



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: Implementation of FSC Controlled Wood requirements

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Advice sought on

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

This advice note is designed to follow the structure of FSC STD-40-005 V2-1.

Definitions in the context of this Advice Note

Company: the legal entity that must comply with FSC STD-40-005 V2-1 which is either the certificate holder or an applicant for certification.

FMU: Forest Management Unit. In the context of Controlled Wood the same definition of FMU applies as for FSC certification (see FSC-STD-01-002).



FSC STD-40-005 V2-1 PART 2: “FSC CONTROLLED WOOD SUPPLY REQUIREMENTS”

1 The concept of “*district*” in risk assessments

Normative reference: FSC-STD-40-005 V2-1 Clause 8.1 and Annex 2

Background

In the context of risk assessments, the term “*district*” refers to the generic name to call the geographical scale at which a risk assessment is conducted. A district can therefore be defined by country, state, ecoregion, region, county, FMU, etc

The risk assessment for any given category may be conducted at any geographical scale at which reliable and independent information is available to the company and at which conditions in relation to the FSC Controlled Wood categories are sufficiently homogenous to evaluate the risk.

Advice # 1

- 1.1 For FSC Controlled Wood categories A, B, D, and E (see Clause 1.1 of FSC-STD-40-005 V2-1) the risk assessment may start at the national level as the broadest level. In this case, district equates to country.
- 1.2 FSC-STD-40-005 V2-1 defines the ecoregion as the unit for assessment of FSC Controlled Wood category C (threats to HC VF). This is mainly because the information that is required to be verified according to the indicators of Annex 2 is primarily available at the ecoregion level.
- 1.3 For the purpose of risk assessment of HC VF, the evaluation may first be carried out at a country level to assess if the district where the timber originates is located in any of the listed ecoregions of high conservation value (e.g. *Biodiversity Hotspots*, *Global 200 Ecoregion*, *Frontier Forest*, *Intact forest landscapes*). If the timber is not originating from a district within one of the designated ecoregions, then the company can classify the district as ‘low risk’ and the timber as Controlled Wood for the given category. If the timber however is originating from a district within one of the designated ecoregions, then the company shall classify the district as ‘unspecified risk’. In this case, the company may decide to conduct the risk assessment at a lower scale (province, county, FMU) to arrive to a low risk designation, providing that there is independent verifiable information available to support that conclusion.

NOTE: Risk assessments may be confined to a certain clearly defined scope within a district, such as forest type (e.g. plantations) or scale (e.g. SLIMFs). In this case, the confined scope must be clearly reflected in the published risk assessment results.



2. Complaints about controversial activities within suppliers' FMUs

Normative reference: Section 14 Clauses 14.1, 14.2 and 14.3

Background

There have been some cases where in low risk districts, controversial activities by suppliers were occurring at the FMU level. It is not the intent of the Controlled Wood Standard to allow timber coming from controversial activities such as conversion or violation of human rights, even if these activities are happening in districts considered as 'low risk' at a broader scale.

Advice # 2

- 2.1 In cases of complaints regarding controversial activities within the supplier's FMUs relevant to any of the five FSC Controlled Wood categories, the company shall conduct consultation with stakeholders relevant to the controversial Controlled Wood category for the district where the supplier is located in order to collect additional information. If the information does not allow a clear 'low risk' designation, the company may decide to conduct a field verification audit according to Annex 3 of FSC-STD-40-005 V2-1 to arrive to a 'low risk' designation.

3 Can a manufacturing or trading site be defined as "*district*" for the purpose of conducting a risk assessment?

Normative reference: FSC-STD-40-005 V2-1 Clause 8.1

Background

Some companies have used the location of their trader or supplying manufacturer to conduct the risk assessment in cases where the geographical origin of the raw material was not known.

Advice # 3

- 3.1 The definition of "*district*" of origin of the material supplied is defined geographically for the country, region, ecoregion, or forest where the trees were originally harvested. The concept of district cannot be applied to companies or organizations manufacturing and/or trading forest-based products anywhere in the chain of custody supply chain.
- 3.2 If the geographical district of origin of the purchased forest-based material cannot be determined, a risk assessment cannot be carried out and subsequently the material cannot be used as FSC controlled material input.



