



Frequently Asked Questions (FAQ) about the HS Timber Group case

Frequently Asked Questions about the ending disassociation decision

Why did FSC end its disassociation with HS Timber?

The FSC International Board of Directors decided to end disassociation with HS Timber Group on 23 September 2021 after reviewing and assessing the results of an independent verification of HS Timber conducted by the certification body Soil Association between December 2020 and February 2021.

As basis for its decision, the Board also reviewed and considered the outcomes resulting from Soil Association's most recent independent verification from August 2021 regarding HS Timber Group's operations in Slovakia, Belarus and Poland.

The findings of the different independent verification exercises conclude that HS Timber Group made significant investment and substantial efforts to comply with the conditions FSC had set for its reassociation in the last years.

HS Timber successfully implemented improved systems and procedures enabling the company to operate at a higher performance level from an environmental and social perspective. Positive measures taken by HS Timber include developing timber sourcing and anticorruption policies, improving stakeholder engagement and developing employee and suppliers' codes of conduct, among others.

Does ending disassociation mean that HS Timber is now back in the FSC system?

Ending disassociation means that HS Timber Group is no longer blocked from the FSC system and can pursue FSC certification again by following an ordinary certification process.

How long did the process of ending disassociation take?

FSC first entered into dialogue with HS Timber Group to develop a roadmap towards ending the disassociation in March 2017. It often takes years for companies to end their disassociation status with FSC, mainly due to the following reasons:



- FSC needs to engage all concerned stakeholders to ensure they have an opportunity to provide feedback. This engagement step implies that processes might take time, but it also ensures processes are inclusive, fair and aligned with FSC's mission.
- Disassociated companies often need months or even years to successfully implement all the conditions and requirements stipulated by FSC. Ultimately FSC is seeking lasting change, and that means the measures and actions companies will need to carry out will not necessarily be easy nor fast to implement.
- The decision to end disassociation follows a robust and diligent independent verification process. The FSC International Board of Directors must also assess the results of this verification. The FSC Board does not take lightly decisions to end disassociation, which explains why they need time to analyze the results of the verification and to ensure the decision made is fair and aligned with FSC's strategic direction.

Why did FSC disassociate from HS Timber?

In November 2015, WWF Germany submitted a policy for association complaint against HS Timber Group alleging that the company was purchasing and trading illegally harvested timber in Romania, which resulted in a negative impact on the country's natural protected areas. Following two FSC official investigations in accordance with FSC procedures, FSC dis-associated from HS Timber.

HS Timber then expressed its interest in ending its disassociation from FSC, and a stakeholder working group was established to craft a conditions framework outlining strict requirements HS Timber should comply with to end disassociation.

In December 2020, FSC commissioned an independent verification exercise, to evaluate whether the company complied with the requirements defined in the [FSC conditions framework](#).

What are the activities that led to HS Timber's disassociation?

The criteria in breach with the FSC [policy for association](#) that led to the disassociation decision are described in detail in the public summary of the investigation report which is publicly available [here](#).

Some of the key findings of the original independent investigation panel in 2016 included evidence that the company had:

- *purchased timber from sources that were not defined as legal under the Romanian legislation.*



- *implemented a due diligence system that was inadequate to verify if the timber it received was from legal sources and complied with national law. As a result, the company exposed itself to a substantial risk related to engaging in trade in illegal timber.*
- *sourced timber from lands where fraudulent land restitution had occurred.*

What does it mean when FSC disassociates from a company?

Disassociation is the process of cutting all legal ties with an organization (including all legal entities, holding companies, subsidiaries and sister companies under the same ownership and belonging to the same group), through the termination of all FSC certificates.

Once FSC disassociates from a company, the company's FSC certificates get terminated and the ex-certificate holder can no longer use the FSC trademarks.

Frequently Asked Questions about the FSC Conditions Framework

What is the roadmap process and what did it imply in HS Timber's case?

After an organization has been excluded from the FSC scheme and if they demonstrate real commitment to change, FSC brings them together with those who have been affected by destructive activities. Through extensive collaboration and consultation, the different stakeholders work out how to remedy the harm caused and make sure it does not happen again.

