



Decision Record of BM73

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Decisions agreed:

TOPIC: *Quorum*

DECISION(S): The chair noted a quorum with participation of 11 out of 12 board members. Ralph Schmidt-Liermann was excused for the first day for health reasons. The remaining meeting days were attended by full 12 board members.

TOPIC: *Approval of agenda*

DECISION(S): Board members approved the agenda as presented but agreed to include a discussion on travel policy in the agenda item on governance issues.

TOPIC: *Conflicts of Interest*

DECISION(S): Kim Carstensen updated the board about an email from APP requesting information on the board's discussions regarding potential conflicts of interest related to APP. This issue will be further discussed in the context of the agenda item on APP and APRIL and in the light of the proposed Col policy. Some board members have a Col regarding APRIL and requested the board to provide guidance as to whether this would constitute a Col related to APP due to the competition situation between the two companies.

Board members declared the following conflicts of interest:

- Anthony Sebastian informed the board that his company, Aonyx has taken on a contract with APRIL on restoration projects but pointed out that the contract explicitly excludes any engagement in the possible process to end the disassociation from APRIL. He therefore didn't see any Col in the case.
- Alan Thorne reiterated his declaration of a conflict of interest related to Resolute Forest Products (RFP) due to business relations to the company.
- Hans Djurberg reiterated his similar conflict of interest related to RFP.
- Estevão do Prado Braga declared a possible conflict of interest related to competition between his employer and RFP. He still believed there was in fact no conflict.



- Barbara Bramble reminded the board of her possible conflicts of interest related to her role as board chair of the Roundtable on Sustainable Biomaterials (RSB).
- Fran Price reiterated her declared conflict of interest related to APRIL due to a collaboration agreement between The Nature Conservancy and APRIL.

TOPIC: *Insurance coverage for FSC board members*

DECISION(S): The FSC secretariat announced that it has signed a new Directors and Officers (D&O) insurance and a new Errors and Omissions (E&O) insurance for the board members with a coverage of 10 million Euro.

The Board approved the new insurance as an interim measure, but asked the FSC Secretariat:

- To ask for offers from other insurers before the end of the current 12-months insurance period.
- To seek to extend the current retrospective insurance coverage of 12 months.
- To provide clear information on the insurance and what it covers and does not cover to all people covered by the insurance.

TOPIC: *Location and times for board meetings in 2017*

DECISION(S): The board agreed to the following set up:

- To hold BM74 from 7-10 February 2017 in Yogyakarta/Indonesia. A global social chamber meeting will take place right before the board meeting from 1-4 February, and the field trip or stakeholder meeting day will be on Monday, 6 February.
- To organize BM75 from 2-5 May near Sao Paulo in Brazil, and to have the stakeholder meeting and possibly a meeting on 'sustainable intensification' with participation from all chambers in Sao Paulo itself.
- To hold BM76 from 4-8 December 2017 in Bonn/Germany.

TOPIC: *Top priorities – and things NOT to do in 2017*

DECISION(S): Kim presented his proposal for a focused list the top priorities for 2017 coming out of the overall implementation plan. The priorities are designed to create quick, visible wins while at the same time laying the foundation for long-term implementation of the Global Strategic Plan. The central elements are to strengthen the FSC management and to develop and implement enabling strategies like HR, IT and finances, to engage the membership and strengthen FSC's governance, to move towards working as 'One FSC' globally, and to push forward on a limited number of very visible projects that will meet the wishes and needs of members and stakeholders, including streamlining and simplifying the normative framework, strengthening work on social issues in FSC, developing certification of Ecosystem Services and taking action against false claims in high-risk supply chains.



The board felt the work plan was still too ambitious and asked the DG to continue to look for things to stop doing or to postpone in the 2017 work plan. The board agreed to consider new proposals for such actions to be halted or postponed.

