

Validation Report TLTV

1 October 2008

The Board of Experts declares that it has validated the SGS-Timber Legality & Traceability Verification (TLTV) system for all its FMU's and the related Chain of Custody, against the criteria as laid down in the Keurhout Protocol for the Validation of Certification Systems, version 31/08/2007:



This report may only be issued integrally

The following documents have been included in the validation:

1. TLTV General documents

- TLTV Service Structure Summary
- PPT-presentation. Introducing Timber Legality and Traceability Verification (TLTV); SGS, 2007.
- List of TLTV statement holders – Legality of Production (LP) for the forest source and Chain-of-Custody (CoC) for the supply chain.
- TLTV Training Manual

2. TLTV Associated Documents

- AD-TLTV-00 – Document Amendments List
- AD-TLTV-01 – Internal Audit Checklist
- AD-TLTV-02 – Affiliate Internal Audit Report
- AD-TLTV-08 – Affiliate Participation Agreement
- AD-TLTV-11 - Assessors Qualification Requirements
- AD-TLTV-13 - Proposal Questionnaire
- AD-TLTV-15 - Proposal – Contract for CoC
- AD-TLTV-16 - Proposal – Contract for Legality of Production (LP)
- AD-TLTV-22 - Opening Meeting Checklists
- AD-TLTV-23 - Closing Meeting Checklists
- AD-TLTV-24 - Evaluation Site Visit Form
- AD-TLTV-25 - Evaluation – Stakeholder Issue Form
- AD-TLTV-31 – LP Evaluation Planning Form
- AD-TLTV-33-02 - Timber Legality and Traceability Verification (TLTV), (draft) Generic Standard. SGS, 2008.
- AD-TLTV-38 - LP Internal Review Report
- AD-TLTV-39 – LP Evaluation Stakeholder Letter
- AD-TLTV-40-02 – Stakeholder Consultation Report
- AD-TLTV-41 - 3rd Party Supply Regulation Checklist
- AD-TLTV-50-05 – TLTV CoC Standard
- AD-TLTV-51-B – CoC Checklist Outsourcing of Processing
- AD-TLTV-52 - CoC Checklist - Group or Multiple Site
- AD-TLTV-55-A-06 – TLTV CoC Report

3. TLTV Work Instructions

- WI-TLTV-12 - Sampling and Itineraries
- WI-TLTV-01 - Response Time Lines
- WI-TLTV-13 - Stakeholder consultation
- WI-TLTV-14 – Development and Use of Local Standard

4. TLTV Reference Documents

- RD-TLTV-01 - Code of Practice
- RD-TLTV-02 - SGS TLTV General Conditions
- RD-TLTV-03 - Guidelines for Evaluation Specialists
- RD-TLTV-06 - Stakeholder Briefing Note
- RD-TLTV-04 - Guideline for Internal Reviewers
- RD-TLTV-05 - Guideline Complaints and Appeals
- RD-TLTV-07 - Glossary of Terms and Words
- RD-TLTV-08 - LP Summary (description of the service)
- RD-TLTV-09 - CoC Summary (description of the CoC Service)
- RD-TLTV-10-03 - Third Party Supplied Timber
- RD-TLTV-20 - On and Off Product Guidelines

5. TLTV Procedures

- PROC-TLTV-01-02 Proposals and Enquiries
- PROC-TLTV-03-B-02 LP-Main Evaluation
- PROC-TLTV-03-C - LP-Surveillance Evaluation
- PROC-TLTV-03-D – LP Reassessment
- PROC-TLTV-03-E – CoC Main and Re-evaluation
- PROC-TLTV-03-F - CoC-Surveillance Evaluation
- PROC-TLTV-04 – Corrective Action Requests
- PROC-TLTV-05A - Internal Review
- PROC-TLTV-05B - Statement Issue & Withdrawal
- PROC-TLTV-06 - Complaints and Appeals
- PROC-TLTV-08 - Internal Audits
- PROC-TLTV-11 - Document Control
- PROC-TLTV-12 – Recruitment Training
- PROC-TLTV-15-02 – Record Keeping and Communication

6. Other TLTV documents

- CD-TLTV-06 Forest Monitoring Programme-Qualifor Service Agreement
- POL-TLTV-02 - Conflict of interest
- Public Summary AR SFID SA2008 AD-TLTV-36-A
- Main Report AR SFID SA2008 AD-TLTV-36-B
- Audit report 7489-NL TLTV-CoC MA2007-10
- Audit report 7640-NL TLTV-CoC SA2007-11

