

Flatpacked Forests FAQ: Earthsight responds to FSC

16th July 2020

FSC's full response can be accessed here: https://fsc.org/sites/fsc.org/files/2020-06/Ukraine%20Earthsight%20Final_1.pdf

Note: Earthsight's responses to FSC's statements are in [blue text](#) below

FSC's work in Ukraine

Q: What is FSC's position to alleged bribery and corruption in Ukraine?

FSC is fully aware of the difficult environment in Ukraine, where the country shows many of the problems typical of an emerging economy. These problems include corruption, law enforcement failures and social transformation difficulties; all of which have played a substantial role in generating forest management problems.

FSC condemns illicit acts by its certificate holders. Where these are identified or reported, they are investigated, and if proven to be substantiated, the certificate is suspended or terminated. In extreme cases, the certificate holder is expelled completely from the FSC system.

[Setting aside the worrying statement that it takes an "extreme case" for certificate holders to be removed from the FSC system, the underlying problem is that FSC fails to act against the **certification bodies** responsible for issuing certificates to companies that are clearly non-compliant.](#)

[What cases such as those we have just exposed show is that certification bodies are simply not carrying out rigorous enough assessments and failing to identify even egregious non-compliances. FSC in turn is failing to identify the failures in the Certification Body \(CB\) assessments and then failing to deal with them. For this reason, the CBs are free to carry on issuing non-compliant certificates in the future – and indeed at least one of the certifiers responsible for the offending Ukrainian certificates has a very long record of issuing highly inappropriate certificates.](#)

While the instrument of FSC certification cannot replace government oversight and action against fraudulent activities, it can support such action as shown by the termination of certificates from 29 organizations in Ukraine. Investigations and terminations in the Ukraine prompted the introduction of a new certification status: "terminated and blocked". This status applies when the company is caught deliberately issuing false claims, and it is easily detectable and publicly available through a filter on FSC's website (see [ADVICE-40-004-18](#) <https://fsc.org/en/document-centre/documents/resource/173>) and <https://info.fsc.org/certificate.php>).

This direction to undertake targeted measures for high-risk areas is fully supported by FSC's International Board of Directors. In the recent Board meeting in early June 2020, the Board decided on further measures including normative changes proposed to provide FSC with additional options to act on supply chain integrity issues in the Ukraine and in other high-risk areas.

- A close examination of public records shows that the '29 organisations' FSC refers to above were all Chain-of-custody certificate holders, were actually grouped under only 16 individual
- FSC certificates, and were all subsidiaries or suppliers of Polyprom Ltd, Ukraine's leading charcoal exporter. The Polyprom case is discussed in Chapter 4 of Earthsight's report, in which we note that the laundering of non-FSC wood by this company was originally exposed by journalists and NGOs, and only detected by FSC thereafter. Rather than showing its ability to take action against fraud, this case demonstrates the failure of FSC to detect systematic non-compliance via its own systems and procedures.
- Please provide details of the new measures approved by the FSC Board in early June.

Q: It seems Ukraine is often the subject of reports like this. Why does FSC continue to operate there?

FSC is fully aware of the difficult environment in Ukraine, where the country shows many of the problems typical of an emerging economy. These problems include corruption, law enforcement failures and social transformation difficulties; all of which have played a substantial role in generating forest management problems.

At the same time, Ukraine has very important forest areas with high environmental and social value. FSC would be failing our mission, if we didn't offer our tools in this country. Not having FSC certification available in countries like Ukraine is no solution, since there are only weaker alternatives.

We think that what this shows is FSC's failure to recognise that the weaknesses of its systems. These weaknesses render it highly inappropriate to operate in contexts of 'emerging economies' with known widespread problems of corruption and law enforcement failures. FSC appears to have failed to learn from the experience of other such countries.

We note, for example, that in Cameroon, all but 8 of the 43 certificates issued over the years have been terminated (and several of those remaining are highly questionable). In Papua New Guinea, only 6 out of 24 remain. In DR Congo, three out of three certificates have been terminated.

What this shows is that FSC's CBs are failing to identify problems from the outset, partly because they lack the expertise or rigour to identify problems, partly because they frequently turn a blind eye or hope that fundamental problems will somehow improve. FSC is offering a service – that of greenwashing operations that should never have been certified in the first place.

FSC is not operating alone: much of our effort in Ukraine is to work with stakeholders from various parts of society to discuss and shape what sustainable forest management in Ukraine looks like, and to translate this into the Ukraine FSC national forest stewardship standard.

The development or existence of national standards is entirely irrelevant in the context that the certification bodies are fully aware that they can ignore their requirements with impunity.

It is a core value of FSC that inclusive stakeholder engagement is embedded in all our processes. It is especially precious in countries where (certain) stakeholders do not have a lot of other means or channels to ask questions, enter discussions, understand others' viewpoints, and

exert their influence.

While the instrument of FSC certification cannot replace government oversight and action against fraudulent activities, FSC can act where it concerns compliance to FSC standards as shown by the termination of certificates from 29 organizations in Ukraine and all the other integrity measures we are taking and will be taking.

As per our response to the prior point, it is improper for FSC to allude to the termination of those 29 certificates as proof that its systems work, when in fact the wrongdoing involved was only exposed as a result of the work of outsiders.

Q: What has FSC done to address problems in Ukraine?

In the past two years we have taken a holistic approach implementing various measures across three main areas of work:

1. Development and implementation of the Ukrainian Forest Stewardship Standard

The standard is developed and agreed to through FSC's usual public, multi-stakeholder consultation process. All standard development discussions have been live video streamed to encourage all concerned stakeholders to be part of the dialogue. The standard is the result of a transparent multi-stakeholder approach with mandatory indicators that are interpreted and adapted to the specific national circumstances in the Ukraine.

The newly launched standard includes an indicator requiring the systematic assessment of corruption risks related to all activities by certificate holders. This provision builds on the anticorruption legislation in the Ukraine.

To assure the standard and its new provisions are implemented consistently, we continue calibration efforts with certification bodies. Certificate holders are now required to transition from CBs interim standards to the new Ukraine national standard within an 18-month timeframe ending in September 2021.

The official website (<https://ua.fsc.org/ua-ua>) publishes explanations and interpretations, all planned audits of forestry enterprises, and provides training materials and guides for stakeholders' involvement in certification.

- Earthsight's report already describes the new FSC standard, recognises it as a step forward but provides critique thereof; that critique is not addressed in FSC's comments above.
- As above, FSC's standards are only as good as the willingness of certifying bodies to implement them. As our report shows, FSC's standards are not being implemented properly either in Ukraine or globally. As long as FSC fails to adopt a precautionary approach to who can be certified, and as long as certification bodies continue to be paid directly by the certificate holder, this will continue to be the case.

2. Improving supply chain integrity

FSC Ukraine is a frontrunner in FSC in embedding a risk-based approach in forest certification. A risk profile is developed that identifies risks and enables certification bodies to target their attention to the higher risk areas.

We would be very glad to hear why FSC believes this risk assessment failed to induce in the relevant certifiers sufficient scrutiny of areas of risk, and to learn why the problems we have highlighted were not identified in their assessments.

The risk-assessment process in FSC is structurally flawed in that, unlike most risk processes, it does not have a clear means of identifying areas of 'low, medium, high, critical' risk, but only 'low' and 'specified'. This seems deliberately designed to obscure the fact that there could be critical risks which might preclude certification happening at all.

One of the methods proposed is remote sensing technology to assess the risk of damaging the forests by illegal amber mining. To date this methodology alone resulted in FSC rejecting four state forest enterprises – accounting for most of the forest areas affected by this illegal activity - and continued monitoring of others by certification bodies.

We continue to actively monitor the situation. Assurance Services International (ASI) is a critical independent partner providing support on multiple fronts. ASI works with certification bodies in the Ukraine to improve and calibrate the audit practice. Generally, ASI requested several investigations from certification bodies, or conducted its own investigation. Based on the findings, several trademark license agreements were suspended. ASI also conducted several onsite assessments – both announced and unannounced - which led to various actions. In summary, the ASI investigations triggered the following: FSC has terminated or suspended the trademark license agreements of 18 Ukrainian certificates, for a total of 22 companies. Additionally, verification of transactions and incident handling have led to the suspensions and terminations of at least 17 more Ukrainian certificate holders, who either had their certificates terminated or left the FSC system once the irregularities were exposed.

As we have already noted, whilst non-complaint certificates should clearly be terminated, ASI should insist that significant sanctions are also imposed on the certification bodies responsible for them.

ASI also operates an incident reporting system that can be used by stakeholders directly to report issues that threaten FSC's credibility and has currently registered many incidents in Ukraine. Reports of past assessments and information on upcoming assessments are publicly available: <https://www.asi-assurance.org/s/map>.

