

<b>ADVICE-20-011-16 V2-0</b>	<b>Evaluation of contractors against the FSC core labour requirements</b>
<b>Normative reference</b>	FSC-STD-20-011 V4-2: <ul style="list-style-type: none"> <li>- Section 9</li> <li>- Clause 11.3</li> </ul>
<b>Approval date</b>	19 July 2024
<b>Effective date</b>	1 November 2024
<b>Transition end date</b>	31 December 2025
<b>Scope</b>	This advice note applies to all certification bodies auditing Chain of Custody (CoC) certificate holders and CoC applicants that outsource activities within the scope of their certification to non-FSC-CoC-certified contractors.
<b>Terms and Definitions</b>	<p><b>Audit:</b> systematic, independent, and documented process for obtaining objective evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled. (Source: ISO 19011:2018)</p> <p><b>Contractor:</b> Individual, company, or other legal entity contracted by an organization for any activities under the scope of an FSC CoC certificate. (Source: FSC-STD-40-004 V3-1)</p> <p><b>Documentation review:</b> Refers to an assessment of certain documentation by an auditor, conducted either on-site or off-site.</p> <p><b>First-party audit:</b> an assessment that is performed within the organization by their own auditing resource (i.e., internal audit).</p> <p>NOTE: In the context of this advice note, the audit would be carried out by, for example, an employee of the contractor or a consultant contracted by the contractor. (Source: ISO 19011:2018)</p> <p><b>FSC approved verification schemes:</b> Third-party verification schemes recognized as partially or fully equivalent to the requirements entailed under FSC core labour requirements in <u>&lt;FSC-STD-40-004 V3-1 Chain of Custody Certification&gt;</u> and <u>&lt;FSC-STD-20-011 V4-2 Chain of Custody Evaluations&gt;</u>, based on <u>&lt;PSU-PRO-10-003 V1-1 Procedure for equivalence assessment of verification schemes against the FSC core labour requirements&gt;</u>. (Source: FSC-ADVICE-40-004-24)</p>

	<p><b>Organization:</b> The person or entity holding or applying for certification and therefore responsible for demonstrating conformity to the applicable requirements upon which FSC certification is based. (Source: FSC-STD-40-004 V3-1)</p> <p><b>Second-party audit:</b> an assessment that is performed by a person or organization that has an interest in the object of the assessment.</p> <p>NOTE: In the context of this advice note, the audit of the contractor would be carried out by, for example, the organization, or a person contracted by the organization who is independent of the contractor.</p> <p><b>Third-party audit:</b> an assessment that is performed by a person or organization independent to the object of the assessment.</p> <p>NOTE: In the context of this advice note, the audit would be carried out by a person acting on behalf of a certification body contracted by the organization, for purposes that are not an FSC evaluation.</p>
<p><b>Background</b></p>	<p>FSC introduced <a href="#">&lt;FSC-ADVICE-20-011-16 V1-0 Evaluation of Contractors against FSC Core Labour Requirements&gt;</a> to provide clear instructions to certification bodies on how contractors operating under outsourcing agreements with CoC certificate holders have to be assessed against the FSC core labour requirements.</p> <p>Since its effective date, various stakeholder concerns on the practical implications were raised with FSC, with multiple queries for FSC to provide further clarity and request for more time to implement requirements. This request resulted in the introduction of the ‘transition end date’ from 1<sup>st</sup> September 2023, which provided the transition end date until 31<sup>st</sup> December 2024. Despite some positive feedback appreciative of the provision of more time, ongoing concerns on the impact of the advice note on certificate holders and certification bodies were raised, especially concerning the risk classification requirements and use of the International Trade Union Confederation’s (ITUC) Global Rights Index. Various stakeholders requested FSC to withdraw, suspend, or revise the requirements in a timely manner.</p> <p>The objective of this revised advice note is to respond to stakeholder concerns in an expedite manner and ensure the original intention of the advice note – providing clear instructions on how the FSC core labour requirements have to be applied to contractors operating under outsourcing agreements - is retained. To achieve this, the advice note provides further amendments and clarifications based on received stakeholder queries.</p> <p>The advice note outlines how certification bodies shall risk assess contractors, those operating under outsourcing agreements, and the requirements for evaluation, dependent on the associated risk level.</p> <p>These amendments and added clarifications are relevant to certification bodies.</p>