With this, the board approved the 2017 work plan for FSC International, asking the DG to ensure that following topics and approaches are covered in the list of priorities:

- Streamlining FSC's policies and standards by developing a proposal for a risk-based approach to the normative framework, based on real experiences, to be discussed at the General Assembly in 2017
- Simplification of the normative framework by looking at lessons learned from real cases in the standard transfer process and the FSC controlled wood risk assessments, e.g. UK, Sweden, Canada, etc.
- Marketing: concentrate more on business intelligence in order to understand better the barriers of certification instead of marketing strategy
- Building capacity and strengthen engagement on social issues such as Indigenous Peoples, labour rights, gender issues and smallholders.

TOPIC: *Budget 2017*

DECISION(S): The treasurer noted that FSC's current reserves were very solid, so that running a year with a limited deficit would not provide any problems for the organization.

The board approved the budget for 2017 as proposed, mandating the DG to change priorities inside this framework to stop activities and to be able to finance the top priorities of the work plan for 2017.

TOPIC: *Integration of Earth Observation technologies in FSC tools and services*

DECISION(S): The board discussed at length the topic and agreed on its importance and the need for a more detailed and thought through proposal for decision. Therefore the board tasked the FSC Secretariat to:

- Come back with a proposal for decision at the latest at BM75 in May that looks at what FSC's role and ambition in this area should be, considering both what TransparentForests can provide, and what other tools can do in comparison. For this work, external experts will be consulted.

TOPIC: *PSC recommendations: revised CoC Standards*

DECISION(S): The board approved the revised CoC Standard FSC-STD-40-004 V3-0 and FSC-STD-20-011 V4-0, based on the recommendations of the PSC with a few further changes related to FSC-STD-40-004 V3-0 to be made by PSU to address the following topics:

- **The board approved the recommendation of the PSC for claims on neutral materials as follows:**



The PSC supports the need to address misleading claims on products that contain neutral material, but recommends that the clauses proposed by PSU (Annex C page 22) not be incorporated in FSC-STD-40-004 at this time. The PSC recommends that PSU should further analyse the 50% threshold percentage and the description of the materials included in this proposed clause with a view to incorporating different language in FSC-STD-40-004 prior to its intended effective date in April, 2017.

This should be brought back to the board for decision at BM74 in February 2017.

- **The board approved the recommendation of the PSC on reclaimed products as follows:**

- Recycled wood shall not be allowed to be claimed as Controlled Wood.
- FSC recycled can be included in FSC Mix as the definition of FSC mix includes pre and post-consumer recycled material. Therefore material with up to 99% recycled or reclaimed material should continue to be allowed to be labelled or claimed as FSC Mix.
- Material that is 100% recycled or reclaimed shall not be allowed to be claimed or labelled as “FSC Mix”. It is 100% recycled.

- **The board approved the recommendations of the PSC on the percentage and credit system to be applied at the level of multiple sites with slight modifications as follows:**

The PSC recommended that proposed Clauses 9.1 and 10.2 (Table A, Page 2, of Annex C - Outstanding Issues) should be incorporated into FSC-STD 40-004 V3-0 to allow the use of the percentage and credit systems to be applied at the level of multiple sites with the following two changes:

- The sub-clauses in Clause 9.1 should include a geographical limitation so that sites within the multi-site provisions are only within the boundaries of a single country or the Euro Zone.
- The acronym ERP and term “enterprise resource planning” in Clause d of 9.1 and Clause d of 10.2 should be replaced with a term in common usage to describe what is desired. The term should be defined in the Glossary. The PSC suggests the term “integrated management system”.

The board agreed with the PSC recommendation to initiate for presentation at BM75 an evaluation to monitor and assess the risks to the FSC system and the environmental, social and economic benefits and costs of cross-site methods.

The board agreed that the monitoring would be based on annual reporting from the companies using the percentage and credit systems at multi-site level. The monitoring would look specifically at the credibility issues related to the application of these systems beyond national boundaries and at the impacts of the system on FSC certification and labelling in the marketplace.

The board also agreed that, in the case of credit systems applied at multi-site level, the thresholds specified in Clause 10.2 e) shall be reviewed and possibly revised every two years.



