

JULY 2018

LESS OBSTACLES, MORE IMPACT
**CHAIN OF
CUSTODY
CERTIFICATION**
REPORT 2018

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Commitiq
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Less obstacles, more impact

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ACRONYMS AND ABBREVIATIONS

CAR	Corrective Action Request
CB	Certification Body
CH	Certification Holders
CoC	Chain of Custody
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
GD	Guidelines (related to documents of PEFCC)
GA	General Assembly
ha	Hectares
FM	Forest Management
FSC	Forest Stewardship Council
IAF	International Accreditation Forum
ISO	International Organisation for Standardization
NGO	Non-Governmental Organisation
PEFC	Programme for the Endorsement of Forest Certification
PEFCC	PEFC Council (also referred to as the PEFC Secretariat)
PEFC Board	PEFC Council Board of Directors
RSPO	Roundtable of Sustainable Palm Oil
SFM	Sustainable Forest Management
SME	small and medium-sized enterprises
ST	Standard (related to documents of PEFCC)
STIP	Sustainable Timber in Place

01.0 INTRODUCTION

The Dutch Covenant (*‘Convenant Bevorderen Duurzaam Bosbeheer’*) is an agreement between various organisations (government, NGO’s, trade unions, industry associations) to promote sustainable sourced timber in The Netherlands. The organisations in the Covenant selected several issues that need to be resolved to ensure further growth of the market share of sustainably sourced timber. One of those topics is that companies in the supply chain have indicated that they regard the *Chain of Custody (CoC) certification* as an impediment to further sustainability in the chain. They perceive that the added value of certification does not outweigh the effort of getting/staying certified.

Earlier research conducted during the Green Deal ‘Bevorderen Duurzaam Bosbeheer’ (Promoting Sustainable Forest Management), has shown that several issues are considered an obstruction.

Based on a survey of 20 representative companies for the Dutch timber sector the following impediments were found:

- *Administrative aspects:*
 - *Administrative burden (25%)*
 - *Amendment of standards (17%)*
 - *High costs of certification (direct and indirect) (15%)*
 - *Logo usage (9%)*
 - *Practical aspects:*
 - *Not allowed to mix FSC/PEFC while retaining logo use (23%)*
 - *Maintaining “double” stocks (9%)*
- (Source: Onderzoek naar de directe en indirecte kosten van handelske-tencertificering, Ingenieursbureau Evan Buytendijk BV, June 2015)

Therefore, it was considered necessary to take a closer look at the certification standards and analyse the exact articles or wording which are causing frustrations amongst companies. By looking at the standards on a detailed level, the issues are made explicit and can be addressed to the certification organisation by the right parties. This study analyses the Chain of Custody standards on a detailed level and provides the Covenant with directions to look for solutions.

In the next chapters the scope of the research and the research method will be described, followed by the results. The final chapters present the conclusion and recommendations.

02.0 SCOPE

This report identifies several solutions for reducing bottlenecks relating to the PEFC and/or FSC Chain of Custody (CoC) standard documents. The solutions presented are based on interviewing experts of CoC certification for the Dutch timber sector participating in the Covenant. Bottlenecks, potential for improvements and possibilities for alternatives are presented in this study.

This report does not cover a detailed analysis of alternative standards present in the Dutch market, such as Keurhout and STIP, and the requirements for certification bodies concerning rules for auditing.

For this study 10 interviews were conducted with auditors and group managers (see chapter 3 Method), together they serve more than 50% of the issued certificates in The Netherlands. Their professional opinions are based on a wide range of companies and certification schemes and can therefore be regarded as non-biased and well-founded opinions.

Besides auditors and group managers, a few individuals at companies in specific sectors (retail, furniture) were interviewed to explore their personal experience with mixing PEFC and FSC products.

Furthermore, some interviewees are internationally involved in certification or hold knowledge on other standards related to forest management, paper, biomass, cocoa and palm oil. This was considered relevant because issues can be placed in a broader perspective and solutions of bottlenecks solved in other schemes can be presented.

For this study the following objective and subobjectives were formulated: Identify the bottlenecks in the standards for FSC and PEFC certification and find alternatives for the supply chain companies, without undermining sustainability assurance, i.e. formulating effective solutions to remove bottlenecks for certification.

The following subobjectives have been formulated for this purpose in the work assignment:

- **1. Analyse the standards for certification of the Chain of Custody of FSC and PEFC** (documents FSC-STD-40-004 (V3-0) and PEFC ST 2002:2013) and provide a justification:
 - Which texts/paragraphs are (possibly) redundant or non-essential;
 - Which concepts/texts/paragraphs do not or insufficiently correspond to the business practice.
- **2. Analyse the impact on double certification facing companies** (FSC CoC, PEFC CoC). In the case of double certification, mixing is perceived as a bottleneck. Specific answer to the question:
 - What are workable solutions for companies that do not contradict sustainability guarantees?
- **3. Analyse the FSC logo as standard** (FSC-STD-50-001). PEFC logo use has not been identified as a barrier, but for FSC it has been. The following questions will be answered:
 - Which texts/paragraphs are (possibly) redundant or non-essential;
 - Which concepts/texts/paragraphs do not or insufficiently correspond to the business practice.
- **4. Analyse the FSC Controlled Wood standard** (FSC-STD-40-005 V3-1):
 - Quick-scan of the main bottlenecks on the PEFC and FSC requirements for Controlled Sources/Controlled Wood.

The investigation explicitly aims not to duplicate the previously performed analyses of bottlenecks.

03.0 **METHOD**

03.1 **PRELIMINARY DESK-TOP STUDY**

The first stage of the assessment consisted of a preliminary desk-top study, in which the researchers were gathering background information, identifying described key problems, quantifying and identifying ambiguities (in part already done when preparing the quotation).

03.2 **PREPARING INTERVIEWS**

Based on the information of the literature study, the research questions and the feedback of the participants in the covenant, the questions were developed.

03.2.1 **Stakeholder identification/ preparing a list of interviewees.**

Interviewees were selected based on their experience and knowledge on FSC and PEFC certification and their knowledge on CoC certification. Their answers provide insight in the possibilities for addressing bottlenecks relevant for a large group of (potential) certificate holders (and not just for one organisation). The experts selected are a mix between group manager, auditors, retailers and certified companies.

The covenant also provided names and contact information and a selection was made by the researchers. The list of the interviewees is available in Annex 1.

03.2.2 **Preparing interview questions**

Based on the research questions, available previous studies, a test case, and feedback from the working group, the research questions have been developed and finalized. Depending on the expertise of the expert emphasis was put on specific parts of the questions.

03.2.3 **An overview of a questions**

The questionnaire consisted of the following topics:

- *Confirming and adding bottlenecks based on personal professional experiences;*
- *Identifying which requirements in the selected PEFC and FSC standard documents have potential for improvement, either because they are: not needed, unclear formulated, or because another approach is possible;*
- *Identifying solutions for bottlenecks other than changing the standard requirements;*
- *Gathering information on the method of influencing the standard setting processes by PEFC and FSC.*

03.4 **INTERVIEW ROUND**

The questions were used as bases to structure the interviews. Most interviews were conducted by two researchers unless this was prevented by technical difficulties or time constraints in the planning. During the interview

there was time reserved for additional remarks on certification in general, with the aim to link the bottlenecks to the standard requirements. Not all respondents were knowledgeable on the standard in a detailed level.

All interviewees received an e-mail, in which they were requested to participate. The researchers conducted the interviews between March and June 2018. All were called to make an appointment to conduct the interview. They received an email with the outline of the questions and the relevant standard documents of PEFC or FSC. The interviews were mostly conducted by phone or via conference calls.

In order to avoid the recognition of individual opinions, we have kept all data confidential and processed it in such a way that the opinion of an individual interviewee cannot be traced back. The analysis in chapter 4 represents the aggregation of the data received during the interviews. A detailed version of the analysis (per article) can be found in Annex 4.

The recommendations are the opinion of the project team of Commi-tiq, but also contain the best solutions given by the interviewees.

03.5 PRESENTATION PRELIMINARY CONCLUSIONS

On May 8th, 2018 a presentation about the first results were given to the

working group 'Supply chain' of the Covenant.

The interviews held after this presentation were mainly to double check the remarks of previous correspondents and to find practical solutions to the bottlenecks, and how to influence PEFC or FSC.

03.6 FINAL DRAFT REPORT

On the basis of the results of the first evaluation and the interviews this report was developed. It is structured in such a way that detailed information about precise bottlenecks in the standards are presented. It also contains sufficient information for interested parties not knowledgeable about the certification schemes and the specific requirements to understand the underlining problems.

The findings in the final draft report were presented to the working group on June 15th, 2018.

On June 20th, the report was sent to the working group as a confidential document, to receive final feedback.

03.7 FINAL REPORT

Based on the remarks given by the working group on July 2nd, 2018 the final report was developed. The report will be distributed by the covenant to relevant parties.

04.0 RESULTS

This chapter has been divided into 4 sections. First it presents the confirmation and additions to bottlenecks as identified by the key-informants. Secondly, general solutions are identified which could reduce bottlenecks, without adaptation of the current CoC standards of PEFC and FSC. Thirdly, possibilities for changes in the PEFC CoC standard requirements are stated. And finally, possibilities for changes in the FSC CoC standard requirements are specified. The detailed information about remarks on the specific requirements of the PEFC and FSC standards are presented in Annexes 4A and 4B.

04.1 CONFIRMING IMPEDIMENTS IN CERTIFICATION

Respondents indicate they acknowledge the bottlenecks identified in earlier research based on their own experience with various certified organisations. However, several nuances are made based on the branch or industry they are involved in. Almost all respondents commented that complexity for certificate holders increases as they have a more complex product, using different input materials for one product or using many suppliers.

It is especially difficult if the company is too small to have an ERP or CRM software system in place already. Larger companies mostly have a custom-made module to reduce administrative aspects relating to the certification. The additional bottlenecks mentioned are:

- *The lack of market demand and the unclarity of the market demand, especially where end consumers require FSC and/or PEFC in an early stage but do not request the claim to be put on the documents related to the sales. More information on the claim definition can be found in Annex 5. When certification is more expensive than the benefits it is understandable that companies do not continue their certification.*
- *The perceived bottlenecks presented are also a result of not understanding the aim and process of CoC-certification in general. Companies do not always understand why specific requirements are necessary in certification. These bottlenecks may not be the major reason not to become certified (or stop certification), but the additional workload perceived by the enterprises causes irritation about the entire system.*

The goal was to formulate effective solutions to remove bottlenecks for certification. These solutions are

presented as suggestions on the approach of a specific topics, or elements that should be included in the related requirements (Annex 4). Alternative texts were not formulated by respondents. It is possible to find agreement on the content and direction of a requirement. The formulation of an adapted requirement takes much more time from the respondents and requires feedback from all respondents to verify agreement. This was not possible within the methodology and time frame of this study.

04.2 GENERAL FEEDBACK ON REDUCING BOTTLENECKS

Respondents also identified solutions to address the bottlenecks on a more practical level than changing the current CoC standard requirements. These are presented in the following paragraphs.

04.2a Trends in certification

The current developments in the automatization of the supply chain will influence the sustainability certification of this supply chain. Two main developments indicated.

Firstly, transaction verification based on blockchain technology. Blockchain technology will partly remove the current argument of companies' fear of their sensitive business data such as suppliers, volumes, peak demands and

What is transaction verification?

Transaction verification allows certified material to be recorded. It provides an auditable trail which underpins the integrity of the certification scheme.

What is Blockchain?

Blockchain technology is probably best known from bitcoins – the internet money. Blockchain is a 'decentralised ledger' technology that chronologically keeps records of chains of data. Decentralised means that multiple copies of the data are distributed across a network of computers.

The ledger part means a chain of information, such as transactions in a Chain of Custody.

