



LegalSource™ Audit Report for Regal Veneers

Assessment 2022

Report date: 28 June 2022

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A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by **Regal Veneers** hereafter referred to as "Organisation". The report presents findings of LegalSource auditors, who have evaluated the Organisation's systems and performance against the applicable requirements. The sections below provide the audit conclusions and follow-up actions required by the Organisation.

Dispute resolution: If stakeholders have concerns or comments about the LegalSource standard or the auditing body, they are encouraged to contact their closest Preferred by Nature regional office. Formal concerns and complaints should be sent in writing.

B. Scope

The LegalSource audit, report and certificate covers the following scope:

Report Type	
Report type:	Confidential

Organisation Details	
Primary contact:	Mr. Shabulal V.M.K., Managing Partner
Address:	Legal and Production site address: Perul Road, Mathamangalam, Kannur 670306, Kerala State, India Mailing address: Regal Veneers, Sonata, Generals Road, PO. Pappambalam, Kannur 670001, Kerala State, India
Tel/Web/Email:	9447645648 / - / shabulalvmk@yahoo.com
Jurisdiction of primary legal entity:	India
Primary Activity	Primary Manufacturer
Description of Organisation:	Organisation is a small-size company (9 staff members) situated in Kerala State, India, and producing the veneer. The raw material (logs) is sourced directly from agroforestry plantations and sometimes from home gardens. All wood material sourced by Organisation has legal origin. Organisation is supported by so-called traders (representatives of the local communities) who assist in finding the farmers wishing to sell their timber; but in fact this is not trader, but broker/agent activity.

Certificate Scope	
Certificate Type	<input checked="" type="checkbox"/> Single site certificate <input type="checkbox"/> Group/ Multi-site certificate
Standards Evaluated:	<input checked="" type="checkbox"/> LegalSource Standard (LS-02) V2-1 <input checked="" type="checkbox"/> NEPCon Generic Chain of Custody Standard (NC-STD-01)
Product scope:	Product type: veneer

	Species: <i>Terminalia chebula</i> , <i>Swietenia macrophylla</i> , <i>Melia dubia</i> , <i>Mangifera indica L.</i> , <i>Hevea brasiliensis</i> , <i>Anacardium occidentale L.</i> Origin: India, Kerala State, Kannur District
Changes to certificate scope since last audit:	Not applicable for assessments

Evaluation Process	
Audit team:	<p>Christian Sloth, Audit Team Leader Director, Preferred by Nature Sustainability Program MSc Land Use in Developing Countries KVL, Copenhagen; MSc in Agroforestry, University of Wales, UK; BSc in forestry, KVL, Copenhagen. Lead expert responsible for development and management of Preferred by Nature capacity to carry out legality verification, timber traceability and due diligence system services under the EU Timber Regulation. This includes the development of Preferred by Nature LegalSource standard for evaluating and certifying due diligence in legal timber sourcing; and directing the process for NEPCon/Preferred by Nature to become one of the first Monitoring Organisations approved by the European Commission under the EU Timber Regulation. In this capacity, the expert has been involved in numerous evaluation jobs in countries with, or working towards, a FLEGT VPA, thus gaining in depth knowledge of the functioning of existing or draft TLAS systems.</p> <p>Nikolai Tochilov, Trainee LegalSource Auditor Preferred by Nature International Senior Auditor. PhD degree in Forestry. He has been working in NEPCon/Preferred by Nature for more than 15 years, and during that time participated in numerous evaluations against FSC and PEFC forest management and chain of custody, SBP, EUTR risk evaluations in Russia, Europe, Vietnam, Indonesia and India.</p> <p>Marimuthuram Mahendran, Facilitator and Local Expert M.Sc program "Tropical and International Forestry", University of Göttingen, Germany. Post Graduate Diploma, Plant Genetic Manipulation, University of Nottingham, United Kingdom. FSC Chain of Custody & ISO 19011 Lead Auditor. Participated in the Controlled Wood training course. He has been working with NEPCon/Preferred by Nature for the last 2 years and participated in many FSC COC evaluations in India and Srilanka.</p>
Description of Audit Process:	<p>The assessment started on 13 June 2022 with the opening meeting attended by the Organisation's representative (Managing Partner). After that, documents provided by Organisation (documented procedures, risk assessment results, suppliers' register etc.) were reviewed and the interview with the Managing Partner was conducted. In the afternoon, the production site was visited, where audit team conducted staff interviews, review of the applicable production records, and inspection of the production site. The next day the audit team continued reviewing the documentation provided by the Organisation. In addition, a phone interview with the Organisation's supplier (trader) was conducted. At the end of assessment (15 June 2022), the closing meeting was conducted with the Managing Partner by Skype, during which preliminary results of the assessment were discussed.</p>

Actions taken by Organisation prior to report finalisation:	None
Notes for the next audit:	None

C. Audit Findings

Audit Conclusion:	
Organisation approved: Minor non-conformance(s) issued	<input checked="" type="checkbox"/>
Organisation not approved: Choose an item.	<input type="checkbox"/>
Additional comments: none	

