



# FOREST STEWARDSHIP COUNCIL ACCREDITATION BUSINESS UNIT

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Bonn, 15<sup>th</sup> of July 2003

Dear FSC Stakeholder,

## **Re: FSC accreditation monitoring audit of SmartWood at Forest Industry Organization (FIO), Thailand**

Between January 20<sup>th</sup> and 22<sup>nd</sup>, 2003, an FSC Accreditation team, including Hubert de Bonafos, FSC Accreditation Officer, Alistair Monument, FSC Accreditation Officer and a local auditor, Tien-ake Tiyapongpattana, performed an accreditation monitoring audit of the FSC accredited SmartWood Certification Program of the Rainforest Alliance. As part of the FSC accreditation programme, FSC regularly carries out monitoring audits of accredited certification programs at selected forest management and chain of custody certificate holders. This particular audit was performed at the Forest Industry Organization (FIO) in Thailand, a forest enterprise which was awarded a joint FSC forest management and chain of custody certificate by SmartWood on June 1, 2001.

Following this monitoring audit of SmartWood, the FSC Accreditation Business Unit (ABU) produced a report that has been reviewed and accepted by SmartWood, and has now been finalized.

The present document has been drafted to provide stakeholders with a summary of the findings and results of the FSC monitoring at the time of the audit, and an overview of the final FSC monitoring report.

During the monitoring audit, the FSC team identified a number of issues that have been fully documented, presented and addressed in the FSC final monitoring report. All areas of concern related to the interpretation and implementation of FSC and SmartWood certification procedures were addressed by Corrective Action Requests (CAR)<sup>(1)</sup> in order to improve the implementation of FSC and SmartWood certification procedures. A summary of the main issues addressed during the monitoring audit is presented below:

### 1- Chain of Custody (COC)

SmartWood reporting on the tracking, tracing and identification of certified products by FIO did not comply with all FSC reporting requirements for the chain of custody of a joint FM/COC certificate; in its report, the SmartWood audit team did not clearly identify the final point at which it could provide a guarantee that products originate from the evaluated forest area. Additionally, SmartWood did not comply with all FSC accreditation requirements regarding the monitoring and reporting on the chain of custody within FIO. However, during the January 2003 visit SmartWood did audit an FIO log yard.

SmartWood acknowledged some deficiencies in reporting on COC aspects at FIO, and explained to FSC that the end point of FIO's COC system is the log yard from which purchasers come to buy FIO logs or from which FIO trucks take the logs to the buyer.

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<sup>1</sup> Corrective Action Requests:

- A Minor CAR is raised when an isolated or sporadic lapse in the content or implementation of procedures or records could reasonably lead to failure if not corrected.
- A Major CAR is raised when there is an absence or total breakdown of a system or the lack of implementation of such system, either as a single incident or a combination of a number of similar incidents.

SmartWood had evaluated the FIO chain of custody system in past monitoring audits, but had not reported findings fully as no conditions were raised in relation to the COC part of the certificate.

The FSC Accreditation Business Unit (ABU) issued SmartWood with a minor Corrective Action Request to address this non-compliance.

2- Scoring system

SmartWood auditors had utilized the SmartWood scoring system somewhat inconsistently in the certification report for FIO. The FSC team observed that such inconsistency in the scoring of the level of compliance of the applicant forest enterprise should have been noted and raised during the review of the FIO certification report and the certification decision-making process.

The FSC ABU issued a minor Corrective Action Request to SmartWood to implement appropriate measures to ensure that SmartWood auditors apply its scoring system consistently. Additionally the ABU required that the SmartWood Certification Committee verifies the consistency of the scores awarded during the certification decision-making process.

3- Conditions and Corrective Action Request

During the SmartWood monitoring audits, some conditions that had been considered as partially met, were superseded with new Corrective Action Requests.

FSC Accreditation requirements do not include any specific provisions allowing this practice and it is considered that partial compliance is only acceptable if it is based on a clear explanation and justification. FSC will produce more guidance with regards to partial compliance with certification conditions and will clarify with SmartWood the corrective action needed to address the findings of the FSC monitoring visit at FIO.

4- Public Summary Report

At the time of the FSC monitoring audit, the SmartWood Public Summary Report for FIO was not translated nor published in the official language of the country in which the certified forest management units are located. For Thailand, this FSC requirement is in addition to the English language public summary.

