



Forest Stewardship Council®



PSU Review Report

DRAFT FOR CONSULTATION

D1-0

FSC-STD-40-003 V (2-1)
Chain of Custody Certification of Multiple Sites
and
FSC-PRO-40-003 V (1-1)
Development of National Group Chain of
Custody Eligibility Criteria



Status:	Draft
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PSU Review Report

The Forest Stewardship Council (FSC) is an independent, not for profit, non-government organization established to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

Summary and recommendation

Reviewed Document

Document code	FSC-STD-40-003 (V2-1) and FSC-PRO-40-003 (V1-1)
Document title	1. Chain of Custody Certification of Multiple Sites <i>and</i> 2. Development of National Group Chain of Custody Eligibility Criteria
Objective of document	The objective of FSC-STD-40-003 V(2-1) is to make FSC certification attractive for Organizations operating multiple sites and affordable for small enterprises by providing the conditions and requirements for the establishment and management of Chain of Custody certificate with multiple sites. The objective of FSC-PRO-40-003 V (1-1) is to provide the procedures to be followed by the National Offices for the definition of national eligibility criteria for Group COC certification to restrict the benefits of group certification to small enterprises based on credible and locally applicable thresholds.
Last approval date	FSC-STD-40-003 V2-1: 18 November 2014 FSC-PRO-40-003 V1-1: 03 July 2014
Review triggered by	<input checked="" type="checkbox"/> Regular review as scheduled
	<input type="checkbox"/> GA Motion or Board decision
	<input type="checkbox"/> New or changed FSC policies or legislation
	<input type="checkbox"/> Change Requests
	<input checked="" type="checkbox"/> Other (please specify): Alignment with other FSC normative documents
Reviewer	Name: Vicky Tran
	e-mail: v.tran@fsc.org
Draft Review Report	7 July 2020
Public consultation	
Final Review Report	

Recommendation

<input type="checkbox"/>	Full revision
<input checked="" type="checkbox"/>	Minor revision ¹
<input checked="" type="checkbox"/>	Editorial revision
<input type="checkbox"/>	No revision
<input type="checkbox"/>	Withdrawal

¹ According to FSC-PRO-01-001 V3-1 Annex 4

Note

This review report will be consulted with stakeholders, leading to a revised version for presentation to the FSC Board of Directors for decision making. If the FSC Board decides that the documents shall be revised, the reviewed documents will then undergo a revision process as described in “Annex 4: Approved deviation for small changes and alignments” of procedure FSC-PRO-01-001 V3-1.

I. Introduction

This report has been developed according to FSC-PRO-01-001 V3-1 Clause 9.6 to review and assess the continued relevance and effectiveness of both normative documents. This is a mandatory step before a normative document can be taken to a revision process. In addition, it responds to the Board requirement for a feasibility and impact analysis for all review and revision processes, mandated at their 71st Meeting.

II. Proposed recommendation and justification

FSC-STD-40-003 V2-1 Chain of Custody Certification of Multiple Sites

The FSC Chain of Custody Certification of Multiple Sites standard (FSC-STD-40-003) provides conditions and requirements for the establishment and management of Chain of Custody (CoC) certificates with multiple sites, which can take the following forms:

- 1) Single CoC certification;
- 2) Multi-site CoC certification; and
- 2) Group CoC certification.

Single CoC certification generally applies to organizations with a single site, however, under specific circumstances, additional sites can be included within the scope of the certificate if all sites are part of the same operation.

Multi-site certification is designed for the certification of large enterprises that are linked by common ownership or legal/contractual agreements. This model makes certification easier and cheaper for large enterprises that can benefit from centralized administration and internal control function for the purpose of FSC certification.

Group certification is specifically designed for the certification of independent small enterprises that, by forming a group, can have easier access to FSC certification by sharing the costs of certification and benefiting from technical support and control provided by a Central Office function. In 2016 the Performance and Standards Unit of FSC commissioned ASI to carry out a study on a sample of multi-site certificate holders regarding their conformity with the eligibility criteria for multi-site certification according to FSC-STD-40-003 V2-1, Clauses 2.1b) and 2.2 (Annex B). Based on the results of the study, the Performance and Standards Unit has revised clauses related to the multi-site certificate holder eligibility to improve the clarity of the requirements. The revised requirements are now included in Section 14 of the FSC-STD-40-004 V3-0 standard, published on 01 January 2017. However, they are not yet incorporated into the FSC-STD-40-003 V 2-1 standard.

FSC-PRO-40-003 V1-1 Development of National Group Chain of Custody Eligibility Criteria

Chain of Custody (CoC) group certification was developed to enable group members who are small companies or organizations to share some of the costs related to achieving and maintaining certification, such as third-party auditing and management costs. To be eligible, a company must comply with specific thresholds relating to annual turnover and number of employees as defined in FSC-STD-40-004 (V3-0).