Non-Conformances

Non-conformance reports (NCRs) describe the non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR non-conformances issued during assessments/reassessments shall be closed prior to issuance of the certificate. MAJOR non-conformances issued during annual audits shall be closed within the timeline specified in the NCR, or result in certificate suspension. Where applicable, all non-conformances against standard requirements are shown below:

Non-Conformance #: 01/22		
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Requirement 7.7 The Organisation shall document the risk assessment process and provide justification for the level of risk specified for each individual origin or supply chain.	
Description of Non-conformance:		
For risk sub-category <i>1.12 Legal employment</i> , Organisation determined the risk as low, with the following justification: 'the timber is harvested by external contractors and hence there is no permanent farm employee as part of the harvesting process. This is out of the scope of the farmer.' However, from the legality point of view, it does not matter who conducts timber harvesting, the owner or contractor. Legal employment is applicable in any case.		
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.	
Timeline for Conformance:	12 months from report finalisation date	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):	N/A	

Non-Conformance #: 02/22		
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Requirement 3.1 Organisation shall have written procedures covering all applicable elements of this Standard	
Description of Non-conformance:		
<p>The audit team reviewed the Organisation's documented procedures and came to the conclusion that they cover almost all applicable certification requirements. The following applicable elements are not included:</p> <ul style="list-style-type: none"> - All relevant records shall be retained for a minimum of five years (LS Standard, clause 3.3); - The risk assessments shall be reviewed at least annually and revised whenever changes occur that alter the risk characteristics (LS Standard, clause 7.9); - For products that are covered by the scope of the LegalSource certification, the Organisation may make a product-related certification claim on sales and transport documents (LS Standard, clause 9.1 – applicable only in case if Organisation would decide to make a product-related certification claim in sales and transport documents). 		
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>	
Timeline for Conformance:	12 months from report finalisation date	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):	N/A	

Non-Conformance #: 03/22		
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NC-STD-01 NEPCon Generic CoC Standard, V2.0, Requirement 1.2 The Organisation shall develop and maintain documented procedures to ensure compliance with all applicable CoC requirements.	
Description of Non-conformance:		
The audit team verified that CoC requirements are incorporated in the Organisation's general documented procedure. The following applicable elements are not included: <ul style="list-style-type: none"> - The Organisation shall develop and implement procedures for addressing non-conformances identified by auditors (NC-STD-01 NEPCon Generic CoC Standard, clause 1.3). - The Organisation shall ensure claim information is provided on sales invoices and shipping documents, including the following: <ul style="list-style-type: none"> 5.1.1 Description of the product and the claim category; 5.1.2 Quantity of each product/claim category; 5.1.3 NEPCon Generic Chain of Custody Certification Code, if applicable. (NC-STD-01 NEPCon Generic CoC Standard, clause 5.1). - The Organisation shall submit all claims to NEPCon for review and approval prior to use. (NC-STD-01 NEPCon Generic CoC Standard, clause 6.2). 		
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.	
Timeline for Conformance:	12 months from report finalisation date	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):	N/A	

Observations

Observations (Obs) are issued for the early stages of a problem which does not in and of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the Organisation or where general improvements may be made. Where applicable, all observations are shown below:

Observation #: 01/22	
Standard & Requirement:	<p>LegalSource Standard (LS-02) V2.1, Requirement 6.1</p> <p>The Organisation shall have and maintain the following information about products included within the scope of its DDS:</p> <ul style="list-style-type: none"> 6.1.1 the type of product; 6.1.2 the common and scientific name of tree species; 6.1.3 quantity of material produced or purchased and sold; 6.1.4 the country of origin and, where necessary, the sub-national region of harvest or the concession of harvest; 6.1.5 name and location of origin or supplier from where the Organisation has sourced material; 6.1.6 name and address of buyers to which the Organisation has supplied products; and, 6.1.7 the certification/verification status of the material.
Description of Observation:	
	Supplier Information Form provided by the Organisation during this assessment, includes misspelled specific scientific name for <i>Swietenia</i> .

Observation #: 02/22	
Standard & Requirement:	<p>LegalSource Standard (LS-02) V2.1, Requirement 6.2</p> <p>The Organisation shall have access to information about the origin of material to a level that allows it to:</p> <ul style="list-style-type: none"> 6.2.1 conclude that the material originates from Forest Sources or supply chains with low risk of legal violations or that potential risks have already been mitigated; OR 6.2.2 effectively identify, specify and mitigate risks of producing or receiving illegally harvested or traded material.
Description of Observation:	
	Audit team agrees with the Organisation's Risk Assessment (Exhibit 7), although for several sub-categories including 1.1, 1.15, 1.16, the risk should be considered as specified, but not low, as risk mitigation measures are implemented by the Organisation for each farmer (as per Standard requirement 6.2.2).

D. Closed Non-Conformances

None (assessment)