FSC disassociates from the Schweighofer Group:

Second Policy for Association investigation and Roadmap process - FAQs

April 2018

To familiarize yourself with the case, you can read the case summary here.

Rationale for the disassociation

1. Why did the FSC BoD decide to revoke the ‘probation’ period based on allegations against the Schweighofer Group?

2. Did the FSC BoD consider the risks related to potential trade of illegal products in its supply chains as a factor for the decision of disassociation?

3. Weren’t these risks already existing at the time of the November 2016 BoD meeting, when ‘probation’ was decided?

Second Policy for Association investigation

4. Have the additional allegations raised in January 2017 been investigated by an independent expert team, similarly to the investigation conducted by the complaints panel of the original Policy for Association (PfA) complaint filed by WWF in November 2015?

5. What are the results of this second PfA investigation?

Roadmap process towards ending the disassociation

6. Can FSC engage with a disassociated company (in the context of developing a roadmap towards ending the disassociation)?

7. What is the current status of this roadmap process?

8. What did the FSC BoD decide at its last meeting in Bonn in December 2017?

9. NEW (April 2018) Why did FSC make final revisions to the FSC Conditions Framework in April 2018? How is the final version of the FSC Conditions Framework published in April 2018 different to the version published in December 2017? On what basis were these final revisions made by FSC?

10. What is the FSC ‘Conditions Framework’?
Consequences and conditions

11. What were the implications for the Schweighofer Group of FSC’s disassociation?

12. Is it possible for the disassociation to be ended and the certificates reinstated?

13. What is the difference between ending disassociation of Schweighofer and obtaining certificates again?

14. What conditions must the Schweighofer Group meet in order for FSC to consider ending the disassociation?

15. What is FSC’s response to the recent report by the Environmental Investigation Agency in relation to Schweighofer?

Rationale for the disassociation

1. Why did the FSC BoD decide to revoke the ‘probation’ period based on allegations against the Schweighofer Group?

The FSC Board of Directors considered that undertaking a process of taking corrective action related to the shortcomings and irregularities already identified by the previous complaints panel (CP) in the context of ‘probation’, while at the same time initiating a PfA investigation regarding the additional allegations would be confusing and impractical to all involved.

Disassociation decisions are taken by the FSC BoD, according to the FSC procedure ‘Processing Policy for Association Complaints in the FSC Certification Scheme’ (FSC-PRO-01-009), based on the findings resulting from a CP evaluation.

Given the situation that these allegations were raised against the Schweighofer Group during the time in which the company was on ‘probation’, FSC BoD concluded that such PfA investigation was incompatible with a ‘probation’ status, and therefore decided to disassociate and to investigate such allegations under the PfA.

2. Did the FSC BoD consider the risks related to potential trade of illegal products in its supply chains as a factor for the decision of disassociation?

In November 2016, FSC concluded that the limited scope and restrictions of the FSC certificates held by the Schweighofer Group sufficiently safeguarded the production of FSC-products in terms of not constituting a significantly higher risk for irregularities in Schweighofer products compared to other, certified or non-certified sources in Romania.
3. **Weren’t these risks already existing at the time of the November 2016 BoD meeting, when ‘probation’ was decided?**

The situation changed significantly, in light of the additional allegations raised against Schweighofer. FSC BoD considered that the possibility that these allegations might be substantiated and the associated risk that illegal product might be traded through FSC supply chains opens a new sphere of potential risks for FSC, which is intolerable for a robust certification system.

**Second Policy for Association investigation**

4. **Have the additional allegations raised in January 2017 been investigated by an independent expert team, similarly to the investigation conducted by the complaints panel of the original PfA complaint filed by WWF in November 2015?**

Yes, the additional allegations have been investigated by a team of experts, aiming to determine whether these allegations are substantiated and whether there has been a breach of the PfA by the Schweighofer Group. A technical expert team with expertise and knowledge about the Romanian timber sector conducted such investigation.

5. **What are the results of this second PfA investigation?**

The second PfA investigation found no evidence of further violations of the PfA by Schweighofer. Specifically, no evidence was found that the Schweighofer Group violated Romanian legislations and/or regulations in relation to standards for measuring and classifying round wood, the use and calibration of electronic instruments for measuring round wood, the use of Austrian rules for timber classification and measurement, the receipt of governmental subsidies for energy production and the development and the construction of Schweighofer’s facilities mills at Reci.

**Roadmap process towards ending the disassociation**

6. **Can FSC engage with a disassociated company (in the context of developing of a roadmap towards ending the disassociation)?**

Yes. FSC’s role as a certification system promoting responsible forest management is to drive improvements in the forest sector globally. Through the engagement with the Schweighofer Group for the development of a roadmap for ending the disassociation, FSC aims to promote positive changes in the company’s operations and beyond, in the overall Romanian forest sector. Similar engagement processes with disassociated companies have been conducted in the past (See DLH case [here](#)) and are currently ongoing (See APP case [here](#)).
7. What is the current status of this roadmap process?

The roadmap process is composed of two main deliverables: the Conditions Framework (developed by FSC) and the Action Plan (to be developed by Schweighofer).

Following a stakeholder engagement process, FSC developed the FSC Conditions Framework, which has been approved by the FSC BoD in December 2017.

With the approval of these conditions, the roadmap process has moved to the next stage, in which now Schweighofer must develop an Action Plan describing the measures it will put in place in order to fulfill the conditions required by FSC.

Once Schweighofer has implemented the measures as described in its Action Plan, its fulfillment of the requirements under the Conditions Framework will be verified by an independent organization.

