



Forest Stewardship Council®



# Due Diligence Evaluation for the Association with FSC

## FSC-PRO-10-004 V2-0 EN

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**Contact for comments:** Director's Office  
FSC Global Development  
Charles-de-Gaulle-Str. 5  
53113 Bonn, Germany



+49-(0)228-36766-0



+49-(0)228-36766-30



[fsc@fsc.org](mailto:fsc@fsc.org)

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## **DUE DILIGENCE EVALUATION FOR THE ASSOCIATION WITH FSC**

FSC-PRO-10-004 V2-0 EN

**DRAFT 1-4**

The Forest Stewardship Council (FSC) is an independent, not for profit, non-government organization established to support 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.

## INTRODUCTION

The FSC Policy for Association (FSC-POL-01-004) is an expression of the values shared by organizations associated with FSC. It defines six unacceptable activities that associated organizations and their affiliated groups commit to avoid in both certified and non-certified operations.

The procedure in this document, FSC-PRO-10-004, describes the process used by the FSC Secretariat to screen applicants prior to their association with FSC, thereby minimizing the risk of establishing an association with an organization in violation of the *FSC Policy for Association*.

The risk management approach taken in this procedure aims to balance the need for proactive implementation of the *FSC Policy for Association* while recognizing that it cannot place undue burden on, or create a certification disincentive for, certificate holders and members committed to the values of FSC.

Unlike contractual agreements for forest management, chain of custody, and controlled wood certification between the organization and the certification body, compliance with the *FSC Policy for Association* is overseen directly by the FSC Secretariat. Therefore, the FSC Secretariat also implements this Due Diligence Procedure. However, if the certification body finds evidence or observes actions that point to a possible violation of the *FSC Policy for Association*, then the certification body is responsible for informing both the organization and the FSC Secretariat of such information<sup>1</sup>.

## VERSION HISTORY

V1-0: initial version, and an internal operating procedure.

V2-0: proposed, and first proposed public procedure. Revisions are being suggested to expand the procedure beyond an applicant's 'self-declaration' towards a 'self-assessment' and to include active risk screening by FSC and stakeholder. Furthermore, there is now a requirement for disclosure of the applicant's organizational structure and areas of operation.

## NORMATIVE DATES

Approval date: XXX  
Publication date: XXX  
Effective date: XXX  
Transition period: XXX  
Period of validity: XXX

## REFERENCES

The following references are essential for the application of this document. For undated references, the latest edition of the referenced document (including any amendments) applies.

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<sup>1</sup> See also Interpretation *INT-STD-20-001\_13 Clause 2.7d (amended 28 April 2016)* for more information.

- FSC Policy for the Association of Organizations with FSC (FSC-POL-01-004)
- Procedure for Evaluating Compliance with the FSC Policy for Association (FSC-PRO-01-009) [Note: This procedure is also being revised, with a new title from the current, approved version].

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### A. Scope

This procedure applies to both applicant FSC members (for FSC International membership) and certificate holders.

This procedure concentrates on whether any of the six unacceptable activities of the *FSC Policy for Association* are taking place in the organization's operations that are not certified (or pursuing certification). This procedure supplements the assessment process for forest management, chain of custody, and controlled wood certification.

This procedure will first be implemented for organizations applying for FSC certification or FSC membership.<sup>2</sup> After this procedure has been in effect for sufficient time as to allow the FSC system to effectively implement it (for example, 2-3 years), it will be expanded to include the screening of existing certificate holders and members.

Organizations that have been disassociated from FSC undergo a separate process for re-association, and with separate procedures for evaluating compliance with the *FSC Policy for Association* in all their operations.

Stakeholder input requested: For existing certificate holders, is it practical and worthwhile to require all of them to be screened against this procedure during their re-certification or should implementation of this procedure be limited to organizations with complex organizational structures and/or those operating in high-risk regions? Please consider that there are over 30,000 certificate holders in the FSC system and the costs/benefits to the FSC system in implementing this procedure.

### B. Steps in the Process for Applicant Certificate Holders and Applicant Members (in sequential order)

#### 1 Applicant Self-Assessment and Disclosure

- 1.1a In relation to applicant certificate holders: Prior to entering into a contract with a certification body, the organization shall fill out an *FSC Policy for Association* self-assessment form. This online form is found on the 'Welcome' portal of the FSC website.