The eligibility criteria for group CoC certification in Section 15 in FSC-STD-40-003 (V3-0) are the following:

15.1 A group CoC certificate may be established including two or more independent legal entities (named as participating sites according to FSC-STD-40-003) in the scope of the certificate if the following eligibility criteria are met:

a. Each participating site shall qualify as 'small' as defined by:

i. No more than 15 employees (full-time equivalent); **or**
ii. No more than 25 employees (full-time equivalent) **and** a maximum total annual turnover of US\$ 1,000,000.

b. All participating sites shall be located in the same country as the organization that holds the certificate.

Since the introduction of the group CoC certification, the growth of this type of certification in many countries has been slow. This is partly due to the difficulty of adapting and applying the generic group eligibility criteria on an international scale.

FSC recognizes that there are large variations in economic development between countries and sectors within each country in addition to different definitions of what is defined as a "small" enterprise.

As a result, in addition to general group eligibility criteria, National Offices can apply the procedure FSC-PRO-40-003 to develop their own national Group CoC eligibility criteria applicable to their countries. The national eligibility criteria, once approved by FSC, supersede the criteria in Clause 15.1 a) above and are published in the "List of approved national Group Chain of Custody eligibility criteria" (FSC-PRO-40-003a).

In 2010, FSC International commissioned a study (Annex C) carried out by Etifor Srl to analyze the impacts of the introduction of approved national Group CoC eligibility criteria on the number of CoC certificates (both single and group). It was found that National Offices which have introduced their own national Group CoC eligibility criteria have seen an increase of group membership with a clear majority of them being companies who were not initially FSC certified the year before the criteria were introduced. This implies that these companies did not simply move from single or multi-site certificates to a group certificate, demonstrating the positive impact of these nationally defined eligibility thresholds. The ETIFOR report further suggested a revamping of the eligibility criteria for group certification, to make it more generic, global and linked to specific and measurable indices which are publicly available.

Proposed recommendations and justifications

PSU recommends conducting a minor revision of the standard FSC-STD-40-003 V2-1 and procedure FSC-PRO-40-003 V1-1 based on the following reasons, ensuring the documents are aligned with changes that have been made in other parts of the normative framework:

- a. The need to align both documents with FSC normative documents and to incorporate five (5) existing interpretations.

- b. The current version of FSC-STD-40-003 V2-1 standard includes requirements that have been superseded by the Chain of Custody Certification Standard FSC-STD-40-004 V3 and contains terminology which is no longer valid.
- c. A minor revision of FSC-PRO-40-003 V1-1 should make it easier for National Offices to implement this procedure. Due to the success of allowing National Offices to develop their own national eligibility criteria, we do not foresee that a full revision is necessary.
- d. The minor revision of both documents will include editorial corrections to make requirements clearer and easier to understand, update references, alignment of terminology and templates with other normative documents within the CoC Framework. The recommended items to be considered in the minor revision of the documents are found in Annex A.

In addition, the revision would also consider two options regarding amendments to the group eligibility criteria:

Option A: Moving away from the national eligibility criteria based on the number of employees and/or turnover to generic and global requirements based on indices such as the Gross domestic product (GDP) based on purchasing-power-parity (PPP) and Global Competitiveness Index etc.

or

Option B: To consider a regional approach to the eligibility criteria which could include:

- i. expanding the procedure to include Regional Offices allowing them to define the national eligibility criteria for countries within their respective regions

or

- ii. allowing the development of regional eligibility criteria based on similar grouping of countries with continuous borders/similarity in socio-economic levels/economic developments of sectors etc.

or

- iii. Both i. and ii.

The selection of the options above and the changes listed would currently constitute the only foreseen significant change to the standard and procedure which would justify considering this to become a minor revision for both documents.

III. Impact analysis

Internal

Proceeding with a minor revision of FSC-STD-40-003 V2-1 and FSC-PRO-40-003 V (1-1) is mostly about aligning both documents with other FSC normative documents, and as the revision will only change one or two requirements, there is no major impact expected from this process.

PSU anticipates the proposed changes to have a minor impact on some Network Partners who might need to update their national eligibility criteria within their respective countries or regions. However, PSU sees this as a positive impact since the Network Partners have been one of the main promoters of reviewing FSC-PRO-40-003 V1-1.

The development of globally aligned criteria may render FSC-PRO-40-003 obsolete since National offices would no longer need to develop their national eligibility criterion as all countries will have the eligibility criteria fixed to predetermined indicators. Previously approved national criterion will be no longer applicable which will affect the following National Offices and their respective countries, FSC USA, FSC Germany, FSC Italy and FSC Finland. It is unclear if this will result in the decrease of group certification numbers, growth in individual single certification or reduction of certificates overall.