7. Other materials

- FSC Certificate of Accreditation for forest management and chain of custody of forest products (Accreditation Code: FSC-ACC-015)
- SANAS Certificate of Accreditation for ISO Guide 65:1996, Product Certification, (Accreditation Number 44) for PEFC-CoC
- SANAS Certificate of Accreditation for ISO/IEC Guide 62:1996, Quality Management Systems Certification – ISO-9001:2000, (Accreditation Number C02a)
- SANAS Certificate of Accreditation for ISO/IEC Guide 66:1999, Environmental Management Systems Certification – ISO-14001: 2004, (Accreditation Number C04)

Other material integrated in the validation:

In addition to the documents mentioned above other documents derived from the SGS website (www.sgs.com) have been taken into account. Moreover SGS provided information on request .

GLOSSARY

AD	Associated Document (TLTV)
AR	Audit Report
BoE	Keurhout Board of Experts
CAR	Corrective Action Request
CITES	Convention on International Trade in Endangered Species
CB	Certification Body
CD	Contract Document (TLTV)
CPET	Central Point of Expertise on Timber
CS	Certification System
CoC	Chain of Custody
Doc	Document
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EN	European Norm
Fmp's	Forest management plans
FMP	Forest Monitoring Programme (SGS)
FMU	Forest Management Unit
FSC	Forest Stewardship Council
GIS	Geographic Information Systems
ha	hectare
ILO	International Labour Organization
ISO	International Standards Organization
KH	Keurhout
KH-LET	Keurhout Legal system
KH-SFM	Keurhout Sustainable system
KH-SYS	Keurhout Protocol for the Validation of Certification Systems
LP	Legality of Production
NC	Non-Conformity
NGO	Non-Governmental Organization
NTFP	Non-Timber Forest Products
NTTA	Netherlands Timber Trade Association
PEFC	Programme for the Endorsement of Certification Systems
POL	Policy Document (TLTV)
PROC	Procedure (TLTV)
RD	Reference Document
SANAS	South African National Accreditation System
SFM	Sustainable Forest Management
SGS	SGS Société Générale de Surveillance S.A.
SIA	Social Impact Assessment
SOP	Standard Operation Procedures
TL	Team Leader
TLTV	Timber Legality & Traceability Verification (SGS)
UNCCC	United Nations Conference on Climate Change
UNFF	United Nations Forum on Forests
WI	Work Instruction (TLTV)

1) Validation process

In May-September 2008 Keurhout (KH) undertook a validation of the SGS 'Timber Legality & Traceability Verification (TLTV) system'. The assessment was performed against the *Keurhout Protocol for the Validation of Certification Systems (KH-SYS)*, which was developed in 2005 by the Netherlands Timber Trade Association (NTTA) and was amended August 31st 2007. The validation concerns the entire TLTV system, which to date covers the Legal Production (LP) of approximately 4.208.000 ha forest exploitation, divided over 20 Forest Management Units (FMU's) under 7 LP certificates in 3 countries. The chain of custody (CoC) to date comprises 11 certificates.

The KH-SYS protocol consists of five parts. Part I is the Validation procedure, the other four parts are normative documents regarding Legal Origin (Part II.a), CoC (Part III), Certification Bodies (Part IV) and the organisation and stability of the Certification System itself (Part V). The requirements are structured in the form of criteria with indicators grouped under various Principles. All criteria of the standards contained in Parts II.a to V are to be assessed. Indicators serve as practical parameters to assess compliance with the criteria. Compliance with all criteria leads to a positive decision concerning the validation of the certificate.

In February 2008 the KH Board of Experts (BoE) received a request from a representation of KH-participants to validate the TLTV system at *system level*. This was followed by a formal request from the System Manager of TLTV in May 2008. The assessment was carried out as a desk study during May-September 2008.

2) SGS-TLTV

Description of the system

SGS is an international company that specialises in independent testing, inspection, verification and certification. SGS is a well known Certification Body (CB), also in the field of forestry. For sustainable forest management (SFM) SGS developed the SGS Qualifor Programme, which among others is accredited by FSC.

