



FSC Advice Note

Title	Implementation of FSC Controlled Wood requirements in FSC STD-40-005 V2-1 and FSC-STD-20-011 V1-1
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Advice sought on	<p>Implementation of FSC Controlled Wood requirements:</p> <p>Controlled Wood risk assessments</p> <p>A. Use of risk designations developed by FSC accredited National Initiatives</p> <p>B. Public availability of risk assessments performed by companies</p> <p>C. Minimum contents of publicly available risk assessments results</p> <p>D. What to do in case two companies reach contradicting results in their risk assessments of a district?</p> <p>E. Use of the Transparency International corruption perception index (CPI) in risk assessments</p> <p>F. Can a manufacturing/ trading site be defined as the district for the purpose of complying with the FSC Controlled Wood requirements?</p> <p>G. Inclusion of new districts in the certificate holder's verification program</p> <p>Company verification program</p> <p>H. Inclusion of manufacturing/trading sites in the company's verification program</p> <p>I. Segregation of controlled material from uncontrolled wood inputs throughout the supply chain</p>

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FSC Controlled Wood code

P. When shall an FSC Controlled Wood code be issued by the certification body?

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1. Introduction

FSC has received manifestations of concern related to the interpretation of some requirements in *FSC-STD-40-005 Standard for Company Evaluation of FSC Controlled Wood* related to the risk assessment, company verification program, field audit of suppliers in unspecified risk areas and others. This advice note aims to clarify these issues and also to ensure consistency in the implementation of the FSC Controlled Wood requirements.

2.1 Controlled Wood risk assessments

A. Use of risk designations developed by FSC accredited National Initiatives

Since the concept of risk assessments was introduced with the approval of the FSC Controlled Wood standards, some issues for effective implementation have been raised by a number of stakeholders. Among these is the question of which information would be conclusive in a risk assessment and how to ensure the credibility of risk assessments conducted by companies.

In 2007 the FSC Controlled Wood Resource Center was launched as a tool to support the implementation of the Controlled Wood standards and provide information on risk related to the five FSC Controlled Wood categories. Information in the FSC Controlled Wood Resource Center aims to be supportive and not conclusive unless a risk designation is developed by an FSC accredited National Initiative and approved by the FSC International Center.

Advice

- A.1 Risk designations conducted by FSC accredited National Initiatives and approved by FSC shall be considered conclusive and shall be used by any certificate holder which is sourcing FSC Controlled Wood from that specific country/district. FSC will upload the approved risk designations developed by National Initiatives in the FSC Controlled Wood Resource Center upon approval.
- A.2 Certificate holders will have 6 months after the approval date to align their verification programs to the approved risk designation by a National Initiative. Certification bodies shall be responsible of informing their certificate holders of new approved risk designations.

NOTE: FSC Procedures for developing risk designations by accredited NIs are included in "*FSC-PRO-60-002 FSC Controlled Wood Risk Designation developed by FSC National Initiatives*" (under development).

B. Public availability of risk assessments performed by companies

FSC-STD-40-005 V2-1 requires that the results of the company's risk assessment be made publicly available.

To add credibility to the risk assessments conducted by companies and increase transparency to the FSC system it is essential to ensure that the risk assessment results performed by companies and checked for accuracy by certification bodies be made available to interested stakeholders.

Advice

- B.1 Certificate holders and applicant organizations are responsible to provide the complete risk assessment report in line with the requirements of Annex 2 of FSC-STD-40-005 V2-1 to their certification bodies. The

certification body is responsible for verifying the adequacy of the results and justification of the risk assessment.

- B.2 The certification body shall include the results of the risk assessments in the FSC Database. The certification body shall do this within 7 days of the issuing of the respective FSC Controlled Wood certification code (section 10.3 of FSC-STD 20-011 V1-1).

NOTE: FSC has now extended the scope of the FSC certificate database to allow for the inclusion of risk assessments results.

- B.3 For certificate holders already assessed against the applicable requirements of FSC-STD-40-005 V2-1, the respective certification bodies shall upload the results of the risk assessment within 90 days of the publication of this advice note, following the requirements presented in section C below.

C. Minimum contents of publicly available risk assessment results

The objective of the public availability requirement for risk assessments in FSC-STD-40-005 V2-1 is to allow for transparency in the implementation of the FSC Controlled Wood standards. The FSC Controlled Wood requirements vary significantly for low risk and unspecified risk conclusions and the transparency element is considered fundamental to support adequate implementation of the standard.

However, the content requirements for the publicly available results of risk assessments are not specified in FSC-STD-40-005 V2-1. This advice note defines FSC's interpretation of the public availability requirement, based on the need for transparency for the implementation of the FSC Controlled Wood Standards.