A roadmap is developed for each ending disassociation process. It is shaped by the verified unacceptable activities and the related impacts on affected stakeholders and environmental values of the specific case while the overall requirements for achieving remedy and reform remain the same.

After FSC disassociated from HS Timber, affected and interested stakeholders contributed to an FSC-managed stakeholder engagement process. They developed – represented by a chamber balanced Stakeholder Working Group - a list of requirements that HS Timber should fulfill before it could be considered for re-entry into the FSC certification scheme. This list of requirements is defined in the FSC conditions framework that the FSC International Board of Directors has approved.

The [FSC conditions framework](#) for HS Timber was the first step of FSC's roadmap process that could lead to the FSC International Board of Directors considering whether HS Timber could be allowed back into the FSC system. However, the Board only considered this once all the defined requirements had been met.



The objective of independent verification has been to evaluate whether the requirements set out in the FSC conditions framework have been successfully implemented by HS Timber.

The FSC conditions framework was developed through a transparent and inclusive stakeholder engagement process - following the advice and guidance of an expert stakeholder working group. The working group members included stakeholders of the social, environmental and economic sectors, representing all relevant regions and countries to the case: internationally, within the European region, and more specifically involving stakeholders involved in the forest sector in Romania.

What were the requirements and conditions listed in the FSC Conditions Framework?

The [FSC Conditions Framework](#) included the necessary actions and measures to be implemented by HS Timber in order to improve its systems and operations, provide social and environmental remedy and to prevent and mitigate the risk of involvement in any unacceptable activities. For specific information, please visit [this page](#).

How did FSC assess and review HS Timber's performance against the FSC Conditions Framework?

FSC has contracted the certification body Soil Association to conduct the independent verification in combination with the independent legal review. The verification covered the assessment of all requirements and conditions under the FSC conditions framework.

Soil Association's independent verification was based on the FSC conditions framework, and on FSC normative standards. As part of the conditions framework verification, the audit team reviewed the HS Timber Group systems for due diligence and legality.

A webinar was conducted in May 2021 on the findings of the independent verification of HS Timber's compliance with FSC's conditions. [Click here](#) to view a recording of the webinar.

What are the legal land ownership requirements mentioned in the FSC conditions framework?

To address this issue, FSC specifically required HS Timber to improve the following areas and validated their successful completion in the independent verification:

- Strengthening its due diligence and chain of custody systems – by implementing a robust system for the traceability of round wood back to the forest;
- Setting up and contributing to a fund to develop social and environmental projects promoting responsible development of forests and communities whose livelihoods



depend on or relate to forest resources in Romania;

- Upgrading its corporate social responsibility (CSR) practices and stakeholder engagement efforts – through improved CSR systems and protocols, sustainability reporting, impact assessment and other activities.
- Conducting an independent review of all land in its possession, compensating the lawful landowners and returning the land [when legally required](#);
- Increasing transparency and communication with relevant stakeholders regarding its operations and ongoing projects - through an online platform enabling all stakeholders to provide input, a grievance mechanism and improved CSR policies in relation to stakeholder engagement;
- Compensating FSC for the costs related to the policy for association investigation.

Will this FSC conditions framework for HS Timber be used for other disassociated companies?

A stakeholder working group focused on Romanian forestry developed this FSC conditions framework specifically for the HS Timber group. It aimed to address issues specifically identified in HS Timber's operations through expert investigation. Therefore, this framework is not applicable to other disassociated companies.

Still, all frameworks developed under FSC roadmap processes share similar structure and content, as they all cover the same key principles and overall objectives. These key principles are focused on robust due diligence and risk mitigation systems, strong and inclusive stakeholder relations, social and environmental remedy and transparency.

Moving forward, FSC aims to make roadmap processes as consistent as possible and is currently developing a remediation framework to be used for all disassociated companies involved in FSC roadmap processes.

What happens to the corrective action requests and observations issued to HS Timber in the verification process?

All of the corrective action requests from the first verification have been verified and closed. The observations shall all be closed within the next 12 months.

How will FSC ensure HS Timber continues to commit to the principles of transparency and due diligence of the conditions framework?

HS Timber has expressed its long term commitment to the implementation of the conditions framework. This commitment has been expressed on the HS Timber [website](#).



