Introduction to FSC Chain of Custody Certification

Webinar transcript

Julia Mylne: Good morning, everyone. Welcome to our Chain of Custody webinar. My name is Julia Mylne. I am the Policy and Advocacy Manager at FSC Australia. This webinar was developed in response to some ongoing issues with understanding how the Chain of Custody standard works in practice. FSC Australia felt it would be useful for existing and future certificate holders to hear from a Chain of Custody specialist as well as one of our FSC retailers to gain a better understanding of the standard and how it fits into the FSC system.

Julia Mylne: This webinar will be recorded and sent out to all participants afterwards. The recording will also be available on our website. The presentation will go for approximately an hour. We'll then have around 10 to 15 minutes at the end for the presenters to answer any questions that are asked during the session. Questions can be asked by typing them into the chat box on the side panel and you can send through any questions at any time during the presentation and then, that will be answered at the end of the presentation.

Julia Mylne: Before we get started, I'd like to introduce our two presenters for today. First, we have Policy and Regulatory Specialist in Health, Beauty and Household at Woolworths, Elaine Clayton. Elaine is a Consumer Product Regulatory Specialist with over 14 years of industry experience in consulting, certification and retail and has a passion for delivering safer and more sustainable products to consumers. She has a broad knowledge and experience in the practical application of the Australian and New Zealand regulatory framework to consumer products and actively participates in standards development. Elaine currently works as a policy and regulatory specialist within Woolworths, providing technical advice, policies and procedures that contribute towards the delivery of products that are good for people in the planet.

Julia Mylne: Following Elaine, we will have Nick Capobianco present. Nick is the owner of Green Marketing Concepts and the Regional Representative of SCS Global Services in Oceania with a team responsible for audit management, client relations and technical support for a dozen SCS certification programs. Nick is a sustainability professional with more than 10 years experience with internationally recognized sustainability certification standards and as a qualified lead auditor for ISO 9001 at 140001 systems and senior lead auditor for Chain of Custody in several natural resource programs covering forestry, fisheries and agriculture. Working as a Senior Marketing Executive in multinational organizations, GECA Australian eco-labelling organizations and
managing his own consultancy has given Nick a detailed understanding of credible third-party product certification and its value in supporting green marketing programs. Since 2009, Nick has worked as the regional affiliate of SCS Global Services to grow the Chain of Custody services in the Oceanic region by five-fold and has conducted more than 400 Chain of Custody and management system audits.

**Julia Mylne:** We’ll first be starting with Elaine, who will give perspective on the Chain of Custody certification as Woolworths retailer. Over to you, Elaine.

**Elaine Clayton:** Thank you, Julia. Hopefully, everybody can now see the screen and can see the presentation.

**Elaine Clayton:** Consumers today are increasingly looking for products that are honest about their social health, environmental and safety attributes and impacts. With information on the raw materials the product contains and where and how they were sourced, being fundamental to this honesty. Whilst there are many benefits to being more transparent about a product's origins, unsurprisingly, the leading benefit identified by both business experts and consumers is found to be an increase in trust. According to international research conducted by the Consumer Goods Forum and doTERRA in 2018, 91% of business experts and 95% of consumers believe that transparency led to an increased trust in a brand. This trust leads to an increase in brand loyalty with 94% of consumers likely to be loyal to brands that offered complete transparency. The businesses' transparency was also found to play an important role in demonstrating that a company is responsible and in meeting legal and regulatory obligations.

**Elaine Clayton:** For products made from paper, pulp or timber, FSC certification helps consumers to trust that these raw materials originated from a responsibly managed forest. For businesses such as Woolworths, FSC certification may also be used to meet important regulatory and social obligations and commitments.

**Elaine Clayton:** From this presentation, I hope you will learn how FSC certification promotes an unbreaking link between the products on our shelves and the responsibly managed forest. How this in turn helps us to meet important commitments and legal requirement and how we help to ensure that the Chain of Custody remains unbroken.

**Elaine Clayton:** Firstly, the benefits. The benefits of FSC certifications stem from the strength of its forestry management standards and certification processes, which Nick will take you through in detail. These are based on all three pillars of sustainability environmental, social and economic. These ensure that in certified forests, illegal logging is prevented, ecosystems, ecologically important areas and wildlife are maintained and protected, that the well-being of indigenous forest communities is promoted, that workers' rights and safety are safeguarded and
that the role that forests play in rural economies and development is recognized.

