

ASI Systemic Review: Controlled Wood Risk Assessments in Canada

Category 3: High Conservation Values

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1. Introduction and executive summary

ASI was commissioned by FSC earlier this year to conduct a systemic review of CAB decision making for Controlled Wood Risk Assessments in Canada, with particular reference to the Risk Assessment of Category 3: Wood Harvested from forests in which high conservation values are threatened by management activities. This review was commissioned in light of a number of complaints that have been received by ASI from stakeholders in Canada about the quality of Controlled Wood Risk Assessments and in particular relating to the conservation of Caribou ranges in the Boreal.

The aim of the review was to evaluate if there are any systemic issues within a sample of certificates in Canada, in order to make recommendations to FSC for improvements to the controlled wood certification standard (FSC-STD-40-005 V2-1 and advice notes) and the accreditation standard (current accreditation requirements are within FSC-STD-20-011 V1-1) that would allow for better implementation of the standard in terms of CB and ASI auditing.

The issues highlighted in this systemic review are not due to the performance of individual companies, CABs, or ASI auditors. They represent real and potential systemic risks related to how the standard is performing on the ground. Due to its oversight on the performance of CBs and Certificate Holders, ASI is in a position to observe and report on trends in standard performance and has the jurisdiction to information collection to identify and substantiate issues and raise them with the standard setter - especially when the issues affect ASI's ability to safeguard the legitimacy of the system in question.

1.1 Summary of issues observed with controlled wood system

The following issues were observed in the systemic review and are discussed further in this report. They represent major risks to the controlled wood system in Canada. They could feasibly be extrapolated internationally.

1. **Example Sources of information for the Risk Assessment are generally being used to the exclusion of other sources.** Given that the companies do not always have the expertise and/or motivation to look for further sources of information, their assessment tends to stop at this point, especially if they conclude that there are no ecoregionally significant HCVs in their district of origin from these example sources and given conflicting messages between the standard, the advice notes, and the FSC Canada guidance as to what further information should be included. Were the companies required to consult local experts and environmental NGOs, other sources of information would have to be assessed during the Risk Assessment. In the case of insufficient evaluation of the companies' risk assessments through CABs, these sources only tend to come to light when a stakeholder makes a complaint.
2. **The history of risk assessment approvals based on limited sources of information is a precedent that now is difficult to reverse** without substantial improvements to the



controlled wood certification and accreditation standards (e.g. new requirements with a timeline for bringing risk assessments up to conformance).

3. **There are arguments in the FSC Canada CWIM and the Global Forest Registry that the current examples and required information sources related to indicator 3.2 (i.e in FSC-STD-40-005 V2-1 and FSC-ADV-40-005-14) are not sufficient** to determine the strength of the system of protection at the ecoregion or district of origin level in Canada. This is in part due to heterogeneity between the provinces regarding how forest resources and protected areas are governed.
4. **The scale at which a risk assessment should be conducted and HCVs identified is not clear.** Different advice notes offer somewhat similar guidance, but are confusing in their lack of alignment (e.g. FSC-STD-40-005 V2-1 states that the ecoregions is the first level of assessment while FSC-ADV-40-005-01 starts at the country level). Furthermore, it is not clearly spelled out how the assessment arrives at a homogenous risk district. Companies who are going to FMU level assessments to identify HCVs and their threats should using Annex 3 after coming to an unspecified risk designation at the ecoregion level and/or concluding that the ecoregion level is not sufficiently homogenous to make a proper risk designation. However, these companies are instead making FMU level assessments without going to Annex 3, which means that they are avoiding the stakeholder consultation and company verification processes and possibly making district-level risk designations where there is not sufficient homogeneity to support it.
5. **The difference between ‘ecoregionally significant’ and ‘locally relevant’ high conservation values is nowhere defined sufficiently** for auditors to determine what should or should not be identified under 3.1.

1.2 Implications for auditing and accreditation

1. CABs have a difficult time proving non-compliance in regards to information sourcing due to lack of procedures related to how to check this - e.g. how to verify sufficiency and accuracy of information without a National Risk Assessment as a standardized baseline (or other approved guidance). Consequently, ASI has a difficult time proving CAB non-compliance without this baseline. Partial National Risk Assessments should not be accepted, especially if they do not address the HCV category, which is by far the most tricky and controversial to assess.
2. CAB procedures (preferably common to all CABs) and accreditation requirements need to be improved in order to provide a solid basis for standardized verification of risk assessments. Without better standardization between CABs, ASI cannot provide sufficient assurance that risk assessments are being verified to the standard expected by FSC and in a manner fair to all certificate holders.
3. National Risk Assessments and approved national guidance are important tools for certificate holders, CABs, and ASI. They provide an external baseline with which to compare individual risk assessments as opposed to the current relative baseline provided through comparing risk assessments and their designations to each other. In the absence of such references, CABs and ASI lack a legitimate reference point for assessing



conformity. In addition, the lack of such a reference point makes it very difficult for ASI to provide clarification when two or more risk assessments come to different conclusions over the same district of origin.

