SGS LEGALTRACE®

TIMBER TRACEABILITY AND LEGALITY VERIFICATION

SGS

TACKLING ILLEGAL LOGGING WITH SGS SOLUTION

ISSUES

Today, illegal logging is the primary forest policy issue in timber producing countries, especially in the tropics. It deprives governments of billions of dollars in tax revenue, causes environmental damage and biodiversity losses, and threatens the forest upon which many people depend for their livelihood. Forest-related corruption and the widespread violation of forestry regulations undermine the rule of law and discourage legitimate investment.

With new timber trade legislations coming to place in the European Union (EU Timber Regulation) and in the USA (Lacey Act), the governments of timber producing countries increasingly need to establish mechanisms for exporters to prove the legal origin and legal production of timber.

Addressing illegal logging and promoting sustainable forest management, while fostering progress in governance, competitiveness, and transparency, is today's challenge for many governments.

SOLUTION

SGS offers a comprehensive timber Traceability and Legality Verification System solution that helps Governments and Institutions to properly monitor and control the forestry activities throughout the timber supply chain in a given country.

The solution is aimed to equip Forestry Authority agencies with the best IT system to allow the timber operators to declare information in real time at each step of the supply chain. The Forestry Authority is then in a position to verify the legal compliance of the operators and the traceability of the timber products before issuing electronic timber export permits and legality certificates.

Based on its 20-year experience acquired in forestry monitoring solutions, SGS has developed internally its generic timber traceability and legality verification system called SGS LegalTrace®.

The system has been designed to comply with national regulations and international initiatives such as the Forest Law Enforcement, Governance and Trace (FLEGT) Action Plan of the European Union.

BENEFITS

SGS solution aims:

- Reinforce national capacities with the use of new technologies
- Optimize tax recovery
- Promote national timber on the international market
- Safeguard access to any market requiring evidence of legality
- Improve the image of the country on the international scene
- Tackle illegal logging and deforestation

WHAT IS OUR SOLUTION?

WEB APPLICATION

The SGS LegalTrace® solution is a generic web application customizable to meet the needs of governments and institutions in charge of monitoring the forestry activities. It has been built on the basis of the latest Microsoft .Net state-of-the-art technologies.

SGS LegalTrace® is a centralized system registering any available information. The users interact with it through a website where they can register information through on-line web forms or by completing off-line Excel templates and uploading them on the server whenever connection is available.

Data can also be captured through tablets and exported/imported to/from Geographical Information Systems or any third party system.

RECORDING ACTIVITIES ALONG THE SUPPLY CHAIN

Our solution ensures a comprehensive recording of the forestry activities along the timber supply chain from pre-harvesting, harvesting to export or local consumption as per the Figure 1.

The complexity comes in the processes where timber can be cross-cut, processed, sold and transported several times before exiting the chain.

WITH A UNIQUE IDENTIFIER

At each step of the supply chain, timber operators are requested to apply a unique identifier (such as barcode tag or carved/painted alphanumeric codes) on each timber item (log or batch of products).

This identifier shall be declared in SGS LegalTrace® with the timber product characteristics. At each point of the supply chain, the system maintains a parent-child relationship between the identifier on the standing tree and the identifier on the timber product produced.