**Elaine Clayton:** The paper, pulp and timber used in the consumer products on our shelves and even in some cases in the shelves themselves can be dispatched through the certified forest through FSC's Chain of Custody certification. This ensures that every supplier who takes legal possession of that material, from the timber mill through to factories and wholesalers has the ability to correctly identify, segregate, use and unsell certified material without breaking the vital link back to the forest. This enables our business and our customers to trust that the timber, pulp and paper we use has been legally and responsibly sourced, allowing Woolworths to meet important commitments and regulatory requirements and our customers to choose sustainable products.

**Elaine Clayton:** What are these important legal and social obligations that I am referring to? The most obvious perhaps is our commitment to Net-Zero Deforestation. Our current rates of deforestation, the world's rainforests could disappear in 100 years. Forest destruction provides producers as much as 15% of the world's greenhouse gas emissions. This is more than total emission from all planes, trains and cars on earth. But the most outstanding statistic to me is that we're losing 18.7 million acres of forest a year, which is equivalent to 27 soccer fields of forest every single minute.

**Elaine Clayton:** To combat this, Woolworths has committed to achieving net-zero supply chain deforestation for our paper, pulp and timber products by 2020. Zero net or net-zero deforestation means allowing no change in the total global forest area, with new forests compensating for converted forests. Central to achieving net-zero deforestation is the elimination of illegal logging and permanent deforestation. The flip side of that is the promotion of sustainable forest management practices, all of which could be met in an FSC certified forest.

**Elaine Clayton:** This is why by 2020, 100% of that paper, pulp and timber products will be either certified or made even greater than 95% of recycled paper materials or timber. As a member of the consumer goods forum, this commitment is based upon the CGF's Deforestation resolution of 2010 and is linked to the UN Sustainable Development Goal to end deforestation.

**Elaine Clayton:** As mentioned already, the prevention of illegal logging is one of the fundamental benefits of FSC certification and also key to achieving net-zero deforestation. However, what you may not realize is just how big the impacts of illegal logging are or how commonplace it is. Illegal logging is the largest in scale of all crimes against the environment according to the United Nations. It takes away $152 billion from the global forestry economy annually.

**Elaine Clayton:** To put this into perspective, this is the size of the annual GDP of Qatar in the Middle East. Not only is it a threat to national economies, including Australia's,
illegal logging also threatens the livelihoods of indigenous and rural communities, who rely upon forests for their income and poses a threat to wildlife and endangered species.

**Elaine Clayton:** For example, illegal logging in Russia is threatening the existence of the Siberian tiger. Illegal logging represents over 50% of the timber logged in some countries and up to 9% and that remains still true today, of all the timber, paper and pulp imported into Australia but is in consumer products and raw timber materials. To some materials, that figure is even higher.

**Elaine Clayton:** For these reasons, in 2012, the Australian government introduced the Illegal Logging Prohibition Act and regulation. From January 2018, the sub start to these regulations ended and the government is now actively enforcing their requirement that regulated timber products, which covers everything from toilet paper through to stationery, to furniture and store fittings must be proven to be at low risk if containing illegally logged timber. As I will explore later, FSC certification is also key to meeting our requirements under this regulation and to ensuring that we are not unwittingly contributing to this crime against the environment.

**Elaine Clayton:** Not only can FSC certification help to prevent deforestation and prevent crimes against the environment, it can also help to ensure that workers rights and safety are safeguarded in the raw materials supply chain for our paper, pulp and timber products. Worldwide, the forestry sector employs over 30 million people, who often work in dangerous jobs where accidents can threaten their well-being and safety. Many more workers in upstream industries are in need of protection of their rights. Workers rights and safety are our priority in FSC certified forests and enshrined in the FSC principles and criteria, with principle to dedicated to safeguarding and protection of workers rights and maintaining or enhancing their social and economic welfare. This is in line with international labor organization standards, Woolworths 2020 commitment to improving the lives of workers and with the UN sustainable development goals, 8.7 and 8.8 to end modern slavery, human trafficking and child labor and to protect labor rights and promote safe working conditions.

**Elaine Clayton:** Not only do we have an ethical obligation as embedded in our 2020 commitments to protect the rights of workers. Woolworths also has a legal requirement to prevent modern slavery. The Australian Modern Slavery Act of 2018 applies to organizations with revenues over $100 million and to Commonwealth government entities. It requires these organizations to describe the risks of modern slavery practices in their operations and supply chain and to describe these actions taken to assess and address those risks including due diligence processes.

**Elaine Clayton:** For FSC certified products, there are due diligence processed embedded into the forestry and Chain of Custody certification schemes to ensure that slavery and
human trafficking are not part of the production of these products. It is noted that whilst FSC certification plays an important role in ensuring slavery and human trafficking are not part of the supply chain for timber, pulp and paper products, that as a business, we require all of our suppliers to meet our responsible sourcing standards. FSC certified companies and other trading FSC certified products, however, can refer to the FSC standards to help demonstrate compliance for this particular supply chain as they are founded on principles that reference the ILO conventions.

