



## FAQ: Flatpacked Forests by Earthsight

### FSC's work in Ukraine

#### **Q: What is FSC's position to alleged bribery and corruption in Ukraine?**

FSC is fully aware of the difficult environment in Ukraine, where the country shows many of the problems typical of an emerging economy. These problems include corruption, law enforcement failures and social transformation difficulties; all of which have played a substantial role in generating forest management problems.

FSC condemns illicit acts by its certificate holders. Where these are identified or reported, they are investigated, and if proven to be substantiated, the certificate is suspended or terminated. In extreme cases, the certificate holder is expelled completely from the FSC system.

While the instrument of FSC certification cannot replace government oversight and action against fraudulent activities, it can support such action as shown by the termination of certificates from 29 organizations in Ukraine. Investigations and terminations in the Ukraine prompted the introduction of a new certification status: "terminated and blocked". This status applies when the company is caught deliberately issuing false claims, and it is easily detectable and publicly available through a filter on FSC's website (see [ADVICE-40-004-18](https://advice-40-004-18) <https://fsc.org/en/document-centre/documents/resource/173>) and <https://info.fsc.org/certificate.php>).

This direction to undertake targeted measures for high-risk areas is fully supported by FSC's International Board of Directors. In the recent Board meeting in early June 2020, the Board decided on further measures including normative changes proposed to provide FSC with additional options to act on supply chain integrity issues in the Ukraine and in other high-risk areas.

#### **Q: It seems Ukraine is often the subject of reports like this. Why does FSC continue to operate there?**

FSC is fully aware of the difficult environment in Ukraine, where the country shows many of the problems typical of an emerging economy. These problems include corruption, law enforcement failures and social transformation difficulties; all of which have played a substantial role in generating forest management problems.

At the same time, Ukraine has very important forest areas with high environmental and social value. FSC would be failing our mission, if we didn't offer our tools in this country. Not having FSC certification available in countries like Ukraine is no solution, since there are only weaker alternatives.

FSC is not operating alone: much of our effort in Ukraine is to work with stakeholders from various parts of society to discuss and shape what sustainable forest management in Ukraine



looks like, and to translate this into the Ukraine FSC national forest stewardship standard. It is a core value of FSC that inclusive stakeholder engagement is embedded in all our processes. It is especially precious in countries where (certain) stakeholders do not have a lot of other means or channels to ask questions, enter discussions, understand others' viewpoints, and exert their influence.

While the instrument of FSC certification cannot replace government oversight and action against fraudulent activities, FSC can act where it concerns compliance to FSC standards as shown by the termination of certificates from 29 organizations in Ukraine and all the other integrity measures we are taking and will be taking.

### **Q: What has FSC done to address problems in Ukraine?**

In the past two years we have taken a holistic approach implementing various measures across three main areas of work:

#### 1. Development and implementation of the Ukrainian Forest Stewardship Standard

The standard is developed and agreed to through FSC's usual public, multi-stakeholder consultation process. All standard development discussions have been live video streamed to encourage all concerned stakeholders to be part of the dialogue. The standard is the result of a transparent multi-stakeholder approach with mandatory indicators that are interpreted and adapted to the specific national circumstances in the Ukraine.

The newly launched standard includes an indicator requiring the systematic assessment of corruption risks related to all activities by certificate holders. This provision builds on the anti-corruption legislation in the Ukraine

To assure the standard and its new provisions are implemented consistently, we continue calibration efforts with certification bodies. Certificate holders are now required to transition from CBs interim standards to the new Ukraine national standard within an 18 month time frame ending in September 2021.

The official website (<https://ua.fsc.org/ua-ua>) publishes explanations and interpretations, all planned audits of forestry enterprises, and provides training materials and guides for stakeholders' involvement in certification.

#### 2. Improving supply chain integrity

FSC Ukraine is a frontrunner in FSC in embedding a risk-based approach in forest certification. A risk profile is developed that identifies risks and enables certification bodies to target their attention to the higher risk areas. One of the methods proposed is remote sensing technology to assess the risk of damaging the forests by illegal amber mining. To date this methodology alone resulted in FSC rejecting four state forest enterprises – accounting for most of the forest areas affected by this illegal activity - and continued monitoring of others by certification bodies.



We continue to actively monitor the situation. Assurance Services International (ASI) is a critical independent partner providing support on multiple fronts. ASI works with certification bodies in the Ukraine to improve and calibrate the audit practice. Generally, ASI requested several investigations from certification bodies, or conducted its own investigation. Based on the findings, several trademark license agreements were suspended. ASI also conducted several onsite assessments – both announced and unannounced - which led to various actions. In summary, the ASI investigations triggered the following: FSC has terminated or suspended the trademark license agreements of 18 Ukrainian certificates, for a total of 22 companies. Additionally, verification of transactions and incident handling have led to the suspensions and terminations of at least 17 more Ukrainian certificate holders, who either had their certificates terminated or left the FSC system once the irregularities were exposed.

