



**Forest Management Enterprise  
Verification of Legal Origin/Verification of Legal  
Compliance**

**Guide to Services**

*SmartWood Program of the Rainforest Alliance*

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## **Introduction**

The purpose of the *SmartWood Forest Management Verification of Legal Origin/Verification of Legal Compliance Guide to Service* is to provide an overview of the verification services offered and guidance on the relevant procedures. This guidance document is aimed at outlining the relevant processes for forest management enterprises (FMEs) specifically.

## **Background to Legality Verification**

The persistence of illegal logging throughout the world's forests is undermining initiatives positioned to promote social equity, environmental conservation, sustainable forest management, and sustainable economic growth in many nations. At a global level, conservative estimates are that 10% of industrial round wood production is of questionable legality and in some countries illegally harvested timber may exceed that of legally harvested. In developing countries alone, illegal logging results in losses in assets and revenue in excess of US\$10 to 15 billion annually. The social impact of illegal logging is significant, contributing to poverty, resource inequity and negatively affecting rural livelihoods by jeopardizing the natural resources that many people rely on. In addition, many important global markets, such as the EU and USA, have mechanisms in place to stop non-verified wood from entering the market such as the Lacey Act and new proposal for EU regulations.

## **Rainforest Alliance**

The Rainforest Alliance works in over 60 countries, helping forest organizations, farmers and communities to conserve the resources on which we all depend. The SmartWood program under the Rainforest Alliance pioneered global forest management and with growing consumer demand for sustainably and legally harvested wood products, hundreds of forestry organizations around the world are enjoying the benefits of the Rainforest Alliance's forest certification and new verification services.

SmartWood legality verification services ensure that consistent, rigorous and transparent procedures are followed in conducting assessments and audits. SmartWood upholds the highest standards for ethical, professional, and fair verification. SmartWood verification services are supporting clients in meeting requirements for due diligence required by US and EU markets.

The SmartWood legality verification services use two different standards: Verification of Legal Origin (VLO) and Verification of Legal Compliance (VLC).

## **Verification of Legal Origin**

The Verification of Legal Origin (VLO) focuses on the possession of mandatory approvals, permits, and documents required by the specific permitting framework of the country involved.

Verification of legal origin require timber producers to demonstrate that they have: (i) the legal right to harvest in the forest management unit and that authorization has been granted from the resource owner(s); (ii) all required planning approvals in place; and, (iii) paid all the necessary fees, royalties, taxes and other charges to the appropriate authority, and, (iv) are legally registered and complies with relevant legislation related transport, trade and import/export of material. In addition, forest managers wishing to be verified must have in place a robust Chain of Custody system to allow tracking of material back to the harvest site or stump.

The VLO standard is comprised of 4 principles in addition to a CoC principle.

## **Verification of Legal Compliance**

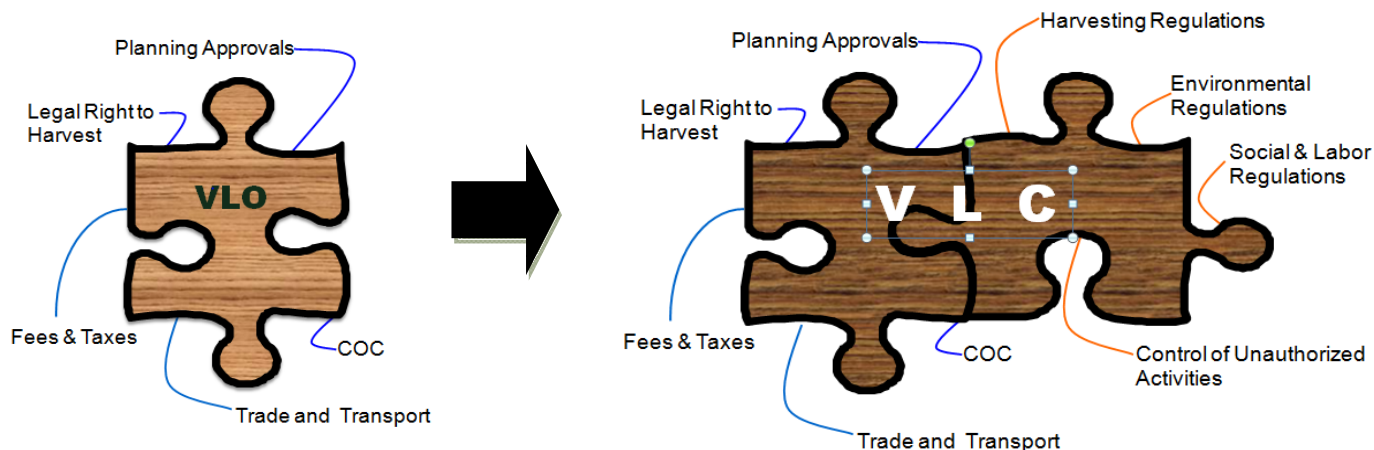
Verified Legal Compliance (VLC) expands upon the basic component of legal origin and encompasses the totality of laws relating to environmental protection, wildlife, water and soil conservation, harvesting rules and practices, worker health and safety, and fairness to communities.

The VLC standard contains 8 principles, the same 4 as VLO plus 4 additional as well as a CoC principle.

## **The Link between Legality Verification and Certification**

Even though verification of legality is distinct from FSC certification, SmartWood views verification as part of a step-wise progression to certification. Therefore, SmartWood requires that verified organizations undertake activities to progress towards FSC certification. SmartWood will provide VLO verification for a maximum of 3

years after which an assessment of the organizations efforts will be made based o which a decision will be taken whether or not to continue verification or require progress towards a higher standard.