- **The board approved the recommendations of the PSC on transaction verification with a slight modification on clause 1.7 to read as follows:**

1.7 *The organization shall support transaction verification conducted by its certification body and Accreditation Services International (ASI), by providing samples of FSC transaction data as requested by the certification body.*

The board agreed to not include a note on the use of the OCP related to clause 1.7. However, the OCP should be mentioned as a useable tool in the overall communication about the CoC standard and in particular efforts to deal with false claims and fraud in the supply chain

With this, the CoC standard now effectively enforces transaction verification by requiring transaction data to be made available by Certificate Holders when requested, on a sampling basis.

At the same time, the new standard for Chain of Custody Evaluations (FSC-STD 20-011 v4-0) requires actions by CBs to support the work of ASI in this area. CBs are now required to cooperate and support ASI's transaction verification activities by collecting, analysing and sharing relevant information related to FSC transactions in a timely manner. In order to support the monitoring and control of false claims in the system, the certification body is also required to register specified information in the FSC database of certificates as non-public information.

Together, these new elements in the standards will enable clear action against false claims in the supply chains, helping to protect FSC's supply chain integrity. This theme was discussed in further detail later in the meeting.

TOPIC: PSC recommendations: Highly hazardous pesticides

DECISION(S):

The Board accepted the PSC recommendation to maintain the suspension of the newly added active ingredients to the 'highly hazardous' list of pesticides (FSC-STD-30-001a) until a revised, risk-based list, and corresponding procedure becomes effective.

TOPIC: PSC recommendations: Changing the threshold of SLIMF operations that cannot set aside areas within their Management

DECISION(S):

The board supported the intention of the PSC to discuss this issue further and requested the PSC to present a proposal or a number of options for decision at BM74.

TOPIC: PSC recommendations: UK National Standard

DECISION(S):

The board respects the delegated authority to the PSC to take final decisions on national standards. The board requested the secretariat to engage constructively with FSC UK and the UK SDG to find a constructive solution that can lead to an FSC UK standard that can be approved by the PSC. The board



requested the BSPC to work with PSU to extract the lessons from this and other national standard processes with a view to providing recommendations to the board for further guidance to PSU and PSC. This guidance may include revisions to the transfer protocol.

TOPIC: *Supply Chain Integrity*

DECISION(S):

The board approved the following positioning statement for securing the integrity of the FSC system:

FSC is committed to ensuring the integrity of the FSC system and addressing the problem of fraud within the system. To do this, a new approach to supply chain integrity will be implemented in 2017. The ultimate goal of this approach is to prevent and control false claims in the FSC system, as cost effectively as possible.

The Board asked that communications from BM73 will explain the current and future activities by the FSC Secretariat that are contained in the step-wise approach to supply-chain integrity. Key features, as presented to this board meeting, include implementation of projects to investigate potential false claims and to initiate the full application of OCP technology in high-risk areas.

Immediate actions to address false claims:

As part of the stepwise approach, the board identified a set of coherent actions to immediately address false claims in the FSC system. These actions are complementary to the decided changes to the CoC / CAB standards. The actions will address the following:

FSC system and its legal construct: Adjust legal agreements between CAB and CH to allow FSC to take action against false claims when detected. The disciplinary actions should:

- Follow good auditing practice when evaluating non-conformities, considering intent and systematic vs occasional failure and the principle of “innocent until proven guilty”.
- The list of measures will include escalating disciplinary actions, starting with: (1) warning, (2) financial penalties, (3) suspension of certificate, and (4) termination of certificate.
- Use of transparency measures such as publication and public exposure when appropriate.

Certification Bodies: The board requested that CABs set up a process of knowledge sharing among themselves to establish best practice around detecting false claims, and ensuring that the potential false claims are appropriately communicated for enforcement. The board identifies the need for training of auditors in this regard, which is to be included in the formal FSC auditor training package. The board noted that an Auditor Training Package is already under development/implementation.

ASI: The board requested the Secretariat to a) clarify the role of ASI – including the contractual agreement with FSC - to address false claims, prioritizing high risk areas, and b) explore ways to (i) support the CABs and (ii) set up special projects to address specific supply chains with indications of false claims.

