



Forest Stewardship Council®



FSC Policy for Association

FSC-POL-01-004 V3-0 EN

DRAFT 4-0



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FSC POLICY FOR ASSOCIATION
FSC-POL-01-004 V3-0 EN
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The Forest Stewardship Council® (FSC) is an independent, not-for-profit, non-government organization established to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

Introduction

FSC-POL-01-004 *FSC Policy for Association* is an expression of the values shared by organizations associated* with FSC. It defines six unacceptable activities that associated organizations* and their corporate group* commit to avoid in both certified and non-certified operations.

The *FSC Policy for Association* serves as a risk management tool for FSC, protecting the credibility and reputation of the FSC brand and organizations associated* with it. It applies to entire corporate groups even if only a limited part of a group has an active relationship with FSC. This is to avoid any confusion or use of FSC's name in relation to activities that violate FSC's core principles. The policy allows for requiring improvements and remedy as well as the termination of all contractual ties with an organization found to be in violation of the policy.

Allegations* of violations of the *FSC Policy for Association* against associated individuals and organizations* will be accepted and evaluated by FSC upon presentation of substantial information* that the associated individual or organization* or its corporate group* has violated the policy.

To protect FSC's reputation and to remedy harm caused by unacceptable activities, FSC will assess multiple options, from mediation to investigation, sanctions and conditions-setting, to improve the performance of organizations associated* with FSC. The measures and consequences depend on the gravity of the violation. Stakeholders should engage in all reasonable efforts to address concerns before presenting an *FSC Policy for Association* complaint. The specific way allegations* and complaints* are addressed and decisions are made is elaborated in the *Processing FSC Policy for Association Complaints* (FSC-PRO-01-009) procedure. For destitution of FSC member, *FSC Statutes* apply.

Policy implementation

To implement the *FSC Policy for Association*, two procedural documents are used:

- 1) Any individual or organization seeking to associate with FSC must undergo a screening process and disclose information for it, in accordance with FSC-PRO-10-004 *Disclosure Requirements for Association with FSC*.
- 2) If a potential violation of the policy is brought to the attention of FSC, then FSC-PRO-01-009 *Processing FSC Policy for Association Complaints* is applied.

Version history

- V1-0 The FSC Board of Directors approved the essential elements of the *FSC Policy for Association* in July 2009 – the six unacceptable activities in which organizations wishing to associate with FSC could not be directly or indirectly involved in (see Part I)– but recognized that further work was needed to describe the policy implementation process in more detail.
- V2-0 The FSC Board of Directors approved the policy implementation details (see Part II) in September 2011.
- V3-0 Draft 4-0 of V3-0 is presented for consultation introducing a definition of corporate group* to define the scope of application of the policy, clarifications

for the application of several unacceptable activities and definitions reflecting the latest thinking in the development of the *FSC Policy on Conversion*.

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A Objective

The objective of the *FSC Policy for Association* is to address unacceptable activities that severely impact forests and people on-the-ground and the reputational risks resulting for FSC.

B Scope

The *FSC Policy for Association* applies to all associated* individuals, organizations, and their corporate groups*.

The policy states six unacceptable activities (see Part I: Policy elements) that associated* individuals, organizations and their corporate groups* must commit to avoid and defines the consequences of a violation to this policy (see Part II: Policy implementation).

This policy applies to situations where the unacceptable activity is occurring or has occurred. Intent to engage in an unacceptable activity is not sufficient grounds to trigger an investigation or complaint. However, intent to engage in an unacceptable activity may trigger other, proactive measures by FSC, including information-gathering and monitoring, to help ensure that the unacceptable activity will not occur.

In the spirit of the FSC system, disputes should always be addressed at the lowest level possible, and stakeholders are encouraged to follow this principle. Complaints related to a violation of the *FSC Policy for Association* that overlap with conformance with an organization's certification requirements should therefore first be addressed

with the respective certification body through its established complaints procedure (or additionally to the certification body in cases where there are violations in both certified and uncertified operations).

The timeframe for how far back a violation is considered relevant is handled on a case-by-case basis, unless specified in this policy, using conditions such as, but not limited to: i) whether there is lingering harm; ii) the scale and impact of the harm done; iii) the level of action already taken to remedy past harm; iv) whether there is demonstrable systemic change to prevent the re-occurrence of the activity.

