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# **COMPLIANCE VERIFICATION**

## **TIMBER PROCESSING & TRADE**

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## **CONTEXT – VPA & TLAS**

## VPA and its annexes

**A legally binding agreement for trade in legal timber between a partner country and EU (EU provides the structure)**

1. **Product scope**
2. **Timber Legality Definition (TLD)**
3. **Conditions for release for free circulation in the EU of products covered by FLEGT licenses (EU provides the whole annex)**
4. **Technical specifications for FLEGT licenses (EU provides the license format)**
5. **Timber Legality Assurance System (TLAS)**
6. **Criteria for independent assessment of TLAS implementation**
7. **Terms of Reference for Independent Audit (Monitoring)**
8. **Implementation schedule**
9. **Supporting measures**
10. **Public access to information**
11. **Function of Joint Implementation Committee (JIC)**

Flexibility to some extent; for instance  
2. TLD and 5. TLAS can be combined

## Content of TLAS

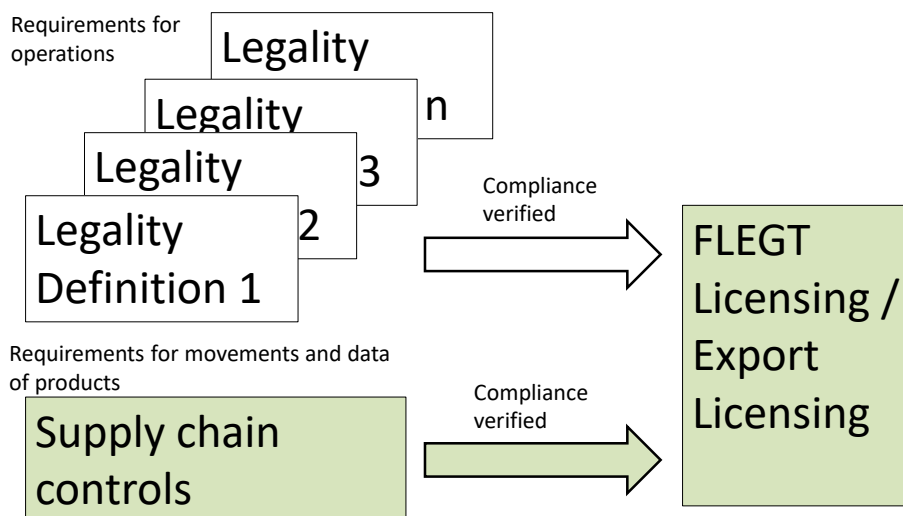
- **Introduction**
- **Scope**
  - Timber sources
  - Products (that will be FLEGT licensed)
  - Market destinations
- **Institutional setup**
- **Timber Legality Definition**
- **Supply chain controls**
- **Verification**
  - Compliance with Timber Legality Definition
  - Compliance with requirements related to supply chain controls
- **Failure to comply with TLAS**
- **FLEGT licensing**
  - based on complying verification results (Timber Legality Definition, supply chain)
  - License issued by each export consignment
- **Independent Audit/Monitoring**

An annex of the VPA

- Main body 10-20 pages
- Appendices in table format on
  - Verification of compliance with Timber Legality Definition
  - Control and verification of supply chain related data

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## Core elements of TLAS



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## Compliance verification

- ***Timber Legality Definition***
  - Verify that the operator complies with requirements specified in the **indicators** of the TLD
- ***Supply chain controls***
  - **Quantitative validation**: inspect that data in records match physical products
  - **Quantitative reconciliation**: compare data between/within stages of the supply chain

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## Timber processing & trade

Timber Legality Definition (TLD 8)  
Timber flow at mill site

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### Coverage of TLD 8

- **Criterion 8.1.1** *on legal establishment of enterprises*
- **Criterion 8.1.2** *on reporting to government on sourcing, processing and sale of legal timber*
- **Criterion 8.1.2** *on payment of taxes*
- **Criterion 8.1.3** *on management of environmental and social impacts*
- **Criterion 8.2.1** *Exports of timber products*

## Verification example (1) – TLD

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CRITERIA/INDICATORS/VERIFIERS		VERIFICATION METHODOLOGY	RESPONSIBILITY	FREQUENCY (TIME)
8.1.1 Compliance with the requirements for legally established wood processing and trade enterprise				
2.2.1.1 The operator possesses valid licenses and permits for wood processing and trading operations	Registration certificate	Check that operator is registered in accordance with Law 46/NA, Law 48/NA or Reg. 0719 and MOIC/POIC has issued operator with certificates based on review of application	MOIC Inspectorate	Straight after issuance of the certificates
	Factory operation certificate			
		Check that existence of certificates	MOIC/POIC	Annual