<p><b>Advice</b></p>	<p><b>1. Evaluation of contractors operating under outsourcing agreements' conformity to the FSC core labour requirements</b></p> <p>1.1 The certification body shall conduct a risk assessment of organization's control over its non-FSC-certified contractors' conformity to the FSC core labour requirements.</p> <p>NOTE 1: This risk assessment is in addition to the requirement for risk assessment for risk associated with mixing, substitution, or false claims as provided in Section 9 of FSC-STD-20-011 V4-2 Chain of Custody Evaluations.</p> <p>NOTE 2: Contractors who are certified by a FSC approved verification scheme are exempt from certification bodies' risk assessments. Any observations or complaints about potential non-conformities should be shared with responsible certification bodies and verification scheme owners.</p> <p>1.2 An outsourcing agreement with a non-FSC-certified contractor shall be automatically classified as 'high risk' if either of the following are true, and clause 3 shall apply accordingly:</p> <p>a) there are substantiated complaints regarding the contractor's conformity to the FSC core labour requirements since the last surveillance audit of the organization; <b>AND/OR</b></p> <p>b) the previous FSC evaluation of the organization has resulted in any non-conformities in regard to the contractor's conformity with the FSC core labour requirements.</p> <p>1.3 An outsourcing agreement with a non-FSC-certified contractor that does not meet clause 1.2, may be considered 'low risk' if either of the following are true:</p> <p>a) the previous FSC evaluation of the contractor was conducted on-site, which resulted in no non-conformities in regard to the contractor's conformity with FSC core labour requirements; <b>OR</b></p> <p>b) there has been a first-/second-/third-party on-site audit of the contractor, and all the following criteria are met:</p> <p>i. the audit demonstrates conformance to FSC CLR; <b>AND</b></p> <p>ii. the audit is conducted at least annually; <b>AND</b></p> <p>iii. audit findings are made available for review by the certification body; <b>AND</b></p> <p>iv. the audit includes worker interviews.</p> <p>NOTE: "Annually" is to be interpreted as follows: at least once per calendar year, but no later than 15 months after the last first-/second-/third-party audit (determined by the date of the on-site visit).</p>
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	<p>1.4 For an outsourcing agreement with a non-FSC contractor<del>s</del> which does not meet the criteria for 'low risk' in clause 1.3, the certification body shall determine whether there are any other verifiable aspects that would justify their classification as 'low risk', otherwise the contractor shall be classified as 'high risk', and clause 3 of this advice note shall apply.</p> <p>NOTE: Examples of other verifiable aspects are provided in Annex I of this advice note.</p>
	<p><b>2. Evaluations of 'low risk' outsourcing agreements</b></p> <p>2.1 For outsourcing agreements classified as 'low risk' related to conformity to FSC core labour requirements, the certification body shall conduct at least a documentation review of the contractor's conformity.</p> <p>2.2 A documentation review shall cover at minimum verification of the organization's conformity to clauses 1.1 and 1.2 in <u>&lt;FSC-ADVICE-40-004-23 Evaluation of contractors against the FSC core labour requirements&gt;</u> to identify any changes regarding the contractor's commitment to and conformity with the FSC core labour requirements (e.g., the existence of complaints).</p>
	<p><b>3. Evaluations of 'high risk' outsourcing agreements</b></p> <p>3.1 For outsourcing agreements classified as 'high risk' related to conformity to FSC core labour requirements, the certification body shall conduct an on-site audit of the contractor.</p> <p>NOTE: When 'high risk contractors' are located in different countries, the certification body may contract the following third parties to complete the audit:</p> <ul style="list-style-type: none"> <li>i. an FSC-accredited certification body; or</li> <li>ii. a certification body accredited to a FSC approved verification scheme.</li> </ul> <p>3.2 On-site audits shall include, in addition to the organization's conformity to clauses 1.1 and 1.2 in <u>&lt;FSC-ADVICE-40-004-23 Evaluation of contractors against the FSC core labour requirements&gt;</u>, interviews with personnel and site observations.</p>
	<p><b>4. Sampling of contractors</b></p> <p>4.1 If more than one outsourcing agreement is identified as low risk, a sampling of relevant contractors according to Clause 9.6 of <u>&lt;FSC-STD-20-011 V4-2 Chain of Custody Evaluations&gt;</u>, can be applied.</p> <p>NOTE: The sample used for low risk is separate from the sample pool used for high-risk scenarios.</p>

