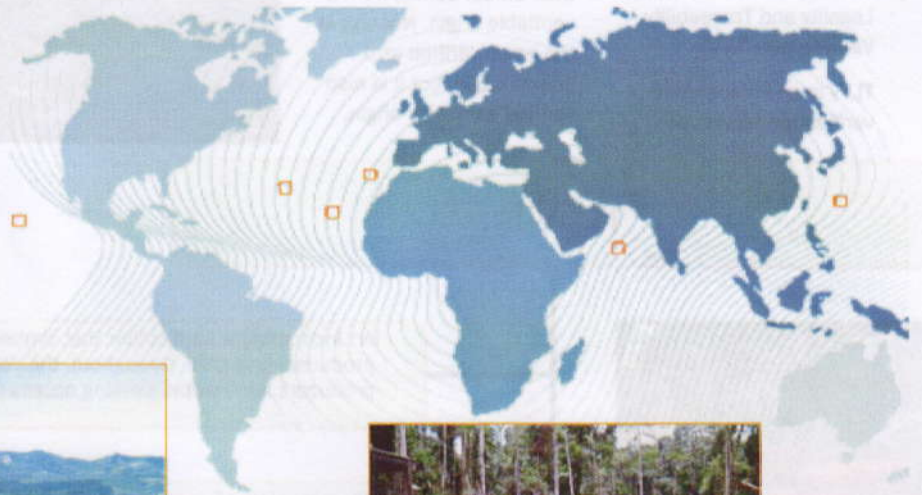


# SGS

# T L T V

## Timber Legality and Traceability Verification

### Towards a legal and sustainable timber trade



## WHAT IS TLTV?

Under pressure mainly from environmental NGOs, illegal logging has become a matter of deep concern worldwide

SGS has designed a service geared at assisting both forestry and wood processing companies achieve market recognition for their efforts to improve forest management standards under their control and at assisting companies trading in 'legal' timber products.

The service is called **Timber Legality and Traceability Verification (TLTV)**.

TLTV is an independent verification service de-

signed to ensure that timber has been legally acquired/produced and sold by a particular forestry company. The legality-verified timber is traced and verified throughout the supply chain.

TLTV provides credible assurance to manufacturers, traders and end buyers that their timber comes from a verifiable origin. Not only is the origin verified as a known origin, but it is also verified as a legal origin.



### TLTV is:



An independent verification that timber products have been legally produced and sold throughout the 'chain of custody', for timber producers and traders seeking access to sensitive export markets

An extension of **SGS'** concept of verification of compliance with agreed requirements in the forest and timber products industry and trade sector

A voluntary, company-level approach which incorporates regular auditing and verification of a company's wood production and tracking information outside any national scheme

### THE NEED FOR TLTV

Timber producers and exporters, timber buyers, importers and retailers want to sell to increasingly regulated or environmentally sensitive, but also high-value markets.

Companies are becoming more publicly accountable and want to demonstrate legal compliance internally and externally with international credibility.

Bad credentials and a bad image ultimately affect revenues and profit.

TLTV is of particular relevance to companies operating in countries without an internationally credible legality verification system or with a programme that does not cover the full scope of a particular company's stakeholder requirements.

Due to its specific focus on legality and robust methodology, TLTV can further assist companies advance confidently towards full responsible forest management certification under programmes such as FSC or PEFC.

Through its TLTV service, **SGS** can credibly verify that a particular company demonstrates to the inter-

national community a clear commitment to producing or sourcing only "legality-verified" timber and timber products.



## IMPROVE THE PROFILE OF YOUR COMPANY



If your company is concerned with any or all of the following objectives:

- Meeting customer demands for proof that the timber is sourced from legality-verified forests
- Ensuring a competitive edge and access to high-value markets for your timber products
- Risk mitigation in your purchases and sales
- Protection of your public image
- Demonstrating legal compliance to national authorities and securing access to the forest resource
- Meeting due diligence requirements while applying for finance
- Preparing for forest management certification
- Improving your environmental rating
- Corporate responsibility and accountability
- Investing for future generations

**"The name SGS is widely recognised and associated with forest monitoring and legality verification"**

... then it would surely benefit from undertaking credible verification and demonstration of legal compliance with internationally recognised 'legality' criteria.

### TLTV CHAIN OF CUSTODY (COC) SYSTEM FOR LEGALITY-VERIFIED TIMBER

CoC is the unbroken path which products take from the forest to the consumer.