Every record of information is mathematically encrypted and added as a new "block" to the chain of historical records. Various consensus protocols are used to validate a new block with other participants before it can be added to the chain. This prevents fraud or double spending without requiring a central authority.

etc. being stored in a central database. Changes in certification requirements could occur within 5 years.

Pilots are expected in the next years for both PEFC and FSC. FSC is currently having mandatory transaction verification for Bamboo, and Charcoal. (source: <https://ic.fsc.org/en/what-is-fsc/what-we-do/strengthening-supply-chains/transaction-verification>). PEFC is conducting testings with KIAG for small holders in South East Asia to improve the transparency of their wood harvest and delivery information and ensure their inclusion in sustainable supply chains. (source: <https://www.pefc.org/news-a-media/general-sfm-news/2421-pefc-stakeholder-dialogue-exploring-smart-solutions-in-forest-certification-chain-of-custody-in-the-spotlight>).

Secondly, within the CoC-standard risk-based requirements could be identified according to location, complexity of the chain, company type, etc. Risk-based approach prevents procedures or documentations in case of low or negligible risks and asks an extra focus on high risks requirements. The desire to use a risk-based formulation of requirements has been around for some time. The main reason that it is not implemented is that it requires trust and knowledge from auditors and companies. It can be implemented on a larger scale, partially because of new techniques such as transaction verifica-

tion with blockchain and GPS data.

For companies with low-risk processes, this could lead to simplified CoC processes that require less effort to monitor the control system, making internal procedures, registrations and external audit efforts easier. Risk based approach is implemented for Forest Management standards of PEFC and FSC. The risk-based approach also is in line with the Scandinavian approach to forestry management as in the new Danish Forest Law.

Both trends are requesting major revisions in the current standards and are expected to have an impact on the Dutch timber market.

04.2b Market demand and knowledge of end users

Many companies start off certification because of market demand. Currently the initial request for sustainable wood is not consequently backed up with the request to make a claim on the final products. This means that the tenders including FSC or PEFC requests end up being sold without a sustainable forestry claim (See Annex 5: Why claims are important).

This is frustrating for certified organisations as their investments in FSC/PEFC quality management systems do not pay off if sales claims are not required. This is mainly relevant for organisations selling to end users.

Especially construction and interior construction companies experience that most tenders with references to sustainable forestry requirements do not require to make claims on the products sold in the final stage.

Side effect is that organisations hardly do anything with their CoC certification which affects the quality of the CoC management system. The claims made are exceptions in their regular process which often leads to non-compliances during surveillance audits.

04.2b Additional options to reduce bottlenecks in CoC certification

Besides influencing FSC and PEFC standards, improvement can also occur at other levels. Knowledge on CoC certification is sometimes poor. Not having knowledge on requirements (or the implementation of standards) will not contribute to a successful certification and will therefore not contribute to a positive image of CoC certification. One improvement is mentioned above (improving knowledge of end-users). Other examples are:

- *Provide guidance documents (for companies on the road to certification);*
- *Provide information when it might pay off to hire a consultant or choose for group certification (for companies on the road to certification);*

- *Spread general information (changes in standards, best practices, examples of procedures);*
- *Support companies on the road to certification, especially with the initial investments in knowledge and time;*
- *The CoC standards can use each other's experiences, in general PEFC is considered more practical than FSC, but on several topics FSC is perceived to be more clearly defined (e.g. supplier database, invoice requirements);*
- *Also, the possibilities of Keurhout and STIP are mentioned in the context of addressing some of the limitations identified for a part of the companies in the supply chain, including mixing and administration.*

Keurhout and STIP are chain of custody systems for wood and paper products, which allow companies to mix FSC and PEFC material to be sold as sustainably sourced timber. For more information on both schemes see www.keurhout.nl or www.stip.org. This could be especially useful in the context of complying with the Dutch Sustainable Public Procurement policy (duurzaam inkoopbeleid van de Nederlandse overheid). For approved schemes within the Dutch Timber Procurement Policy see tpac.smk.nl.

04.2d Potential of mixing PEFC and FSC

Respondents indicate that mixing FSC and PEFC is difficult to solve. No

options suggested for changing the current requirements of either standard have been identified.

FSC material can be included in the PEFC chain of custody, as it is generally accepted by certification bodies that FSC material complies with the requirements of PEFC Controlled Sources. However, PEFC material cannot automatically be included in the FSC Chain of Custody, as PEFC has no added value in the context of complying with the requirements of the FSC Controlled Wood standard.

Over the long term there might be more interest from PEFC and FSC to acknowledge each other's forestry management certification as sustainable. There might be possibilities to start this process due to the following developments, as observed by some respondents.

PEFC has a large amount of forest certified but relatively low demand, partially because big market players are not supporting PEFC. This is partially because the SFM criteria are considered to be less robust, and criteria regarding high conservation areas and indigenous peoples are perceived as less strict in the market.

FSC at the same time has problems meeting market demand, because of limited availability of specific products in specific regions. This combination could lead to more possibilities

of working together on a long term, if stakeholders of both organisations are supporting this development.

One challenge for this development is a small group of members in FSC who in the past were lobbying to phase out the possibility of FSC material to be mixed with controlled sources.

On the shorter term only Blue Angel (Paper industry), Keurhout and STIP provide possibilities for mixing FSC and PEFC within their own specific conditions. This is not a solution considered to be fit for all companies.

04.2e Differences in bottlenecks between companies

The bottlenecks are not specifically branch related. Respondents indicate that the administrative burden is rather related to specific factors:

- *If certification does not pay off, and each additional effort is considered a loss of resources (see market demand).*
- *Organisation with complex processes, e.g. combining different inputs with changing claims and changing suppliers have more additional administrative burdens than companies with a straight forward process and/or good functioning ERP or CRM software system.*
- *Availability of certified wood species.*

Small companies in general have less knowledge and fewer resources available for understanding and implement-

ing CoC requirements. The interior building enterprises and contractors with mostly small size companies are experiencing the bottlenecks as severe, even more if they are to large to comply for group certification. Retailers who deliver to the end-consumers are also experiencing the administrative burdens.

04.3 POTENTIAL IMPROVEMENT FOR PEFC STANDARD REQUIREMENTS

04.3.1 Feedback on PEFC standard

All PEFC requirements of the CoC-standard (PEFC ST 2002:2013) which respondents identified as contributing to the perceived bottlenecks are provide in an overview in Annex 4.

General remarks

Feedback on the standard was provided both on a specific requirement level and on a more general basis. At a general level the following possibilities for improvement have been indicated (between brackets references are made to the related requirements and chapters in the standard document PEFC ST 2002:2013):

- *Specify for each requirement whether this requirement is mandatory for all organisations, or optional in specific conditions. The conditions could be specified (for example, requirements are*

only relevant in case of using the PEFC trademark/using outsourcing companies/etc.)

- *Specify for each requirement whether the requirement is a side-condition that needs to be implemented for all certified organisations equally. Side conditions do not require to be included in (company adapted) procedures. Evidence for implementation can be the companies processes or characteristics. It is also an option that more standardized text is provided for requirements (e.g. regarding DDS supplier statement (see requirement under 5.5.1.1), complaint procedure (see requirement under 8.7 and under 5.4)).*
- *Terminology and formulations are often perceived as too complicated to understand for employees working at certified organisations. Therefore, to get certified and stay certified a translation is needed by an expert (a quality manager, advisor or group manager). Examples are complaints (see requirement under 8.7), the formulation of the control methods (see requirement under 6), and Minimum Due Diligence System (DDS) requirements (see requirement under 5).*
- *Several requirements are mentioned to be overlapping or repetitive (examples are requirement 5.1.2 and requirement under 8).*

Feedback on specific PEFC requirements (the number refers to the chapter in PEFC ST 2002:2013)

- **4.1 Input check.** Claims on legal sales documents. Changing this requirement to oblige PEFC information to be included on the legal sales document and the delivery documents (if the sales document is not included with the delivery), could reduce risks of mistakes in controlling PEFC inputs.
- **4.2: Supplier check.** Supplier check using an up-to-date database (comparable to FSC-requirements) is considered more transparent and easier, especially when there is an option for receiving updates automatically, compared to relying on copies of printed documents. The PEFC database is being used as a back-up tool but has no official status in meeting requirements.
- **5: DDS requirements.** When reading chapter five, it is unclear what is specifically required for your type of organisation. Organisations only using PEFC material for PEFC products should comply with just a few requirements. Clarifying which requirements all companies should comply with could make it much easier for all parties involved to understand the requirements in chapter five. Companies sourcing non-PEFC material to be mixed with PEFC material, must comply with all requirements. The related requirements for these companies could be clarified further if

standardized text is provided.

- **6: Control method.** Requirements chapter six is perceived as difficult to read and comprehend. Requirements regarding the control system could be clarified if options are clearly defined, and all side conditions and requirements are summarized in one requirement with all relevant side-conditions.
- **7.1.1: Sending certificates.** Sending a certificate to customers is considered unnecessary and therefore an administrative burden. Even after suspension a certificate can be sent. It is therefore considered not a useful control measure. And is not contributing to the robustness of the scheme.
- **7.1.2 Claims on legal sales documents.** Same as 4.1.
- **7.1.3 PEFC required information on sales documents.** Different PEFC claims are accepted by different national PEFC bodies which creates unclarity in some cases. Companies certified under the PEFC Germany standard are not required to include the PEFC certificate number, this conflicts with CoC requirements to check for this information.
- **7.2.1 PEFC logo use.** Making a logo approval obligatory could reduce the number of Corrective Actions Requests (CARs) during audits for mistakes in PEFC logo use (which are difficult to correct if material is printed).
-

- **8: Management system requirements.** Requirements related to management system requirements have several down-side difficulties:
 - Some requirements can lead to repetitive CARs during audits;
 - Some requirements can lead to procedures which have no direct relation to chain of custody control measures;
 - Several requirements (8.5.1, 8.5.2, 8.8.5) are formulated very generic with the result that CARs hardly ever issued;
 - Most management system requirements could be part of a (not mandatory) guiding document for companies.
- **8.7 Complaints procedure.** It is not clear for all respondents what a complaint regarding PEFC exactly is. Furthermore, the procedure could be standardized by formulating a template for a complaint procedure which either must be included in the company's complaint procedures, or simply be signed and followed in case a complaint is relevant for PEFC.
- **9: Health and Safety.** Some respondents indicate that this topic is not related to CoC certification and should not be part of the standard. Other respondents see it as a risk for the PEFC system in total if there would be no requirements included. Concerns are expressed that the formulation of the requirement does not provide clear criteria on the minimum level of implementing health and safety measures.

04.4 POTENTIAL IMPROVEMENT FOR FSC STANDARD REQUIREMENTS

04.4.1 Feedback on FSC standard (FSC-STD-40-004 V3-0)

This standard became effective on April 1st, 2017 with a transition period till April 2018. Revision of this standard short-term is unlikely.

Feedback on the standard was provided both on a specific requirement level and on a more general basis (between brackets references are made to the related requirements and paragraphs in the FSC CoC standard: FSC-STD-40-004 V3-0).

General remarks

On a general level the following possibilities for improvements have been indicated (mostly in line with feedback on PEFC):

- Specify for each requirement whether this requirement is mandatory for all organisations, or optional in specific conditions;
- Specify if requirements need to be part of a procedure or statement (related to procedures (requirement 1.1.b) and DDS procedures (paragraph 6.1);
- Terminology and formulations are often perceived as complicated by employees working at certified organisations.