The *Timber Legality & Traceability Verification Service* is a verification service by SGS that has been designed to verify that timber has been legally acquired or produced and sold by a particular forestry or timber company. The legality verified timber is traced and verified throughout the supply chain. The service embodies a combination of auditing, monitoring, inspection and checking activities that are deployed with the aim to confirm both the legality and the traceability of specific timber products.

The TLTV system consists of two components: the Legality of Production (LP) component, which verifies the legal origin of forest products and the legal compliance of a particular company's forest operations, timber processing and its products, against agreed criteria. The LP component also contains evaluation on traceability (chain of custody) at the producing company level. The second component, is a Chain of Custody (CoC) component independent from the LP component and is applied to companies further down the chain to the final customer. It enables confirmation that timber products under TLTV are derived from legally compliant forestry operations.

The system has been developed in line with the SGS-Qualifor system elements. The system documentation consists of a considerable series of procedures, policy documents, work instructions, reference documents, associated documents and other documents.

Organisation

The TLTV system is headed by the 'Forestry Monitoring Programme' (FMP) Director in the 'Government & Institutions Services' (GIS) Division of SGS in Geneva, Switzerland. A service agreement has been signed with the Director of the SGS-Qualifor Programme, which operates under the management of SGS-South Africa, concerning the implementation of the TLTV system. In practice the day to day management of the system is shared between the TLTV Service Manager and TLTV Operations Manager (both also currently located in South Africa) and verification audits are implemented by SGS-Qualifor related/ selected/ trained audit teams.

Standard setting and revising

The Generic TLTV Standard for LP has been developed and established by SGS-FMP. Based on the Generic TLTV Standard, a local LP standard will be developed before a verification can take place in a particular country. The development of a local standard is based on the principles and criteria of the Generic Standard (all criteria to be addressed) and follows a specific procedure (WI-TLTV-14). It enables the necessary adjustments to accommodate for the local legal and socio-economic context. Thereto a study is done by the audit team of all relevant (legal) documents. Moreover a stakeholder consultation process is implemented: the draft local standard has to be established by the FMP Director and needs to be made available to stakeholders (on request), at least 4 weeks before it will be used.

SGS Verification Process

In some cases the verification process starts with a Pre-Evaluation, to identify any gaps between the current performance and the one required by the standard, to ensure that the company has a good understanding of the requirements and to allow SGS to gain a good overview of the situation and prepare for the Main Evaluation.

In case a national legality standard exists, that standard will be compared to the requirements of the TLTV Generic Standard. If no (or a deficient) national legality standard exists, a local standard has to be developed meeting the requirements of the SGS Generic Standard (see above). The Main Evaluation will assess compliance with the standard based on documentary evidence, field visits and stakeholder interviews. At the end of the evaluation the audit team will discuss the audit results (including subjects of non-conformance) with the company representatives. These may provide feed back, after which the audit team will prepare a draft evaluation report. The final decision on successful verification however depends on an internal SGS Forestry Review of the evaluation report and process. Senior SGS-Qualifor staff not involved in the audit will implement the internal review process; the decision to issue a TLTV statement or not is finally taken by the SGS Qualifor Director.

A CoC audit is required whenever there is a change of location or ownership or a physical alteration affecting the logs/timber after this has left the verified source. Any company buying SGS "Legality-Verified" timber must successfully undergo a CoC audit before it may use a related claim on its products/documents.

In case of a positive verification result, SGS will issue a TLTV-LP and/or CoC Statement, which is valid for 5 years. Surveillance audits are then implemented at least once a year. At the end of the 5-year period a re-evaluation has to take place. SGS monitors the use of the SGS "Legality-Verified" (TLTV) mark.

3) Results of the Keurhout validation

The system has been assessed against the four normative documents of the Keurhout System validation process.

The summary of the findings of the Board of Experts is presented below. Under each Principle (P) the assessment of the related criteria is briefly summarized. This summary is captured in an overall validation per Principle with the following indication:

OK = Satisfactorily addressed

OK - = Minor deficiency

- = Major deficiency

Validation Part II.a: Requirements regarding the Legal Origin.

