

Annex A Risk assessment by the organization

1 General provisions

- 1.1 The organization may conduct the following risk assessments for unassessed areas (Figure 5):
- a) Company risk assessment – according to Section 3 below, and only where an FSC risk assessment for all five controlled wood categories has been scheduled¹² by 31 December 2017; or
 - b) Extended company risk assessment – according to Section 2 below, irrespective of whether or not an FSC risk assessment is scheduled.
- 1.2 For co-products, an organization located within the European Union is allowed to classify another country in the European Union as low risk in its own risk assessment for controlled wood category 1 if the following are met:
- a) The round wood from which the co-products originate has been harvested in the European Union;
 - b) The co-products are produced and supplied by a supplier located in the European Union;
 - c) The supplier of the co-products provides all necessary information as required by the EUTR and Section 2 of this standard; and
 - d) The organization sourcing co-products and applying this requirement agrees in writing to participate in the FSC Supply Chain Integrity Program. Agreements shall be sent to the FSC Supply Chain Integrity Program (fiber-testing@fsc.org). Annex F may be used in the implementation of this requirement.
- 1.3 The organization may outsource its risk assessment to external bodies that have expertise relevant to the controlled wood categories to be assessed, excluding the certification body. For an extended company risk assessment, the minimum qualifications of experts are contained in Annex C.
- 1.4 The organization shall provide its risk assessment to the certification body.
- 1.5 The organization shall review its risk assessment at least annually to verify the continued correctness and relevance of risk designations, and shall revise it when necessary.
- 1.5.1 A review and revision shall be conducted before the annual surveillance by the certification body.
- NOTE: Joint extended company risk assessments (see 2.2) shall be reviewed at least annually.
- 1.5.2 The organization shall review its risk assessment, and revise it when significant changes to the risk in unassessed areas become evident (e.g. changes in law, or breakdown in rule of law through civil unrest, availability of FSC risk assessment under development).
- 1.5.3 If FSC certified¹³ management units located in a low risk area lose their certified status due to suspension, the organization shall immediately cease using material from those management units as controlled

¹² As provided on the FSC website (links as of February 2017: <http://ic.fsc.org/centralized-national-risk-assessment.700.htm> and <http://ic.fsc.org/en/our-impact/program-areas/controlled-wood-01/controlled-wood-risk-assessments/fsc-risk-assessment-database>)

¹³ Certification according to the standard *FSC-STD-01-001*.

material or selling it with the FSC Controlled Wood claim upon receiving notice of the suspension.

- 1.5.4 The organization may resume using material as controlled material or sell it with the FSC Controlled Wood claim after the suspension has been lifted or after the organization has completed a risk assessment of the suspended management unit according to Annex A, and has confirmed that material is in conformity with the requirements of this standard, confirmed through the DDS.

2 Extended company risk assessment

- 2.1 An extended company risk assessment shall be conducted according to the risk assessment requirements in *FSC-PRO-60-002a FSC National Risk Assessment Framework*. The organization shall consider:
- a) All sources of information provided and/or described in *FSC-PRO-60-002a* where relevant to the area under assessment. Where the organization has access to country/region specific sources they shall be used;
 - b) Available FSC risk assessments under development; and
 - c) Any information relevant for its supply area(s) that is received from stakeholders. The extended company risk assessment shall summarize such information and explain how it has been taken into account.

NOTE: The use of the template provided in Annex G to present the results of the extended company risk assessment is recommended.

- 2.2 The organization may perform an extended company risk assessment jointly with one or more organizations that are sourcing from the same unassessed area. In this case, the following apply:
- a) The extended company risk assessment shall provide risk designations for the supply areas of all organizations that use it;
 - b) The extended company risk assessment shall provide the names and contact details of all organizations that use it; and
 - c) The organization that uses the extended company risk assessment shall appoint a person responsible for conformity with the requirements of this standard, as well as for the distribution of the extended company risk assessment to stakeholders, the organizations that use it, and the certification bodies evaluating them.