The FSC ABU issued a minor Corrective Action Request to address this non-compliance, and SmartWood has now provided the FSC with a copy of the Public Summary report for FIO in Thai.

5- Precondition Verification Audit report

The SmartWood Precondition Verification Audit report did not comply with all SmartWood requirements for Precondition Verification Audit reports.

The FSC ABU issued a minor Corrective Action Request for SmartWood to review and clarify its documented system to ensure compliance with SmartWood protocols and requirements for Precondition Verification Audits and associated reports.

6- Evaluation of Conditions

Two conditions raised by SmartWood had a specific deadline of one year after certification or a timeframe that implied "*permanent*" compliance. However, compliance with these two conditions was not clearly reported in SmartWood's monitoring audit report for 2002. Following the FSC monitoring audit, SmartWood acknowledged some deficiencies in reporting but clarified that compliance with these two conditions had been assessed.

The FSC ABU issued a minor Corrective Action Request and required that SmartWood auditors thoroughly evaluate and report on FIO's compliance with these conditions. SmartWood's findings will be included in the publicly available report on FIO.

7- Compliance with FSC Principles

Following the SmartWood 2002 monitoring audit at FIO, SmartWood auditors outlined in their monitoring report a number of significant shortcomings in FIO's level of compliance with FSC Principles and Criteria.

SmartWood clarified that some of the comments in the certification report regarding FIO's compliance with FSC Principles were made in order to give a strong message to the FIO management team. The FSC considers that reporting on audit findings is an essential element of the certification process that serves as a means of communication between the certification body and the applicant for certification, and at the same time as documented evidence of compliance with certification requirements, to be used in the decision-making process.

The FSC ABU issued a major Corrective Action Request to SmartWood to review and update its procedures to ensure that certificates are awarded and maintained when the certified operation is compliant with FSC Principles, in line with FSC accreditation requirements. SmartWood has also been required to communicate to its auditors clear and consistent guidelines regarding the maintenance, suspension or termination of certificates.

8- Group Forest Management certificate

At the time of FSC monitoring audit, the FSC team concluded that FIO did not comply with all FSC requirements for group forest management certificates.

The FSC ABU issued a major Corrective Action Request to SmartWood to ensure FIO's compliance with all FSC requirements for group forest management. Additionally, SmartWood was asked to provide FSC with written evidence that FIO has been adequately evaluated as a group forest management operation.

Soon after the FSC monitoring audit, SmartWood addressed this issue and decided to cancel the FIO group certificate and to replace it by a single certificate limited to the two plantation sites of Thong Pha Phum and Khao Kra Yang.

9- Stakeholder consultation process

A recommendation was issued to SmartWood regarding its stakeholder consultation process. The FSC audit team recommended that SmartWood could improve its stakeholder consultation process in future audits in Thailand by further considering local historical background information, and making a clear distinction in the comments they receive from the different types and groups of stakeholders including grassroots organisations, environmental NGOs and governmental agencies.

However, the FSC audit team recognised that SmartWood has made great efforts to communicate and work with a wide range of stakeholders during each one of the FIO certification and monitoring audits. The FSC ABU considers that stakeholder consultation is an essential element of FSC certification, and would like to encourage SmartWood to persevere in working with a broad range of stakeholders to improve the certification process in Thailand.

10- Adaptation of Generic Standard

SmartWood did not adapt its generic standard to the local conditions prior to the main FIO certification assessment. Additionally, the standard used for the certification assessment had not been translated into the national official language.

The FSC ABU issued a major Corrective Action Request and required that SmartWood Generic Standard be locally adapted to the situation in Thailand, through an appropriate stakeholder consultation process.

SmartWood has now adapted its generic standard to local conditions and developed a new Draft Interim Standard for Thailand. This locally adapted standard will be used for all new certification, precondition and/or monitoring audits performed by SmartWood in Thailand.

#### 11- FSC Principle 3

During the certification assessment and following monitoring audits, the FSC Team concluded that SmartWood had not adequately assessed FIO compliance with FSC Principle 3, relating to indigenous people's rights.

SmartWood explained that according to its audit team own evaluation, FSC Principle 3 was not relevant for the main FIO certification assessment, which was limited to two plantation sites, but acknowledged that Principle 3 may be relevant for other certification assessments in Thailand.

