IS YOUR TIMBER **LEGAL?**
DEALING WITH ILLEGAL LOGGING AND TRADE

THE CONCERNS

With the help of forest certification schemes significant progress has been achieved globally in forest governance. However, illegal logging and trade continue to be a serious problem, adversely affecting the environment and the socio-economical development of timber producing countries. Illegal logging further contributes to biodiversity losses and deprivation in tax revenue and threatens the existence of forests on which many people depend to survive.

In addition, the widespread violation of forestry regulations and related corruption undermine the rule of law and also discourage investment. To remain competitive, forest companies have to become more transparent; they must be able to prove the legal origin of their timber and the legal compliance of their forest operations.

THE RESPONSES

The causes of illegal logging are complex and there is no single or universal solution to this problem. With strategies such as the introduction of bi- and multi-lateral regulations, national legislative requirements, public procurement policies and voluntary company based initiatives, various attempts to control the logging of forests are being made.

The European Union, for example, is signing Voluntary Partnership Agreements (VPAs) with producer countries under its FLEGT Action Plan. The main objective of FLEGT is to ensure that timber entering the EU is produced legally in the country of origin. In the US, the amendment of the Lacey Act even enables the prosecution of illegal timber importers, traders and retailers.

Parallel to governmental efforts, industry associations and civil society groups are also developing mechanisms to guarantee that purchased goods are legal.

The private sector initiatives comprise voluntary certification systems of which the SGS Timber Legality & Traceability Verification (TLTV) Service is a leading example.

TOWARDS LEGAL AND SUSTAINABLE GLOBAL TIMBER TRADE
MEETING MARKETS REQUIREMENTS WITH TLTV

DEFINITION OF TLTV

The SGS Timber Legality & Traceability Verification (TLTV) Service assures forest management companies as well as everyone else working within the timber supply chain that timber products are produced in compliance with the relevant legality and chain of custody criteria.

TLTV consists of two verification components: Legality of Production (LP) and Chain of Custody (CoC). The LP component is applied at the forest level, assessing both the legal right to access the forest resource as well as the compliance with forest management regulations. The Chain of Custody component applies at the processing and trade level (i.e. transportation, manufacturing, etc.), verifying the traceability of the wood products through the processing/trading company’s operations.

Each of these components is embodied in a separate standard. Depending on their needs and their type of business, companies are evaluated either against the TLTV-LP or the TLTV-CoC Standard. In certain instances both standards may be applicable.

Upon successful verification, SGS awards a TLTV Statement – a valuable and highly recognized asset in the timber industry.

In essence, SGS’ TLTV Programme offers your company a credible, transparent, and effective legality verification service.

POTENTIAL

With social, economic and environmental aspects playing an important role in the evaluation, TLTV encourages responsible forest management.

In addition TLTV verification lays a solid and valuable foundation for further certification of sustainable forest management to forest certification schemes such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forests Certification schemes (PEFC).

VERIFICATION PROCESS

TLTV audits are based on a desktop review of the company’s documentation in conjunction with field assessments. As part of the evaluation auditors will also consult with staff and affected stakeholders in order to collect feedback on the company’s performance.

As soon as the audit is completed, an audit report is issued and a summary published on the SGS Forestry Monitoring website under:

www.sgs.com/forestry-monitoring
ENSURING LEGAL PRODUCTION AND PURCHASING OF TIMBER

THE TLTV STANDARDS

In the absence of any international agreement on a definition for timber legality, SGS has developed a standard that ensures the highest possible degree of legality while being practical enough for forestry companies to achieve.

Taking into account local differences, the Generic TLTV Standard is further adapted to each country’s laws and regulations. Following international best practice, SGS runs stakeholder consultations with NGOs, community representatives and other parties involved in the adaptation of local standards and planned forestry audits.

In addition to the standards, the TLTV programme includes policies, procedures, work instructions, and reference documents that ensure a consistent implementation of the service.

I. LEGALITY OF PRODUCTION (LP)

The TLTV-LP Standard is made up of 9 legality principles, each one defined and complemented by associated criteria and indicators. Prospective clients have two options: to directly verify their operations against the full TLTV Standard or to take a phased approach in two steps.

The two-phase approach comprises:

1) Verification of Legal Origin (VLO)
Companies get evaluated against the VLO Standard that considers 5 of the 9 TLTV Principles. The VLO Standard basically ensures that all logs and timber products have been legally sourced and are legally owned; it validates the possession of business and forest authorizations, the existence of registers of applicable laws and regulations, and the payment of prescribed taxes and royalties. VLO status can be maintained up to two years.

2) Verification of Legal Compliance (VLC)
After two years, companies must be verified against the VLC Standard that considers all the 9 TLTV Principles and therefore meets the full TLTV-LP requirements. The VLC Standard assesses business administration, forest management, resource utilization, health and safety adherence, environmental compliance and fulfilment of obligations towards local communities.

II. CHAIN OF CUSTODY (COC)

The CoC audit examines the traceability throughout each purchase and production stage of the supply chain controlled by the company. The CoC Standard aims to establish the legality of timber products from the moment the products first entered the supply chain down to the end of the supply chain – typically the consumer.
VLO PRINCIPLES

Principle 1: assesses the legal establishment of a particular business enterprise as well as its compliance with the relevant business and administrative requirements.