4. The lack of information required in risk assessment reporting makes it difficult for ASI to assess conflicts of interests in regards to (a) companies risk assessing themselves and (b) consultants doing RAs for companies. ASI suggests a review of the reporting requirements to make these and other elements more visible and easier to check, preferably through the introduction of a Procedure outlining a common FSC Checklist for developing Controlled Wood Risk Assessments for Annex 2 and Annex 3. This would improve the current Company Risk Assessments, without having to wait for the new standard to be approved.

2. Methodology

The desk review began in July 2014. The following set of documents was requested from each of the CABs with Controlled Wood in their accreditation scope in Canada:

- CAB Controlled Wood Procedure document(s);
- The **full and latest** Controlled Wood Risk Assessment for each of their certificate holders in Table 1 if the full and latest version is not available on www.info.fsc.org;
- Latest Chain of Custody assessment for each of the Certificate Holders in Table 1.

A sample of Certificate Holders was selected for each CAB, including those for which ASI has received complaints from stakeholders (Table 1). Unless part of a complaint submission, these certificates were sampled at random with the aim being to capture 20% of the Controlled Wood certificates for each CAB, at a minimum.

Each of the CABs was very willing to cooperate and deliver the requested information. It has to be noted that this is just a sample of the Controlled Wood certificates that include approved Risk Assessments and that any conclusions drawn may be affected by the sample.

In order to analyse each of the Controlled Wood Risk Assessments, a series of questions was devised to reflect the main requirements from the Controlled Wood Standards specific to the Risk Assessment process, including the requirements for the Certificate Holders included in FSC-STD 40-005 V2-1 *Company Evaluation of Controlled Wood*, the related Directive FSC-DIR-40-005 EN *FSC Directive on FSC Controlled Wood*. Additionally, the auditing requirements for CABs included in FSC-STD-20-011 V1-1 *Accreditation Standard for Chain of Custody Evaluations* were included in the evaluation; along with any standard interpretations or other instructions from FSC with regard to Controlled Wood Risk Assessments. These questions were also informed by recent and current controlled wood risk assessment complaints researched through the ASI AMS.



3. Analysis

The analysis consists of two sets of questions. The first set of 4 questions relate to CAB specific requirements, whilst the second set of 7 questions relates to Certificate Holder requirements.

3.1 CAB specific requirement questions

3.1.1. *Is the CAB using the FSC Canada Controlled Wood Information Matrix as a guidance document?*

The Controlled Wood Information Matrix (CWIM) FSC Canada Support Document Rolling Draft – September 2007 Version 1.0 is a “rolling draft,” meaning that it is being refined and improved on an ongoing and continual basis. The document has not been updated since 2007 and has not been approved by FSC IC and should not then be used by CABs or their clients in relation to Controlled Wood Risk Assessments as official FSC guidance or as guarantee that following the CWIM will result in compliance with FSC-STD-40-005 V2-1.

Of the seven CABs issuing Controlled Wood Certificates in Canada, instructions to certificate holders to use the CWIM were found in the procedures submitted by Rainforest Alliance and KPMG only. This does not mean that the other CABs clients are not using the CWIM as a key reference as it is evident from the review that this information is commonly used in Canadian Risk Assessments. For example, in each of the three open complaints regarding controlled wood in Canada currently being investigated by ASI, the certificate holders’ risk assessments reference the CWIM.

As the CWIM has not been updated since 2007 and has not been approved as a National Risk Assessment (NRA) or Guidance by FSC, reference to this document as the key document for Risk Assessments in Canada is a risk to the CW system in Canada. This is not meant to disregard some useful guidance provided by the CWIM. However, as well as being out of date, there are aspects of the document that are not aligned with FSC-STD-40-005 V2-1 and/or related advice notes and standards interpretations. Companies following the CWIM may inadvertently be out of compliance because of these issues, which is a liability for FSC.

Please also see “Certificate Holder requirement questions; 1. *Does the risk assessment make reference to or follow the FSC Canada CWIM?*”.

3.1.2 *Has the CAB documented its procedures for evaluating company risk assessments under FSC-STD-40-005 V2-1?*

Does the procedure include all of the following? (Note: These are all requirements from FSC-STD-20-011 V1-1 Accreditation Standard for Chain of Custody Evaluations.)

- *Analysis of the company risk assessment against the requirements of FSC-STD-40-005 V2-1*
- *Assessment of the information provided against information publicly available related to Category 3 (HCV)*
- *Evaluation of the company verification program against the requirements of FSC-STD-40-005 V2-1*



- *Evaluation if the information on suppliers is appropriately included in the company verification program*

The requirement to have procedures is covered under clause 2.1 of FSC-STD-20-011 V1-1 *Accreditation Standard for Chain of Custody Evaluations*. Only PWC, of the seven CABs, was found to have no procedure from the documentation provided and through email correspondence.

2 DOCUMENTED PROCEDURES

2.1 The certification body shall document its systems and procedures for evaluating Chain of Custody certificate holders and their operational sites, in compliance with the requirements specified in this standard.