4 What kind of documentation and control is required to verify the geographical district of origin?

Normative reference: FSC-STD-40-005 V2-1 Clause 8.1; FSC-STD-20-011 V1-1 Clause 10.5

Background

Companies are required to maintain documentation that demonstrates the district of origin at the FMU level. This advice specifically relates to a membership decision from the General Assembly 2008 through Motion # 24.

Advice # 4

4.1 In order to demonstrate compliance with Clause 8.1, 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 the 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 agreement, is not considered sufficient proof of the origin of the timber.

4.2. In addition to 4.1 (above), for suppliers located in countries with a CPI below 5, companies shall conduct a plausibility test of the information collected as per Clause 8.1. This test should include plausibility criteria defined by the company, such as distance and means of transport, timber species, supplier relationship, etc.

NOTE 1: It is the responsibility of the company to evaluate the plausibility criteria and come to a fair and objective judgment regarding the plausibility and reliability of the information provided. The precautionary principle should be applied.

NOTE 2: If the result from the plausibility test is negative, the material should not be used as controlled material input.

4.3. Certification Bodies shall confirm that adequate documentation is maintained and verified at each surveillance audit.



5 Inclusion of manufacturing/ trading sites in the company's Controlled Wood verification program

Normative reference: FSC-STD-40-005 V2-1 Clause 8.1, 9.1; FSC-STD-20-011 V1-1 Clause 10.5 (Note)

Background

A company may decide to include the complete supply chain of a certain supply into their controlled wood verification program in order to trace the material back to the district of origin. This could be applied in situations where the raw material is not purchased from the forest directly.

Advice # 5

- 5.1 In order to include a chain of custody into the company's controlled wood verification program all suppliers (traders and manufacturers) within this specific supply chain have to be included.
- 5.2 The company shall demonstrate to the satisfaction of their certification body that a certain supply is identifiable and traceable down to the district of origin by verifiable documentation or records (invoices, delivery notes, etc.).
- 5.3 The company shall implement a process to verify the authenticity of the specified documentation to confirm the country and district of origin of the wood.
- 5.4 The company shall be able to demonstrate that the wood has not been mixed with wood from uncontrolled sources through the supply chain. This may be demonstrated by on-site supply chain audits conducted by the company.

FSC-STD-40-005 V2-1 PART 3: "RISK ASSESSMENT AND VERIFICATION PROGRAM"

6 Public availability of risk assessments

Normative reference: FSC-STD-40-005 V2-1 Clause 11.2; FSC-STD-20-011 V1-1 Clause 10.1 - 10.3

Advice # 6

- 6.1 The company shall provide the risk assessments as required by FSC-STD-40-005 V2-1 Annex 2 to their certification body for reviewing the technical sufficiency and adequacy of the risk assessments.
- 6.2 The certification body shall publish the results of the risk assessments within 7 days of the review to the company's COC record in the FSC database under *www.fsc-info.org*.



- 6.3 In order for a company to include a new district in its controlled wood verification program, it shall first submit the respective risk assessment to its certification body and obtain the results from their review prior to using materials from these districts in FSC product groups.
- 6.4 The results of the risk assessments shall include the minimum information as specified in Section 7 (below).

7 Minimum content and revision of publicly available risk assessment results

Normative reference: FSC-STD-40-005 V2-1 Clause 11.2

Background

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 of the implementation of the FSC Controlled Wood Standard but at the same time considering the need for business confidentiality. The following advice is related to a membership decision from the General Assembly 2008 through Motion # 24.

Advice # 7

- 7.1 The publicly available results of risk assessments shall include at a minimum the following information:
 - a) Name and address of the approving FSC accredited certification body
 - b) Date of the risk assessment
 - c) Date of review by the FSC accredited certification body
 - d) Names of district(s) for which the risk assessment has been conducted
 - e) Risk conclusion for each of the five FSC Controlled Wood categories (refers to FSC-STD-40-005 V2-1 Annex 2) for each of the districts
 - f) Brief justification for each of the controlled wood categories considered low risk
 - g) Listing of sources of information used to assess the indicators
- 7.2 Companies are expected to review their risk assessments at least once per year to verify the continued correctness of their risk designations for each indicator of the five FSC Controlled Wood categories. This should be conducted before the annual surveillance by the certification body in which the certification body is expected to verify the revision process. When significant changes to the risk profile become evident (i.e. changes in the law, breakdown in rule of law through civil unrest, etc) the company shall review its risk assessment.