Elaine Clayton: Now, that we have helped to ensure that our paper, pulp and timber products are not contributing to deforestation, illegal logging or the mistreatment of workers through FSC certification, how does FSC labeling help us to communicate this to our customers. Through FSC labeling on pack, we are able to promote the sustainability of paper, pulp and timber products to all of our consumers. This is in line with our business commitment to develop reliable peer and relevant environmental claims, which support our customers in making sustainable choices during the purchase, use and disposal of our products.

Elaine Clayton: FSC certification is in line with these best practice environmental and sustainability case principles, which are based upon work done by the UN's consumer information program. In particular, FSC claims provide a reliable basis for demonstration that paper, pulp or timber has been responsibly sourced, provide clarity and transparency to our customers that the product is certified, primarily because customers are actually able to check the validity of the certificate online at any time. They are relevant in areas that matter for paper, pulp and timber products and they're based on all three policies of sustainability. FSC certification does help us to meet our 2020 commitment to raise awareness of sustainably sourced products. In line with the sustainable development goal 12.8 to promote universal understanding of sustainable lifestyles by 2030.

Elaine Clayton: The ability of FSC certification to reduce deforestation prevent crimes against the environment and to protect workers rights, would be lost if the Chain of Custody linking the product on our shelves to the original certified forest were to be broken. I will now look at the role and importance of due diligence in maintaining the unbroken chain for our paper, pulp and timber products. Or in other words, the reasonable steps that can be taken to ensure that when a customer is buying products matched with the FSC logo, that the timber, paper or pulp inside comes from a sustainable and legal source.

Elaine Clayton: In order for the benefits of FSC Chain of Custody certification to be maintained and for the integrity of the system to be upheld is important and indeed required for those entities with Chain of Custody certification, that all members of the supply chain use appropriate due diligence measures to identify and quarantine any nonconforming products matched with the FSC logo to support
question transaction verification, by maintaining accurate data on FSC certified products, which provides us the ability to identify the exact source of the timber used in any particular product, to maintain up to date information of suppliers of FSC certified products or materials, to regularly validate FSC certificates for certified products and materials and to comply with all applicable timber legality legislation including requirements to collect or revive information on species and areas of harvest. Not only is the last point a key requirement of the FSC Chain of Custody standard, but is also a key requirement for legal logging and CITES compliance in Australia.

Elaine Clayton: It is important to stress that these requirements, again, are part of the FSC Chain of Custody standard for the course numbers referenced on the screen. Any suppliers that are certified to the standard should already be undertaking these activities. From importers like Woolworths, many of these requirements are also part of our obligations under the Illegal Logging Prohibition Act and CITES. We will now walk through in detail what those requirements are for illegal logging but before I move on, I would like to say a few words about CITES.

Elaine Clayton: CITES or the Convention on International Trade in Endangered Species of Wild Fauna and Flora is an international agreement between governments. The governments in the signatories include, China, Australia and New Zealand. The aim of CITES is to ensure that international trade and specimens of wild animals and plants does not threaten their survival. You made not realize it, however, that some species used in important timber and paper products are CITES listed. These includes some oak and ash species in Siberia and Russian. To import these species, you may need an import permit from the Department of the Environment. The good news is that by undertaking due diligence, you'll be in a better position to identify that protective species are used in your supply chain, which is another benefit of due diligence and FSC certification.

Elaine Clayton: As with e have covered, due diligence is not only necessary for certified suppliers but it is also necessary under the illegal logging prohibition regulations and act for importers of regulated timber products, to establish and maintain a due diligence system. These require that for each regulated timber product they important, companies gather information about the timber, paper or pulp in the product, including its legality and the species and area of harvest where possible, to assess the risk of the product containing illegally logged timber using one of the three regulation methods.

Elaine Clayton: Those regulation methods are the Timber Legality Framework, Country Specific Guidelines and Regulated Risk Factors. However, the simples regulation methods which is the one that we will cover today is to the Timber Legality Framework. This method requires importers to confirm their supplier and the products being imported as certified. It also recognizes that FSC certification provides rigorous forest management and Chain of Custody standards that consider the risks of illegally logged timber.
Elaine Clayton: It is important to remember that certified suppliers can supply non-certified products and materials, which is why the regulations stress that you need to confirm the supplier and the products being imported are both certified. It also requires and consider any other information gathered to determine if anything suggests that the product has come from illegal sources.

