

Holding the Line with FSC [reloaded 2010]

Key findings from a re-evaluation of performance, progress and weaknesses, with recommended changes that are essential to FSC credibility

Overview

The Forest Stewardship Council (FSC) has grown rapidly in recent years, and it has been expanding into some of the most difficult and controversial forest regions in the world, including the Congo basin, the Canadian and Russian boreal, and Chain of Custody (CoC) in China and Vietnam. This situation, combined with several long-standing systematic weaknesses, is an enormous challenge for FSC, not only as an organisation and network, but also for its credibility amongst key stakeholders.

In 2008, Greenpeace published the “Holding the line with FSC” report after a two year investigation into FSC performance. The report focused on controversial certificates, as well as a lengthy peer review and dialogue with FSC and Accreditation Services International on key issues and ways forward. It presented key groups of recommendations that Greenpeace believed were necessary for FSC to move to an acceptable level of performance and credibility.

A summary of the critical issues outlined in “Holding the line” were:

- controlling, monitoring and ensuring performance of certification bodies,
- clarifying, simplifying and strengthening FSC standards and giving clear guidance on its legality requirements, P&C, Generic International Indicators, High Conservation Value Forest (HCVF), SLIMFs, and EIAs.
- proactively establishing standard setting processes in key areas addressing controversial “high risk” companies, clarifying criterion 1.6 and its relation to partial certification, and the Policy on Association with FSC
- Improving guidance on stakeholder consultation and relations including in the Principles and Criteria, and in policy and guidance documents,
- control of the FSC trademark,
- improving the FSC complaints and resolution process,
- investigating the conflict of interest between Certification Bodies and their clients,
- clarifying FSC preconditions for operating in countries with large remaining Intact Forest Landscapes (IFLs), poor levels of governance and high levels of corruption,
- Improving communication to increase transparency, information flow, outreach and support to relevant stakeholders, CBs, FSC network staff and members.

Over the past 15 years, Greenpeace and many other member organisations have invested an enormous amount of effort and resources in FSC at both national and international levels to ensure it is a credible system on-the-ground and in the market place.

With ongoing evidence of poor performance, Greenpeace has re-evaluated the issues and recommendations from “Holding the line with FSC” and is in the process has reconsidered its support for FSC. To update the FSC network below are the findings of this re-evaluation with a number of key changes that we believe are essential for FSC to maintain and build its integrity, credibility and consequently Greenpeace’s continued support.

Progress (since 2008):

- **Principles and Criteria review** has been prioritised by FSC and is in its final stages. This should address many on-the-ground performance weaknesses through improved clarity and guidance of the standard, particularly on legality, stakeholder engagement and plantation requirements. However, the finalisation of the P&C will not likely happen until early/mid 2011. This will delay implementation (up to three years after approved) including through the international generic indicator development phase and thus further action on a number of standards weaknesses and on-the-ground performance.
- **Accreditation Standards (rules for CBs) revision** has been completed. Changes of appear to address most of the concerns raised including CARs and internal systems conflict of interest. However they are still in the process of being implemented (i.e. CBs have up until the end of 2010 to comply with the new rules), so it is difficult to evaluate the impact on the ground at this stage.
- **Policy of Association (PoA)** to address controversial or ‘high risk’ companies that should not be in the system was approved by the FSC board in July 2009 but has not been fully implemented (inserting the PoA into all contracts and using the Complaints Process for ruling on cases has been agreed but a due diligence requirement is still in development).
- **Intact Forest Landscapes** have been recognised by FSC Secretariat as under HCVF Criterion (2). This needs further confirmation through a policy guidance process or the FSC P&C Review. Intactness is considered in a number of national/regional standards such as Canadian Boreal and Congo Basin; however, it needs to be addressed across all applicable FSC standards and certified forests
- **Complaints and Disputes system** has finally been renewed after funding support from WWF and Greenpeace in 2007/8. The key new innovation is a web based system for filing complaints which appears to be working quite well. Interestingly it has opened the way for a number CB vs CB complaints. We will need to see the new complaints system tested in terms of how swiftly and adequately complaints are dealt with by CBs, ASI, the FSC board etc.
- **A Modular Approach Programme (MAP)** proposal has been through the consultation phase by FSC but has yet to be implemented. This programme could be used to dramatically move more forests particularly controlled wood areas toward full certification and well as provide a link to legality verification. Its implementation is long overdue.