This policy version 3-0 will be applicable from its effective date. The previous version 2-0 of the policy remains effective for violations that occurred before the effective date of the version 3-0.

C Effective and validity dates

Approval date	tbd
Publication date	tbd
Effective date	3 months after publication date
Period of validity	Until replaced or withdrawn

D References

The following referenced documents are essential for the application of this document. For undated references, the latest edition of the referenced document (including any amendments) applies.

<i>FSC-PRO-01-009</i>	<i>Processing FSC Policy for Association Complaints</i>
<i>FSC-PRO-10-004</i>	<i>Disclosure Requirements for Association with FSC</i>
<i>FSC-POL-01-007</i>	<i>FSC Policy on Conversion</i>
<i>FSC-PRO-01-007</i>	<i>Conversion Remedy Procedure</i>
<i>FSC-STD-01-002</i>	<i>FSC Glossary of Terms</i>
	<i>FSC Statutes</i>

Part I: Policy elements

1. FSC aims to associate with individuals and organizations aligned with the FSC mission and values and will not allow an association* if the individual, organization or its corporate group* has been engaged¹ in the following unacceptable activities:

- a) illegal harvesting or illegal trade* in forest products
- b) violation of traditional* or human rights* within the forestry or forest products sector*
- c) violation of workers' rights and principles* defined in the ILO Declaration on Principles and Rights at Work within the forestry or forest products sector*
- d) significant damage* to high conservation values* in forests
- e) significant conversion* of natural forests* to plantations or non-forest use²

Note to support consultation 2
Unacceptable activity as defined in Policy to Address Conversion
Draft 3:
e) significant conversion* of forests and high conservation **areas** to plantations or non-forest use

- f) introduction or use of genetically modified* trees for purposes other than research (which can include field trials), such as for commercial purposes.³

NOTE: See Annex 1 for criteria defining a corporate group and Annex 2 for further considerations on circumstances where an associated party has engaged in an unacceptable activity.

Part II: Policy implementation

2. Due diligence and disclosure

2.1. An associated individual or organization* shall ensure that they and their corporate group* have policies and procedures in place to avoid any engagement in relevant unacceptable activities stipulated in Part I. Existence of such policies is not verified by FSC prior to association. In case of complaint, a lack of sufficient due diligence* to avoid risk of violation of the *FSC Policy for Association* will be taken into consideration.

2.2. FSC will only enter into, or maintain, an association* with an individual or organization that conforms to the disclosure requirements of FSC-PRO-10-004 *Disclosure Requirements for Association with FSC*.

¹ See Annex 2 for examples

² Wording will be changed to align with final scope defined in FSC-POL-01-007 *FSC Policy to Address Conversion*, once it is approved

³ FSC membership discussion on genetic engineering is ongoing during this consultation

3. Evaluating allegations

- 3.1. Any stakeholder can submit a complaint if there is substantial information* that an associated organization* or its corporate group* is suspected of a violation of this policy. Complaints are processed according to FSC-PRO-01-009 *Processing FSC Policy for Association Complaints*.

4. Consequences of a violation of this policy

- 4.1. An associated individual or organization* found to be in violation of this policy will, together with its corporate group*, face one of two consequences, as further elaborated in FSC-PRO-01-009:
 - a. Maintaining association with time-bound conditions that must be met to remain associated* with FSC. The associated individual or organization* must agree to meet these conditions. Failure to implement them within the agreed timelines will be grounds for disassociation*.
 - b. Disassociation* from FSC, with main pre-conditions to be fulfilled before considering a process for ending disassociation.

NOTE: See FSC-PRO-01-009 for a list of the factors considered in determining the consequences of a violation, and also the types of conditions that must be met for maintaining association or ending disassociation. See also the *FSC Statutes* for the process for destitution of a member.

