

**Guide to outsourcing of**

**FSC™production activities**

**December 2021**

**Preferred by Nature Standard Guide**

**Introduction to this guide**

**IMPORTANT**

This document is provided by Preferred By Nature as a help for you if you outsource part or all of your FSC-certified production. It has been designed to provide information about the applicable FSC standards and policies (see Table 1 below). Although we have made an effort to include elements covering all standard requirements, we do not provide any guarantee for the completeness of this guidance.

**TABLE 1. FSC documents applicable to outsourcing**

|  |  |
| --- | --- |
| FSC Chain of Custody Standard | FSC-STD-40-004 V3-1 |
| FSC accreditation standard for Chain of Custody evaluations | FSC-STD-20-011 V4-2 |

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1. **Key points**

Activities within the scope of your certificate may be outsourced to FSC-CoC-certified and/or non-FSC-CoC-certified contractors.

However, you need to be aware of the following key requirements:

* As the certificate holder, you are still overall responsible for compliance with the FSC requirements.
* A written outsourcing agreement is required when outsourcing to non-FSC-certified contractors.
* Activities that are subject to outsourcing agreements are those that are included in the scope of your organisation’s FSC CoC certificate, such as purchase, processing, storage, labelling and invoicing of products.
* Before entering to business with new subcontractor check their status from FSC database. If subcontractor status is listed as “suspended and blocked” or “terminated and blocked” then they may not be used for outsourcing services related to FSC certified materials.
* Ensuring the subcontractor conforms with the FSC core labour requirements is the responsibility of the certificate holder
* You need approval from Preferred by Nature before you start outsourcing any activities related to your FSC production.
* On-site auditing by Preferred by Natureamong the companies to whom you outsource any part of your FSC production may be required (see section 2 below).
* You must keep outsourcing agreements on file for a minimum period of five (5) years, as part of your FSC CoC management system records.

1. **Four steps you need to take when outsourcing FSC production activities**
2. Determine if your outsourced production is low risk or high risk (see Box 1 below).
3. Set up the necessary agreements and procedures with your contractor (see Annex 1 for a sample Outsourcing Agreement for Non-FSC-certified Contractors).
4. You must demonstrate that you have performed your due diligence to check your subcontractor’s conformity to the core labour requirements. Activities that are contracted out to outsourcers and subcontractors are under the scope of the organization’s CoC certificate and included in the evaluation by certification bodies.
5. Notify Preferred by Nature, submit agreements and obtain approval before any outsourcing takes place. This may involve auditing of the contractor (see Box 1 below).

**Box 1: Low risk or high risk?**

Outsourcing of certified production is related to the scale and complexity of the outsourcing. In case of high risk classification, requirements for on-site auditing of the contractor by Preferred by Nature apply. Outsourcing is deemed high risk in the following situations:

1. the organisation outsources all or most of the manufacturing processes of a product; or
2. a contractor grades or sorts the material (e.g. classifies wood according to its quality, size, colour); or
3. a contractor mixes different input materials (e.g. FSC 100%, controlled material, FSC controlled wood); or
4. a contractor applies the FSC label to the product; or
5. a contractor does not physically return the FSC-certified product following outsourced processing; or
6. activities are outsourced to an organisation in another country with a Transparency International Corruption Perception Index (CPI) lower than 50.

NOTE: Even in cases that are not considered ‘high risk’ as per the indicators above, the certification body may require on-site audits at a contractor’s facility if any risk of improper additions or mixing by the contractor is identified.

Even when one or more of the above high-risk indicators apply to the outsourced activity, the certification body may approve the low-risk categorization if a low risk of contamination can be demonstrated due to one of the following factors:

1. the product is permanently labelled or marked in a way that the contractor cannot alter or exchange products (e.g. heat brand, printed materials); or
2. the product is palletized or otherwise maintained as a secure unit that is not broken apart during outsourcing; or
3. the contractor is employed for services that do not involve manufacture or transformation of certified products (e.g. warehousing, storage, distribution, logistics); or
4. the contractor is an FSC-certified organization that includes documented procedures for outsourcing services within the scope of its certificate.
5. **Benefits of using an FSC-certified contractor**

If you have the option of using an FSC-certified contractor, we recommend this solution because it provides you with the highest level of assurance for the contractor’s compliance with the FSC requirements. Because no on-site audits of the contractor are required, you can even save costs externally and internally.

Below is an overview of the preconditions for outsourcing that apply, depending on whether the contractor is FSC-certified or not.

