

# Guide to outsourcing of FSC™ production activities



## Introduction to this guide

### IMPORTANT

This document is provided by NEPCon as a help for you if you outsource part or all of your FSC-certified production. It has been designed to provide information you need in order to ensure compliance with 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 V3-0
FSC accreditation standard for Chain of Custody evaluations	FSC-STD-20-011 V4-0



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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.
- You need approval from NEPCoN before you start outsourcing any activities related to your FSC production.
- On-site auditing by NEPCoN among 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.

## 2. Three steps you need to take when outsourcing FSC production activities

1. Determine if your outsourced production is low risk or high risk (see Box 1 below).
2. Set up the necessary agreements and procedures with your contractor (see Annex 1 for a sample Outsourcing Agreement for Non-FSC-certified Contractors).
3. Notify NEPCoN, 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 NEPCon apply. Outsourcing is deemed high risk in the following situations:

- a) the organisation outsources all or most of the manufacturing processes of a product; or
- b) a contractor grades or sorts the material (e.g. classifies wood according to its quality, size, colour); or
- c) a contractor mixes different input materials (e.g. FSC 100%, controlled material, FSC controlled wood); or
- d) a contractor applies the FSC label to the product; or
- e) a contractor does not physically return the FSC-certified product following outsourced processing; or
- f) 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:

- a) 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
- b) the product is palletized or otherwise maintained as a secure unit that is not broken apart during outsourcing; or
- c) the contractor is employed for services that do not involve manufacture or transformation of certified products (e.g. warehousing, storage, distribution, logistics); or
- d) the contractor is an FSC-certified organization that includes documented procedures for outsourcing services within the scope of its certificate.

## 3. 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; also, no separate written procedures are needed.

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
The documented control system of the contracting organisation includes explicit procedures for the outsourced process which are shared with the contractor		X
On-site auditing of contractors by NEPCon is mandatory if the outsourcing is deemed high-risk for any of the reasons mentioned in Box 1		X

#### **Box 2: Using certified contractors – 3 important points**

1. When using an FSC-certified contractor, the certificate and its scope must be regularly validated at <http://info.fsc.org>.
2. The outsourced activities and products must be included in the contractor's FSC CoC certificate scope.
3. If the product is FSC-labelled, the Contracting Organisation's FSC Certificate Holder license code is used.

#### **4. 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 NEPCon 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

<b>Certificate Holder's FSC CoC Certificate Code:</b>	
<b>Primary Contact for the Certificate:</b>	
<b>Contractor's Company Name:</b>	
<b>Contractor Contact Person:</b>	
<b>Location of Contractor:</b>	
<b>Description of Outsourcing Arrangement:</b>	

### General Terms for Outsourcing:

- A. The Contractor shall conform to all applicable certification requirements and the FSC Certificate Holder's procedures related to the outsourced activity.
- B. 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.
- C. The Contractor shall use only the material provided by the FSC Certificate Holder for products covered by this outsourcing arrangement.
- D. The Contractor shall maintain records of inputs, outputs, and delivery documentation associated with all material processed during the outsourcing arrangement.
- E. The FSC Certificate Holder shall issue the final invoice for the FSC-certified products following the outsourcing arrangement.
- F. The Contractor shall not use the FSC or NEPCon trademarks for promotional use or on any products not included in this outsourcing arrangement.
- G. The Contractor shall not further outsource processing of the material to any other entity.
- H. The Contractor shall allow NEPCon 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:

- A. {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.
- B. **{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	Contact person	Contact information	FSC CoC Code (if applicable)

## About NEPCon

NEPCon (Nature Economy and People Connected) is an international non-profit organisation that works to build capacity and commitment for mainstreaming sustainability. For over 20 years, we have worked to foster sustainable land use and responsible trade in forest commodities. We do this through innovation projects, capacity building and sustainability services.

We are accredited certifiers for sustainability schemes such as FSC™, PEFC, RSPO and SBP. We offer Chain of Custody certification according to the SAN / Rainforest Alliance Standard. We also certify to our own LegalSource™ Standard and Carbon Footprint Management standards. A self-managing division of NEPCon promotes and delivers our certification services. Surplus from certification activities supports the NEPCon's non-profit activities.

NEPCon is recognised by the EU as a Monitoring Organisation under the EU Timber Regulation.

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