8 What to do in cases where two companies reach contradicting results in their risk assessments of a district?

Normative reference: FSC-STD-40-005 V2-1 Clause 11.2

The following advice is related to a membership decision from the General Assembly 2008 through Motion # 24.

Advice # 8

8.1 In cases where a certification body establishes that the results of a risk assessment by one of their clients contradict the result of a risk assessment of another company for the same district of origin, that certification body shall obtain clarification from the FSC Accreditation Program.

NOTE: FSC strongly recommends accredited certification bodies to consult previously published risk assessments (FSC database) in order to identify potential conflicts related to different risk conclusions.

8.2 In cases where a company receives contradicting information in the evaluation of risk of any of the given Controlled Wood categories, the precautionary principle shall apply.

9 Use of guidance and risk designations developed by FSC accredited National Initiatives

Normative reference: FSC-STD-40-005 V2-1 Clause 8.1, 13.3, Annex 2 Section A.2

Background

Since the concept of risk assessment was introduced questions have been raised about which information would be conclusive evidence to substantiate risk assessment conclusions and how to ensure the credibility of risk assessments conducted by companies.

Advice # 9

9.1 Risk designations for a specific country/ region conducted by FSC accredited National Initiatives and approved by FSC IC shall be considered conclusive and shall be used by any company sourcing non-certified forest-based material under a controlled wood verification program from that specific country/ region.

9.2 Companies will have a period of up to 12 months after the approval date to align their controlled wood verification programs to the approved risk designation by a National Initiative. Certification bodies shall be responsible for informing their certificate holders of newly approved risk designations.



- 9.3 FSC-STD-40-005 V2-1 Clause 13.3 also requires that any formal guidance (different from risk designations) produced by an FSC accredited National Initiative shall be used by the company. Guidance may include details on relevant stakeholders, areas of high conservation values or consultation procedures. Ignorance of guidance is considered as a noncompliance.

NOTE 1: FSC Procedures for developing risk designations by FSC accredited National Initiatives are included in “*FSC-PRO-60-002 V1-0 FSC Controlled Wood Risk Designation developed by FSC National Initiatives*”.

NOTE 2: FSC is working on a technical solution to establish a central place on the internet for risk information and risk assessments carried out by National Initiatives. In a later stage, FSC is considering that such internet platform will contain conclusive information for specific countries.

NOTE 3: FSC is planning to lead the development of risk assessments in areas of the world where there are no FSC accredited National Initiatives.

FSC-STD-40-005 V2-1 PART 4: “SALE OF FSC CONTROLLED WOOD”

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

Normative references:

FSC-STD-40-005 V2-1 Clause 15.1, 15.2 f; FSC-STD-20-011 V1-1, Clause 12.6;
FSC-STD-40-004 V2-0, Clause 6.1.1 f.

Background

The FSC Controlled Wood code generally represents that the company has included the sale of ‘FSC Controlled Wood’ for at least one FSC product group in the scope of their FSC Chain of Custody certificate.

Advice # 10

- 10.1 An FSC Controlled Wood code shall be issued to all companies wishing to make FSC claims related to ‘FSC Controlled Wood’ in sales and transport documentation. For other activities under FSC-STD-40-005 V2-1 related to the sourcing of non-FSC certified materials (e.g. identification of origin, risk assessments, field verification) no such code needs to be issued.

NOTE: FSC Controlled Wood codes that already have been issued may be retained. New FSC Controlled Wood codes may also be issued for activities under FSC-STD-40-005 V2-1 related to the sourcing of non-FSC certified materials.

- 10.2 The certification body shall not issue the FSC Controlled Wood code if there are outstanding major non-compliances with requirements of FSC-STD-40-005 V2-1.



11 Do other parts of the standard need to be implemented or evaluated for sales activities of 'FSC Controlled Wood'?

Normative references: FSC-STD-40-005 V2-1 Clause 10.1, 15.1 and Annex 4; FSC-STD-20-011 V1-1, Clause 12.6

Background

There are situations where FSC-STD-40-005 V2-1 is applied solely for the purpose of purchasing and/or selling of 'FSC Controlled Wood'. This applies in cases where companies purchase 'FSC Controlled Wood' from FSC-certified suppliers and either would like to pass on the material with 'FSC Controlled Wood' claims or use it together with FSC-certified material in 'FSC Mixed' product groups, resulting in a proportion of 'FSC Mixed' and 'FSC Controlled Wood' output material. Considering that 'FSC Controlled Wood' claims can only be made by companies holding a valid FSC Chain of Custody certificate and that purchasing and recording requirements are largely covered by "FSC-STD-40-004 V2-0: FSC Standard for Chain of Custody Certification", the following advice is provided:

