

SGS TIMBER LEGALITY VERIFICATION FOR TIMBER PRODUCERS IN PNG

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The Need for Legality Verification

The issue of "illegal logging" is becoming of increasing importance world-wide, especially as it links with other important issues such as deforestation, biodiversity and climate change. This is particularly affecting producers of tropical wood and allegations of illegal logging are affecting both markets and national reputation. Forest certification schemes which include both legality and sustainability criteria have only made slow headway in tropical countries. Therefore there is now a trend from importing countries and buyers to seek credible assurances from their suppliers as to the "legality" of their timber products. Stakeholders ranging from importers, consumers, NGOs, Governments and banks want to be assured that the timber products being imported are at least from "legal" sources.

Responding to the needs of both timber producers and consumers, the Swiss-based SGS Group developed its Timber Legality & Traceability Verification (TLTV) programme from a pilot Legality Verification project in 2005 (in West Africa) into a systematic worldwide program that verifies forestry companies' compliance against the comprehensive SGS TLTV Legality of Production Standard.

Who is SGS?

Just a short word on SGS - the Company I am representing here today. Established in 1878, with Headquarters in Geneva, Switzerland, SGS is the world's largest inspection, verification and testing company. With branches in 140 countries and over 55,000 staff, and its network of 1,000 offices and laboratories around the world, SGS provides services to the automotive, consumer product, environmental, industrial, life science, mining, oil & gas, and quality assurance sectors as well as services to governments and institutions. SGS has no trading or manufacturing interests and its services are based on impartiality, independence and integrity. Our local affiliate SGS PNG Ltd (of which I am the General Manager), is very active, for example providing Log Export Monitoring services for the PNG Forest Authority plus laboratory and shipping survey services to the petroleum and palm oil industries.

SGS TLTV Service Components

As the name suggests, the SGS TLTV global service consists of two components. The first evaluates "Timber Legality" and considers the compliance of all forest sources and operations with local laws and regulations. The second component "Traceability Verification" assesses the supply chain from the forest right to the consumer in order to ensure that the "legally verified" source remains 'pure' and that no illegal sources have entered the supply chain by the time it reaches the intended market. Traceability is generally referred to as the Chain of Custody (CoC).

Definition of "Legality"

What does SGS mean when we say a forest operation is "legal". In other words, what definition of "legality" are we using? As there is no such thing as an international Legality Standard, SGS has developed its own generic Legal Standard which we use globally. This consists of 9 Principles supported by 30 Criteria plus Indicators and Local Verifiers. The full Legal Standard is available on our website (or my office if you prefer)

and covers the full range of key forestry, social and environmental laws with which any forestry company would be expected to comply with during the course of its operations. Broadly the 9 Principles of the SGS TLTV Standard cover:

Legal right to conduct business in a Country, legal rights to be in the forestry business (including access to the forest), respect of social obligations (landowners, local communities and workers), compliance with environmental obligations, forest harvesting regulations. transport regulations, payment of taxes/levies, maintenance of registers (legal and stakeholder complaints) and maintaining the chain of custody system.

SGS has validated this Generic Legality Standard in a major stakeholder consultation exercise. Similarly, the version locally adapted to incorporate PNG's laws and regulations was subjected to a stakeholder consultation process prior to the audit of Saban Enterprises Ltd.

TLTV Service Design Elements

Using the Generic Legal Standard SGS follows a process:

Adjust the Generic SGS Legal Standard to suit local laws and regulations (i.e. develop a local checklist.

Conduct the audit (both Legal Production and CoC): includes documentary and field checks

Internal Peer review process

Main outputs: TLTV LP/CoC Statements (valid for 5 years with annual surveillance audits)

List of statements published on SGS website (LV mark can be used on Legality-Verified products)

The details of these statements as well as additional information on the TLTV programme and the Generic SGS TLTV Standard are available at the website address

www.sgs.com/forestry-monitoring

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 for its products.

Why is the SGS TLTV Service Credible?

The TLTV Statements issued by SGS enjoy international market recognition and provide independent assurance to customers, stakeholders and investors on the legality of the company, it's operations, activities and products.

With, to date, 4.8 Mio ha of TLTV verified forests belonging to 8 forestry companies in 3 African countries in the Congo Basin (Republic of Congo, Democratic Republic of Congo, Cameroon), and PNG plus 12 TLTV CoC Statements issued in 10 countries in Europe, America, and Asia/Pacific.

SGS expects this portfolio of clients to grow rapidly given the growing acceptance of the service in consumer countries.

For example: the SGS TLTV Program has been accepted by the Governments of the United Kingdom and Netherlands as meeting their requirements for timber legality. In each of these countries this acceptance came only after a rigorous and independent review of the SGS TLTV service. Closer to home, the SGS TLTV service is listed on the

New Zealand Government website as acceptable for their suppliers and in Australia the service has been accepted by the nation's largest hardware retailer, Bunnings and is one of the timber legality issues under investigation by Government appointed consultants.

Details of the TLTV Service in PNG

The forest industry in Papua New Guinea has also been subjected to claims of illegality in its operations. In response to this, the Rimbunan Hijau Group with support from both the PNG Forest Industries Association and the International Tropical Timber Organisation has successfully trialled the SGS TLTV service in one of its subsidiaries: Saban Enterprises Ltd., a sawmilling company and exporter located in Milne Bay Province.

Now it gives me pleasure to announce that both the logging and sawmilling operations have been assessed by SGS and been found to be in compliance with the Standards of the SGS TLTV programme.

Accordingly here today, Saban Enterprises is being issued with:

- a Legality Statement for their forest operations: verifying that the supply of logs to the mill yard have meet the SGS TLTV legal criteria,
- a Chain of Custody Statement for their sawmill: verifying that the mill production process is secure from unverified sources of wood and that all sawn wood products sold can be regarded as Legally Verified.

I take this opportunity to congratulate the management and staff of the Rimbunan Hijau Group for this success (a first for both the forest industry of PNG and the forest industry in the Asia/Pacific Region) plus their commitment to expanding the programme through their other PNG forest operations. We look forward to working with both the RH Group and the PNG forest industry on this expansion in the near future.

Thankyou.

For more details on the SGS TLTV programme or this first verification, please contact:

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