### The Scope of Verification

Verification of legality of wood and wood products may take place at the level of individual forests which may include one or more FMUs.

### Assessment Process

**Step 1. Submission of Application.** All potential clients are to complete the SmartWood Verification application. The application provides SmartWood with necessary information for planning the assessment.

**Step 2. Screening.** Based on the information submitted, SmartWood will ascertain the scope of the evaluation, potential risks (based on complexity of operation and level of illegal logging occurring in the host country), level of effort to complete the evaluation and ensure that the SmartWood has the capacity to undertake the evaluation (geographic coverage, required auditors, language skills etc). SmartWood will then develop a proposal and budget for conducting either a pre-assessment or a full verification assessment. A pre-assessment is recommended in case of large scale operations with very complex supply chains.

**Step 3. Service Agreement.** SmartWood and the client will mutually agree on the final plan for the field assessment, the assessment team, and the budget. Once this is done a Service Agreement is signed marking the formal start of the assessment process.

**Step 4. Stakeholder consultation.** According to SmartWood requirements, at least 30 days prior to fieldwork, SmartWood notifies stakeholders of the upcoming assessment and requests comments on the candidate operations compliance with the verification standard. Comments received from stakeholders will be followed up on by the assessment team.

**Step 5. Assessment Planning.** During the planning phase of the assessment it is important that the full scope of the verification is identified by the client so all sites to be included in the scope can be audited.

**Step 6. Onsite Assessment.** The assessment will include onsite visit by SmartWood auditors to all (or a sample of) FMUs included in the scope of the verification. The audit team will evaluate conformance with all applicable criteria in the VLO or VLC SmartWood checklists.

**Step 7. Gathering Evidence.** During the evaluation process the primary responsibility of audit team is to evaluate whether the FME under evaluation is in conformance with legality and chain of custody requirements. One important aspect is to be able to trace logs and lumber to its source.

**Step 8. Determining Conformance.** Non conformance can arise from a required system not being in place, or where practice is different from the defined system. Non conformance identified by the audit team is either minor (for example where there is a temporary lapse, is rare or has limited impacts) or major (e.g. there is a risk that wood is not harvested in compliance with applicable laws and regulations).

Corrective Action Requests (CARs) describe required actions or improvements that address the non-conformances identified during the assessment. Major CARs issued during an assessment need to be closed prior to issuance of a Verification Agreement and Verification Statement (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.

**Step 9. Report.** The assessment team's draft report will be reviewed and approved by an independent Rainforest Alliance quality control (QC) staff member to check that procedures had been followed correctly. Based on the assessment team's findings and the QC recommendations, a final decision will be made by the Verification Services Manager. The report will be sent to the client for their comments before finalization. It is SmartWood policy to make available a Public Summary of the final report which will be posted on the Rainforest Alliance website.

**Step 10. Verification Agreement.** When verification is approved by Rainforest Alliance a one-year, Verification Agreement is signed between Rainforest Alliance and the client. Upon signing of the Agreement and completion of financial arrangements related to the assessment a Verification Statement will be issued to the client with a verification code assigned (SW-VLO/VLC-XXXXXX). The Verification Statement will include scope information such as organization name, product groups, location and jurisdiction; verification code; and validity period of the statement. In case of negative decision the client must either close major CARs, or the Verification Statement will not be issued (or suspended if previously issued).

#### **What happens after the assessment?**

Following a successful assessment surveillance audits will occur at 6-monthly intervals. In cases where FMEs can be classified as low risk in terms of risk of illegal activities the 6 month audit may be carried out as a desk audit. In addition there may be instances where conformance to standards or corrective action requests will require audits outside this schedule. At the end of the one year Verification Agreement a re-assessment will be carried out to renew the verification.

To protect the integrity of the SmartWood verification system SW may conduct ad hoc audits in cases where SmartWood becomes aware of circumstances which provide strong grounds to believe that the client is not in conformance with the relevant standard or where complaints, backed by evidence, are presented to SmartWood.

#### **Surveillance Audits**

Surveillance audits are part of the requirements to maintain the status as verified. The audits will be conducted by qualified SmartWood auditors and include the following activities:

- Meetings with FME staff.
- Evaluation of FME's continued compliance with the verification standards
- Evaluation of FME's progress in meeting any outstanding Corrective Action Requests;
- Review changes to the FME's management system.;
- Review of FME records;
- Review of records of sale of verified material;
- On-site field visits to different sites of the FME.

As a rule the surveillance audits are carried out at a 6 monthly basis. However, such audits can be carried out as desk based document reviews only under the precondition that no issues are outstanding that require on-site field verification.

#### **Preparing for Assessments and Audits**

Before auditors are invited to assess the legality status of the FME, the organization should review its procedures and control systems to ensure that the required systems and documentation are in place and that the organization conforms to the VLO/VLC standard requirements and applicable laws and regulations.

For FME's the requirements include the criteria for verifying legality of the forest operations and harvesting in addition to a forest wood tracking system enabling tracing of logs back to the harvest block or stump. It is important that the organizations ensures conformance to all criteria of the applicable VLO or VLC standard.

**How can the Verification be used in marketing and promotion?**

Once the organization has received the Verification Statement there are specific requirements for the communication that can be made by the client related to the verification. In general, 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 specified limits, but the logo cannot be used on-product. All public communication about verification claims have to be approved by the Rainforest Alliance prior to use.

**Multi-site verification**

The SW verification program and standards allow for multiply FMUs to be verified within the same Verification Agreement scope. That means that the organization can hold only one Verification Statement that covers more than one FMU as long as the standard requirements for multi-site management have been met. Those are found in the CoC section of the VLO and VLC standards. FMEs can also be included as part of a full supply chain verification that also includes processing industry.