Examples are:

- Different FSC claims (FSC 100%, FSC Mix XX%, FSC Mix Credit, FSC Recycled XX%, FSC Recycled Credit, FSC Controlled Wood) cause confusion for certified companies and for the market and does not add to the control system. FSC x% would provide the same transparency;
- FSC Controlled-Wood (is not FSC-certified);
- 1.7: Transaction verification;
- 6.1: Compliance with applicable trade and customs laws could be included in side-conditions (there is already an overlap with self-declaration point a);
- 7.2: It is unclear when material complies with the condition of being 'of the same input material'. This interpretation could lead to a significant increase of registration effort for certificate holders who mix various species or distinctive qualities. (E.g. two types of material might be considered different inputs for furniture companies, but not for energy plants or pulp factories. It is unclear if both companies are now required to administrate these volumes separately);
- 7.3: In many cases it is unclear for certificate holders when species have to be included in the product group.
- Several requirements are side-conditions which are generic for all certified organisations. There is no need translating these requirements to company specific

procedures. Including these requirements in company specific procedures has no added value but only creates additional work for companies, especially for those on the road to certification.

This could be adapted for:

- Meeting single/multi-site/group requirements (1.2);
 - Self-declaration (1.3);
 - Complaint procedure (1.5);
 - Non-conforming procedure (1.6);
 - Compliance with transaction verification (1.7);
 - Handling FSC material purchased before certification (2.8).
- Respondents indicate that more examples could be identified. For which requirements this approach is best suitable is debatable, but all respondents agree that this can clarify several requirements;
- Repetitive requirements (1.1.e). Several requirements are perceived as overlapping or repetitive (one example is all the different requirements referring to procedures besides 1.1.e: 1.4, 1.6, 2.3, 6.1, 12.4);

Feedback on specific FSC requirements (the number refers to the requirement in FSC-STD-40-004 V3-0)

- **Supplier check (2.2).** Recently suppliers can be listed at the trademark portal. In case of changes in the validity (suspension or termination), organisati-

ons will receive an alert per email. This reduces the administrative efforts for controlling suppliers (requirement 2.2), unfortunately this solution is hardly known by certified companies and related experts;

- **Volume control.** (see requirement under 2.4, 4.1, 4.4, 7.1). The volume control measures contain elements that do not seem to provide a better control system but do result in additional work for many companies. Topics mentioned are:
 - 2.4: It is unclear what the added value is of verification on the level of product group;
 - 4.1 and 4.4: These requirements are more flexible formulated than before and some companies might need less registration efforts. This does not seem to be clear for all companies concerned. The current this definition could result in different interpretations;
 - 4.4: An annual volume overview is perceived to have no direct positive impact on verifying companies' volume control system;
 - 7.1: No explanation could be provided by the respondents how the volume controls are improved if linked to product types, where this does create a lot of additional work for some companies;
- **Volume control system.** (see requirement under chapter 8 and 9). The indicators could be more clear in

which options there are, and what the side conditions are of these options. This would limit the number of indicators for each calculation method to one.

04.4.2 Feedback on FSC Trademark standard (FSC-STD-50-001 V2-0)

The standard related to the use of FSC logos has been revised with few changes, which results in fewer adaptations by certified organisations. This however also means that there has not been a fundamental change in logo requirements. Most respondents hoped that the requirements would be less specific, complex and difficult to interpret. No specific suggestions have been received on improving current indicators, because only a change of approach would really solve the bottleneck related to trademark usage.

Respondents indicate that the requirements in the logo standard do not stop people from staying or becoming certified, but it does add to a general feeling of having to implement rules that are not needed for the reliability and robustness of the control system.

04.4.3 General feedback on FSC Controlled Wood standard (FSC-STD-40-005 V3-1)

The Controlled Wood standard V3-1 became effective in July 2016 with a transition period till December 2017. This standard is implemented only by

a very small number of Dutch companies. However, this standard is key to ensure that processing facilities can put locally produced FSC wood on the market as most of these companies have to use a control system in which material can be mixed with sources complying the Controlled Wood requirements.

The introduction of the standard was perceived problematic as it was unclear for companies and consultants what should be done to meet the requirements of a Risk Assessment in the absence of a Risk Assessment developed by FSC International or FSC Netherlands. When Risk Assessments for different countries were published (or the draft was made available like for instance in the Netherlands) it became much easier for companies to make the transition to Controlled Wood V3-1 standard.

The main feedback on this standard is therefore that even though the standard is an improvement, the order of introducing the standard before introducing examples and finalizing (Centralized) National Adapted Risk-Assessments caused uncertainty and/ or extra work.

Respondents with knowledge on the Controlled Wood standard indicated that the specific indicators are considered of reasonable quality and no specific comments have been received on improving these requirements.

04.5 INFLUENCING PEFC AND FSC

In general influencing standard setting process is perceived as a long and slow process, especially for FSC as there are many stakeholders involved with different agendas resulting sometimes in (unclear) compromises in the text of a standard. At the same time individuals with good ideas and long-term lobby have been able to, for instance, ensure that companies producing custom made products (construction, interior construction) have less administrative work for making volume summaries.

In this study interesting suggestions were made, both practical solutions for the current system, as well as more fundamental changes in approaching the formulation of a control system.

04.5.1 Influencing PEFC

At the moment all international standards are being revised. This only occurs every five years, unless exceptional circumstances arise.

The international standard revision process at PEFC is described in the guidelines PEFC GD 1003:2009 PEFC Council technical documents development procedures - requirements.

More information on the PEFC organisation, the standards and their modus operandi can be found in Annex 2.

The Chain of Custody document PEFC ST 2002:2013 Chain of Custody of Forest Based Products – Requirement is currently under revision. Expected is that the new standard will be available by 2019.

Influencing the standard revision process

The international standards revision and developing process is driven by multi-stakeholder Working Groups (WGs). The WGs build consensus on the respective technical documentation, relying on the involvement of active and committed individuals from different interest groups.

When aiming at influencing the formulation of PEFC standards the following actions are indicated to have the most potential impact:

- *Be part of the working group. Mostly people on this working group are representing more than one industry/ country.*
- *Take part in the public consultations. For a new standard there are 2 consultation periods. Any person/organisation can add comments to the enquiry draft. All feedback is considered by the working group in an objective manner, and a synopsis of feedback is compiled for each material issue, including the outcome of considering the issue. The synopsis is made publicly available (e.g. on a website) and is sent to each stake-*

holder/party that gave feedback.

- *Join the expert forum, the deliberations of the Working Groups will be informed by two online Expert Forums for SFM (Sustainable Forest Management) and for CoC.*
- *Be a member of PEFC international.*

04.5.2 Influencing FSC

The CoC standard was recently revised. More information on the FSC organisation, the standards and their modus operandi can be found in Annex 3.

Becoming part of the Technical working group

The working group members are a balance between the different chambers. And are always a multiple of 6 (3 chambers consisting of south and north).

Lobbying would require also to look at an international level. The complexity of the supply chain and willingness for certification of the total supply chain can also be found in Belgium, Germany and the UK. They are most likely to encounter comparable bottlenecks.

The changes proposed in this study are mostly from the perspective of members in the economical chamber.

It will take some time before the next working group for CoC is formed, it will require active lobbying

and demonstrating commitment and expertise if you would like to nominate a representative.

Becoming part of the Consultative Forum

You do not need to be a member of FSC when you apply for membership to the consultative forum during the revision period. There is no limit to the number of people involved.

This allows you to gain access to the draft normative document and an opportunity to comment or express your concerns prior to the public consultation period.

Motions, Changing interpretation to the standard

CH's and CB's can request interpretation from FSC International. The most significant interpretations to the standard are published by FSC.

Discussion papers

Discussion papers on different themes are presented on topics currently on debate or as a result of a motion. All members are able to comment on the content. Minimum time period is 30 days. These papers are also used to prepare for motions during the GA and are used as a source during the revision process of the standard.

Participating in commenting on relevant papers may establish your expert status at FSC, and you can contribute actively on themes relating supply chain certification.

Becoming an FSC member

To be able to vote at the GA you need to be a member.

You may apply as an individual or as an organisation. In total there are 23 members of the Netherlands. Most of them in the Economical chamber with 15 members. The environmental chamber and social chamber both contain 4 Dutch members.

05.0 CONCLUSIONS

The conclusions are presented in such a way that they provide answers to the perceived bottlenecks of the previous study, which was the basis of this study. All suggested solutions by the respondents are clustered in relation to the identified bottlenecks.

The bottlenecks are related to the standards mentioned in the research question, and the issue of mixing PEFC and FSC material. The conclusions are both on the level of how an indicator can change, but also what possibilities have been identified to reduce the bottleneck without changing the PEFC or FSC standards.

The second part of the conclusion focuses on possible methods to influence the change of FSC and PEFC requirements.

05.1 SOLUTIONS FOR IMPEDIMENTS

05.1.1 Administration

Most requirements related to administration are core elements of a control system based on the current ground rules and methods for certification. Different options for reducing the administrative burdens are stated below.

Fundamental changes

A fundamental change in administration can only be made if certification itself changes, e.g. based on implementing blockchain technology.

- *Possible action: To influence the future of certification it is important to be a long term visible party that provides quality input for PEFC or FSC standard development processes.*

Reducing repetitive administrative efforts

Certified companies have ongoing administrative work for their control system. In this paragraph solutions are summarized which could reduce these ongoing, repetitive administrative efforts. PEFC might diminish administrative burdens of supplier check and input checks. Although this does not have a huge impact for most companies, for some this is significant.

FSC might be able to reduce the efforts related to volume control, related to specific requirement for annual overviews and conversion factors.

- *Possible action: FSC and PEFC could be influenced through the standard development processes of both organizations.*
- *Possible action: Transaction verification with Blockchain technology could also influence these requirements.*

Bottlenecks in the start phase of company certification

Making the standard easier to understand and implement, which is mainly relevant for companies starting with certification but also when revising the CoC control system. In general this could be done by:

- *The language used could be written more for companies; less technical, less political.*
- *Clarification on obligatory requirements, and requirements only relevant for specific situations.*
- *Providing standardized texts for procedures or declarations.*
- *Possible action: FSC and PEFC could be influenced through the standard development processes of both organizations.*
- *Possible action: Guidance documents could be made and provided by different groups, generic or for specific sectors. This can be done by any stakeholder.*

The impact of addressing relatively small topics could have a significant impact because work that is perceived unnecessary, causes more irritation than work of which companies clearly understand the added value for accountability and transparency.

05.1.2 Changes of standards

This bottleneck is the result of mainly FSC implementing new standards and

advise notes. This cannot be solved by modifications in the standard documents included in this study.

The last revision of the FSC Logo standard only contained small changes, the impact is therefore low.

- *Possible actions: Providing founded feedback to FSC and PEFC regarding the best timeline to make new requirements effective.*

05.1.3 Costs of certification

Costs are a result of the current structure of CoC certification. When this changes fundamentally (see above), costs might reduce especially for those companies with low risks.

Indirect costs result from administrative burdens (this is addressed above under fundamental changes).

Costs related to advice might reduce when standards are formulated more clearly (see bottlenecks for starting certification above).

The PEFC group certification fee for CoC is relatively perceived high as it does not take into account the wood volumes traded but the total revenue of the company, and the total size of the company also if the direct related jobs or revenue for wood products is very small.

05.1.4 Logo usage

It seems that the trademark standard of FSC is not perceived as a limitation to

become or remain certified. It is more perceived as an annoyance to some certificate holders, because this standard is regarded as detailed and complex with no direct link to the accountability and transparency of the CoC system. A change to the approach is needed to solve this impediment. The latest version (effective date from 1 March 2018) did not result in major changes.

- *Possible action: FSC can be influenced through the standard revision processes.*

05.1.5 Mixing PEFC and FSC

There is a potential trend in the market that could make PEFC and FSC more willing to look towards working closer together. However, it seems that a group of stakeholders in both organisations do not support this trend.

- *Possible action: FSC and PEFC could be influenced through the standard development processes of both organisations.*

In the current FSC standard (FSC-STD-40-004 V3-0 indicator 5.8) there is the possibility for companies that make custom made products to specify the components, which enables custom made products to contain FSC and PEFC components. For PEFC the same approach is used, though the standard is less specific about these situations.

PEFC certified wood is not recognised as controlled wood for FSC.

FSC material is compliant with requirements for PEFC controlled sources.

