



Forest Stewardship Council®



Pilot project for cross-site and cross-border implementation of percentage/credit system under the Chain of Custody Standard

Terms of Reference and Operating rules
June 2020



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**Terms of
reference**

PROJECT SUMMARY		
Project Title:	Pilot project for the application of percentage/credit systems at the level of multiple physical sites across the US/Canada border and between the eurozone and non-eurozone EEA countries.	
Contact:	FSC International Center - Performance and Standards Unit - Adenauerallee 134 53113 Bonn, Germany	
		49 (0)228 367 66-106
		chainofcustody@fsc.org

PROJECT INFORMATION

1. Introduction

Since the introduction of the FSC credit system, certificate holders have shown interest in a percentage/credit system that would be possible to apply at the multi-site certificate level, i.e. exchanging FSC 'credit' between sites and cross-borders without physically transferring material. However, as per the present rules in FSC-STD-40-004 V3-0 standard, such type of sharing of FSC credit is presently restricted to sites either within the same country or in the Eurozone.

The purpose of this document is to specify the scope and rules for engagement for the pilot project for implementing the credit/percentage systems across multiple physical sites across:

- a) The US/Canada border *and*
- b) Between Eurozone and non-Eurozone EEA countries.

The key objectives of the project include:

- i. Enabling cross-site and cross border percentage/credit sharing without the transfer of physical material at the multi-site certificate level for certificate holders in North America (Canada and the US) and between non-Eurozone and Eurozone countries of the European Economic Area (EEA).
- ii. Collecting data from this pilot project as part of a comprehensive evaluation of the social, and economic benefits and costs of the application of the percentage system (or credit system) at a multiple site level. This evaluation shall be a part of the revision process of FSC-STD-40-004 (Chain of Custody Certification) standard which shall commence in 2021.

2. Geographic scope

The geographic scope is North America (Canadian and the US border) or within the European Economic Area (EEA).

3. Pilot timelines and delivery dates

The pilot project period is estimated to commence from 15 July 2020 with a targeted completion date in September 2022. Annex 2 shows the estimated timeline for the pilot project, and it will be updated as necessary.

4. Pilot monitoring and evaluation

- i. During the pilot, project certificate holders participating in this pilot shall participate in a formal evaluation undertaken by FSC (either directly, or through consultants engaged for this evaluation).
- ii. Certification bodies participating in this pilot shall provide an evaluation report to collect quantitative and qualitative information.
- iii. FSC shall undertake periodic monitoring of the performance of the pilot on the field by means of sample evaluations by FSC International staff or by respective FSC Regional offices/FSC Network partners in the region.

5. General requirements for engagement

In the context of this pilot project, participants are certificate holders and certification bodies (hereafter referred to as 'participants'). The staff of FSC International, as well as relevant FSC Network partners and FSC Regional offices, will be co-opted into the study as observers where required. Participants must meet the following requirements for engagement and participation.

i. All participants

- a) Maintain confidentiality of information collected during the project.
- b) Ensure their time commitment to undertake the responsibilities for the project.
- c) Participate in pilot project meetings and regular email correspondence.
- d) Respect pilot project deadlines.
- e) Share non-proprietary and non-business sensitive information relevant to this project with FSC PSU staff as required.
- f) Assist in any other manner required for the successful implementation of the project and work in co-ordination with the FSC PSU staff involved in the pilot project.

ii. Certificate holders

All FSC certified certificate holders with multiple sites in North America (US/Canada) and/or within the EEA:

- a) May participate in the pilot project. The application for participation shall be submitted through their respective certification bodies.
- b) Shall sign a pilot project agreement according to Section 7, FSC-POL-01-001 'FSC Policy for Pilot tests of draft FSC standards' prior to commencement of the pilot.
- c) The participant certificate holders may apply the percentage/credit system in their organization across multiple physical sites, without the physical movement of materials, as per the provisions of Clauses 9.4 (a,b,d and e) and/or 10.3 (a,b,d and e) of FSC-STD-40-004 V3-0.
- d) Shall participate in the pilot evaluation process and share all necessary and relevant information with FSC International staff and their certification bodies.