It provides evidence that products originate from verified legal sources.

It verifies that these products are not mixed with products from non-verified forests.

The buyer can rely on the CoC statement even without knowing where the wood initially actually came from.

Only companies that prove to buy legality-verified timber, and guarantee its integrity, can obtain the TLTV-CoC Statement.

**Preparation** – adjusting standard checklist to suit local laws

**Audit and Verification** of log/timber production, tracking data and systems for legal and regulatory compliance:

- the Company: legal and administrative situation; production rights

- the Production Site(s): operational forest site(s) and processing mill(s)
- the Production Activities: forest management, logging, timber processing, timber trading
- the Products: specifications, traceability of logs, bundles etc.

**Data Monitoring** and processing, information analysis and reporting (optional)

**Chain-of-Custody Monitoring System:** audit of the company's tracking system; traceability tests from port back to stump in legitimate forest concession; ownership of products

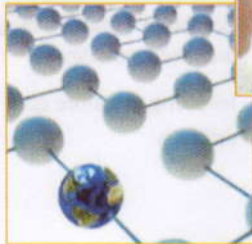


### WHAT WILL WE DO?

SGS is the world's leading inspection, verification, testing and certification company and is recognized as the global benchmark for quality and integrity.

With more than 46'000 employees, SGS today operates a network of over 1'000 offices and laboratories around the world.

Originally founded in 1878 in Rouen as a French grain shipment inspection house, the Company was then registered in Geneva as Société Générale de Surveillance in 1919.



"We aim to be the most competitive and the most productive service organization in our industry.

Our core competences in Inspection, Verification, Testing and Certification are being continuously improved to be best-in-class. They are at the heart of what we are."



## CONTACT

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Website:

[www.sgs.com/forestry-monitoring](http://www.sgs.com/forestry-monitoring)

WHEN YOU NEED TO BE SURE

**SGS**

# SGS Timber Legality and Traceability Verification (TLTV) for the PNG Forest Industry

Bruea Taffer  
April 2007

WHEN YOU NEED TO BE SURE **SGS**

## SGS Presentation Outline

- Introduction to the SGS Group
- SGS Forestry Services World-wide
- SGS TLTV Service
- Details of the Pilot project with PNGFIA

## SGS SGS Group Profile

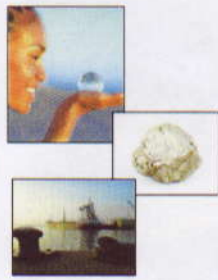
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## SGS Businesses



- Industrial, Engineering & Manufacturing
- Automotive
- Food & Agriculture Sectors
- Oil, Gas, Petrochemicals
- Minerals
- Government & institutions
- Life Science (CRO, QC)
- Consumer Products
- Systems & Service Certification

## SGS SGS' Services



- Core Services:
  - Certification
  - Inspection
  - Testing & Analysis
- Auditing
- Technical Consultancy
- Measurement
- Monitoring
- Training
- Valuation

## SGS SGS Group worldwide



Region	Offices	Laboratories
North America	84	100
Europe	410	115
Africa/Middle East	128	39
Latin America	90	30
Asia/Pacific	133	54

**SGS** What does SGS Forestry offer?

Independent 'compliance assessment' services:

- Forest management certification (Forest Stewardship Council (FSC), Program for endorsement of certification systems (PEFC), SFI (USA), Certfor, Cerflor, MTCC and others)
- Forestry Monitoring Programme (Independent Validation of Legal Timber)
  - Mandatory country level
  - Voluntary country level
  - Voluntary company Level (TLTV)
- Chain-of-Custody certification (FSC, PEFC, TLTV)



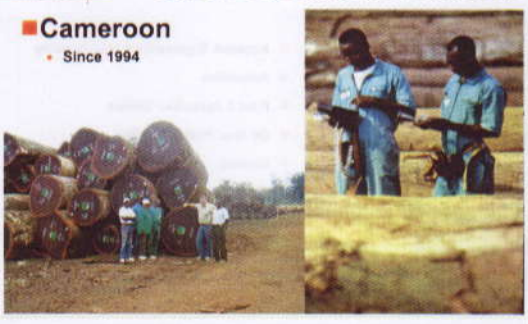
**SGS** SGS Forestry Monitoring Programme

- established to operate outside accredited certification programmes;
- two main lines of business:
  - Government programmes (mandatory for forest companies).
    - Examples: PNG Log Export Monitoring Programme and the Forest Product Export Monitoring Programmes in Cameroon and Congo (Brazzaville)
  - Voluntary Legal Verification Services:
    - With Government Support as in Khabarovsk, Russia
    - Or purely voluntary for forest companies i.e. the SGS TLTV Programme (Timber Legality & Traceability Verification)

**SGS** Other Government Contracts

■ **Cameroon**

- Since 1994



**SGS** Other Government Contracts

■ **Congo (Brazzaville)**

- Since 1995 (though suspended 1999 to 2002 due to civil war)
- Both contracts cover exports of logs and other forest products. Mandatory for all forest exports.