05.1.6 Double stocks

See 7.1.6: as there is no fundamental change expected on the possibility of mixing FSC and PEFC, no large improvement is expected for having double stocks. Learning from good examples might provide improvements for individual companies.

- *Possible action: sharing best practices (this can be done by many organisations).*

05.2 INFLUENCING FSC AND PEFC

If parties choose it is worthwhile to bring suggested improvements for the FSC and PEFC standard to the next level, the following could be considered about influencing FSC/PEFC:

- *Be aware of timelines for feedback for revised standard documents of FSC and PEFC;*
- *Be aware of new trends, their potentials and ensure the quality of testing and implementing changes. Maybe it is more effective for the actors in the Dutch supply chain to invest in the development of innovative approaches to CoC certification, than to focus on improving requirements which are based on the current approach;*

- *Collaborate with sectors and companies;*
- *Invest in time and quality of input;*
- *Build up a relation, the longer involved the higher the impact.*

Without a long term, qualitative input, the change of changing CoC requirements is limited. Therefore, the possibilities for the covenant is limited. The time-period the covenant is currently funded will be too short to make an impact on the standards.

Taking into account that within the structure of FSC taking the lead in requesting changes to standards is not considered the task of national offices such as FSC the Netherlands.

Influencing the PEFC CoC standard is perceived as somewhat easier because the different PEFC National Governing Bodies have voting rights at the GA and can apply for a spot in the working group of the standard setting process.

The PEFC CoC standard is revised this year, but the WG is almost finishing the final draft. To be able to maybe still influence the current process immediate action is required. To influence in the long run and be able to incorporate the trends in the standards a different approach is needed.

05.3 Sector specific remarks

Certain characteristics make certification easier or more difficult, examples

identified are:

- *More efforts are needed when the CoC process is more complex (different inputs, different claims, changing suppliers, changing end-products, etc.).*
- *Availability of well implemented ERP or CRM system.*
- *Presence of other certification scheme's, in combination with knowledge and skills of employees.*
- *Frequency of orders with PEFC or FSC: the more frequent the fewer mistakes are made and the more CoC quality check becomes part of normal practice instead of additional, complicated work.*

Smaller companies tend to have more difficulties finding personnel with knowledge and time for implementing and monitoring CoC control systems, and investments in ICT, audits and developing procedures are relatively higher.

Also, when companies are certified because of client demands, but afterwards very few orders arrive, all additional efforts are a (financial) burden and topics like costs and additional administrative work will be perceived as bottlenecks sooner.

Different branches have distinctive characteristics, and therefore the bottlenecks identified and their impact is different per branche.

- *The construction branch already is involved in many different certifications which results in the use of IT-systems*

capable of simplifying administration. At the same time the CoC process tends to be complex due to many different inputs and changing suppliers and limitations in ERP systems used for CoC control measures. In construction tenders FSC/PEFC are requested on a large scale but in most cases, this does not result in a project with clear FSC and PEFC purchase requirements.

- The interior building, furniture industry or wood processing companies have a high chance of encountering several complicating factors. Within this sector,
 - The availability of raw materials is an issue. Very often specified raw materials are not available under the demanded CoC certification. For example, HPL laminates are very often only available as PEFC certified and are therefore not eligible for use in FSC product groups. Also, very small volumes of wood-based materials are being used that cannot be sourced as FSC or PEFC certified (e.g. lamellas).
 - Retail industry and traders in general have a relatively simple process as they sell what has been purchased.

06.0 RECOMMENDATIONS

06.1 INFLUENCING FSC AND PEFC

Both organisations have a stakeholder approach when revising the standards. During public consultation periods direct feedback on the draft reports can be given.

The most effective way to influence the standards indicated, is being part of the Working group (PEFC) or Technical working group (FSC).

To achieve this one should become a member of FSC or PEFC, establish expertise during revisions, and represent a large group of (different) stakeholders. And finally apply for nominations during the starting period of the revision.

From our point of view the current trends in supply chain on block chain technology and risk-based approach certification provides an opportunity to be at the front of this innovation. The Dutch cooperative 'poldermodel' approach could have an advantage as knowledge is more likely to be shared within the sector.

We would suggest forming an expert team or several teams or select a representative to lobby for the Dutch timber supply chain. This could be initiated by the covenant but should be able to continue on the long run. These experts should be knowledgeable on

practical issues relating certification, knowing the standards, but also known the trends in the supply chain as block chain technology. It would be advisable to have some experts involved in both PEFC or FSC standards.

The next public consultation periods (in approximately three years' time) can be used to give feedback and raise concerns. A group, such as the covenant could provide round table input for consultation based on the draft standards presented by the certification schemes. Input from experts from cooperating companies or sectors should be taken into consideration. These round table meetings will provide well-founded feedback regarded as high value professional input. The group should build support among organisations and associations who can endorse the feedback as well. Remarks provided in Annex 4 of this report could serve as an input to this process.

06.1.1 Influencing PEFC

Currently the COC-standard is under revision at PEFC. This is almost in the final stage, PEFC the Netherlands could present this report with an accompanying letter of the Covenant to the Working Group. This however requires immediate action.

There are a couple of measures which could take place to influence the process during the next revisions:

- 1. *The branches represented in the Covenant 'Bevorderen Duurzaam Bosbeheer' such as building, interior design, furniture, wood-processing by their associations. Each Dutch association is commonly also a member of a European association. For example CBM (Branche vereniging voor interieur en meubelindustrie) is member of the European Furnitures industries confederation (EFIC: <http://www.efic.eu/Members.aspx>). These European associations could become a member of PEFC. Each branch could ask its own European association to become a PEFC member in the next period.
Or perhaps the Netherlands can lead an initiative to plan a lobby of specific SMEs interests within these European associations and national associations to be collectively represented at PEFC.*
- 2. *Dutch representatives can participate in the expert forums.*
- 3. *Establish a team/or employ a representative to lobby. After showing expertise in the development of standards and lobbying for several years it could be possible to be part of the Working group during the next revision period. Especially if this nominee represents a large group of interest.*

06.1.2 Influencing FSC

There are a couple of measures which could take place to influence the process during the next revisions:

- 1. *Become a member of the Technical Working group: This study focuses mainly on the impediments perceived by companies, members of the economical chamber at FSC. It would be interesting to see if the specific bottlenecks of small and medium size enterprises (SME) also have representatives which are at the social or environmental chambers. Maybe the trend to produce locally by locals, could generate allies to reduce bottlenecks for these small enterprises, similar for consumer organisations.*
- 2. *Becoming part of the Consultative Forum: This allows you to gain access to the draft normative document and an opportunity to comment or express your concerns prior to the public consultation period. It could be a strategy to have Dutch representatives in this forum.*
- 3. *Establish a team/or employ a representative to lobby. After showing expertise in the development of standards and lobbying for several years it could be possible to be part of the Working group during the next revision period. Especially if this nominee represents a large group of interest*

06.2 OTHER POSSIBILITIES FOR IMPROVEMENT

Without changing FSC and PEFC, the perceived bottlenecks can be addressed directly and indirectly.

- *The Netherlands as Test bed (Proeftuin Nederland).* With PEFC or FSC collaboration could be sought to develop new approaches for certification. Company could be asked to work together with PEFC or FSC to test new approaches in certification, e.g. regarding block-chain technology, or using modular requirements or testing a more risk-based approach.
- *Risk-based approach.* Within the current standards there could be room for a more risk-based approach. This is a project that the Covenant could start to reduce bottlenecks within certification.
- *Project-standard FSC.* Currently the project-standard (FSC-STD-40-006 V1-0) is being put to the test by FSC, FSC the Netherlands is involved in this process, it could have a potential benefit for project-driven products to be involved in this pilot-testing.
- *Consulting and group certification.* Advisors and group certification can address bottlenecks identified, especially those related to administration. More clearly stated CoC requirements would reduce a part of the added value especially of consultants.
- *Standard certification documents for all companies is not considered an option,* although some Group managers are using a modular system. A modular

approach can make the implementation for companies with comparable characteristics easier. A modular system can point out relevant requirements, examples of procedures and registrations for companies in a specific branch, and irrelevant indicators stay hidden.

- *Reduce the use of non-certified lamellas by increasing knowledge with architects and present an array of alternatives, for instance another wood species or painted wood.*
- *Develop guidance documents and spread available information e.g. on: the email update of suppliers' certificate status through the FSC trademark portal; which registrations are no longer needed in the current FSC requirements.*
- *Look at others and find best practices; especially look for companies which are doing well compared to their peers. It is especially interesting to look for small companies, with complex processes, at the end of the supply chain, which experience few bottlenecks, and have a good functioning CoC control system. What are their characteristics or solutions?*
- *Look at other standards for ways forward, threats and opportunities;*
- *To find ways to create an attitude among certification holders to claim more FSC and PEFC.*
- *Ensure a clear market demand: most bottlenecks are not considered a big problem, when the positive impact of a certificate is high.*

ANNEXES

A.1 ANNEX 1
LIST OF INTERVIEWEES

ORGANISATION	NAME
0 Alioth	Björn Wevers (co-author)
1 Bouwbinder	Wim Arnoldus
2 Bouwend NL, Heijmans, bestuur FSC	Robert Koolen
3 Smeulders Interieurgroup	Anne Veenstra
4 CU	James Schadenberg
5 Ing. bureau Buytendijk	Evan Buytendijk
6 INRetail/Leen Bakker	Riny Roks
7 Tuinbranche, Intratuin	Sascha de Wit/Peter Paul Kleinbussink
8 SCS	Miranda van Zomeren
9 SKH	Bryndis Perdijk
10 SmurfitKappa	Henry Krüger

A.2 ANNEX 2

STANDARD SETTING

REVISION PEFC

The Programme for the Endorsement of Forest Certification (PEFC) is an international non-profit, non-governmental organization dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification.

PEFC original was established in 1999 to specify requirements especially for small forest owners to sustainable forest management. In the next years they adopted a stakeholder's approach and environmental and social organization were involved in the decision making.

There are 2 major standards, one with requirements for Sustainable Forest Management certification and one for the requirements of Chain of Custody certification.

Furthermore, there are standards for the endorsement process of standards, group forest management certification, certification bodies, certification procedures and logo usage.

The standard is based on ISO-standards, and in addition in the latest standards revision, the ISEAL Code of Good Practice for Setting Social and Environmental Standards was taken into consideration. PEFC is however not a

member or an Associated member of ISEAL (ISEAL is the global membership association for credible sustainability standards) (June 2018).

The certification bodies receive their accreditation from national accreditation organisations. PEFC uses the internationally-recognized requirements for certification and accreditation defined by the International Standardisation Organisation (ISO) and the International Accreditation Forum (IAF) and recently also ISEAL. It separates its activities in standards development from certification and accreditation to assure the independence of these processes and to avoid potential conflicts of interest or bias.

Organisation structure:

They adopted a "bottom-up" approach to governance. It builds on national members whose local expertise is complemented by the experiences of internationally-active organizations.

There are two categories of membership with voting rights:

- 1. *National members or "National Governing Bodies" are independent, national organizations established to*

develop and implement a PEFC system within their country. They are also the Standard setting body to initialise the national working groups to develop standards, which are customised and made suitable for that country and its local situations e.g. PEFC Nederland.

- *2. International stakeholder members are international entities including NGOs, companies, and associations committed to supporting PEFC's principles.*

PEFC has three decision-making bodies

- *1. General Assembly (GA) is the highest authority of PEFC. It includes both national members and international stakeholder members with voting rights, and extraordinary members as observers. PEFC Nederland is member of the GA, no specific Dutch companies found in the list of international stakeholders.*
- *2. Board of Directors supports the work of the General Assembly and the organization as a whole. It is accountable to all members. Board members are elected by the General Assembly. Board members are chosen to ensure a balance between the major stakeholders supporting PEFC, the geographical distribution of members, annual cutting categories, and gender. No Dutch person is member of the board.*
- *3. Secretary General is responsible for the work of the PEFC Secretariat in Geneva, Switzerland. He is supported by a team of 14 professionals. Johan*

Vlieger former coordinator of PEFC The Netherlands is currently working in the Technical Unit as Technical officer. He also involved in the Chain of Custody certification revision.