3 Company risk assessment

- 3.1 The organization shall designate the risk of unassessed areas as either low or unspecified according to the requirements of this section and for each risk assessment indicator.
- 3.2 The organization shall consider unassessed areas as unspecified risk until low risk can be determined in line with the requirements of this section.
- 3.3 The company risk assessment shall begin at the broadest scale (relevant to its supply area), which shall be decreased if conditions are not sufficiently homogeneous to confirm a low risk designation for the whole area.
- a) For controlled wood categories 1, 2, 4 and 5, the national level shall be the broadest level used;

- b) For controlled wood category 3, the risk assessment shall consider the presence of any of the listed ecoregions of HCVs (e.g. *Biodiversity Hotspots*, *Global 200 Ecoregion*, *Frontier Forest*, *Intact Forest Landscapes*).

NOTE: Risk assessments may be confined to a certain clearly defined scope within the supply area, such as forest type (e.g. plantations) or scale (e.g. small or low-intensity managed forests). In this case, the confined scope must be clearly reflected in the risk assessment.

3.4 The organization shall include at least the following sources of information in the risk assessment, if available:

- a) Risk designations provided on the FSC Global Forest Registry as a base for the risk assessment. The organization may further verify risk designations for its supply area, according to the requirements of this section;
- b) A list of applicable laws for countries not undergoing FSC risk assessment processes, as provided on the FSC Global Forest Registry;
- c) Known and available sources of information in addition to those provided in this section; and
- d) Any information provided by the relevant FSC network partner or regional office.

Controlled wood category 1 – Illegally harvested wood

3.5 General requirements for risk assessment:

- a) An area shall be considered unspecified risk when illegal harvesting is a threat to the forest, people, or communities. Minor infractions and issues such as minor geographical deviations from the allotted area of harvesting, late filing of paperwork, or small infractions related to transport should not result in a designation of unspecified risk.
- b) The evaluation of risk for illegal harvesting shall include consideration of at least the following:
 - The perceived level of corruption related to forest activities;
 - The degree of transparency about information that is likely to reveal or reduce illegal harvesting if made public;
 - The degree to which key data and documents relevant to illegal harvesting exist and are of satisfactory quality; and
 - Independent reports about illegal harvesting.

3.6 Risk assessment indicators:

Risk assessment indicators	Examples of sources of information
1. The supply area may be considered low risk in relation to illegal harvesting when all of the following indicators related to forest governance are met.	
1.1 Evidence of enforcement of logging related laws in the supply area. a) The organization shall use the 'Minimum list of applicable laws, regulations and nationally-ratified international treaties, conventions and agreements' (Table A, below) for the	<ul style="list-style-type: none"> - FSC network partners and regional offices (contacts: ic.fsc.org) - The Royal Institute of International Affairs (www.illegal-logging.info)

<p>identification of logging related laws in the supply area under evaluation.</p> <p>b) The organization may use existing national lists from approved FSC National Forest Stewardship Standards and other reputable sources in order to compile the list.</p> <p>Where the FSC Global Forest Registry contains an FSC approved list of applicable laws for a country, it is mandatory to use this list.</p>	<ul style="list-style-type: none"> - Environmental Investigation Agency (www.eia-international.org) - Global Witness (www.globalwitness.org) - Telapak (for Indonesia - www.telapak.org) - UK Government's Department for International Development (DFID)
<p>1.2 There is evidence in the supply area demonstrating the legality of harvests and wood purchases including, for example, robust and effective systems for granting licenses and harvest permits.</p>	<ul style="list-style-type: none"> - EU FLEGT process (http://www.euflegt.efi.int/home) - Transparency International Corruption Perception Index (www.transparency.org)
<p>1.3 There is little or no evidence or reporting of illegal harvesting in the supply area.</p>	<ul style="list-style-type: none"> - WWF (www.panda.org) - ELDIS regional and country profiles (www.eldis.org)
<p>1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.</p> <p>The annually published Transparency International <i>Corruption Perception Index</i> (CPI) shall be used. Countries with a score of less than 50 shall be considered unspecified risk, unless there is specific independent and credible information at a lower scale (e.g. implemented independent timber tracking systems) that demonstrates the contrary.</p>	<ul style="list-style-type: none"> - CITES (www.cites.org) - NGOs and involved stakeholders

Table A. Minimum list of applicable laws, regulations and nationally ratified international treaties, conventions and agreements.