Frequently Asked Questions about the independent verification

- **How did Soil Association verify the methods to assure legality of log yard supplies?**

Soil Association assessed HS Timber's quality management, due diligence systems and procurement policies for compliance against the FSC conditions framework.

The verification showed HS Timber had partnered with tech giant Vodafone to develop and use a digital timber legality tracing tool known as TimFlow. This system is used as a benchmark for the Romanian national wood tracing system. The key elements of the system include:

- i) collection of advance information from each supplier, including the wood sources, periodical verification and their updates;
- ii) cross-check of all harvesting authorizations and delivery notes from suppliers as a proof of wood origin;
- iii) analysis of wood quantities allowed per harvesting authorization;
- iv) periodical inspection of suppliers and cross-check of their information;
- v) verification of documents related to indirect deliveries to HS Timber – through national systems such as Inspectorii Paduri – Romanian official application to verify timber shipments;
- vi) contractual agreements between HS and suppliers related to the roundwood origin and to the audits of all suppliers.

Soil Association concluded that with the use of the digital tool TimFlow, HS Timber had addressed most of the deficiencies in their legality tracing for roundwood from suppliers. However, this tool does not address legality tracing for log yards. HS Timber has procurement policies and strict requirements of legality tracing for purchases of timber from log yards. This policy is combined with monitoring and enforcement via conformance audits against the policy and training of all staff involved in the purchasing from log yards.

Further, procurement agreements between HS Timber and suppliers provide for access of HS Timber to relevant documentation related to the round wood's origin and audits of suppliers and sub-suppliers. This allows for the implementation of the procurement policy to be monitored and enforced against suppliers.

HS Timber purchases timber from third party log yards, 99 per cent of them are log yards of harvesting companies which are sourcing directly from the forests. In 2020, only five suppliers had a more complex supply chain, which means buying from another log yard. But even in these few cases of more complex supply chains, HS Timber has knowledge of all sub



suppliers and all potential harvesting locations.

- **Did the audit include major entry points of illegal wood into the supply chain in Ukraine (i.e. forest logging plots and small private sawmills)?**

The audit (independent verification) focused on the compliance of the HS Timber's due diligence system with the FSC conditions framework requirements, rather than on discovering suppliers trading controversial wood.

The assessment involved an evaluation of the identified risks for illegal wood entering HS Timber's supply chain, measures for mitigation of the identified risks, due diligence system-related procedures, staff understanding of the procedures, and implementation of the procedures.

- **What criteria were used to assess the risk related to the identification of wood origin and legality within the HS Timber's forest management units?**

The risk analysis for the HS Timber forest management units was classified as low or high based on the requirements of FSC conditions framework (section 2a. Legal Traceability of round wood), on HS Timber's due diligence system and data from their suppliers:

- a. **Forest management units without log yards** and acting as direct traders to HS Timber were considered as low risk because the HS Timber's wood tracking system allowed for correct verification of the wood origin by combining mitigation measures and tracking tools – such as verification of harvesting documentation, physical inspection of sample logging sites, etc.
 - b. **Sawmills and Traders with log yards** were considered as high risk due to the potential mixing of wood from different sources, partial sales of the supplied wood and the limited opportunities of HS Timber to physically trace wood within the supplier's log yard.
- **Did the scope of the sampling cover all countries and regions from where HS Timber was sourcing?**

FSC specifically required that the verification focused on HS Timber's operations in Romania and Ukraine, as FSC categorizes these two sourcing countries as high risk.

Soil Association developed a method approved by FSC that involved two audit teams: one team operated on the ground in Romania and Ukraine, while the other team operated remotely in the United Kingdom. The certification body also created audit plans and a checklist using the FSC conditions framework.

- **How were the aspects of the Conditions Framework regarding legal land**



ownership assessed as part of the independent verification?

Following the requirement of the conditions framework, FSC appointed the legal advisory firm Schoenherr to conduct a legal land ownership review for HS Timber. FSC agreed to the appointment of this firm, after conducting a background investigation around that firm.

FSC confirms the adequacy and independence of the legal land ownership review.