ASI also operates an incident reporting system that can be used by stakeholders directly to report issues that threaten FSC's credibility and has currently registered many incidents in Ukraine. Reports of past assessments and information on upcoming assessments are publicly available: <https://www.asi-assurance.org/s/map>.

ASI also provides advice notes. One example of ASI's effective intervention in this area addressed the misclassification of pulpwood for firewood. After the incident was registered, ASI worked with FSC to issue an interpretation (INT-STD-40-004\_38), reducing the risks to FSC's supply chain. The Government subsequently introduced the EU-harmonized timber classification.

FSC-led investigations in high risk supply chains: In 2019, FSC conducted an in-depth investigation into its charcoal supply chain in Ukraine. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero (related news article <https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>). Transaction verification loops are planned for hardwood species in Eastern Europe including Ukraine.

FSC investment in blockchain: Ukraine is slated to be one of the first countries to pilot test blockchain technology later this year (2020).

Moving ahead with additional due diligence: a pilot project for providing additional diligence by CB auditors in the pre-certification phase and testing a new transaction verification tool will be launched this year. It includes a field test that will evaluate how implementation of additional entry requirements for applicants for FSC certification will prevent untrustworthy organizations from entering into the FSC system.

### 3. Engaging with key stakeholders in an open and transparent approach

We work in close collaboration with stakeholders to inform sustainable forest policy development, to address the gaps in the current legislative environment and in the context of inadequate enforcement of the present national laws and directives affecting forest operations.



We continue to support the Ukrainian Government's efforts to prevent illegal logging, including the establishment of an electronic wood accounting system that makes all harvest permits openly accessible to the public and enables citizen involvement in the verification of the legality of timber products.

As done throughout the national standard development process, we continue to reach out to all stakeholders, from social, environmental and economic backgrounds, through our website and other channels, to offer an open platform to exchange perspectives on what future we seek for Ukraine's forests.

### **Sanitary felling**

#### **Q: What is sanitary felling and why is it necessary?**

Sanitary felling (also termed 'sanitary cutting') refers to the silvicultural measure of removing trees that are damaged due to biotic (e.g. insects) or abiotic (e.g. storms) natural disturbances; and that constitute a health risk for the surrounding trees by spreading relevant diseases or providing habitat for insect populations that could cause damage. Sanitary felling may also be conducted for damaged trees to prevent a further loss of value of the affected trees themselves.

#### **Q: What is the "silence period" in Ukraine? Why is sanitary felling not allowed in this period?**

The silence period refers to a period from April to the middle of June each year when animals are breeding. It is in place to prevent a disturbance of the breeding time. During this time, the law prohibits only sanitary logging, but strangely does not prohibit other types of logging.

Unfortunately, the 'silence period' – or resting period - is a complex issue with divergent rules and interpretations. The current Ukrainian law is not specific and is therefore open to interpretation. FSC-accredited certification bodies have interpreted it as follows – which is different from the interpretation used by Earthsight: The law requires the local authority to designate certain areas that are subjected to a halt in sanitary felling. The interpretation of this is that other areas are therefore open to sanitary felling. This is the interpretation adopted by the auditors of the FSC standard, and by Assurance Services International (who accredits these auditors). The logging carried out by the company in Velyky Bychkiw was performed outside of an area designated for the silence period. Therefore, according to FSC standards, the company was not doing anything wrong

#### **Q: If sanitary felling is not allowed during the 'silence period', why were FSC-certificate holders able to harvest timber during this period, and this not be a violation of the Ukrainian law or FSC's standards?**

The so-called 'silence period' – or resting period - is a complex issue. The current Ukrainian law is not specific and is therefore open to interpretation. FSC-accredited certification bodies have interpreted it as follows: The law requires the local authority to designate certain areas



that are subjected to a halt in sanitary felling. The interpretation of this is that other areas are therefore open to sanitary felling. This is the interpretation adopted by the auditors of the FSC standard, and by Assurance Services International (who accredits these auditors). The logging carried out by the company in Velyky Bychkiw was performed outside of an area designated for the silence period. Therefore, according to FSC standards, the company was not doing anything wrong.

That said, the Earthsight report has alerted us to the fact that the different interpretations to the silence period law creates serious confusion. Obviously Earthsight has interpreted this differently to how we have, and this creates problems. FSC has sent a letter to the relevant authorities asking for an interpretation of the law, and we will use the response to this letter to instruct certification bodies.

**Q: Could sanitary felling be completed without an environmental impact assessment (EIA)?**

Sanitary fellings of less than one hectare can be carried out without an EIA. In some cases in 2018 – which are the examples presented by Earthsight – an EIA would also not be needed. This would be the case if a permit for logging was granted before the law requiring an EIA was in force (the law entered into force in December 2017).

All issued logging permits are publicly available for review.

