



Forest Stewardship Council®



Final Report on the Chinese NFSS (6.5) Pilot Test

April 2021

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Executive Summary

When developing the National Forest Stewardship Standard (NFSS) of China, it became evident that indicator 6.5.5 (*Representative Sample Areas* in combination with other components of the conservation areas network* comprise a minimum 10% area of the Management Unit*.*) could become a barrier in access to certification, especially for smallholder groups.

As a result, this pilot test has been implemented in conformance with FSC-POL-01-001 V1-0 EN *FSC Policy for Pilot Tests of Draft FSC Standards* to find alternative ways to conform with the indicator.

This report summarizes the results of this pilot test after two years of implementation and is intended to serve as the basis for the FSC Policy and Standards Committee and the FSC Board of Directors to decide how to incorporate the results of the pilot tests and the findings compiled by FSC China into the FSC system.

1. Pilot testing alternative ways to conform with Indicator 6.5.5

1.1. Background

Forest management and FSC certification in China is very complex, varying greatly from some regions to others, especially for smallholders. There are, for instance, regions where smallholder group certificates can conform with up to 20% of set aside areas. On the contrary, there are other regions where, currently, smallholders are not able to conform with the 10% set aside areas requirement.

In these regions, smallholders mainly manage forest plantations over small and scattered patches of land that is typically predominantly farmland and plantation, with limited secondary forests. To cope with the FSC requirement to set aside land dedicated for conservation purposes, restoration seems to be currently the only viable option, but it can be cost prohibitive due to availability of land and cost of establishment and maintenance of natural vegetation. Additionally, with the logging ban on natural forest, plantations on forest land owned by smallholders effectively become the largest source of growth in certification in China.

The New Approaches for Smallholders and Communities Certification project (hereafter referred to as 'New Approaches project'), was approached by FSC China due to the challenge that smallholders in some regions face in conforming with indicator 6.5.5. A pilot test was considered to analyse alternative approaches to conform with this indicator, since this would capture input on all aspects of FSC certification, not only on the conformance with the requirements, but also from the market and socio-economic impact point of view. By implementing a pilot test instead of a field test, participating smallholders may get a temporary FSC certificate as a result, which partially compensates for the effort and support provided.

1.2. Link with FSC Normative Framework and defined safeguards

China's National Forest Management Standard (NFSS) was developed in accordance with FSC Principles and Criteria V5-2 and became effective in October 2018. The challenge of conforming with this specific indicator was flagged throughout the national standard development process and was one of the last conditions to be closed, spurring the development of this pilot test. This pilot test clearly fits with the ideas and initiatives being launched by New Approaches as the proposal from FSC China was complementary to work being done under the priority line 'Explore the flexibility of the system' of the Normative Framework project stream.

The pilot test followed the requirements of FSC-POL-01-001 V2-0 *FSC Policy for Pilot Tests of Draft FSC Standards*, a standard designed to encourage collaboration between FSC, accredited certification bodies and other stakeholders in the development and testing of FSC standards.

Participation in this pilot test was only allowed for existing group certificate holders who were using the recent Chinese NFSS and FSC-STD-30-005 *FSC standard for group entities in forest management groups*. Forest management evaluations were made in accordance with FSC-STD-20-007 *Forest Management Evaluations*, FSC-STD-20-007a *Forest Management Evaluations – Forest certification reports* and FSC-STD-20-007b *Forest Management Evaluations – Forest certification public summary reports*.

1.3. Set up of the pilot test

A **chamber-balanced working group** (WG) was established to advise and provide content-related input to the implementation of the research and testing process (see table 1 below) to FSC China – the main responsible body.

Table 1: Working Group participants

Working Group Member	Chamber
Ding Yiwei, IKEA Trading Service (China) Co., Ltd.	Economic
Li Yejing, WWF China	Environmental
Hu Yanjie, Chinese Academy of Forestry	Social

The **project coordinator**, Ma Lichao (FSC China), was responsible for managing the process and guiding the content discussions, ensuring that the WG operated responsibly and in accordance with its Standard Operating Procedure (SOP) and applicable normative documents. The project coordinator was also responsible for engagement and communications activities, with the support of the technical coordinator.