Advice

- C.1 FSC certificate holders which implement a risk assessment of their supplies according to FSC-STD-40-005 V2-1 shall include at a minimum the following information, in one of the official FSC languages, in their publicly available risk assessment results:
- a) Name and address of the certificate holder
 - b) Name and address of the approving FSC accredited certification body
 - c) FSC Controlled Wood code
 - d) Date of the risk assessment
 - e) Date of approval of the risk assessment by the FSC accredited certification body
 - f) List of countries and districts of origin of timber supplied within the company 's FSC Controlled Wood Program
 - g) Risk assessment results for each element of the five controlled wood categories for each of the countries/districts
 - h) Brief justification for each of the controlled wood categories considered low risk in a given district

- i) Listing of sources of information used to assess the requirements in Annex 2 of FSC-STD-40-005 V2-1

D. What to do in case two companies reach contradicting results in their risk assessments of a district?

Advice

- D.1 If the result of a risk assessment of a company is in contradiction to the result of the risk assessment of another company for the same district, ASI must be approached by the responsible certification body to seek clarification.

E. Use of the Transparency International corruption perception index (CPI) in risk assessments

In Annex 2B of FSC-STD-40-005 V2-1, the Transparency International corruption perception index (CPI) is given as an example of an information source on corruption to verify law enforcement in a certain country. The index ranks countries according to the perception of how widespread corruption is among public servants and politicians. Although this index is not focused on the granting of harvesting permits and other activities related to the implementation of legal provisions related to logging it is expected that widespread corruption in the public sector will include the forestry sector in countries where harvesting and wood trade activities are regulated and controlled by government authorities.

FSC-STD-40-005 V2-1 requires a precautionary approach by companies when assessing risk. This means that if there is lack of information on corruption for the forestry sector, a country/district shall be defined as 'unspecified' risk for the referenced indicator and therefore for the whole Controlled Wood category.

CPI presents a system that rates corruption with colors together with a numerical range from 1 to 10, considering 1 as highly corrupted while 10 is highly uncorrupted. The numerical range is accompanied by a color scale when dark red shows high corruption levels.

Advice

- E.1 Taking into account the CPI numerical and color range, companies shall consider a threshold of 5 to determine unspecified/low risk. Countries with an index of less than 5 shall be considered as 'unspecified' risk for indicator 1.4 in Annex 2B of FSC-STD-40-005 V2-1 unless there is specific independent and credible information¹ that demonstrates the contrary.

F. Can a manufacturing/ trading site be defined as the district for the purpose of complying with the FSC Controlled Wood requirements?

¹ Information from governmental agencies as well as trade associations is not considered as independent and credible.

The concept of district is central to the risk assessment requirements in the Controlled Wood standards. This question is related to Section 8.1 of FSC-STD-40-005 V2-1.

Advice

F.1 For FSC Controlled Wood inputs from non FSC certified suppliers the definition of district of origin of wood supplied is at the forest level.

NOTE: This means that it is not possible for companies implementing an FSC Controlled Wood Program to define the district according to the manufacturing/ trading site of their suppliers.

F.2 Companies shall keep records to prove the district of origin at the forest level. These records should include but not be restricted to legally required transport documents and proof of purchase from the forest management unit of origin. Documents to prove origin at forest level shall be available to the Certification Body during audits and upon request. A declaration from the supplier – even if part of the contractual arrangement - is not considered sufficient proof of the origin of the wood.

G. Inclusion of new districts in the certificate holder's verification program

In order to verify compliance with the risk assessment requirements in FSC-STD-40-005 V2-1, certification bodies shall check the systems that the certificate holder has in place for conducting risk assessments as well as the adequacy of the risk assessment results.

Advice

G.1 Certification bodies are required to verify the results of risk assessments and upload them on the FSC Database. Thus, in order for a certificate holder to include a new district as low risk in its verification program, it shall first submit the respective risk assessment to its certification body, obtain its approval and get its results published on the FSC Database.

2.2 Company verification program

H. Inclusion of manufacturing/trading sites in the company's verification program

Suppliers (manufacturers or traders) of non FSC certified wood within the supply chain of a FSC chain of custody certificate holder shall be included in the company's verification program. This means that the company needs to be able to trace the timber origin back to the forest level and through the subsequent links in the chain. See also section F of this advice note.

Advice

H.1 Manufacturers or traders that wish to control their timber sources within their own verification program shall demonstrate to the satisfaction of

their certification body that its supply chain is identifiable and traceable down to the district (forest) level. See also section J of this advice note.

- H.2 The certification body shall document this trail and the control measures at each link in the supply chain in their audit report for each timber source in the company's verification program.

I. Segregation of controlled material from uncontrolled wood inputs throughout the supply chain

Advice

- I.1 The FSC chain of custody certificate holder shall be responsible to ensure that there is no mix of controlled material with uncontrolled material through all links of the supply chain. This shall include annual physical audits of all included manufacturing and trading sites in order to assess that the separation/ segregation system is robust enough to ensure that controlled wood material is kept separated from uncontrolled material throughout all steps of processing or manufacturing. This shall be verified by the company's certification body during assessment and annual audits – see also items H and J of this advice note.