The FSC ABU issued a major Corrective Action Request and required that the SmartWood standard adaptation process for Thailand clearly demonstrate that FSC Principle 3 has been taken into consideration. SmartWood has included appropriate indicators for all FSC Criteria under Principle 3 of its Draft Interim Standard for Thailand.

#### 12- FSC Principle 9

During the certification assessment and following monitoring audits, the FSC Team concluded that SmartWood had not adequately assessed FIO compliance with FSC Principle 9 that relates to High Conservation Value Forests.

The FSC ABU issued a major Corrective Action Request and required SmartWood to ensure that FIO operations are assessed against FSC requirements as established in FSC Principle 9, and provide FSC with written evidence that such an evaluation took place.

#### 13- Partial certification of large organizations

SmartWood did not make an explicit statement in the certification report explaining and documenting the special controls that should have been in place to ensure that there was no risk of confusion being generated as to which FIO activities, sites or products are certified, and which are not. This is a FSC requirement for the partial certification of any large ownership, property or group of properties to avoid potentially misleading claims.

The FSC ABU issued a minor Corrective Action Request to SmartWood to make an explicit statement in the next FIO monitoring report, explaining and documenting the special controls that are in place with regards to partial certification, as established in FSC accreditation requirements.

#### 14- Publicly available management plan

During the FSC monitoring audit, the FSC audit team saw communication in the form of a leaflet which did not fully comply with FSC requirements regarding a public summary of a forest management plan. This leaflet had not been made publicly available at the time of the FSC monitoring audit. However, FIO had until May 2003, to fully comply with the terms of a corrective action request previously raised by SmartWood to address this issue.

The FSC audit team noted that the terms of corrective action request raised by SmartWood auditors against FIO did not fully comply with all FSC requirements as established in FSC criteria 7.1 and 7.4, regarding the public summary of FIO management plan.

The FSC ABU issued a minor Corrective Action Request to SmartWood to demonstrate to FSC that they have taken appropriate action to ensure compliance by FIO with FSC criteria 7.1 and 7.4.

#### 15- FSC Logo, Label and Trademark

At the time of the FSC monitoring audit, the FSC team estimated that FIO did not comply with all FSC Trademark use requirements and that following its 2002 monitoring audit, SmartWood should have addressed the use of FSC Logo, Label and Trademark with appropriate corrective action to FIO.

The FSC ABU issued a minor Corrective Action Request to SmartWood to ensure FIO compliance with FSC and SmartWood certification requirements regarding the use of FSC Logo, Label and Trademark.

In the third week of June 2003, SmartWood performed a further monitoring visit at FIO, to monitor FIO compliance with FSC certification requirements and check the implementation of corrective actions which have been requested in previous monitoring audits. SmartWood has also sent a number of documents to FSC, in response to some of the corrective action requests raised during the FSC monitoring audit.

As with all FSC accredited certification bodies, the FSC Accreditation Business Unit will closely monitor SmartWood and the timely implementation of all the corrective action requests issued to rectify the instances of non-compliance identified during the FSC monitoring audit.

In addition to the above issues it is important to note that the FSC team recognised the considerable time SmartWood spent in the field undertaking certification and monitoring audits of FIO, the effort and perseverance in carrying out stakeholder consultation during monitoring audits, and the diligent and thorough responses to stakeholder comments and complaints. SmartWood also acted quickly to follow-up on the FSC monitoring audit findings, and has already provided FSC with a number of documents to address some of the of the Corrective Action Requests raised during the FSC monitoring audit.

The FSC audit team would like to thank SmartWood auditors and FIO for their co-operation during the audit process. The FSC audit team would also like to thank all stakeholders who sent comments to FSC prior, during and after the monitoring audit for their important contribution to the FSC monitoring process.

The FSC team understands that SmartWood is open to receive further comments or suggestions on ways to improve the certification process in Thailand from stakeholders and that SmartWood will be responsive in sharing information, updates, and clarifications on its certificates.

Please contact Liviu Amariei (Head of FSC Accreditation Business Unit, [liviu@fscoax.org](mailto:liviu@fscoax.org)), or Hubert de Bonafos (FSC Accreditation Officer, [hbonafos@fscoax.org](mailto:hbonafos@fscoax.org)) should you require further information on the FSC accreditation monitoring process.

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