Standards:

The international standard revision at PEFC are described in the guidelines PEFC GD 1003:2009 PEFC Council technical documents development procedures - requirements.

After the revised international standard is approved, the National standards are benchmarked to this revised standard. If required a national standard setting process is executed, according to standard PEFC ST 1001:2017. National standards are especially developed for sustainable (group) forest management, certification bodies requirements and standard setting. The international chain of custody standard is mostly approved by the PEFC National Governing Bodies without any modification as is the Logo-standard. Almost all national PEFC organisations provide translations into the national language.

Working group (WG)

The desired composition of a WG require at least the following stakeholder categories to participate:

- *1. Materially affected certifiable stakeholders (Forest Landowners &*

Managers, Forest-based Businesses and Industry)

- 2. *Conformity Assessment Community (Certification Bodies, Accreditation Bodies, Assessors)*
- 3. *End User – Customers & Consumers (Retail & Consumer, Institutional Users, Governments & Local Authorities)*
- 4. *Civil Society (NGOs; Workers & Trade Unions; Scientific & Technological Communities; Indigenous People; Women; and Children & Youth)*
- 5. *PEFC Members (PEFC National Governing Body Members)*

The work of the WGs is coordinated by Michael Berger, PEFC's Head of Technical Unit, with PEFC International providing organizational and administrative support. The six Working Groups currently involved in the standards revision process are:

- *WG 1: Sustainable Forest Management Standard*
- *WG 2: Forest Management Certification Procedures and Group Certification*
- *WG 3: Standard Setting Procedures*
- *WG 4: Chain of Custody and Labelling*
- *WG 5: Chain of Custody Certification*
- *WG 6: Endorsement Process*

The deliberations of the Working Groups will be informed by two online Expert Forums for SFM (Sustainable Forest Management) and for CoC. These are the respective hyperlinks on the PEFC website to join these forums: The SFM Forum: <http://pefc.org/standards-revision/new/2121-get-involved-in-the-pefc-standards-revision-process-join-the-pefc-sfm-expert-forum>

<http://pefc.org/standards-revision/new/2155-registernow-for-the-pefc-chain-of-custodyexpert-forum>

The CoC Forum: <http://pefc.org/standards-revision/new/2155-registernow-for-the-pefc-chain-of-custodyexpert-forum>

The role of the PEFC Board of Directors and the PEFC General Assembly is limited to the formal approval (or rejection) of the revised standards; these bodies are not developing the final draft standards agreed by the WG.

The Chain of Custody standard

The Chain of Custody certification standard PEFC ST 2002:2013 is currently under revision. It is a mechanism for tracking certified material from the forest to the final customer. It allows companies to use the PEFC logo on products.

This standard may be adapted if system-specific requirements of the CoC would require this. This means that you could have a national version of the CoC, however but most countries are approving the international standard without changes. The importance of influencing the standard revision process of the CoC standard on an international level is therefore even more important.

In the Netherlands there are 454 PEFC chain of custody certifications and 11.484 worldwide, taking into account that multi-sites and group

certifications are counted as one certificate. (Source: PEFC annual review 2017)

No Dutch participation in WG 4, however Forest industries are represented by the following 4 Companies/associations.

- *Bryan Hulka, Weyerhaeuser Company (International, originated from USA)*
- *Jan de Leersnyder, UNILIN (Belgium, part of international group)*
- *Henry Krueger, CEPI (Confederation of European paper industries)*
- *Hans Grieshofer, Austropapier (Austrian paper association)*

Becoming a PEFC member

PEFC membership is open to national forest certification organizations and international stakeholders. A list of members and requirements can be found on the website: <https://www.pefc.org/about-pefc/membership/international-stakeholder>. They included associations as *European Timber Trade*

Federation (ETTF), European Panel Federation (EPF) and Building and Wood Worker's International (BWI), but also individual companies such as *APP Timber, Arauco and Metsä Group*. The chain of custody of the paper industry is well represented with related industries, associations and individual companies.

International Stakeholder membership is open to entities operating in two or more countries, or legally registered as international organizations. International Stakeholder members have the same rights and obligations as all other PEFC members such as:

- *Participate in the PEFC General Assembly with full voting rights:*
- *Join PEFC working groups and committees on relevant topics including standards revision, marketing and regional promotions.*
- *Nominate representatives for consideration to the PEFC Board of Directors.*

A.3 ANNEX 3

STANDARD SETTING

REVISION FSC

Information about the structure and procedures of FSC can be found via their website: www.fsc.org. This annex presents the organisational structure, the standard revision process and ways to influence interpretations to the standards.

The Forest Stewardship Council (FSC) is an international non-profit, multi-stakeholder organization established in 1994. The FSC's stated mission is to 'promote environmentally appropriate, socially beneficial and economically viable management of the world's forests'

The Accreditation Services International (ASI) is the accreditation organisation that approves and audits the certification bodies. They are the only organisation to be allowed to control how the auditing process is being reviewed. And they guard the interpretation of the FSC standards by the CoC and SFM auditors.

Organisational structure

At FSC there are three levels of decision-making: the general assembly, the FSC Board of Directors, and the Director General.

A. The general assembly of members

This is the highest decision-making body at FSC. Held every three years, the latest took place in October 2017.

It consists of three chambers: the economic, social, and environmental chamber.

- *The economic chamber: Members include individuals, companies and organizations who principally have a commercial interest in forest management and the production, processing or commercialization of forest products, or have a commercial interest in the activities of such organizations.*
- *The environmental chamber: Members include individuals and non-profit, non-governmental organizations whose principal purpose and interest is the protection, preservation or conservation of the natural environment.*
- *The social chamber: Members include individuals and non-profit, non-governmental organizations whose principal purpose and interest is socially beneficial forestry.*

These three chambers are further sub-divided into northern and southern sub-chambers, depending on which hemisphere you're in.

FSC has a balanced voting structure, so when it comes to creating change, each of the three chambers holds 33.3 per cent of the vote on all FSC matters, ensuring that our system remains balanced. Within each chamber, votes are weighted to ensure that north and south each hold 50 per cent of the vote. What's more, the votes of organizational members are weighted to reflect the fact that organizational members represent more people than individual members.

In total there are 23 members of the Netherlands. Mostly in the Economical chamber with 15 members. The environmental chamber and social chamber contain both with 4 Dutch members. The list of all member can be found on the website of FSC: <http://memberportal.fsc.org/>. When members cannot attend the general Assembly, they are allowed to give their proxy to another FSC member attending.

B. The FSC board of Directors:

The FSC Board of Directors is accountable to all members. It consists of twelve elected representatives, with four elected from each of the chambers for a four-year term.

Member of the Netherlands is Leendert van der Vlis (Netherlands Centre for Indigenous Peoples) from the Social Chamber.

C. The Director General

The Director General leads the organization from the FSC International Center in Bonn, Germany, and is responsible for running FSC on a day-to-day basis. Since 2012 this position is held by Kim Carstensen.

Standards revision

The procedure for the development and revision of FSC normative documents, FSC-PRO-01-001 describe in detail the process and responsibility of the different actors.

The announcement of revisions of standards can be found on the FSC website. There is always a call to apply to become member of the revision committee, called the Technical Working Group.

Formal decision-making authority on FSC normative documents rests with the FSC Board of Directors. The role of the Technical Working Group is to advise and provide content related input to the revision process of FSC-STD-40-004. Furthermore, the Working Group is required to formally recommend that the final draft standard is ready for approval by the FSC Board of Directors. In content discussions the Working Group shall strive to achieve consensus to provide clear and consistent advice to the facilitator.

Technical working group

The Working Group facilitator is responsible for drafting the standard. The role of the Working Group members in drafting of standards is to scrutinize and comment on drafts, review and advise on comments submitted by other stakeholders, and to suggest wording on specific aspects that might achieve consensus support of all members of the Working Group.

Members of the working group shall be selected on the basis of their:

- *a. Expert knowledge and/or experience with FSC Chain of Custody Certification;*
- *b. Up-to-date knowledge and experience of FSC's systems and procedures;*
- *c. Understanding of the potential impact of a normative document on affected stakeholders;*
- *d. Understanding of and support for FSC's mission and vision;*
- *e. Ability to review and comment on documents submitted in English*

FSC is also interested in applicants with experience in the retail sector or small and community enterprises.

The following members were part of the technical working group of FSC-STD-40-004:

- *Jakob Ryding, Forests of the World (Denmark)*
- *Per Funkquist, Korsnäs AB (Sweden)*
- *Andres Venegas, Individual (Chile)*

- *Corris van den Berg, SGS (South Africa)*
- *Torge Petersen, GFA (Germany)*
- *Tammy Coe, Rainforest Alliance (US)*
- *Henry Krüger, Smurfit Kappa (Germany)*
- *Ave Saksen, JELD-WEN Europe (Estonia)*
- *André Deschamps, De & D Consult (Belgium)*

Consultative Forum

This is an e-mail list of stakeholders who choose to be more closely involved in developing or revising an FSC normative document. Participants have the opportunity to provide input during the drafting and re-drafting stage of a normative document prior to general public consultation. Membership of a Consultative Forum shall be open to any stakeholder on request.

Public consultation

Two Public consultations take place. The first revised draft is been open for at least a 60 day consultation period. In 2014-2015 about 200 organisations provided comments on the first revised draft of the standard. The comments and their consideration can be downloaded from the website: <https://ic.fsc.org/en/fsc-system/current-processes/chain-of-custody-certification-01>

Round 2 consultation is also 60-day public consultation. If after the

second round of public consultation there are substantive, unresolved issues, a third round shall be required.

The public consultation is open to all stakeholders.

FSC General Assembly motions

Motions are proposals for new work areas or improvements to the FSC system. They cover various aspects from how FSC operates to how to improve the market demand for FSC products. If your motions are voted on favourably at the general assembly, they will influence FSC's future priorities. There are two types of motions:

- *Statutory Motions: are proposed motions to amend the Statutes or Principles & Criteria. The proposed amendment shall first set forth the current language from the applicable document, and then set forth the proposed new language; additions or deletions must clearly identify the specific title, section and paragraph to be amended. Statutory Motions approved by the general assembly will become valid and legally binding at the close of the general assembly, subject to legal confirmation.*
- *Policy Motions: are proposed motions to change FSC policies or operational procedures, including those related to achieving its mission and purpose. Policy motions approved by the general assembly have the status of "initiatives"*

(FSC Statutes, Title Two Members, Clause Thirteenth, Paragraph 3); meaning that they are recommendations or advice to the FSC Board of Directors. The FSC Board of Directors will inform members about the next steps to respond to these initiatives.

Discussion papers

FSC's position may change in the light of experience or new information, and in response to members' concerns. Changes are usually preceded by widely circulated discussion papers. The period to submit comments on the discussion paper shall be at least 30 days from its publication. At the website of FSC (ic.fsc.org/en/news-updates) the latest updates on the discussion papers and standards are available.

Advice notes

An advice note present a binding interpretation of the requirement (see FSC-DIR-40-004 for advice notes on the FSC-STD-40-004). Advice notes are made when stakeholders reported issues with the implementation of the requirements. The feedback is collected by the FSC Policy and Standards Unit. The response can result in an answer with an explanation or, if required, in a binding interpretation in an advice note.

Becoming an FSC member

To be able to vote at the GA you need to be a member. You may apply as an individual or as an organization. To apply you need to provide your/your organization's contact details, statutes, annual reports, etc. You also need to choose the chamber (social, economic or environmental), a description of how your activities support the FSC Principles and Criteria and two letters of support issued by FSC members. Specific information can be found on the FSC-website: <https://ic.fsc.org/en/choosing-fsc/fsc-membership>.