The bigger concern, however, is that the procedures that were submitted varied greatly in their content. Within the Terms and Definitions section of FSC-STD-20-011 V1-1, 'procedure' is defined as 'A *specified way to carry out an activity or process.*' However, the procedures of the CABs do not always specify how their auditors will carry out an activity or process, but tend to repeat, or selectively repeat the language of the standard and then go on to interpret the standard clauses. Interpretation of the standard is not a function of the CABs: requirement 2.2 of FSC-STD-20-001 V3-0 states "All interpretation of the FSC standards is at the sole discretion of the FSC International Centre." From the experience to date with the Controlled Wood Standards, it is clear that there needs to be some interpretation to show how the standard is intended to be used, but this cannot be done on a CAB-by-CAB basis, or it will lead to inconsistency; or worse, to undermining the intent of the standard. Unfortunately, there is evidence that CABs are implementing interpreted versions of the standard.

A common interpretation by CABs is that the example sources of information provided under 3.1 of FSC-STD-40-005 V2-1 can be taken as a comprehensive list of info sources to conduct a company risk assessment. There are few, if any, companies which go beyond this list and no CABs that have procedures to independently check if this list is sufficient and accurate to justify the related risk designation (note: for more discussion of this issue see Question 5 "What sources of information does the company use to justify their low risk rating on category 3? Do these sources represent the information that is publicly available related to category 3?"). Interpretation of the CW standards should only be done by FSC; through it's international processes or through approved National Risk Assessments.

3.1.3 Does the CAB follow up on stakeholder input that suggests potential non-conformance amongst the non-FSC certified suppliers?

This requirement is stated at section 10.7 of FSC-STD-20-011 V1-1.



10.7 If the certification body receives specific information of particular instances or allegations of non-compliance with aspects of FSC-STD-40-005, the certification body shall conduct a timely investigation of these instances. Such instances shall be evaluated to determine whether they constitute major or minor non-compliances to the requirements of FSC-STD-40-005 V2-1.

In analyzing the CAB procedures, only two of the seven CABs included follow up on stakeholder input, with specific information of particular instances or allegations of non-compliance with aspects of FSC-STD-40-005 V2-1. This does not confirm if these or other CABs do or don't conduct a timely investigation of these instances. It is suggested that ASI, at a subsequent Office Assessment, confirm whether the CABs are following up on such incidents and how, procedurally they are handled.

Another concern is that this clause is related only to evaluation at the level of the suppliers (FMU) for 'unspecified' risk sources. This poses two problems: (1) there is no description of the acceptable process for CAB follow up in these instances; and (2) there is no requirement for CABs to follow up on allegations of non-compliance when the risk designation is 'low' as determined under 3.1/ 3.2. As mentioned before, when ASI tries to assess the CAB performance against process that are not elaborated by FSC there is a challenge to prove what constitutes appropriate response and non-conformance, since there can be so many ways CABs conduct themselves and no external benchmark with which to compare and standardize.

3.1.4 Complaints: What is the process for reviewing complaints and assessing Certificate Holders compliance against section 14 of FSC-STD-40-005 V2-1; and if the CAB maintains a record of complaints received against risk assessments it has certified?

It was not clear from any of the CAB procedures that they fully complied with these requirements. Only SCS mention the process for reviewing complaints and assessing Certificate Holder compliance against section 14 of FSC-STD-40-005 V2-1. This requirement is actually stated in the checklist and not the procedure. SAI are the only CAB that was identified as maintaining records of complaints received against risk assessment they have certified. Whether the other CABs have such records needs to be followed up by ASI at subsequent Office Assessments of these CABs.

If the CABs do not keep such records then ASI can issue non-conformities against those CABs. However, a more efficient manner of addressing the issue is strengthening and clarifying the requirements related to how CABs audit complaints procedures and how complaints escalate from company to CAB to ASI. Confusion regarding how this process should be properly implemented was an issue in two recent ASI complaints investigations and has led to considerable exposure of both the FSC and ASI complaints processes to criticism by stakeholders and certificate holders.



Another dispute related issue is ASI's role in providing clarifications when two or more company risk assessments differ for the same district of origin, as outlined in FSC-ADV-40-005-08. Companies use the risk designations of other companies in the same district as corroborating evidence to support their designations. CABs also make these comparisons when verifying risk assessments, following the note on clause 1 of the advice, stating "FSC Strongly recommends accredited certification bodies to consult previously published risk assessments (FSC Database) in order to identify potential conflicts related to different risk conclusions". By doing so, a precedent is set, usually low risk, which guides subsequent risk assessment outcomes.

While this is only part of a clause in an advice note, it has had a powerful effect on how CABs and ASI can issue non-conformities and how ASI can compare conflicting risk assessments. CABs that try to go above the precedent will be challenged by the company as to why other companies with similar risk assessments verified by different CABs continue to be in conformance. Likewise, when ASI issues non-conformities to CABs, for example regarding the sufficiency and accuracy of information, the pattern of sources of information and risk designation for that district will be held up as a precedent that is unfair to challenge for one CAB without all CABs being assessed similarly. Finally, when ASI must provide clarifications between risk assessments as per FSC-ADV-40-005-08, we face protest if we go against this precedent - since it may mean many companies' have to revise their risk assessments after perhaps years of being assessed as compliant by their CAB.

