploitation managers, wood stocking and transport managers (loggers, contractors, haulage contractors and other participants).</i></p> <ul style="list-style-type: none"> • <i>Visit the forests and meet the sites managers (workers, markers, forest wardens, woodmen, skidders, subcontractors, and so on).” (GP01 OLB FC - 1.0 version)</i>

Aspects	Findings
6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?	<p>Yes, OLB audits of forest management include a stakeholder consultation:</p> <p><i>“5.2.2 - The audit’s proceeding</i> <i>The audit team work begins by a review of the Applicant’s documentation, then by field inspections and interviews of employees, outside contributors, and stakeholders’ representatives.”</i> (GP01 OLB FC - 1.0 version)</p> <p>The notice is only given to the stakeholders that can give relevant information. If necessary BV is available to implement this process to a public notice.</p>
6.6 Is the summary report of an audit of the legality verification system publicly available?	<p>Yes.</p> <p><i>“8.4 - List of information and documents to be made public</i> <i>Within the scope of certification, certain elements must be made public. That requirement applies as soon as the forest entity receives a certificate:</i></p> <ul style="list-style-type: none"> • <i>name and address of the forest entity;</i> • <i>certificate number;</i> • <i>last name and first name of the person to be contacted within the scope of the certification;</i> • <i>the OLB public summary: which is a summary of the report with no-confidential elements.”</i>
6.7 What is the frequency of the surveillance audit?	<p>OLB carries out regular audits (surveillance audits annually) as well as unforeseen audits: <i>“Surveillance audits will take place at least annually but may be more frequent depending on the complexity and evolution of the certificate holder conformity and on the deadline of nonconformities resolution. Note that, besides annually planned surveillance audit, Bureau Veritas Certification may carry out unforeseen monitoring in the offices or on field of the certified organization or follow-up audit in order to close non-conformities in due time.”</i> (from GP01 OLB FC and GP01 OLB CoC)</p>
6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?	<p>Yes. Minor CARs need to be resolved before the following surveillance audit (1 year) and Major CARs need to be resolved within 3 months maximum.</p>
6.9 How long does a certificate/licence, statement last?	<p><i>“When the certification decision is favourable and the applicant accepts the recommendations and possible corrective action requests, the certification is granted for maximum five years.”</i> (from both GP01 OLB FC and GP01 OLB CoC under ‘Certificate granting’)</p>

Aspects	Findings
<p>6.10 Does the scheme include rules for termination of the certificate/licence/statement?</p>	<p>Yes. Under ‘Certificate Suspension/Withdrawal’ section in both GP01 OLB FC and GP01 OLB CoC:</p> <p><i>“Suspension or withdrawal of the certificate</i></p> <p><i>A certified organization practice or non-completion of a corrective action, leading to one or several nonconformities to the requirements defined within the OLB standard can be brought to Bureau Veritas Certification’s knowledge.</i></p> <p><i>During a conflict or after denunciation of non-conformity, Bureau Veritas Certification makes sure of the truthfulness of the collected information and reports to the Certification committee. In all cases, Corrective Action Requests are expressed if necessary. The Certification committee then makes a decision depending on the importance of the non-conformity, which is judged in the following manner:</i></p> <ul style="list-style-type: none"> <i>• If the non-conformity is due to an involuntary action, it justifies a conditional maintaining of the certificate. The certificate is maintained subject to the carrying out of the corrective action(s) requested by the Certification committee, within a period of time that it defines.</i> <i>• If the non-conformity is due to a deliberate action, it justifies, depending on the seriousness of the facts, a temporary suspension or a definitive withdrawal of the certificate.</i> <p><i>In case of serious and indisputable failure to comply with the requirements of the standard or the label conditions of use, Bureau Veritas Certification remains authorized to suspend the certificate, temporarily and without consulting the Certification committee. The company which certificate has been suspended or withdrawn has one week delay to react on this decision.</i></p> <p><i>In order to remove a suspension of certificate, a complementary audit (documentary or on field) should take place in order to check the implementation of the corrective action(s) requested. If the implementation is effective and after the analysis of an audit report, the OLB manager will decide to grant again the certificate. In case the requested corrective action(s) is (are) not carried out, the certificate is then withdrawn.</i></p> <p><i>Suspension of a certificate cannot last more than two years for forest management certificates and 1 year for CoC.</i></p> <p><i>In case of suspension or withdrawal of the certificate, the entity shall cease to make any use of any OLB trademarks, or to sell any products that the supplier has previously labelled or marked using the OLB trademarks, or to make any claims that imply that they comply with the OLB requirements and shall remove all OLB trademark uses within 12 months after certificate termination at its own expense and inform the Bureau Veritas Certification when it is done.”</i></p>

Aspects	Findings
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	BV is accredited to carry out FSC forest management and CoC certification. However, there is no accreditation for legality standard.
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	No.
8. Other aspects	
8.1 Are there any requirements/ timetable for verified operations to progress towards certification?	No
8.2 Does the scheme have information on the current (estimated) volumes traded?	Not at the moment
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	Not at the moment. OLB only certifies natural forests.

Review of SCS LegalHarvest™ Verification Program

Source documents:

- SCS LegalHarvest Verification (LHV) Chain of Custody Standard, Version 1.0, 19 July 2010
- SCS LegalHarvest Verification (LHV) Standard for the Assessment of Forests, Version 1.0, 19 July 2010
- CORPORATE COMPLAINT, APPEAL AND DISPUTE INVESTIGATION PROCEDURE: http://www.scs-certified.com/docs/SCS_PRO05_ComplaintsAppealsDisputes_V3-1_061209.pdf
- Website of SCS: www.scs-certified.com
- Internal document: Forest Conservation Program LegalHarvest Verification Program Quality Manual
- Internal document: Forest Conservation Program LegalHarvest Verification Auditor Manual

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiates and manages it?	The standard for the assessment of the legality of forests and timber products went through a second consultation phase in March 2010. The latest version is 19 July 2010. The verification program was developed and continues to be managed by Scientific Certification Systems (SCS), based in California, USA.
1.2 Is it operational? And where?	Not yet operational. The standard has been designed to demonstrate conformity to a set of generic legal principles that can be adapted to any country's laws.
1.3 How many ha of forests have been verified against this standard? And where?	Not yet operational. Several pilots are underway in Asia and South America
2. Governance structure	
2.1 What is the governance structure of the scheme? Which interest groups are represented?	SCS is a private sector certification body. SCS has a Board of Directors which operates in accordance with corporate Bylaws. SCS Board of Directors The SCS Board of Directors is defined in Article 3 of the Company Bylaws. The Board currently consists of three people: Stanley Rhodes (president), Linda Brown (secretary) and Jim Knutzon (treasurer). The Board meets quarterly to review corporate matters.
2.2 Is the standard/legality definition endorsed by the government of the respective country (if a national standard is available)?	No, this is not a standard requirement.
2.3 Is the governance and management of the verification system documented in clear procedures?	Governance structures, policies and procedures for the LegalHarvest Program are documented in the "LHV Program Quality Manual" and also in corporate level Quality System documentation.