**SGS** Other Government Contracts

■ **Congo (Brazzaville) & Cameroon**

- Both contracts cover exports of logs and other forest products. Mandatory for all forest exports.



**SGS** Other Government Contracts

■ **Ghana**

- Since 2005 SGS has been assisting the Forest Department to introduce a Validation of Legal Timber Programme.
- This is expected to be the basis of an export licensing system under a Voluntary Partnership Agreement (VPA) being negotiated with the EU



**SGS** Other Government Contracts

■ **Cambodia**

- 2004 to 2006 acted as the Independent Monitor of the Cambodian Governments efforts to control forest crime



**SGS** Other Government Contracts

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**SGS** Other Government Contracts

■ **Cambodia**

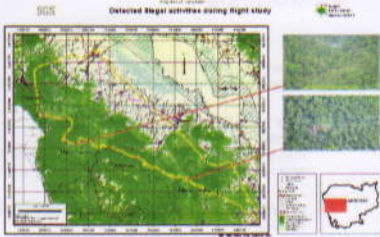
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**SGS** Other Government Contracts

■ **Cambodia**

- 2004 to 2006 acted as the Independent Monitor of the Cambodian Governments efforts to control forest crime



**SGS** Other Government Contracts

■ **Cambodia**

- Other illegal activities!??



**SGS** Private Sector Monitoring

■ **Indonesia**

- Auditing programmes with the two largest pulp & paper manufacturers (RAPP & APP) designed to demonstrate the legal origins of their wood supplies and improve forest management practices. RAPP programme is working in conjunction with WWF Indonesia.



**SGS** Private Sector Monitoring

■ **Indonesia**

- RAPP & APP  
Land clearing  
Sumatra



**SGS** Private Sector Monitoring

■ **Indonesia**

- RAPP & APP  
Plantation Harvest  
Sumatra



**SGS** Private Sector Monitoring

■ **Indonesia**

- Development & Pilot Testing of a Legal Definition for the Indonesian forest industry plus a wood tracking system.
- This work (funded by The Nature Conservancy & DFID) formed the basis of the LEI (Indonesian Eco-Labeling Institute) Legal Standard which has been further developed and is now with the Forest Ministry for approval.
- Expected to be used in any VPA that Indonesia may sign with the EU.





**SGS** SGS is widely known in the forestry sector



SGS is recognized for its professionalism and reliability, and its performance and experience in the forestry sector are widely known

We can offer a link to **multiple certification services**, such as joint certification with ISO 14001, as well as combined audits e.g. FSC and TLTV Chain-of Custody audits through the SGS Group.

**SGS**




We have a consistent record of providing a high quality, professional service, which has won high levels of client referral

**Concession in R. of Congo passes legality audit**  
The German Danzer Group has announced that one of its subsidiaries, Industrie Forêtaine d'Ouesso (IFO), has passed an independent legality audit carried out by SGS in a forest concession in the Republic of Congo.

Passing the audit is seen as a major step to full certification. IFO is awaiting approval of its sustainable forest management plan from the Congolese authorities. SIFORCO, the other major Danzer Group subsidiary in the Democratic Republic of Congo, will undergo a similar SGS legality audit within the next few months. The Danzer Group is the world's largest manufacturer of sliced veneers.

**DANZER GROUP**

**SGS** Auditors



In the forestry sector we work through an international network with over 100 approved assessors in more than 35 countries – we are globally present and locally available.

**SGS** Why independent verification of legality?




- Broad awareness of illegal logging and timber trade problem – due to NGO campaigns and market imbalances from under-priced illegally-produced timber
- Governments of importing countries addressing the problem with introduction of import legislation and regulations for public procurement
- Individual companies or associations seeking to comply with those regulations or searching for an alternative to certification
- Legality verification widely regarded as relevant step towards full 'sustainability'


**SGS** Timber Legality and Traceability Verification (TLTV)



The TLTV Service is designed to ensure that timber has been **legally produced** by the forestry companies. The legality verified timber is **traced** throughout the supply chain.


