

SCS LegalHarvest™ Verification (LHV) Standard for Multi-Site Assessment

1 Scope

The LHV Standard for Multi-Site Assessment describes the requirements for assessing the Multi-site Verification Statement Holder, the entity that holds the Verification Statement on behalf of its participating sites, for conformance to the applicable LHV standards. The minimum organizational requirements for multi-site clients are described below both in the terms and definitions section and the principles and criteria that follow. This standard enables multiple factories or forest management units to efficiently allocate resources in order to obtain 3rd party recognition for their legally harvested timber products. The intent is to assist those factories or forest units that on their own might not be able to afford or attain the management level necessary to reach verification of legality, but together with the support of a robust organizational structure, can put the necessary processes in place to better manage their practices and meet the standard.

The LegalHarvest Multi-site Standard applies to three general categories of organizations, all with differing levels of connectivity between sites (for full definitions of categories, see definitions section below). True multi-site clients tend to be a series of participating sites (forests or factories), owned by one legal entity, who all report to or are governed by a central office. Sites may be different divisions of the same company. Group clients are generally not legally connected and tend to be made up of individually owned sites that together form a membership organization. Such clients may be members of a trade association, or a group of family foresters or associated factories, all managed by a group administrator. The final type is a group of organizations that are connected through a buyer-seller relationship within a supply chain – sets of individual sites that are independently owned and managed, linked only by the product supply chain they belong to. In such cases the Verification Statement Holder is the designated administrator of the verification process for all participating sites and companies.

All multi-site clients are distinguished by having more than one participating entity in the scope of the assessment, and are managed by a Statement Holder, the individual entity who holds the Verification Statement under which all participating sites are included. SCS multi-site verification protocols assume two things: 1) The Statement Holder or multi-site administrator provides administrative oversight and facilitates an internal audit program for participating sites in line with protocols dictated by the standard, and 2) a site sampling method is employed by the certification body for evaluation and surveillance audits, in line with sampling requirements in the standard. Sampling is enabled by grouping

sites into “sets of sites” with similar characteristics (as defined below), to permit extrapolation of results. Sampling is not conducted for multi-site clients for whom there are no similar sites – in such scenarios each individual site must be audited.

This standard lays out the principles and criteria that pertain to multi-site verification and the requirements of the Multi-site Verification Statement Holder. The standard is intended to be implemented in conjunction with either of the two other SCS LegalHarvest Verification Standards (for forests and chain of custody), with which individual participating sites must also comply. The procedures and policies for assessing site’s conformance to the SCS Multi-site Standard, including sampling procedures, are found in the SCS LegalHarvest Verification Program Quality Manual and Auditor Manual, as well as in relevant guidance documents, which can be found on the SCS LegalHarvest program website: <http://www.scsglobalservices.com/timber-legality-verification>

2 Effective date of standard

This Standard is effective from the date of final approval. Pilot testing may occur based on the working draft of the Standard.

3 References

SCS LegalHarvest Verification Chain of Custody Standard V1-0, July 19th, 2010

SCS LegalHarvest Verification Standard for the Assessment of Forests V1-0, July 19th, 2010

SCS LHV Auditor Manual_V1-1

SCS LHV Program Quality Manual_V2-1

4 Terms and definitions

For the purposes of this standard, the terms and definitions given in *SCS LegalHarvest Verification Standard for the Assessment of Forests* and *SCS LegalHarvest Verification Chain of Custody Standard* apply, plus the following terms and definitions listed below:

Group: A collection of forest management units or forest product factories or manufacturing sites owned and/or managed by group members, all included under the same group verification statement held by the Group Administrator. Groups may have different structures – individually owned, collectively owned, managed as a community or in association. Under the SCS multi-site verification protocols, a group verification structure assumes there is a membership structure and protocol in place for participating sites.

Group Administrator: The entity representing associated forests or manufacturing sites that constitute a group for the purpose of a LegalHarvest multi-site Verification assessment. The group administrator applies for multi-site verification and holds the verification statement. The group administrator is responsible to the certification body for ensuring that the requirements of the applicable SCS LegalHarvest Verification Standard are met in all participating sites. The group administrator may be an individual (e.g. a ‘manager’), a cooperative body, an owner association, or other similar legal entity.

Group Member: A site manager or owner who participates in a group scheme for the purpose of SCS LegalHarvest Multi-site verification. Group members are responsible for implementing any requirements of group membership. Group members do not hold individual LegalHarvest Verification Statements, but as long as they comply with all the requirements of group membership, their forest or manufacturing properties are covered by the Verification Statement issued to the Statement Holder.

Internal Audit: In this context, internal audits are audits of participating sites undertaken by the Statement Holder, or an auditor designated by the Statement Holder, to assess conformance to the applicable SCS standard. In practice an internal audit is a second party audit (as distinguished from 1st or 3rd party audits) because the audit is administered by an associated party of the auditee.

