



NEPCon Standard

Certification System Evaluation

Version 1.0

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Contact person:	Christian Sloth
Contact email:	cs@nepcon.org



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A Introduction

This Standard contains a framework for evaluating certification and verification systems to assess their ability to provide assurance of the legal harvest, transport and trade of forest products. The framework also includes requirements to assess the level of transparency and quality control of such Systems.

Public comments

NEPCon invites interested parties to submit comments on this Standard, to the contact listed on page 2. Comments received outside of the public consultation period will be considered during the next revision of the Standard.

B Scope

This Procedure is applicable to organisations seeking to evaluate the scope of forest product certification and verification systems against the LegalSource definition of legality (Annex 1 of the LegalSource Standard V2.0) as well as providing a model for the evaluating the efficiency and integrity of such systems against quality criteria as described in LegalSource Standard LS-02 V2.0 (Criterion 7.5).

C References

- Commission Delegated Regulation (EU) No 363/2012 of 23.2.2012 on the procedural rules for the recognition and withdrawal of recognition of monitoring organisations as provided for in Regulation (EU) No 995/2010
- Commission Implementing Regulation (EU) No 607/2012 of 6 July 2012 on the detailed rules concerning the due diligence system and the frequency and nature of the checks on monitoring organisations as provided for in Regulation (EU) No 995/2010
- EUTR Guidance Document: Issues relating to the EU timber regulation legal framework for which guidance should be developed.
http://ec.europa.eu/environment/forests/timber_regulation.htm downloaded 12 February 2016.
- Illegal Logging Prohibition Act 2012 (Australia) and associated explanatory memorandum and the Illegal Logging Prohibition Amendment Regulation 2013 and associated explanatory memorandum.
- ISEAL Credibility Principles v1.0
- ISEAL Glossary of Terms, Version 1, January 2015
- ISEAL Standard Setting Code v6 Dec 2014
- ISEAL Assurance Code Version 1.0
- ISO 19011:2011 Guidelines for auditing management systems
- ISO/IEC 17021-1: 2015 - Conformity Assessment - Requirements for Bodies Providing Audit and Certification of Management Systems
- ISO/IEC 17065:2012 - Conformity Assessment – Requirements for Bodies Certifying Products, Processes and Services
- Regulation (EU) No 995/2010 of the European parliament and of the council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market

D Glossary

Accreditation: See *Oversight*

Accreditation body: Entity charged with oversight (see *Oversight*) of an assurance provider.

Assurance provider: Body responsible for performing the assessment (may also be known as assurance provider)

Certification body: See *Assurance Provider*

Certification System: the requirements (standards), as well as the rules and procedures for how the System will operate.

Client: The person or enterprise that is seeking assurance of their conformity with the requirements in a standard

Due Diligence System (DDS): A set of steps or actions taken to ensure that due diligence is exercised. The due diligence system may consist of written guidelines and procedures that describe the due diligence process in detail.

Organisation: The person or enterprise that is seeking assurance of their conformance with the requirements in a standard (synonyms: operator, client, enterprise, entity, participant, producer, member and auditee).

Oversight: Assessment of an assurance provider's demonstration of competence to carry out specific assurance tasks.

Publicly available: Obtainable by any person, without unreasonable barriers of access

System owner: The organisation that determines the objectives and scope of the standards system, as well as the rules for how the System will operate and the standards against which conformance will be assessed. In most cases this is the standard-setting organisation. However, it may also be an assurance provider, a governmental authority, trade association, group of assurance providers or other body.

Standard system: The collective of organisations responsible for the activities involved in the implementation of a standard, including standard setting, capacity building, assurance, labelling and monitoring (in the text System is used to denote the Standard System)

Standard-setting organisation: The organisation responsible for managing the development or revision of a standard

Standard: Document that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods

Supply chain: the entities that take legal ownership of the forest products from the forest – where the material is harvested – to the certified Organisation that takes final ownership of the material

E Requirements for evaluating certification and verification standard systems

The below framework contains the principles, criteria and indicators used for evaluating certification systems.