Advice # 11

11.1 For the purchase of 'FSC Controlled Wood' (i.e. material that has already been controlled by an FSC-certified supplier and since then passed on with FSC claims through an FSC-certified chain of custody) only the following section of FSC-STD-40-005 V2-1 needs to be implemented by companies and evaluated by certification bodies:

a) Part 2, Clause 10.1 (as applicable);

11.2 For the sale of 'FSC Controlled Wood' only the following sections of FSC-STD-40-005 V2-1 need to be implemented by companies and evaluated by certification bodies:

a) Part 2, Clause 10.1 (as applicable);

NOTE: Both, imports and exports of 'FSC Controlled Wood' from species listed in Appendices I, II or III of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), shall be accompanied by the applicable licenses and/or permits from the country of origin.

b) Part 4: Sale of FSC Controlled Wood; *and*

c) Annex 4: Provisions for claims related to FSC Controlled Wood.



FSC STD-40-005 V2-1 ANNEX 2: “APPROACH AND CRITERIA FOR ASSESSING RISK”

12 Use of the Transparency International *Corruption Perception Index* (CPI) in risk assessments

Normative reference: FSC-STD-40-005 V2-1 Annex 2 Section B.1, Indicator 1.4

Background

The annually published Transparency International *Corruption Perception Index* (CPI) has been identified by PSU as a source that shall be used by the companies when assessing Controlled Wood category 1 ‘Illegally harvested’ 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.

The CPI presents a system that rates corruption with a numerical range from 1 to 10, considering 1 as indicating the highest, and 10 the lowest level of corruption.

Advice # 12

12.1 Taking into account the CPI numerical 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 2 Section B of FSC-STD-40-005 V2-1 unless there is specific independent and credible information at a lower scale (e.g. implemented independent timber tracking systems) that demonstrates the contrary.

NOTE: As the CPI is updated every year, companies are required to revise their risk assessments at least annually (also see 6.2).



13 Is there any difference in the interpretation of High Conservation Value Forests (HCVF) between the FSC Controlled Wood standard and the FSC Principles and Criteria?

Normative reference: FSC-STD-40-005 V2-1 Annex 2 Section B

The concept of high conservation value forests was first introduced by the FSC Principles and Criteria. The following advice is related to a membership decision from the General Assembly 2008 through Motion # 24.

Advice # 13

- 13.1 There is no difference in the definition of HCVF and their different categories between the FSC Principles and Criteria and the FSC Controlled Wood Standards.
- 13.2 The main difference relates to the objectives of both standards. While the FSC Principles and Criteria require the maintenance and enhancement of high conservation value attributes at the forest management unit level, the Controlled Wood Standard requires the company to avoid timber coming from forests where high conservation values are being threatened at the ecoregional level.
- 13.3 Risk assessment (Annex 2 of FSC-STD-40-005 V2-1)

The main aspects in relation to the HCVF concept are:

- a) FSC-STD-40-005 V2-1 standard requires the identification of ecoregionally significant high conservation values, which in practical terms implies that locally relevant values are not in the focus in this step of the risk assessment.
- b) FSC-STD-40-005 V2-1 standard requires the identification of threats to HCVs caused by forest management activities.

- 13.4 Company verification program (Annex 3 of FSC-STD-40-005 V2-1)

If a district has been identified as 'unspecified risk' for HCVF in the risk assessment according to Annex 2, the company may decide to conduct a field verification audit according to Annex 3 of FSC-STD-40-005 V2-1 to arrive to a 'low risk' designation.

This audit shall include:

- a) Assessment to identify the presence of high conservation values, appropriate to the size of the FMU and intensity of management;
- b) Evidence of consultation with relevant stakeholders on the presence and threats of high conservation values within the evaluated FMU;
- c) A list of identified high conservation values together with the evidence that these are not threatened within the evaluated FMU.



NOTE: FSC is developing a guidance document to support implementation of Annex 2 and Annex 3 of FSC-STD-40-005 V2-1 in relation to HCVFs.