Aspects	Findings
2.4 Does the scheme include a mechanism for handling complaints and disputes?	<p>Yes, there is a “Corporate complaint, appeal and dispute investigation procedure”, publicly available on the website.</p> <p>Section 2.1: <i>‘The SCS Corporate Complaint, Appeal and Dispute Investigation Procedure is available to SCS certificate holders, verification/validation statement recipients, applicants, and third-party individuals or organizations who perceive a stake in the affairs of SCS and who have reason to question either the actions of SCS itself or the actions of an SCS certificate holder in regards to conformance with accreditation or program requirements. The procedure is applicable to any formal decision rendered under an SCS Program (e.g., award or denial of certification, withdrawal or suspension of certification) or actions taken by a certificate holder or verification/validation statement recipient, where such actions are believed to conflict with the terms and/or conditions of certification, verification or validation.’</i></p>
2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?	<p>Procedures for updating and reviewing the LHV scheme are described in the Program Quality Manual under Section 6: “Review and Updates to the Verification Requirements.” The Program Quality Manual also references SCS corporate level procedure 42: SCS Standards Development and Modification Procedure, which states: <i>“SCS-sponsored standards shall be reviewed on a periodic basis for continued relevance and effectiveness in meeting their stated objectives and, if necessary, revised in a timely manner. A review of each standard shall occur one year after its inception and then, at least once every five years thereafter.”</i></p>
3. Standard – definition of legality	
3.1 Legal right to harvest	<p>2.1.3 <i>The FME shall hold a legal harvesting document (permit or license) issued in concurrence with the laws and regulations governing forest management and harvesting of forest resources.</i></p> <p>C2.2 The FME shall demonstrate that its approvals (e.g., permits, licenses and transportation/export documents) for forestry and other related operations were properly obtained, contain accurate information, and are maintained and up to date.</p> <p>LHV Standard for the Assessment of Forests p 6</p>
3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety	<p>C4.2 <i>The FME shall demonstrate compliance with national laws and legally binding codes of practice relating to forest management and harvesting operations.</i></p> <p>LHV Standard for the Assessment of Forests p 7</p> <p>Indicators under C4.2 refer to FMP, harvesting plan and AAC approval.</p> <p>C4.3 <i>The FME shall provide evidence of compliance with any required laws regulating the environmental or social impacts of timber harvesting.</i></p> <p>Labour and welfare, health and safety are not specifically mentioned.</p>
3.3 Compliance with legislation related to relevant taxes and royalties	<p>C3.1 <i>All applicable and legally approved taxes, fees, royalties, or other charges shall be paid within the prescribed time period.</i></p> <p>LHV Standard for the Assessment of Forests p 6</p>

Aspects	Findings
<p>3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights</p>	<p>C2.1 <i>The FME shall have legal access and harvesting rights to the forest management unit according to national legislation and regulations.</i></p> <p>Indicator 2.1.1 <i>The FME shall provide a map (or maps) of the forest management area at a scale to permit identification of proposed harvest areas; relevant information such as ownership, customary rights and legal restrictions shall be clearly indicated.</i></p> <p>Indicator 2.1.2 <i>The FME shall have a legal title or documented authorization from the resource owner (including persons with customary resources rights where legally recognized) to the lands on which it operates and to the timber resource.</i></p> <p>LHV Standard for the Assessment of Forests p 5&6</p>
<p>3.5 Compliance with requirements for trade and export procedures</p>	<p>C4.5 <i>The FME shall employ an identification system for trees, stumps and logs and comply with all applicable timber transport and export regulations.</i></p> <p>LHV Standard for the Assessment of Forests, p.9.</p> <p>C1.5 <i>The entity shall keep an up-to-date register of all applicable business registration, tax, transport, and export laws and maintain records of their compliance.</i></p> <p>C4.4 <i>For each product, the entity shall maintain all applicable records demonstrating the legal sale, transport and/or export of each wood-based component.</i></p> <p>LHV Chain of Custody Standard, p.6 and 7.</p>
<p>3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD, CITES</p>	<p>Indicator 2.1.5 <i>If the country in which the FME operates is a signatory to The Convention on International Trade in Endangered Species (CITES), permission to harvest a CITES-listed species shall be documented.</i></p> <p>LHV Standard for the Assessment of Forests, p.6.</p> <p>C4.4 <i>For each product, the entity shall maintain all applicable records demonstrating the legal sale, transport and/or export of each wood-based component.</i></p> <p>LHV Chain of custody Standard, p.7.</p>
<p>4. Standard development process</p>	
<p>4.1 Who developed the standard? Did the development process include a multi-stakeholder participation?</p>	<p><i>This Standard was developed in compliance with the ISEAL standard-setting code. For instance, all stakeholder comments will be accepted during predetermined consultation periods listed at the top of this document.</i></p> <p>LHV Program Overview p3</p> <p>Excerpt from “SCS Standards Development and Modification Procedure”: <i>“SCS shall ensure that participation in developing new standards and guidelines reflects a balance of interests among interested parties in the subject matter and in the geographic scope to which the standard applies. Participants in the standard-setting process should have expertise relevant to the subject matter of the standard and/or be materially affected by the standard. Interested parties shall be provided with meaningful opportunities to contribute to the elaboration of a standard. SCS shall identify parties that will be directly affected by the standard and proactively seek their contributions. Impartiality shall be accorded throughout the development or modification process, so that no single interest predominates. SCS shall include a balance of interests in the structures that are responsible for developing and approving new standards.”</i></p>

Aspects	Findings
4.2 What is the decision making process?	<p>Not publicly available.</p> <p>A committee of staff will convene to finalize SCS-sponsored standards or guidelines. Endorsement of any standard shall be based on evidence of consensus, but does not require unanimity as the final approval to proceed with any new standard or guideline resides with the Executive Team.</p>
4.3 Did the development process follow an agreed protocol?	<p>Each standard under development by SCS will be posted to the website for review and comment for a minimum of 60 days. (Under exceptional circumstances, the review period may be reduced to 30 days). In addition, SCS will seek out experts, clients and other key stakeholders for comment to assure a balancing of perspectives. After incorporating feedback and completing an internal review, SCS will make available, upon request, updated versions with a summary of our response(s) to stakeholder comments. (website)</p>
4.4 Is it a generic standard? Has a local/regional standard been developed?	<p>Generic standard. Specific country adapted standards are developed as needed. Adapted standards are currently being developed for Paraguay, Russian Far East and China.</p>
4.5 What are the procedures for adaptation of local/regional standard?	<p><i>Prior to conducting an initial assessment in a specific country, SCS identifies and consults with local stakeholders for a period of at least 30 days for the purpose of cross-referencing this generic standard with local laws and regulations, and identifying the relevant indicators for the assessment. If a country has already undergone an extensive and open process of stakeholder consultation and has clearly identified local indicators from which to assess an entity's legal right to harvest, SCS reserves the right to use this work to adapt or wholly replace the SCS LHV Standard. Any adaptation or variation of the SCS LHV Standard through the use of additional appendices or local legality standards shall not reduce its rigorosity directly or indirectly. Additionally, if through the process of stakeholder outreach it is determined that there are legal conflicts which cannot be resolved or that high levels of corruption and a lack of credible licensing and enforcement makes the validation of documents impossible, SCS reserves the right to not offer services in the region.</i></p> <p>LHV Standard for the Assessment of Forests p1</p>
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	<p>The SCS LegalHarvest™ Verification Program includes a separate CoC standard for forest product manufacturers, in addition to COC stump to gate requirements in the Standard for the Assessment of Forests LHV-COC p7</p>
5.2 Does it allow mixing of non-verifiable raw materials?	<p>P3 <i>The entity shall employ a secure system of physical separation for all verified products to be sold as SCS LegalHarvest Verified (LHV).</i></p> <p>LHV-CoC standard, p7.</p>
5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?	<p>A Verification Statement is issued and off-product promotional claims can be made but must be reviewed by SCS prior to use. No on-product labels for promotion are permitted under the LHV program. A unique verification code, linked to the verification statement, can be used for off-product promotion. The verification code only may be used on a product or its packaging to facilitate tracking</p> <p>LHV COC Standard, Appendix 1</p>