**Certification body performance in Ukraine**

**Q: Is it true that foresters take auditors to only the best practice sites?**

Each certification body must plan their audit and choose a selection of sample plots to inspect. There is no harmonized approach between different certification bodies. The selection of sample plots is based on a range of factors, including logistics, environmental conditions, and time limitations. All audit reports include a justification of why the auditor chose the specific sample of plots covered in that audit.

We already organize annual calibration meetings across the certification bodies active in Ukraine, and will continue to do this. However, there is certainly space for improvement in this area, such as wider use of remote sensing tools and services, web-cameras for conflict cases, additional training, calibration audits, and the like.

**Q: What is ASI's role in relation to these CBs? What is ASI's responsibility, and how is this carried out?**

ASI assesses the competence of certification bodies based on applicable accreditation requirements stipulated by FSC. Assessments are conducted for a specified scope of accreditation (e.g. forest management certification) and by using different types of assessments during different stages of the accreditation process, including short-notice and unannounced assessments.



**Q: According to Earthsight, ASI said voluntary standards should not deal with corruption. But the new national forest stewardship standard for Ukraine asks auditors to check court cases, media reports, etc, assuming so they can pick up allegations of corruption. This seems to be contradictory to what ASI allegedly said. Please explain if the auditors should or should not be dealing with corruption charges, and why? If not, who should be?**

We question the authenticity of the statement allegedly made by ASI in such a broad manner. What is true is that the previous FSC forest management standards for Ukraine in 2018 did not have specific requirements related to corruption. This has changed now with the release of the new national standard for Ukraine released earlier this year. Since its inception, however, compliance of forestry operations with laws and binding international agreements formed an essential fundament of FSC certification. In so far as corruption involves illegal activities, it has always been sanctioned through relevant assurance processes.

**Q: Earthsight claims that SGS was found to have made a mistake but went unpunished. Is that true? How are errors dealt with by ASI?**

This is not correct. The public available assessment report reads as follows: “The CAB [certification body] auditors were aware about the case and it has been reviewed and evaluated also during [the] witnessed audit. As [the] case currently is still under formal investigation and the CH [certificate holder] took actions related to corruption prevention, no finding was raised against the CH. However, ASI raised [a] finding as [the] evaluation of this case was not reflected in the CAB's audit report.”

**Q: Testov stated: “... when there are nature conservation issues that can be a subject of conflicting interpretations, they always interpret it on behalf of foresters.” Is this true?**

This is not true. The national standards are set by a standards development group, which consists of environmental, social and economic stakeholders. All interests are represented in interpretation of issues.

Additionally, all meetings of the standards development group are open to other stakeholders, who have the opportunity to input into decisions made.

### **CB performance generally**

**Q: Why is there an apparent conflict of interest? What has FSC done to ensure there is no conflict of interest?**

Impartiality is one of the fundamental principles of any credible certification scheme and addressed in detail by relevant FSC requirements, which are largely adopted from the International Standardization Organization (ISO). Additionally, the inherent conflict of interest of certification bodies getting paid by their clients (i.e. the certified companies) is not only addressed by this whole suite of requirements, it is also one of the focal areas for an accreditation body to assess. By using a single, internationally operating accreditation body, FSC is – different



from certification schemes relying on national accreditation bodies – ensuring global consistency and able to address relevant weaknesses in international certification bodies' management systems more holistically.

Assurance Services International (ASI) has developed its own system to further lower the risk of partiality by conducting so-called compliance assessments allowing them to directly review a certificate holder's conformity with certification requirements and thus the adequacy of the certification body's previous assessment results.

**Q: Does FSC have a record of the “practical suggestions” to resolve this conflict of interest? If yes, who were they made by and when? What did FSC do about them?**

There have been no demonstrably viable suggestions made to date, nor do they exist in the certification universe – other than for very small, local certification schemes which are not scalable to a global level. FSC has recently conducted a study on relevant risks to its assurance system which included a vast literature review and expert interviews. While viable alternative approaches could not be identified, certain recommendations for further safeguards were proposed that FSC is currently analyzing in the spirit of a continual improvement of its assurance system.

**Q: What is FSC's relationship with ASI? How much does FSC influence? What percentage of funding does FSC provide? Why does FSC fund ASI?**

ASI is an organization originally set up by FSC to oversee and manage the quality control system of FSC certification. ASI performs similar services for a range of other certification schemes, including the Marine Stewardship Council, the Roundtable on Sustainable Palm Oil and several others.

ASI is formally owned by FSC, but ASI is completely independent of FSC in their decision-making related to certification bodies and certificates. In 2017, FSC signed a so-called control transfer agreement with ASI, which delegated full business controls (within legal limits) to ASI. Based on the control transfer agreement, ASI's independence was formalized through a set of changes to ASI's Statutes. Since then, ASI has its own supervisory board, independent of FSC, that governs the organization, including the appointment of the managing director.

FSC has no role in ASI's decision-making on accreditation issues, which are made by ASI's management and an independent Accreditation Committee which is responsible for all decisions on granting, renewing, extending and reducing the technical scope of certification bodies, or suspending and withdrawing Accreditation.