P 1 OK	The timber shall come from a legal source.
<p>Twelve criteria.</p> <p>The criteria concern valid registration and permits to operate, clear definition and identification of FMU boundaries, legally required impact assessments, payment of taxes and royalties, respecting of customary cutting rights, respecting of logging restrictions (species, dimensions, volumes, protected zones, approved harvesting and operational plans), monitoring of compliance of the mentioned aspects for all timber sourced from the area,</p> <p>All these criteria are fully covered by the TLTV Generic Standard, including the impact assessments which are only specified at verifier level. Given the general requirement that “the company has obtained the necessary approvals for its forest and related operations”, the extensive procedure for the preparation of a local standard and the facts that the audits are implemented by SGS-Qualifor staff and reviewed by SGS-Qualifor Senior staff, and that SGS is appropriately accredited, the BoE considers this point to be fully covered.</p>	

Conclusion:

Based on the above observations, requirement Part II.a is considered to be fully met.

Validation Part III: Requirements regarding the chain of custody

P 1 OK	The timber shall be traced and monitored from the moment of felling through all its possible stages of processing and transport up to the moment of being imported in the EU.
<p>Six criteria.</p> <p>The criteria require that parties in the CoC have valid permits to operate, an operational management system for sound timber product tracking, well documented procedures for timber tracking in the forest and through processing, register percentages and mix with at least legal origin timber in case of mixed products, and apply physical and administrative segregation and identification of third party verified timber (products).</p> <p>Five criteria are completely met. The 5th criterion is not applicable. With respect to third party supplies, the TLTV system has additional requirements, which distinguish different categories, among which “legal sources certified by an internationally recognised CS”. For timber of this category SGS requires that certification schemes or systems be admitted to the KH-Legal or KH-Sustainable systems. During the transition period until December 31st 2009 companies that receive materials from non-KH admitted sources, need to require validation of these source systems as “verified legal timber” against a Keurhout checklist. After recognition of these systems, such timber can be mixed with the genuine TLTV timber up to a maximum of 30 %.</p>	

Conclusion:

Based on the above observations, requirement Part III is considered to be fully met

Validation Part IV: Requirements regarding the certifying body

P 1 OK	The certification body shall be able to demonstrate that it is capable of assessing forest management and the management system and/or the Chain of Custody.
<p>Seven criteria. The first three criteria concern the expertise and independence of the CB.</p> <p>The following four criteria refer to the assessment scheme. They address audit procedures including the identification of relevant legislation and existing (customary) rights, requirements for the audit report and for monitoring of continuous compliance.</p> <p>The audits are implemented by SGS-Qualifor related/selected/trained auditors and reviewed by senior staff. Assurances are given that the auditors and internal reviewers are independent of the verified companies. Audit teams are carefully selected to assure the relevant expertise. The audit scheme is considered to be well developed in all its aspects. The CB is accredited for all relevant issues. All criteria are fully complied with.</p>	

Conclusion:

Based on the above observations, requirement Part IV is considered to be fully met.

Validation Part V: Requirements regarding the certification system

P 1 OK	The organisation management shall clearly act independently.
<p>One criterion. The criterion requires that the CS is managed by a well structured and contactable organisation. This criterion is considered to be fully complied with.</p>	
P 2 OK-	The system manager shall be responsible for the quality and monitoring of the Certification System.
<p>Eight criteria. Criteria address the establishment process of the system, the procedures to implement the system, procedures to monitor compliance with requirements imposed by the system, the access to certification reports, appeal procedures against decisions by the certification body, access to information on the certification system.</p> <p>The system is well structured and includes a well developed set of procedures, work instructions and related documents. This includes monitoring of compliance by verified parties as well as internal monitoring of the functioning of the CS, rules for the prevention of misuse of the logo and the availability of appeals procedures, among others. The system manager sets the requirements to be complied with by verified parties and auditors. The availability of system documents to the general public is limited to reference documents, standards, audit report public summaries, the statement log and several external documents. Other documents may only be distributed outside of the TLTV system with the approval of the FMP Director. The BoE considers it acceptable that details on procedures, work instructions, etc are not necessarily made public to avoid (ab)use by other parties.</p>	
P 3 OK	The development process of the generic standard, regional and national standards and the standard for the chain of custody shall be fair and transparent.
<p>Two criteria. The criteria pertain to fair transparent standard setting and field testing. Although the Generic Standard has been established by the SGS-FMP, a wide stakeholder consultation has taken place and the local standards are always developed taking into consideration the local context and after a stakeholder consultation process, providing opportunity for the involvement of all relevant stakeholders. Field testing has been done and will be on-going for a while, considering the development of new local standards. These criteria are considered to have been sufficiently met.</p>	