The **technical coordinator**, Wang Yanyan (FSC China), was responsible for providing technical input and support to the project coordinator and manage the forest tests related to this process.

The **project supervisor**, Vera Santos, supported by Loy Jones, Asia Pacific Policy Manager, was responsible with providing advice to FSC China and ensuring the coordination with the Performance and Standards Unit (PSU).

1.4. Implementation of the pilot test

As required by FSC-POL-01-001 V2-0 *FSC Policy for Pilot Tests of Draft FSC Standards*, FSC China, with the support of New Approaches team, submitted a pilot test proposal to the Policy and Standard Committee (PSC) in May 2018 and an improved proposal in August the same year. The PSC recommendation was then approved by the FSC Board of Directors in a call in September, including the 2-years duration for the testing.

The roles and responsibilities of the (national) operational bodies were then detailed on a **Standard Operating Procedure** (SOP) (see Annex 1) and a list of potential participants was prepared by FSC China and assessed by the WG according to a previously agreed **scoring methodology**. Both documents were presented to the PSC in December 2018.

A thoughtful selection criterion (presented during the approval process), as well as a supporting scoring methodology was used to select the pilot participants.

According to the information provided by FSC China, at the start of the project, there were around 1 million ha of FSC certified area spread over 75 certificate holders. Of those, 34 include smallholder members, managing around 160,000 ha. From the existing certificate holders, there were 9 who face challenges in conforming with 6.5.5, since they did not meet the ‘new’ threshold of Conservation Area Network (CAN) and were thus the pool of potential participants.

The pilot test proposal allowed six (6) pilot test participants, but only five (5) conformed with the relevant elements and were ultimately selected by the WG in early 2019.

Table 2: Pilot test participants

Certificate Holder (CH)	Original scenario	Certification Body (CB)
Dongying Zhenghe Wood Industry Co., Ltd (SCS-FM/COC-005510)	Alternative 1	SCS
Shandong Longsen Woods Co., Ltd (NC-FM/COC-007089)	Alternative 2	NEPCon
Guangxi Sunway Forest Products Industry Co., Ltd. (BV-FM/COC-124765)	Alternative 2	Bureau Veritas
Fujian Province Shunchang County National Forest Farm (SGS-FM/COC-007967)	Alternative 3	SGS
Hengshui Bamailong Wood Co., Ltd (BV-FM/COC-144525)	Alternative 4	Bureau Veritas

Additional to the SOP, the WG discussed a detailed **Technical Assessment Framework** (see Annex 3) to further guide the selected certificate holders and certification bodies on the implementation of four alternative scenarios to conform with Indicator 6.5.5. This document was shared with PSU in February 2019.

Table 3: Alternative scenarios

Scenario	Alternatives
1	Additional land included in certificate: Where available, include in the group certification adjacent management units (MU) prioritizing conservation.
2	Additional land following FSC guidance, but not included: Where appropriate, provide service to local conservation area, to bring additional strength to its management.
3	Payment to compensate for ES: Where possible, provide financial compensation to certify Ecosystem Services (ES) from MU within similar ecosystem where such service is bountiful.
4	Where none of the above was available and accessible, an exemption is granted.

The pilot test sites were visited following the protocol defined by the WG:

1. Signature of the three-party agreement (between FSC China, CB and CH).
2. On-site investigation, performed by a technical expert hired by FSC China, that worked with the participants to assess requirements for the selected alternative and advised on implementation.
3. Implementation of the requirements / activities by the participating certificate holder.
4. Assessment of the Certification of the required elements of the proposed alternatives.
5. The validity of FSC certificate was only confirmed only after consensus was reached between FSC China and CB.

All the pilot sites were visited and assessed between April and October 2019 and followed-up with during 2020.

Additional information of the process can be found here: [Chinese National Forest Stewardship Standard pilot test | Forest Stewardship Council \(fsc.org\)](#).