FSC pays for some services provided by ASI, for instance investigations related to supply chain integrity, including in Ukraine. These are paid for like any other consultancy service we would require from external parties. Even though ASI's accounts are shown as part of the accounts of the overall FSC Group, FSC does not provide funding to ASI, apart from the services we buy, and we don't claim any part of possible financial surpluses of ASI.





### **FSC's relationship with IKEA**

**Q: Is FSC under pressure from IKEA to deliver certified wood to meet IKEA's environmental ambitions? Does FSC have a record of any such warnings or threats by IKEA?**

This is complete speculation on the part of Earthsight. IKEA has been commendably clear and open about their global targets for responsible sourcing of wood, and it has been clear and open that IKEA were sometimes concerned about the accessibility of FSC certified material. At no point, however, has IKEA put pressure on FSC to lower our standards, or to minimize controls to enable doubtful material to enter supply chains. Instead, IKEA have supported our efforts in important countries like Ukraine, Russia, Germany, France and China to strengthen the FSC system on the ground.

In addition, it is important to understand that IKEA is an important member of FSC, but it is just that: one member. To put pressure on the FSC system, IKEA would have to convince a solid majority of our other 1150 members in all chambers to support these initiatives. Our global standards are discussed and agreed by our members globally, representing environmental, social and economic interests; and in individual countries there are chamber-balanced working groups delivering the standard.

FSC's members are allocated to one of three chambers, depending on their main area of work: Environmental, social or economic. Each chamber is further divided into global south and global north. FSC members are responsible for proposing and voting on motions that may fundamentally affect the way FSC is run. To ensure that all voices are heard equally, each FSC chamber holds 33.3 per cent of the vote on all FSC matters, regardless of the number of people in that chamber. Within each chamber, votes are weighted to ensure that North and South each hold 50 per cent of the vote. Therefore, it is not possible for one organization or one chamber to force FSC to move in a certain direction.

**Q: Is it true that IKEA has “dramatically” funded the Ukraine office of FSC? If so, who are the other funders and what is the money used for?**

The report claims that IKEA has invested ‘hugely’ in FSC. It is true that IKEA has invested between 200,000 and 400,000 Euros in FSC per year for some years. This is about 0.5 to 1 per cent of FSC's total annual budgets, so not a “huge” amount from that perspective. Most of the money that passed through FSC International went to work in Germany and France. The money that went towards supporting FSC's work in China, Russia and Ukraine was to help us improve and strengthen our systems in those countries.

The main funding for FSC's office in Ukraine comes from FSC International, which provides funding to that office like we do to all other FSC offices. IKEA have provided valuable, additional funding to support some of the important improvement processes in Ukraine, such as the development of the new FSC standard for the country.

**Q: How does FSC ensure that commercial members – or social or environmental members – are not able to block FSC's voting processes?**





FSC has just over 1,150 members (individuals and organizations), who are allocated to one of three chambers, depending on their main area of work: Environmental, social or economic. Each chamber is further divided into global south and global north. FSC members are responsible for proposing and voting on motions that may fundamentally affect the way FSC is run. To ensure that all voices are heard equally, each FSC chamber holds 33.3 per cent of the vote on all FSC matters, regardless of the number of people in that chamber. Within each chamber, votes are weighted to ensure that North and South each hold 50 per cent of the vote. Therefore, it is not possible for one organization or one chamber to force FSC to move in a certain direction.

**Q: What is our relationship with IKEA, and how much influence does IKEA, or any other large certificate holder have on FSC policies?**

FSC works openly with many actors in forest value chains to promote sustainable forest management through the adoption of FSC's certification system. FSC engages with IKEA on this basis because IKEA is a major buyer of forest-based materials.

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IKEA is one of the almost 1200 members, and its influence is at that level; i.e. it has one vote out of 1,150, and one vote towards the economic chambers' 33.3 per cent influence.

**FSC's relationship with Ukraine government**

**Q: Has FSC Ukraine met with government officials? For what purpose?**

Most of Ukraine's forests are owned by government, and therefore communication and engagement with government is a very important part of our work in Ukraine. Our meetings cover many different state departments including the State Forest Resource Agency, Ministry of Environment, Ministry of Agriculture and Food Production, Parliament Committee of Environment and Nature Resources.

Pavlo Kravets, head of FSC Ukraine, is a member of the Public Council of the State Forest Resource Agency, and the Scientific and Technical Council, and a member of numerous working groups of forest policy, forest sector reformation, and biodiversity conservation. Kravets actively participates in different sustainability-related events led by World Bank, FAO, USAID, UNIDO, etc.

FSC's recognition at the level of the Scientific and Technical Committee of the State Forest Resource Agency assists with better implementation of standard requirements and increased knowledge and capacity of forest managers. For example, FSC has raised the issue



in this committee regarding environmental impact assessment laws, and has helped to optimize and harmonize the requirements of the law in this regard.