3.2 Certificate holder requirements questions

3.2.1. Does the risk assessment make reference to or follow the FSC Canada CWIM?

For those Rainforest Alliance certificates sampled, all seven referenced the CWIM as 'the key reference' for their Risk Assessments, as did the single report selected for SCS. One of the three selected for KPMG state they use the CWIM, but then KPMG state that they use the CWIM to check the Risk Assessments. For SAI, one of the three reports sampled stated that they used the CWIM for the Risk Assessment. For the rest it was either unclear or there was no evidence they used the CWIM.

The evidence would suggest that the CWIM is still being extensively used, as the key reference for CW Risk Assessments in Canada, despite communication from FSC that only approved National Risk Assessments should be referenced and clear statements at the start of the CWIM document that this is not approved guidance. When asked, companies involved in current controlled wood complaints investigations in Canada confirmed that the CWIM is a valuable source of information and that while they know it is not approved guidance, it is the only guidance they can find and therefore they feel compelled to follow it.

3.2.2. Does the company risk assess its own forest management?

ADVICE-40-005-18 *Independence of the company verification program* confirms that it was not intended that CoC Certificate Holders Risk Assess forests under their own management



using FSC STD 40-005 V2-1, but that they should instead use FSC-STD-30-010 V2-0 FSC *Controlled Wood Standard For Forest Management Enterprises*, as is required of all other Forest Management Enterprises.

However, some CABs interpreted that CoC Certificate Holders could assess their own forests. This has been given an exception through FSC-ADV-40-005-18 *Independence of the company verification program* for those Certificate Holders who were allowed to practice self-assessment up until the Advice Note was published in 2011.

None of the sampled certificates appear to have been allowed to be conducting a self-assessment after the cut off date, when they had not been conducting one before the cut off (i.e. they were 'Grandfathered' in). However, it is interesting to analyze which CABs have been allowing companies to perform Risk Assessments of their own Forest Management Units up until the cut off.

For Rainforest Alliance, four of the seven Certificate Holders sampled confirm through the reports that they risk assess their own FMUs. For the other three it appears likely from the reports that they source from their own FMUs also, but this requires further verification. For CU it was not clear from the report if the one Certificate Holder sampled was self assessing, but for the one for SCS the report confirmed that they are self-assessing. For the one report sampled for KPMG there was no list of suppliers, which meant it could not be verified if they were self assessing. For the one SAI report sampled, the Certificate holder was only sourcing from their own forest and this was therefore a self assessment. For all three of the SGS Certificate Holders sampled, none were self-assessing.

Whilst it would appear that RA and SGS may have taken a different line on this issue of self assessment, it is difficult to draw this conclusion as the SGS sampled site may not have had their own FMU or may have these fully FSC certified and therefore not be sourcing Controlled Wood from their own FMUs in any case. It is clear that the majority of CABs have been allowing their clients to practice self-assessment and so this would demonstrate a lack of clarity in the system on this point. FSC needs to be clear in the next version of the Controlled Wood Standards if self-assessment of this type is allowed or not. As there is a clear conflict of interest and given Advice Note 18, it is unlikely that this practice will be allowed in future.

In complaints investigations, where ASI is able to go much deeper into the sourcing issue, all of the companies involved in complaints (5) were practicing self-assessment. When asked if they would go to FSC-STD-30-010 V2-0 after the new CW standards are in place (as described as the cut-off point in FSC-ADV-40-005-18) most companies said they would not take on the extra effort and cost to keep their CW certificate. This indicates that the current self-assessment paradigm is much preferred by companies, despite the conflict of interest it creates.

3.2.3 Does the company keep records of the complaints received and actions taken?

Only the one sample client for Control Union was not recorded as having a complaints mechanism in place. The other CABs require this in their procedures and checklists and



almost all clients can be seen to have a complaints mechanism and most of these are stated to have no complaints.

That companies have no complaints against their risk assessments, despite a large outcry from stakeholders regarding the state of the controlled wood system, is an interesting finding. Given ASI's current case load of controlled wood complaints and incidents, it is surprising to find that companies are not fielding more complaints and stakeholder comments. This may indicate that stakeholders are unaware of the opportunities afforded to them in the standard to engage companies on issues related to risk assessment. As mentioned above, this is also possibly in relation to the fact that there are no stakeholder consultation requirements for companies who have low risk designations across their district of origin (only for designations of 'unspecified risk') unless they first receive a complaint from stakeholders. The 'catch 22' is that if a complaint is required to trigger consultation and consultation is required to capture possible complaints, then company risk assessment and verification programs are not currently designed to detect and address risk or threats to HCVs identified by stakeholders.

3.2.4 Has an accredited certification body implemented this risk assessment on behalf of the company? (Note on 10.5 of FSC-STD-20-011 V1-1). If so, who?

Only in three certification reports was it clearly stated that another party had undertaken the Risk Assessment.

For Rainforest Alliance sample there was one company, Les produits forestiers Bécesco inc. (SW-COC-005188) stated "A consultant does this for them 'Incos Stratégies'. This is a company run by a person who is also an auditor for Rainforest Alliance. There is a potential conflict of interest here, given that CABs are not allowed to do the Risk Assessment for companies they certify. ASI will look further into this case. For Bois CFM Inc. (RA-COC-006197) the report states the Risk Assessment has been prepared for the company, but it does not identify by whom.