For further details about the roadmap process and about how stakeholders have been engaged in the development of these conditions see the consultation webpage here and the 'FSC Stakeholder Engagement Plan for the roadmap process for Schweighofer'.

8. What did the FSC BoD decide at its last meeting in Bonn in December 2017?

In December 2017 FSC BoD approved the FSC Conditions Framework for the Schweighofer Group (HS).

The results of the second Policy for Association investigation of the Schweighofer Group were also presented to the Board, who noted such results and decided that, in light of the investigation’s conclusions, no further requirements to the Schweighofer Group need to be added to the FSC Conditions Framework.

9. Why did FSC make final revisions to the FSC Conditions Framework in April 2018? How is the final version of the FSC Conditions Framework published in April 2018 different to the version published in December 2017? On what basis where these final revisions made by FSC?

In December 2017 the FSC International Board of Directors approved the FSC Conditions Framework. The Board also decided at the time that consultation with experts in Romania was needed in order for FSC to define the contributions that HS shall provide to the independent fund for the development of social and environmental projects in Romania (Conditions 4 of the framework).

Between January and March 2018 FSC consulted with experts involved in organizations engaged in the development and implementation of social and environmental projects in Romania. Based on their input, and on additional legal assessment of the case, FSC made the final revisions to the FSC Conditions Framework. The main change in the framework, in relation to the version which was published in December 2017, is the revision to sub condition 4d.
10. What is the FSC ‘Conditions Framework’?

The FSC ‘Conditions Framework’ stipulates the conditions that must be fulfilled by the Schweighofer Group for correcting the identified shortcomings and wrongdoings, compensating for the environmental and social damages resulting therefrom, and preventing the reoccurrence of any previously identified, or ongoing, wrongdoings and/or violations of the FSC’s Policy for Association, in order for FSC to consider an ending of its disassociation from the company. The ‘Conditions Framework’ also defines how the fulfilment of the conditions will be verified (in the form of ‘Verification Indicators’).

A stakeholder working group composed of Romanian and international members - representing economic, social and environmental sectors - acted as a technical advisory group to FSC, for the development of the conditions included in the ‘Conditions Framework’. (See here for further details about the stakeholder engagement process followed for the development of these conditions).

Consequences and conditions

11. What were the implications for the Schweighofer Group of FSC’s disassociation?

FSC terminated all of its trademark license agreements with the Schweighofer Group. Disassociation caused the termination of the following certificates:

<table>
<thead>
<tr>
<th>Certificate Code</th>
<th>Certificate Status</th>
<th>CW</th>
<th>License Number</th>
<th>Organization Name</th>
<th>Country</th>
<th>First Issue Date</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>TUVDC-COC-100906</td>
<td>Valid</td>
<td>✓</td>
<td>FSC-C132622</td>
<td>Holzindustrie Schweighofer Baco srl.</td>
<td>Romania</td>
<td>2016-10-18</td>
<td>2021-10-17</td>
</tr>
</tbody>
</table>

The Schweighofer Group also owns 682, 51 hectares of forest area in Romania at the time administered by the FSC forest management group certificate “The Association of the forest owners and managers from the East of Transylvania” (APAPET) (GFA-FM/COC-002596). Given FSC’s disassociation from the Schweighofer Group, the administration of Schweighofer’s forest land by APAPET was also withdrawn.
12. Is it possible for the disassociation to be ended and the certificates reinstated?

Yes. When disassociating from a company, FSC also establishes a set of conditions to be fulfilled in order to end the disassociation. If these conditions are satisfactorily fulfilled, the FSC BoD may decide to lift the disassociation. If the disassociation is ended, then the organization may apply for FSC certification following the normal auditing process.

13. What is the difference between ending disassociation of Schweighofer and obtaining certificates again?

Ending a disassociation does not equate with issuing any new certificates. An end of a disassociation implies that the company is again allowed to enter the FSC certification system, if the company demonstrates its fulfilment of the requirements laid out in relevant FSC Standards and Policies. However, in order to achieve a new certification the company must go through a full certification process, demonstrating compliance with the requirements of FSC’s Principles and Criteria through an auditing process.

14. What conditions must the Schweighofer Group meet in order for FSC to consider ending the disassociation?

Following FSC Conditions Framework HS must now begin to implement measures to correct identified shortcomings and wrongdoings in its operations while compensate for the environmental and social damages and prevent the reoccurrence of any wrongdoings and/or violations of FSC’s Policy for Association.

These conditions described in the FSC Conditions Framework require HS to make significant improvements in its operations by:

- Strengthening its Due Diligence and Chain of Custody Systems by implementing a robust system for the traceability of the round wood back to the forest stand;
- Setting up and contributing to a fund for the development of social and environmental projects promoting responsible development of forests and forest based communities in Romania;
- Upgrading its corporate social responsibility practices and stakeholder engagement efforts;
- Conducting an independent review of all land in its possession and compensating the lawful land owners and returning the land when legally required;
- Increasing transparency and communication with relevant stakeholders regarding its operations and ongoing projects;
- Compensating FSC for the costs incurred in relation to the PfA investigation;

These conditions have been developed in a multi-stakeholder process involving public consultations and describe a series of stringent requirements that HS must fulfill for FSC to consider an end to disassociation in the future.
15. What is FSC’s response to the recent report by the Environmental Investigation Agency in relation to Schweighofer?

FSC is aware of a new report and video released by the Environmental Investigation Agency (EIA) about illegal logging in the Rodna National Park of Romania.

In light of the allegations raised in the EIA report, FSC has now requested the company to provide clarifications on the concerns raised. These clarifications will be reviewed and assessed by FSC as part of the dialogue process with the Schweighofer Group.

See the recent statement published by FSC about this matter here.