A.4a ANNEX 4 A

FEEDBACK ON PEFC REQUIREMENTS

Respondents provided feedback on most chapters of the PEFC standard (PEFC ST2001:2013).

Text references to the specific requirements are shown below, after which the combined results of the responses are provided.

CLAIM IN RELATION TO IDENTIFICATION AT DELIVERY (INCOMING) LEVEL

4.1.1 For each delivery of material entering the chain of custody product group the organisation shall obtain from the supplier the information that is necessary to identify and verify the material category of the procured material.

- Kind of proposal:** Different approach
- Analysis:** Companies can choose on which document the claim is recorded. This could increase the chances of mistakes regarding input control, because different documents are checked by different people (e.g. orders are checked by purchasers, invoices by administration, and transport documents by warehouse managers). All employees have to know what to check, if information is missing colleagues have to be informed to ensure that the information is available on other possible documents. It would be more convenient if PEFC information is included on the legal sales document and the delivery documents (if the sales document is not included at delivery).
- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** Response was provided by some of the experts
- Difference in views:** This analysis was provided by limited respondents. Other views might exist by the proposal seems in line with general comments provided by other respondents.
- Possible follow-up:** Propose concern to PEFC

SUPPLIER IDENTIFICATION

4.2.1 *The organisation shall require, from all suppliers of certified material, a copy of or access to the forest management or chain of custody certificate or another document confirming the supplier's certified status.*

Kind of proposal:	Different approach
Analysis:	Supplier check by verifying the copy of the certificate is perceived as outdated. If in the PEFC database a certificate is suspended but a company did not inform its client, it could be argued that incoming material is still valid according to the standard.
Relevant for:	All companies
Impact on:	Consciously; part of ongoing controls
Provided by:	Response was provided by most all respondents
Difference in views:	The point for improvement is widely supported by respondents
Possible follow-up:	Propose to PEFC different approach

DDS SYSTEM

Chapter 5 all, including

5.1.4 *The organisation shall implement the PEFC DDS in three steps relating to:*

- *a. gathering information,*
- *b. risk assessment and*
- *c. management of significant risk supplies.*

5.2.1 *The PEFC DDS is based on information provided by the supplier. The organisation shall have access to the following information:*

- *a. identification of the material/product, including its trade name and type;*
- *b. identification of tree species included in material/product by their common name and/or their scientific name where applicable;*
- *c. country of harvest of the material and where applicable sub-national region and/or concession of harvest.*

5.4.1 *The organisation shall ensure that substantiated concerns provided by third parties concerning supplier compliance with legal requirements and other aspects of controversial sources are promptly investigated and, if validated, result in (re-)assessment of the risks associated with the relevant supplies.*

5.4.2 In case of substantiated concerns material originally excluded from the risk assessment (see clause 5.3.1) shall undergo a risk assessment according to the requirements in 5.3

5.6.1 Timber or timber product(s) from unknown sources or from controversial sources shall not be included in product groups covered by the organisation's PEFC chain of custody.

5.6.2 Timber known or reasonably suspected as coming from illegal sources (controversial sources 3.9(a) or (b)) shall not be processed and, shall not be traded and/or shall not be placed on the market unless appropriate documented evidence has been provided and verified which allows the timber supplied to be classified as presenting "negligible risk".

- Kind of proposal:** alternative requirement (without fundamental change of requirement)
- Analysis:** Chapter 5 could be easier to understand and comply with if it specified which requirements are relevant for which type of organisation. For organisations only purchasing PEFC material, it seems that most requirements in chapter 5 are not applicable. Though not clearly stated it seems that only the following three steps are required:
- Describing how information is gathered, what the risk conclusion is and how risks are managed (5.1.4), and that in case of any concerns material is not used in PEFC products (5.4.1, 5.4.2, 5.6.1, 5.6.2). (This can be translated to a standard formulation because in case of purchasing only PEFC material for PEFC products risks are negligible.);
 - Guarantying access to relevant information (species, region) (5.2.1);
 - Having a declaration from suppliers for PEFC material.
- Organisations using non-PEFC material for PEFC products, should comply with all requirements.
- The related requirements could be clarified further if standardized text is provided.
- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** Response was provided by several experts
- Difference in views:** The point for improvement is widely supported
- Possible follow-up:** Propose to PEFC

EXCLUSION OF DDS REQUIREMENTS

5.1.2 *The PEFC DDS shall be implemented for all input forest based material covered by the organisation's PEFC chain of custody with the exception of:*

- *a. recycled material; and*
- *b. material originating from species listed in Appendices I to III of CITES provided it complies with applicable international, European and national legislation relating to CITES.*

Kind of proposal: Alternative formulation (without fundamental change of requirement)

Analysis: 5.1.2. does not seem to be a requirement: it simple states for which companies the requirement if relevant. It could be more resilient and less work if the formulation would e.g. be: Chapter 5 is relevant, with the exemption of: ... (see 5.1.2 text)

Relevant for: All companies

Impact on: Consciously; part of ongoing controls

Provided by: Response was provided by several experts

Difference in views: No difference in views observed

Possible follow-up: Propose to PEFC

EXCLUSION OF DDS REQUIREMENTS

5.1.3 *The organisations PEFC DDS shall be supported by the organisation's management system meeting requirements of clause 8 of this standard.*

Kind of proposal: Requirement has no added value

Analysis: 5.1.3. is a repetition of requirements in chapter 8 and has therefore no added value.

Relevant for: All companies

Impact on: All companies with DDS system

Provided by: Response was provided by one expert, but in line with general comments from most respondents

Difference in views: The point for improvement is widely supported

Possible follow-up: Propose to PEFC

DDS STATEMENT OF THE SUPPLIER

5.2.1 The PEFC DDS is based on information provided by the supplier. The organisation shall have access to the following information:

- a. identification of the material/product, including its trade name and type;
- b. identification of tree species included in material/product by their common name and/or their scientific name where applicable;
- c. country of harvest of the material and where applicable sub-national region and/or concession of harvest.

5.5.1.1 For supplies identified as “significant” risk, the organisation shall request the supplier to provide additional information and evidence, if possible, which allows the organisation to classify the supply as negligible risk. The supplier shall ensure that,

- a. it will provide the organisation with necessary information to identify the forest management unit(s) of the raw material and the whole supply chain relating to the “significant” risk supply.
- b. it will enable the organisation to carry out a second party or a third party inspection of the supplier’s operation as well as operations of the previous suppliers in the chain.

Note: These procedures can be ensured e.g. by contractual agreements or a written self-declaration by the supplier.

Kind of proposal:	Alternative requirement (without fundamental change of requirement)
Analysis:	Supplier statement could be replaced by a statement of all companies that they will comply with providing the requested information. When all companies sign this, a supplier declaration is only relevant for those suppliers providing non-PEFC material for PEFC products.
Relevant for:	All companies
Impact on:	Consciously; part of ongoing controls
Provided by:	Response was provided by: several experts
Difference in views:	The point for improvement is widely supported
Possible follow-up:	Propose to PEFC

CONTROL SYSTEM

Paragraphs 6.2: Physical separation method and 6.3 Percentage based method

- Kind of proposal:** Different formulation (towards a standard declaration)
- Analysis:** There might be changes to make it easier to comprehend which requirements are relevant for which control system. If one requirement states the complete specification to implement one control methods, a certificate holder only has to confirm it follows all specified rules for the control system is uses.
Note: different calculation methods are described, it is suggested that they are summarized and written down in formulas.
- Relevant for:** All companies
- Impact on:** Developing/evaluation the control system
- Provided by:** Response was provided by several experts
- Difference in views:** The point for improvement is widely supported
- Possible follow-up:** Propose to PEFC alternative of formulating and structuring

DOCUMENTS USED FOR SALES CLAIMS

7.1.1: At the point of sale or transfer of claimed products to the customer, the organisation shall provide the customer with a copy or access to a copy of its chain of custody certificate. The organisation shall inform the customers about any change in the scope of its chain of custody certification and shall not misuse its chain of custody certification.

- Kind of proposal:** Alternative requirement with fundamental change of requirement
- Analysis:** See 4.2.1
- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** Response was provided by most all respondents
- Difference in views:** The point for improvement is widely supported
- Possible follow-up:** Propose to PEFC

REQUIREMENTS FOR DOCUMENTS ASSOCIATED WITH SALES/TRANSFER OF PRODUCTS

7.1.2 For the purposes of communication of the chain of custody claim, the organisation shall identify the type of document(s) associated with the delivery of all sold/transferred products. The document(s), including the formal claim, shall be issued to a single customer. The organisation shall keep copies of the documents and ensure that information contained within those copies cannot be altered after the originals are delivered to the customers.

Note: The document(s) associated to each delivery covers the media and information, including electronic media.

- Kind of proposal:** Alternative requirement with change of requirement
- Analysis:** See 4.1.1
- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** Response was provided by a few key-stakeholders
- Difference in views:** Some companies could prefer the flexibility in the current standard, overall the system is expected to improve which making the requirement more specific
- Possible follow-up:** Propose to PEFC
Request feedback to see if this suggested change is supported

REQUIREMENTS FOR OBLIGED INFORMATION ON DOCUMENTS ASSOCIATED SALES/TRANSFER OF PRODUCTS

7.1.3.

- *f. the formal claim on the material category (including percentage of certified material) specifically for each claimed product covered by the document, as applicable,*
- *g. the identifier of the supplier's chain of custody certificate or other document confirming the supplier's certified status.*
- *Note 1: The formal claim, which means the claim in its exact wording, as well as documents confirming the certified status are specified in an Appendix to this standard or by other document(s) defined by the relevant forest certification or labelling scheme.*

Kind of proposal: Other: "streamline" PEFC requirements

Analysis:

- f. The claim approved is different between countries, causing unclarity: PEFC France has approved a different order of the wording of the claim, PEFC Netherlands allowed to leave out the translation of certified ("gecertificeerd") in the official claim.
- g. The code is not required by PEFC Germany standard for forest owners, making it impossible for CoC companies to comply with this requirement.

Relevant for: All companies

Impact on: Consciously; part of ongoing controls

Provided by: Response was provided by one respondent

Difference in views: Though only provided by one respondent, no risk was observed regarding this suggested improvement that could have a negative impact on the stakeholders interviewed.

Possible follow-up: Propose to PEFC

PEFC TRADEMARK USAGE

7.2.1 The organisation which uses a logo or label, for on-product and/or off-product purposes, relating to the chain of custody certification, shall have an authorisation from the logo/label's trademark owner or from the owner's authorised representative and the usage shall be carried out according to the terms and conditions of the authorisation.

- Kind of proposal:** Other: change approach (without changing standard)
- Analysis:** In the Netherlands logo approvals are not required. Obligated approval before usage would limit the mistakes made and CARs (corrective actions requests) identified during audits. When companies are checked only a year later during the first surveillance audit this can result in costly mistakes.
- Relevant for:** All companies
- Impact on:** Companies after the initial audit
- Provided by:** Response was provided by one respondent
- Difference in views:** Though only provided by one respondent, no risk was observed regarding this suggested improvement that could have a negative impact on the stakeholders interviewed.
- Possible follow-up:** Propose to PEFC

MANAGEMENT SYSTEM REQUIREMENTS

Chapter 8 (all, including)

8.2.1.3 The organisation's management shall carry out a regular periodic review of the organisation's chain of custody and its compliance with the requirements of this standard.

8.3.1 The organisation shall establish written documented procedures for its chain of custody. The documented procedures shall include at least the following elements: ...

8.4.1 Record keeping. The organisation shall establish and maintain records on its chain of custody to provide evidence of conformity with the requirements of this standard and its effectiveness and efficiency. The organisation shall keep at least the following records relating to the product groups covered by the chain of custody: ...

8.5.1 Human resources/personnel

The organisation shall ensure and demonstrate that all personnel performing activities affecting the implementation and maintenance of the chain of custody are competent on the basis of appropriate training, education, skills and experience.