The board noted that several investigations are already underway.



Certificate holders: Explore actions that would facilitate actions by certificate holders, e.g. for certificate holders to encourage transparency in their supply chains, including in cases of irregularities.

FSC will also communicate to members and stakeholders, explaining the possibility of raising issues anonymously through the existing ASI “incident registry”, and that information received will be taken into account in considering investigations of false claims.

The FSC Secretariat will ensure that problems with supply chains are communicated to the relevant certificate holders and customers.

External partners: The board asked the Secretariat to explore opportunities for collaboration with outside organizations having experience and expertise in identifying and combatting false claims, e.g. accounting firms, national enforcement agencies, global brands, Interpol or others.

Communications: The board requested the FSC secretariat to prepare and launch a comprehensive communications strategy on the new measures adopted and listed above. Note: The board asks that this will include an explanation of the new emphasis on investigating potential false claims, and a clear statement from the board related to the significance of the decision on the CoC and CB standards and the roadmap/stepwise approach.

TOPIC: *Update on the roadmap for APP*

Stefan Salvador updated the board on the process for setting up the roadmap for APP and the principles issued by the board in July 2016 guiding the scope of the roadmap. These principles were the basis for a next draft of the roadmap, which were discussed with APP and with Indonesian and international stakeholder.

A next round of consultations with stakeholders is expected in December, but before that a board decision on three key issues is needed. APP had raised these issues in a letter to the board.

Decision:

Following on its earlier decisions on the principles guiding the scope of the roadmap, the board agreed the following reactions to the points raised by APP:

1. Compensation for past (legacy) damages on or by supplier concessions

Board reaction: The scale of compensation shall not be limited to damages on APP’s own concessions (currently 9), but shall consider all damages caused by APP, including damage done in supplier concessions (currently 29).

2. Calculation of amount of restoration/conservation required in order to compensate for past damages

Board reaction: The metric used for determining an appropriate amount of restoration/conservation shall be made with reference to APP’s 1 million ha commitment.

3. Compliance with CW on supplier concessions



Board reaction: Supplier concessions shall also be brought into compliance with the CW standard (FSC-STD-30-010) as an outstanding trust-building measure - but this may take place after ending the disassociation.

Due to the need to set appropriate time aside for stakeholder consultations and further development of detailed action plans, the board will only provide a conditional approval of the roadmap at BM74 in February 2017.

TOPIC: *Update on the roadmap process for APRIL*

DECISION: FP and ACS left the room while the board discussed their CoI situation. The board discussed this and agreed that both can be perceived to have a CoI related to APRIL. The board accepted that they could be in the room for discussion and information sharing but would have to leave should there be a decision necessary.

Based on a new assessment of APRIL's performance related to their sustainability policies commissioned by APRIL and carried out by KPMG, FSC will do an extended readiness evaluation that will address the conversion topic and the presence of social conflict, which is expected to be ready for BM74. The draft roadmap will be sent to the board for discussion by BM74 and is expected to be ready for approval at BM75.

The board supported this approach and asked the secretariat to ensure that the processes with APP and APRIL are treated separately. It will be good to identify and use synergies between the two pro

TOPIC: *ASI independence & impartiality*

DECISION(S): The Board agreed to move towards a structure that ensures ASI's impartiality. The board asks the FSC secretariat to prepare the following steps in a dialogue with ASI:

1. An adjustment of ASI's statutes will be agreed allowing the establishment of a Supervisory Board and elimination of the current Advisory Board.
2. The current board of ASI shall be replaced by a Supervisory Board in a form that members of the FSC Group do not hold a majority or veto position. The Secretariat shall jointly explore with ASI what a suitable composition of such a Supervisory Board would look like and how the election of Board members would be conducted.
3. FSC AC shall renounce the right to appoint the ASI Managing Director. The right shall be shifted to the new Supervisory Board.
4. The organizational changes shall be arranged through a Control Transfer Agreement (CTA), which clarifies that the rights of the shareholder that are to be excluded under the CTA shall be limited to the influence on the accreditation body and its policies. All other shareholder rights, in particular the right to dividends, fundamental decisions with regard to the business, approval of financial statements, and approval of business plans, remain with the shareholder.