5 Ending disassociation

- 5.1 A disassociated individual or organization interested in re-associating with FSC shall enter into a process for ending the disassociation.
- 5.2 An individual or organization-specific roadmap towards ending disassociation based on general requirements by FSC, shall be developed by an independent third party in consultation with the disassociated organization and stakeholders. A roadmap is a plan of how to remedy, correct and prevent reoccurrence of previously identified violations. It may also consider activities that were not included in the original complaint if they might be in violation of the *FSC Policy for Association* and are considered necessary to include for trust-building reasons. See FSC-PRO-01-009 for more information on the process.
- 5.3 Upon fulfilling the defined conditions, and FSC ending the disassociation, the individual or organization may apply to re-associate with FSC as a member and/or an FSC license agreement holder.

Annex 1: Corporate group

The *FSC Policy for Association* applies to associated individuals and organizations* and to the corporate group* they belong to.

Table 1: Definition and factors used to determine corporate group⁴

Definition of corporate group*:	Factors that are used to determine whether a company is part of a broader corporate group include:
<p>The totality of legal entities to which an associated organization* is affiliated in a corporate relationship in which either party controls* the performance of the other (e.g. parent or sister company, subsidiary, joint venture, etc.).</p> <p>Control* in this regard means the possession of power to direct, restrict, regulate, govern, or administer the performance of the other company through authority, rights, contract, or other means.</p> <p>NOTE: Control* may exist irrespective of the percentage share of ownership; however, it is deemed to exist (unless evidence points to the contrary) when an organization or individual owns more than 50 percent share interest in another legal entity.</p>	<ul style="list-style-type: none"> • Formality of relationship: Is there formal ownership, such as through an investment holding structure? • Declared as a group: Has the group publicly declared the companies are linked? • Family control: Are the companies owned or run by members of the same family? • Financial control: Are there contractual or other financial arrangements that indicate one party controls the performance of another? • Management control: Is there extensive overlap in officials between companies? • Operational control: Are landholdings under a group's operational control? • Beneficial ownership: Is ultimate ownership hidden in offshore companies or by use of nominees? • Shared resources: Do companies share a registered address, land or other physical assets, or provision of company functions or services?

NOTE: The definition and factors used for determining corporate group* and control*, will be applied and evaluated on a case-by-case basis, with the application built over time through case law.

Example of managerial control within a corporate group

Company A holds multiple FSC certificates, and Company B does not have any FSC certificates. The owner of Company A sits on the board of Company B with voting power of 20%. The owner of Company A sets the performance benchmarks for the management of Company B. If Company B is found to have been engaged in an unacceptable activity, then an investigation would be triggered to determine whether Company A had managerial control over the actions of Company B and whether they would be considered to be part of the same corporate group. If yes, the unacceptable activities of Company B constitute a *Policy for Association* violation.

⁴ Definition and factors adapted from the definition of "Corporate Group" used in the Accountability Framework initiative

Annex 2: Engagement in unacceptable activities

An associated individual or organization* and their corporate group* are in violation of the *Policy for Association* if they have been engaged in any of the unacceptable activities defined in clause 1 of Policy elements. They are considered to have been engaged in unacceptable activities if they have had control* over these activities. The unacceptable activities could have been performed by themselves, or by another organization they have control over.

Thus, an individual, organization and its corporate group* can be in violation of the *Policy for Association* also through commercial relationships. This is determined by existence of control* over the unacceptable activities. For example, the unacceptable activities of a supplier constitute a violation of the *FSC Policy for Association* only if the associated organization had control* over the actions of its supplier.

Example of control* in a commercial relationship

Company A has an FSC chain of custody certificate and buys timber from Company B, which is not FSC certified. Company B is a supplier to Company A, and both are separate corporate entities. Company A, however, is the sole buyer of Company B and the sales contract between the companies gives Company A the right to veto Company B's management plan. If Company B were found to be engaged in an unacceptable activity, then an *FSC Policy for Association* evaluation would be triggered to determine whether Company A had control over the actions of Company B. If yes, the unacceptable activities of Company B constitute a Policy for Association violation.

Annex 3: Terms and definitions

For the purposes of this international document, the terms and definitions given in FSC-STD-01-002 *FSC Glossary of Terms* and the following apply:

Allegation: A statement of belief that some wrong or harm has occurred

Association (associated, associate, associated organization): An association with FSC is formally established through any of the following contractual relationships: FSC membership agreement; FSC certificate holder license agreement; FSC certification body license agreement; FSC partnership agreement.

