



Forest Stewardship Council®



# FSC and Corruption

(Version 2.0 – December 2018)

## VISION

The world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

## MISSION

FSC shall promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

## REPORT SUMMARY

**Report Title:** FSC and Corruption  
**Subject:** FSC efforts to prevent corruption in its supply chains  
**Contact:** FSC International Centre – Performance and Standards Unit



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## Introduction

FSC pays considerable attention to the prevention of corruption.

First, FSC requires managers of certified forests and companies processing or trading FSC-certified materials and products not to be corrupt and, second, it requires certification bodies to verify whether corruption is in fact being combatted and/or avoided by these managers. FSC complaints procedures can be used by outsiders to raise concerns about corruption.

Revisions of the entire set of FSC standards (international generic indicators for forest management, controlled wood, chain of custody, accreditation) have increased the focus on corruption, with specific requirements to be verified.

This paper gives an overview of how corruption is dealt with in the FSC standards and their implementation. The first three parts relate to the certificate holders, and the fourth to certification bodies. The last part is about an additional tool that FSC International has to intervene when there is evidence of corruption in a company not related to the production, trade or processing of FSC-certified materials and products (*Policy for Association*).

### 1. Certified forest management units

The FSC *Principles & Criteria for Forest Stewardship* (P&C) start with a principle requiring that a certified forest management unit complies with all relevant laws. In 2012, a new set of P&C was adopted (version 5). These were elaborated further in international generic indicators (IGIs, 2015) and are now being transferred into national standards for forest stewardship.

In several countries the new standards are approved and being applied, in others approval is still in progress. In the latter countries, the 'old' version still applies, so the presentation below is divided into two parts.

You can follow the progress of national standards here: <https://ic.fsc.org/en/document-center>

The FSC national standards include requirements for management plans, reporting on harvesting practices, and transparency.

#### 1.a. The new P&C and IGIs

Principle 1 in the new version of the P&C (FSC-STD-01-001 V5-2) includes the following criteria:

*1.1 The Organization shall be a legally defined entity with clear, documented and unchallenged legal registration, with written authorization from the legally competent authority for specific activities.*

*1.2 The Organization shall demonstrate that the legal status of the Management Unit, including tenure and use rights, and its boundaries, are clearly defined.*

*1.3 The Organization shall have legal rights to operate in the Management Unit, which fit the legal status of The Organization and of the Management Unit, and shall comply with the associated legal obligations in applicable national and local laws and regulations and administrative requirements. The legal rights shall provide for harvest of products and/or supply of ecosystem services from within the Management Unit. The Organization shall pay the legally prescribed charges associated with such rights and obligations.*

*1.4 The Organization shall develop and implement measures, and/or shall engage with regulatory agencies, to systematically protect the Management Unit from unauthorized or illegal resource use, settlement and other illegal activities.*

*1.5 The Organization shall comply with the applicable national laws, local laws, ratified international conventions and obligatory codes of practice, relating to the transportation and trade of forest products within and from the Management Unit, and/or up to the point of first sale.*

And it has one criterion specifically about corruption:

*1.7 The Organization shall publicize a commitment not to offer or receive bribes in money or any other form of corruption, and shall comply with anti-corruption legislation where this exists. In the absence of anti-corruption legislation, The Organization shall implement other anti-corruption measures proportionate to the scale and intensity of management activities and the risk of corruption.*

The international generic indicators (IGIs, FSC-STD-60-004 V2-0) have five specific indicators to verify this last criterion:

*1.7.1 A policy is implemented that includes a commitment not to offer or receive bribes of any description.*

*1.7.2 The policy meets or exceeds related legislation.*

*1.7.3 The policy is publicly available at no cost.*

*1.7.4 Bribery, coercion and other acts of corruption do not occur.*

*1.7.5 Corrective measures are implemented if corruption does occur.*

### **1.b. The 'old' P&C**

The remaining old national standards are based on FSC-STD-01-001 V4-0 EN *Principles & Criteria for Forest Stewardship*. Most relevant are the following criteria under Principle 1:

*1.1 Forest management shall respect all national and local laws and administrative requirements.*

*1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.*

*1.3 In signatory countries, the provisions of all binding international agreements such as CITES [Convention on International Trade in Endangered Species of Fauna and Flora], ILO [International Labour Organization] Conventions, ITTA [International Timber Trade Agreement], and Convention on Biological Diversity, shall be respected.*

...