Elaine Clayton: To meet our requirements under the Illegal Logging Act and Regulations, our Due Diligence System has three key steps. They are information gathering, risk assessment and risk mitigation. Information gathering is specifically aimed at identifying the species of timber used in the area of harvest plus any potential risks in your supply chain. Risk assessment of which FSC certification is by far the simplest and quickest method is our preferred approach. We may also need, where FSC certification is not available, to conduct risk assessment using the regulation prospectus, which I will cover very briefly.

Elaine Clayton: We may also need to do risk mitigation particularly where the risk is other than low and for non-certified products. This is something we are building into our system, however, for all products and not just those with a high risk. If after all these steps, you can confirm that the product is certified and none of the information gathered indicates that the product contains illegally logged timber, you can assess the risk as low and proceed with importing. If you cannot, however, assess the risk low, you cannot import the timber or paper product until the risk has been reduced to low by such means as auditing factory visits and testing.

Elaine Clayton: The illegal logging regulations requires that importers gather certain information as a first and very necessary step. It is important to allow enough time in your process to enable this information to be gathered. Some of this information is collected in normal business documents and processes, such as through invoices. However, the following will need to be gathered specifically. The country, region and harvesting area from where the timber was harvested, the name of the tree of species the timber has come from and any materials or documents that can demonstrate the timber was logged legally.

Elaine Clayton: At Woolworths, all supplies, the paper, pulp and timber products and not just those that are regulated are required to complete our legal logging and timber sustainability questionnaire. This is used as a basis for our risk assessments for regulated timber products under the Illegal Logging Act and its regulation. It is also used to determine which products contain timber from high risk species or countries and where the CITES import permits are required.

Elaine Clayton: Once we have gathered your evidence, the Illegal Logging Prohibition regulations require that importers assess the risk of their product containing illegally logged timber. As I've said before, unless you can assess this to low, you cannot import the product. Our preference in line with our 2020 deforestation
commitment is for suppliers to hold FSC certification for our own brand products. This allows us to use the Timber Legality Framework for assessing the risk of the product contains illegally logged timber, which is much simpler. If a regulated product is not certified, a lot of extra time and effort is necessary to gather further documentary evidence and we may also need to implement audits or testing to reduce the risk to low. There are some timber species or harvest areas where we don't have FSC certification in place, the risks might simply be deemed to be too high for us to accept the product.

Elaine Clayton: When the product is FSC certified, our team follows the flowchart to the right when assessing the risk that contains illegally logged timber. The first steps involve checking that the certificate is valid. Can we find it on the FSC database? Has been issued to our supplier? Is it valid and not expired, meaning that it's not being suspended, terminated or withdrawn? Does the certificate scope cover the product? It might be possible that the supplier's certified for furniture but not certified for a toy or stationary product. Is the FSC logo on pack and approved? Lastly, does all information gathered support timber legality?

Elaine Clayton: This is a test to whether the supplier's history or behavior indicates that the timber in our product was illegally logged. To do this, we ask five very simple questions about the supplier. The first and most important step is to conduct an internet search on the supplier and illegal logging. This should be repeated for the plantation of names, as many issues with illegal logging and link to plantations as opposed to end suppliers. These questions are not something that we have made up ourselves, but are actually embedded into the government's regulated risk factors. Lastly, as discussed before, it's important to ensure that the product delivered to us is actually certified, which can only be done by checking that the FSC certification details are on the final invoice to us.

Elaine Clayton: Without FSC certification, it is far harder to assess the risk of a product containing illegally logged timber. We need to use a regulated risk factors approach, which requires that we obtain documentary evidence, the source of the timber used including the country origin and species and also support this through documents such as illegal logging permits, country of origin certificates, forestry seller certificates if in the US and transport permits. From this information and documentation, we can use resources such as the NEPCon Sourcing Hub, which I highly recommend, to assess the risk of illegal logging. As you can see, the red areas on the world map are those areas, which have a very high risk of illegal logging and you need to take extra care when sourcing products that contain timber or paper from these regions.

Elaine Clayton: Without FSC certification, it's also more necessary for importers of paper, pulp and timber products to look to others means of risk mitigation, to ensure that the risk per product containing illegally logged timber is low. Two key methods are available. Those are factory and supply chain audits and timber verification testing, which can include, depending on the species, an analysis of the wood
anatomy under a microscope, stable isotope testing, which can actually be used to determine the precise area of harvest of the tree, species that is in the product. This actually relies on the lab having suitable reference sources if it is available and lastly, DNA testing.

Elaine Clayton: Risk mitigation is also necessary whether it's a high risk for substitution or fraudulent timber in a particular supply chain. For instance, where ash is used that may be sourced from Russia, which is very high risk, or Europe or US, which are much lower risk.