<p>1. Legal rights to harvest</p>	
<p>1.1 Land tenure and management rights</p>	<p>Legislation covering land tenure rights, including customary rights as well as management rights, which includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legally required licenses.</p>
<p>1.2 Concession licenses</p>	<p>Legislation regulating procedures for issuing forest concession licenses, including the use of legal methods to obtain concession licenses. Bribery, corruption and nepotism are particularly well-known issues that are connected with concession licenses.</p>
<p>1.3 Management and harvesting planning</p>	<p>Any national or sub-national legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, impact assessments, consultation with other entities, as well as approval of these by legally competent authorities.</p>
<p>1.4 Harvesting permits</p>	<p>National or sub-national laws and regulations regulating procedures for issuing of harvesting permits, licenses, or other legal documents required for specific harvesting operations. This includes the use of legal methods to obtain the permits. Corruption is a well-known issue that is connected with the issuing of harvesting permits.</p>

2. Taxes and fees	
2.1 Payment of royalties and harvesting fees	Legislation covering payment of all legally required forest harvesting-specific fees such as royalties, stumpage fees and other volume-based fees. This includes payments of the fees based on the correct classification of quantities, qualities, and species. Incorrect classification of forest products is a well-known issue that is often combined with bribery of officials in charge of controlling the classification.
2.2 Value added taxes and other sales taxes	Legislation covering different types of sales taxes which apply to the material being sold, including the sale of material as growing forest (standing stock sales).
2.3 Income and profit taxes	Legislation covering income and profit taxes related to profit derived from the sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies and is not related to salary payments.
3. Timber harvesting activities	
3.1 Timber harvesting regulations	Any legal requirements for harvesting techniques and technology, including selective cutting, shelter wood regenerations, clear felling, transport of timber from the felling site, seasonal limitations, etc. Typically this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities, and elements that shall be preserved during felling, etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges, etc., shall also be considered as well as the planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.
3.2 Protected sites and species	International, national, and sub-national treaties, laws, and regulations related to protected areas, allowable forest uses and activities, and/or rare, threatened, or endangered species, including their habitats and potential habitats.
3.3 Environmental requirements	National and sub-national laws and regulations related to the identification and/or protection of environmental values including, but not limited to, those relating to or affected by harvesting, acceptable levels for soil damage, establishment of buffer zones (e.g. along water courses, open areas and breeding sites), maintenance of retention trees on the felling site, seasonal limitations of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction.
3.4 Health and safety	Legally required personal protection equipment for persons involved in harvesting activities, implementation of safe felling and transport practices, establishment of protection zones around harvesting sites, safety requirements for machinery used, and legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relevant to operations in the forest (not office work or other activities not related to actual forest operations).
3.5 Legal employment	Legal requirements for employment of persons involved in harvesting activities including requirements for contracts and working permits, requirements for obligatory insurance, requirements for competence certificates and other training requirements, and payment of social and income taxes withheld by the employer. Also covered are the observance of minimum working age and minimum age for persons involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association.

4. Third parties' rights	
4.1 Customary rights	Legislation covering customary rights relevant to forest harvesting activities, including requirements covering the sharing of benefits and indigenous rights.
4.2 Free, prior and informed consent	Legislation covering 'free, prior and informed consent' in connection with the transfer of forest management rights, and customary rights to the organization in charge of the harvesting operation.
4.3 Indigenous Peoples' rights	Legislation that regulates the rights of Indigenous Peoples as far as it is related to forestry activities including, for example, land tenure, and rights to use certain forest related resources and practice traditional activities, which may involve forest lands.
5. Trade and transport	
NOTE: This section covers requirements for forest management operations as well as processing and trade.	
5.1 Classification of species, quantities, qualities	Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce or avoid payment of legally prescribed taxes and fees.
5.2 Trade and transport	All required trading and transport permits, as well as legally required transport documents which accompany the transport of wood from forest operations, shall exist.
5.3 Offshore trading and transfer pricing	Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens, combined with artificial transfer prices, is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and is considered to be an important source of funds that can be used for payment of bribery to the forest operations and persons involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading, as far as it is legally prohibited in the country, can be included here.
5.4 Customs regulations	Customs legislation covering areas such as export/import licenses and product classification (codes, quantities, qualities and species).
5.5 CITES	CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention).
6. Due diligence/due care	
6.1 Due diligence/due care procedures	Legislation requiring due diligence/due care procedures, including, for example, due diligence/due care systems, declaration obligations, and/or the keeping of trade related documents.