14 How can low risk be confirmed for Category 'C' of FSC-STD-40-005 V2-1 Clause 1.1?

Normative reference: FSC-STD-40-005 V2-1 Annex 2 Section B.3

Advice # 14

14.1 Compliance with Indicator 3.1 may be demonstrated as follows:

- a) The district of origin of the timber is not located in any of the mapped areas of high conservation values (as listed in 3.1) in a certain country, *or*
- b) There are no ecoregionally significant high conservation values in the district of origin according to independent verifiable information at the district/ FMU level (NGO reports, environmental impact assessments, etc).

14.2 Compliance with Indicator 3.2 shall be demonstrated as follows:

- a) A strong system of protection of high conservation values is in place. The definition of strong shall be based on the effectiveness of law enforcement in the country. This can be demonstrated through a high rating ($\geq 75\%$) in the World Bank "rule of law" index (www.govindicators.org), *and*
- b) Significant support by relevant national / regional stakeholders from the assessed district, *or*
- c) The company has agreed to an approach of HCVF protection at the forest management unit level with national / regional environmental stakeholders from the assessed district.

14.3 Compliance with Indicator 3.2 cannot be demonstrated if there is substantial objection from relevant national / regional stakeholders against a 'low risk' designation for the HCVF category.



ANNEX 3: REQUIREMENTS FOR COMPANY VERIFICATION PROGRAM (FSC STD-40-005 V2-1)

15 Field verification audits, results, decision making and required actions

Normative reference: FSC-STD-40-005 V2-1 Annex 3, FSC-STD-20-011 V1-1, Clause 10.8

FSC-STD-40-005 V2-1 and FSC-STD-20-011 V1-1 do not include sufficient guidance on the implementation of field verification audits and on provisions for decision making after the company has implemented the field verification audit at the forest management unit level.

Advice # 15

15.1 Companies who are not able to identify and provide documents or other evidence needed to demonstrate that a wood supply complies with the requirements for FSC Controlled Wood for each of the five FSC Controlled Wood categories shall consider them as 'unspecified risk' and implement a field verification audit at the forest management unit (FMU) level prior to accepting material from these forest management units as controlled. Field verification only has to be done for those CW categories previously identified as 'unspecified risk'.

15.2 Certification body's field audits to suppliers of wood from unspecified risk sources may be conducted in coincidence with the field verification audit by the company.

NOTE: The "*main audit at the operational site level*" (FSC-STD-20-011 V1-1, Clause 10.8) refers to the on-site verification visit conducted by or on behalf of the company as part of their FSC Controlled Wood verification program.

15.3 If any FMU within the field verification program does not fulfill the requirements as specified in Annex 3 of FSC-STD-40-005 V2-1, the timber from that FMU shall not be accepted as controlled. In addition to this, the company shall randomly choose another FMU within the set of similar FMUs for each one removed and conduct an additional audit in the same year that will allow it to make a final decision on the quality of its Controlled Wood verification program. The latter only applies to FMUs which can be evaluated based on sampling.

16 What is the sampling rate and pool that certification bodies shall use for field evaluations of supplies from sources with unspecified risk?

Normative reference: FSC-STD-40-005 V2-1 Annex 3, FSC-STD-20-011 V1-1 Clause 10.10

Advice # 16

16.1 The basis for the sampling formula to be conducted by certification bodies shall be the sample utilized by the company (i.e. $x = 0.8 \cdot \sqrt{y}$, where 'y' represents the sample used by the company).



- 16.2 The annual sampling pool for certification bodies shall be the FMUs that the company has visited as part of their company verification program.
- 16.3 If another FSC accredited certification body conducted a field visit to an FMU as part of the company verification program, that site can be excluded from the sample.

CERTIFICATION DECISION-MAKING (FSC-STD-20-011 V1-1)

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

Normative reference: FSC-STD-20-011 V1-1 Clause 4.2.2 and 4.3.2

Advice # 17

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

- absence of a publicly available written policy commitment,
- non compliance with one or more elements of the policy commitment,
- absence of eligible documentation to demonstrate the district of origin for each supply,
- missing or incomplete risk assessment(s),
- failure to submit the risk assessment for new districts to the CB for review,
- use of controlled wood in certified product groups without an approved risk assessment,
- absence of a complaints mechanism,
- absence of forest supplier audits in districts with unspecified risk.

NOTE: Major non-compliance may require immediate action to be taken by the client, e.g. if the integrity of the FSC Trademark is threatened.