Aspects	Findings
<p>5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?</p>	<p>No on-product labels for promotion are permitted under the LHV program. A unique verification code, linked to the verification statement, can be used for off-product promotion. The verification code only may be used on a product or its packaging to facilitate tracking</p> <p>LHV COC Standard, Appendix 1</p> <p>Appendix 1: Communication of SCS Legality Claims and Off-Product Promotion</p> <p><i>'Participation within or verification under the SCS LegalHarvest Verification Program allows companies to make off-product legality claims according to this Appendix. On product claims or labeling in reference to Legal Harvest or Legal Origin is strictly prohibited except for the use of a participant's unique verification code to link a product or invoice to a participant's verified products.'</i></p>
<p>5.5 What control mechanism is in place for making claims of the products?</p>	<p>SCS Licensing Agreement</p> <p>LHV Program, Appendix 1</p> <p>A. General promotion of the LegalHarvest™ Verification Program</p> <p><i>'Promotional claims in advertisements, brochures, media releases, websites and other general promotional outlets regarding the entity's participation in the SCS LegalHarvest Program shall:</i></p> <p><i>a. Not mislead the public that the program provides any guarantees of legality. Instead it can be conveyed that participation demonstrates a systematic approach towards significantly lowering the risk of trading in illegally harvested timber products.</i></p> <p><i>b. Always include the entity's unique verification code, which will be provided by SCS upon acceptance into the program.</i></p> <p><i>c. Adhere to the SCS Licensing Agreement when making any claim associated with the SCS name or trademarks.</i></p> <p><i>d. Receive prior approval from SCS before printing or posting promotional material with SCS trademarked (SCS and LegalHarvest) names and logos by submitting a proof or example of the claim or statement to SCS and maintaining a record of the approval.'</i></p>
<p>6. Verification</p>	
<p>6.1 Who carries out verification of forest source and CoC?</p>	<p>SCS auditors or contract auditors</p>
<p>6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?</p>	<p>SCS is accredited by FSC and notified by PEFC but offers PEFC and SFI CoC only as an add-on to FSC FM or CoC certification. There is, however, no accreditation for voluntary legality verification systems.</p>

Aspects	Findings
<p>6.3 Are there documented requirements for the qualifications of auditors?</p>	<p>Auditor qualifications are included in the LegalHarvest Verification Program Quality Manual.”</p> <p>“(5.5) <i>Lead Auditors are qualified experts that conduct field audit(s). Auditors may be employees or subcontractors. The Auditor must be competent and meet the provisions as stated in the SCS Quality Manual and Procedures. SCS Lead Auditors are required to possess the following credentials:</i></p> <ul style="list-style-type: none"> • <i>Minimum B.S./B.A. or equivalent degree;</i> • <i>Experience in forestry with a strong preference for individuals with experience in primary</i> • <i>and secondary wood manufacturing, and/or knowledge of regional forestry laws and</i> • <i>regulations;</i> • <i>Experience writing/auditing Quality or Environmental Management Systems (e.g. ISO 9001 or ISO 14001);</i> • <i>Excellent written and oral communication skills;</i> • <i>Basic mathematical and accounting competency;</i> • <i>Ability to decipher complex Standards and provide clear and concise guidance to Clients;</i> • <i>High attention to detail;</i> • <i>Interest in environmental issues, sustainable forestry, and resource conservation;</i> • <i>Ability to travel;</i> <p><i>English proficiency (spoken and written) strongly preferred. (5.6) Lead Auditors must be trained in the principles and criteria of ISO Guide 65 and the LegalHarvest Verification Standards. Auditors also receive an Auditor Manual, which outlines the requirements for conducting an audit in accordance with ISO 19011.</i></p> <p><i>(5.7) Audit team members are one of three individuals:</i></p> <ul style="list-style-type: none"> • <i>Trainee – SCS employees or subcontractors in the process of being trained to lead field audits;</i> • <i>Witness auditor – an SCS employee or member of a third party accreditation body who is evaluating the performance of the lead auditor for quality control purposes;</i> <p><i>Technical/regional expert – someone with specific knowledge and experience in local laws or regulations pertaining to forestry, timber harvests or timber product manufacturing, or possessing local language skills. Technical experts are used when the complexity of the audit requires more than one auditor, or when the nature of the audit is such that specific local experience or language skills are needed. (5.8) For maintenance and improvement of competence, SCS requires that Auditors shall pursue ongoing personal and professional development in the following areas:</i></p>

Aspects	Findings
	<ul style="list-style-type: none"> • <i>Forest management science and technology;</i> • <i>Sustainable forest management systems and Verification programs and Standards;</i> • <i>Understanding and interpretation of federal, state and provincial forestry and environmental laws and codes of practice; and</i> • <i>Verification procedures, processes and techniques, especially as they pertain to the LHV Standards.</i> <p><i>(5.9) Auditors are provided with a training log to maintain their continued education efforts. This log is reviewed by the Program Manager on an annual basis as a component of annual performance reviews (see Corporate Recruitment, Training and Competence Monitoring Procedure).</i></p> <p><i>(5.10) Auditors are provided with ongoing training, including but not limited to the following methods:</i></p> <ul style="list-style-type: none"> • <i>Review and feedback to all auditors on surveillance and full assessment reports,</i> • <i>Dissemination and review of Auditor Guidance Memos and updated Auditor Manuals,</i> • <i>Auditor Training Workshops and/or Webinars, and</i> • <i>Witness and training audits by SCS staff lead auditors.”</i>
<p>6.4 Do verification audits include review of documentation and systems, and assessment in the forest?</p>	<p>Procedures for audits are contained in an internal document entitled, “Forest Conservation Program LegalHarvest Verification Auditor Manual”</p> <p>“<i>Evaluation of the Forest Management Unit (FMU)</i></p> <p><i>The following tasks must be performed for every FMU that is evaluated for certification. If the certificate to be awarded is a multiple FMU or group certificate, see SOP Group Certificates for the sampling mechanism to determine how many FMU’s are to be evaluated.</i></p> <p>2.2.1 Document Review of FMU</p> <p><i>The auditors must identify and assess management documentation and a sufficient variety and number of records at each FMU selected for evaluation in order to make direct, factual observations to verify compliance with all the indicators of the applicable standard. Examples of such documentation and records are listed in Appendix 1.</i></p> <p>2.3.2 FMU Site Evaluation</p> <p>The auditors must visit a sufficient variety and number of sites within each FMU selected for evaluation as to make direct, factual observations as to compliance with all the indicators of the applicable Standard. The auditors should select sites for inspection based on an evaluation of the critical points of risk in the management system. Examples of sites that may be assessed are listed in Appendix 4.</p> <p>2.3.3 Stakeholder Consultation</p> <p><i>The auditors must interview a sufficient variety and number of people affected by or involved in the forest management of each FMU as to make direct, factual observations as to compliance with all the indicators of the applicable Forest Stewardship Standard. Refer to SOP Stakeholder Consultation for guidance on this topic.’</i></p>

Aspects	Findings
<p>6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?</p>	<p>Stakeholders are engaged during the country-level standard adaptation process. SCS is not currently issuing public notice of planned assessments. Stakeholders such as regulatory authorities and local NGOs may be contacted to determine the validity of documentation and on-the-ground compliance.</p> <p>Also see excerpt above.</p>
<p>6.6 Is the summary report of an audit of the legality verification system publicly available?</p>	<p>General summary reports will be made publicly available. Excerpt from LHV QM:</p> <p><i>“(12.4) The SCS website offers any interested party access to a register of SCS LegalHarvest Verified Clients. The SCS online register includes:</i></p> <ol style="list-style-type: none"> <i>1. The Statement registration code issued by the SCS;</i> <i>2. The name and address of the Statement holder;</i> <i>3. Reference to the specific Standard(s) including the version number or date that the Statement holder has been evaluated against;</i> <i>4. The Statement date of issue and expiration;</i> <i>5. A description of the process and/or product, at least to the level of ‘product groups’; including the location and a description of the Statement granted;</i> <i>6. Specification of verified products that available from the Statement holder.”</i>
<p>6.7 What is the frequency of the surveillance audit?</p>	<p>Surveillance is carried out annually; 3 year verification statements issued. Exerpt from LHV QM:</p> <p><i>“(13.4) As a general rule, no more than twelve (12) months should lapse without having an on-site surveillance audit. The annual audit schedule is as follows:</i></p> <p><i>YEAR 0 Upon application, a Client shall receive an Initial Evaluation. It is not uncommon in this initial year to receive more than one audit to verify conformance.</i></p> <p><i>YEAR 1 Onsite Surveillance Audit (approximately 12 months from award of Statement).</i></p> <p><i>YEAR 2 Onsite Surveillance Audit (approximately 2 years from award of Statement).</i></p> <p><i>YEAR 3 Re-Evaluation (prior to the third anniversary of the award of Statement).which results in Re-Verification.”</i></p>