This parent-child relationship ensures the traceability of timber along the supply chain and enables to determine the origin of the timber products exiting the chain.
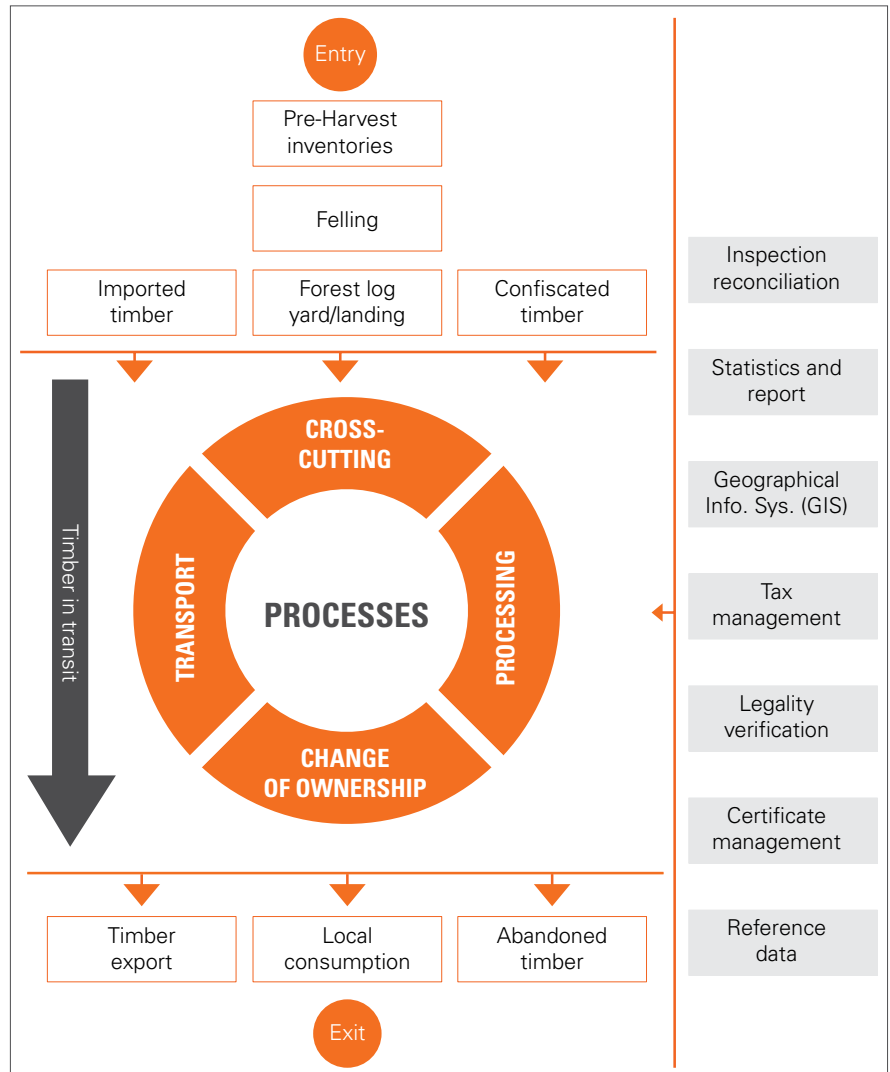

Figure 1: Generic timber supply chain

Figure 2: Barcoded tag provided by SGS

KEY MODULES

TRACEABILITY

One of the key functions offered by SGS LegalTrace® is the traceability of wood along the supply chain from its origin to the final point of sale. SGS has broken the supply chain down into several steps. At each step, operators (logging operators, processing companies, sellers/ exporters…) shall declare trees inventoried and felled, cross-cut logs, imported logs, transport waybills, processing, and sales (local or export).

Barcoded tags provided by SGS and recorded on SGS LegalTrace® enable the monitoring of timber products along the supply chain and consequently determine the origin of all the products exiting the chain.

SGS LegalTrace® can also manage traceability at blocks level or bundles of timber product.

Moreover, the GPS coordinates of all assets can be registered in SGS LegalTrace® to allow the export of data to GIS software for mapping purposes.

At each step of the supply chain, if necessary, SGS LegalTrace® can require an approval of the Forestry Authority before allowing moving to the next step. The verification can be documentary or physical.