The development of regional criteria for eligibility could have an additional impact on Regional Offices/resources for co-ordination. This could also have the positive effect of bringing more countries into a regionally uniform eligibility criteria which were challenging for some countries where FSC does not have a national office.

The current requirements for eligibility for group CoC certification have been migrated to Chain of Custody Standard (Section 15, FSC-STD-40-004). Any changes to the eligibility criteria might require corresponding changes to that standard as well.

External

The changes to both documents will primarily be the alignment with other normative documents, the inclusion of existing interpretations, general updates, and changes to make requirements more clear and easier to understand. Therefore, PSU does not anticipate the proposed changes to this standard and procedure to put a heavy burden on certificate holders.

The requirements will be more consistent, which will facilitate consistency of certification body evaluations and that this will result in increased credibility of the FSC system.

The development of globally aligned criteria may impact group members who no longer meet the criteria to remain as part of a Group certificate and may have to seek independent CoC certification. Additionally, the proposed changes may open up CoC Group certification to previously ineligible small companies or organizations.

IV. Stakeholder consultation and feedback

Methodology

An international stakeholder consultation will be initiated, and stakeholders will be invited to provide comments and feedback on the draft review report via the FSC Consultation Platform. To ensure that all relevant stakeholders participate in the consultation the following communication channels will be applied:

- Email announcement on the CB Forum and Accreditation mailing list
- Email announcement on the Network mailing list and/or a news item on Branching Out
- News item on the FSC website
- News item on the FSC members' portal
- News item on the FSC trademark portal

To facilitate the consultation, the following type of questions will be included in order to guide participants:

- Guided questions
- General questions about the review report (e.g. Do you agree with the proposed changes to in Section X, Clause X? Please elaborate your response).
- Ranking questions (e.g. What is your overall impression of the proposed changes? Very positive to Quite negative)

The period to submit comments on the draft review report will be sixty (60) days from its publication.

Results of consultation

(To be completed after the rest of the document has been sent out for consultation)

Number of responses per stakeholder group and region

Synopsis of comments

V. Revision process

In case a minor revision of this standard and procedure according to FSC-PRO-01-001 V3-1 Annex 4 is approved, an internal Technical Working Group of one or more staff members will be appointed by the Policy Steering Group for this task. The revision will be conducted according to clause 2.4 of Annex 4 with the final decision being taken by the FSC Director General.

However, in case of a major revision of this standard and procedure according to FSC-PRO-01-001 V3-1 Annex 4 is approved, a Technical Working Group will be established based on a public call for applications. The Terms of Reference, conditions for membership, and number of members shall be defined and approved by the FSC Board of Directors.

VI. Annex A

Main aspects to be considered for the minor revision of FSC-STD-40-003 (V2-1) and FSC-PRO-40-003 (V1-1):

FSC-STD-40-003 (V2-1) Chain of Custody Certification of Multiple Sites

Item to be revised	Justification/concern
Foreword	Update foreword to remove references for the three types of FSC CoC certification available for companies. Remove unnecessary and duplicate information since most of the information in the foreword has been transferred to FSC-STD-40-004 V3-0.
Version History	Include version changes for V2-2
A Objective	
B Scope	
C Effective and validity dates	
D References	<p>Incorporate FSC-PRO-40-003a <i>List of approved national Group Chain of Custody eligibility criteria</i> as a reference in this standard and where relevant.</p> <p>Remove reference to IAF MD 1:2007 IAF Mandatory Document for the Certification of Multiple Sites Based on Sampling as is not referenced in the contents of the standard and include an updated reference to IAF MD 1:2018 IAF Mandatory Document for the Audit and Certification of a Management System Operated by a Multi-Site Organization.</p> <p>Remove references to the following documents as they no long existing within our normative framework:</p> <ul style="list-style-type: none"> • FSC-POL-40-002 (2004) Group Chain of Custody (CoC) Certification: FSC Guidelines for Certification Bodies • FSC-STD-40-003 V1-0 Standard for Multi-site certification of Chain of Custody operations • FSC-ADV-40-018 V1-0 EN Scope and applicability of FSC-STD-40-003
E Terms and definitions	<p>Update definition 'FSC Trademark Licence Code' to match the definition referenced in the FSC-STD-50-001 V2-0, Requirements for use of the FSC® trademarks by certificate holders.</p> <p>Include the definition of 'Due diligence system (DDS)' since the Controlled Wood verification program have been replaced by the requirements for DDS in FSC-STD-40-005 Requirements for Sourcing FSC® Controlled Wood</p> <p>Align the definition of 'Site' with FSC-STD-40-004 V (3-0) Chain of Custody Certification Standard</p> <p>Update the term 'The Organization;' to 'Organization' to align with other normative documents.</p>
PART I ELIGIBILITY	
1 Eligibility for Single COC certification with multiple sites.	To remove since this section has been transferred to FSC-STD-40-004 V3-Section 13 Eligibility for single CoC certification.
2 Eligibility for Multi-site CoC certification.	To remove since this section has been transferred to FSC-STD-40-004 V3-Section 14 Eligibility for multi-site CoC certification.