Aspects	Findings
<p>6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?</p>	<p>Yes, but it varies according to the type of non-conformity issued. Details provided in, “Forest Conservation Program LegalHarvest Verification Program Quality Manual”</p> <p>Non-Conformity</p> <p><i>(11.15) Minor non-conformities shall be corrected within one (1) year. Major non-conformities shall be corrected within three (3) months (under exceptional circumstances within six (6) months). (11.16) If a major non-conformity is found, a Verification Statement shall not be issued until SCS verifies that a corrective action approved by the Lead Auditor has been implemented. A revisit may be required to verify implementation of corrective action(s). If a minor non-conformity is found, a Verification Statement may be issued only after the Lead Auditor approves a corrective action plan that addresses the non-conformity within the agreed-upon period, not to exceed one year. Verification that the corrective action has been effectively implemented shall occur during the next surveillance audit.</i></p> <p><i>(11.17) A non-conformity may be considered minor if:</i></p> <ul style="list-style-type: none"> <i>a) It is a temporary lapse, or</i> <i>b) It is unusual/ non-systematic, or</i> <i>c) The impacts of the non-conformance are limited in their temporal and spatial/organizational scale, and</i> <i>d) Prompt corrective action has been taken to ensure that it will not be repeated, and</i> <i>e) It does not result in a fundamental failure to achieve the objective of the relevant requirement. ((11.18) A non-conformity may be considered major if, either alone or in combination with the nonconformity of other indicators, it fails (or is likely to result in a fundamental failure) to achieve the objectives of the relevant requirement(s). Such fundamental failures are indicated by nonconformities which:</i> <ul style="list-style-type: none"> <i>a) continue over a long period of time, or</i> <i>b) are repeated or systematic, or</i> <i>c) affect a wide area, or</i> <i>d) are not corrected or adequately responded to by the responsible person once they have been identified or</i> <i>e) fail a “major failure” or “fatal flaw” requirement (for example, major failure would entail a situation when products could be or were delivered as verified when they won’t be/were in fact NOT verified).</i> <p><i>(11.19) The Auditor is encouraged to arrive at NCRs in open dialogue with responsible managers of the operation receiving Verification. The auditor will incorporate NCRs into the report, by which the auditor will detail each NCR and the respective timescale for corrective action. The timeframe for correcting minor non-compliances will not be longer than one year. The Client must sign to attest conformity. Any subsequent changes to the Conditions (report agreement) must be authorized by SCS.</i></p>

Aspects	Findings
6.8 Is there a clear deadline for closing Corrective Action Requests (CARs)?	(11.21) SCS, in association with the Auditor, will monitor the operation's actions to address the NCR. Prior to the deadline of each corrective action, SCS will generally remind the operation to take actions to address the infraction. SCS will follow up in order to ensure that the NCRs are addressed appropriately and completely. SCS will thoroughly review all actions taken and documentation submitted by the operation to ensure full compliance with the standard and adequate attention to the NCRs.
6.9 How long does a certificate/licence, statement last?	<p>The Verification Statement process is in the LHV Program quality Manual³ year verification statement that requires a minimum of one surveillance audit per year. Excerpt from LHV Quality Manual:</p> <p>Period of validity</p> <p>(13.7) LegalHarvest Statements are valid for a period not to exceed three (3) years. The Statement may be re-issued for additional three-year (3) period(s) upon successful completion of re-evaluation. The specified period of validity of a Statement may be extended beyond the three-year (3) period for a single special extension of up to six (6) months in order to complete the re-Verification process, and when justified by circumstances beyond the control of SCS and the Verification Statement holder."</p>
6.10 Does the scheme include rules for termination of the certificate/licence/statement?	<p>Yes, details provided in, "Forest Conservation Program LegalHarvest Verification Program Quality Manual"</p> <p><i>Suspension, Withdrawal and Termination</i></p> <p>(13.14) Qualified staff members are also responsible for Verification decisions concerning suspension, withdrawal and termination of Verification. Reasons for suspension, withdrawal and termination include, but are not limited to: unwillingness or inability to correct non-conformities, unwillingness or inability to meet financial or contractual arrangements; misusing or damaging the integrity of the SCS or relevant accreditation body trademarks; intentional violation of requirements; or association with fraud.</p> <p>(13.15) In the event that a Client's Statement has expired, or been suspended, withdrawn or terminated, SCS will issue a letter of notification to the company. Notification letters will include the following:</p> <ul style="list-style-type: none"> • A clear statement about the invalid status of the Verification code (expired, suspended, withdrawn or terminated); • The date from which the invalid status of the Verification code is official; • The rationale supporting the invalid status of the Verification code which shall include, but is not limited to, the breach of the Verification contract and the demonstration of non-compliance with the relevant Verification standard(s) (including name, version number and date); • In case of expired or terminated Verification codes, the voluntary decision of the company or the agreement between the company and SCS. • The requirement to withdraw all uses of the trademarks and/or of the statement LegalHarvest Verified in any sales and transport documentation; • A statement requiring the company to acknowledge receipt of the letter of notification and their written understanding and acceptance about the invalid status of the Verification code.

Aspects	Findings
	<p>(13.16) LegalHarvest Statement holders that do not address Major CARs satisfactorily or within the specified timeframe(s) are placed under suspension and sent a Suspension Letter. In the event that a Client cannot resolve the issue(s) within the agreed upon timeline, the Client will be terminated.</p> <p>(13.17) SCS may also send to the Client a Withdrawal Letter, which notifies the Client that SCS has withdrawn the Client from Verification due to lack of response within the designated renewal timeframe.</p> <p>(13.18) At any time Clients may also voluntarily terminate their Verification from SCS through written notification. SCS will send a Termination Letter/Email for confirmation to the Client according to Work Instructions notifying them to cease all claims of the SCS logo and name, destroy or return all Statements, labelling and marketing material containing reference of SCS materials, and all other requirements as per the SCS Assessment Services Agreement and that the Client is liable for the costs of services provided up to the point of withdrawal.</p> <p>(13.19) Records of all letters of notification sent to companies and acknowledgement of their receipt and written understanding are filed in the Client's folder."</p>
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	<p>The American National Standards Institute (ANSI) has accredited Scientific Certifications Systems (SCS) to ISO/IEC Guide 65, thus SCS has accreditation for conformity assessments.</p> <p>http://www.scscertified.com/press_releases/PR_ANSI-ISO65__Annc_032609.pdf</p> <p>However, SCS is not accredited for legality verification.</p>
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	No
8. Other aspects	
8.1 Are there any requirements/ timetable for verified operations to progress towards certification?	The program can lead towards FSC certification in a stepwise process, but there is no requirement to enter into this process. However, once this process is started it is time-bound.
8.2 Does the scheme have information on the current (estimated) volumes traded?	No. As with other certification bodies, information on certificates is often restricted to the number of certificates or size of certified area.
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	Yes, if conversion takes place in compliance with local and national harvesting laws.

Review of Certisource

Source document:

- Setting Legality Standards, 3rd September 2009.
- Production Promotion and Off-Product Labelling, 26th January 2009
- Legality and Chain of Custody Verification, 12th November 2009
- Certification Complaints, Appeals and Dispute Resolution Policy, 6th May 2009
- Issuance of a Corrective Action Request (CAR), 8th August 2008.
- Certification, 4th September 2009
- Certisource Legality Assessment Criteria. Principles, Criteria and Indicators “Verified Legal Timber” Indonesia, 1st June 2009
- Policy Statement, 12th November 2009
- SOP 0031 Issuance of Trademark Approval
- SOP 0028 Compilation of audit report
- Certisource website: <http://www.certisource.co.uk>

Aspects	Findings
1. General operation	
1.1 When was the standard developed? Who initiate and manage it?	The Certisource Legality Verification System was launched in March 2007 as a means to verify the legality of merbau timber products from Indonesia. The latest version of the Certisource legality criteria for Indonesia was finalised in June 2009. The standard was initiated and managed by Certisource.
1.2 Is it operational? And where?	The Certisource legality system is currently operational in Indonesia. At this time, Certisource only works with timber concessions and processing sawmills in Indonesia exporting timber and timber products for clients in the United States, Europe, Australia, New Zealand and Singapore. Consequently, whilst some policies and Standard Operating Procedures are generic, many have been specifically designed to deal with these countries’ specific operating environment.
1.3 How many ha of forests has been verified against this standard? And where?	A total of 1.4 million hectares of forest have been verified by Certisource.