SGS Report for Plancher Avant-Guard Inc. (SGSNA-COC-000303) states 'As a result of intensive review by consulting firm, ProForest, the conclusion is that there is low risk across the Canadian Provinces.'

In none of these cases has an accredited Certification Body implemented the Risk Assessment for a company. In the cases illustrated above, none of the Risk Assessments were judged to be of a better quality than those conducted by companies themselves Risk Assessing their own sources. The intent of the Note on 10.5 of FSC-STD-20-011 V1-1 would appear to be that a Certification Body would have the expertise to conduct a Risk Assessment for a company it was not certifying. This option does not appear to have been used in any of the cases studies here and it would be interesting to know if this option has ever been taken up.

3.2.5. What sources of information does the company use to justify their low risk rating on category 3? Do these sources represent the information that is publicly available related to category 3?



Most of the company Risk Assessments use very few information sources other than those listed as Examples Sources of Information in the third column of the table in Annex 2 of FSC-STD-40-005 V2-1 to conduct their risk assessments under Category 3. Some company Risk Assessments just use these Example Sources selectively, for example Les Industries Piekouagame inc. (SGSNA-COC-000405) only use WWF Ecoregions to arrive at a Low Risk designation.

Analysis of the Examples Sources of Information alone on the FSC Global Forest Registry confirms that at least some of the Ecoregions where companies state they are sourcing from are considered Unspecified Risk at this level. Only AI-Pac state this in their risk assessment under 3.1. They and other certificate holder sampled then go on to use the existence of government policies and protected area systems to justify Low Risk under 3.2 in the Forest Management Units (FMU) they source from. Millar Western Forest Products Ltd. (SW-COC-001912) state that they '...in conjunction with AI-Pac [have] performed further risk assessments by identifying harvest locations and overlaying them over a high risk area map produced by AI-Pac to determine that all wood harvested can be deemed low risk.'

Risk Assessment through Annex 2 at the FMU level is not the intent of the standard. Such FMU level assessment is supposed to use the Annex 3 process. The Annex 3 process requires stakeholder consultation and the need to verify compliance at the level of each FMU, neither of which is required in Annex 2. If the risk of sourcing Controlled Wood is still Unspecified when the Annex 2 assessment has exhausted every justifiable District greater in area than the FMU, then the risk is such that an FMU level assessment is needed, which is where Annex 3 must be applied. Currently, no company in Canada is going to Annex 3 in their risk assessments.

These observations should be considered alongside those for companies using the CWIM, as this document is noted as being too selective in the sources it uses for identifying risk in Category 3 (HCV).

In addition to the issues with the information in the CWIM, FSC-ADV-40-005-01 and FSC-ADV-40-005-14 provide guidance on sources of information under 3.1 which contradict FSC-STD-40-005 V2-1:

- ADV 01, clause 3 states, "for the purpose of risk assessment of HCVF, the evaluation may first be carried out at a country level to assess if the district where the timber originates is located in any of the listed ecoregions of HCV (e.g. *Biodiversity Hotspots*, *Global 200 Ecoregion*, *Frontier Forest*, *Intact Forest Landscapes*). If the timber is not originating from a district within one of the designated ecoregions, then the company can classify the district as 'low risk' and the timber as 'Controlled Wood' for the given category."

This implies that only these sources of information are required to come to a low risk designation. It also incorrectly states that the evaluation starts at the country level, when the only activity conducted under category 3 at the country level is to identify the ecoregions within the district of origin in order to conduct the risk assessment for those ecoregions.



- Clause 3 goes on to state, “If the timber however is originating from a district within one of the designated ecoregions, then the company shall classify the district as ‘unspecified risk’. In that case, the company may decide to conduct the risk assessment at a lower scale (province, county, FMU) to arrive at a low risk designation, providing that there is independent verifiable information available to support that conclusion.”

This ignores indicator 3.2 and allows the company to scale down to a level that is not the ecoregion level, which is in contradiction to FSC-STD-40-005 V2-1. It also allows FMU level analysis under 3.1, which contradicts the instruction in FSC-STD-40-005 V2-1 that FMU level analysis is triggered by designating ‘unspecified risk’ and going to Annex 3.

- ADV 14 clause 1 starts also with a ‘may’ statement “Compliance with Indicator 3.1 may be demonstrated as follows:

“May” statements, as opposed to normative guidance given the ‘shall’ statement, create confusion because they open up new possible means of compliance with the standard that are not consistent with the standard or with each other.

- Clause 1 continues, “a) The district of origin of the timber is not located in any of the mapped areas of high conservation values (as listed in 3.1) in a certain country OR b) there are no ecoregionally significant high conservation values in the district of origin according to independent verifiable information at the district/ FMU level (NGO reports, environmental impact assessments, etc)”

Mapped areas are referenced as the example sources of information, further supporting the idea that these example sources of information are a comprehensive list that adequately identifies ecoregionally significant HCVs. Country level is also referenced again, despite the standard requirement to look at the ecoregions level. Furthermore, the term ‘ecoregionally significant’ in relation to HCV is not defined. In Canada, some companies consider caribou to be an ecoregionally significant HCV, while others consider it a locally significant HCV that does not need to be identified in risk assessments.