3 Eligibility for Group CoC certification.	To remove since this section has been transferred to FSC-STD-40-004 V3-Section 15 Eligibility for group CoC certification.
Part II Specific requirements for Multi-site and Group CoC certification	
5.1 Quality management. Clause 5.1.4 vii.	For consistency within this document and to match with Controlled Wood normative documents replace the term 'Controlled Wood verification program' to "a documented due diligence system (DDS)". Update the term 'Supplier verification program' to 'Supplier Audit Program' to match the term used in the FSC-STD-40-007 Sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects. Replace 'risk outsourcing' to 'risk assessment for outsourcing' to align with the requirements within FSC-STD-20-011.
5.1 Quality management. Clause 5.1.4 b)	Fix formatting error of 5.1.4 b) to a) and so forth.
5.1 Quality management. Clause 5.2.2 c	Amend requirement for clarity and to incorporate interpretation INT-STD-40-003_04: The auditor shall be objective and impartial. Auditors shall not audit activities for which they are responsible to oversee or participate in such as individuals who have supervisory responsibilities or control the work of staff or for which they have any other conflict of interest.
5.2 Qualification of Certificate Manager and Central Office's auditors. Clause 5.2.4	Amend requirement to incorporate interpretation INT-STD-40-003_02: For certificates with more than 20 Participating Sites and where the Participating Sites are not linked through common ownership, the Central Office's auditors shall: a) be in possession of a formal ISO 9001, ISO 14001 or OHSAS 18001 lead auditor certificate achieved through a recognized accredited training course; or b) completed training equivalent to a 3-day ISO 19011 training course including the exam, provided by a formally qualified QMS, EMS or OHSAS lead auditor and If the training is provided by an FSC-accredited certification body through an in-house trainer: NOTE: The training course agenda and course material needs to be approved by ASI or FSC in advance and be given the right to witness the implementation of trainings at its sole discretion.
5.3 The Central Office Audit Program. Clause 5.3.6	Update reference to Annex B to Annex A, since it has been transferred to FSC-STD-40-004 V3 as Table F.
Annexes	
ANNEX A. Comparison of Single, Multi-site and Group CoC requirements.	Remove the annex since it has been transferred to FSC-STD-40-004 V3 Section 15 Eligibility for group CoC certification as Table F. Comparison between, Single, Multi-site and Group CoC requirements.
ANNEX B: Requirements for the issuance of CARs by the Central Office	Rename as Annex A.

FSC-PRO-40-003 (V1-1): Development of National Group Chain of Custody Eligibility Criteria

Item to be revised	Justification/concern
Introduction	Remove references to the trial period of one year from the date of policy approval (July 2002), and reference that a more appropriate definition for “small” enterprises would be implemented. These conditions are no longer relevant.
A Objective	Expand to the objective of the procedure to the include Regional Offices
B Scope	Expand to the scope of the procedure to the include Regional Offices
D References	Remove the reference to the policy document because it has been withdrawn from the normative framework, FSC-POL-40-002 Group Chain of Custody (CoC) Certification.
D Terms and References	Update minor editorial error as ‘E Terms and References’ Include ‘Verbal forms for the expression of provisions’ as adapted from ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards.
2 Research	
2 Research. Clause 2.1	Introduce a requirement for National Offices to conduct market research/data or a market assessment (i.e. market penetration of FSC) when determining what is a considered a “small business”.
2 Research. Clause 2.3	Change ‘FSC Policy and Standards Unit (PSU) to ‘FSC Performance and Standard Unit (PSU)’.
3 Stakeholder Consultation	
3 Stakeholder Consultation. Clause 3.3	Update requirement to explicitly state the stakeholder comments should be documented in the stakeholder report (Clause 4.2 c) to add further clarity.
3 Stakeholder Consultation. Clause 3.5	Update the requirement to align with other normative documents which request the same information (i.e. FSC-PRO-60-002) The consultation report shall include: b) a summary of the issues raised ‘and how they were addressed’; ‘e) An unedited copy of all comments as an Annex to the report.’ NOTE: Copies of comments do not require translation from their original language Remove the existing requirement Clause 3.5 e) due to the proposed update for requirement Clause 3.5 a)
4 FSC International Approval	
4 FSC International Approval. Clause 4.1	Update ‘FSC International Centre’ to ‘FSC International’
4 FSC International Approval. Clause 4.4	It is recommended to update this requirement to include a validity or review period of five (5) years from the approval date.
4 FSC International Approval. Clause 4.5	Change ‘FSC Policy and Standards Unit (PSU) to ‘FSC Performance and Standard Unit (PSU)’.