*1.5 Forest management areas should be protected from illegal harvesting, settlement and other unauthorized activities.*

## 2. Chain of custody

In response to the European Union (EU) Timber Regulation (EUTR)<sup>1</sup> and other laws requiring due diligence concerning illegal harvesting, FSC introduced Advice Note 40-004-11 to its chain of custody (CoC) standard (2013), requiring “FSC certificate holders exporting and/or importing timber or timber products [to] have procedures in place to ensure that the commercialization of FSC certified products comply with all applicable trade and custom laws”. This requirement has become an integral part of the new FSC CoC standard of 2017 (FSC-STD-40-004 V3-0, section 6.1). As a consequence, certification bodies need to verify annually whether the certified companies have these procedures in place and whether they are effective.

The new CoC standard includes a clause that requires certificate holders to support transaction verification activities conducted by certification bodies and Accreditation Services International (ASI). This will enable FSC to further investigate and control the occurrence of false claims in the system, improving the overall reliability of the FSC CoC.

## 3. Controlled wood

Companies have to do a satisfactory risk assessment on uncertified wood before they can use it for FSC ‘Mix’ products. On 1 July 2016, the new standard on *Requirements for Sourcing FSC Controlled Wood* (FSC-STD-40-005 V3) entered into force. It includes a due diligence procedure similar to the EUTR, although it has a broader scope (legality and four more requirements) and specific transparency requirements; it includes a detailed description of the relevant legislation.

The company assessment has to be based on national risk assessments that are provided by FSC (national offices or FSC International). In 2017 and 2018, such (updated) national risk assessments were approved for 43 countries, although for several countries the assessment is not final for all five controlled wood categories. However, all 43 have accepted evaluations for category 1, on legality, which includes the corruption issues. The approved controlled wood assessments are available at: <https://ic.fsc.org/en/document-center>

One of the criteria applied in the risk assessment is the “perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade”. FSC gives 11 examples of sources of information to be used, including the Transparency International Corruption Perceptions Index, nongovernmental organizations (NGOs), and official sources.

The *FSC National Risk Assessment Framework* (FSC-PRO-60-002a) specifies that for countries perceived as, in general, high risk regarding corruption, additional risk assessment activities have to be undertaken:

*Assessment of corruption: consultation with experts ... shall take place to evaluate the extent of corruption in the forestry sector in countries where the corruption perceptions index of Transparency International ... is less than 50, taking into account corruption related to forestry operations. Special attention shall be given to the enforcement of laws requiring approval from public bodies, such as harvesting permits, concession licenses, custom declarations, etc., as well as laws relevant to the purchase of forest products or harvesting rights from publicly owned land.*

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<sup>1</sup> The EUTR introduced due diligence requirements for companies bringing wood and wood products onto the EU market, to avoid origin in illegal harvesting. The EUTR entered into force in March 2013.

*NOTE: For more information, please see Transparency International's guidance on forest sector vulnerability to corruption: [http://files.transparency.org/content/download/258/1036/file/2010\\_ForestGovernanceRiskManual\\_EN.pdf](http://files.transparency.org/content/download/258/1036/file/2010_ForestGovernanceRiskManual_EN.pdf).*

The procedure gives guidance for each category of legislation.

#### **4. Certification bodies**

##### **4.a. Certification process**

A rigid certification process is set up in FSC to reduce the risk of corruption. The certification requirements in FSC comprise regular on-site audits, inviting and considering stakeholder comments, and easily accessible reporting from forest management audits.

Accredited certification bodies audit the companies and grant or withdraw FSC certificates. Certification bodies have to audit the performance of certified companies at least once a year. FSC has adopted a special standard for certification bodies on control of certificate holders and how to engage stakeholders, FSC-STD-20-001 *General Requirements for FSC Accredited Certification Bodies* (2015). This standard is complemented with specific standards for the verification of forest management units (FSC-STD-20-007) and CoC including controlled wood (FSC-STD-20-011), as well as for stakeholder consultation as part of the verification process (FSC-STD-20-006), and for individual forest units applying the FSC controlled wood requirements (FSC-STD-20-2012, not often used).

Before a certification body grants a certificate, it has to determine credible assurance that the audited company conforms with the requirements of all applicable FSC normative documents.

After the initial audit, at least one surveillance audit has to follow every year. After five years, the certificate expires and a re-evaluation audit has to be carried out.

The initial and re-evaluation audits have to be done against the whole standard; the surveillance audits for forest management can concentrate on a relevant selection of the P&C.

Audits have to include inspection of a sufficient variety and number of sites/records within each operational site selected for evaluation. The sites should be chosen based on an evaluation of the critical points of risk in the management system. A sufficiently relevant sample of documentation held by the manager needs to be evaluated.

Transparency and stakeholder consultations are essential elements of the verification process. A sample of directly affected stakeholders needs to be interviewed.