P 4 OK	The universal standard and the regional and national standards for Sustainable Forest Management and the standard for the Chain of Custody shall be supported and formally accepted by the system manager.
<p>Two criteria. The criteria concern the establishment and adjustment procedures of (local) standards. The standards are formally accepted by the system management which employs a “review circle” to review procedures and adjustments. The criteria are sufficiently complied with.</p>	
P 5 OK	The standard shall be clearly structured, complete, usable and allow for objective assessment.
<p>Three criteria. The criteria refer to the suitability to apply the standard at the FMU level, consistency in terms of structure and reasoning, and compatibility with national and international laws. The standard is quite comprehensive and is based on the relevant local laws and regulations and takes into consideration any relevant treaties or international agreements. The standard is considered to be well structured and consistent and is applicable at FMU level; all criteria are fully covered.</p>	
P 6 OK	Certification Bodies shall comply with international accepted standards of professionalism and independency.
<p>Three criteria. The criteria require the CS to set requirements as to the status (accreditation) and professionalism of the CB and its procedures. The TLTV system is exclusively implemented under the responsibility of SGS-Qualifor, which is accredited for SFM and CoC certification and also covered by the wider accreditation for quality management and environmental management system certification of SGS-South Africa. Requirements and procedures are in place for the selection of auditors, their training level, expertise and independency, among others. Thereby the criteria are sufficiently covered.</p>	
P 7 OK	Group Certification shall be based on compliance with the performance standards for individual forest management units, respectively CoC participants, and in addition specific requirements regarding group organisation and management.
<p>Two criteria. The criteria require that the Group Certification system specifies the tasks and responsibilities of the group leader and that the standard imposes requirements for the management system and the expertise of the group leader. Actually group certification is in development (draft procedures are available and based on Qualifor procedures). Although group certification is not an actual option yet (so the criteria would have to be considered to be “not applicable”, the criteria would most probably be sufficiently covered due to the fact that the development of the group certification scheme will be based on many years of relevant experience in this field within the SGS Qualifor Program. Therefore the criteria are considered to be sufficiently covered.</p>	
P 8 OK	The certification System shall offer facilities for the filing of complaints and/or appeals
<p>One criterion. The criterion requires establishment of adequate procedures for handling of complaints and appeals. This criterion is considered to be sufficiently covered.</p>	

Conclusion:

Based on the above observations, requirement Part V is considered to be sufficiently met.

Summary of Principles with deficiencies

Part	OK	OK -	-
II a	P 1		
III	P 1		
IV	P 1		
V	P 1, 3, 4, 5, 6, 7,	P 2	

Overall conclusion:

In general it is observed that all four normative parts of the Keurhout System are being fully or sufficiently covered by the requirements and procedures of the TLTV system.

The BoE **accepts** the SGS-TLTV system as described in the studied documents which constitute the system to the **Keurhout Legal system** without further conditions.

*Keurhout recommends that special attention is being paid to CoC companies, that receive/procure wood raw materials from non-KH admitted sources. Such timber shall at least be acknowledged by Keurhout as **verified legal timber**. Availability of relevant certificates, a functional secondary control system and registered input percentages should be verified for a transition period until December 31st 2009. After that date timber from sources which have not been admitted to either the KH-Legal or the KH-Sustainable system shall not be accepted into the Keurhout approved TLTV-CoC.*

In addition:

TLTV shall provide Keurhout with full copies of annual surveillance audit reports, related to the FMU's and related CoC's, whenever requested.

TLTV shall inform Keurhout at least one month in advance on any changes of its standards as well as of changes in relevant legislation and/or regulations.

TLTV shall provide Keurhout once every six month's with an up-dated overview of all valid certificates.

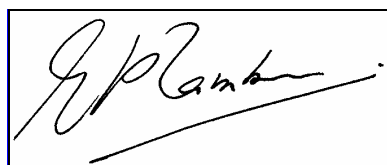
Failure to do so may result in suspension of the admission to the Keurhout Legal system.

Date: October 1st, 2008

Signed:

Ir. E.P. Zambon

Prof. C.J. Jepma



(Secretary)



(Chairman)