**Q: Why has FSC not removed or suspended the certificates of businesses where its leaders are on trial for corruption?**

Ukraine is a difficult country. Legal action can take a long time, with trials dragging on over many years. In addition, some unscrupulous actors use legal action as part of more or less dirty games to control forest resources. Therefore, and also as a normal principle of justice, it cannot be assumed that a person on trial is necessarily guilty. Auditors will not automatically remove certificates of businesses whose leaders are on trial, but they will use reports of bribery and corruption to trigger further investigation, and will take action, should the business or its leaders be found guilty in bad practices of relevance to their FSC certification..

**Q: Does FSC lobby the Ukraine government? What for? / Has FSC specifically lobbied the Ukraine government to change forestry laws? Why? What has been the outcome?**

No. We welcomed the initiative of the Parliament of Ukraine when its activities to achieve its goal of “Ukrainians conserve natural ecosystems for posterity” included “increased forest cover and certification of forests in accordance with FSC requirements.” However, we also stated publicly that “The government must; however, work on improving legislation and the enforcement of law to strengthen forest management in general.”

Additionally, the Head of the Parliamentary Committee on Environment and Natural Resources has invited FSC to participate in the debates around an ecological policy for the next five years to meet the goal of conserving natural ecosystems.

**Q: Does FSC have a record of the alleged FSC response demanding ecological limitations be placed on logging by sanitary felling laws (in response to the 2018 Earthsight report)?**

FSC has no record of such a response.

**FSC chain of custody / supply chain integrity**

**Q: Why do some companies have chain of custody certificates without actually using any certified timber?**

Many companies manufacture or trade in FSC products only on receiving specific orders from their customers. Given the overall, but sometimes limited, demand for FSC products in certain industry sectors, it is almost unavoidable particularly for smaller companies to undergo periods without any FSC production. Other companies may simply want to indicate to their customers that they operate a sound chain of custody system (i.e. having proper procedures in place to segregate and trace materials) without perceiving the need to source FSC certified materials.



**Q: Do these “certificates without ongoing trade” open the FSC system to possible fraud?**

These certificates are very common in the FSC system and are not per se an indication of possible fraud. However, fraudulent companies may declare that they do not have any ongoing FSC activity to avoid relevant audits. FSC will therefore follow a differentiated approach in the future, mandating audits also for “empty certificates” when they are part of high-risk supply chains.

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**Q: Why does FSC not require reports of chain of custody certificate audits? Why is this not a threat to FSC?**

Chain of custody audits to date are not about compliance with social and environmental requirements in the forest. They are largely about confirming relevant procedural requirements for properly identifying material origin and segregation, certified volume accounting and invoicing. Relevant numbers and specifications (suppliers, customers) are business sensitive and as such confidential information which could not be included in public summary reports. In the context of introducing online reporting for certification bodies, however, FSC is analyzing the opportunities that exist to make publicly available certain relevant parts of chain of custody audits such as the actual audit findings.

**Q: What happened to the online claims platform and FSC’s transaction verification programme?**

It is true the online claims platform (OCP) was dropped by FSC. However, transaction verification – the reason the OCP was introduced in the first place – has not been dropped. FSC is increasingly using transaction verification as a tool to investigate false claims, whether fraudulent or negligent. We’re working on new tools, including blockchain technology, to make transaction verification easier.

In 2019, FSC conducted an in-depth investigation into its charcoal supply chain in Ukraine, by verifying transactions. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero (related news article <https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>). Transaction verification loops are planned for hardwood species in Eastern Europe including Ukraine.



Additionally, the second “tool” referred to by Earthsight as a replacement for OCP that was also dropped, was in fact a simple method to record transactions. It was not a tool at all, but an online ‘spreadsheet’ that allowed certificate holders to record transactions for certification bodies to verify. This was dropped because many certificate holders preferred to use their existing ways of recording transactions, rather than the platform FSC had provided.

**Q: What is FSC doing to secure the supply chain? What successes has FSC had in this area, and what will it do in the future?**

FSC works to secure supply chains by 1) investigating and addressing false claims in the FSC system, and 2) supporting enhancements of FSC policies and standards related to supply chain integrity. To address false claims in the FSC system, we investigate supply chain issues reported to FSC by certificate holders, certification bodies, the media, NGOs, and other stakeholders. Data and scientific methods help to verify the veracity of claims and transactions to secure supply chains. Our tools include transaction verification, as outlined in FSC’s standards (FSC-STD-40-004), and wood identification and forensic methods (fibre and stable isotope testing of wood samples).

FSC strives to effect change and clean up supply chains as a result of our investigations, and the successful results include terminating those who violate FSC requirements, removing non-complying materials and products, and effecting change such that those who made false claims compensate and implement strict measures to remain in the FSC system.

FSC is in the process of strengthening its supply chain security by implementing transaction verification methods in those supply chains deemed to be at risk of false claims. To date, we have conducted (or in the process of conducting) supply chain verification on bamboo, charcoal, pawlonia, oak flooring, eucalyptus (in Spain and Portugal), Amazon timbers (in Peru and Brazil), and callophyllum plywood and veneer.