1.5. Pilot test findings

The certificate holder participating in **Alternative 1** (Dongying Zhenghe Wood Industry Co, Ltd) had no major challenges on conforming with the framework and chose to include a local national farm in their certification scope, that prioritizes ecological restoration and recreation services.

For **Alternative 2**, there were 2 participants (Shandong Longsen Woods Co., Ltd and Guangxi Sunway Forest Products Industry Co). One (Shandong Longsen Woods Co., Ltd) was suspended and then terminated by FSC and immediately removed from the pilot test. The other was able to expand the certified area and then shifted to Alternative 1.

Alternative 3 (Fujian Province Shunchang County National Forest Farm) proved to be more challenging such as requiring many field visits, trying to collect data, establishing a baseline and defining methodologies. The decision was to focus on biodiversity, carbon and water. The implementation of the ES procedure was being done for the first time in the country and had many implementation challenges.

For the **Alternative 4** (Hengshui Bamailong Wood Co., Ltd), after the visit from the technical expert, it was suggested that this site had conditions to move to Alternative 2. They worked with a local partner and with a Wetland Authority to restore some water bodies nearby and raise awareness on environmental topics. There were some doubts if this type of activities would be accepted by PSU, which was later discussed and accepted, but the biggest challenge was to overcome the resistance of the local authority to facilitate the access of the local communities to the conservation efforts, e.g., for restoration activities, stating that this would jeopardize the conservation status. The other proposal, distributing annual calendars for raising environmental awareness on the values present, was also subject to many objections from the local authority. The participant ultimately decided to shift to Alternative 1.

Table 4: Distribution of the pilot test participants on the alternative scenarios at the end of the pilot test

Certificate Holder (CH)	Scenario by end of pilot test	Certification Body (CB)
Dongying Zhenghe Wood Industry Co., Ltd (SCS-FM/COC-005510)	Alternative 1	SCS
Shandong Longsen Woods Co., Ltd (NC-FM/COC-007089)	Terminated	NEPCon
Guangxi Sunway Forest Products Industry Co., Ltd. (BV-FM/COC-124765)	Alternative 1	Bureau Veritas
Fujian Province Shunchang County National Forest Farm (SGS-FM/COC-007967)	Alternative 3	SGS
Hengshui Bamailong Wood Co., Ltd (BV-FM/COC-144525)	Alternative 4 => 2 => 1	Bureau Veritas

1.6. Stakeholder engagement

Being a pilot test, public consultation was not required. Nevertheless, FSC China identified several opportunities to engage with local stakeholders e.g., NFSS trainings, Certification Bodies calibration workshops, involving around 300 participants, as well as with international stakeholders e.g., Forest Network presentations.

Another crucial aspect of the current pilot test was the regular sharing of information and gathering feedback with FSC Forest Network, contributing to a wider discussion around CAN and its relationship with representative sample areas.

2. Overall results of the pilot test

2.1. Assessment findings

2.1.1 Dongying Zhenghe Wood Industry Co., Ltd (SCS-FM/COC-005510)

The summary information on the pilot test participant is presented below:

Group scheme		Mixed
Type of group members		<ul style="list-style-type: none">• Smallholders (private)• National forest farm (public)
Member size	0-50 ha	No.: 4820, Total area: 7425.27 ha
	50-500 ha	No.: 0, Total area: 0 ha
	>500 ha	No.: 1, Total area: 848 ha

This pilot test participant adopted **Alternative 1**. The Group Manager reached out to a local state-owned forest farm and included it in the scope of their certification.

The area managed by the smallholders includes Italian poplar plantations on short rotation (about ten years). The national forest farm manages local species (e.g., *Platycladus orientalis*, Cotoneaster) and a few exotic species (e.g., *Robinia pseudoacacia*). As required by local government, all forest land is classified as "ecological public welfare forest." The management prioritizes ecological restoration and recreation services for local residents, while its operations are subsidized by government funding.