- **Increased staff capacity and financing** of FSC has placed it in a much stronger position than two years ago to respond to the challenges of its weaknesses and poor performance.
- **Direct licensing of the FSC trademark** from FSC to certificate holders should be completed by the end 2010, giving FSC much greater control of its logo with certificate holders and the ability to immediately withdraw it when any controversy or failure in performance arises.
- **An Advice Note on observers on audits** was completed as per a motion by Greenpeace Russia in 2005. However it did not go far enough to address the issues of lack of transparency and stakeholder engagement (resulting in a complaint from Greenpeace on observers being excluded without sufficient justification from a controversial certificate audit in Poland in 2009).

Ongoing Weaknesses:

- **Intact Forest Landscapes and HCVF guidance:** there is a lack of guidance by FSC on HCVF interpretation and implementation (apart from with SLIMFs). This is of huge concern, has been an issue for 10 years, and relates directly to FSC's on-the-ground impact, especially in relation to important tropical and boreal forest regions.
- **'High Risk' situation guidance:** as certification expansion in Indonesia's natural forests has largely halted and declined in the Amazon, the Congo basin is currently FSC's key area of expansion in the tropics. The Congo Basin is one of the most difficult and controversial forest regions in the world to operate in due to:
 - the large area of intact forest (approximately 60 million hectares),
 - a high level of HCVs including habitat for iconic primates,
 - is home to many forest-dependent communities,
 - very poor levels of forest-governance including the lack of land-use planning and zoning,
 - a low level of civil society engagement, and
 - high levels of corruption.

It makes it enormously challenging to manage these forests in an ecologically sustainable and socially just way. FSC has failed to address this issue – leaving CBs with no guidance and consequently risking FSC's credibility in exchange for business growth. This in particular relates operations in the Congo Basin where the FSC multi-stakeholder approach is next to impossible to achieve, or there are 'mega' operations that dominate the landscape and regional economies.

- **Controlled wood remains uncontrolled.** The key issues of risk assessments, transparency and commitment to continuously improve (move controlled wood input toward FSC certification) have not been resolved despite several years of pointing out the problems and the membership asking for solutions to strengthen CW (Motion 23 and 24 at FSC GA 2008). Instead of moving quickly to fix the fundamental weaknesses FSC has wasted time further evaluating the problems and issuing a confusing stream of advice notes.

- **Chain-of-Custody and logo integrity:** FSC does not have complete control of its logo to prevent fraudulent use. The direct licensing approach will help but there are no comprehensive strategies or programmes to address discover fraud and tighten control. The CoC system needs an overhaul including a move to volume based and physical tracking of products. It appears that from the food industry experience that this is possible. FSC is investigating a couple of approaches but no progress as of yet.
- **Certification body client conflict of interest:** remains an unaddressed concern. The proposals to address this by Greenpeace and others has largely been ignored or put in the 'too hard' basket. We believe this remains a fundamental structural weakness in FSC that continues to constrain FSC delivering with integrity.
- **Control of CBs and improving their performance:** while the changes to the accreditation standard is positive – we don't know how much difference they are going to make in addressing key performance weaknesses and members were not able to submit input as there were no consultations on the changes. Greenpeace have proposed among other things the use of penalties and unannounced spot checks as tools to improve the performance of CBs and certificate holders in its 2008 report recommendations. But these have not been taken up.

Immediate Changes Required to Restore FSC's credibility:

1. FSC Principles and Criteria review delivers a strong and clear standard that addresses the many ambiguities in the current P&C, greatly improves stakeholder engagement and consultation, and allows the urgent finalisation of international generic indicators.
2. FSC develops a set of pre-conditions for certification in 'sensitive' or 'high-risk' regions, such as the Congo Basin, to address key contextual issues, including civil society stakeholder participation, HCVF, land-use planning, transparency, corruption and poor governance.
3. FSC immediately adopts a moratorium on certification of large-scale logging in the Congo Basin that is both time bound and conditional. The contextual issue pre-conditions will need to be met along with prioritising the development and finalisation of the regional standards and guidance before the moratorium is lifted on a country-by-country basis.
4. To support credible certification in the Congo Basin strong regional standards are developed that include requirements around maintenance of HCVs and IFLs, biodiversity protection, participatory land-use planning, transparency and corruption indicators, FPIC, and support for community forest use.
5. FSC develops HCV guidance on interpretation and implementation. The process will include expert assisted drafting, consultation and may include a working group. Intact Forest Landscapes should be protected and FSC should play an important role in achieving this including through promoting participatory land use and conservation planning, supporting community use and the development of protected area certification.
6. FSC needs to prioritise the development of the mechanisms to fully implement the Policy of Association including a due diligence approach for 'high risk' companies seeking to become FSC certified.