ASI also provides advice notes. One example of ASI's effective intervention in this area addressed the misclassification of pulpwood for firewood. After the incident was registered, ASI worked with FSC to issue an interpretation (INT-STD-40-004_38), reducing the risks to FSC's supply chain. The Government subsequently introduced the EU-harmonized timber classification. FSC-led investigations in high risk supply chains: In 2019, FSC conducted an in-depth investigation into its charcoal supply chain in Ukraine. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero (related news article <https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>). Transaction verification loops are planned for hardwood species in Eastern Europe including Ukraine. FSC investment in blockchain: Ukraine is slated to be one of the first countries to pilot test blockchain technology later this year (2020).

Moving ahead with additional due diligence: a pilot project for providing additional diligence by CB auditors in the pre-certification phase and testing a new transaction verification tool will be

launched this year. It includes a field test that will evaluate how implementation of additional entry requirements for applicants for FSC certification will prevent untrustworthy organizations from entering into the FSC system.

- Regarding the amber mining cases, as described in Earthsight's prior report 'Complicit in Corruption', the relevant FSC public summary reports state that these SFEs were excluded from the wider FSC certificate renewal at the request of the regional forestry office itself, not as a result of FSC checks.
- Once more, the cases cited above by FSC as proof its systems are working were only uncovered as a result of investigative work by outsiders. Far from demonstrating that its own internal systems are effective, these very examples provide proof that they are not.
- FSC's experiments with blockchain technology are a costly and glitzy distraction; there is no intention to make full traceability and/or transaction verification standard practice in FSC supply chains. No technology can address the flaws in FSC's current systems if only implemented occasionally where wrongdoing is already suspected.

3. Engaging with key stakeholders in an open and transparent approach

We work in close collaboration with stakeholders including WWF Ukraine to inform sustainable forest policy development, to address the gaps in the current legislative environment and in the context of inadequate enforcement of the present national laws and directives affecting forest operations.

- We find it extraordinary that a body which is primarily intended to provide an independent system of forestry assessment and verification should be engaging with specific stakeholders and policy processes. It seems that FSC has entirely lost sense of the importance of maintaining full independence in its role and rigorously avoiding situations of conflict of interest.

We continue to support the Ukrainian Government's efforts to prevent illegal logging, including the establishment of an electronic wood accounting system that makes all harvest permits openly accessible to the public and enables citizen involvement in the verification of the legality of timber products.

As done throughout the national standard development process, we continue to reach out to all stakeholders, from social, environmental and economic backgrounds, through our website and other channels, to offer an open platform to exchange perspectives on what future we seek for Ukraine's forests.

- The testimony of leading environmental NGOs in Ukraine suggests that FSC-Ukraine's stakeholder engagement is very poor. Environmentalists say their concerns relating to FSC-certified state forestry enterprises, when raised, have been repeatedly ignored by FSC auditors, with certifying bodies acting like advocates of the state-owned logging firms they certify instead.
- Forester whistleblowers working at FSC-certified enterprises have told Earthsight that the FSC-auditing process is a sham. Rather than address these issues or raising concerns about high levels of illegality, FSC Ukraine has been lobbying the government to amend laws to make logging easier for these enterprises.

Sanitary felling

Q: What is sanitary felling and why is it necessary?

Sanitary felling (also termed ‘sanitary cutting’) refers to the silvicultural measure of removing trees that are damaged due to biotic (e.g. insects) or abiotic (e.g. storms) natural disturbances; and that constitute a health risk for the surrounding trees by spreading relevant diseases or providing habitat for insect populations that could cause damage. Sanitary felling may also be conducted for damaged trees to prevent a further loss of value of the affected trees themselves.

Q: What is the “silence period” in Ukraine? Why is sanitary felling not allowed in this period?

The silence period refers to a period from April to the middle of June each year when animals are breeding. It is in place to prevent a disturbance of the breeding time. During this time, the law prohibits only sanitary logging, but strangely does not prohibit other types of logging. Unfortunately, The ‘silence period’ – or resting period - is a complex issue with divergent rules and interpretations. The current Ukrainian law is not specific and is therefore open to interpretation. FSC-accredited certification bodies have interpreted it as follows – which is different from the interpretation used by Earthsight: The law requires the local authority to designate certain areas that are subjected to a halt in sanitary felling. The interpretation of this is that other areas are therefore open to sanitary felling. This is the interpretation adopted by the auditors of the FSC standard, and by Assurance Services International (who accredits these auditors). The logging carried out by the company in Velyky Bychkiw was performed outside of an area designated for the silence period. Therefore, according to FSC standards, the company was not doing anything wrong.

[As explained in more detail in response to the next point, FSC’s response importantly neglects to mention that Earthsight’s ‘interpretation’ of the silence period law is also that of an official Ukrainian enforcement agency, and the previous position of FSC itself.](#)

Q: If sanitary felling is not allowed during the ‘silence period’, why were FSC-certificate holders able to harvest timber during this period, and this not be a violation of the Ukrainian law or FSC’s standards?

The so-called ‘silence period’ – or resting period - is a complex issue. The current Ukrainian law is not specific and is therefore open to interpretation. FSC-accredited certification bodies have interpreted it as follows: The law requires the local authority to designate certain areas that are subjected to a halt in sanitary felling. The interpretation of this is that other areas are therefore open to sanitary felling. This is the interpretation adopted by the auditors of the FSC standard, and by Assurance Services International (who accredits these auditors). The logging carried out by the company in Velyky Bychkiw was performed outside of an area designated for the silence period. Therefore, according to FSC standards, the company was not doing anything wrong.

That said, the Earthsight report has alerted us to the fact that the different interpretations to the silence period law creates serious confusion. Obviously Earthsight has interpreted this differently to how we have, and this creates problems. FSC has sent a letter to the relevant authorities asking for an interpretation of the law, and we will use the response to this letter to instruct certification bodies.

FSC fails to mention in its response above the following pertinent facts outlined in our report:

- That the 'different interpretation' it refers to as Earthsight's is shared by the Ukrainian State Environmental Inspectorate, an official government body.
- That FSC has also previously supported this interpretation. In its right-of-reply response to Earthsight prior to the publication of our report, FSC stated that "the 'silence period' is imposed on all management areas irrespective of the prevalence of animals". FSC Ukraine is also on public record as lobbying the government to amend the law to make it specific only to certain areas.

In its response, FSC fails to mention the implication that as a result of their alternative 'interpretation', the FSC certifying body concerned chose not to mention the illegalities discovered at Velyky Bychkiv by SEI (Ukraine's State Environmental Inspectorate).

It is shocking that FSC should choose to 'interpret' Ukrainian law in a way which is beneficial to logging companies and contradicts the interpretation of a Ukrainian government agency. It is revealing that FSC appears to keep changing its mind about this matter. We find it surprising that FSC could have been unaware of the 'confusion' regarding interpretations of this law since it appears FSC Ukraine held a different view to ASI and its certifying bodies, at least until recently.

Q: Could sanitary felling be completed without an environmental impact assessment (EIA)?

Sanitary fellings of less than one hectare can be carried out without an EIA. In some cases in 2018 – which are the examples presented by Earthsight – an EIA would also not be needed. This would be the case if a permit for logging was granted before the law requiring an EIA was in force (the law entered into force in December 2017). All issued logging permits are publicly available for review.

The felling tickets referred to in Earthsight's report as having been issued in contravention of the EIA law were all issued after December 2017.

Certification body performance in Ukraine

Q: Is it true that foresters take auditors to only the best practice sites?

Each certification body must plan their audit and choose a selection of sample plots to inspect.

There is no harmonized approach between different certification bodies. The selection of sample plots is based on a range of factors, including logistics, environmental conditions, and time limitations. All audit reports include a justification of why the auditor chose the specific sample of plots covered in that audit.

If FSC were doing its job properly, it would be ensuring that certifiers are carrying out rigorous tests, including random inspections. Of course, this does not happen because, in practice, FSC has delegated all the methodology of the assessment to the CBs, and has no way (and no real interest, it seems) in controlling them to ensure high quality inspections.

FSC does not require of its certifiers that they state whether there were any obstacles to inspecting any sites. If it is not possible for whatever reason for certifiers to inspect any parts of the operation they wish to, then they should not be issuing certificates to that operation.

We already organize annual calibration meetings across the certification bodies active in Ukraine, and will continue to do this. However, there is certainly space for improvement in this area, such as wider use of remote sensing tools and services, web-cameras for conflict cases, additional training, calibration audits, and the like.

Testimony from two separate whistleblowers Earthsight spoke to in 2017 and 2019 contradicts this. One whistleblower was the former head of a major FSC-certified State Forestry Enterprise in Ukraine and the other a forester of 10-years' standing working at another FSC-certified SFE in the Carpathians. They told Earthsight that audits work very differently in practice in Ukraine. We have heard from them that FSC auditors had cosy relationships with foresters. Their testimony is that FSC auditors would be taken to sites specially prepared for the inspection, and even when they were intent on doing their jobs, they were prevented from doing so. The former Director of the SFE told Earthsight obtaining an FSC certificate was child's play while the other whistle blower also told us it was easy to pull wool over auditors' eyes.