2.1.2 Shandong Longsen Wood Co., Ltd (NC-FM/COC-007089)

The summary information on the pilot test participant is presented below:

Group scheme		SLIMF
Type of group members		<ul style="list-style-type: none">• Smallholders (private)
Member size	0-50 ha	No.: 13, Total area: 274,3 ha
	50-500 ha	No: 0, Total area: 0 ha
	>500 ha	No.: 0, Total area: 0 ha

The forest area within the scope of certification is composed of *Paulownia* plantations, with a rotation period of 20 years

This pilot test participant chose **Alternative 2**. The Group Manager reached out to a local wetland park, with a total area of 100 hectares, including 60 hectares of water and 40 hectares of forested land. However, during **the pilot test** period, the certificate **was terminated**, due to false claims made by the certificate holder and it was excluded from the pilot.

2.1.3 Guangxi Sunway Forest Products Industry Co., Ltd. (BV-FM/COC-124765)

The original scenario chosen by this participant in the beginning was Alternative 2. The summary information on the pilot test participant is presented below:

Group scheme		Mixed
Type of group members		<ul style="list-style-type: none"> • Smallholders (private) • Forest Management company (private)
Member size	0-100 ha	No.: >2000, distributed 102 villages, Total area: 6770 ha
	100-500 ha	No.: 0, Total area: 0 ha
	>500 ha	No.: 1, Total area: 4887 ha

In the scope of the group certificate, a medium-sized forestry company is included, and the rest of the area is comprised of small holdings. The forestry company mainly manages *Eucalyptus* plantations and mixed coniferous of *Pinus massoniana* and broad-leaved forest. *Eucalyptus* plantations are managed in a short cycle, with a rotation period of 5-6 years, usually using pesticides and fertilizers. Mixed coniferous of *Pinus massoniana* and broad-leaved forest meet the definition of FSC natural forest and representative sample area, but the area is less than 10% of the total certified area. Smallholders mainly manage monoculture of large-leaf oak, which are harvested at 6-8 years, spontaneously sprouting after.

After the field visit, they decided to move to **Alternative 1**. Specifically, the certificate was expanded to include additional group members (smallholders) from the same prefecture. The added areas were natural forests, and the main management objective was environmental protection. Local communities collect some non-timber forest products such as star anise.

Group scheme		SLIMF
Type of group members		<ul style="list-style-type: none"> • Smallholders (private)
Member size	0-50 ha	No.: 3154, distributed 162 villages, Total area: 49451,04 ha
	100-500 ha	No.: 0, Total area: 0 ha
	>500 ha	No.: 0, Total area: 0 ha

2.1.4 Fujian Province Shunchang County National Forest Farm (SGS-FM/COC-007967)

This pilot test participant adopted **Alternative 3**. Shunchang county national forest farm has more than 10 years of experience with FSC forest management certification. It started in April 2010 with an area of 11'333 hectares. In 2015, after the reassessment, the area reached more than 16'000 hectares. A new funding strategy, launched in 2017, sped up the expansion through land leasing, land acquisition and land trustee programs with smallholders. The certification changed from single to group certification and the total area is now approximately 23'100 hectares.

With the pilot test, it was decided to include an area of 15'521 hectares in the scope of Ecosystem Services (ES) certification, since records are available between 2009 and 2018. The current certification scope is follows:

Types of ecosystem service	Types of outcome indicator	Examples of outcome indicator
ES1: biodiversity conservation	1. Conservation of natural forest characteristics	
	1.1 Anthropogenic disturbance at the landscape level	1.1.1 Level of disturbance
		1.1.2 land area
		1.1.3 Proportion of native species
	1.2 Land-level forest composition and structure for the whole management unit	1.2.1 Forest age class
1.2.2 Proportion of native tree species		
ES2: carbon sequestration and storage	2. Conservation of forest carbon stocks	
	2.1 Carbon storage	2.1.1 Forest carbon stocks estimated across the entire management unit
	3. Restoration of forest carbon stocks	
	3.1 Carbon storage	3.1.1 Forest carbon stocks estimated across the entire management unit
ES3: watershed services	4. Maintenance of water quality	
	4.1 Water quality	4.1.1 Water temperature (TEMP)
		4.1.2 Electronic conductivity (EC)
		4.1.3 pH value (PH)
		4.1.4 Total dissolved solids (TDS)
	5. Enhancement of water quality	
5.1 Water quality	5.1.1 Reference to the impact of ES3.1 maintenance of water quality	

The pilot test participant was audited for FSC Ecosystem Services in May 2020.