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<sup>2</sup> This procedure will be rolled out as a pilot first, and then once tested, will be implemented for applicants and then later as part of re-certification process.

1.1b In relation to applicant members: Prior to signing a Membership Agreement with FSC, the organization shall fill out an *FSC Policy for Association* self-assessment form. This online form is found on the 'Welcome' portal of the FSC website.

1.2 The organization shall disclose all legal entities within their affiliated group [see Footnote 6] in the form.

See Annex 1 for the questions found in the online self-assessment form.

## 2 Initial risk screening

2.1 The following organizations can receive a Trademark License Agreement or Membership Agreement without further screening:

- a) FM, FM/CoC or CW/FM certification applicants that are not part of an affiliated group with further operations in the forestry or forest products sector.
- b) Organizations that do not have forestry or forest products operations located in countries scoring higher than 50 on Transparency International's Corruption Perception Index<sup>3</sup>.

NOTE: FSC may still require further screening based on the information in the self-assessment or otherwise made known to FSC.

2.2 Organizations not exempted by Clause 2.1 shall be evaluated according to Section 3.

Stakeholder input requested: The Working Group has long discussed using a "risk-based approach" for this procedure; however, it has been challenging to define specifically what to use as the risk filter(s). The Working Group proposes to use the CPI index for this purpose. Please provide input on:

1. Whether the CPI index is an effective tool for this purpose and/or whether there is another metric that should be used?
2. If the CPI index is fit for purpose, should the threshold be set for 50 or a different threshold?

Additionally, organizations that are not engaged in forest management or forest products manufacturing are considered to be low risk, since they would generally fall outside the scope of the *FSC Policy for Association*. Please provide input on whether:

3. Clause 2.1 (a) accurately describes these types of organizations, for example, printers?
4. If not, then is there a better term to describe such organizations?

## 3 Information-gathering and verification

### *Stakeholder Input*

3.1 On a weekly basis, organizations applying for FSC certification or FSC membership that fall under Clause 2.2 above will be listed in a designated section of the FSC

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<sup>3</sup> This tool is globally recognized as an effective and credible resource for identifying countries where activities such as those in the *FSC Policy for Association* are at risk to occur. See: <https://www.transparency.org/cpi2015>

website<sup>4</sup>. Stakeholders are given the opportunity to provide input to FSC specifically regarding the applicant organization's compliance with the *FSC Policy for Association*. If there is concern that the organization is in violation of the *FSC Policy for Association*, then stakeholders shall provide substantiated evidence to support this claim.

- 3.2 Stakeholders have a maximum of 10 days from the website posting to provide comments.

### ***FSC Evaluation***

- 3.3 Within 15 days of notification of the organization on the FSC Policy for Association webpage, FSC will internally review the organization's self-assessment and any comments provided by stakeholders.
- 3.4 If the review in Clause 3.3 provides an indication that the organization may be in violation of the *FSC Policy for Association*, FSC will conduct a more detailed review, which may include direct communication with the organization to gather additional information. In such instances, the organization shall be notified that the review may require an extension of the time frame allocated for the screening<sup>5</sup>.

NOTE: Information gathered from the organization during this internal review is considered confidential.

- 3.5a In relation to applicant certificate holders: If there is no indication of a violation of the *FSC Policy for Association*, then the organization can receive the Trademark License Agreement to pursue FSC certification; otherwise the evaluation is continued according to Section 4.
- 3.5 In relation to applicant members: If there is no indication of a violation of the FSC Policy for Association, then the applicant can receive the Membership Agreement; otherwise the evaluation is continued according to Section 4.

### **4 (if applicable) FSC Investigation and evaluation according to the 'Procedure for Evaluating Compliance with the FSC Policy for Association'**

- 4.1 If there is substantiated evidence that the organization is in violation of the *FSC Policy for Association*, then the *Procedure for Evaluating Compliance with the FSC Policy for Association* shall be initiated by FSC in order to conduct a robust evaluation and make a determination.
- 4.2 The organization will be given the opportunity to withdraw its application if it does not want to move forward with the evaluation.

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<sup>4</sup> Applicant certificate holders will be listed on the Policy for Association webpage; applicant members will be listed in the Member Portal.