Elaine Clayton: Hopefully, you now understand the benefits that FSC certification can offer to importers retailers and consumers and how these benefits can be protected through due diligence. With the whole supply chain working together, our hope is that our forests and the ecosystems, animals and cultures that rely on them, will be preserved for generations to come.

Julia Mylne: Great. Thank you, Elaine. We'll now switch over to Nick, who will give us his perspective from an auditor.

Nick Capobianco: Okay. Thanks, Julia and thanks, Elaine.

Nick Capobianco: Now, you've seen some of the many reasons why FSC certification is so important to retailers like Woolworths and, of course, its suppliers. I’m going to talk about the FSC requirements for the Chain of Custody and for supply chain, covering off the Chain of Custody standards, FSC trademarks and processes to become certified.

Nick Capobianco: FSC certification, there are two parallel certification systems in the FSC. The first is Forest Management Certification and this is where the forests are assessed against the for Forest Management standard with 10 principles and more than 50 criteria defining responsible forest management from a social, environmental and economic perspective. Once a forest is FSC certified, the logs, the trees, even non-timber forest products can leave the forest with an FSC claim and enter the supply chain.

Nick Capobianco: This is where Chain of Custody comes into play. Chain of Custody is the path the material takes from the forest all the way through the supply chain to the end user. Chain of Custody is principally about traceability and truth in labeling. Once the material gets to the end of the supply chain to the retailers and retailers are selling finished and labeled products, Chain of Custody is no longer required and the Chain of Custody ends.

Nick Capobianco: Who needs Chain of Custody certification? Well, organizations that take legal ownership and want to make a claim that the product they're selling is FSC certified, need Chain of Custody certification. This is whether you take physical possession of the material or not. The sort of products that can be FSC certified
are varied. Any paper, pulp and timber product and even non-timber forest products like rubber and honey can be FSC certified if it comes from an FSC certified forest.

Nick Capobianco: What does certification involve? Well, there is a Chain of Custody standard, Standard 40-004 version 3. Organizations that want to become Chain of Custody certified need to demonstrate that they conform to the Chain of Custody standards and they do this by establishing written procedures that describe how they're going to meet the requirements of the standard, defining responsibilities and then training and implementing those procedures, maintaining records because Chain of Custody's about traceability and making accurate claims and then, being available for an annual audit, where an auditor comes in, collects evidence of conformance against the Chain of Custody standard. Where there is insufficient evidence of conformance, there are corrective action requests issued and organizations need to take actions to address the root cause of non-conformities.

Nick Capobianco: The Chain of Custody standard 40-004 has four parts and I'm going to talk to each of them briefly.

Nick Capobianco: The first part and the most ... the largest part of the standard is the universal requirements. To begin with, you need to establish a management system. That management system needs to specify a person responsible for implementing the Chain of Custody system and as a contact for the certifier. That person needs to ensure that written procedures documenting all the key requirements of the standard are established and as auditors, we're not looking for volumes of material here. Procedures need to be relevant to the size and complexity of an organization and especially, cover off who is going to do what in order to meet the requirements of the standard.

Nick Capobianco: Responsibilities need to be defined for each of the key criteria or procedures and then, those people that have responsibilities need to be trained and need to be confident in implementing those procedures. Records need to be kept to ensure for traceability and for auditing and commitment to FSC values needs to be signed. The FSC has a list of values. All certified organizations need to confirm their commitment to implement the values of the FSC.

Nick Capobianco: In terms of OHAS, the FSC standard has a requirement that each organization demonstrate a commitment to health and safety. Lastly, with any management system, you need to have a process to record any complaints, identify any non-conforming products to ensure that if and when problems occur, systems are in place to ensure that non-conforming products are quarantined and not sent to market or actions are taken to address non-conforming products.

Nick Capobianco: You've established the management system. The next part of the standard is about material sourcing. Part of material sourcing is identifying the suppliers
that you’re going to source FSC material from. You need to collect and demonstrate you have information about your suppliers, the certification and type of material that you’re buying from them and the type of FSC materials you’re going to source.

**Nick Capobianco:** Of course, you only know that once you verify the supplier’s certification status and you can do that by going onto the FSC website and the certificate holder database. I’m going to give you a very brief demonstration of how that works for anyone that’s not familiar with it. Going to the FSC certificate database you have an ability to search for the certificate either by detailed information or by FSC license code. We’re going to search for the certificate now. Once you click on certificate search, you get a screen and you have an option to search by license code, by name or by CoC code. In this case, I’m going to use an example of searching for Avery Dennison.