Legality Definition

P	C	I	Requirements	Definition and guidance for evaluation
1			Legal compliance	The System shall contain a legality definition, including applicable legislation related to harvesting, trade and transport enabling efficient evaluation of legal compliance where needed. The Standard shall clearly specify the applicable laws that shall be complied with in order for harvesting and trade of timber to be considered legal. In this regard it shall not be considered adequate to include only a generic statement such as "all relevant laws and regulations shall be met". The Standard shall contain requirements that relate to or cover applicable legislation as defined by the categories below.
1	1		Legal rights to harvest	
1	1	1	Land tenure and management rights	The standard shall include requirements that ensure compliance with legislation covering land tenure rights, including customary rights as well as management rights incorporating the use of legal methods to obtain tenure rights and management rights. The standard should also cover legal business registration and tax registration, including relevant legal required licenses. There shall be requirements to ensure that licenses, right of tenure and management rights have been issued according to the legally prescribed procedure and excluding corrupt practices.
1	1	2	Concession licenses	The standard shall include requirements that ensure compliance with legislation regulating procedures for the issuing of concession licenses, including use of legal methods to obtain concession licenses. Bribery, corruption and nepotism are recognised issues in connection with concession licenses.
1	1	3	Management and harvesting planning	The standard shall include requirements that ensure compliance with legislation and legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities.

1	1	4	Harvesting permits	The standard shall include requirements that ensure compliance with legislation regulating the issuing of harvesting permits, licenses or other legal documents required for specific harvesting operations. This requirement includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits.
1	2		Taxes and fees	
1	2	1	Payment of royalties and harvesting fees	The standard shall include requirements that ensure compliance with legislation covering payment of all legally required forest harvesting-specific fees such as royalties, stumpage fees and other volume-based fees. This requirement includes payments of the fees based on correct classification of quantities, qualities and species. It also considers taxes related to the maintenance of the legal rights to harvest and manage the forest (e.g. area-based taxes).
1	2	2	Value-added taxes and other sales taxes	The standard shall include requirements that ensure compliance with legislation covering different types of sales taxes that apply to the material being sold, including selling material as growing forest (standing stock sales).
1	3		Timber harvesting activities	
1	3	1	Timber harvesting regulations	The standard shall include requirements that ensure compliance with legal obligations for harvesting techniques and technology including selective cutting, shelter wood regeneration, clear felling, transport of timber from felling sites and seasonal limitations etc. Typically, this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.
1	3	2	Protected sites and species	The standard shall include requirements that ensure compliance with legislation related to protected areas as well as protected, rare or endangered species, including their habitats and potential habitats. Note that protected areas may include protected cultural sites, including sites with historical monuments.
1	3	3	Environmental requirements	The standard shall include requirements that ensure compliance with legislation related to environmental impact assessment in connection with harvesting, acceptable levels of damage and disturbance of soil resources, establishment of buffer zones (e.g. along watercourses, open areas, breeding sites), maintenance of retained trees on felling sites, seasonal limitations on harvesting, and environmental requirements for forest machinery.

1	3	4	Health and safety	The standard shall include requirements that ensure compliance with legislation related to personal protective equipment for persons involved in harvesting activities, use of safe felling and transport practices, establishment of protection zones around harvesting sites, and safety requirements relating to machinery used, and legal and safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations in the forest, including in-forest processing (not office work, or activities other than actual forest operations).
1	3	5	Legal employment	The standard shall include requirements that ensure compliance with legislation for employment of personnel involved in harvesting (and in-forest processing) activities including requirements for contracts and working permits, requirements for obligatory insurances, requirements for certificates of competence and other training requirements, and payment of social and income taxes withheld by the employer. Furthermore, the requirements shall cover observance of the minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association.
1	4		Third parties' rights	
1	4	1	Customary rights	The standard shall include requirements that ensure compliance with legislation covering customary rights relevant to forest harvesting activities including obligations relating to sharing of benefits, and indigenous rights.
1	4	2	Free, Prior and Informed Consent	The standard shall include requirements that ensure compliance with legislation covering 'Free, Prior and Informed Consent' in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.
1	4	3	Indigenous and traditional peoples' rights	The standard shall include requirements that ensure compliance with legislation that regulates the rights of indigenous/traditional peoples as far as those rights relate to forestry activities. Possible aspects to consider are land tenure; and the right to use certain forest-related resources or practice traditional activities, where these may involve forest lands.
1	5		Trade and transport	
1	5	1	Classification of species, quantities, qualities	The standard shall include requirements that ensure compliance with legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method of reducing/avoiding payment of legally prescribed taxes and fees.