Forest Authority inspectors can perform on-site inspections to verify the accuracy of the data declared by operators. In this case SGS LegalTrace® will automatically reconcile the declared data with the data recorded during the inspection.
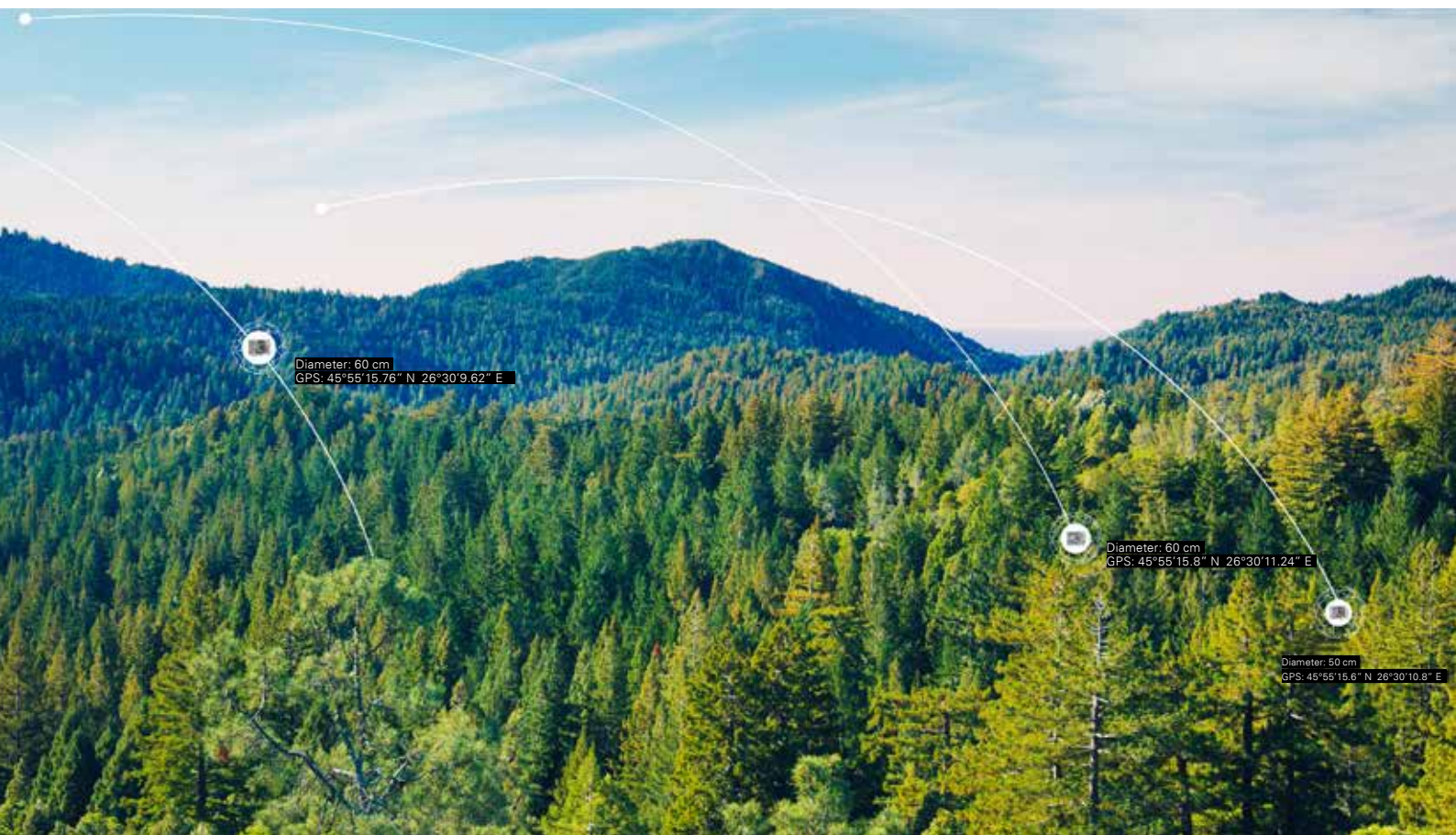
Even if no approval is required, the Forestry Authority can verify the consistency of the data at any step of the supply chain.

FISCAL

SGS LegalTrace® is managing the fee/taxes that timber operators must pay to the governments of the timber producing countries at different steps of the supply chain (pre-felling taxes, felling taxes, processing taxes, export taxes, etc.). The system generates invoices for each type of fee/tax and manages a financial account for each operator invoiced.