Aspects	Findings
2. Governance structure	
<p>2.1 What is the governance structure of the scheme? Which interest groups are represented?</p>	<p>An independent third party Certification Body verifies timber legality against the Certisource standards, policies and procedures.</p> <p>The agreement between Certisource and the Certification Body states that the Certification Body “will retain all authority and be solely responsible for granting, or withdrawing certification and/or suspending certification activities as it deems fit. This authority cannot be subcontracted to others in any way whatsoever”. This requirement is further specified in Certisource’s policy on Certification: CP 006 v.02.00 Certification.</p> <p>Certification Bodies will be ISO accredited and Certisource’s current Certification Body is accredited against “ISO/IEC GUIDE 65:1996 General Requirements for bodies operating product certification schemes”. An important element of ISO is impartiality and the management of real or potential conflicts of interests in carrying out its verification and certification activities.</p> <p>Independent oversight of the Certification Body’s verification and certification activities is provided by an Impartiality Committee consisting of representatives of a number of external organisations.</p> <p>In general terms the Impartiality Committee is charged with ensuring the Certification Body’s impartiality in line with standards set out in ISO 65 to ensure that there is a balance of the interests of the various parties that have a stake or interest in the Certification Body’s activities.</p>
<p>2.2 Is the standard/legality definition endorsed by the government of the respective country (if national standard is available)?</p>	<p>Certisource does not create its own standard but uses WWF GFTN guidelines as a foundation and combines these with relevant local standards. In Indonesia, Certisource uses the Indonesian Eco-Labeling Institute (LEI) as the legality criteria. The Certisource standard is not endorsed by the government.</p> <p>Whilst the Certisource standard in itself is not endorsed by the government, the Indonesian legality standards that Certisource uses were formally approved by the Indonesian Government in July 2009.</p>
<p>2.3 Is the governance and management of the verification system documented in clear procedures?</p>	<p>Certisource UK plays the role of validating the findings. Once a Certisource Certification Body - (Double Helix) has completed verification work on a specific batch of logs an audit report is compiled. This is submitted to Certisource UK for review and validation. No Certisource certificate of legality can be issued unless approval from Certisource UK has been granted.</p> <p>Certisource has a number of Standard Operating Procedures (SOP) and checklists documenting how the verification system is managed and should be followed covering for example, verification of CoC, CoC audit process, corrective action process, stakeholder engagement, trademark approval and DNA laboratory testing.</p>
<p>2.4 Does the scheme include mechanism for handling complaints and disputes?</p>	<p>Yes, the Certisource policy on Certification Complaints, Appeals and Dispute includes details on how complaints are handled.</p> <p>‘Appeals, complaints and disputes concerning a Certisource certification adverse decision may come from either clients (e.g. forestland owner, mill owner, manufacturer or retailer) or from other third parties such as interested stakeholders...</p> <p>Certisource shall keep a record of all appeals, complaints and disputes and remedial actions relative to certification, take appropriate subsequent action and document the action taken and its effectiveness, in line with the procedures outlined below....’</p>

Aspects	Findings
2.5 Does the scheme include provision for updating or reviewing their requirements (either in response to changes in supply, market or best practice)?	<p>Yes. Setting Legality Standards: <i>'Updates will be carried out annually. If substantive changes are made updates will be published on the Certisource website and be opened with the same policy guidelines as above.'</i></p>
3. Standard – definition of legality	
3.1 Legal right to harvest	<p>Yes. Certisource Legality Assessment Criteria Principles, Criteria and Indicators Verified Legal Timber Indonesia: <i>Guidelines: The Timber originates from an entity that has legal right to harvest timber in the forest management unit where the timber is grown and all harvested charges have been duly paid.</i> <i>Principle 1: Area Certainty and Utilisation Right</i> <i>Criterion I.C.1.1: Forest Management Units (HPH, IUPHHK-HA, IUPHHK-HT, HPHTI or areas managed by Perum Perhutani) are located within production forest areas.</i> <i>Criterion I.C.1.2: Management Unit is in Possession of the felling permit for the felling area, legally approved by relevant authorised official.</i></p>
3.2 Compliance with legislation related to forest management, environment, labour and welfare, health and safety	<p>Yes. <i>Guidelines: The Timber originates from an entity that has legal right to harvest timber in the forest management unit where the timber is grown and all harvested charges have been duly paid.</i> <i>Principle 2: Comply with the legal felling system and procedure</i> <i>Criterion I.C.2.1: Legal Work Plan is available.</i> <i>Criterion I.C.2.2: Management unit complies with requirements aimed to ensure the sustainability of the forest</i> <i>Criterion I.C.2.3: Management unit guarantees that all timber transported from log landing to log pond and from log pond to outside have physical making/identity and legal documents.</i> <i>Principle 3: Taking into account the environmental and social factors related felling</i> <i>Criterion I.C.3.1: The Management Unit has obtained the Environmental Impact Analysis (AMDAL) and has implemented the obligations required in the AMDAL documents.</i> <i>Criterion I.C.3.2: The Management Unit demonstrate commitment for the welfare of the local community and guarantees the safety and welfare of works.</i> <i>I.V.3.2.1: FMU is able to demonstrate documents proving a community's agreement regarding forest management and the development of the community's welfare.</i> <i>I.V.3.2.3: FMU is able to demonstrate proof of community development programmes</i> <i>I.V.3.2.5: FMU is able to demonstrate it is adhering to applicable local laws and policies on the provision of minimum wage requirements and other 'in-kind' benefits.</i> <i>I.V.3.2.6: FMU is able to demonstrate policies and regulations prioritising local employment at the concession.</i></p>

Aspects	Findings
	<p>I.V.3.2.7: FMU is able to demonstrate worker health and safety policies and protocol.</p> <p>I.V.3.2.8: FMU has accessible, up to date and functioning emergency rescue equipment (APD) and First Aid Kits (P3K).</p>
<p>3.3 Compliance with legislation related to relevant taxes and royalties</p>	<p>Yes. <i>Guidelines: The Timber originates from an entity that has legal right to harvest timber in the forest management unit where the timber is grown and all harvested charges have been duly paid.</i></p> <p><i>Principle 1: Area Certainty and Utilisation Right</i></p> <p><i>Criterion I.C.2.4: The management unit has completed payments of government retribution requirement related to timber.'</i></p>
<p>3.4 Respect for tenure or use rights to land and resources that may be affected by timber harvest rights</p>	<p>Yes. <i>Guidelines: The Timber originates from an entity that has legal right to harvest timber in the forest management unit where the timber is grown and all harvested charges have been duly paid.</i></p> <p><i>Principle 3: Taking into account the environmental and social factors related felling</i></p> <p><i>Criterion I.C.3.1: The Management Unit has obtained the Environmental Impact Analysis (AMDAL) and has implemented the obligations required in the AMDAL documents.</i></p> <p><i>I.V.3.2.2: Where applicable FMU is able to demonstrate legal settlement documents on land and/or resource conflict issues related to traditional rights of local affected communities.</i></p> <p><i>I.V.3.2.4: FMU is able to demonstrate studies on the social, economic and cultural impacts of planned operations on affected local communities.</i></p> <p>In addition, SOP-OP-00.32 Collection of Documentation to Confirm Concession Legality:</p> <p><i>3. Independent Verification of Concession Legality</i></p> <p><i>3.1 'The independent auditor will conduct further interviews with the local community to ensure that the community enclaves in the BATB have been agreed upon and community is aware of their customary cutting rights.'</i></p> <p>SOP-OP-00.28 Compilation of Audit Report:</p> <p><i>8.5 Customary Cutting Rights:</i></p> <p><i>'This section states the findings of the independent auditor with regards Customary Cutting Rights. It includes:</i></p> <ul style="list-style-type: none"> <i>• Verification of land use planning RWHP (Rencana Wilayah Hutan dan Perairan) to verify the concession lies inside the relevant land use. i.e. Verify the Production Forest.</i> <i>• Verification of tentative concessional boundaries as agreed by the Ministry of Forestry.</i> <i>• Verification of whether the BATB is being honoured, in cooperation with local communities, so that the working area lies within the delineated boundaries if a straight line closes them.</i> <i>• Verification of the BATB to ensure that boundaries of the enclaves reserved for community development are verified and matched to the public consultation minutes.'</i>