	<p>4.2 If more than one outsourcing agreement is identified as high risk, a sampling of relevant contractors according to Clause 9.6 of <u>&lt;FSC-STD-20-011 V4-2 Chain of Custody Evaluations&gt;</u>, can be applied.</p> <p>NOTE: If the organization wants to include new high-risk outsourcing agreements in its certificate scope in the period between the certification body evaluations, Clause 9.5 of <u>&lt;FSC-STD-20-011 V4-2 Chain of Custody Evaluations&gt;</u>, applies accordingly.</p> <p>4.3 The certification body may add relevant contractors to the pool of contractors identified as having high-risk situations with respect to mixing different input materials and take a sample from the overall resulting pool. In this case, the sample shall be structured in such a way that it results in a balanced coverage of the two risk scenarios.</p> <p>NOTE: For group and multisite certificates, the calculation of the contractor sample shall be conducted at the participating-site level.</p>
<p><b>Annex I</b></p>	<p><b>Examples</b></p> <p>As provided in clause 1.4, other verifiable aspects that may be considered to justify a 'low risk' classification for an outsourcing agreement with a non-FSC-certified contractor may include, but are not limited to, reference to:</p> <ol style="list-style-type: none"> <li>1. FSC Controlled Wood National Risk Assessments (Controlled Wood NRA)<sup>1</sup></li> <li>2. Corruption Perceptions Index (CPI)<sup>2</sup></li> <li>3. International Trade Union Confederation (ITUC) Global Rights Index<sup>3</sup></li> <li>4. Labour Rights Index (LRI)<sup>4</sup></li> </ol> <p>Any reference to the FSC CWNRA or indices provided should reference the most up-to-date version available at the time of use.</p> <p>Any use of reference to country indices should refer to the country a contractor is operating in to provide activities in scope of <u>&lt;FSC-STD-40-004 V3-1 Chain of Custody Certification&gt;</u>.</p> <p><b>FSC Controlled Wood NRA</b></p> <p>For contractors in countries where there exists an applicable FSC Controlled Wood National Risk Assessment (CWNRA), this index should be used at first instance, with reference to Indicator 2.2</p>

<sup>1</sup> FSC Controlled Wood National Risk Assessments: <https://connect.fsc.org/chain-custody-certification/fsc-risk-assessment-platform>

<sup>2</sup> Corruption Perception's Index: <https://www.transparency.org/en/cpi/2023>

<sup>3</sup> ITUC Global Rights Index: <https://www.ituc-csi.org/global-rights-index>

<sup>4</sup> Labour Rights Index: <https://labourrightsindex.org/>

	<p>'Labour Rights'. For justification of 'low risk', a Controlled Wood NRA rating of 'Low' is sufficient.</p> <p><b>CPI</b> Reference to the CPI, for the purposes of justification of a 'low risk' classification, should reference countries with rating of greater or equal to 50 (<math>\geq 50</math>).</p> <p><b>ITUC</b> Reference to the ITUC's Global Rights Index, for the purposes of a 'low risk' classification, should reference countries with a rating of 2 or less (<math>\leq 2</math>).</p> <p><b>LRI</b> Reference to LRI, for the purposes of justification of a 'low risk' classification, the scores and ratings reference countries with a rating of 70.5 or above (<math>\geq 70.5</math>).</p> <p>NOTE: This threshold indicates countries with 'reasonable access to decent work' or above, according to the index.</p>
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