

	<b>Timber Legality &amp; Traceability Verification (TLTV)</b>	Doc. Number:	<b>RD-TLTV-08-02</b>
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**TIMBER LEGALITY & TRACEABILITY VERIFICATION (TLTV)**  
**Service component: 'LEGALITY OF PRODUCTION (LP)'**  
**- SUMMARY PRESENTATION -**

**1. ABOUT SGS (Société Générale de Surveillance S.A.)**

The SGS Group is the world's largest inspection, verification, testing and certification organization. In the forestry area also, the SGS's name is frequently associated with professionalism and reliability, making SGS a trusted partner of the forest and timber industry, and offering a range of other relevant and complementary services - with a consistently high level of technical and professional expertise.

In several timber producing countries, SGS has been hired by the government to monitor and verify log/ timber production and exports. SGS follows an interdisciplinary approach and provides international credibility to assurances of timber legality and traceability.

SGS is also one of the major forest certification bodies, accredited by the FSC and other international and national forest certification programmes.

**2. WHAT IS TLTV?**

The Timber Legality & Traceability Verification (TLTV) Service developed by SGS provides independent verification that timber products have been legally produced and sold throughout the 'chain of custody'. The service embodies a combination of auditing, monitoring, inspection and checking activities that are deployed with the aim of confirming both the legality and traceability of specific timber productions.

Under the 'Legality of Production' (LP) component of TLTV, SGS verifies the legal origin of forest products and the legal compliance of a particular company's forest operations, its timber processing activities, and its products, against agreed criteria. Traceability further rests on the ability of SGS to trace the history, utilization or location of timber products, from the place of origin through the operations of the verified production company, by means of auditing the management and wood tracking systems of the company and checking recorded information.

Applied to trading/ processing companies further down the chain and through to the final consumer, the 'Chain-of-Custody' (CoC) mechanism of TLTV confidently enables confirmation, up to the end of the supply chain, that timber products under TLTV derive from legally compliant forestry operations. These CoC-verified companies are eligible to use the "Legality-Verified" (LV) timber claim on their on- and off-product communication material in relation with these products.

The TLTV Statements issued by SGS enjoy international market recognition.

**3. HOW DOES TLTV WORK?**

The scope of TLTV activities includes verification of:

1. the legal origin of forest products; and
2. the legal compliance of a particular company's forest operations, its timber processing activities, and its products.

The sequence applied during the verification process is as follows:

- SGS TLTV audits assess the forestry company for compliance with the requirements agreed for TLTV.
- If the forestry company and its operations, activities and products meet these requirements, an SGS TLTV-LP Statement is issued to the company.
- Regular surveillance visits ensure that the required performance levels are maintained.

#### 4. **BENEFITS OF FOREST VERIFICATION UNDER TLTV-LP**

The potential benefits of TLTV for a forest company include:

- independent assurance for customers, stakeholders and investors of the legality of the company, its operations, activities, and products,
- access to markets that require timber products from legality-verified forests,
- risk mitigation in purchases and sales,
- a competitive edge and access to high-value markets for your timber products,
- demonstration of legal compliance to national authorities,
- compliance with due diligence requirements while applying for finance,
- improvement of company's environmental rating,
- preparation for forest certification &/or strengthening of the forest certification process,
- corporate responsibility and accountability.

As companies become more publicly accountable the importance of these factors will continue to increase. Due to its specific focus on legality and its robust methodology, TLTV can further assist companies advance confidently towards full responsible forest management certification under programmes such as FSC or PEFC, and to maintain or complement certification with tangible proofs of performance.

#### 5. **THE TLTV-LP VERIFICATION PROCESS**

SGS TLTV-LP Verification is carried out in the sequence of steps shown below.

##### 5.1 **Pre-Evaluation**

In certain cases a Pre-Evaluation is recommended. One of the SGS TLTV assessors, together with a local specialist where appropriate, will make a brief visit to the company's forest area. The three main purposes of the visit will be to:

- ensure that the company has a good understanding of the requirements of TLTV;
- allow SGS to gain a good overview of the organisation and its activities in order to prepare for the Main Evaluation - including development of audit protocols, scheduling, and evaluation team qualifications;
- identify any gaps between the current performance and that required by the standard in order to allow the company to prepare for the Main Evaluation.

It is important to note that Pre-Evaluation may not identify all issues requiring attention. It is the company's responsibility to ensure that this has been done before the Main Evaluation.