Evidence from Earthsight's 2020 and 2018 reports shows that even when there has been serious evidence of wrongdoing by FSC certificate holders in the public domain, accessible to auditors via easy desk-based checks rather than field inspections, they have been ignored.

The fact that subsequent audit reports for numerous FSC-certified suppliers named in both Earthsight's 2018 and 2020 reports failed to pick up on the serious evidence of illegality and corruption we found (primarily through searches for information freely available in the public domain but also through our own field visits) supports the whistleblowers' testimony that FSC audits are not sufficiently rigorous in Ukraine, either because of wilful ignorance on the part of the auditors concerned or otherwise.

If FSC wishes to improve its record on detecting such illegalities, then it will need to insist that the certification bodies (CBs) employ not only tools such as remote sensing, but also include in their assessment teams forensic accountants, fraud investigation specialists, security staff, and other such tools for detecting serious criminal activity.

Q: What is ASI's role in relation to these CBs? What is ASI's responsibility, and how is this carried out?

ASI assesses the competence of certification bodies based on applicable accreditation requirements stipulated by FSC. Assessments are conducted for a specified scope of accreditation (e.g. forest management certification) and by using different types of assessments during different stages of the accreditation process, including short-notice and unannounced assessments.

ASI is a 100% owned subsidiary of FSC. Earthsight questions the impartiality of any investigations of our findings carried out by bodies related to FSC, whether this be ASI or certifying bodies for the FSC.

In the past, even where ASI has identified significant and repeated failings in the CB's processes, methodologies and certifications, it seems that FSC has done almost nothing about such findings, and hence problems remain entirely unresolved. We believe this reflects an almost complete inability of the FSC to meaningfully control, challenge or sanction the certifiers.

Q: According to Earthsight, ASI said voluntary standards should not deal with corruption. But the new national forest stewardship standard for Ukraine asks auditors to check court cases, media reports, etc, assuming so they can pick up allegations of corruption. This seems to be contradictory

to what ASI allegedly said. Please explain if the auditors should or should not be dealing with corruption charges, and why? If not, who should be?

We question the authenticity of the statement allegedly made by ASI in such a broad manner. What is true is that the previous FSC forest management standards for Ukraine in 2018 did not have specific requirements related to corruption. This has changed now with the release of the new national standard for Ukraine released earlier this year. Since its inception, however, compliance of forestry operations with laws and binding international agreements formed an essential fundament of FSC certification. In so far as corruption involves illegal activities, it has always been sanctioned through relevant assurance processes.

When publishing the findings of its assessments conducted in response to Earthsight's 2018 report, ASI stated the following:

"Corruption is a difficult issue for voluntary standards systems to detect and address, and this is not unique to the Ukraine or to FSC. Where it occurs it can be prevalent, and voluntary standards systems are usually not written specifically to address it. and, as [sic] ASI's remit is CAB performance and our first goal is to ensure that auditor competency and CAB performance are in compliance with accreditation standards."

Source: <https://www.asi-assurance.org/s/post/a1J1H000001maBLUAY/p0679>

Q: Earthsight claims that SGS was found to have made a mistake but went unpunished. Is that true? How are errors dealt with by ASI?

This is not correct. The public available assessment report reads as follows:
"The CAB [certification body] auditors were aware about the case and it has been reviewed and evaluated also during [the] witnessed audit. As [the] case currently is still under formal investigation and the CH [certificate holder] took actions related to corruption prevention, no finding was raised against the CH. However, ASI raised [a] finding as [the] evaluation of this case was not reflected in the CAB's audit report."

FSC would be wise to study cases carefully before alleging that information is incorrect. The [ASI report](#) clearly states that the failure by SGS to mention the corruption case in its public summary (despite admitting to being aware of it) constituted a 'non-conformity'. But because it was only considered 'minor', ASI's overall conclusion was that SGS could maintain its CAB accreditation. The systemic failure of FSC to sanction CBs even where ASI has found serious non-conformities is one of the underlying reasons why FSC continues to experience such problems year after year.

Q: Testov stated: “... when there are nature conservation issues that can be a subject of conflicting interpretations, they always interpret it on behalf of foresters.” Is this true?

This is not true. The national standards are set by a standards development group, which consists of environmental, social and economic stakeholders. All interests are represented in interpretation of issues. Additionally, all meetings of the standards development group are open to other stakeholders, who have the opportunity to input into decisions made.

Denying the truth of a statement from an experienced Ukrainian environmentalist who has been trying to engage the FSC in the country for a number of years is a further example of where FSC's priorities on how to 'interpret' issues lie and provides unfavourable insight into its attitude on stakeholder engagement.

FSC's own response in this FAQ on the matter of the silence period provides further evidence that the statement by Testov, based on his personal experiences over many years, is indeed true. FSC certifying bodies and its auditor ASI chose to 'interpret' the silence period law in direct contravention of the interpretation of a Ukrainian state agency (but to the significant benefit of the logging companies). As an apparent result, when it published the findings of its 2019 audit SGS chose not to mention the fact that agency (SEI) had found widespread illegality within Velyky Bychkiv.

CB performance generally

Q: Why is there an apparent conflict of interest? What has FSC done to ensure there is no conflict of interest?

Impartiality is one of the fundamental principles of any credible certification scheme and addressed in detail by relevant FSC requirements, which are largely adopted from the International Standardization Organization (ISO). Additionally, the inherent conflict of interest of certification bodies getting paid by their clients (i.e. the certified companies) is not only addressed by this whole suite of requirements, it is also one of the focal areas for an accreditation body to assess. By using a single, internationally operating accreditation body, FSC is – different from certification schemes relying on national accreditation bodies – ensuring global consistency and able to address relevant weaknesses in international certification bodies' management systems more holistically. Assurance Services International (ASI) has developed its own system to further lower the risk of partiality by conducting so-called compliance assessments allowing them to directly review a certificate holder's conformity with certification requirements and thus the adequacy of the certification body's previous assessment results.

The fact that this case has arisen at all – the latest in a long catalogue of scandals of FSC being found to have certified egregiously illegal or non-compliant operations – shows that the FSC has, after nearly 27 years of operation, failed to properly ensure that the accredited certification bodies are consistently carrying out rigorous, reliable and credible certification assessments. The very limited measures taken by FSC have failed to deal with the underlying problem that the certifiers are all competing with each other for business and that the way to get business is to ensure that certificates are issued rather than rejected. There has been, in effect, a 'race-to-the-bottom' of certification standards, in a context where the FSC has consistently failed to sanction or eject

certifiers responsible for highly non-compliant certificates. The business interest of the certifiers thus seems to be the driving interest in the FSC system.

Q: Does FSC have a record of the “practical suggestions” to resolve this conflict of interest? If yes, who were they made by and when? What did FSC do about them?

There have been no demonstrably viable suggestions made to date, nor do they exist in the certification universe – other than for very small, local certification schemes which are not scalable to a global level. FSC has recently conducted a study on relevant risks to its assurance system which included a vast literature review and expert interviews. While viable alternative approaches could not be identified, certain recommendations for further safeguards were proposed that FSC is currently analysing in the spirit of a continual improvement of its assurance system.

A report on structural conflicts of interest in the way certification bodies are financed was brought to FSC’s attention almost twenty years ago, in 2002. It’s first recommendation was the very practical suggestion that entities seeking FSC-certification should do so directly through the FSC International Secretariat. It recommended that all certification fees should be paid directly to the FSC, rather than to certifying bodies.

Those involved have confirmed to Earthsight that these proposals were brought to the direct attention of the Board, Executive Director and many members in 2002. The report containing this and many other practical suggestions for FSC to improve its processes was launched at the FSC Assembly in Oaxaca. The lead author of the report has told Earthsight he personally handed or sent out copies to the Board, Secretariat and members. FSC issued an official response to the 2002 report, see [here](#).

FSC was also subsequently sent a very practical proposal for breaking the conflict of interest, available [here](#). A motion was tabled to the 2006 General Assembly by Swedish NGO SSNC to de-link the certifiers from their clients ([see here](#)). The FSC Board discussed the matter at a meeting in November 2006 (confirmed in letter from the ED at the time, Heiko Leideker). Earthsight has learned from those involved that a detailed report setting out possible mechanisms for reform of the system was then prepared for FSC in 2008.

These recommendations have not been acted upon, which is why there has continued to be this “race to the bottom” approach for which certifying body (profit making firms) can implement FSC standards least strictly. This problem with FSC has been repeatedly cited by commentators over the years and Earthsight has raised it again in its 2020 report. As long as this is not addressed, FSC will almost certainly continue to be embroiled in similar scandals in future. Does FSC plan to act on these recommendations now?

Has the extensive study FSC refers to been made public? If not, when does the FSC plan to make it publicly available? We note [earlier announcements](#) from FSC stating the study would be presented to the FSC board in early 2020. Does the study explore alternate models to financing certification to remove conflicts of interest? If not, what are the reasons this has not been explored?

Q: What is FSC's relationship with ASI? How much does FSC influence? What percentage of funding does FSC provide? Why does FSC fund ASI?