**SGS** Advantages of Timber Legality and Traceability Verification

- Vetting legal compliance
- Objective/independent audit
- Access to sensitive markets
- Meeting market requirements
- International marketing benefits
- Risk assurance: NGO campaigns, consumer trust
- Differentiate leaders from followers



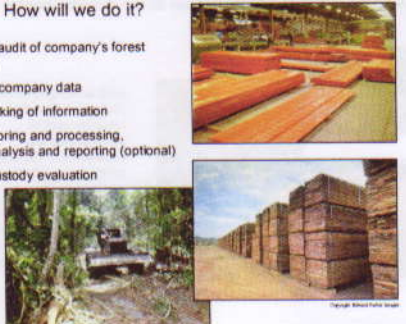
### SGS How will we do it?

- 1) Preparation (adjusting standard checklist to suit local laws)
- 2) Verification of log/timber production and tracking data from port back to stump in legitimate forest concession
  - Company – production and ownership of products
  - Production Site – operational site and processing mill(s)
  - Activities – logging, timber processing, timber trading
  - Products – specifications, traceability of logs, bundles etc.



### SGS How will we do it?

- 3) Evaluation audit of company's forest management
- 4) Auditing of company data
- 5) Cross-checking of information
- 6) Data monitoring and processing, information analysis and reporting (optional)
- 7) Chain-of-custody evaluation

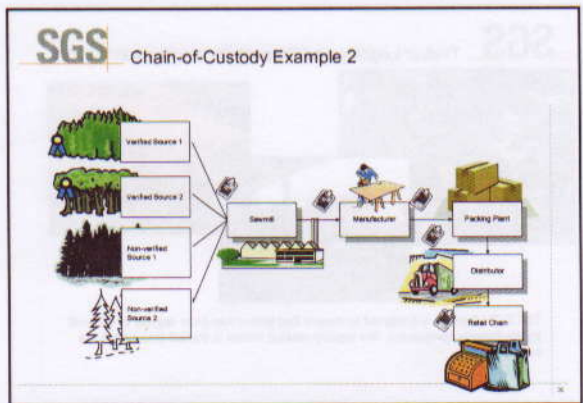
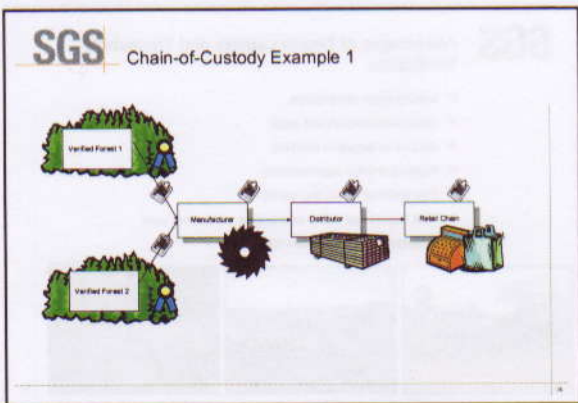


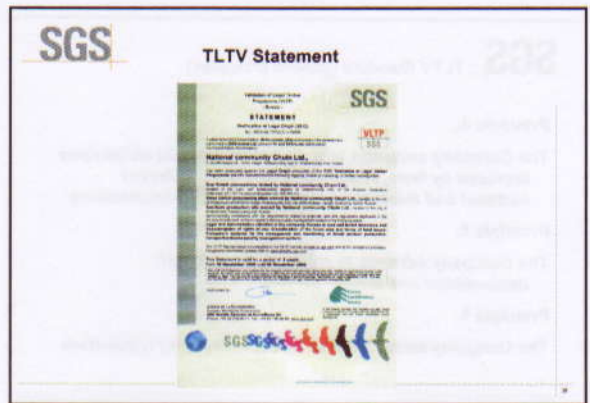
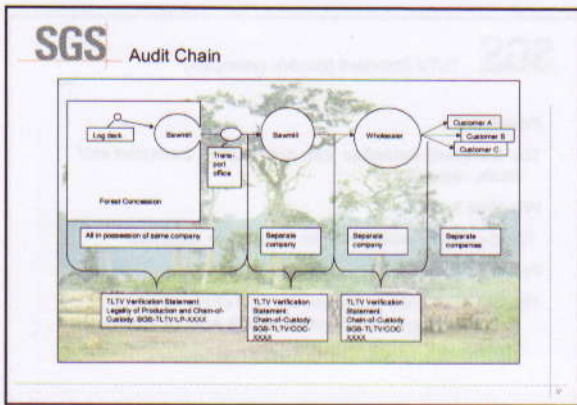
### SGS Chain-of-custody (CoC) for legally verified timber