On September 15th, an ES workshop was held in Shunchang county national forest farm. More than 60 representatives from national authorities, Certification Bodies, universities, and other research institutions, as well as companies attended this workshop. A field trip to demonstrated how to measure and monitor ES was also held.

On December 11th, the forest management certificate with Ecosystem Services for carbon sequestration and storage; biodiversity conservation; and watershed services was issued by SGS, with all required documents uploaded on the FSC certification database.

The only aspect still under development and final discussion is the price mechanism.

2.1.5 Hengshui Bamailong Wood Co., Ltd (BV-FM/COC-144525)

The summary information on the pilot test participant is presented below:

Group scheme	Mixed
Type of group members	<ul style="list-style-type: none"> • Smallholders (private) • National forest farm (public)

Member size	0-50 ha	No.: 332, Total area: 12943 ha
	100-500 ha	No.: 2: Total area: 608 ha
	>500 ha	No.: 0, Total area: 0 ha

The area managed by the smallholders includes Italian poplar plantations on short rotation (about ten years).

The participant originally chose Alternative 4. During the field visit, the expert found a wetland conservation area in the same prefecture. The pilot was then transferred to **Alternative 2**.

Several efforts were made during the pilot test period to collaborate with the local wetland conservation area. A joint conservation agreement was signed and plans to carry out relevant environment protection activities e.g., remediation by local population. However, the wetland reserve, with an area of 283 square kilometres, is the only natural reserve in north China with relatively intact wetland ecosystem including swamp, water area, beach, meadow, and forest, and has rich wild animals and plants species. The wetland authority considered it to be too much of a risk for the conservation status to allow local communities in the area. In December 2019, the two parties consented to circulate a year calendar and brochures theming bird protection during 2020, but the action was not implemented due to payment divergences.

During the annual audit in December 2020, the auditor assessed that the participant has shifted from Alternative 2 to Alternative 1, setting up the required Conservation Area Network. The certificate holder identified and restored 1'368.33 ha (more than 10% of the total area, 12'943ha) with native species (mainly Willow, Elm and Chinese scholar trees) to more natural conditions. The natural forest restoration areas are clearly identified and updated on Forest Management Plan (2018-2027), revised in October 2020. These forests are strictly protected without commercial harvesting.

Table 5: Percentage of Conservation Area Network (CAN) at the end of the pilot test

CAN	Pilot test participant	Alternative scenario	CB	(ha)						
				Total area	CAN area	Required CAN	SH area	Average size	# SH	Other area
10,2	Dongying Zhenghe Wood Industry Co., Ltd	Alternative 1	SCS	8 273,5	848	827,3	7 425,5	< 50 ha	4 820	848
0	EXCLUDED PARTICIPANT: Shandong Longsen Woods Co., Ltd	Alternative 2	NEPCon	274,3	(100)	27,4	274,3	< 50 ha	13	(100) ¹
10	Guangxi Sunway Forest Products Industry Co.	Alternative 2 => 1	Bureau Veritas	49 451,04	4 962,82	4 945,1	49 451,04	< 50ha	31 554	0
28	Fujian Province Shunchang County National Forest Farm	Alternative 3	SGS	23 100	6 460,65	2 310	0	>100	0	23 100
10,1	Hengshui Bamailong Wood Co., Ltd	Alternative 4 => 2 => 1	Bureau Veritas	13 551	1 368,3	1 355,1	12 943	< 50 ha	332	608
Total area				94 649,81	13 639,80					