**Nick Capobianco:** You type in the company name and you press search and you come up with the certificate holder’s details. You can then check if the certificate valid and is the organization name identical to the one that you’re sourcing from. You want to make sure that it’s the right company you’re sourcing FSC material from. You can then click on the detail line to access more information and this gives you detailed information about the supplier’s location, the number of sites and which sites and their location that are included in the certification and the type of products that they’re certified to sell, the type of FSC claim and if you’re selling or sourcing FSC 100% material or wood products or materials that have timber and species in their description, then it will also give you the species name and common and scientific language.

**Nick Capobianco:** That’s a little bit about validating suppliers. Now, that you validated suppliers and you’re ready to purchase materials, you need to have a system in place to validate that the materials delivered to you are in fact FSC certified and you do that by inspecting the sales and delivery documents associated with the delivery of FSC material. Now, invoices have a bunch of information on them. The name of the company or the supplier, the description of their address and the products, et cetera, but there are two things that need to be validated for FSC materials. That is the Chain of Custody code, which tells you that the supplier is certified and the FSC claim which tells you that that type of FSC material they’re selling to you. The absence of one of both of that information means that you can’t validate the material you’ve received is FSC certified.

**Nick Capobianco:** I’ve used the term FSC claim a number of times here. For the benefit of those that are new to the FSC, I’m going to talk a little bit about what an FSC claim is. Now, FSC is a lot like Neapolitan ice cream. There are three flavors. You have FSC 100%, you have FSC Mix and you have FSC Recycled. They’re all FSC certified materials but they are different types and it’s really important to get it right. Anyone that’s ordered strawberry ice cream in the past has been pretty disappointed when they’re presented with vanilla or chocolate and the same
goes with FSC, but more importantly, not getting the type of FSC material that you're asking for can also lead to making false and misleading claims and that's what we want to avoid.

**Nick Capobianco:** Having validated your suppliers and having received materials and confirmed that the material is certified, you need to ensure that only those inputs that are eligible to use to make or sell the products you want to make an FSC claim on are, in fact, the correct eligible inputs. Let's have a look at an example out of the standard. If you're proposing to sell FSC, 100% material, then, the only eligible input you can use is FSC 100% material. If you're making or selling FSC Mix Credit product, then you can use either FSC 100% or FSC Mix Credit. The same goes for FSC Mix 70%, where you can use eligible inputs and, of course, when it comes to recycled, you can only be using recycled inputs to make recycled claims.

**Nick Capobianco:** You have the management system that defines how you're going to implement the Chain of Custody standard, you've identified your suppliers, you've verified the inputs coming into your system and now, you're going to receive and store and handle material. The FSC standard defines that organizations need to segregate FSC products, where there's a chance of mixing non-eligible inputs and there's three ways that you can do that.

**Nick Capobianco:** The first is physical separation. As the name suggests, this is where you locate stock that is FSC certified in your operations, in a way that's physically separated and cannot be mixed with non-certified materials.

**Nick Capobianco:** The second is temporal segregation. This often occurs or can be used by companies that make or produce products by batch lot like a cabinet maker or bespoke furniture manufacturer, who might only use and process materials that are FSC certified at one point in time.

**Nick Capobianco:** The third type is identification. Ensuring that products are clearly identified, labeled and marked both in physical inventory and in your inventory management system by way of item codes. In practice, organizations use two or even three of these systems to ensure that there's no risk of mixing.

**Nick Capobianco:** The FSC standard also requires an organization maintains material accounting records. If you're an organization that takes FSC material inputs and processes them and changes their form in order to make another product, then you need to identify the processing steps involved in the material change and determine the conversion factors to allow the auditor to account for the material when they're reviewing your data. All certified organizations need to have material accounting records that includes all of the material inputs and purchases and all of their sales. Auditors will use that to select records to conduct audits and traceability exercises.
Nick Capobianco: Lastly, organizations need to account and have a summary of all of their purchases, all of their sales of FSC material by FSC material type for a defined period and they need to include their opening and closing balance and that defined period is about 12 months.

Nick Capobianco: Okay. One of the last parts of the universal requirements is about making a sale and passing on the Chain of Custody. Just like when you were purchasing materials that are FSC certified, organizations who are certified pass on the claim on their sales and delivery documents.

Nick Capobianco: On your invoice and or delivery documents where you have all of your relevant information like company name, invoice number, date, you need to have two bits of information in addition to all of the regular data you have. That is the FSC claim or the type of material you're selling as certified and your Chain of Custody code, not your supplier's. The absence of one or both of those bits of information means that you can't pass on the Chain of Custody and your customer can't confirm the products are certified.

Nick Capobianco: Also importantly, when selling products with an FSC claim, the FSC claim on your invoices needs to correspond with that on the FSC label if the label is on the product and where an FSC label is on the product, there can't be any competing forestry labels on that product.