##### Remedying gaps in the management system

Upon receiving the Pre-Evaluation report, any deficiencies and weaknesses which could prevent successful verification should be addressed. The period needed to correct such problems will depend on the severity of these problems and the effort required to deal with them. SGS would require confirmation that all necessary actions have been taken before Main Evaluation can proceed.

## 5.2 Main Evaluation

The Main Evaluation will be conducted following the steps outlined below. A team of assessors will carry out the fieldwork.

### Preparation

If no national 'legality' standard/ definition/ checklist exists, SGS will develop a local Standard based on the SGS TLTV Generic Standard together with any additional local requirements or Codes of Practice, and initial contacts with stakeholders. The Standard will be made available to the company in order to get prepared, and also to stakeholders for comments, and may need to be revised to accommodate comments received.

### Evaluation

The Evaluation Team will begin the evaluation with an opening meeting, which will provide an opportunity for the Team to explain the process to management staff and answer any questions. The auditors will assess compliance with legality and TLTV Programme requirements by means of:

- ❑ **Documentary evidence**  
Inspection of the company's main legal and forestry management documentation will be carried out. This will involve a detailed examination of policies, management plans, systems, procedures, instructions, controls and data.
- ❑ **Field visits**  
The auditors will conduct interview staff, operators and contractors to determine their familiarity with and their application of the company's policies, procedures and instructions that are relevant to their activities. They will also visit and examine a randomly selected sample of sites and products to evaluate whether the company's practices meet the required performance levels.
- ❑ **Stakeholder interviews**  
Meetings or telephone interviews will be held with important stakeholders. These consultations aim to invite local government departments to support the verification process and clarify the nature of any issues raised.

### Summing Up and Closing Meeting

At the conclusion of the field evaluation, the findings will be presented to the management at a closing meeting. The Lead Assessor will confirm whether the company will be recommended for the issue of a TLTV-LP statement. Any area of non-conformance with the SGS TLTV requirements will be discussed and raised under one of two types of Corrective Action Requests (CARs):

- ❑ **Major CAR** – a CAR that must be addressed and re-assessed before a TLTV statement can be issued.
- ❑ **Minor CAR**, - a CAR that does not preclude the issue of a TLTV statement, but must be addressed within an agreed time frame and will be checked again at the next surveillance visit.

The final decision on a successful verification, however, depends on an internal SGS Forestry review of the evaluation report.

### Chain-of-Custody Inspection

Chain-of-Custody verification is required whenever there is a change of location or ownership, or a physical alteration, affecting the logs/ timber after these have left the verified source. Any company buying SGS 'Legality-Verified' timber must undergo Chain-of-Custody Verification before it may use such 'Legality-Verified' claim on its products or marketing/sales documents. The purpose of this process is to ensure that wood entering the production process is drawn solely from legality-verified forests or, if not, then adequately segregated. The TLTV LP Standard includes and covers all relevant CoC requirements for the outputs of the timber source undergoing TLTV, including logs and processed wood products in case the forest operation includes on-site processing and trade facilities.

### Reporting

Following the field evaluation, SGS will prepare a draft report (normally in English, French or Spanish). These reports will, detail all the findings including a description of any CAR raised and the justification for the TLTV verification recommendation.

### Internal Review

SGS senior staff not involved in the audit will then review the report. The reviewer will evaluate the methodology used by the evaluation team and the validity of the findings. In some instances further CARs can be raised, although at this stage Major CARs are unlikely. The final decision whether to issue a TLTV-LP Statement is made following this internal review.

### Registration

If the result of the evaluation and review process is positive, SGS will issue a TLTV-LP Statement valid for 5 years.

SGS will make a public summary report available on the SGS TLTV-website.

## **5.3 Surveillance**

After a statement is issued, SGS TLTV auditors will visit the company regularly to ensure that the standards assessed at the Main Evaluation are maintained. The first surveillance visit will take place approximately 6 months after the first statement is issued. Subsequent visits will be annual - or more frequent if there are issues requiring to be monitored such as outstanding Corrective Action Requests.

## **5.4 Verification claim**

After receiving the TLTV-LP Statement, the use of the SGS 'Legality-Verified' (LV) timber on- and off-product mark is monitored by SGS. SGS can also deliver specialized pre-printed tags for logs and timber which facilitate product identification and tracking.

**End of Reference Document**