The charcoal supply chain investigation was predominantly into Ukrainian suppliers. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero (related news article <https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>).

**FSC’s relationship with disassociated companies**

**Q: Why has FSC terminated the certificates of only 13 companies (as the Earthsight report states)?**

This (the fact that FSC has terminated only 13 certificates) is an incorrect statement. FSC has disassociated from thirteen companies. However, we have opened FSC-led investigations into hundreds of other companies, leading to very many suspensions or terminations. Currently, over 40 companies are on our list of ‘terminated and blocked’ certificates, not including those companies that are disassociated. We can’t say exactly how many companies in addition to that get terminated by their certification bodies for bad performance (other reasons could be



lack of payment, or lack of interest to continue), but the current, total number of terminated certificates registered on our publicly available database is over 40,000.

**Q: What is FSC's relationship with Schweighofer, Jari and APP?**

FSC remains disassociated from all three companies.

Full details are available on our website:

Schweighofer: <https://fsc.org/en/unacceptable-activities/cases/holzindustrie-schweighofer>

Jari: <https://fsc.org/en/unacceptable-activities/cases/jari-group>

APP: <https://fsc.org/en/unacceptable-activities/cases/asia-pulp-and-paper-app>

**Q: Does FSC have a record of an investigation into Dalian Xingjia?**

We do not have a record of an investigation into Dalian Xingjia, or reported problems that could have led to an investigation.

**Q: What did FSC find when it investigated the case of Inversiones La Oroza?**

The wood in question was not FSC certified and the alleged activities took place outside the scope of any FSC certification.

**Q: Why does FSC allow previously disassociated companies back into the FSC system? How can FSC be sure they will not commit the same crimes again?**

Allowing previously disassociated companies the opportunity to come back into the FSC system incentivizes companies to remedy harm to the forest and improve practices so that this harm does not happen again.

Companies must meet rigorous conditions for ending disassociation, including setting up systems to prevent reoccurrence of unacceptable activities. Compliance with these conditions is verified by third parties.

The process to end disassociation can be suspended or discontinued if new allegations are raised that the company is involved in unacceptable activities, or if there is a lack of transparency related to the company's operations (e.g. the Asia Pulp and Paper process of potential readmission to the FSC systems was suspended after new allegations came to light). In addition, companies that have been re-associated with FSC can be disassociated again if new allegations are raised that the company is involved in unacceptable activities.

**Q: What errors or inaccuracies do certification bodies look for? Why don't they pick up alleged fraud, illegal logging and other activities outside of a certified forest area? Why is it that FSC relies on NGOs and media to tell us about these activities?**

Certification bodies check a company's compliance with certification requirements at a specific site (forest management unit, factory, warehouse etc.) for which FSC certificates were issued.



Certification bodies do not check companies that do not have FSC certificates or that are not making FSC claims.

If certification bodies become aware of unacceptable activities in the course of their work, they notify FSC, who can then act on this information. In some national FSC forest stewardship standards, e.g. Indonesia, the certification body will also check explicitly for compliance with the FSC Policy for Association when auditing forest management certificates.

NGOs and media involved in investigative activities are also useful partners in identifying unacceptable activities outside of FSC certified areas. They may be focusing on different sectors (e.g. oil palm) where FSC does not have a presence or conduct research into corporate structures that identifies previously unknown links to certificate holders.

**Q: Why does a disassociation case take so long to come to resolution (i.e. a decision on whether to disassociate or not)?**

Disassociation cases relate to complex, sensitive issues, including human rights violations or biodiversity loss, sometimes taking place over multiple years and affecting many stakeholders. They therefore need careful and lengthy investigation. It is also important to note that there are significant consequences to disassociation. Disassociation means excluding an entire corporate group from participation in the FSC scheme. In practice, this can equal hundreds of companies that lose / are barred from obtaining an FSC certificate.

The process for investigating a case therefore focuses on detailed fact-finding and fairness to all parties. This means identifying impartial investigators who conduct site visits and in-depth analyses of issues, and giving parties a meaningful opportunity to respond to the findings of an investigation.

FSC is currently revising its procedure for evaluating these cases and will introduce measures that will enable faster action (e.g., certificate termination without further investigation) where there is already substantial evidence available that unacceptable activities have taken place.

**FSC operations in Congo Basin**

**Q: What was FSC's relationship with Henri Djombo?**

Henri Djombo was forest minister of the Republic of Congo and therefore a very important decision-maker for responsible forest management in the country. For that reason, we built relations with Henri Djombo while he had that post, and this helped us establish a legal presence in the country to be able to support certificate holders and other stakeholders.

This has helped improve forest management in very important forest areas in the Republic of Congo with clear environmental and social benefits. As an example, research conducted by the Center for International Forestry Research (CIFOR) in 2014 concluded that FSC certification in the Congo basin has been able to push companies toward remarkable social progress <http://www.cifor.org/knowledge/publication/4487/>





**Q: Is there a record of FSC's "glowing" statements about Djombo?**

FSC has no record of any such statements ever being on any version of its international website [www.fsc.org](http://www.fsc.org).