In light of remaining concerns over ASI's impartiality, the Board further approves the following measures:



5. Request ASI to develop and implement a transparent and robust impartiality system that conforms to ISO 17011 requirements.
6. The operations and actions of FSC and its related bodies shall be included in the scope of this impartiality system.
7. FSC AC shall develop a public statement in support of the new impartiality system of ASI.

The board asks the FSC secretariat to bring a draft CTA for approval by the board at its next meeting together with documents specifying the structure, mandate and election or appointment process of a supervisory board of ASI.

TOPIC: *Preparation for the GA2017*

DECISION(S):

The BoD approved the ToR for the Motions Committee with the following additions:

- Subdivide topic # 6.6 into two sections, distinguishing between a) motions submitted later than the motions deadline, including expected proposals from the Governance Review Working Group, and b) motions submitted only at the GA itself. The latter group of motions will only be discussed at the GA after all other motions have been processed;
- add an expectation that the motion proposer will include anticipated cost or cost ranges in motion proposals.

The motions committee should provide the motion report as early as possible in order for members to be able to read it.

The call for nominations to the motions committee should go out as soon as possible and a Q&A document on motions submission should be provided to the membership.

Regarding its own role at the GA, the board agreed to be more “visible” to the membership than at the last GA and suggested to take on roles such as facilitating side meetings or taking notes at the same.

The board requested the secretariat to submit the final programme of the GA, including a conference day, high-level forums and side events, for approval by BM75 in May.

TOPIC: *ASI continued engagement with RSB*

DECISION(S): The board approved the recommendation from ASI to engage with RSB on a permanent, 3 years, contract basis

TOPIC: *New FSC Travel policy*

DECISION(S): Estevao presented a proposal for a new travel policy for board members, other committee members and staff. The board agreed to provide specific comments to the draft and to discuss the policy further at BM74.



TOPIC: PIPCV2.0

DECISION(S): The board applauded the work of PIPC to move forward on the mandate given at BM70 in 2015. The board agreed to:

- Mandate the FSC Director General to continue collaborating with the PIPC executive committee to establish PIPC v2.0 in accordance with the proposal of PIPC, maintaining the current scope of PIPC as a permanent advisory committee to the board, while giving it a support structure to increase its capacity to deliver desired outcomes.
- The board decided to make the following additions to this mandate:
 - DG and PIPC ExCo to work together to set up an inclusive structure, clearly linked to the existing FSC global structure.
 - Request the PIPC to develop Key Performance Indicators for the PIPC v2.0
 - Request the PIPC to provide immediate information to the FSC membership on this model and its plans for the future
 - Request the PIPC to immediately share the information with the GRWG for their comments and advice
 - To launch PIPC v2.0 at the GA2017, making it a big, quick win for FSC

TOPIC: Conflict of Interest Policy

DECISION(S): The Board approved the policy with the following small revisions to:

- Change the wording of “company they represent” to “organization they are affiliated with”, and
- Specify that both the full board and individual board members can raise an issue of whether another board member has declared a Col.

TOPIC: Fundraising Issues

DECISION(S): The board expressed its clear support for the fundraising efforts being planned and underlined the importance of ensuring increasing levels of financial support for FSC Network Partners.

Specifically, the board:

- Agreed to the proposed structure and size of the FSC I&P Board, underlining the need to ensure a strong relationship between the two boards. The board requested the current FSC I&P board and the FSC ExCo to discuss how such a relationship can best be established and to bring a proposal to the FSC board for further discussion and agreement
- Provided guidance for further development of the Reputational Risk Assessment process, accepting that it will be used as a tool in its current form
- Mandated the FSC Secretariat to finalize and sign the cooperation and License agreement with FSC I&P



- Approved the new Policy for Accepting Contributions (PAC) for global applicability across all FSC organizations.