1	5	2	Trade and transport	The standard shall include requirements that ensure compliance with required trading permits as well as legally required transport documents that accompany transport of wood from forest operations.
1	5	3	Offshore trading and transfer pricing	The standard shall include requirements that ensure compliance with legislation regulating offshore trading. Offshore trading with related companies placed in tax havens – combined with artificial transfer prices – is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading, as far as they are legally prohibited in the country, can be included here.
1	5	4	Customs regulations	The standard shall include requirements that ensure compliance with legislation covering areas such as export/import licenses, and product classification related to customs (codes, quantities, qualities and species).
1	5	5	CITES	The standard shall include requirements that ensure compliance with legislation related to CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention).

Supply-chain related & Chain of Custody requirements

2			Chain of Custody	The System shall include requirements to ensure that material included in the scope of certification/verification will not be mixed with unknown or non-compliant material, irrespective of the method applied. The requirements below, therefore, do not require tracking of all timber from the forest, but allow for risk-based systems to manage risk of contamination with illegal or unknown material.
2	1		The System shall require systematic processes to enable the identification of the country of origin of the material, and where applicable to a higher level of detail, such as the sub-national region or concession level.	Depending on the System's approach to tracking and sourcing, there shall be systems in place either to track all material (product certification systems) or to track and trace products to a level of detail appropriate to the level of risk identified in the supply chain (risk-based Due Diligence Systems).
2	2		The System shall require systematic processes to enable the identification of the species included in materials or products included in the scope of certification.	The names of the species of trees included in all products in the scope of certification shall be available and identified by common or trade name, as well as scientific name (genus and species).
2	3		The System shall include clear and effective measures to prevent material from specified	Systems to assure segregation of materials from unknown or potentially illegal sources shall exist. This may be done via different types of systems, but there shall be a well-documented process to

			risk, unverified or potentially illegal sources from entering the supply chain.	assure that materials are not mixed in cases where several different material categories (origins or risks) are handled.
2	4		Where applicable, the System shall require the tracking of certified or verified legal wood along the supply chain, using appropriate inventory methods and documented controls where necessary to ensure that risks of mixing are managed.	Chain of Custody system requirements shall be formulated and implemented to assure that material carrying the certification or verification claim can be traced through processing and transport.

Quality Assurance Requirements

3			System requirements	The System shall include requirements for certified or verified organisations to have in place systems and procedures covering all requirements of the standard.
3	1		If the System includes an option to apply own-verification (using 1 st , 2 nd or 3 rd parties), the System shall contain requirements to ensure consistent implementation of requirements at all levels included in the scope of the certification.	For companies implementing own-verification (1 st , 2 nd , or 3 rd) systems (of sources or supply chains), the System shall include clear requirements for such systems and for oversight by the assurance provider of the scope and quality of their implementation. In cases where other 3 rd party Systems are recognised by the System, it shall be clear on what basis recognition is done and how it is verified that other Systems assure conformances with the specific System requirements.
3	2		The System shall ensure that the procedures of certified organisations are evaluated and revised - when necessary – on a regular basis.	There should be clear requirements in the System to require certified organisations to regularly review the proper functioning of their own procedures. Ensuring the continued implementation of procedures is important to the on-going ability of the organisation to meet certification requirements.
3	3		The System shall ensure that whenever there is a change in the risk related to illegal harvest, trade or transport in a verified supply chain – or a supply chain covered by a DDS – the risk shall be assessed and mitigated.	There should be clear requirements embedded in the System to ensure that any procedures applied by certified companies are able to efficiently address changes to supply chains. Changes in supply chains may introduce new risks and these should be dealt with prior to including products from these new supply chains in the scope of the certification.

4			Transparency	System standards and requirements for both certified organisations and assurance providers shall be publicly available. Systems shall ensure that relevant information about the development and content of the standard, how the system is governed, who is evaluated and under what process, impact information and the various ways in which stakeholders can engage is freely available (ISEAL credibility principles).
4	1		The System shall ensure that standards and requirements for certified organisations are publicly available on the internet.	Transparency of the requirements against which certified organisations are evaluated is a key feature of a certification System.
4	2		The System shall ensure that an up-to-date register of certified/verified organisations is publicly available.	This requirement should make it possible to identify the certification status of named companies from their name or certification code.
4	3		The System shall ensure that certification reports (or at least summaries with relevant findings) are made publicly available on the internet.	At the level of the certified organisation, the public summary information should – as a minimum – provide accurate and up-to-date information on: i. Scope of the certificate with regards to a full list of sites, facilities or members included. ii. Scope of the certificate with regards to those materials, products or product groups that are included. iii. The date of issue and ordinary date of termination/withdrawal of the certificate. iv. The current state of validity of the certificate (active, suspended, terminated) v. Rationale for certification decision, overview of findings and description of non-conformances
4	4		The System shall include formal and transparent, publicly available procedures for the handling of disputes and complaints related to certification and surveillance audits.	Procedures for handling complaints and disputes shall be developed, made publicly available and implemented. The procedures shall be clearly publicized, making it easy for stakeholders to submit comments or complaints where applicable.