The system can also offer interface with the financial systems of the Forestry Authorities to export all invoices corresponding to the different fees calculated by SGS LegalTrace®.

In addition, the business intelligence tool provided with LegalTrace® offers the possibility to generate statistical reports such as total fees generated per month and/or per company.

LEGALITY

Depending on the countries, the Legality can be verified based on a Legality Definition and a Legality Matrix or based on other criteria to be provided by Forestry Authorities.

SGS LegalTrace® can manage any country-specific legal requirements defined into Principles, Criteria and Indicators.

SGS LegalTrace® offers the possibility to record and retrieve all the documents necessary to prove that timber operators, forest concessions and forestry activities are compliant with the legality requirements.

If required by the local procedures, the operators shall declare their data and submit their documents for each verifier before review by the Forestry Authority who approves or rejects them.
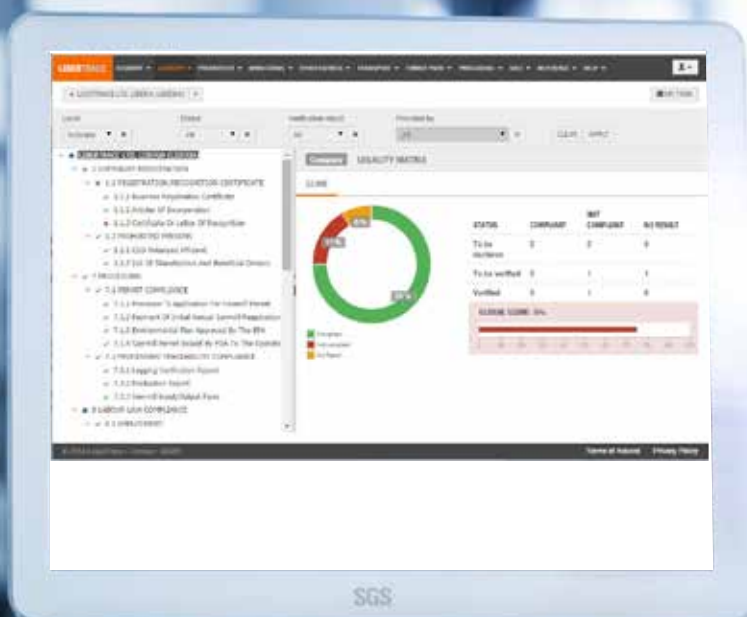
Here again, the Forestry Authority can conduct legality audits and regular physical inspections to check that the declared information is really what is done on-site.

As soon as all the verifiers are approved as compliant, the system issues a certificate of legality proving that the operator is compliant with its legal obligations.

CROSS-FONCTIONAL MODULES

SGS LegalTrace® provides other modules such as:

• Declaration versus inspection reconciliation

• Role-based users access rights

• Business intelligence reports and statistics

• Interfaces with third-party systems (Finance, Customs, and Timber company systems)

• Multilanguage application

LICENSING SYSTEM

SGS LegalTrace® manages the issuance of Certificates of Legality and Export Permits.

When an export permit is requested for a shipment, the system checks the following:

- Traceability: Are all timber products included in the Export Permit Request marked with a unique identifier? If yes, can the system go back to the origin/source of the timber product? Is it a duly registered legal origin/source?

- Fiscality: Has the operator paid all the due taxes due to the Government?

- Legality: Do timber operators have a valid certificate of legality?

If the criteria above are met, the system allows the issuance of a valid export license certifying that the consignment of timber products can be legally exported.

In framework of the European Union FLEGT Voluntary Partnership Agreement (VPA), the export licenses are called FLEGT Licenses (Figure3).