7. FSC needs to urgently complete the Controlled Wood risk register and to take responsibility for categorisation of risk including through FSC endorsed NI risk assessments. FSC must amend the Controlled Wood standard to remove the possibility of companies doing their own risk assessments and focus instead on FSC-STD-30-010 forest audits for 'unspecified' risk areas, as well as add a 'sunset clause' that limits the time an area may supply controlled wood.
8. FSC must move as soon as possible to a volume-based CoC system to gain greater control over the product chain and for FSC to continue to explore the feasibility of physical tracking systems.
9. FSC should implement as soon as possible the MAP system to assist and better control the transition of operations to FSC.
10. To improve CB performance FSC needs to move to:
 - a. Ensure the recent accreditation standard changes are sufficient to lift the performance of CBs on the ground including a greater proportion of field audits.
 - b. The development of system changes and tools to switch the current competition by CBs on price to competing on quality. This would include the vetting of CB bids to clients as part of ASI audits.
 - c. Greater defining and clarification of the requirements for CBs making bids for clients and making CBs more transparent.
 - d. Adopt a rotation system whereby a client can contract a CB for a maximum of five years.
 - e. Fully develop the indirect (number of ASI audits in relation to the number of CARs issued to CBs) and direct tools to provide incentives for high performance by CBs.

Conclusion

FSC's credibility in the market as a label for products derived from responsibly managed forests and plantations is to a large degree linked to key environmental NGO support. While FSC has made progress on many issues over the last 2 years, the continued support of FSC by many stakeholders across the different chambers will depend on FSC adequately addressing key weaknesses in a timely manner. The outcomes sought include a significant on-the-ground performance improvement, precautionary maintenance of HCVs, a trademark and brand we can trust, and more FSC pure products being certified.

The Congo basin is one of FSC's key regions of expansion in the tropics and at the same time one of the most controversial and difficult set of countries in the world to operate in to deliver credible certification, Greenpeace has committed to closely monitor FSC in the Congo and will remain a priority focus for active work on FSC. Of major importance are: defining preconditions for forest certification, gaining support for a renewed Land Use Planning process in the Democratic Republic of Congo that protects IFLs as well as a time-bound and conditional moratorium on certification of large-scale logging. Greenpeace will continue to engage with the Congo Basin regional standards setting process to ensure a strong standard is achieved and we expect FSC to coordinate a fair and transparent process.

With many recent climate and forest science publications emphasising the importance of primary and intact forest we look forward to the recognition of intactness as a HCV, support for a long-term vision that Intact Forest Landscapes should be protected and that FSC should play an important role in achieving this including through certification of protected areas. We want to ensure that FSC is part of the solution to climate change not contributing to the problem (certifying the degradation of forests or endorsing forest offsets in carbon markets).

If the major weaknesses in the Controlled Wood system are not resolved then the only conclusion can be that the Controlled wood system needs to be phased out. We are encouraged by FSC's recognition of the problems but seek urgent leadership by FSC to resolve them so that it does not continue to undermine FSC's integrity.

We seek new system innovations to have CBs being rewarded for quality performance rather than on low cost. A group of stakeholders (including GP, WWF and TFT) are developing a CB scorecard that will rate Certification Bodies on their performance and provide an incentive for upward change.

As FSC's brand trust relies on the integrity of their CoC certificates a reform of the trademark system is essential. Moving to a volume-based CoC system would make a major improvement along with physical tracking systems. FSC should move quickly to develop these.

In all of the issues and recommended actions above we are seeking the support of key FSC stakeholders to ensure FSC IC and global network address them quickly and robustly. For now Greenpeace and other NGOs are maintaining their support for FSC and engaging constructively but the next 12 months is a critical period for FSC to demonstrate responsiveness and professionalism in addressing the weaknesses, thereby restoring the confidence of members and the public that the FSC system is credible and its certified forests and plantations are truly being well-managed.