- CoC: the unbroken path which products take from the forest to the consumer
- Provides evidence that products originate from legally verified forests
- Verifies that these products are not mixed with products from non-verified forests
- Buyer can rely on TLTV-CoC statement without knowing where the wood initially actually came from
- Only companies that prove to buy legally verified timber can obtain the CoC

### SGS CoC requirements

- A valid SGS verification statement from the source forest
- Adequate paper-work properly documenting product movements and changes in the nature and specifications of the products
- Physical identification and segregation of products from point of delivery to dispatch
- If company sells to "last" customer in chain it has to obtain customer's permission for SGS to verify their purchasing documentation





### SGS Potential Benefits For The Company

- Risk mitigation in your purchases and sales.
- Ensuring a competitive edge and access to high-value markets for your timber products.
- Demonstrating legal compliance to national authorities.
- Meeting due diligence requirements while applying for finance.
- Meeting customer demands for independent proof that the timber is sourced from well-managed forests.

Three small images at the bottom of the slide show timber processing: a log being cut, a log being processed into lumber, and a log being stacked.

### SGS Potential Benefits For The Company

- Improving your environmental rating.
- Preparing for forest certification.
- Corporate responsibility and accountability.
- Investing for future generations.
- Demonstrating good conscience and transparency.

Four small images at the bottom of the slide show community and environmental activities: a group of people sitting at a table, a person working in a field, a person working in a field, and a person working in a field.

### SGS TLTV Standard (generic principles)

- The 9 generic principles set out in the next slides represent the minimum requirements set by SGS for application of the SGS TLTV service.
- SGS has further developed the following Principles as the SGS 'TLTV Standard', for use by a company to be verified under TLTV ("the Company") in cases where an existing 'definition of legality' meeting these minimum requirements is not available, locally or internationally, or is not preferred.

### SGS TLTV Standard (generic principles)

**Principle 1.**  
*The Company is authorised to conduct business in accordance with company laws and other legal requirements of the country where it operates.*

**Principle 2.**  
*The company has the necessary approvals or authorizations to conduct the relevant activities at the locations under verification.*

**Principle 3.**  
*The Company respects its social obligations towards local communities, workers, and contractors.*

**SGS** TLTV Standard (generic principles)

**Principle 4.**  
*The Company complies with its environmental obligations imposed by laws, regulations and other relevant national and international environmental requirements*

**Principle 5.**  
*The Company adheres to regulations of forest declarations and taxes*

**Principle 6.**  
*The Company complies with forest harvesting regulations*

**SGS** TLTV Standard (generic principles)

**Principle 7.**  
*The Company complies with processing, transport and trade, regulations*

**Principle 8.**  
*The Company maintains the necessary registers*

**Principle 9.**  
*The Company has management and chain-of-custody monitoring systems in place which ensure adequate control and traceability of its productions*

**SGS** PNGFIA Pilot TLTV Project

■ **PNGFIA Aim:** to develop a Credible Legal Verification System for the PNG Forest Industry which its Members can use on a Voluntary Basis

- Use the SGS TLTV Service as a mechanism to develop a Legality Checklist for the PNG Forest Industry
- With assistance from ITTO, develop a CoC system
- Use SGS TLTV Service to test the Checklist, CoC System and Audit process in a single forest concession and sawmill
- Consult with stakeholders on the results and way forward

**SGS** PNGFIA Pilot TLTV Project

■ **Participants:**

- PNGFIA is the promoter
- SGS is the service provider
- ITTO – potential financing for CoC development
- Other Stakeholders involved in consultation:
  - Development of Local Checklist
  - Discussion of audit outcomes and the way forward

**SGS** PNGFIA Pilot TLTV Project

■ **Phases:**

- Develop Local Checklist (underway)
- Stakeholder Consultation re Checklist
- Complete field audit – Legality Verification
- Implement Chain of Custody System (possible ITTO support)
- Audit the Chain of Custody
- Reporting by SGS
- Stakeholder Consultation (led by PNGFIA)

**SGS**

**Thank you**

Bruce Telfer  
 • SGS Forestry Monitoring Programme

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