ASI is an organization originally set up by FSC to oversee and manage the quality control system of FSC certification. ASI performs similar services for a range of other certification schemes, including the Marine Stewardship Council, the Roundtable on Sustainable Palm Oil and several others. ASI is formally owned by FSC, but ASI is completely independent of FSC in their decision-making related to certification bodies and certificates. In 2017, FSC signed a so-called control transfer agreement with ASI, which delegated full business controls (within legal limits) to ASI. Based on the control transfer agreement, ASI's independence was formalized through a set of changes to ASI's Statutes. Since then, ASI has its own supervisory board, independent of FSC, that governs the organization, including the appointment of the managing director. FSC has no role in ASI's decision-making on accreditation issues, which are made by ASI's management and an independent Accreditation Committee which is responsible for all decisions on granting, renewing, extending and reducing the technical scope of certification bodies, or suspending and withdrawing Accreditation.

FSC pays for some services provided by ASI, for instance investigations related to supply chain integrity, including in Ukraine. These are paid for like any other consultancy service we would require from external parties. Even though ASI's accounts are shown as part of the accounts of the overall FSC Group, FSC does not provide funding to ASI, apart from the services we buy, and we don't claim any part of possible financial surpluses of ASI.

ASI is a 100% owned subsidiary of FSC. Earthsight questions the impartiality of any investigations of our findings carried out by bodies related to FSC, whether this be ASI or certifying bodies for the FSC.

According to FSC's [2018 Financial Report](#) almost 15% of FSC's income (US\$5.5 million) came from ASI. Why doesn't FSC sell ASI, so that it would actually be an independent organisation?

FSC's relationship with IKEA

Q: Is FSC under pressure from IKEA to deliver certified wood to meet IKEA's environmental ambitions? Does FSC have a record of any such warnings or threats by IKEA?

This is complete speculation on the part of Earthsight. IKEA has been commendably clear and open about their global targets for responsible sourcing of wood, and it has been clear and open that IKEA were sometimes concerned about the accessibility of FSC certified material. At no point, however, has IKEA put pressure on FSC to lower our standards, or to minimize controls to enable doubtful material to enter supply chains. Instead, IKEA have supported our efforts in important countries like Ukraine, Russia, Germany, France and China to strengthen the FSC system on the ground.

In addition, it is important to understand that IKEA is an important member of FSC, but it is just that: one member. To put pressure on the FSC system, IKEA would have to convince a solid majority of our other 1150 members in all chambers to support these initiatives. Our global standards are discussed and agreed by our members globally, representing environmental, social and economic interests; and in individual countries there are chamber-balanced working groups delivering the standard.

FSC's members are allocated to one of three chambers, depending on their main area of work: Environmental, social or economic. Each chamber is further divided into global south and global

north. FSC members are responsible for proposing and voting on motions that may fundamentally affect the way FSC is run. To ensure that all voices are heard equally, each FSC chamber holds 33.3 per cent of the vote on all FSC matters, regardless of the number of people in that chamber. Within each chamber, votes are weighted to ensure that North and South each hold 50 per cent of the vote. Therefore, it is not possible for one organization or one chamber to force FSC to move in a certain direction.

As mentioned in our report, in 2016, Ikea [warned](#) that it expected to miss its 2020 target by 20 per cent, unless FSC expanded dramatically. Our report argues the ‘soft power’ of large companies like IKEA within FSC is much greater than their formal voting power. See also response to question about voting processes below.

Q: Is it true that IKEA has “dramatically” funded the Ukraine office of FSC? If so, who are the other funders and what is the money used for?

The report claims that IKEA has invested ‘hugely’ in FSC. It is true that IKEA has invested between 200,000 and 400,000 Euros in FSC per year for some years. This is about 0.5 to 1 per cent of FSC’s total annual budgets, so not a “huge” amount from that perspective. Most of the money that passed through FSC International went to work in Germany and France. The money that went towards supporting FSC’s work in China, Russia and Ukraine was to help us improve and strengthen our systems in those countries.

The main funding for FSC’s office in Ukraine comes from FSC International, which provides funding to that office like we do to all other FSC offices. IKEA have provided valuable, additional funding to support some of the important improvement processes in Ukraine, such as the development of the new FSC standard for the country.

EarthSight’s report does NOT state that IKEA has “dramatically” funded the Ukraine office of FSC. We state that IKEA has provided direct funding to the Ukraine office of FSC, something FSC does not dispute. We also stress that IKEA’s overall support for FSC is not limited to its cash donations but also includes indirect support, including funding WWF’s efforts to support FSC. Through such indirect support, Ikea claims to have helped certify around 35 million ha of forest to FSC standards – almost a fifth of the total.

Q: How does FSC ensure that commercial members – or social or environmental members – are not able to block FSC’s voting processes?

FSC has just over 1,150 members (individuals and organizations), who are allocated to one of three chambers, depending on their main area of work: Environmental, social or economic. Each chamber is further divided into global south and global north. FSC members are responsible for proposing and voting on motions that may fundamentally affect the way FSC is run. To ensure that all voices are heard equally, each FSC chamber holds 33.3 per cent of the vote on all FSC matters, regardless of the number of people in that chamber. Within each chamber, votes are weighted to ensure that North and South each hold 50 per cent of the vote. Therefore, it is not possible for one organization or one chamber to force FSC to move in a certain direction.

Before its departure in 2018, “Greenpeace bemoaned what it described as the ‘red sea’ of voting cards waved *en masse* by the industry members at FSC conferences, blocking any attempt at

meaningful reform.” Our report argues, the ‘soft power’ of large companies like IKEA within FSC is much greater than their formal voting power.

What Ikea needs to grow at its current rate is an increasing volume of cheap, certified timber. That’s what the rest of the timber industry wants too. That industry forms a big block of FSC’s membership and as the report points out, a large part of FSC’s income comes from fees paid by the timber industry.

At least as important as the formal voting processes are the various working groups which are established to consider policy issues and make proposals. Large economic interests have much greater capacity to engage over the often very long timeframes involved in these groups and can thus disproportionately influence the outcome.

Q: What is our relationship with IKEA, and how much influence does IKEA, or any other large certificate holder have on FSC policies?

FSC works openly with many actors in forest value chains to promote sustainable forest management through the adoption of FSC’s certification system. FSC engages with IKEA on this basis because IKEA is a major buyer of forest-based materials.

FSC has just over 1,150 members (individuals and organizations), who are allocated to one of three chambers, depending on their main area of work: Environmental, social or economic. Each chamber is further divided into global south and global north. FSC members are responsible for proposing and voting on motions that may fundamentally affect the way FSC is run. To ensure that all voices are heard equally, each FSC chamber holds 33.3 per cent of the vote on all FSC matters, regardless of the number of people in that chamber. Within each chamber, votes are weighted to ensure that North and South each hold 50 per cent of the vote. Therefore, it is not possible for one organization or one chamber to force FSC to move in a certain direction. IKEA is one of the almost 1200 members, and its influence is at that level; i.e. it has one vote out of 1,150, and one vote towards the economic chambers’ 33.3 per cent influence.

As our report argues, the ‘soft power’ of large companies like IKEA within FSC is much greater than their formal voting power. See also previous response above.

FSC’s relationship with Ukraine government

Q: Has FSC Ukraine met with government officials? For what purpose?

Most of Ukraine’s forests are owned by government, and therefore communication and engagement with government is a very important part of our work in Ukraine. Our meetings cover many different state departments including the State Forest Resource Agency, Ministry of Environment, Ministry of Agriculture and Food Production, Parliament Committee of Environment and Nature Resources. Pavlo Kravets, head of FSC Ukraine, is a member of the Public Council of the State Forest Resource Agency, and the Scientific and Technical Council, and a member of numerous working groups of forest policy, forest sector reformation, and biodiversity conservation. Kravets actively participates in different sustainability-related events led by World Bank, FAO, USAID, UNIDO, etc. FSC’s recognition at the level of the Scientific and Technical Committee of the State Forest Resource Agency assists with better implementation of standard requirements and increased knowledge and capacity of forest managers. For example, FSC has raised the issue in this committee

regarding environmental impact assessment laws, and has helped to optimize and harmonize the requirements of the law in this regard.

FSC's admission that it has 'helped to optimize' Ukrainian government environmental controls on logging contradicts its denial later in this FAQ of having lobbied the Ukrainian government, a denial which flies in the face of documents published by FSC's own Ukraine office. It is Earthsight's belief that consumers of FSC-certified products would be extremely unhappy if they knew that FSC was actively lobbying for the watering down of environmental regulations to allow logging to be more profitable. This is surely not part of FSC's mandate.

More generally, as already noted above, there seems to be no justification for why a body responsible for overseeing the standards of an independent third-party certification scheme should be actively seeking to influence policy in Ukraine or elsewhere, in a serious over-reach of mandate and conflict of interest.

Q: Why has FSC not removed or suspended the certificates of businesses where its leaders are on trial for corruption?