8.5.2 Technical facilities

The organisation shall identify, provide and maintain the infrastructure and technical facilities needed for effective implementation and maintenance of the organisation's chain of custody with the requirements of this standard.

8.6.1 Inspection and control. The organisation shall conduct internal audits at least annually covering all requirements of this standard and establish corrective and preventive measures if required.

8.6.2 Note: Guidance for performing internal audits is given in ISO 19011:2002A report on the internal audit shall be reviewed at least annually.

8.8.5 The organisation's internal audit programme shall cover the subcontractor's activities.

Kind of proposal: Limited additional value

Analysis:

There is no added value for specific management requirements, because certification bodies can only close CARs (Corrective Action Request) when the root-cause is addressed. E.g. if mistakes in the volume control have a root-cause related to training, the certifying body will ensure that the company improves its training program before closing an CAR.

There is no added value for specific management requirements, because certification bodies can only close CARs (Corrective Action Request) when the root-cause is addressed. E.g. if mistakes in the volume control have a root-cause related to training, the certifying body will ensure that the company improves its training program before closing an CAR.

By including requirements for management systems CARs are repeated, because requirements for certificate bodies state that for each requirement a CAR must be given. For example, a CAR for a mistake in the volume control, must result in a CAR for the control system, but also for CARs against procedures, training, and/or internal audits. A second example: the absence of internal audits should result in CARs against requirements 8.2.1.2, 8.3.1, 8.4.1, 8.6.1, 8.6.2, and for companies with sub-contractors requirement also 8.8.5.

Another consequence of including management requirements in the requirements is that, for meeting management requirement, companies sometimes include procedures to fulfil the requirement without improving the control system. Example mentioned of unmercenary procedures and registrations resulting from the requirements in chapter 8, are companies with one employee writing and signing a training plan with training records, or audit reports and with management review.

Another issue is that requirements (e.g. were mentioned specifically in this context 8.5.1 and 8.5.2 and 8.8.5) are formulated very generic and no CARs are ever given against these requirements.

A positive note mentioned is that the overview of topics which should be addressed in procedures at a minimum (8.3) provides a useful guidance for company on the road to certification. The same holds for

identifying documents to be kept (8.4) and tasks to be appointed (8.2). However, this can also be formulated in guidance documents instead of requirements.

One solution stated is that these requirements are removed from the standard and provide this in guidance documents for companies who want to start with certification.

A second suggestion is including these requirements in the standards for Certifications Bodies, e.g. specifying that that auditors closing CARs must include how the root cause is addressed, including an analysis of limitations in the system requirements of chapter 8 (on documentation, record keeping, training, human resources, technical resources, internal monitoring and evaluation).

- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** Several experts (examples usually mostly mentioned by one expert, the general topic was reflected in interviews with most experts)
- Difference in views:** The general point is provided by several experts or was not addressed, the examples and proposed alternative are up for discussion.
- Possible follow-up:** Provide feedback to PEFC

COMPLAINTS PROCEDURE

8.7.1 *The organisation shall establish procedures for dealing with complaints from suppliers, customers and other parties relating to the organisation's chain of custody.*

8.7.2 *Upon receipt of the complaint, the organisation shall:*

- a. acknowledge the complaint to the complainant,*
- b. gather and verify all necessary information to evaluate and validate the complaint and make decision on the complaint,*
- c. formally communicate the decision on the complaint and of the complaint handling process to the complainant,*
- d. ensure that any appropriate corrective and preventive actions are taken.*

5.4 *Substantiated comments or complaints*

5.4.1 *The organisation shall ensure that substantiated concerns provided by third parties concerning supplier compliance with legal requirements and other aspects of controversial sources are promptly investigated and, if validated, result in (re-)assessment of the risks associated with the relevant supplies.*

5.4.2 *In case of substantiated concerns material originally excluded from the risk assessment (see clause 5.3.1) shall undergo a risk assessment according to the requirements in 5.3.*

Kind of proposal: Standardize and clarify terminology.

Analysis: It is perceived unclear what exactly qualifies as a complaint
Further, the procedure could be standardized by formulating a template for a complaint procedure which either must be included in the companies' complaint procedures, or simple be signed and followed in case a complaint is relevant for PEFC.

Note: comments or complaints related to controversial sources could be included in the standardized complaint procedure.

Relevant for: All companies

Impact on: Conscious processes; part of ongoing controls

Provided by: Several experts

Difference in views: No specific solutions were provided

Possible follow-up: Provide general feedback to PEFC

HEALTH AND SAFETY

Chapter 9 (all)

- Kind of proposal:** (No clear proposal was formulated)
- Analysis:** Different feedback and views were received.
There is no direct link between social, health and safety condition at the CoC certified companies and the sustainability of forest management. Some respondents see that this is not a CoC requirements and not logical to be included in the standard.
On the other hand, most respondents understand the risk for the system overall if there are no requirements at all for health and safety. Furthermore, there are concerns on the level of implementation because there is no clear formulation of the minimum level of healthy and safe working conditions.
- Relevant for:** All companies
- Impact on:** Consciously; part of ongoing controls
- Provided by:** All respondents mentioned this was a difficult topic.
- Difference in views:** There is a different view on the necessity of this requirement, and ambiguity in how to formulate related requirements. Therefore, no possible improvement was identified.
Though stated as a concern for clarity, it was not indicated as a limitation for getting and staying certified.
- Possible follow-up:** More information gathering is required to understand which organisations have which concerns on this topic, before formulation if and how this requirement should or could be changed.

A.4b ANNEX 4B FEEDBACK ON FSC REQUIREMENTS

Respondents provided feedback on most requirements of the FSC standard (FSC-STD-40-004 V3-0).

Text references to the specific requirements are shown below, after which the combined results of the responses are provided

SUPPLIERS IDENTIFICATION

2. Material sourcing

2.2 In order to confirm any changes that might affect the availability and authenticity of the supplied products, the organization shall regularly verify the validity and product groups scope of the certificates of their active FSC-certified suppliers through the FSC certificate database (info. fsc.org).

- Kind of proposal:** Change of formulation without changing the content of the requirement
- Analysis:** FSC trademark portal generates emails when the certificate status of suppliers changes (trademarkportal.fsc.org). This reduces the administrative efforts for controlling suppliers (requirement 2.2), but this option is hardly known by certified companies and related experts.
- Relevant for:** All companies
- Impact on:** Improve the time spend and the ease to the control suppliers
- Provided by:** One respondent provided this information, others confirmed this could save time and increase the security of the control system. Doubts were expressed if all required information becomes available through the FSC database updates.
- Difference in views:** (Not verified)
- Possible follow-up:** Share knowledge on notification of updates in supplier certification status.

REQUIREMENTS WHICH COULD BE REFORMULATED IN SIDE-CONDITIONS, STANDARD TEMPLATES OR DECLARATIONS

1.2 The organization shall apply the eligibility criteria specified in Part IV to define its eligibility for single, multisite, or group CoC certification.

1.3 The organization shall commit to the FSC values as defined in FSC-POL-01-004 by signing a self-declaration that the organization is not directly or indirectly involved in the following activities: ...

1.5 Complaint. The organization shall ensure that complaints received regarding the organization's conformity to the requirements applicable to the scope of the organization's CoC certificate are adequately considered, including the following:

1.6 The organization shall have procedures in place to ensure that any non-conforming products are identified and controlled to prevent their unintended sale and delivery with FSC claims. Where non-conforming products are detected after they have been delivered, the organization shall undertake the following activities: ...

1.7 The organization shall support transaction verification conducted by its certification body and Accreditation Services International (ASI), by providing samples of FSC transaction data as requested by the certification body.

2.8 The organization may classify material held in stock at the time of the main evaluation by the certification body and material received between the date of the main evaluation and the issue date of the organization's CoC certificate as eligible input, provided that the organization is able to demonstrate to the certification body that the materials meet the FSC material sourcing requirements.

Kind of proposal: Different approach and structure and formulation

Analysis: Requirements which could be included in uniform declarations
e.g. we declare to implement the following procedure regarding:

- Complaints
- Non-conforming products
- Percentage calculation according to options x/y/z
(in table Q)

This could be part of the requirements, or guidance document from FSC or supporting document made by others.

Relevant for: All companies

Impact on: Developing the control system

Provided by: Response was provided by most experts

Difference in views: The point for improvement is widely supported

Possible follow-up: Propose to FSC

Provide standard templates for these requirements

**REQUIREMENTS FOR WHICH GUIDANCE WOULD CLARIFY
THE REQUIREMENT FOR ORGANISATION WORKING
TOWARDS CERTIFICATION**

1.1.b The organization shall implement and maintain a CoC management system adequate to its size and complexity to ensure its continuous conformity to all applicable certification requirements, including the following: implement and maintain up-to-date documented procedures covering the certification requirements applicable to the scope of the certificate;

Kind of proposal: Change of formulation without changing the content of the requirement

Analysis: State which elements should minimally be included in procedures (identical to PEFC). This could be part of the requirements, or guidance document from FSC or support document made by others.

Relevant for: All companies

Impact on: Developing the control system

Provided by: Response was provided by almost all experts

Difference in views: The point for improvement is widely supported

Possible follow-up: Propose to FSC
Guidance to be developed by associations or local FSC office

TERMS USE WHICH CAUSE CONFUSION

1.7 The organization shall support transaction verification conducted by its certification body and Accreditation Services International (ASI), by providing samples of FSC transaction data as requested by the certification body.

Claims:

Table B: Eligible inputs according to the FSC claim specified for the outputs of a product group;

Table C: Eligible FSC claims for output products according to each FSC control system;

Figure A: Figure A. Rules for downgrading FSC output claims;

5.2 Organizations at the end of the supply chain selling FSC finished and labelled products (e.g. retailers, publishers) may omit the percentage or credit information in sales documentation (e.g. using “FSC Mix” claim only instead of “FSC Mix 70%” or “FSC Mix Credit”). In this case, however, this information is lost and subsequent organizations in the supply chain are not permitted to use or reinstate the percentage or credit information related to these products.

Same input material

7.2 The following additional conditions apply for the establishment of product groups under the percentage and/or credit system: ...

- b. all products shall be made of the same input material (e.g. pine lumber) or same combination of input materials (e.g. a product group of veneered particle boards, where all products are made of a combination of particle board and veneer of equivalent species)

Species

7.3.c. the species (including scientific and common names), where the species information designates the product characteristics.

Kind of proposal: Change of formulation without changing the content of the requirement

Analysis: Terminology and formulations are often perceived written in a theoretically and politically language. A translation by an expert (like a quality manager, advisor or group manager) to provide practical guidance is often a must. Examples of this ambiguity are:

- Claims: Different FSC claims (100%; Mix Credit; x% Mix) cause confusion for certified companies and for the market, and does not add to the robustness of the control system.
- FSC Controlled-Wood (is not FSC).
- 1.7: Transaction verification.
- 7.2: It is unclear when material complies with the condition of being ‘of the same input material’. This could

have a very big, or not, impact on companies mixing species or qualities. (e.g. two types of material might be considered different inputs for furniture companies, but not for energy plants or pulp factories).

- 7.3: it is unclear which species are relevant to be registered, resulting in confusion and additional information requests by certified companies.

Relevant for: All companies

Impact on: Developing the control system

Provided by: Response was provided by most experts

Difference in views: This point for improvement is widely supported

Possible follow-up: Propose to FSC

Guidance to be developed by associations or local FSC office

7.2: -request clarification on the term, and identify possible risks for certified companies and sectors

VOLUME CONTROL

2.4 The organization shall ensure that only eligible inputs and the correct material categories are used in FSC product groups as defined in Table B.

4.1 For each product group or job order, the organization shall identify the main processing steps involving a change of material volume or weight and specify the conversion factor(s) for each processing step or, if not feasible, for the total processing steps. The organization shall have a consistent methodology for calculating conversion factor(s) and shall keep them up to date.