5			Competence and qualifications	<p>The System requires the relevant personnel of both Assurance Providers and certified organisations to have competence in their responsibilities.</p> <p>NOTES:</p> <ul style="list-style-type: none"> ISO 19011 definition of competence: (3.14) Demonstrated personal attributes and demonstrated ability to apply knowledge and skills. ISEAL: Auditors need to be able to use their judgement to come to a quick understanding of a client's performance. Similarly, individuals responsible for audit reviews and decisions also need to be competent in their responsibilities. Among the strategies to mitigate the risks of non-conformity, having competent auditors is one of the most important. Basic requirements for supporting auditor competence are included in ISO17065 (6.1.2) and in ISO 17021-2 Section 7 and Annexes A to D in that document. The System owner must take ultimate responsibility for the competence of auditors working in its assurance programme.
5	1		The Standard shall include requirements and ensure that certified organisations have qualified and competent staff who are able to consistently assure that standards are met and enforced.	This requirement specifies the importance of ensuring that certified organisations have qualified and competent staff tasked with ensuring that the standard requirements are met and enforced.
5	2		The System shall have mechanisms to ensure that auditors, and other relevant staff of the Assurance provider, are qualified and competent to evaluate organisations' compliance with specific standard requirements.	This requirement relates to the existence of clear requirements for competence and qualifications of auditors involved in evaluating standard conformance, as well as personnel involved in the certification decision-making process.
6			Impartiality and Oversight	<p>Auditors, and other personnel relevant to the conformance evaluation of an organisation shall be impartial to the entity(-ies) under evaluation.</p> <p>NOTES:</p> <ul style="list-style-type: none"> ISO 19011: Independence: the basis for the impartiality of the audit and objectivity of the audit conclusions. Auditors should be independent of the activity being audited wherever practicable, and should in all cases act in a manner that is free from bias and conflict of interest. For internal audits, auditors should be independent from the operating managers of the function being audited. Auditors should maintain objectivity throughout the audit process to ensure that the audit findings and conclusions are based only on the audit evidence. ISEAL: standard systems [shall] identify and mitigate conflicts of interest throughout their operations, particularly in the assurance process and in governance.

6	1		The System shall ensure that auditors are impartial enabling them to make independent evaluation of standard conformance by the entity under evaluation.	Impartiality should be clearly defined and included as a component of the System requirements on auditors and assurance providers that they remain impartial and independent to the organisation under evaluation. Requirements for impartiality should be defined at all levels of the System, from auditing, to certification decision through the development and maintenance of the Sytem itself.
6	2		The System owner shall ensure that certification decisions are made by entities impartial to the auditee.	The certification decision process should be well defined and include requirements to ensure that the decision on certification is conducted by positions/bodies that are impartial to the auditee.
6	3		Oversight mechanism	<p>NOTE:</p> <ul style="list-style-type: none"> ISEAL assurance code: Oversight of assurance providers is typically managed through an ISO 17011 accreditation process, but can be accomplished in other ways, depending on the needs of the standards system. For example, a standards system could employ an independent assurance body to review the System. Alternatively, a System owner could arrange to oversee the work of assurance providers directly, recognising that this model provides less independence and requires the owner to have the competencies described in this section. Less formal Systems could develop a scrutiny committee of peers or stakeholders to oversee the assurance process. In all models of oversight, independence of the oversight mechanism from the assurance provider is necessary.
6	3	1	The System owner shall ensure that the competence and consistent performance of assurance providers is periodically reviewed.	The owner or operator of the System should have efficient requirements to ensure that the competence <i>and performance</i> of assurance providers is regularly evaluated. The review of performance should be used for subsequent follow up and implementation of corrective actions where shortcomings are identified.
6	3	2	The System owners shall specify the approach to be used in oversight, ensuring that the oversight mechanism is independent of the assurance providers being assessed.	The procedures to conduct oversight of assurance providers by the System owner, should be developed and implemented in a way that ensures the impartiality and independence of the System owner.
6	3	3	The System owners shall define the frequency of oversight or the procedure for determining the frequency, applicable in the case of risk-based oversight.	Where the System owner is the assurance provider, the owner shall ensure that oversight is carried out by personnel independent of those engaged in the assurance process.
7			Auditing process (assurance provider requirements)	Compliance with the System standards is audited regularly and the results are publicly available. The System shall include clear requirements and procedures for auditing activities, as well as how audit results are presented and made available to third parties.