Ukraine is a difficult country. Legal action can take a long time, with trials dragging on over many years. In addition, some unscrupulous actors use legal action as part of more or less dirty games to control forest resources. Therefore, and also as a normal principle of justice, it cannot be assumed that a person on trial is necessarily guilty. Auditors will not automatically remove certificates of businesses whose leaders are on trial, but they will use reports of bribery and corruption to trigger further investigation, and will take action, should the business or its leaders be found guilty in bad practices of relevance to their FSC certification.

Earthsight would be interested to know whether FSC has any actual evidence that "some unscrupulous actors use legal action as part of more or less dirty games to control forest resources" aside from the assertions of SAFR personnel. Since such 'legal actions' are in almost all cases taken by other entities of government (such as public prosecutors, police and so forth), it seems odd that FSC should side with one branch of government over another in such instances, without apparent evidence.

FSC's attitude that no action is justified in such cases unless and until a guilty verdict is reached also contradicts the precautionary approach applied in law in the EU Timber Regulation (which requires the risk of illegality to be 'negligible'). It therefore exposes European importers who rely on FSC certification for compliance with that law to possible prosecution.

Q: Does FSC lobby the Ukraine government? What for? / Has FSC specifically lobbied the Ukraine government to change forestry laws? Why? What has been the outcome?

No. We welcomed the initiative of the Parliament of Ukraine when its activities to achieve its goal of "Ukrainians conserve natural ecosystems for posterity" included "increased forest cover and certification of forests in accordance with FSC requirements." However, we also stated publicly that "The government must; however, work on improving legislation and the enforcement of law to strengthen forest management in general."

Additionally, the Head of the Parliamentary Committee on Environment and Natural Resources has invited FSC to participate in the debates around an ecological policy for the next five years to meet the goal of conserving natural ecosystems.

FSC seems either to have not communicated with its office in Ukraine, or is making a statement it knows to be untrue. FSC has been observed to regularly lobby the Ukrainian government on forestry issues. In one example, at a roundtable meeting on forestry reform held in Ukraine late last year, FSC Ukraine presented a specific list of its demands to the government. None of these demands related to reform of the forestry agency to remove conflicts of interest or measures to tackle widespread illegal logging. Neither did these asks include measures to deal with 'corruption, law enforcement failures and social transformation difficulties' as FSC earlier in this response has identified as playing a 'substantial role' in Ukraine's forest management problems.

Instead one of FSC's [key asks](#) of the Ukrainian government was for the Law 'On wildlife' to be amended so that its restriction on logging during the silence season [which Ikea's FSC-certified supplier of timber has been in breach of] would be changed to only apply to areas with concentrations of animals, while others related to increased funding for forestry and removing limitations on logging in protected areas.

Q: Does FSC have a record of the alleged FSC response demanding ecological limitations be placed on logging by sanitary felling laws (in response to the 2018 Earthsight report)?

FSC has no record of such a response.

In November 2018, FSC Ukraine organised a meeting with stakeholders from Ukrainian government to recommend Ukraine use FSC forest management (FM) certification as 'best practice.' The ensuing proposal [published on FSC's site] [recommended](#) Ukrainian authorities 'encourage the spread of FSC sustainable forest management' and that they encourage the 'consumption of products made with FSC-certified wood.' The proposal also called for amendment of various environmental laws that 'enforce unreasonable ecological limitations on forestry enterprises' such as the laws on environmental impact assessments, and laws on sanitary felling.

FSC chain of custody / supply chain integrity

Q: Why do some companies have chain of custody certificates without actually using any certified timber?

Many companies manufacture or trade in FSC products only on receiving specific orders from their customers. Given the overall, but sometimes limited, demand for FSC products in certain industry sectors, it is almost unavoidable particularly for smaller companies to undergo periods without any FSC production. Other companies may simply want to indicate to their customers that they operate a sound chain of custody system (i.e. having proper procedures in place to segregate and trace materials) without perceiving the need to source FSC certified materials.

In its marketing materials, FSC UK specifically [advertises](#) that FSC Chain-of-Custody certification can result in 'improved market access', 'enhanced public image', and 'meeting customer expectations', by allowing for 'use of the iconic FSC trademarks'. It is frankly ridiculous for FSC to claim that a company could achieve any of these things from an FSC CoC certificate if consumers genuinely

understood that all it meant was that a company was capable of segregating different materials. Earthsight could cite many examples of companies deliberately misleading customers as to the value of these certificates.

Q: Do these “certificates without ongoing trade” open the FSC system to possible fraud?

These certificates are very common in the FSC system and are not per se an indication of possible fraud. However, fraudulent companies may declare that they do not have any ongoing FSC activity to avoid relevant audits. FSC will therefore follow a differentiated approach in the future, mandating audits also for “empty certificates” when they are part of high-risk supply chains.

Many companies manufacture or trade in FSC products only on receiving specific orders from their customers. Given the overall, but sometimes limited, demand for FSC products in certain industry sectors, it is almost unavoidable particularly for smaller companies to undergo periods without any FSC production. Other companies may simply want to indicate to their customers that they operate a sound chain of custody system (i.e. having proper procedures in place to segregate and trace materials) without perceiving the need to source FSC certified materials.

Earthsight clearly states that the misleading use of FSC chain-of-custody certificates in marketing materials is NOT fraud. As the report states “*This [isn’t] fraud, but a fundamental flaw in FSC’s systems*”. By falsely describing the problem we raise with these CoC certificates as one regarding ‘fraud’, FSC’s FAQ creates a strawman and entirely fails to address the real criticism of them.

Q: Why does FSC not require reports of chain of custody certificate audits? Why is this not a threat to FSC?

Chain of custody audits to date are not about compliance with social and environmental requirements in the forest. They are largely about confirming relevant procedural requirements for properly identifying material origin and segregation, certified volume accounting and invoicing. Relevant numbers and specifications (suppliers, customers) are business sensitive and as such confidential information which could not be included in public summary reports. In the context of introducing online reporting for certification bodies, however, FSC is analyzing the opportunities that exist to make publicly available certain relevant parts of chain of custody audits such as the actual audit findings.

If FSC acknowledges that CoC audits are ‘not about compliance with social and environmental requirements in the forest’, then why does it advertise CoC certificates as indicating exactly that, and allow thousands of companies to claim as much? As far as transparency is concerned, commercial confidentiality is no excuse; public summaries of Forest Management certificates are already redacted to exclude some commercially sensitive information. It ought to be perfectly possible to do the same with Chain-of-Custody certificates and ASI audit reports thereon.

Given that the integrity of the entire FSC systems ultimately rests on “relevant procedural requirements for properly identifying material origin and segregation, certified volume accounting and invoicing” it seems completely incomprehensible that proper reports of how these systems are being inspected and assessed by the certifiers are not made available.

Q: What happened to the online claims platform and FSC's transaction verification programme?

It is true the online claims platform (OCP) was dropped by FSC. However, transaction verification – the reason the OCP was introduced in the first place – has not been dropped. FSC is increasingly using transaction verification as a tool to investigate false claims, whether fraudulent or negligent. We're working on new tools, including blockchain technology, to make transaction verification easier.

In 2019, FSC conducted an in-depth investigation into its charcoal supply chain in Ukraine, by verifying transactions. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero (related news article <https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>). Transaction verification loops are planned for hardwood species in Eastern Europe including Ukraine. Additionally, the second "tool" referred to by Earthsight as a replacement for OCP that was also dropped, was in fact a simple method to record transactions. It was not a tool at all, but an online 'spreadsheet' that allowed certificate holders to record transactions for certification bodies to verify. This was dropped because many certificate holders preferred to use their existing ways of recording transactions, rather than the platform FSC had provided.

As stated above, the Ukraine charcoal case was only exposed as a result of investigative work carried out by NGOs and journalists. It was not uncovered by FSC's own systems. It is proof not that those systems work but that they do not. The companies concerned had passed numerous FSC audits.

FSC assumes that the only wrongdoing that exists is the wrongdoing which it is alerted to by outsiders, and seeks to claim credit for addressing such wrongdoing when it is brought to its attention. But the reality is that NGOs and journalists only examine a tiny number of cases. There is every reason to believe that for every FSC fraud or illegality case uncovered by outsiders, many more remain unexposed. Meanwhile the transaction verification which FSC has been using on a case-by-case basis for only a short period has already uncovered large amounts of fraud. It is clear that if FSC is serious about eliminating such fraud, it should make such verification standard practice.

Though it is really just a matter of semantics, Earthsight would also note that FSC itself described the Falcon system repeatedly as a "tool".

Q: What is FSC doing to secure the supply chain? What successes has FSC had in this area, and what will it do in the future?

FSC works to secure supply chains by 1) investigating and addressing false claims in the FSC system, and 2) supporting enhancements of FSC policies and standards related to supply chain integrity. To address false claims in the FSC system, we investigate supply chain issues reported to FSC by certificate holders, certification bodies, the media, NGOs, and other stakeholders. Data and scientific methods help to verify the veracity of claims and transactions to secure supply chains. Our tools include transaction verification, as outlined in FSC's standards (FSC-STD-40-004), and wood identification and forensic methods (fibre and stable isotope testing of wood samples).