2.1.6 Comparison of the alternatives

An overall assessment of the tested alternatives, including a comparison in terms of advantages and disadvantages, is presented in the table below:

Scenarios	Alternative 1 'Business as usual'	Alternative 2 Flexibility	Alternative 3 Innovation	Alternative 4 Simplicity
Strengths	<ul style="list-style-type: none"> This option is already available in FSC system. 	<ul style="list-style-type: none"> It allows more freedom to offer activities that contribute to the conservation objectives. Allocation of resources is more effective. 	<ul style="list-style-type: none"> It builds on a recent forest solution offered by FSC and constitutes an effective alternative. It also brings additional benefits for the MU that provides ES 	<ul style="list-style-type: none"> No additional costs and less burden
Weaknesses	<ul style="list-style-type: none"> Additional MUs were typically public conservation areas, which creates an additional burden to 	<ul style="list-style-type: none"> Lack of trust for group members to be directly involved in conservation activities (risk to the natural values present). 	<ul style="list-style-type: none"> Additional incentives to adopt ES certification are needed. 	<ul style="list-style-type: none"> It was not tested during the pilot test.

¹ The potential partnership was never established.

Scenarios	Alternative 1 ‘Business as usual’	Alternative 2 Flexibility	Alternative 3 Innovation	Alternative 4 Simplicity
	<p>maintain good relationships, mandatory training; and</p> <ul style="list-style-type: none"> • It is an ‘empty’ effort since management activities are highly regulated by law. 	<ul style="list-style-type: none"> • Again, MUs were typically public conservation areas and required high investment in terms of time to establish and maintain the relationship areas. • Unbalanced position to negotiate and come to an agreement. 	<ul style="list-style-type: none"> • Technical support to implement FSC ES procedure is also needed. 	<ul style="list-style-type: none"> • A precedent for dropping such an emblematic indicator could raise some ‘issues’ to FSC system.

3. Final conclusion and recommendation

Overall, PSU concluded that **the underlying assumption** – that there are regions in China where smallholders group certificates are not being able to conform with the 10% set aside areas requirement – **was not proven**. All pilot test participants were able to conform with Indicator 6.5.5 (see table 5 above).

The final discussions between New Approaches team and FSC China considered that this result might be biased since the pilot test participants were existing certificate holders, who were uncertain of what would happen after the pilot ended and did not want to jeopardize their certification status. Nevertheless, it was feasible for most of them to find and include new management units into their certificate (alternative 1), with conservation as the main management objective, and conform with FSC requirements.

Alternative 2 has been considered as more flexible and effective than Alternative 1, since it would allow for the certificate holders to allocate their resources directly into conservation activities needed by the additional area. However, in this case, FSC had underestimated the weight of cultural/political circumstances that create an unbalanced power between public authorities and the certificate holders to come into an agreement on what activities could be performed by the smallholders. An additional risk to the maintenance of environmental values was also identified during the pilot test, namely the involvement of local communities (group members) who for example collected eggs of protected bird species to complement their (poor) diet.

Alternative 3 shows potential as an alternative to be further explored, as it builds on the possibility of smallholders to pay for Ecosystem Services from the pilot participant. However, throughout the pilot, FSC China identified an issue in such arrangement: the potential *ES providers* are normally located in areas with bountiful natural vegetation, while *ES buyers* are located in highly converted area, normally in different climatic zones and different ecosystem. It is suggested, for the implementation of this alternative, to extend the limits of eco-region to allow cross-region compensation². An **Interpretation Note** would be required to formalize the use of ecosystem services as an alternative way of conforming with the indicator. However, this option would be pursuing the opposite direction currently proposed by PSU (*Guidance for national standard development on how to address problematic International Generic Indicators*, January 2021).

Alternative 4 was not tested.

Therefore, **the recommendation is to incorporate the pilot test findings and learnings into the study on P&C Criterion 6.5** that is currently being prepared by PSU (Forest Management program).

²In the case of China, it is proposed to divide the country into 2 regions – South and North, rather than 11 regions.