Schoenherr submitted a consolidated legal report to FSC in February 2021. After assessing this legal review, FSC confirmed the intention, objectives and requirements under Condition 3 of its framework. FSC considers the independent legal review to be satisfactorily completed and will not conduct further assessment of this matter.

The legal report can be accessed [here](#) in both Romanian and English. The legal report on the status of pending civil court files related to the HS Timber case is available both in English and Romanian [through this link](#). It includes a Romanian version from Page 4 onwards

- **How long before the visits did the certification body communicate the sampling to HS Timber?**

Due to the COVID pandemic, unannounced audits were not compatible with the logistical organization of a site visit.

However, Soil Association did its best to ensure the audit was announced within the shortest time period to ensure the verification was as representative as possible of the usual working conditions of the company.

Frequently Asked Questions about the results of the independent verification

How is HS Timber monitoring and enforcing legality of supply from log yards?

The most relevant risk mitigation measures implemented by HS Timber are the following:

- on-site audits where HS Timber checks and confirms:
 - the sources of wood material stated in the supplier declaration document;
 - the wood balance from the Romanian national wood tracing system (SUMAL) – comparing SUMAL data and the physical volumes in the log yard;
 - SUMAL's sample checks and collection of delivery notes for input;
 - the plot visits.



- Cross-check through the Romanian Ministry of Environment app, Inspectorul Padurii – comparing suppliers’ transport pictures with stated volume);
- depletion of harvesting authorizations – if transported volume exceeds the volume recorded in the harvesting authorizations, HS Timber requests the documentation for the new origin of the wood;
- sample measurement data of individual logs – to check that delivered diameters are in line with presented harvesting authorizations.

Since February 2021, SUMAL 2.0 reveals the origin of all wood material regardless of property status and the location of every single plot, even the harvesting status of the plot, all transports in the last 96 hours with full details, including name of the company, volume, and GPS route. The SUMAL system also provides a live tracking of volumes input by species and an assortment of output delivery notes. With this approach, SUMAL effectively prevents any operator from legalizing illegally harvested wood.

Does HS Timber continue to source timber from national parks?

In Romania, HS Timber has implemented a policy to prevent sourcing of timber from national parks. All suppliers are contractually obliged not to deliver such material. The company also implemented a control procedure to avoid inflow of timber from national parks into its supply chain. Suppliers with harvesting plots in national parks and with log yards are requested to physically separate the material at their log yard. If they are not able to physically separate the material, the suppliers cannot deliver from their log yard. Suppliers that cannot separate and cannot deliver directly are suspended from delivering until the National Parks plots are closed.

With the new national wood tracking system, all harvesting authorizations are publicly visible, including the name of the buyer and harvesting company. HS Timber actively monitors all harvesting authorizations issued in buffer zones with national parks.

The risk of supply from controversial sources is assessed for each country HS sources wood from and documented as part of the HS due diligence system. Timber from Slovakian national parks has been earmarked as potentially controversial. HS Timber assessed the risk of supply from controversial sources in Slovakia as low. However, as of 2021 that risk has increased in Slovakia and HS Timber is reviewing its due diligence system. HS Timber is aware of concerns raised by UNESCO in relation with one beech forest heritage site.

How well is the HS Timber due diligence system working and what were the results of the verification?

HS Timber maintains and implements a due diligence system which covers all its input and is based on three pillars:

1. information gathering
2. risk assessment



3. risk mitigation

The risk assessment covers country risk, supplier risk and a risk applying to the delivery level. The risk related to the suppliers is addressed through different risk mitigation measures, especially when there is a risk of mixing (such as at the log yards). HS Timber addresses corruption risks by excluding suppliers when issues are detected.

HS Timber also implements a supplier code of conduct and directly raises awareness among the suppliers and training opportunities for suppliers to learn about anti-trust regulations and anti-corruption.

In addition, Soil Association has found for high-risk countries that HS Timber has comprehensive evidence of all harvesting plots, direct controls for the log yard deliveries, and applies rigorous controls for larger log yards to mitigate any additional risk.