FSC strives to effect change and clean up supply chains as a result of our investigations, and the successful results include terminating those who violate FSC requirements, removing noncomplying materials and products, and effecting change such that those who made false

claims compensate and implement strict measures to remain in the FSC system.

FSC is in the process of strengthening its supply chain security by implementing transaction verification methods in those supply chains deemed to be at risk of false claims. To date, we have conducted (or in the process of conducting) supply chain verification on bamboo, charcoal, pawlonia, oak flooring, eucalyptus (in Spain and Portugal), Amazon timbers (in Peru and Brazil), and callophyllum plywood and veneer.

The charcoal supply chain investigation was predominantly into Ukrainian suppliers. This resulted in the suspension of 11 certificates, and termination of 9 certificates. Additional investigations have shown that errors in the charcoal supply chain have been reduced to almost zero

(related news article

<https://fsc.org/en/newsfeed/fsc-suspends-ukrainian-charcoal-certificate-holders>).

As stated above, the Ukraine charcoal case was only exposed as a result of investigative work carried out by NGOs and journalists. It was not uncovered by FSC's own systems. It is proof not that those systems work but that they don't. The companies concerned had passed numerous FSC audits.

FSC assumes that the only wrongdoing that exists is the wrongdoing which it is alerted to by outsiders, and seeks to claim credit for addressing such wrongdoing when it is brought to its attention. But the reality is that NGOs and journalists only examine a tiny number of cases. There is every reason to believe that for every FSC fraud or illegality case uncovered by outsiders, there are at least 100 which remain unexposed. Meanwhile the transaction verification which FSC has been using on a case-by-case basis for only a short period has already uncovered large amounts of fraud. It is clear that if FSC is serious about eliminating such fraud, it should make such verification standard practice.

Notably absent from the above is, once again, any indication that the FSC is addressing 'insecurities' in the supply chain caused by negligent practices on the part of the certification bodies. We ask how many certification bodies have been meaningfully sanctioned and how many removed from the FSC altogether for issuing certificates later to companies later found to have been seriously non-compliant?

FSC's relationship with disassociated companies

Q: Why has FSC terminated the certificates of only 13 companies (as the Earthsight report states)?

This (the fact that FSC has terminated only 13 certificates) is an incorrect statement. FSC has disassociated from thirteen companies. However, we have opened FSC-led investigations into hundreds of other companies, leading to very many suspensions or terminations. Currently, over 40 companies are on our list of 'terminated and blocked' certificates, not including those companies that are disassociated. We can't say exactly how many companies in addition to that get terminated by their certification bodies for bad performance (other reasons could be lack of payment, or lack of interest to continue), but the current, total number of terminated certificates registered on our publicly available database is over 40,000.

Earthsight's report does not say that FSC has terminated the certificates of only 13 companies.

Of the 40 companies now listed as ‘terminated and blocked’, 30 are Ukrainian or Polish companies relating to the Polyprom FSC fraud case in Ukraine, which as mentioned earlier was uncovered not by FSC’s own checks but by an independent investigation by WWF & German journalists. Almost all the remainder are Chinese CoC certificate holders whose certificates were terminated following an investigation by ASI into Chinese firms trading uncertified Paulownia wood as FSC certified, which was also triggered by allegations made by outsiders.

Far from demonstrating FSC’s integrity, these examples support Earthsight’s point that FSC generally only discovers serious wrongdoing when it is pointed out by third parties. It also shows that whenever FSC is forced to investigate possible chain-of-custody fraud in a meaningful manner, it finds it. This suggests it is much more widespread than FSC likes to claim, and is why transaction verification should be standard practice.

The fact that FSC is unable to determine how many of the 40,000 certificates which no longer exist were terminated for poor performance (as opposed to simply expiring, as appears to be the case in nearly all cases) speaks volumes about FSC’s true level of interest in understanding the levels of compliance in its systems. The fact that FSC even describes these certificates on its certification database as ‘terminated’ is hugely misleading in itself, suggesting a level of compliance activity far in excess of the truth.

Q: What is FSC’s relationship with Schweighofer, Jari and APP?

FSC remains disassociated from all three companies.

Full details are available on our website:

Schweighofer: <https://fsc.org/en/unacceptable-activities/cases/holzindustrie-schweighofer>

Jari: <https://fsc.org/en/unacceptable-activities/cases/jari-group>

APP: <https://fsc.org/en/unacceptable-activities/cases/asia-pulp-and-paper-app>

Earthsight does not dispute that FSC remains disassociated from these companies. However, as our report makes clear, were it not for the work of external parties in exposing continued wrongdoing there is every chance that FSC would have let at least two of these companies back into the tent already.

Q: Does FSC have a record of an investigation into Dalian Xingjia?

We do not have a record of an investigation into Dalian Xingjia, or reported problems that could have led to an investigation.

The illegal timber case involving Xingjia was widely reported in the press at the time. The illegality findings were confirmed in an investigation by the US Department of Justice, the results of which were also widely reported. If FSC was truly committed to the integrity of its systems, at a bare minimum it should be pro-actively monitoring such major cases (there aren’t all that many) and cross-matching the names of companies involved against its database of FSC-certified companies. It should not require third parties to bring such cases to its attention. Even now that FSC has been alerted to the issue by Earthsight’s report, they have not committed to investigate or thanked us for alerting them to it.

Q: What did FSC find when it investigated the case of Inversiones La Oroza?

The wood in question was not FSC certified and the alleged activities took place outside the scope of any FSC certification.

The FSC policy for association prohibits companies which have license agreements with FSC (including Chain-of-custody certified companies) from engaging in particularly egregious activities, including the trading of illegal wood, regardless of whether that wood was FSC-certified or fell under the scope of the company's FSC certificate.

In 2017 the US Trade Representative considered the evidence against La Oroza strong enough to invoke forest governance provisions of the US-Peru trade deal for the first time, banning the firm from exporting timber to the US. The USTR's investigation confirmed the previous findings of NGOs, concluding that La Oroza's exports "were not compliant with Peru's law, regulations, and other measures on harvest and trade of timber products." In spite of all this, Inversiones still has a valid FSC chain-of-custody certificate and is allowed to sell wood with the FSC logo.

There is therefore a clear case for disassociation here. It is not clear if FSC has previously investigated this case or not; certainly no public information about the results of such an investigation is available.

Q: Why does FSC allow previously disassociated companies back into the FSC system? How can FSC be sure they will not commit the same crimes again?

Allowing previously disassociated companies the opportunity to come back into the FSC system incentivizes companies to remedy harm to the forest and improve practices so that this harm does not happen again.

Companies must meet rigorous conditions for ending disassociation, including setting up systems to prevent reoccurrence of unacceptable activities. Compliance with these conditions is verified by third parties.

The process to end disassociation can be suspended or discontinued if new allegations are raised that the company is involved in unacceptable activities, or if there is a lack of transparency related to the company's operations (e.g. the Asia Pulp and Paper process of potential readmission to the FSC systems was suspended after new allegations came to light). In addition, companies that have been re-associated with FSC can be disassociated again if new allegations are raised that the company is involved in unacceptable activities.

FSC's keen-ness to avoid disassociation or rapidly move to re-association in cases of severe wrongdoing by certificate holders means there is little deterrent to other companies to not engage in such practices.

Even if one accepts the argument that there should be a route to redemption for even the worst offenders, it is also telling that FSC refers to processes of re-association only being suspended if new 'allegations' are raised that a company is still involved in unacceptable activities like human rights abuses and illegal logging.

This confirms that FSC will not itself pro-actively investigate a company seeking re-association. Even where a company is proven to have been involved in the worst possible offences, FSC continues to

give it the benefit of the doubt. It continues to do this despite having been burned multiple times. This suggests that FSC is either incredibly naïve, wilfully ignorant or slavishly protecting the business interests of the certification bodies.

Q: What errors or inaccuracies do certification bodies look for? Why don't they pick up alleged fraud, illegal logging and other activities outside of a certified forest area? Why is it that FSC relies on NGOs and media to tell us about these activities?

Certification bodies check a company's compliance with certification requirements at a specific site (forest management unit, factory, warehouse etc.) for which FSC certificates were issued. Certification bodies do not check companies that do not have FSC certificates or that are not making FSC claims.

If certification bodies become aware of unacceptable activities in the course of their work, they notify FSC, who can then act on this information. In some national FSC forest stewardship standards, e.g. Indonesia, the certification body will also check explicitly for compliance with the FSC Policy for Association when auditing forest management certificates.

NGOs and media involved in investigative activities are also useful partners in identifying unacceptable activities outside of FSC certified areas. They may be focusing on different sectors (e.g. oil palm) where FSC does not have a presence or conduct research into corporate structures that identifies previously unknown links to certificate holders.