1	**1 Issuing Authority** Name Liberia Licencing Departement Address		**2 Tax identification number** 123456789 Destination EU-France
ORIGINAL	**3 FLEGT licence number** EU-FR/2014/000002		**4 Expiry Date** 06 16 2015 MM DD YYYY
	5 Country of Export LIBERIA		**7 Means of transport** Method Sea Boat Vessel Voyage No. 12
	6 ISO Code LR		
	8 Licensee (name and address) Africa Timber Ltd. Old Road – Monrovia- LIBERIA		
1	**9 Commercial Description of timber products** Round Logs: 2 AMP (11.0242 m3) More details available in attached packing list No "EU-FR/2014/000002"		**10 HS heading** 4403
	11 Common or scientific names AMP	**12 Countries of harvest** LIBERIA	**13 ISO Codes** LR
	14 Volume (m³) 11.0242	**15 Net weight (kg)**	**16 Number of units** 2
	17 Distinguishing marks Marks made by seller: test distinguish mark More details available in attached packing list No "EU-FR/2014/000002"		
	18 Signature and stamp of issuing authority David Pellet Place and date Monrovia, 12.16.2014		

Figure 3: Sample of FLEGT License

ADDITIONAL FORESTRY SERVICES

OPERATION AND MAINTENANCE OF THE IT SOLUTION

Should Governments or Institutions wish so, SGS can offer hosting and/or maintenance & support services of the customized SGS LegalTrace® solution through a Service Level Agreement.

SGS can also build and operate the system before transferring it to the Government.

INSPECTIONS SERVICES

SGS offers inspections services on behalf of the Government or act as a mentoring agent or auditor of forestry services. SGS can provide:

- Physical inspections of timber in forest, log yards and checkpoints.

- Documentary inspections of felling forms, waybills, etc.

- Inspection of containers transported on trucks thanks to scanner technology

As a world's leader inspection company, SGS inspectors perform thousands of inspections all around the world every month. Each time, we reconcile the data declared by operators with data found in the field by our inspector before issuing our inspection reports. This wide experience is an evidence of our capabilities in the field of verification.

CAPACITY-BUILDING

For the last eight years, SGS has become a real partner for Forestry Authorities by enhancing the skills of the Forestry Authorities staff. SGS develops Capacity–building Programme to plan and manage training sessions. These programmes may include the following components:

IT system and new technologies:
SGS offers Training on the use of the customized SGS LegalTrace® application and new technologies for public and private operators:

- Central database, Business intelligence tool, maintenance & support

- Bar-coded labels, tablets, GPS

Verification procedures:

SGS provides support for the preparation of Chain-of-Custody and Legality Verification Standard Operating Procedures (SOPs). SGS offers also Training on these procedures for Inspectors and Auditors:

- Species identification, timber grading and scaling

- Verification procedures (physical and documentary checks)

- FLEGT/VPA and legal requirements

Management: SGS enhances the capacities of the Forestry Authority managers by providing:

- Leadership training

- Integrity training

- Quality Management System training

- Health and Safety training

INTEGRATED SERVICES

All our services can be integrated as one full package delivered according to the following approach.

1. Development: In collaboration with the relevant authorities, SGS develops the Service's human resources and skills (recruitment and training) and the material means and tools (premises, vehicles, software, hardware, documentation, field equipment, etc.) while adapting them to local conditions. This phase may comprise pilot operations aiming at testing and verifying the functionalities of the information and verification systems.

2. Operation: All systems and procedures are gradually implemented at regional and national scale. Continuous training is provided for staff, operators and partners, and regular information about the Service is released and disseminated. SGS acts as delegated operator as well as coordinator for the Service on behalf of the national authorities.

3. Transition: Local management staff progressively takes over implementation of activities and procedures and becomes responsible for operational aspects including personnel, technology, premises, and equipment. SGS maintains overall responsibility for the Service and continues to provide assistance and training. SGS also ensures continuous assessment of the Service performance.

4. Support: SGS provides assistance towards the certification of the Service's quality management system (e.g. a combination of ISO 9001, ISO 14001, and OHSAS).

CONTACT

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WHEN YOU NEED TO BE SURE

SGS