Principle 2: evaluates the nature and requirements of the permits granted to a particular company to access and exploit forest resources.

Principle 3: assesses whether all the relevant royalties, taxes and charges were paid by the company.

Principle 4: assesses record keeping and focuses on the existence and maintenance of legal, stakeholder and dispute registers by the company.

Principle 9: evaluates the existence and maintenance of a company’s internal chain of custody or traceability system ensuring that verified and non-verified materials are appropriately managed and sold.

VLC PRINCIPLES

Principle 1: assesses the legal establishment of a particular business enterprise as well as its compliance with the relevant business and administrative requirements.

Principle 2: evaluates the nature and requirements of the permits granted to a particular company to access and exploit forest resources.

Principle 3: assesses whether all the relevant royalties, taxes and charges were paid by the company.

Principle 4: assesses record keeping and focuses on the existence and maintenance of legal, stakeholder and dispute registers by the company.

Principle 5: evaluates compliance with forest management and harvesting regulations.

Principle 6: evaluates compliance with environmental obligations relating to inter alia water management, air quality, chemical management, biodiversity and protected areas.

Principle 7: evaluates compliance with legislative requirements relating to the safety, welfare and health of workers. This principle furthermore considers engagement with local communities.

Principle 8: evaluates compliance with relevant marketing, processing and trade regulations that apply to the forest management operations.

Principle 9: evaluates the existence and maintenance of a company’s internal chain of custody or traceability system ensuring that verified and non-verified materials are appropriately managed and sold.
MAXIMISING BENEFITS

VALUE OF THE TLTV STATEMENT

The SGS TLTV Statements assure customers, stakeholders and investors of the legality and integrity of your company, its operations and its products.

Other benefits of a TLTV statement include:

- Competitive edge and access to high-value markets for timber products
- Risk mitigation in purchases and sales
- Enhancing your public image through transparency
- Demonstrating your legal compliance to national authorities
- Proving compliance with due diligence requirements while applying for finance
- Improving your environmental rating
- Exercising your corporate responsibility and accountability
- Improving your internal quality management
- Preparation for further forest certification processes.

OFFICIAL SERVICE RECOGNITION

Alongside a range of private sector companies, SGS has also received recognition for its efforts from two important European timber markets: the Netherlands and the United Kingdom:

In June 2008, the UK Central Point of Expertise on Timber (CPET) evaluated the TLTV Service against the Category B requirements for legality as set under the UK Government’s public procurement policy on timber and timber products. The TLTV Service was found to be in compliance and was accepted as a valid evidence of legality.

In October 2008, the SGS TLTV Service was confirmed to be the first legality verification system to comply with the requirements of the Dutch Keurhout institution. The “Keurhout-Legal” System evaluates forest management and legality certification schemes against a protocol based on the minimum requirements of the Dutch Government for sustainable forest management and legal timber.

In addition to the aforementioned, SGS recommends the TLTV Service to prove due diligence with the requirements of the Lacey Act in the US as well as those of the current European draft legislation which prevents companies from introducing illegally harvested timber and timber products onto the EU market.

IMPROVED COMPANY PROFILE

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ADDITIONAL INFORMATION

For more information on the SGS TLTV Service and to validate the reliability of TLTV claims by suppliers (including audit summaries for each client) please visit: www.sgs.com/forestry-monitoring or contact us at: tltv@sgs.com
EXTENDING TIMBER LEGALITY

SUCCESSFUL VERIFICATIONS AROUND THE WORLD

COUNTRIES WITH TLTV STATEMENTS

VLO STATEMENTS
• Indonesia
• Malaysia
• Papua New Guinea
• Republic of Congo

VLC STATEMENTS
• Cameroon
• Republic of Congo
• Democratic Republic of Congo (DRC)
• Tanzania
• Papua New Guinea

COC STATEMENTS
• Australia
• Belgium
• Canada
• Czech Republic
• Denmark
• France
• Germany
• Malaysia
• The Netherlands
• Papua New Guinea
• Switzerland
• United Kingdom
• United States of America

FULFILLING A WIDE RANGE OF FORESTRY REQUIREMENTS

FORESTRY MONITORING PROGRAMME
Since 1995, SGS has been running numerous successful national monitoring and verification projects on behalf of several governments in Africa, Asia, Latin America and Russia. These Government Programmes are managed under the Forestry Monitoring Programme of SGS which also oversees the TLTV Service.

For more information please contact: info.forestry-monitoring@sgs.com or visit: www.sgs.com/forestry

SGS QUALIFOR
The QUALIFOR Programme (Qualifor) is the SGS forest certification programme accredited by the Forest Stewardship Council (for FSC) and SANAS (for PEFC-COC).

SGS global FSC certification is performed under the terms of accreditation held by SGS South Africa (Pty) Ltd (FSC-ACC-015) on behalf of the SGS Group. Qualifor is a global leader in forest certification with more than 250 FSC Forest Management certificates, more than 4,000 FSC Chain-of-Custody certificates and more than 700 PEFC Chain-of-Custody certificates. Qualifor benefits from a global network of over 150 auditors.

www.sgs.com/forestry

OTHER RELATED SERVICES
SGS offers other forest and wood products related services around the world, including:
• Forest Product Inspections
• Wood Product Testing
• Climate Change Programme Services
• Environmental Management Certification.

www.sgs.com/forestry