A comparison of any number of certification reports (the public summaries thereof) with later revelations of egregious non-compliances by certified companies shows that the problems have almost never been clearly identified and reported by certifiers (other than as 'Corrective Action Requests', which are invariably closed out with paper procedures) even when their audits occurred shortly before the offences were recorded. We ask you to provide an estimate of how many audit reports FSC staff actually scrutinise, and on how many occasions have issues been raised with the certifiers about the content of these?

It should be the duty of FSC itself to check the activities of companies and their corporate structures more broadly, to prevent cases of serious wrongdoing. This should not be the responsibility of external NGOs and journalists. As previously mentioned, NGOs and journalists only have the capacity to investigate a tiny number of cases. What they expose is almost certainly only the tip of the iceberg.

Q: Why does a disassociation case take so long to come to resolution (i.e. a decision on whether to disassociate or not)?

Disassociation cases relate to complex, sensitive issues, including human rights violations or biodiversity loss, sometimes taking place over multiple years and affecting many stakeholders. They therefore need careful and lengthy investigation. It is also important to note that there are significant consequences to disassociation. Disassociation means excluding an entire corporate group from participation in the FSC scheme. In practice, this can equal hundreds of companies that lose / are barred from obtaining an FSC certificate.

The process for investigating a case therefore focuses on detailed fact-finding and fairness to all parties. This means identifying impartial investigators who conduct site visits and in-depth analyses of issues, and giving parties a meaningful opportunity to respond to the findings of

an investigation.

FSC is currently revising its procedure for evaluating these cases and will introduce measures that will enable faster action (e.g., certificate termination without further investigation) where there is already substantial evidence available that unacceptable activities have taken place.

EarthSight welcomes the news that FSC's disassociation process is being made speedier. However, it is notable that FSC does not address the additional point made in EarthSight's report that the standard of evidence demanded in such cases is also ridiculously high.

Even if the 'preponderance of evidence' is that an FSC-certified company is guilty of heinous crimes like massive illegal logging and rights abuses, FSC cannot and will not disassociate. We believe that purchasers of FSC-labelled products would expect better.

FSC operations in Congo Basin

Q: What was FSC's relationship with Henri Djombo?

Henri Djombo was forest minister of the Republic of Congo and therefore a very important decision-maker for responsible forest management in the country. For that reason, we built relations with Henri Djombo while he had that post, and this helped us establish a legal presence in the country to be able to support certificate holders and other stakeholders.

This has helped improve forest management in very important forest areas in the Republic of Congo with clear environmental and social benefits. As an example, research conducted by the Center for International Forestry Research (CIFOR) in 2014 concluded that FSC certification in the Congo basin has been able to push companies toward remarkable social progress <http://www.cifor.org/knowledge/publication/4487/>

More recent evidence casts doubt on the additional social and environmental benefits FSC-certification has brought to the Congo Basin. Available evidence seems to indicate the contrary is true. A [2017 study found](#) that Intact Forest Landscapes in the rainforests of the Congo Basin had been broken up at the same rate within logging concessions certified as "sustainable" by FSC as those in non-certified concessions, or at an even higher rate. It concluded that FSC certification had a "negligible" impact on slowing destruction of these forests.

Commentators involved with FSC reform also note that the "remarkable achievements" in social progress at least partly pre-dated FSC certification, as the one company certified at the time – CIB – had long funded relatively better (though still objectively dismal) social provisions. There have been [reports](#) of very limited additional benefit to these communities in CIB's concessions since certification, most still having no work from the company, nor access to electricity and no running water in their houses.

In IFO's 1 million-hectare, FSC-certified concession in Republic of Congo, significant environmental damage to irreplaceable gorilla habitat was caused by [human-induced](#) forest fires that raged uncontrolled through forests controlled by IFO in 2016. In 2018 indigenous 'Pygmies' living in the forests inside the concession [told](#) German journalists that the company's presence there had deprived them of their homes and livelihoods.

Q: Is there a record of FSC's "glowing" statements about Djombo?

FSC has no record of any such statements ever being on any version of its internal website www.fsc.org.

In 2014, Djombo spoke in a session at FSC's General Assembly, and his profile was included along with that of other speakers on the FSC General Assembly website. As is usual practice, each speakers' profile was prepared by the speaker and sent to FSC for publication.

The website has now been deactivated because it was for an event in 2014, and after 5 years FSC deactivates websites that are no longer used.

[FSC does not dispute that the FSC general assembly micro-site on which this profile was published was owned and operated by FSC alone. Whether the statement was on FSC's main website or a subsidiary website owned and operated by FSC is not relevant.](#)

Q: Has Congolaise Industrielle des Bois (CIB) been investigated for high conservation value destruction? If so, please provide details.

FSC has not investigated Congolaise Industrielle des Bois (CIB) for HCV destruction, because we have no indication that such destruction has happened and have not received a complaint on this matter. However FSC is currently in an alternative dispute resolution process between Olam International related to potential issues in the establishment of oil palm plantations in Gabon (alleged conversion of forest and destruction of high conservation values). CIB is a subsidiary of Olam International.

[Those involved with reform of the FSC note that from the outset, the Public Summary certification reports for CIB have shown that essentially the entire extent of all CIB's concessions were virgin and HCVF forest.](#)

[Why should it be necessary for a formal complaint to be made? Where there is publicly available information of serious breaches of fundamental FSC principles, FSC should be discovering this itself and acting on it.](#)

Q: Has Industrie Forestiere de Ouesso (IFO) been investigated for its role in forest fires? If so please provide details.

FSC is aware of the forest incidents but has no indication that these were due to failure in IFO's practices. FSC has not investigated IFO for forest fires, because no complaints have been received about this.

[Why should it be necessary for a formal complaint to be made? These were the largest such fires in living memory in the Congo Basin, and information about them is publicly available. In such cases one might expect FSC to pro-actively investigate.](#)

Q: What is FSC's response to the study that said destruction in FSC intact forest landscapes was worse than in non-certified ones?

The report pre-dates the intact forest landscape rules that have been worked on for inclusion in FSC standards since 2014. It is not surprising that logging happens in areas that are laid

out for forest management, like the FSC certified concessions, and that this also affects intact forest landscapes. FSC ensures that the most important social and environmental values are maintained, which would not happen in other areas, once they were designated for logging. For more information on FSC's work with intact forest landscapes: <https://fsc.org/en/forests/intact-forest-landscapes>

EarthSight's report recognises that actions have been taken by FSC on IFL since 2014, but also points out that observers [have described](#) those actions as being 'full of loopholes'. Again, EarthSight believes that consumers buying products displaying an FSC logo would be shocked and appalled to discover that the wood concerned could have come from trees cut down in virgin rainforest.

FSC does not "ensure that the most important social and environmental values are maintained" because many of these values in such forests derive exactly from the fact that they are intact – which they are not once they have been logged.

Any amount of peer-reviewed research has shown the importance, especially for maintaining biodiversity, but also environmental values, that such forests are not fragmented, especially by roads.

Q: Has FSC ever investigated SIFORCO or SODEFOR for anything? If so please provide details.

On 21 May 2013 FSC disassociated from the Danzer Group "after in-depth research by a complaints panel found that a former subsidiary – SIFORCO – was indirectly involved in unacceptable police action in the community of Yalisika in the Democratic Republic of Congo (DRC)." (FSC statement, August 2014). Although SIFORCO had already given up its FSC certificates in 2012 (SGS-CW/FM-008062; SGS-COC-008149) after it was sold by the Danzer Group to the Blattner Group, FSC still held the Danzer Group responsible for the unacceptable activities in Yalisika, disassociated and set conditions for reassociation.

In May 2011, Greenpeace International filed a formal complaint with FSC against SODEFOR. The complaint alleged that violations of traditional and human rights took place during SODEFOR's operations in the Democratic Republic of Congo. The FSC certificates held by SODEFOR had already been withdrawn by the time of the complaint. After conducting an investigation into the complaint, the complaints panel recommended that FSC not disassociate itself from SODEFOR but rather ensure SODEFOR meets all FSC requirements, including strengthening the changes recently initiated in SODEFOR's mediation practices, including clarification of local (customary) tenure rights, redefining benefit sharing agreements and ways of communicating. FSC's Board of Directors agreed with the complaints panel, but SODEFOR has not attempted to get FSC certification since.

Q: What is FSC's relationship with Danzer? Why was Danzer allowed back into the system?

FSC disassociated from Danzer after a complaint by Greenpeace International was filed against SIFORCO and its parent company The Danzer Group. The FSC Board of Directors set several conditions that Danzer had to fulfil before re-applying for certification. In January and February 2014 the Forest Peoples Programme (FPP) conducted field missions to verify Danzer's and SIFORCO's fulfillment of these conditions. Subsequently, the FSC Board of Directors decided that it did not have enough evidence to be confident that the conditions had

been completely fulfilled and asked FSC to negotiate a plan for re-association with Danzer. The plan laid out all the activities Danzer needed to undertake and complete before it could even be considered for re-admission to the FSC system. After Danzer relayed that they had completed the stipulations as laid out in the new plan, FPP conducted desk audits and a field visit to Bumba to verify the veracity of the roadmap fulfillment. FPP found that the requirements had been met. Based on the findings of the FPP report and a further assessment by FSC, the FSC Board of Directors decided to lift the disassociation from the Danzer Group.