3.2.6. Are companies providing sufficient and accurate information to defend the claim of a ‘strong system of protection’ as per 3.2?

If the Risk Assessment identifies that forest management activities are known to threaten High Conservation Values, the next step is to identify if there is ‘A strong system of protection (effective protected areas and legislation)... in place that ensures survival of the HCVs in the ecoregion’ (Requirement 3.2 of Annex 2). Many of the companies then cite government provisions for protection, but give no evidence that these are effective in ensuring the survival of the HCVs at the ecoregion level. Several sources are identified in the Examples of Sources of Information for requirement 3.2. Firstly the FSC National Initiative is suggested. As there is no approved National Risk Assessment, the draft CWIM has been used in some cases, but the CWIM does not conclude that there is a strong system of protection in place in Canada. In fact it states that “The fact that a provincial government asserts that it has a strong system of



protection does not necessarily mean that a strong system is in place.” Notably, while other information provided by the CWIM is followed diligently, the guidance on 3.2 is largely ignored. This was confirmed at least in the 5 risk assessments currently involved in ASI complaints investigations. All used the CWIM as guidance for sources of information to consult under 3.1 but none used the guidance for 3.2. This suggests that companies may be ‘cherry picking’ guidance that supports their low risk designation.

The second option is to identify that the country is ‘Signatory to the Convention on Biological Diversity ...and demonstrable progress towards completing a network of protected areas, such as an overall positive analysis of the latest country thematic report on Forest Ecosystems.’ Although the links to the Convention on Biological Diversity in the Examples of Sources of Information for 3.2 are broken, a search reveals that this information is now contained in the CBD Country Reports (<http://www.cbd.int/reports/>). From the report for 2014, the fifth report for the CBD, it is not easy to determine the extent to which the thematic report can be considered overall positive.

A further complication when assessing 3.2 is that FSC-ADV-40-005-14 provides a different set of guidance for assessing 3.2 than the standard. Clause 2 of ADV 14 starts with ‘Compliance with indicator 3.2 shall be demonstrated as follows”. This connotes a normative requirement, yet the sources of information from FSC-STD-40-005 V2-1 are not repeated here, while new sources and procedures are introduced. The first is the ‘rule of law’ index from the World Bank. Given the ‘shall’ statement opening the clause, this ‘rule of law’ index is mandatory information despite the fact that it is at the national level and not the ecoregion level, as required by the standard for risk assessment on Category 3. Depending on the legal structure within a country, the rule of law rating may not be that useful in determining the strength of the system of protection. In Canada, most of the legislation related to forestry is enacted at the provincial level. This creates heterogeneity between provincial jurisdictions that are not adequately accounted for in such a national info source.

The second information source is 14.2 b) ‘significant support by relevant national/ regional stakeholders from the assessed district OR 14.2 c) ‘the company has agreed to an approach of HCVF protection at the forest management unit level with national/ regional environmental stakeholders from the assessed district.” As pointed out by CABs such as KPMG, there is no definition of what constitutes a ‘national/ regional environmental stakeholder from the assessed district’ and thus there is a risk of inconsistent enforcement of these requirements by CABs interpreting what constitutes a ‘national/ regional stakeholder’ and what is an adequate level of ‘support’.

Furthermore, 14.2c refers to FMU level, invoking the opportunity to conduct risk assessment at that level in clear contrast to the requirement of FSC-STD-40-005 V2-1 to go to Annex 3 if low risk cannot be confirmed at the level of the ecoregion.

Finally, clause 14.3 is a source of consternation for CABs, companies, and ASI alike. It states, “Compliance with indicator 3.2 cannot be demonstrated if there is substantial objection from relevant national/ regional stakeholders against a ‘low risk’ designation for the HCVF category.” This clause provides a potential veto effect over company risk assessments without providing any context of what ‘substantial objection’ and ‘relevant stakeholder’ should mean.



In a recent letter to the FSC International Board of Directors (BoD), a consortium of major NGOs from Canada expressed what could be considered substantial objection to all CW risk assessments in Canada. In the absence of guidance on 14.3, this letter could be interpreted as a veto against any risk assessment.

However, the larger issue with Annex 2, indicator 3.2 and FSC-ADV-40-005-14 clause 2 is that neither procedure can confirm a strong system of protection is in place to mitigate the threat of forest management to identified HCVs at the ecoregion level. Most metrics are the wrong scale (national, provincial) and follow political rather than ecoregional boundaries. The heterogeneity across political lines is largely ignored, but can lead to 'false positives' in risk designation, especially regarding districts of origin that straddle national boundaries (e.g. between Canada and the USA).

3.2.7. Are companies defining their scope of sourcing within their districts of origin in such a way as to defend low risk designations for HCV?

If the risk of sourcing Controlled Wood is still Unspecified when the Annex 2 assessment has exhausted every justifiable District greater in area than the FMU, then the risk is such that an FMU level assessment is needed, which is where Annex 3 must be applied.