Aspects	Findings
3.5 Compliance with requirements for trade and export procedures	<p>Yes. <i>Guidelines: A Third Party Auditor has confirmed that the timber was legally traded and can be traced along an unbroken Chain of Custody from the Purchase back to the source entity.</i></p> <p><i>Principle 1: The Timber Manufacturing Industry supports the implementation of legal timber trade</i></p> <p><i>Criterion II.C.1.1: Operating Unit holds legal permits to manufacture and export timber products</i></p> <p><i>Criterion II.C.1.2: Operator guarantees that all transported timber, controlled or owned, can be identified to the source and accompanied with legal documents.</i></p> <p><i>Principle 3: Legality of manufactured timber trade or handover.</i></p> <p><i>Criterion II.C.3.1: Legality of Inter-Island transportation and trade</i></p> <p><i>Criterion II.C.3.2: Exporter must demonstrate legality of shipment of manufactured timber.</i></p>
3.6 Additional criteria such as compliance with international treaties e.g. ILO, CBD	<p><i>Criterion I.C.2.2 Management unit complies with requirements aimed to ensure the sustainability of the forest.</i></p> <p><i>I.V.2.2.3: FMU has legal documented permission for harvesting of any CITES-listed species.</i></p>
4. Standard development process	
4.1 Who developed the standard? Did the development process include multi-stakeholder participation?	<p>Certisource does not create its own standard and the process does not include multi-stakeholder participation.</p> <p>Setting a Legality Standard:</p> <p><i>'Certisource does not create its own legality assessment standard, but rather uses WWF GFTN guideline as a foundation for a generic standard and combines this generic standard with relevant standards appropriate to a given country environment.</i></p> <p>Where Country Specific Standards Exist</p> <p>WWF GFTN guidelines will be used as a foundation for a generic standard and this generic standard will be combined with relevant national standards.</p> <p>Where Country Specific Standards Non-Existent</p> <p><i>'Where country specific standards do not exist Certisource will use WWF GFTN guidelines as the foundation and supplement these following research.'</i></p> <p>The list includes relevant government documents, studies/recommendations from organisation such as DFID, USAID, documents from other certification bodies, from international and national NGOs, and relevant research studies from organisations such as CIFOR.</p> <p>In terms of participation:</p> <p><i>'Where country specific standards have already been developed in a transparent multi-stakeholder process, and are legitimate in that they enjoy broad stakeholder acceptance and consensus as the benchmark for legal compliance, Certisource will not hold additional consultation on these standards.'</i></p>

Aspects	Findings
	<p><i>Where country specific standards have not already been developed Certisource will create a standard from research as described above.....a new standard will be published on the Certisource website and feedback and comments will be elicited.'</i></p> <p>In Indonesia, Certisource use the Indonesian Eco-Labeling Institute (LEI) as the legality criteria. LEI led the development process of a national standard for legality and took national laws and international obligations based on ratified treaties into consideration. LEI carried out stakeholder consultation in developing the standards and also field tested them.</p>
<p>4.2 What is the decision making process?</p>	<p>Certisource does not include provision for a decision making process beyond the consultation process. 'Setting Legality Standards':</p> <p><i>'There shall be a public review phase in the development of a new standard or revision of an existing standard which shall include at least two rounds of comment submissions by interested parties, where necessary. Each round shall include a period of at least 60 days for the submission of comments.</i></p> <p><i>However, this period may be shortened in exceptional circumstances where justified in writing by Certisource. In such cases, the comment period shall still be no less than 30 days.'</i></p>
<p>4.3 Did the development process follow an agreed protocol?</p>	<p>The development process is detailed in 'Setting Legality Standards'. This includes development of a legality standard, social and environmental criteria, chain of custody, consultation, consultation process.</p>
<p>4.4 Is it a generic standard? Has a local/regional standard been developed?</p>	<p>The Certisource legality standard was originally developed based on GFTN guidelines incorporating the Indonesian legality standards developed by LEI (Eco-Labeling Institute) into the Certisource Legality standard.</p> <p>Certisource has approval from the Rainforest Alliance/ SmartWood to use their copyrighted generic VLO and VLC standards. Certisource plans to use the SmartWood generic standards as a base and supplement these with country specific standards when opening new operations in new countries.</p> <p>Certisource is adopting the SmartWood generic standards in order to minimize confusion in the market, and support moves towards global generic standards.</p>
<p>4.5 What are the procedures for adaptation of local/regional standard?</p>	<p>Setting Legality Standard:</p> <p><i>c) Where Country Specific Standards Exist</i></p> <p><i>WWF GFTN guidelines will be used as a foundation for a generic standard and this generic standard will be combined with relevant national standards.</i></p> <p><i>Where Country Specific Standards Non-Existent</i></p> <p><i>d) Where country specific standards do not exist Certisource will use WWF GFTN guidelines as the foundation and supplement these following research.'</i></p> <p>The list includes relevant government documents, studies/recommendations from organisations such as DFID, USAID, documents from other certification bodies, from international and national NGOs, and relevant research studies from organisations such as CIFOR.</p>

Aspects	Findings
5. Chain of Custody (CoC) requirements and public claims	
5.1 Is a chain of custody (CoC) control from point of supply back to forest source required?	<p>Yes. Certisource Legality Assessment Criteria Principles, Criteria and Indicators Verified Legal Timber Indonesia:</p> <p><i>‘Guidelines: A Third Party Auditor has confirmed that the timber was legally traded and can be traced along an unbroken Chain of Custody from the Purchase back to the source entity.</i></p> <p><i>Principle 2: Operating unit owns and implements timber tracking system that ensures wood tracked to the source.’</i></p> <p>Certisource Legality and Chain of Custody Verification:</p> <p><i>‘Certisource will ensure that all appropriate members of the supply chain have followed COC procedures agreed with Certisource and all exported products are fully traceable to logs inputs.’</i></p> <p>Setting Legality Standard:</p> <p><i>‘Certisource system also requires that 10% of each batch of logs processed for its clients are successfully traced back to source (Back Track) using a paper-based system. The training and implementation of the CoC procedures are laid out in the relevant SOPs.’</i></p> <p>In addition, Certisource use DNA testing in their CoC audit. The DNA verification system provides a scientific validation of the paper-based CoC documentation by matching DNA samples taken from the same timber at different points in the supply chain. If the DNA samples match according to pre-defined statistical thresholds the CoC is validated. If they do not match then the CoC audit is not validated and a non-compliance is initiated.</p>
5.2 Does it allow mixing of non-verifiable raw materials?	<p>No, it does not allow mixing of non-verifiable raw materials. Setting Legality Standard:</p> <p><i>‘Certisource system does not allow mixing of its products with other sources and hence does not have provisions such as credit system as laid out in the FSC CoC standard.’</i></p> <p>Mixing of non-certified raw materials is not allowed, nor is processing of uncertified materials during the processing of certified materials. However, there is an allowance of exporting uncertified material along with the certified material, only in the case that unverified material is clearly identified in the packing list and it is not mixed with certified pallets.</p>
5.3 What type of documentation (e.g. certificate, licence, statement) is used in making public claims?	<p>There are two types of documentation used in making public claims:</p> <p>The first one is Certisource Container Dockets. This means that <i>‘timber products have been independently verified as originating from a Known Licensed Source as defined by WWF’s GFTN and country specific standards of legality. Certisource will only issue dockets if the Supply Chain Audit has been satisfactorily completed....Certisource container dockets will be specific to a batch of logs of a single species, the product derived from which is exported to a single Certisource client.’</i></p> <p>The second one is a Certisource Certificate. <i>‘The issuing of a Certisource Certificate signifies that timber products have been independently verified as being classified as Verified Legal Timber as defined by WWF’s GFTN and to the criteria and indicators adopted from the country specific standards such as LEI in Indonesia.’</i></p>