In 2014, Djombo spoke in a session at FSC's General Assembly, and his profile was included along with that of other speakers on the FSC General Assembly website. As is usual practice, each speakers' profile was prepared by the speaker and sent to FSC for publication. The website has now been deactivated because it was for an event in 2014, and after 5 years FSC deactivates websites that are no longer used.

**Q: Has Congolaise Industrielle des Bois (CIB) been investigated for high conservation value destruction? If so, please provide details.**

FSC has not investigated Congolaise Industrielle des Bois (CIB) for HCV destruction, because we have no indication that such destruction has happened and have not received a complaint on this matter. However FSC is currently in an [alternative dispute resolution process between Olam International](#) related to potential issues in the establishment of oil palm plantations in Gabon (alleged conversion of forest and destruction of high conservation values). CIB is a subsidiary of Olam International.

**Q: Has Industrie Forestiere de Ouessou (IFO) been investigated for its role in forest fires? If so please provide details.**

FSC is aware of the forest incidents but has no indication that these were due to failure in IFO's practices. FSC has not investigated IFO for forest fires, because no complaints have been received about this.

**Q: What is FSC's response to the study that said destruction in FSC intact forest landscapes was worse than in non-certified ones?**

The report pre-dates the intact forest landscape rules that have been worked on for inclusion in FSC standards since 2014. It is not surprising that logging happens in areas that are laid out for forest management, like the FSC certified concessions, and that this also affects intact forest landscapes. FSC ensures that the most important social and environmental values are maintained, which would not happen in other areas, once they were designated for logging.

For more information on FSC's work with intact forest landscapes: <https://fsc.org/en/for-forests/intact-forest-landscapes>

**Q: Has FSC ever investigated SIFORCO or SODEFOR for anything? If so please provide details.**



On 21 May 2013 FSC disassociated from the Danzer Group “after in-depth research by a complaints panel found that a former subsidiary – SIFORCO – was indirectly involved in unacceptable police action in the community of Yalisika in the Democratic Republic of Congo (DRC).” (FSC statement, August 2014). Although SIFORCO had already given up its FSC certificates in 2012 ([SGS-CW/FM-008062](#); [SGS-COC-008149](#)) after it was sold by the Danzer Group to the Blattner Group, FSC still held the Danzer Group responsible for the unacceptable activities in Yalisika, disassociated and set conditions for reassociation.

In May 2011, Greenpeace International filed a formal complaint with FSC against SODEFOR. The complaint alleged that violations of traditional and human rights took place during SODEFOR’s operations in the Democratic Republic of Congo. The FSC certificates held by SODEFOR had already been withdrawn by the time of the complaint. After conducting an investigation into the complaint, the complaints panel recommended that FSC not disassociate itself from SODEFOR but rather ensure SODEFOR meets all FSC requirements, including strengthening the changes recently initiated in SODEFOR’s mediation practices, including clarification of local (customary) tenure rights, redefining benefit sharing agreements and ways of communicating. FSC’s Board of Directors agreed with the complaints panel, but SODEFOR has not attempted to get FSC certification since.

**Q: What is FSC’s relationship with Danzer? Why was Danzer allowed back into the system?**

FSC disassociated from Danzer after a complaint by Greenpeace International was filed against SIFORCO and its parent company The Danzer Group. The FSC Board of Directors set several conditions that Danzer had to fulfil before re-applying for certification. In January and February 2014 the Forest Peoples Programme (FPP) conducted field missions to verify Danzer’s and SIFORCO’s fulfillment of these conditions. Subsequently, the FSC Board of Directors decided that it did not have enough evidence to be confident that the conditions had been completely fulfilled and asked FSC to negotiate a plan for re-association with Danzer. The plan laid out all the activities Danzer needed to undertake and complete before it could even be considered for re-admission to the FSC system. After Danzer relayed that they had completed the stipulations as laid out in the new plan, FPP conducted desk audits and a field visit to Bumba to verify the veracity of the roadmap fulfillment. FPP found that the requirements had been met. Based on the findings of the FPP report and a further assessment by FSC, the FSC Board of Directors decided to lift the disassociation from the Danzer Group.

**Other points made in the report:**

**Q: What drove FSC’s expansion in eastern Europe? Why has FSC not expanded in other parts of the world?**

It is correct that the area of FSC-certified forest has increased most significantly in Eastern Europe in the period between 2014 and 2019. However, Eastern Europe is not the only region that has increased; there have also been significant area increases in Africa, Latin America and Western Europe in the same timeframe.