Multi-site: An organization that has an identified central office and a network of at least two participating sites included in the scope of the audit. Multi-site clients may apply for CoC or forest legality assessment, but under both standards must have an internal audit system if sets of sites are to be identified and sampled. Although there are multiple participating sites in the scope of the audit, only one Verification Statement is issued to multi-site clients and held by the designated Statement Holder.

Set of sites: Sets of “like types” of sites with similar characteristics, defined as a set to allow representative sampling among participating sites and extrapolation of results. Sets of sites are defined by their similarities; dissimilar site types are not included in the same sample set, such as a forest and a factory, or a veneer mill and a pencil factory. Products from sets of sites covered by a LHV COC Verification Statement must be substantially of the same kind, and must be produced or processed using fundamentally similar processes and procedures. Sets of like FMUs covered by an LHV Forest Verification Statement must be similar in forest type, location, size, and management style.

Site: A participating entity included in the scope of a multi-site audit. Sites may be single FMUs or a single factory, sawmill or manufacturing facility. In group situations the site is the individual group member, while in supply chains the site may be one individual company.

Statement Holder: The legal entity who holds the Verification Statement for all participating sites. In a group scenario this is the group administrator. In a multi-site company this is the designated individual at the central office level. For supply chain clients the Statement Holder may be a designated site manager or the individual company that holds the Verification Statement.

Supply chain: An audit where the participating sites are the individual factories and companies, distributors and transporters integrated along a single supply chain for the production of a particular LegalHarvest Verified product. In these cases participating sites are connected only by the product supply chain they are a part of – there is not necessarily a legal or organizational connection between sites, nor are they of one company.

5 Principles and criteria

Principle 1: Statement Holder requirements and responsibilities: The Statement Holder shall be a legitimate organization, authorized to represent members or participating sites and shall conduct business in accordance with legal requirements of the country and locality where it operates.

- 1.1. The Statement Holder shall comply with all national and sub national legal requirements for operation.
 - 1.1.1. The Statement Holder must be an independent legal entity.
 - 1.1.2. The Statement Holder shall pay in full all required taxes and fees for operation, in compliance with local and/or national regulations.
- 1.2. The Statement Holder shall have a policy document listing requirements of and obligations to participating sites, including but not limited to;
 - a. Clear and documented roles and responsibilities of the statement holder and participating sites;
 - b. A designated individual with responsibility for managing the verification process;
 - c. A policy or statement documenting each participating site's commitment to complying with the relevant standard;
 - d. Documented rules and requirements for participation in the verification;
 - e. Documented authority to issue non-conformities to the responsible entity at participating sites;
 - f. Provision of adequate training and/or guidance to staff at the site level to enable fulfillment of all standard requirements.
- 1.3. All participating sites must receive and sign contracts upon inclusion in the scope of the verification statement. Contracts shall include at a minimum;
 - a. Terms and conditions for participation;
 - b. Statement of awareness of the verification standards being applied;
 - c. A commitment at the site level to follow the principles and criteria of the applicable standard.

Principle 2: Multi-site Management: The Statement Holder shall have the capacity to manage participating sites and the necessary policies and procedures in place to implement management responsibilities.

- 2.1. The Statement Holder shall have documented policies and procedures that cover and facilitate participants' compliance with all requirements of the multi-site standard.
- 2.2. Designated personnel with the appropriate technical skills and capacity shall assess participating sites' conformance to the applicable SCS standard(s) as part of the internal audit process.
- 2.3. There shall be a documented policy and procedure by which participating sites may join and leave the verification statement - new sites may join only after an initial internal audit is passed.
- 2.4. The Statement Holder has documented procedures to remove/withdraw or suspend participating sites, in the case of continued non-conformance with the standard.
- 2.5. The Statement Holder shall make all applicable standards, guidance documents and supporting documents related to verification available to all participating sites and relevant personnel.

Principle 3: Monitoring and oversight of participating sites: The Statement Holder shall have procedures and policies in place to provide adequate oversight and monitoring of participating sites' conformance to all standard requirements.

- 3.1. The Statement Holder must have the documents and procedures necessary to monitor and provide adequate oversight of participating sites' fulfillment of the standard requirements.
- 3.2. An internal audit system shall be in place that includes:
 - a. An individual designated by the Statement Holder to conduct internal audits or manage the internal audit process among participating sites;
 - b. Annual audits of each participating sites' conformance to the applicable LHV standard;
 - c. Maintenance of up to date records of internal audit results, and internal audit reports made available to SCS auditors.
- 3.3. The Statement Holder shall have a documented procedure for issuing non-conformities to participating sites, and for enabling corrective actions, in cases of non-conformance to the applicable standard.
- 3.4. The Statement Holder shall be responsible for maintaining up to date records on all sites or members, including but not limited to:
 - a. Site name;
 - b. Contact information;
 - c. Site location;
 - d. Product type and volume;
 - e. Results from last internal audit;
 - f. Trainings attended.
- 3.5. The Statement Holder shall ensure a documented COC system is implemented and followed at the site level that meets all requirements of the applicable standard.