7	1	<p>The System shall ensure that assurance providers apply the documented methodology for assessment of clients.</p> <p>As a minimum, this methodology shall include procedures for the following activities:</p> <ul style="list-style-type: none"> › Evaluation of conformity of organisations to the standards (e.g. audit of sites, or inspection of records or of self-assessment declarations); › Review and certification decision; › Issuance of a certificate; and › Periodic re-assessment. 	<p>The System should have in place efficient and adequate requirements and procedures that shall be met by assurance providers. These requirements should ensure that assurance providers use the designated methodology for the evaluation of organisations seeking certification. Requirements for assurance providers should be clear and unambiguous and allow the System owner to verify their level of conformance to these requirements.</p>
7	2	<p>The System shall include mechanisms to ensure that assurance providers conduct stakeholder consultation as appropriate during the audit (only applicable where necessary for evaluating compliance of organisations).</p>	<p>Stakeholder consultation may be required in some cases. For example, this could be during the evaluation of compliance to laws relating to third parties' rights to resources.</p> <p>Where required, the time and place of the initial evaluation and surveillance audits should be made known to stakeholders, together with an invitation to provide comments about the assessed organisation (and its activities) to the assurance provider or accreditation body.</p>
7	3	<p>The System shall ensure that the assurance provider applies a clear basis for:</p> <ul style="list-style-type: none"> › establishing conformance › raising corrective actions for non-compliance › certification decision making. 	<p>Clarity in the performance threshold for organisations seeking certification should be clear and unambiguous. The procedures for assurance providers should ensure that a uniform threshold is applied to evaluate conformance by ay auditees.</p> <p>This criterion relates to the ability of the assurance providers to make consistent and standardized decisions on conformance by clients. This is important as clarity of conformance thresholds are necessary for the client to understand the requirements they are supposed to meet and for the auditors to be able to make consistent decisions of conformance.</p>

7	4	<p>The System shall ensure that assurance providers have in place - and implement - procedures for audits that include at least the following:</p> <ul style="list-style-type: none"> › frequency of audits; (minimum annually); › requirements for on-site visits where applicable; › sampling protocol for audits (if applicable); › structure and competencies of the audit team; › the minimum set of aspects that need to be checked in every audit; › minimum content of audit reports, including non-conformances, clarification of scope, audit process and evaluation findings. 	<p>These requirements relate directly to the procedures implemented by the assurance providers to conduct audits. These types of requirements on assurance providers are often part of accreditation standards and reflected in assurance provider procedures for auditors.</p> <p>As the requirements reflected in 7.1, the assurance provider should have in place procedures to ensure that they are following the System requirements for auditing. The assurance provider therefore should have in place an efficient set of procedures to ensure consistent and uniform implementation of the System's audit requirements.</p>
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About NEPCon

NEPCon (Nature Economy and People Connected) is an international non-profit organisation that works to build capacity and commitment for mainstreaming sustainability. For over 20 years, we have worked to foster sustainable land use and responsible trade in forest commodities. We do this through innovation projects and through sustainability services.

We are accredited certifiers for sustainability schemes such as FSC™, PEFC, and SBP. We offer Chain of Custody certification according to the SAN / Rainforest Alliance standard. We also certify to our own LegalSource Standard and Carbon Footprint Management standards. A self-managing division of NEPCon promotes and delivers our certification services. Surplus from certification activities supports the development on NEPCon's non-profit activities.

NEPCon is recognised by the EU as a Monitoring Organisation under the EU Timber Regulation.

Contact

Christian Sloth
Forest Legality Programme Manager
Email: cs@nepcon.org
Phone: +45 3158 7981
Skype: christiansloth

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