Currently, companies are using the note on FSC-ADV-40-005-01 to justify a confined scope of sourcing that rules out controversial sourcing in their district of origin. This is a recent trend in response to complaints where stakeholders have assumed that the risk assessment covering the whole district of origin pertains to all potential sources of controlled wood. Companies argue that they can justify the low risk designation across the district by defining their sourcing so that it is clear that controversial areas (such as First Nations traditional territories and intact forest landscapes) are excluded. This usually requires an FMU level definition of sourcing in conjunction with FMU level HCVF assessment. Resolute Forest Products and Alberta Pacific are two companies who use this method. While it does go far to exclude controversial sources while maintaining an overall low risk designation (which could be considered beneficial to the system), it blurs the lines between Annex 2 and Annex 3 in a way that allows the companies to avoid stakeholder consultation or initiating their company verification program. FSC must decide if this practice is better or worse for the system, as ASI sees an increasing trend in companies embracing this approach and CABs accepting it as a good practice.



4. Conclusions and recommendations

In its present form, there are areas of the controlled wood system that do not function as they were intended. It is difficult to conclude from this that the system isn't achieving its purpose; however, it does mean that CABs and ASI have a more difficult time confirming if the system is functioning well and identifying where systemic issues persist. As a result, the doubt that is cast due to this uncertainty is harmful to all parties with a stake in the system's success.

FSC is in a position to correct the problem by revising the certification and accreditation standards, doing away with the high number in advice notes and standards interpretations, tightening control over guidance documents, and facilitating the development of National Risk Assessments and approved National Guidance with expediency. All of these steps are already in place and have been for some time. But while these processes progress slowly, the system is reaching more and more of a stress point as stakeholders question its legitimacy.

Overall, contrasting information between the standard, the advice notes, and national guidance (such as the CWIM in Canada) has led to a de facto 'race to the bottom' where companies can consult the minimum sources of information possible in order to justify a low risk designation. As they pick and choose amongst contrasting information in the Advice Notes, the standard, the unapproved guidance, and the standards interpretations to identify HCVs and the threat under 3.1, they create scenarios that are difficult to verify as having 'sufficient and accurate' information. The fall out from this is that CBs have trouble identifying non-conformances that 'stick' - i.e. the company can't argue their way out of. ASI faces this same issue when trying to tackle the problem through CB accreditation requirements. The result is that risk assessments on Category 3 are not adequately 'auditable' to provide sufficient legitimacy to the company risk assessment approach, and represent a major risk to the controlled wood system.

This is not new information either, and part of the reason that FSC wants to phase out company risk assessments by December 2015. In the meantime, however, FSC needs to find short-term solutions to the risks posed by the uncertainty, questionable legitimacy, and lack of auditability in the current system and ensure that these are corrected through the standards revision process.

From the results of this systemic review, ASI makes the following recommendations:

1. National Risk Assessments, FSC Canada CWIM and other national guidance documents

- It is imperative that FSC Canada finalize and gain approval of the NRA and in the mean time they issue a clear statement reiterating that the CWIM, as it states in the beginning of that document, is a 'use at your own risk' document. Furthermore, FSC needs to make a broad commitment to providing new or updated guidance to accompany NRAs once completed. From the sample reports and as evidence in complaints investigations, national guidance such as the CWIM has an important role in advising company risk



assessments and is used broadly- indicating a demand for such guidance, but with updates and improved synchronicity with the standard.

2. Improvements to certification standards

- In order to investigate potential conflicts of interest properly, it would be beneficial if there was a clear requirement in the public summary of the risk assessment for the company to disclose who created the risk assessment. This would allow ASI to investigate this more efficiently and detect any conflicts of interest that may arise.
- Limit the use of 'may' statements and instead use clear shall statements in the standard while allowing may statements in the approved national guidance. This would allow for clarity in auditing the RA by the CAB and auditing the performance of the CAB by ASI.
- Eliminate conflicting statements as to what sources of information are required vs. which are examples. The example list in the standard is from 2007 and is treated as a default list; however, it is by no means comprehensive and was intended as examples, as stated in the column heading. While NRAs may go a long way to correct the issue, there is still room for guidance on what constitutes sufficient and accurate information in risk assessment once it goes to the ecoregion level and below.
- FSC Canada needs to provide guidance in the NRA on what is considered an 'ecoregionally significant' HCV (e.g. are caribou considered ecoregionally or locally significant?). Since the term 'ecoregionally significant' is not defined in the standard, FSC International will need to provide a standard definition that National Offices can work with. At the time the standard was written it was the expectation that the National Risk Assessments would define which HCVs were significant and at threat, but since the Company Risk Assessments have persisted for the past eight years instead of the one year as was intended, such terms need international clarification. It is suggested that any HCV that is threatened by forest management should be regarded as significant, unless or until further qualified by an approved NRA. This is essential to ensure continuity between risk assessments.
- FSC International needs to make it clear that FMU level analysis is not permitted under 3.1. The 'local-level' referred to in 3.1 of the standard is not equivalent to the FMU-level required under Annex 3.
- What constitutes 'independent verifiable information' needs to be clarified by FSC, perhaps through some set of criteria. In complaints investigations, it has become clear that this is an area of CAB interpretation where some CABs have thoughtful criteria and others do not.
- The example sources of information in the standard date back to before 2007. Some of these sources are no longer the best examples and should be updated or replaced in the standard. For example, FSC may wish to review the CBD as a potential source of information on 3.2. From the CBD website, it is not possible to draw any firm conclusions as to whether Canada has a strong system of protection (effective protected areas and legislation) in place that ensures survival of the HCVs in the ecoregion, although the Country Profile for Canada suggests there has been, overall, significant progress in Canada's Program of Work on Protected Areas, this is fragmented due to the Provincial rather than National responsibility over land use.