iii. Certification bodies

All FSC-accredited certification bodies:

- a) May apply to participate in the FSC pilot test.
- b) Shall evaluate the suitability of the certificate holders applying for participation in this pilot, and forward suitable applications to FSC International.
- c) May initially put forward the names of eligible clients for inclusion in a pilot test. If additional participants are needed to meet the objectives of pilot testing, FSC may invite participating certification bodies to propose additional clients to take part.
- d) Shall sign a pilot project agreement according to Section 7, FSC-POL-01-001 'FSC Policy for Pilot tests of draft FSC standards', prior to the commencement of the pilot.
- e) Collaborate with FSC International staff for developing an evaluation model

6. Responsibilities

i. Certification bodies

FSC shall co-coordinate with Certificate bodies to gather data from the pilot project. Information to be collected includes but is not restricted to, the following components:

- a) Control measures already implemented or proposed to be implemented by certificate holders.
- b) Challenges and risks related to clauses 9.4 and/or 10.3 (e.g. non-conformities raised; non-conforming products).
- c) Specifying by product group, credits transferred (with the unit of measurement) among sites per year since the method was implemented by the certificate holder.

All participating certification bodies shall complete an evaluation report together with any recommendations for changes to the Chain of Custody standard and submit to FSC International. FSC shall develop the evaluation report format in consultation with participating certification bodies.

ii. Certificate holders

Certificate holders shall:

- a) Maintain information on the volumes of percentage/credits shared across the participating sites
- b) Maintain and keep records of credits transferred (with the unit of measurement) among sites per year of the duration of the pilot.
- c) Share information on changes in their procurement practices, marketable volumes, economic, social, and environmental costs and benefits, etc. (if any) as a result of this pilot.

iii. FSC International staff, FSC Regional offices and FSC Network partners

- a) A sample of the pilot tests shall be monitored by FSC in the field. This may be carried out by the staff of the FSC, or FSC Regional/National Initiative representatives
- b) Undertake stakeholder engagement with affected and interested stakeholders at the regional, national, and local levels, including gathering information on impacts of cross border trade in FSC material without physical movement.

7. Expenses and Remuneration

FSC is an international not-for-profit membership organization with limited funding. Participation takes place on a voluntary non-paid basis.

8. Confidentiality and conflict of interest

Participants shall sign a confidentiality and non-disclosure agreement with FSC at the beginning of their participation. Per default, non-attributable content of discussions and papers prepared by or presented to the FSC is not considered confidential, unless otherwise specified.

The pilot project operates according to Chatham House Rules. So, while participants of the pilot project have full authority to share the non-confidential substance of discussions and papers, they shall not report or attribute neither the comments of individuals nor their affiliations outside of meetings, whether conducted face to face or virtual.

Participants are expected to declare any conflicts of interest, where they arise. This will cause the person(s) to be excused from the discussion.

9. Language

The working language of the pilot project is English. Language support to Spanish is provided on request.

All draft reports as well as other documents, as requested and as possible, shall be translated into Spanish. Documents may also be translated into other languages if requested by the participants and depending on resource availability.

Annex 1: Glossary

For the purpose of this document, the terms and definitions given in *FSC-STD-01-002 FSC Glossary of Terms*, and the following apply:

Chatham House Rule: "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed". The Chatham House Rule has the aim to encourage openness and the sharing of information at meetings.

Annex 2: Estimated timelines

Selection of participants	• Call for participants to participate in the pilot (<i>CBs & CHs</i>)	15 June
	• Selection of participants	7 July
Pilot phase	• Pilot testing	Start on approx. 13 July 2020 for 2 years
Collection of data	• Collection of data from certification bodies	2022
Study by consultant	• Update request for proposal (RFP) document	August 2022
	• Send RFP	
	• Selection of consultant	
Pilot Evaluation and normative solutions	• The final report with results of monitoring recommendations	September 2022
	• Development of normative solutions (<i>proposals to the Normative Framework; changes to relevant standards, etc</i>)	