J. Need of verification by an FSC accredited certification body

Advice

- J.1 FSC accredited certification bodies shall evaluate the company to ensure that:
- a. The timber to be used as FSC Controlled Wood within a company verification program is traceable back to the forest district of origin by verifiable official documentation or records (invoices, delivery notes, etc).
 - b. The company is implementing a credible audit system at its suppliers in order to guarantee that there is no mix of controlled wood with uncontrolled wood.

K. What is the sampling that certification bodies shall use for field evaluations of supplies from sources with unspecified risk?

Certification bodies have raised the issue of lack of clarity related to the sampling requirements section 10.11 of FSC-STD-20-011 V1-1.

Advice

- K.1 The basis for the sampling formula to be conducted by certification bodies shall be the sample utilized by the certificate holder or applicant company (i.e. $0.8 \cdot \sqrt{\text{sample used by the company}}$).

L. Field verification results, decision making and required actions

Annex 2 B of FSC-STD-40-005 does not include provisions for decision making after the company has implemented the field verification audit at the FMU level.

Advice

L.1 If any forest management unit (FMU) within the field evaluation sampling does not fulfill the requirements as specified in Annex 3B of FSC-STD-40-005, the FMU shall be removed from the company's FSC Controlled Wood program. In addition to this, the company shall randomly choose another FMU within the set of similar FMUs for each one removed and conduct an extra audit in the same year that will allow it to make a final decision on the quality of its verification program.

2.3 High Conservation Value Forests (HCVF)

M. Is there any difference on the interpretation of HCVF between the FSC Controlled Wood standard and FSC forest management certification?

In FSC certification, forest managers need to maintain or enhance high conservation value attributes that are present in their forest management units.

In the case of the FSC Controlled Wood standards, according to the requirements in Annex 2B of FSC-STD-40-005, the focus of the risk assessments for the HCVF category is on HCVs threatened at the eco-regional level. The eco regional approach on HCVF in risk assessments is due to the main intent of the CW standard, which is to avoid the worst forest practices.

2.4 Major non-compliances related to FSC-STD-40-005 V2-1

N. What are the appropriate actions for a certification body to take in cases of major non-compliances related to the requirements of FSC-STD-40-005 V2-1?

The objective of FSC-STD-40-005 is to avoid unacceptable sources of forest products in the production of FSC Mixed products. This is considered to be essential to the integrity of the FSC supply chain.

Advice

In the case of major non compliances related to the requirements in FSC-STD-40-005, certification bodies shall take the following actions:

- a) For an existing certificate holder that has controlled wood as part of the scope of its chain of custody certificate: major non compliances with the requirements of FSC-40-005 shall result in an immediate suspension of the controlled wood scope;
- b) For an applicant certificate holder or a certificate holder that wishes to extend the scope of its chain of custody certificate to include controlled wood: major non compliances with the requirements of FSC-40-005 shall

prevent the certification body from including controlled wood in the scope of the chain of custody certificate.

O. What are examples of major non-compliances with the requirements of FSC-STD-40-005 V2-1?

Advice

The following are examples of major non-compliances with the requirements of FSC-STD-40-005 V2-1:

- missing or incomplete risk assessment(s)
- use of controlled wood in certified product groups without an approved risk assessment
- absence of a publicly available written policy commitment
- absence of a complaints mechanism
- absence of supplier audits in districts with unspecified risk
- accepting controlled wood not originating directly from forest (terminals, primary manufactures, traders) without a supplier's audit to verify if the supplied material is not mixed with any non-controlled wood.
- absence of sufficient documentation to demonstrate the district of origin for each supply (supplier declaration is not sufficient).

2.5 FSC Controlled Wood code

P. When shall an FSC Controlled Wood code be issued by the certification body?

The FSC Controlled Wood code represents that the company has complied with the requirements of FSC-STD-40-005. Among other things, this means that the company has conducted risk assessments for its supplies, for which the results are publicly available on the FSC Database.

Advice

An FSC Controlled Wood code shall be issued to all companies complying with FSC-STD-40-005 V2-1 (section 12.6 of FSC-STD-20-011 V1-1). This applies for both the cases of companies that buy wood from non FSC certified suppliers and wish to develop and implement their own FSC Controlled Wood verification program as well as companies supplying FSC Controlled Wood.

References

<i>FSC-STD-40-005 V2-1</i>	<i>Standard for company evaluation of FSC Controlled Wood</i>
<i>FSC-STD-20-011 V1-1</i>	<i>Accreditation standard for Chain of Custody evaluations</i>
<i>FSC-PRO-60-002 V1-0</i>	<i>FSC Controlled Wood Risk Designation developed by FSC National Initiatives (under development)</i>