Control: The possession of power to direct, restrict, regulate, govern, or administer the performance of the other company through authority, rights, contract, or other means.

Conversion: A lasting change of natural forest cover* induced by human activity*⁵.

Note to support consultation 2. Definition in Policy to Address Conversion Draft 3:
...forest cover* or High Conservation Value area...

This may be characterized by significant loss of species diversity*, habitat diversity, structural complexity, ecosystem functionality or livelihoods and cultural values. The definition of conversion covers gradual forest degradation* as well as rapid forest transformation.

- **Induced by human activity:** In contrast to drastic changes caused by natural calamities like hurricanes or volcanic eruptions. It also applies in cases of naturally ignited fires where human activities (e.g. draining of peatlands) have significantly increased the risk of fire.
- **Lasting change of natural forest cover:** Permanent or long-term change of natural forest* cover, precluded from reverting back towards pre-conversion conditions. Temporary changes of forest cover or structure (e.g. harvesting followed by regeneration in accordance with the FSC normative framework) is not considered conversion.
- **Lasting change of High Conservation Value* areas:** Permanent or long-term* change of any of the High Conservation Values*, precluded from naturally reverting back towards pre-conversion conditions. Temporary changes of HCV areas that do not negatively and permanently impact the values (e.g. harvesting followed by regeneration in accordance with the FSC normative framework) is not considered a lasting change.
- **Significant loss of species diversity:** Loss of species is considered significant where rare species and threatened species or other locally important, keystone and/or flagship species are lost, whether in terms of numbers of individuals or in terms of number of species. This refers to both displacement and extinction.

NOTE: For the purposes of this policy, the establishment of ancillary infrastructure necessary to implement the objectives of responsible forest management (e.g. forest roads, skid trails, log landings, fire protection, etc.) is not considered conversion.

⁵ Wording will be changed to align with the scope defined in FSC-POL-01-007 Policy to Address Conversion, once approved

Corporate group: The totality of legal entities to which an associated organization* is affiliated in a corporate relationship in which either party controls* the performance of the other (e.g. parent or sister company, subsidiary, joint venture, etc.). See also Annex 1.

Degradation: Changes within a natural forest* cover that significantly and negatively affect its species composition, structure and/or function, and reduces the ecosystem's capacity to supply products, support biodiversity and/or deliver ecosystem services.

Disassociation: The termination of all existing contractual relationships (member and license) between FSC and the associated organization* and corporate group*. Disassociation also prevents entry into any new contractual relationships with FSC.

Due diligence: A risk management process implemented by an organization to identify, prevent, mitigate, and account for how it addresses environmental and social risks and impacts in its operations, supply chains and investments.

Forest products sector: Includes all entities that trade or manufacture products from forest-based organic materials, including timber and non-timber forest products. Adapted from definition of forest based in FSC-STD-40-004 V3-1 *Chain of Custody Certification*.

Genetically modified (trees): An organism in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination. This policy is specific to organisms that are trees.⁶

High Conservation Values (HCVs): As defined in FSC-STD-01-001, including HCV1 species diversity, HCV2 landscape level ecosystems and mosaics, HCV3 ecosystems and habitats, HCV4 critical ecosystem services, HCV5 community needs and HCV6 cultural values.

Human rights: Human rights are rights that every human being has by virtue of his or her human dignity and are the sum of individual and collective rights laid down in State constitutions and international law. Human rights are manifold. Human rights include, at a minimum, rights expressed in the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights), the United Nations Declaration on the Rights of Indigenous Peoples, the ILO Indigenous and Tribal Peoples Convention No. 169 and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Depending on the circumstances, organizations may need to consider additional standards and instruments.

Illegal harvesting or and illegal trade in forest products: Harvesting of timber and non-timber forest products in violation of any and all laws applicable in that location or jurisdiction including, but not limited to, laws related to the acquisition of harvesting rights from the rightful owner, the harvesting methods used, and the payment of all relevant fees and royalties. The term 'illegal trade' refers to both 'illegal trade in forest products' and 'legal trade in illegal forest products' and includes for example fraud and bribery. Adapted from FSC-STD-40-005 V3-0 *Requirements for Sourcing FSC Controlled Wood*.