NOTE: Organizations that produce custom manufactured products are not required to specify conversion factors before manufacturing, but they shall maintain production records that enable conversion factors to be calculated.

4.4 The organization shall prepare reports of annual volume summaries (in the measurement unit commonly used by the organization), covering the period since the previous reporting period, demonstrating that the quantities of output products sold with FSC claims are compatible with the quantities of inputs, any existing inventory, their associated output claims, and the conversion factor(s) by product group.

7.1 The organization shall establish product groups for the purpose of controlling FSC output claims and labelling. Product groups shall be formed by one or more output products that:

- a. belong to the same product type in accordance with FSC-STD-40-004a;
- b. are controlled according to the same FSC control system.

Kind of proposal: Change of formulation without changing the content of the requirement

Analysis: The volume control measures contain elements that do not provide a credible control system, but do result in additional work for many companies. Topics mentioned are:

- 2.4: It is unclear what the added value is of verification on the level of product group.
- 4.1: Conversion factors are obliged, even if they are not present or relevant (the exemption solves this issue for a large group of companies (e.g. construction companies)).
- 4.1 and 4.4 are more flexible than the previous requirement, and some companies may require less registrations. The term custom manufactured products is not perceived as specific and could result in different interpretations (e.g. when is a cabinet custom made).

- 4.4. volume overview has no direct positive impact on verifying companies' volume control system.
- 7.1 Volume overviews should be clear, transparent and enable tracing of all material sold as FSC. However, tracing this material based on product groups and product types does not result in more clarity, in some cases it creates a lot of extra efforts to reorganize data.

(It was noted that during the last revision organisations producing custom made products are excluded from these requirements, partially because of a strong lobby on behalf of small companies (mainly in the sectors of construction-, interior construction- and manufacturing companies).)

- Relevant for:** All companies
- Impact on:** Developing and maintaining the control system (continuously)
- Provided by:** Response was provided by most all experts, nuances and formulations differentiate.
- Difference in views:** The possibility for improvement is widely supported
- Possible follow-up:** Propose to FSC
Inform companies how requirements might have made administration requirements easier.

FSC PRODUCTS WITH LOGO OF OTHER FOREST CERTIFICATION SCHEME.

5.4 The organization shall ensure that products sold with an FSC 100%, FSC Mix, or FSC Recycled claim on sales documentation do not carry any labels from other forestry certification schemes.

- Kind of proposal:** Delete requirement
- Analysis:** The control system of FSC does not improve if on FSC products an PEFC logo is shown. Some forests have double certification, what is the harm if this is expressed.
- Relevant for:** All companies certified with other scheme's
- Impact on:** Developing the control system
- Provided by:** Response was provided by few experts and was not cross-verified.
- Difference in views:** (Not verified)
- Possible follow-up:** Propose to FSC

TIMBER LEGALITY

6.1. have procedures in place to ensure the import and/or export of FSC certified products by the organization conform to all applicable trade and customs laws¹ (if the organization exports and/or imports FSC products);

- Kind of proposal:** Change of formulation without changing the content of the requirement
- Analysis:** It is unclear which elements should be included in the procedures, which makes this indicator difficult to verify.
This could be part of the side-conditions, and there is also an overlap with self-declaration item a.
- Relevant for:** All companies
- Impact on:** Developing and maintaining the control system
- Provided by:** Response was provided by one expert.
- Difference in views:** (Not verified)
- Possible follow-up:** Propose to FSC

DESCRIPTION OF PERCENTAGE AND CREDIT SYSTEM

8.1 For each product group, the organization shall specify claim periods or job orders for which a single FSC claim shall be made.

- Kind of proposal:** Delete requirement
- Analysis:** The added value of formulation a specific period is understood, if the control system is clear why does a period need to be formulated?
- Relevant for:** All companies with a transfer system
- Impact on:** Developing the control system
- Provided by:** Response was provided by several experts.
- Difference in views:** (Not verified)
- Possible follow-up:** Propose to FSC

DESCRIPTION OF PERCENTAGE AND CREDIT SYSTEM

Chapter 9 Percentage system and Chapter 10 Credit system

- Kind of proposal:** Change of formulation without changing the content of the requirement
- Analysis:** The text relating the requirements should be improved, special attention on which options there are, and what the side conditions are of these options should be given. This would limit the amount of requirements for each calculation method to one.
- Relevant for:** All companies
- Impact on:** Developing the control system
- Provided by:** Response was provided by several experts.
- Difference in views:** (Not verified)
- Possible follow-up:** Propose to FSC
Formulated alternative text (which can be used for both FSC standard revision, or as template for implementing current requirements)

A.5 ANNEX 5

CHAIN OF CUSTODY CERTIFICATION TERMINOLOGY

As a result of the interviews and discussions the following issues are identified as confusing in the discussion.

What is a sustainable wood claim, and why is this important?

A sustainable wood claim is a document—mostly the invoice—stating that the product or project elements comply with FSC or PEFC standards. Instead of a claim sometimes only invoices of the suppliers are used to show that the wood is of a sustainable source. As this is not claimed on the sales documentation, this is not considered an FSC or PEFC product. Material that is not claimed, is also not checked by the auditors of PEFC or FSC. Without a claim the FSC or PEFC logo cannot be used on the end-product.

To ensure certainty the claim should be checked by an auditor to enhance transparency and make sure that the wood used is bought and used in the proposed project.

Controlled Wood (FSC)

FSC Controlled Wood is wood of known origin with a minimum risk that it is harvested in an unacceptable way. The

Controlled Wood system defines the minimum standards for wood that can be mixed with FSC wood. Products made from such material can use the FSC Mix label. Controlled Wood is not material from FSC certified forests.

FSC defines Controlled Material as input material supplied without an FSC claim, which has been assessed to be in conformity to the requirements of the standard FSC-STD-40-005 V3-1 Requirements for Sourcing FSC Controlled Wood (FSC-STD-40-005).

Controlled Sources (PEFC)

Controlled sources are defined by PEFC (PEFC ST 2002:2013) as: Material for which the risk of originating from controversial sources has been minimized through the implementation of the PEFC Due Diligence System (see PEFC ST 2002:2013 chapter 5).

Material complying with the requirements for Controlled Sources can be mixed in the PEFC CoC.

The difference between Controlled wood and Controlled source

Controlled Wood is related to the FSC standard. Mixing non-FSC material in

the FSC CoC is equal for materials with or without PEFC certificate. In other words, the PEFC status of materials have no or a limited added value for proving complying as Controlled Material.

Controlled Sources are related to the PEFC standard (PEFC ST 2002:2013, chapter 5). It is generally accepted by certification bodies that FSC material complies with the requirements of PEFC Controlled Sources. Proving that FSC material conforms to the requirements of the PEFC CoC is relatively straight forward.

The sustainable claim from both FSC and PEFC include the requirement that a minimum of 70% of the material has to be FSC or PEFC respectively, if the for example the other 30% comes from PEFC or FSC forests respectively, this has no added value for the sustainability claim. For example, material this consists for 50% of PEFC and the other 50% of FSC, cannot be claimed as sustainable by either certification schemes.

A.6 ANNEX 6: CONFIDENTIAL: RESULTS INTERVIEWS

A.7 ANNEX 7 PROJECT GROUP

The consultancy firm Commitiq was responsible for conducting the study, starting from the data-collection to the final report. The project team consist of the following three researchers

Mrs. Bea Groenen

Bsc and MBA, has knowledge on the standard setting process of certification schemes and of relevant PEFC and ISO standards additionally she was the co-assessor of the PEFC Luxembourg scheme, PEFC Finnish scheme, PEFC Latvia scheme and PEFC Belarus scheme.

Mr. Bernd Slesazeck Msc

has experience in evaluating certification systems and Forest Management auditing. He has profound knowledge of Sustainable Forest Management and Chain of Custody Certification Standards. He executed and evaluated PEFC and FSC CoC audits in the Netherlands, Germany, Luxembourg and France, Austria, amongst others.

Mr. Bjorn Wevers BEng

has experience as Group manager for PEFC, FSC and RSPO and he is experienced consultant and auditor for FSC, PEFC and RSPO.

CHAIN OF CUSTODY CERTIFICATION

Less obstacles, more impact

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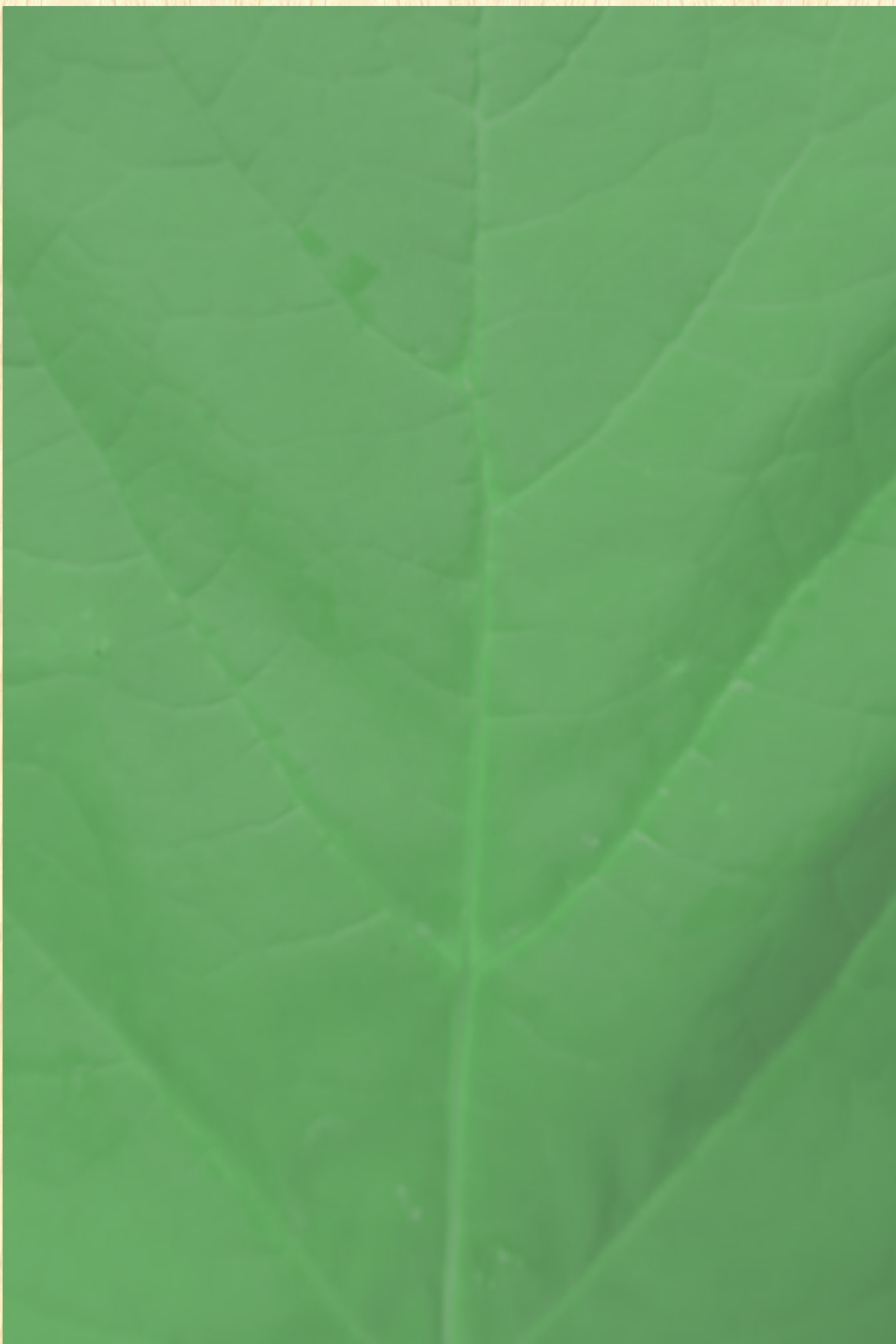


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