- In the 2014-2019 timeframe, CIS (Russia + Ukraine + Belarus in FSC's view of the world) is the region which grew the most (almost + 37%, compound annual growth rate (CAGR) 6.5%). Globally FSC area grew by 8,2% with 1.6% CAGR.
- Other 2 key forest countries (especially for IKEA sourcing) in Eastern Europe are Romania and Poland, but they did not grow as much (+11% Romania, + 0.5% Poland).
- However, in the same timeframe Latin America grew significantly (+19%, CAGR 3.5%). Europe grew by almost 6%, Africa by 26%. Asia-Pacific dropped by 37%, North America by 7%

	2014	2019	CAGR	In-crease
<b>CIS</b>	44,862,301	59,929,187	6.4%	36.9%
<b>LatAm &amp; Caribbean</b>	12,745,709	15,138,934	3.5%	18.8%
<b>N.America</b>	70,792,461	65,341,872	-1.6%	-7.7%
<b>Europe</b>	37,747,214	39,965,333	1.1%	5.9%
<b>Africa</b>	5,631,007	7,104,847	4.8%	26.2%
<b>Asia Pacific</b>	9,683,866	6,134,233	-8.7%	-36.7%
<b>Oceania</b>	2,560,981	2,636,355	0.6%	2.9%
<b>TOTAL</b>	<b>184,023,539</b>	<b>200,738,995</b>	<b>1.6%</b>	<b>8.2%</b>

	2014	2019	CAGR	In-crease
<b>Russia</b>	37,725,963	48,641,596	5.2%	28.9%
<b>Ukraine</b>	2,681,227	4,150,069	9.3%	54.8%
<b>Poland</b>	6,919,593	6,956,224	0.1%	0.5%
<b>Belarus</b>	4,455,111	8,638,126	14.2%	93.9%
<b>Romania</b>	2,552,563	2,836,078	2.1%	11.1%

FSC is a market demand driven system, therefore it is logical that FSC certified area grows where there is strong demand from forest value chain companies. This demand drives FSC adoption along the whole value chain all the way to forest managers/owners.

Where wood is sourced from cheaper and potentially riskier countries, there is a need for buyers to pay greater attention to responsible forest management because sustainability is a key requirement in the regions where their products are sold (e.g. Europe). Therefore, FSC certification can play an important role in these sourcing regions and sourcing companies may invest capacity and money in training their suppliers on FSC's standards. These are relevant



factors to explain the growth in FSC-certified area in high-risk regions such as CIS, Africa and Latin America over recent years.

Whilst the sourcing activities of large individual companies such as IKEA are a factor in the growth of FSC-certified area in CIS, this region is a key supply area of wood and fibre for many European furniture and packaging companies and therefore multiple organizations contribute to this trend.

**Q: What is FSC doing to drive a policy of reduce, re-use, recycle?**

FSC's primary role (and main contribution to a circular economy model) is to ensure that forest-based materials entering supply chains are sourced from sustainably managed forests or come from recycled sources. Specifically, the FSC recycled label is intended as a market-driven tool to encourage recycling in forest value chains. FSC is also open to supporting activities that influence the reduction and re-use of forest-based materials, although FSC is not currently engaging directly in such activities.

**Q: How much money did FSC make from certificates in China last year (2019)?**

FSC received just over US\$2 million from Chinese certificate holders; not "almost \$6 million" as claimed by Earthsight.

**Q: The Earthsight report alleges some – including the FSC Board's Tony Sebastian – have advocated for FSC to drop the ban on certified plantations cleared after 1994. Is this true?**

The points made about Tony Sebastian are complete slander without any basis in fact. FSC's rules on conversion have not been changed and can only be changed after full membership discussion and decision. Based on a motion approved by the FSC membership in 2017, there is currently a membership-driven process ongoing to see if the rules on conversion can be changed.

**Q: Are FSC's requirements lower than that required by law in EU countries and the US? Please explain.**

FSC has worked to ensure that all components of FSC certification align with the EUTR. As such, actors practicing due diligence can use FSC certification as a key element of reducing the risk to low that materials have been harvested or traded illegally. While FSC certification does not formally constitute a comprehensive legality verification system, our chain of custody requirements oblige operators to conform to all applicable timber legality legislation.

**Q: What is FSC doing to replace the OCP and track timber from the forest along the supply chain?**

The voluntary Online Claims Platform (OCP) was retired and closed down in May 2019. FSC's decision to retire the OCP – rather than modernize and support the OCP



information system software and infrastructure – was based on the uptake and the needs to support certificate holders and overall FSC system integrity.

Transaction verification – the matching of input and output claims between certificate holders (FSC-STD-40-004) – has never stopped. The OCP was only one of the tools that could be used to facilitate and deliver transaction verification data, and the retirement of the OCP has had no impact on conducting transaction verification in the FSC system.

Information technology can support reliable, transparent, trustworthy and secure compliance with FSC, and FSC is developing the FSC blockchain to assist in verifying compliance with FSC licensing requirements. Materials bearing the FSC trademark and traded with an FSC license must be compliant with certification and legal requirements. The FSC blockchain can offer value not only to certificate holders in terms of supplier due diligence, but also to the overall supply chain integrity in the FSC system.