**TABLE 2. Key preconditions and requirements for outsourcing**

|  |  |  |
| --- | --- | --- |
| **Requirement** | **Certified contractor** | **Non-certified contractor** |
| The contracting organisation has legal ownership of all materials to be included in the outsourced process, and does not relinquish the ownership during outsourced processing | **X** | **X** |
| Outsourcing agreement between the contracting organisation and each contractor covers the right of the FSC-accredited certification body to audit the contractor |  | **X** |
| Organisation provides documented procedures to subcontractors (can be documented control system or addendum to outsourcing agreement) |  | **X** |
| On-site auditing of contractors by Preferred by Nature is mandatory if the outsourcing is deemed high-risk for any of the reasons mentioned in Box 1 |  | **X** |
| Certificate holder needs to include outsourced companies/contractors in their self-assessment. This could be inclusive or separate for each sub-contractor. |  | **X** |
| Additional evidence in terms of Core Labour Requirements [[1]](#footnote-2) |  | **X** |

**Box 2: Using certified contractors – 4 important points**

1. When using an FSC-certified contractor, the certificate and its scope must be regularly validated at [http://info.fsc.org](file:///C:\Users\Eveli%20Pind\Downloads\info.fsc.org).
2. The outsourced activities and products must be included in the contractor’s FSC CoC certificate scope.
3. Certificate Holder shall have a system to verify and collect evidence that outsourced activities are included in the sub-contractor certificate scope. Evidence could be providing a copy of FSC CoC procedures (Contractor's own procedures on how they do outsource activity) where this is described; an excerpt of CB audit report or the subcontractor’s CB confirms the relevant scope in writing. Self-declaration to this effect is not sufficient on its own.
4. If the product is FSC-labelled, the Contracting Organisation’s FSC Certificate Holder license code is used.
5. **What if the scope of outsourcing needs to expand in between the audits?**

If you need to expand the scope of your outsourced activities, you need to notify Preferred by Nature and obtain approval prior to outsourcing when:

* You enter agreements with new contractors
* The scope of activities that are outsourced to a specific contractor is expanded.

# Annex 1: SAMPLE Outsourcing Agreement for Non-FSC-certified Contractors

|  |  |
| --- | --- |
| **Certificate Holder’s FSC CoC Certificate Code:** |  |
| **Primary Contact for the Certificate:** |  |
| **Contractor’s Company Name:** |  |
| **Contractor Contact Person:** |  |
| **Location of Contractor:** |  |
| **Description of Outsourcing Arrangement:** |  |

**General Terms for Outsourcing:**

1. The Contractor shall conform and comply to all applicable certification requirements and the FSC Certificate Holder’s procedures related to the outsourced activity and the FSC core labour requirements.
2. The Contractor shall track and control all materials that are outsourced for use in FSC-certified products to ensure they are not at risk of mixing or being contaminated with any other materials during the outsourcing arrangement.
3. The Contractor shall use only the material provided by the FSC Certificate Holder for products covered by this outsourcing arrangement.
4. The Contractor shall maintain records of inputs, outputs, and delivery documentation associated with all material processed during the outsourcing arrangement.
5. The FSC Certificate Holder shall issue the final invoice for the FSC-certified products following the outsourcing arrangement.
6. The Contractor shall not use the FSC or Preferred by Nature trademarks for promotional use or on any products not included in this outsourcing arrangement.
7. The Contractor shall not further outsource processing of the material to any other entity.
8. The Contractor shall allow Preferred by Nature to conduct audits of its operation, including on-site evaluation, as part of its auditing of the FSC Certificate Holder.

**Specific Terms for this Outsourcing Arrangement:**

1. {IF APPLICABLE} The Contractor shall only apply the FSC labels provided by the FSC Certificate Holder to the FSC-certified products covered by the scope of this outsourcing arrangement and agreement.
2. **{LIST ADDITIONAL TERMS SPECIFIC TO THIS OUTSOURCING AGREEMENT}**

|  |  |
| --- | --- |
| Certificate Holder | Contractor |
| Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

# Annex 2: List of Contractors

Date of last update:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Contractor** | **Address** | **Activity/outsourced process** | **Contact person** | **Contact information** | **FSC CoC Code (if applicable)** |
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**About us**

Preferred by Nature (formerly known as NEPCon) is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate. We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.

For more than 25 years, we have worked to develop practical solutions to drive positive impacts in production landscapes and supply chains in 100+ countries. We focus on land use, primarily through forest, agriculture and climate impact commodities, and related sectors such as tourism and conservation. Learn more at [www.preferredbynature.org](http://www.preferredbynature.org)

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1. Depending on the organization and the level of detail provided in the self-assessment [↑](#footnote-ref-2)