<sup>5</sup> The timeframe allocated to this screening process will normally take a maximum of 20 days: 5 days for the stakeholder notification to be sent out, 10 days for stakeholder input, 5 days for FSC verification.

## C. TERMS AND DEFINITIONS

***Applicant:***

The organization that seeks to enter into a formal association with FSC as a member, certificate holder or certification body.

***Due Diligence:***

A precautionary investigation of a business or person prior to signing a contract.

***Organization (associated organization):***

An entity which has, or is seeking to have, an association with FSC, and is therefore responsible for demonstrating conformity with the *FSC Policy for Association* and other requirements upon which the association is based.

## Annex 1: FSC Policy for Association Self-Assessment Questionnaire

Stakeholder input requested: The questionnaire in this draft procedure concentrates on operations where the applicant organizations or entities within its affiliated group have control. Except for category a (illegal harvesting or trade), due diligence is not being sought on actions of suppliers where the organization or its affiliates do not have such control. It should be noted that the draft *FSC Policy for Association* has not yet been finalized and the FSC Board of Directors is still considering whether the policy should hold organizations accountable for actions of their suppliers that are beyond the control of the organization or whether such actions are beyond the scope of the policy.

Please consider the feasibility and impact of requiring organizations to expand this self-assessment to also consider supplier actions, and also how this would affect the Due Diligence Procedure as a whole.

1. Is your organization applying for both FSC certification and FSC membership, or are you already associated with FSC through membership or as a certificate holder? (Y/N; Please explain)
2. List or provide an organizational chart of all entities within the organization's 'affiliated group'<sup>6</sup> and other entities of which the organization has managerial control<sup>7</sup>:
  - 2.1 Have any entities within the organization's affiliated group previously been disassociated from FSC? If so, please list and describe the current status of the disassociation:
3. List all countries in which your organization and its affiliated group have operations in the forestry or forest products sector.
4. Identify whether your organization and its affiliated group has procedures or policies in place and in practice for not engaging in<sup>8</sup>:
  - a. Illegal harvesting or trade in forest products (Y/N)  
  
Since this category includes trade, do the procedures and policies extend to suppliers (Y/N)
  - b. Violation of traditional or human rights within the forestry or forest products sector (Y/N)

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<sup>6</sup> The draft proposed definition of 'Affiliated Group' is "*The totality of legal entities to which an associated organization is affiliated in a corporate relationship in which either party controls the performance of the other (e.g. parent or sister company, subsidiary, joint venture, etc.)*" (revised draft FSC Policy for Association, proposed).

<sup>7</sup> The draft proposed definition of 'Control' is, "*The power to direct, restrict, regulate, govern, or administer the performance of a legal entity through authority, rights, contract, or other means.*" (revised draft FSC Policy for Association, proposed).

<sup>8</sup> Definitions and guidance associated with each of these unacceptable activities are found in the FSC Policy for Association, attached to this application form.



- c. Violation of any of the fundamental principles and rights at work as defined in the ILO Declaration on Fundamental Principles and Rights at Work laid down in the ILO Core Conventions and within the forestry or forest products sector (Y/N)
  - d. Significant damage to High Conservation Values in forests (Y/N)
  - e. Significant conversion of forests to plantations or non-forest use (Y/N)
  - f. Use of genetically modified trees for purposes other than research (which can include field trials), such as for commercial purposes (Y/N)
5. Are all entities within your organization's affiliated group aware of these procedures or policies (as referenced in Question 4, above)? (Y/N)
  6. Does your organization agree to make these policies or procedures accessible to FSC if asked to do so? (Y/N)
  7. Provide additional information on any of the above responses, if necessary:
  8. Is your organization or any entities within your affiliated group a party to current or past legal actions or substantiated allegations related to the unacceptable activities of the *FSC Policy for Association*, and/or have you previously applied for certification and been denied or lost their a certificate? (Y/N; Please explain)
  9. Your organization's commitment to honor the values within the *FSC Policy for Association* applies to all entities within the affiliated group. It is therefore important that the highest executive within this group is aware of, and agrees to, this commitment. Identify the highest executive within this group:

# ic.fsc.org

FSC International Center GmbH  
Charles-de-Gaulle-Straße 5 · 53113 Bonn · Germany



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