Other points made in the report:

Q: What drove FSC's expansion in eastern Europe? Why has FSC not expanded in other parts of the world?

It is correct that the area of FSC-certified forest has increased most significantly in Eastern Europe in the period between 2014 and 2019. However, Eastern Europe is not the only region that has increased; there have also been significant area increases in Africa, Latin America and Western Europe in the same timeframe.

- In the 2014-2019 timeframe, CIS (Russia + Ukraine + Belarus in FSC's view of the world) is the region which grew the most (almost + 37%, compound annual growth rate (CAGR) 6.5%). Globally FSC area grew by 8,2% with 1.6% CAGR.
- Other 2 key forest countries (especially for IKEA sourcing) in Eastern Europe are Romania and Poland, but they did not grow as much (+11% Romania, + 0.5% Poland).
- However, in the same timeframe Latin America grew significantly (+19%, CAGR 3.5%). Europe grew by almost 6%, Africa by 26%. Asia-Pacific dropped by 37%, North America by 7%

2014 2019 CAGR Increase

CIS 44,862,301 59,929,187 6.4% 36.9%

LatAm &

Caribbean

12,745,709 15,138,934 3.5% 18.8%

N.America 70,792,461 65,341,872 -1.6% -7.7%

Europe 37,747,214 39,965,333 1.1% 5.9%

Africa 5,631,007 7,104,847 4.8% 26.2%

Asia Pacific 9,683,866 6,134,233 -8.7% -36.7%

Oceania 2,560,981 2,636,355 0.6% 2.9%

TOTAL 184,023,539 200,738,995 1.6% 8.2%

2014 2019 CAGR Increase

Russia 37,725,963 48,641,596 5.2% 28.9%

Ukraine 2,681,227 4,150,069 9.3% 54.8%

Poland 6,919,593 6,956,224 0.1% 0.5%

Belarus 4,455,111 8,638,126 14.2% 93.9%

Romania 2,552,563 2,836,078 2.1% 11.1%

FSC is a market demand driven system, therefore it is logical that FSC certified area grows where there is strong demand from forest value chain companies. This demand drives FSC adoption along the whole value chain all the way to forest managers/owners.

Where wood is sourced from cheaper and potentially riskier countries, there is a need for buyers to pay greater attention to responsible forest management because sustainability is a key

requirement in the regions where their products are sold (e.g. Europe). Therefore, FSC certification can play an important role in these sourcing regions and sourcing companies may invest capacity and money in training their suppliers on FSC's standards. These are relevant factors to explain the growth in FSC-certified area in high-risk regions such as CIS, Africa and Latin America over recent years.

Whilst the sourcing activities of large individual companies such as IKEA are a factor in the growth of FSC-certified area in CIS, this region is a key supply area of wood and fibre for many European furniture and packaging companies and therefore multiple organisations contribute to this trend. For example, these organisations include Mondi, Kronospan, Egger, Sappi, Kingfisher Group and International Paper.

EarthSight notes that Egger is also cited in our report as importing high-risk Ukrainian wood, while Mondi, Kronospan and International Paper were also found to have done the same in our earlier report [Complicit in Corruption](#). Kronospan and Egger are both Ikea suppliers; it is likely that Mondi and International Paper are as well.

Concerns over FSC's expansion have been raised as far back as 2002, when a [major report](#) on structural flaws in FSC, based on case studies from around the world, found that the FSC has pursued "fast growth..without consideration of the potential availability of truly certifiable forests. In some countries, the national policy framework appears to be fundamentally incompatible with the FSC's P&C." (Principles and Criteria)

While FSC may be a 'market-driven mechanism' it has made no attempt to acknowledge in this response that in the era of climate emergency it is more important to leave more forests standing globally than to push for continued expansion. As long as FSC's underlying flaws and conflicts of interest remain, any such expansion provides no additional guarantees of legality to consumers of wood products from these forests. This is especially true of its expansion into high-risk regions in the tropics and CIS countries. As a supposed 'forest steward' it must actively promote the philosophy of "reduce, reuse recycle" in the logging industry rather than caving to that industry's demands for ever-increasing sources of timber.

Q: What is FSC doing to drive a policy of reduce, re-use, recycle?

FSC's primary role (and main contribution to a circular economy model) is to ensure that forest-based materials entering supply chains are sourced from sustainably managed forests or come from recycled sources. Specifically, the FSC recycled label is intended as a marketdriven tool to encourage recycling in forest value chains. FSC is also open to supporting activities that influence the reduction and re-use of forest-based materials, although FSC is not currently engaging directly in such activities.

[Does FSC wish to distance itself from the remarks of FSC board member Tony Sebastian, who was quoted in the media in 2018 encouraging people to use more paper, not less?](#)

Q: How much money did FSC make from certificates in China last year (2019)?

FSC received just over US\$2 million from Chinese certificate holders; not "almost \$6 million" as claimed by EarthSight.

As explained in the report, Earthsight's figure was necessarily a rough estimate, since FSC does not publish information regarding amounts received from CoC certificate holders in specific countries. We welcome this new information from FSC and encourage further improvements in transparency. We note that US\$2 million still represents a very large proportion of the organisation's income.

It is notable that FSC does not provide any response regarding Earthsight's broader point, which is that companies which handle no FSC-certified timber are being allowed, even actively encouraged, to advertise their FSC chain of custody certification as proof of their good environmental practices, when it has no such meaning. FSC does not challenge Earthsight's suggestion that the reason it has failed to stamp out this practice is because it would lose a great deal of money as a result.

Q: The Earthsight report alleges some – including the FSC Board's Tony Sebastian – have advocated for FSC to drop the ban on certified plantations cleared after 1994. Is this true?

The points made about Tony Sebastian are complete slander without any basis in fact. FSC's rules on conversion have not been changed and can only be changed after full membership discussion and decision. Based on a motion approved by the FSC membership in 2017, there is currently a membership-driven process ongoing to see if the rules on conversion can be changed.

Mr Sebastian's views are a matter of public record. When asked by the New Straits Times in March 2018 about the relevant FSC rule, his response was "[The rule should be repealed](#)". This source was referenced in the report. The New Straits Times is a reputable newspaper and we are aware of no complaint or retraction. We would suggest that FSC would do well to check with Mr Sebastian regarding his views before accusing Earthsight of slander.

Q: Are FSC's requirements lower than that required by law in EU countries and the US? Please explain.

FSC has worked to ensure that all components of FSC certification align with the EUTR. As such, actors practicing due diligence can use FSC certification as a key element of reducing the risk to low that materials have been harvested or traded illegally. While FSC certification does not formally constitute a comprehensive legality verification system, our chain of custody requirements oblige operators to conform to all applicable timber legality legislation.

FSC's explanation in its response regarding its 'interpretation' of the silence period law in Ukraine is further proof that its standards are lower than those required by law in the EU. The precautionary principle is enshrined within the EU Timber Regulation, but not within FSC.

EUTR requires importers to ensure that the risk their timber was illegally sourced is 'negligible'. FSC, on the other hand, has taken it upon itself to contradict the published findings of a Ukrainian government institution and declare sanitary logging during the silence period legal. It is patently ridiculous to claim that the risk of illegality is 'negligible' for wood found to have been illegally harvested, simply because the FSC – a non-government body – says so.

Q: What is FSC doing to replace the OCP and track timber from the forest along the

supply chain?

The voluntary Online Claims Platform (OCP) was retired and closed down in May 2019. FSC's decision to retire the OCP – rather than modernize and support the OCP information system software and infrastructure – was based on the uptake and the needs to support certificate holders and overall FSC system integrity.

Transaction verification – the matching of input and output claims between certificate holders (FSC-STD-40-004) – has never stopped. The OCP was only one of the tools that could be used to facilitate and deliver transaction verification data, and the retirement of the OCP has had no impact on conducting transaction verification in the FSC system.

Information technology can support reliable, transparent, trustworthy and secure compliance with FSC, and FSC is developing the FSC blockchain to assist in verifying compliance with FSC licensing requirements. Materials bearing the FSC trademark and traded with an FSC license must be compliant with certification and legal requirements. The FSC blockchain can offer value not only to certificate holders in terms of supplier due diligence, but also to the overall supply chain integrity in the FSC system.

The FSC's response on this issue is deliberately obfuscatory. The retirement of OCP had no impact on transaction verification because so few companies had implemented it, which in turn was because FSC conducted a U-turn on its earlier intention to make the system compulsory. FSC's current focus on technical tools such as blockchain is flawed because such tools are only envisaged to be used (like paper-based transaction verification at present) on a rare basis, when fraud is suspected. The best way to combat fraud is to make transaction verification and traceability standard practice. FSC appears to have given up all hope of this.