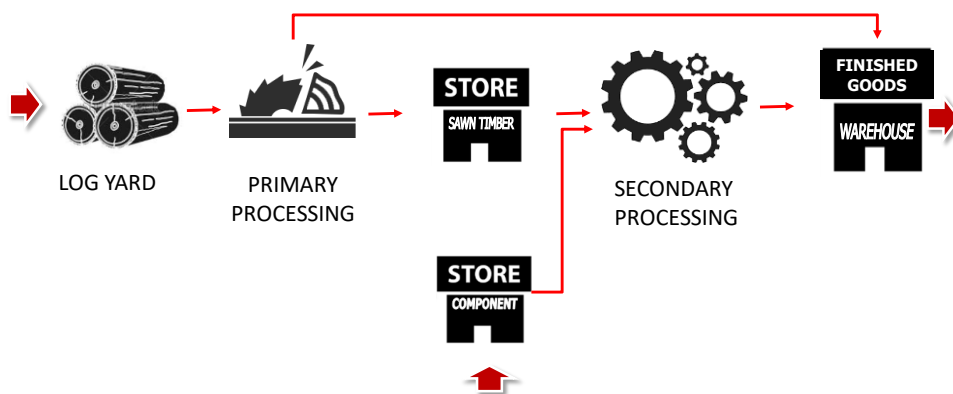
## Verification example (2) – TLD

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CRITERIA/INDICATORS/VERIFIERS		VERIFICATION METHODOLOGY	RESPONSIBILITY	FREQUENCY (TIME)
8.1.3 Compliance with environmental and social impact requirements				
2.2.1.1 The operator has conducted ESIA involving the affected people... and has received approval of the ESIA report and an environmental compliance certificate (ECC) from MONRE	ESIA report	Check that ESIA report is prepared by competent persons, includes operative description, info on stakeholder consultation, assessment of impacts and mitigation measures	MONRE	Prior to issuance of ECC
	ECC			
		Check that approval is done based on thorough review, including site inspections....	MONRE Inspectorate	After issuance of ECC

## Material flow at mill site

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## Internal data management system at timber processing mill

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- **Legal basis: draft MOIC Decision**
- **Requirements for managing data on**
  - Incoming logs and processed timber raw materials (e.g. purchased components)
  - Storing of logs and other raw materials
  - Inputs and outputs of processing
  - Calculation of recovery rates
  - Storing of processed products
  - Deliveries of finished products
- **The above data is subject to compliance verification**

## Verification example (3) – supply chain data

Logs entered at mill site (incoming logs)	
Verification methodology	<ol style="list-style-type: none"> <li>1. Check that the operator has controlled the legal origin of logs with the help of appropriate records such as official sales invoice and accompanying support documents including auction reference or harvesting dossiers, transport permit, tax payment receipts, and CITES licenses issued by MA</li> <li>2. Check that the operator has entered data (tree species, number of logs, quality grades and volumes) on each received consignment of logs into the data management system</li> <li>3. Inspect samples of logs and compare the related measurement results with the records in the data management system</li> </ol>
Responsibility	DOIC, DAFO
Frequency	On each routine verification inspection (regulated procedure)

### Example (3) – incoming logs



Data management system:

Volume: 25.4 m<sup>3</sup>  
Number of logs: 12

Sample inspection:

Volume: 26.1 m<sup>3</sup>  
Number of logs: 12

Difference:

Volume: 0.7 m<sup>3</sup> (2.5%)  
Number of logs: 0

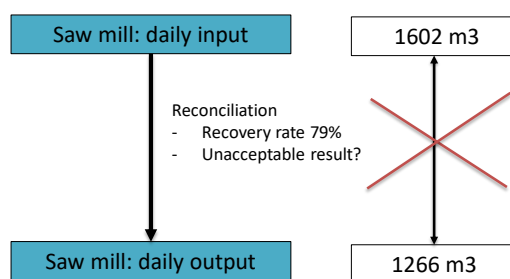


## Verification example (3) – supply chain data

Recovery rate of timber processing	
Verification methodology	1. Checking that the operator has calculated the recovery rate based on the input and output volumes, and the results are recorded in the data management system by each internal work order / production order / shift 2. Checking that the recovery rates in the accounting system of timber processing are within an acceptable range (not yet defined)
Responsibility	DOIC, DAFO
Frequency	On each routine verification inspection (regulated procedure)

## Example (4) – recovery rate

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Further investigations needed

- Check if mistakes in the input data/output data
- Check the product quality (low quality of sawn wood may partly explain high recovery rates)
- Use of logs that are not included in the **data management system**



## Data management on verification results

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- ***Records on***

- Who verified and when
- Results: compliance or non-compliance (by indicators of TLD or requirements related to supply chain controls)
- Evidence
- Remedial actions
- Penalties

***=> Need for an information management system***