Nick Capobianco: Lastly, if you're an organization that's sourcing or validating FSC controlled wood, you need to ensure that you only sell controlled wood to a company that's got an FSC CoC certificate. You can sell FSC material to anyone you like but FSC controlled wood can only be sold to certificate holders. The reason for that is FSC controlled wood is not FSC certified wood. It's not one of those three flavors of ice cream. It's an ingredient to use to make that ice cream and so, it's not considered certified, it's considered FSC controlled wood.

Nick Capobianco: Onward to timber legality, Elaine mentioned a lot about the Timber Legality Frameworks. The standard says that you need to conform with all applicable timber legality legislations and in Australia, that means meeting the requirements, the Australian Illegal Logging Prohibition Act and Regulation. That Act requires that importers and primary producers in Australia must have documented due diligence system gather information about species and country of origin and assess and document the risk of illegal sources. Our auditors will look at that information to see that you are complying with the law when they're doing a Chain of Custody audit. For everyone else in Australia or in countries without a due diligence or legality law, you need to have been able to provide and collect information on the species and country of origin and provide that to your customers on request.
Nick Capobianco: Part two of the standard talks about controlling FSC claims. The first part of that is defining what products you're going to sell as FSC certified. FSC standard calls that FSC product groups.

On the screen, you'll see an example of an FSC product group, where you describe the product, you list the FSC product type code, which comes from the FSC standard 40-004 America, species of the product, the final claim that you're going to sell the product with and any sites that are involved in your Chain of Custody system. Having defined what it is you're going to sell as FSC certified, you need to determine a process or a system to determine your FSC claims. The FSC has three ways of doing this.

The first is the instance if you're an organization that is buying, controlled wood or recycled inputs and you're mixing that with FSC certified material, you can choose one of two methods to determine your claims. The first is the percentage system. This is simply a process where an organization will determine the percentage calculation of FSC material, which is FSC material divided by total purchases to determine a percentage claim. That will determine a claim, such as FSC Mix 70% or FSC Recycled 85%.

The percentage system is particularly suited for organizations that buy a lot of FSC certified material and want to supplement their material supply with FSC controlled wood, but don't have the ability to segregate in a continuous product process. They can determine a calculation and sell materials with a percentage claim.

For organizations that also have continuous processing methods and only have the access to limited amounts of FSC materials which varies from month to month, the credit system is applicable maybe very useful. In such a case, the credit system requires that companies account for the volume of FSC material received in a period and only sell up to that volume in the next period as FSC certified, the type of claims you get there is FSC Mix Credit of FSC Recycled Credit.

Lastly, if you're an organization that is buying and selling FSC 100% or any finished product, then the transfer system will apply for you. The transfer system is simple and probably the most common system that's used. It requires at organizations that are buying FSC material pass on the claim from their supplier onto their own invoices. Thereby, transferring the claim.

Part three of the standard talks about supplementary requirements and the first of those is labeling. If you're an organization that intends to apply FSC labels to products, you need to ensure that you also comply with the trademark standard 50-001 and when you're selling FSC certified products with labels, you need to ensure that the claims that you make on your invoices correspond with the FSC.
label on the product itself and that no competing forestry scheme labels are uses. In this case, you can see an example of a tag of a FSC 100% corresponding to the claim.

**Nick Capobianco:** The FSC also has requirements for outsourcing. It is a common business practice for organizations to outsource part of their process or warehousing or logistics and the FSC allows organizations to do that under their own Chain of Custody. They need to ensure they have procedures covering any outsourcing process, identifying who the outsourcers are, maintaining records of inputs and outputs and ensuring that there are agreements in place that allows their outsourcer to comply with the FSC standards as well.

**Nick Capobianco:** Lastly, the supplementary requirements also allows you to define your eligibility for a single, a multisite or a group Chain of Custody system. Essentially, organizations with multiple sites handling or selling FSC products, they need to comply with an additional standard 40-003 version 2.

**Nick Capobianco:** I'm now going to talk about FSC trademarks and give you an introduction to who can use the FSC trademarks and what those trademarks are.

**Nick Capobianco:** FSC trademarks, these include the letters FSC, the name, Forest Stewardship Council, the FSC check and tree logo and the Forest for All Forever logos. These are all registered trademarks or trademarks pending in Australia and New Zealand and in fact, globally and there are rules around the use of these trademarks just like any other registered trademark.

**Nick Capobianco:** Firstly, who can use the FSC trademarks? Well, you can use them if you’re a Chain of Custody certificate holder or a Forest Management certificate holder, but you must comply with this trademark standard requirement, 50-001 and the FSC trademarks can only be used to promote and label products that comply with the Chain of Custody standard or the Forest Management standard. Importantly, certificate holders must seek approval from their certifying body for the use of those trademarks or in the latest revision of the standard have an approved trademark user management system. That has been designed for organizations like printers that may use trademarks over and over and over again. They can now have procedures to ensure that they control and approve internally the use of the trademarks and then, that gets reviewed at each annual audit.