HS Timber's Romanian mills are currently sourcing from Romania, Slovakia, Austria, Germany and the Czech Republic. The European Union Timber Regulation (EUTR) considers HS Timber as a trader for all trade exchanges between these EU countries. The EUTR requires due diligence systems to govern all trade of timber within and entering the European Union. Compliance with these due diligence requirements is regulated by national competent authorities. The Soil Association verification found no citations against HS Timber for violations of the EUTR.

Did the sale of HS Timber's land holdings in Romania impact the requirement for conducting the independent review of land claims?

No, despite HS Timber selling its land holdings in Romania, an independent legal review of all claims against these holdings was conducted and a public summary of the review was published.

As shown [in their investigation report](#), the complaints panel identified concerns related to HS Timber's forest land ownership in 2017.

The [FSC conditions framework](#) sets requirements for HS Timber to address these legal concerns related to land ownership.



Frequently Asked Questions about the Second Verification

- **Why was the second verification needed?**

Following the first independent verification and its consideration by the FSC Board of Directors, Soil Association Certification Limited (SA Cert) was instructed to carry out a second independent third-party verification of HS Timber Group against section 2 of the FSC [“Conditions Framework”](#).

The scope of this second verification was targeted at supply chains in Slovakia, Poland and Belarus. The second verification was considered necessary due to concerns raised by stakeholders during the first verification about HS’ purchasing activity within Poland, Belarus and Slovakia, and risks known to be present in these countries. FSC carried out its own internal assessment of risk from these countries before instructing a remote assessment for Poland and Belarus, and an onsite assessment for Slovakia.

- **What was the methodology followed by SA Cert in the second independent verification?**

SA Cert developed an auditing methodology within the scope provided by FSC, and the Conditions Framework, which was approved by FSC prior to implementation. The methodology used a combination of a UK-based auditor carrying out remote documentation review for Polish and Belarus supply chains including video interviewing, and another audit team in Slovakia carrying out on-site auditing by sampling of HS’ Slovak suppliers, and related forest harvesting sites.

The on-site audit in Slovakia involved sampling and interviewing the first tier supplier, and a range of second and third tier suppliers. The audit included visits to suppliers, logyards, and forests from where material had been procured in 2021.



The onsite audit in Slovakia was based upon an analysis of the HS supply chain first and second/third tier suppliers and geographical origin of the supplies. A risk-based approach was used to determine which suppliers to audit.

HS Group sources in Slovakia from 1 first tier supplier, which in turn has 11 second tier suppliers - 6 of which have 41 third tier suppliers. Many of the second and third tier suppliers hold FSC Forest Management (FM) and/or FSC Chain of Custody (COC) and/or PEFC COC certification. Nearly 80% of all 2021 delivered volume came from one second tier supplier who holds both FSC and PEFC COC certificates, the remaining 13% from uncertified suppliers. The first tier supplier in Slovakia and 9 second/third tier suppliers were audited over 4 days in August 2021. The audit included visits to forests, logyards and interviews with a range of Managers and Forest Managers involved in the supply chains.

The remote auditor was given access to the full procurement data sets for Poland and Belarus for 2021.

For both on-site and remote, samples of purchases, including contractual and delivery documentation was audited to check origin, certification status, due diligence application and compliance with HS internal policies and procedures.

Full details of the methodology are described in the public summary of the independent verification report which can be accessed [here](#).

- **What expertise did SA Cert have in the second verification?**

SA Cert used one of the same experienced Forest Management and Chain of Custody Auditors from the initial verification, for the Slovakian on-site audit, together with an independent translator.

The remote auditing was done by a UK-based experienced Forest Management and Chain of Custody Auditor who also had taken part in the initial verification.

- **What is the degree of complexity of HS' supply chain in Slovakia?**

HS Group sources in Slovakia from 1 first-tier supplier, which in turn has 11 second tier suppliers. Many of the second and third tier suppliers hold FSC Forest Management and/or FSC Chain of Custody and/or PEFC Chain of Custody certification. Nearly 80% of all 2021 delivered volume came from one second tier supplier which holds both FSC (including FSC Controlled Wood) and PEFC COC certification.



Forest management plan maps are publicly available at sub-compartment level where status of the sub-compartment (e.g., ownership, age, location) is available (See [here](#)).