One of the obligations of the certification body in preparing audits, in particular for forest certification is to "identify and obtain copies of relevant national and local laws and administrative requirements which apply in the country or region in which the evaluation is to take place".<sup>2</sup> The certification body needs to ensure that its auditors have sufficient knowledge of the relevant legislation the certificate holder needs to comply with.

As part of its response to the EUTR, FSC launched a clarification for this evaluation standard, Advice Note 20-007-17 *Applicable National and Local Laws and Regulations*.<sup>3</sup> This advice note describes the categories of legislation that should be

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<sup>2</sup> FSC-STD-20-007 V3.

<sup>3</sup> In FSC-DIR-20-007.

considered as falling under the scope of FSC Principle 1, but also warns about the kinds of violations, including corruption and bribery, that the certification body needs to be vigilant about. In the categories 'concession licences', 'harvesting permits', and 'payments of royalties and harvesting fees', corruption is mentioned explicitly, and examples of possible cheating are given in several other categories.

In the standard for verification of CoC certificates, the issue of corruption is not specifically mentioned, except in the part on outsourcing. Contractors working in countries with a score lower than 50 on the Transparency International Corruption Perceptions Index are regarded as 'high risk' for which specific mitigation measures are needed.

Observed violations of requirements result in minor or major nonconformities with corresponding corrective action requests. The sanction for not correcting management practices is suspension and ultimately withdrawal of a certificate. As transparency is a critical means to combat corruption, summaries of all audit reports for forest management certification are accessible in the FSC certificated database (<http://info.fsc.org>) at any time. Audit reports list all nonconformities, corrective action requests, and stakeholder comments, and are available in one local and one international language.

As certification bodies play a key role in ensuring the performance of the FSC scheme, including on whether corruption is avoided, it is important that they themselves can be relied upon to be non-corrupt. So, the general accreditation standard, FSC-STD-20-001, mentioned above has extensive requirements on ensuring the impartiality of the certification body vis-à-vis the companies it is auditing, and corruption-related requirements as well.

#### **4.b. Certification body requirements relating to corruption and impartiality**

Certification bodies are required to carry out audits in an independent and impartial manner. The certification body must, in particular, implement an anti-corruption policy. Requirements for impartiality start with top-level commitment, a written policy and procedures, contractual obligations for all involved personnel regarding disclosures of any possible and actual conflicts of interests and appropriate responses. It requires documentation of these responses and recordkeeping of all relevant material.

Finally, the above mentioned general standard, FSC-STD-20-001, has a specific requirement on corruption:

*1.5.12 The certification body shall have, maintain and implement a documented anti-corruption policy.*

And in clause 3.1.9, it is required that relevant personnel sign a contract or other documents by which they, among other things, commit to conform with the anti-corruption rules of the certification body.

For all requirements regarding conflict of interests, see the text of the standard, including a two-page annex with more detail.

#### **5. Policy for Association**

The *Policy for the Association of Organizations with FSC* (FSC-POL-01-004) is an expression of the values shared by organizations associated with FSC. It defines six unacceptable activities that associated organizations (i.e. certificate holders, certification bodies, and members) and their affiliated groups commit to avoid in both certified and uncertified operations. One of the unacceptable activities is: *illegal logging or trade in illegal wood or forest products*. As corruption is often a component, or root cause, of illegal logging and trade, the policy allows FSC to take measures against organizations that are involved in such activities.

## References

- FSC-POL-01-004 *Policy for the Association of Organizations with FSC*
- FSC-STD-01-001 *FSC Principles & Criteria for Forest Stewardship*
- FSC-STD-20-001 *General Requirements for FSC Accredited Certification Bodies*
- FSC-STD-20-006 *Stakeholder Consultation for Forest Evaluations*
- FSC-STD-20-007 *Forest Management Evaluations*
- FSC-STD-20-011 *Chain of Custody Evaluations*
- FSC-STD-20-012 *Standard for Evaluation of FSC Controlled Wood in Forest Management Enterprises*
- FSC-STD-40-004 *Chain of Custody Certification*
- FSC-STD-40-005 V2-1 *Standard for Company Evaluation of FSC Controlled Wood*
- FSC-STD-40-005 V3-0 *Requirements for Sourcing FSC Controlled Wood*
- FSC-STD-60-004 *International Generic Indicators*
- FSC-PRO-60-002a *FSC National Risk Assessment Framework*
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- FSC-DIR-20-007 *FSC Directive on FSC Forest Management Evaluations*, in particular ADV-20-007-17
- FSC-DIR-40-004 *FSC Directive on Chain of Custody Certification*, in particular ADV-40-004-11

These normative documents can be downloaded from the FSC website:  
<https://ic.fsc.org/en/document-center>