- Define 'significant relevant national/regional stakeholders within the assessed district' as part of the National Risk Assessment, based on a basic definition of this term provided by FSC International through the standard. Add the procedures from FSC-ADV-40-005-14 directly to the standard and redraft indicator 3.2. Replace clauses 14.2b, 14.2c, and 14.3 with more auditable measures for indicator 3.2.
- Create a clear connection between defining a confined scope of sourcing within a district of origin with the necessity of going to Annex 3, since the need to define a confined scope of sourcing indicates heterogeneity in the risk designation at the level of the district. Heterogeneity at the district-level would require an FMU-level risk assessment in order to come up with both the confined scope and an appropriately homogenous risk designation over that confined area. The standard needs to spell out more clearly the procedures for when to go from Annex 2 to Annex 3

3. Improvements to accreditation standards

- Improve CAB procedures for verifying company risk assessments. In order to provide sufficient interpretation and guidance for the implementation of the Controlled Wood system, FSC would benefit from analyzing the CAB procedures to see how they have augmented the standard, sometimes to the benefit of the system and sometimes selectively or misleadingly. First and foremost, FSC should clarify what the CABs are expected to include in their procedures. It is suggested that such 'procedures' should not consist of a rewrite of the relevant standard, but rather a set of instructions to auditors on how to carry out their functions in assessing compliance. An example here is strengthening and clarifying the requirements related to how CABs audit complaints procedures and how complaints escalate from company to CAB to ASI.
- Clarify the specifics of what CABs are required to check when assessing the 'sufficiency and accuracy' of sources of information used in the risk assessment.
- A Procedure outlining a common FSC Checklist for developing Controlled Wood Risk Assessments for Annex 2 and Annex 3 would greatly improve the current Company Risk Assessments, without having to wait for the new standard to be approved.

4. ASI follow up from this systemic review

- This review recommends that ASI, at subsequent office assessments, confirm whether the CABs are following up on incidents where stakeholder input has suggested potential non-conformance and how, procedurally they are handled.
- This review recommends that ASI follow up, in subsequent office assessments (i.e. in the Assessment Plan for 2015) on CAB non-conformances observed during this process.
- Additionally, ASI should check whether CABs are keeping adequate records of complaints handled by companies under FSC-STD-40-005 V2-1 section 14.



- ASI also needs to review how we can provide clarifications as per FSC-ADV-40-005-08 in a manner fair to all certificate holders and CABs and agree to a procedure with CABs and FSC in light of the new controlled wood standards and NRAs.
- Approach FSC directly with a set of interpretation requests related to the areas of the standard that are identified as needing clarification. These interpretation requests need to be submitted in the required format and should suggest how the requirement should be interpreted.
- If self-assessment is indeed phased out in the new controlled wood standard, it is strongly recommended that ASI follow up with a special audit in 2016 to check how this is being implemented by CABs and adhered to by companies.



Annex 1: Tables and Figures

Table 1. Companies and certificates sampled in the systemic review

Name	FSC Certificate No.	Certification Body	Selection criteria
Millar Western Forest Products	KF-CW-001021	KPMG	Complaint
West Fraser	KF-CW-001045	KPMG	Complaint
Daishowa Marubeni International	KF-CW-001020	KPMG	Complaint
Resolute Forest Products Thunder Bay	QMI-COC-001505	QMI/SAI	Complaint
Weyerhaeuser Grand Prairie	QMI-COC-001330	QMI/SAI	Complaint
Norbord Inc.	QMI-COC-001040	QMI/SAI	Random
Preverco Inc.	SGSNA-COC-005611	SGS NA	Random
Plancher Avant-Guard Inc.	SGSNA-COC-000303	SGS NA	Random
Les Industries Piekouagame inc.	SGSNA-COC-000405	SGS NA	Random
Catalyst Paper Corporation	PWC-COC-000405	PWC	Random
Ed Bobocel Lumber (1993) Ltd.	SW-COC-001990	SW/RA	Random
Ariva, a division of Domtar Inc.	RA-COC-000702	SW/RA	Random
Millar Western Forest Products Ltd.	SW-COC-001912	SW/RA	Random
Produits Matra Inc	RA-COC-002782	SW/RA	Random
Les produits forestiers Bécesco inc.	SW-COC-005188	SW/RA	Random
Bois CFM Inc.	RA-COC-006197	SW/RA	Random
Matériaux Blanchet Inc.	SCS-COC-000015	SCS	Random
All-Wood Fibre Limited	CU-COC-827241	CU	Random
Alberta Pacific Forest Industries Inc.	SW-COC-001638	SW/RA	Cited by many other company RAs