**Nick Capobianco:** Secondly, non-certificate holders can also use FSC trademarks. However, they must ... And when we talk about non-certificate holders, we’re talking about retailers, research institutions, universities who are promoting FSC system, but specifically for retailers, retailers can use the FSC trademarks but only if they buy from FSC certified suppliers and if they don't transform, alter or relable the goods in any way and if they only sell products to the final end consumer.
Nick Capobianco: In this case, those non-certificate holders need to use the trademarks according to the standard for non-certificate holders and get approval from FSC in order to be able to use those trademarks. In these cases, think of catalogs, think of in-store signage, where retailers say, "FSC certified products are available."

Nick Capobianco: Trademark use for certificate holders and I'm going to specifically talk about certificate holders, they can use FSC trademarks on products and when using it on products, they need to comply with the FSC trademarks standard and be specific about what the product is. In this case, you've got a carton that says Mix and a board from responsible sources.

Nick Capobianco: Certificate holders can also use the trademarks for promotion and when we're talking about promotion, we're talking about banners, we're talking about in-store signage if they have a showroom, websites, media releases, pricelists, anywhere, where they're promoting their FSC products. When it comes to product labels, there are three flavors, so FSC 100%. The label, importantly, where it says from well-managed forests, the label generator once you're certified and getting labels from the FSC, will specify wood from well managed responsible forests or paper from responsible sources or packaging from recycled material. These are examples of on product labels and the claims that you make on the particular product. There are many others and they're all available according to the trademark standard from the FSC portal.

Nick Capobianco: When using the promotional trademarks, there is a promotional panel that you could use. It has your FSC license number which is unique to every certified organization. That license number also appears on the product label, so anyone can identify who the manufacturer or the company making the claim is and it has a general statement, the mark of responsible forest management. Again, all trademarks for promotion, be it media releases, websites, display, panels, they need to be approved by a certifier or under a trademark use management system. When using the trademarks for promoting, you need to be clear about what is FSC certified of have a claim that does not create an umbrella effect of something that says, "Look for FSC certified products because ultimately, FSC is about traceability of making accurate claims about the source of the wood."

Nick Capobianco: Having learned a bit about Chain of Custody standard and the trademarks, I'll talk briefly about what to expect with an audit. Firstly, an auditor will come and have an opening meeting and introduce you to the standards, the scope and methods to be applied during an audit. They'll review the standards and give you an overview of the FSC to make sure things are clear about the audit objectives. They'll review your written procedures, they'll review records of your purchases, sales and other records, they will do an inspection of the site, interviewing staff during a walkthrough to ensure that those people involved in the Chain of Custody system understand or are competent in implementing the procedures and there'll be a closing meeting, which discusses the audit findings.
and any corrective actions that are required in order to maintain or achieve certification.

**Nick Capobianco:** For organizations now looking to become certified, there's a few simple steps. Complete an application form provided by the certifier. SCS Global Services is one of nine certifiers operating in Australia. Once you've received that work order, you will approve it authorizing the certifying body to conduct an audit. You'll prepare your procedures and systems and implement your training, then, there'll be an onsite audit. The auditor will then create a report and a certification recommendation. That report gets reviewed by an independent reviewer at the certifier and a certification decision made. Then, once certified, you'll be subject to an annual surveillance audit, which occurs around 12 months from each cycle.

**Nick Capobianco:** The time to become certified, there's two components of time. First time is the time it takes you to prepare for audit. That's a bit of an unknown quantity depending on the resources and time you people have available to implement their systems but the time it takes from the time of audit to certification is typically two to six weeks, depending on the complexity of the system and any corrective actions that are required.

**Nick Capobianco:** I hope that's provided some value in terms of describing the FSC system. Thanks for your attention. I might just hand over to moderators for any questions.

**Julia Mylne:** Thank you, Nick and thank you, Elaine. We'll just open it now to see if we've got any questions come through. If anyone has a question, just type it into the chat box in the webinar control panel and we'll ask them out loud. I'll just wait for a few moments if anyone has anything. Otherwise, we might close it up.

**Julia Mylne:** All right. Well, we don't have any questions that have come through. I think both Nick and Elaine gave very comprehensive presentations. But if anyone does have any questions that they would like answered, please feel free to send them through to us, to the info email.

**Julia Mylne:** I think that's about all, so thank you very much Nick and Elaine and thanks for joining us this morning for our webinar on Chain of Custody.