Aspects	Findings
	<p><i>As such a certificate will only be issued if Certisource has satisfactorily completed Third Party Verification and demonstrated that:</i></p> <ul style="list-style-type: none"> <i>• The source of timber is Known, as defined by WWF's GFTN, and logs were harvested in accordance with license conditions prescribed by country specific standards of legality.</i> <i>• The source of timber has been independently verified using techniques such as DNA analysis and/or other technologies</i> <i>• Exported timber products are fully traceable to a known forest location along an unbroken chain of custody.</i> <i>• All appropriate legality checks have been completed.</i> <p><i>A Certisource Certificate will be specific to a batch of logs of a single species, the product derived from which is exported to a single Certisource client.'</i></p> <p>(source: Certisource Certification)</p> <p>Note that Certisource does not issue certificates to mills, concessions or buyers; they only have contract agreements, and issue certificates to each and every batch of the product.</p>
<p>5.4 Are companies who achieved verification/licence allowed to use on-product and/or off-product claim?</p>	<p>Certisource Policy Development:</p> <p><i>'Certisource does not allow use of its logo for on-product labelling and has strict policy and terms and conditions that govern the use of off-product claims'</i></p>
<p>5.5 What control mechanism is in place for making claim of the products?</p>	<p>Certisource has developed a document 'Product Promotion and Off-Product Labelling' which contains the policy and terms and conditions of the use of off-product claims.</p> <p>Product Promotion and Off-Product Labelling:</p> <p><i>'Trademark use and associated claims are permitted on in-store information leaflets and banners, press releases, company environmental or annual reports, websites, and catalogues as well as business to business letters and presentations, invoices and bills of lading. All use of the trademark and associated claims must be clearly associated with a specific product or product range that has been independently verified by Certisource.'</i></p> <p>Moreover, on behalf of Certisource the Certification Body signs Chain of Custody Agreements with clients. These agreements include a requirement for correct logo use. Certisource also has a number of SOPs to control claims that must be checked for compliance by the Certification Body:</p> <p>SOP 0028: <i>'Compilation of Audit Report establishes that if logo use is verified, following a fresh trademark approval, the outcome shall be indicated as comments in the packing section of the Audit Report.'</i></p> <p>SOP 0031: <i>'Issuance of Trademark Approval: specifies the procedures and steps to be followed by staff issuing Trademark approval. Trademark use by a customer is only possible if a Trademark Licensing Agreement has been signed.'</i></p>

Aspects	Findings
6. Verification	
6.1 Who carries out verification of forest source and CoC?	<p>Verification of forest source and CoC against the Certisource standards and system is carried out by an independent Certification Body. Certisource appoints Double Helix Tracking Technologies (DoubleHelix) to act as its Certification Body. DoubleHelix is accredited against ISO Guide 65.</p> <p>Every time Certisource verifies a batch of timber in the supply chain, they also carry out an assessment of the forest operations – e.g. the licence and annual cutting allowances (as per SOPs), transport documentation, observations in the forest (such as boundary markings, schools or hospitals built for the community) etc.</p>
6.2 Is verification carried out by a body which is accredited to evaluate forest management standard and CoC?	<p>DoubleHelix achieved ISO Guide 65 accreditation effective from 21st September 2010</p>
6.3 Are there documented requirements for the qualifications of auditors?	<p>Auditors are ISO qualified.</p> <p>Documenting these requirements is being done as part of the whole ISO 65 accreditation process.</p>
6.4 Do verification audits include review of documentation and system, and assessment in the forest?	<p>For CoC, audits include review of documentation and site visit. Legality and Chain of Custody Verification:</p> <p><i>‘Certisource will ensure that all appropriate members of the supply chain have followed CoC procedures agreed with Certisource and all exported products are fully traceable to logs inputs. This is verified by:</i></p> <ul style="list-style-type: none"> • <i>‘carrying out random inspections of agreed sawmill CoC procedures during the receipt, processing and export of individual log batches.</i> • <i>Establishing that CoC records have been maintained in full</i> • <i>Obtaining copies of packing lists for all exported containers with Certisource verified content</i> • <i>Carry out a backtrack of CoC records from container packing list to source logs for a minimum of 10% of exported containers’</i> <p>Every time Certisource Certification Body verifies a batch of timber in the supply chain, they also carry out an assessment of the forest operations – e.g. the licence and annual cutting allowances (as per SOPs), transport documentation, observations in the forest (such as boundary markings, schools or hospitals built for the community) etc.</p> <p>In addition, Certisource engages an Independent Auditor to carry out independent verification of concession legality as described in a number of SOPs, for example SOP-OP-0032 Collection of documentation to confirm concession legality:</p> <p><i>‘There are a number of issues that need to be considered. Documentation and evidence needs to be collected to cover the following areas of legality:</i></p> <ol style="list-style-type: none"> 1. <i>Legal right of harvesting.</i> 2. <i>Legal right of felling.</i> 3. <i>Payment of timber fees/taxes.</i> 4. <i>Confirmation of felling and transport activities.</i> 5. <i>Environmental and Social commitments are being met’</i>

Aspects	Findings
	<p>The role of the external auditor is to cover the documentary verification conducted by the DoubleHelix auditor, however his role extends beyond just the documentary verification; the external auditor verifies the legality of the Chain of Custody within the forest concession itself. The auditor also verifies hints of leakage in the concession, in other words, whether the timber outside of the scope of Certisource is not illegally leaked out of the concession, by verifying the annual allowable cut (etc.) in the concession.</p>
<p>6.5 Do verification audits of forest management include stakeholder consultation? Is there public notice of planned assessments prior to field visits?</p>	<p>There is a Notice of assessment to the relevant stakeholders, one month prior to annual assessment of forest concession. The stakeholder consultation is carried out to the extent of verifying social and environmental commitments are met.</p>
<p>6.6 Is the summary report of an audit of the legality verification system publicly available?</p>	<p>According to Certisource Policy statement, '<i>Certisource publishes summaries of all audit reports and certificate issued</i>' ~Although no summaries of audit report are available on the website, a list of 'certificates' is available.</p>
<p>6.7 What is the frequency of the surveillance audit?</p>	<p>Verification of the forest source occurs on two levels:</p> <ol style="list-style-type: none"> 1) Verification by Certisource auditors as part of Illegal Timber and an on-going audit, every time a batch of timber is exported for certified client (this is done 6 – 8 times a year). 2) An independent verification by a designated auditor annually to ensure that there are no leakages outside of the certified clients.
<p>6.8 There is clear deadline for closing Corrective Action Requests (CARs)</p>	<p>Certisource Policy Issuance of a Corrective Action Request (CAR): '<i>Should a CAR be issued, it will need to be responded in accordance with the deadline indicated on the CAR.</i>'</p> <p>SOP: 0033 (on issuance of CARs) indicates that for minor, major and critical CARs generally a compliance period of 1 month is established; for Observations this is normally 3 months. In case of a 1 month period, this may imply an additional field visit or office time to review documentation. In case of a longer period, progress may be verified during the next monitoring visit.</p> <p>Certisource will also review our existing policy on this matter.</p>
<p>6.9 How long does a certificate/licence, statement last?</p>	<p>Certisource Container Dockets & Certificate are both specific to a batch of logs of a single species.</p>
<p>6.10 Does the scheme include rules for termination of the certificate/licence/statement?</p>	<p>A non-compliance which results in an inability for Certisource to issue certification.</p> <p>A "Critical Non-Compliance" is effectively a suspension, and would only be reversed once the issues are completely resolved.</p>