Due to a change in the National legal framework, all sanitary harvesting activities have to be approved by Slovakian national Nature Protection Agency. HS was seen in the on-site audit to be following the required legislation.

- **What is the situation with National Parks in Slovakia?**

Management plans of the National Parks in Slovakia are publicly available. All HS documentation concerning harvested timber transport originating from National Parks in Slovakia is publicly available at the Tanapu State Forests website [here](#).

HS Timber Sourcing Policy in Slovakia is not to exclude timber from National Parks, with the exception of the Vihorlat area, were seen to be following relevant legislation and regulations.

During the on-site verification, the most relevant National Park in Slovakia was visited (office and field visits were covered). The main concern related to the management of this National Park relates to issues concerning bark beetle.

- **What were the key positive outcomes from the second verification?**

The on-site Slovak audit, and the remote audit of the Polish and Belarus supply chains demonstrated that HS have comprehensive risk management and due diligence systems which minimise the risk of sourcing illegal or controversial timber.

SA Cert found good compliance with the FSC Conditions Framework. No additional non-compliances were identified with the assessed requirements of section 2 of the FSC Conditions Framework during this assessment. HS Timber Group were able to demonstrate good control of purchasing and supply chain management in Poland, Belarus and Slovakia. This is achieved by HS through a combination of:

- implementing its corporate procurement policy, supplier code of conduct, supplier contracts, and audits where applicable;
- sourcing only certified material where possible;
- avoiding areas of concern which have a geographical basis, e.g. Białowieża region in Poland;
- assessing and managing risk using external sources of information, e.g. FSC Controlled Wood Risk Assessments, supplier intelligence, credible third party information, and legal checks;
- monitoring biodiversity issues in each country, including Forest Management Certification reports.



- **What are the formal findings of the second verification?**

There were no formal findings, but two 'observations' were raised in the second verification. Observations are items raised by the auditor which identify opportunities for improvement, or issues to watch, but do not constitute non-conformances with regard to the Conditions Framework.

- The first Observation related to a small number of keystroke data-entry errors within the full purchase data set for Poland and Belarus. This involved material which had been recorded as uncertified when in fact it was certified, but the material was managed appropriately through the HS Due Diligence System and Chain of Custody systems. SA Cert identified an opportunity for improvement by analysing the full data sets for exception reports.
- The second Observation related to a single incidence in Slovakia where documentation from the forest of origin did not include information to identify it at the compartment/stand level.

- **How were the findings from the previous verification addressed?**

The 4 Minor Corrective Actions raised in the first verification related to:

- Incomplete roll out of Training for the Code of Conduct and Mission Statement.
- Limited documentation and implementation issues with supply chain auditing
- Documentation improvements relating to Due Diligence systems as applied in the Ukrainian supply chains.
- A lack of a centralized system for registration of any identified errors in the incoming transport documentation for sawn wood and wood panels products in the HS' processing sites in Comanesti and Siret – this finding was successfully closed before the end of the verification process.

All three of the remaining open findings were successfully closed out by HS and verified by SA Cert during the remote auditing –

- Training records were available to demonstrate that the Code of Conduct training was completed.
- Evidence on the supply-chain auditing demonstrated that internal procedures had been reviewed and improved; the software systems used for auditing had been further improved and integrated, and the auditors had received training on the use of the new systems.



- Evidence on the Ukrainian due diligence and auditing systems demonstrated that extra detail had been added to audit checklists and processes to incorporate the risks previously identified.

It should be noted that the recent FSC Risk Assessment for Romania specifies and considers the risks of wood not covered by legal harvesting and transport documents entering the HS' supply chains through suppliers delivering saw logs via log yards.

What stakeholder consultation process took place and what feedback was received?

A targeted stakeholder consultation process was undertaken directly by FSC concurrently and ran for 6 weeks. The objective of the consultation was to gather information on the stakeholder perceptions about HS Timber Group's operations in Slovakia, in the context of the FSC Roadmap implementation (and beyond). Stakeholders were chosen to include those who had expressed concerns or submitted comments for the first verification, and other key stakeholders within Slovakia (and beyond) following inputs from HS Group.

There were no Stakeholder comments received as a result of the consultation.