⁶ Definition is under revision

Natural forest: A forest area with many of the principal characteristics and key elements of native ecosystems, such as complexity, structure and biological diversity, including soil characteristics, flora and fauna, in which all or almost all the trees are native species, not classified as plantations.

'Natural forest' includes the following categories:

- Forest affected by harvesting or other disturbances, in which trees are being or have been regenerated by a combination of natural and artificial regeneration with species typical of natural forests in that site, and where many of the above-ground and below-ground characteristics of the natural forest are still present. In boreal and north temperate forests which are naturally composed of only one or few tree species, a combination of natural and artificial regeneration to regenerate forest of the same native species, with most of the principal characteristics and key elements of native ecosystems of that site, is not by itself considered as conversion* to plantations.
- Natural forests which are maintained by traditional silvicultural practices including natural or assisted natural regeneration.
- Well-developed secondary or colonizing forest of native species which has regenerated in non-forest areas.
- The definition of 'natural forest' may include areas described as wooded ecosystems, woodland and savanna.

Significant conversion: Conversion* is normally considered significant in any case of:

1. conversion of high conservation value* (HCV) forest, or

<p>Note to support consultation 3. Definition in Policy to Address Conversion Draft 3: 1. conversion of high conservation value* (HCV) <i>forest area</i></p>
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2. conversion of more than 10 per cent of natural forests* by the associated organization* and/or corporate group* within a forest management unit over the past five years, or
3. conversion of more than 10,000 ha of natural forests* by the associated organization* and/or corporate group* over the past five years.

Explanatory Notes:

- The 10,000 ha represents the total area of forest managed by the associated organization* and the corporate group*.
- These thresholds are intended as triggers for determining whether forest conversion is considered to be significant. Exceeding these thresholds will usually be considered a violation of the policy; further, conversion that is below these thresholds could also be considered significant if it is determined to have high impact.
- In judging cases, other factors will be taken into account, including but not limited to: regional ecological and social impacts; plans for continued conversion; repeated conversion in other national jurisdictions; past conversion (beyond the past five years); and restoration efforts.

Significant damage to high conservation values* (HCVs)

Damage to HCVs is considered significant if the attributes that constitute these values no longer exist, or they cannot be repaired. Operations that cause temporary change are not considered significant”.

Explanatory Notes:

- The term “HCVs” refers to those defined in the FSC system and those assessed following FSC requirements and guidance.
- For the purposes of this policy, it is not expected that the associated organization* or corporate group* will systematically conduct HCV assessments to determine the existence of HCVs and the threats to them; rather, it is expected that they make use of available tools and have mitigation strategies in place in situations where potential risk to HCVs exist. For tools, see for example FSC Risk Assessment Platform, HCV Guide for Forest Managers (FSC-GUI-30-009) and FSC Guidelines for the Implementation of the Right to Free, Prior and Informed Consent (FPIC) (FSC-GUI-30.003).

Substantial information: Credible information provided by third parties and/or gathered through independent research obtained from reliable/renowned sources which constitutes a solid piece of evidence to be considered in an investigation. Substantial information may include any of the following forms so long as the evidence meets the criteria required in this definition: scientific reports, technical analysis, certification reports, corroborated news articles, official reports and/ or announcements by governmental authorities, legal analysis, Geographic Information System information (boundary coordinates, satellite change mapping), videos or footage, images, independent interviews, affidavits and declarations, meeting minutes, and corporate/organizational information.

Traditional rights: Rights which result from a long series of habitual or customary actions, constantly repeated, which have, by such repetition and by uninterrupted acquiescence, acquired the force of a law within a geographical or sociological unit.

Workers’ rights: Rights defined in International Labour Organization (ILO) Declaration of Fundamental Principles and Rights at Work and ILO Core Conventions. The fundamental principles and rights at work include freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. These fundamental rights and their implementation have been further examined for example in ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy and for verification purposes in FSC Core Labour Requirements.

Table 2: Verbal forms for the expression of provisions

<p>[Adapted from ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards]</p> <p>“shall”: indicates requirements strictly to be followed in order to conform to the document.</p> <p>“should”: indicates that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required.</p> <p>“may”: indicates a course of action permissible within the limits of the document.</p> <p>“can”: is used for statements of possibility and capability, whether material, physical or causal.</p>



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