Aspects	Findings
7. Accreditation and monitoring	
7.1 Are the organisation and the associated verification systems accredited by international or national bodies?	<p>DoubleHelix was recently audited against ISO 65 by JAS-ANZ. "JAS-ANZ is the government-appointed accreditation body for Australia and New Zealand responsible for providing accreditation of conformity assessment bodies (CABs) in the fields of certification and inspection. Accreditation by JAS-ANZ demonstrates the competence and independence of these CABs".</p> <p>DoubleHelix received ISO accreditation by JAS-ANZ, effective from 21st September 2010.</p> <p>The Certisource-Indonesia standard, following a successful system validation by Keurhout, has been admitted to the Keurhout Legal System (KH-Legal).</p> <p>Keurhout monitors the continual compliance of the Certisource systems and standards with the requirements of the Keurhout Legal System protocol.</p>
7.2 Does the scheme include independent monitoring of the quality of verification carried out?	No, Certisource system does not include independent monitoring of the quality of verification.
8. Other aspects	
8.1 Are there any requirements/ timetable for verified operations to progress towards certification?	<p>Certisource has recently finalised a policy on client commitment towards achieving FSC. The policy was sent to a number of identified stakeholders for review.</p> <p><i>"Certisource policy is to offer "Verified Legal" verification for Forest Management Units (FMU) for a period of up to two years.</i></p> <p><i>After this time the FMU should commit to achieving FSC forest management certification against FSC-STD-01-001 V4-0 FSC Principles & Criteria for Forest Stewardship</i></p> <p><i>Related Chain of Custody supply chain entities should also commit to achieving certification by the same time as the related FMU</i></p> <p><i>Certification will be against "FSC-STD-40-004 V2-0 Standard for CoC Certification".</i></p> <p>CP 012.v.01.00_FSC Forest Management and Chain of Custody Commitment</p>
8.2 Does the scheme have information on the current (estimated) volumes traded?	Yes. The Certisource website maintains a list which includes information on the name of companies, volumes of each container, number of container, export date of containers and docket reference number.
8.3 Does the standard allow verification of wood originating from conversion of natural forest to other land-uses?	No, the standard does not include such a requirement.

ANNEX 2 QUESTIONNAIRE

Practical experiences for implementing legality verification

Version 1, 19th February 2010

The Research Institute of Forestry Policy and Information (RIFPI) of the Chinese Academy of Forestry (CAF) is leading a project on developing 'timber legality verification schemes' in collaboration with Proforest. The objective of this project is to develop detailed proposals for the Chinese government on the establishment of a timber legality verification scheme. This project is funded by the UK and Chinese governments.

The project started in October 2009 and aims to finish by July 2011. During this period, CAF and Proforest will jointly carry out a number of tasks. One of these is to provide a detailed review of existing legality verification schemes covering aspects such as governance structure, definition of legality, verification process, control of chain of custody (CoC) and public claims. We will carry out a desk review of different approaches including voluntary legality verification programmes initiated by certification bodies, NGO initiatives and national legality licensing under EU Voluntary Partnership Agreements (VPAs).

In addition, we would also like to review the practical experience of implementing legality verification schemes, including the documents required to demonstrate legality, costs and time involved to achieve verification and any challenges faced.

To do this we have developed this questionnaire to gather information from companies on their experiences of the practical implementation of legality verification. Information collected from the questionnaire will be used in the report, but individual businesses will not be named.

This questionnaire takes about 15 minutes to finish. We will be in touch within the next two weeks and talk through the questions with you. However, should you prefer to complete the questionnaire yourself please return it to Joyce Lam at Proforest via email (joyce@proforest.net) before the 26th March 2010.

Contact Details	
Name	
Company Name and Address	
Tel number	
Email address	
Date of interview	

1. Please provide details of your company's primary activity(ies)			
	Forest manager/logging company		Trading Company without physical possession
	Primary manufacturer		Wholesaler
	Secondary manufacturer		Retailer
	Trading Company with physical possession		Others, please provide details

2. Please provide the following information on the types of legality verification that your company holds:					
Scheme Name	Countries	Areas (hectares)	Verified since which year?	Scope (please tick)	
				Forest Management and CoC	CoC for trading/manufacturing
SGS TLTV - VLO					
SGS TLTV - VLC					
SmartWood VLO					
SmartWood VLC					
BV OLB					
Certisource					
Others (please specify)					

3. What products and species are verified?

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4. What were the reasons for getting legality verification? You can choose more than one

<input type="checkbox"/>	Demand for legally verified products from buyers
<input type="checkbox"/>	Increased access to markets
<input type="checkbox"/>	Price premium on legally verified products
<input type="checkbox"/>	Meet the Lacey Act Requirement in US
<input type="checkbox"/>	Prepare for the proposed Due Diligence Regulation in the EU
<input type="checkbox"/>	Company image and brand reputation
<input type="checkbox"/>	Others (please specify)

If you were a forest manager

5. How much was the *cost of audit* for legal verification of the forest including CoC for one site?

<input type="checkbox"/>	Less than 5,000 EUR
<input type="checkbox"/>	5,000 to 10,000 EUR
<input type="checkbox"/>	10,000 to 15,000 EUR
<input type="checkbox"/>	More than 15,000 EUR

If you are a processing company, manufacturer or trader

6. How much was the *cost of audit* for CoC certification for trading/ manufacturing legally verified materials for one site?

<input type="checkbox"/>	Less than 2,000 EUR
<input type="checkbox"/>	2,000 to 5,000 EUR
<input type="checkbox"/>	5,000 to 8,000 EUR
<input type="checkbox"/>	More than 8,000 EUR

If your company has achieved verification of legal origin:

7a. How much time and money did you invest in order to meet the requirements of <i>legal origin</i> ?			
	Time		Money
	0-5 person days		Less than 3,000 EUR
	5-10 person days		3,000 to 6,000 EUR
	10-15 person days		6,000 to 10,000 EUR
	15-20 person days		10,000 to 15,000 EUR
	more than 20 person days		More than 15,000 EUR

7b. What types of documents did you provide to demonstrate *legal origin*? If your company have achieved legality verification in more than one country, please provide information on *two countries* of your choice.

If your company have achieved verification of legal compliance:

8a. How much time and money did you invest in order to meet the requirements of <i>legal compliance</i> ?			
	Time		Money
	0-5 person days		Less than 3,000 EUR
	5-10 person days		3,000 to 6,000 EUR
	10-15 person days		6,000 to 10,000 EUR
	15-20 person days		10,000 to 15,000 EUR
	More than 20 person days		More than 15,000 EUR

8b. What types of documents did you provide to demonstrate *legal compliance*? If your company have achieved legality verification in more than one country, please provide information on two countries of your choice

9. Did your company encounter any problems in getting legality verification? If so what were they?	
	Lack of knowledge of the requirements in legality verification scheme
	Lack of human resource to implement the system
	Lack of financial resource to implement the system
	Lack of technical capacity to implement the system
	Others, please specify

10. How did you address the problems identified in question 9?

11. Did you encounter situations that the legality requirements exceeded national legal compliance in forestry and timber trade?	
	Yes. Please provide details
	No

12. Did you encounter situations whereby legality standard requirements did not meet national legal requirements?	
	Yes. Please provide details
	No

13. What is the estimated volume of legally verified (VLO & VLC) timber your company produces/trades every year? If you have achieved verification against several standards in more than one country, please provide information on *two countries* of your choice.

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14. Do you expect the market demand for verified legal timber to increase in the future? Will this be a global trend or limited to a regional setting?.

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15. What are the important criteria for choosing legality verification schemes?

	Name and brand recognition of the scheme
	Cost of the verification service
	Experience of the scheme in respective country
	Staff availability of the verification scheme
	Scheme acceptability by NGO
	Complexity of the legality standard requirements
	Others, please specify

16. Does your company intend to maintain existing legality verification and/or extend legality verification to other sites (forest & trading/manufacturing)?

<input type="checkbox"/>	Yes - Please provide details
<input type="checkbox"/>	
<input type="checkbox"/>	No - Please provide details
<input type="checkbox"/>	
<input type="checkbox"/>	Not applicable

17. Does your company set a target and timeframe for existing legally verified operations to progress towards certification

<input type="checkbox"/>	Yes - Please provide details
<input type="checkbox"/>	
<input type="checkbox"/>	No - Please provide details
<input type="checkbox"/>	

Please write any additional comments and information in the box below

Thank you very much for completing the questionnaire



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