Controlled wood category 2 – Wood harvested in violation of traditional and human rights

NOTE: Traditional rights may include 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. An example of a traditional right related to forests is access for local communities to forest areas to visit sacred and ritual sites.

3.7 Risk assessment indicators:

Risk assessment indicators	Examples of sources of information
2. The supply area may be considered low risk in relation to the violation of traditional and human rights when all of the following indicators are met:	
2.1 There is no UN Security Council ban on timber exports from the country concerned.	<ul style="list-style-type: none"> - Global Witness (www.globalwitness.org)
2.2 The country or supply area is not designated a source of conflict timber (e.g. USAID Type 1 conflict timber).	<ul style="list-style-type: none"> - The final report of the expert panel on illegal exploitation of natural resources and other forms of wealth in the Democratic Republic of Congo, 2002, Annexes I and III (S/2002/1146) - Conflict Timber: Dimensions of the Problem in Asia and Africa. Volume I. Synthesis report. June 2003
2.3 There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at Work taking place in forest areas in the assessed supply area.	<ul style="list-style-type: none"> - FSC network partners and regional offices (contacts: ic.fsc.org) - ILO country offices
2.4 There are recognized and equitable processes ¹⁴ in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the assessed supply area ¹⁵ .	<ul style="list-style-type: none"> - FSC network partners and regional offices (contacts: ic.fsc.org) - Indigenous Peoples' organizations - Local community associations - National Sources (e.g. records of land claims negotiation concluded or in progress, summaries of court decisions)
<p>2.5 There is no evidence of violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the supply area concerned.</p> <p>The standard does not refer to the ratification of ILO 169 and a risk assessment shall involve an assessment of evidence of violation of ILO requirements, irrespective of whether or not they have been ratified by the country in which the risk assessment is made.</p>	<ul style="list-style-type: none"> - FSC network partners and regional offices (contacts: ic.fsc.org) - ILO country offices

¹⁴ A process in which there are functioning means of recourse and/or there are no overwhelming structural imbalances or inherent unfairness. Examples of processes include land claims negotiations, judicial procedures and treaty negotiations

¹⁵ Indigenous Peoples, workers, communities and government within the supply area accept and endorse the structure for addressing and resolving these issues; and communities and/or Indigenous Peoples have recognized power to mitigate any threats of harvesting through legal systems or other authorities.

Controlled wood category 3 – Wood harvested from forests in which high conservation values are threatened by management activities

NOTE 1: Threat in the context of this annex means having an uncertain chance of continued survival or presence of HCVs at the ecoregion level. This standard requires the identification of threats to HCVs caused by forest management activities.

NOTE 2: There is no difference in the definition of HCVs and their different categories between the FSC Principles and Criteria (*FSC-STD-01-001*) and this standard. The difference relates to the objectives of both standards. While the FSC Principles and Criteria require the maintenance and enhancement of HCVs at the management unit level, this standard requires the organization to avoid material from forests where HCVs are being threatened at the ecoregional level.

3.8 General requirements for risk assessment:

- a) HCVs that provide basic services of nature in critical situations and those that are fundamental to meeting basic needs of local communities can be considered low risk, if indicators 2.4, and 3.1 and/or 3.2 are met. That is, there are recognizable and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the supply area concerned.

3.9 Risk assessment indicators:

Risk assessment indicators	Examples of sources of information
<p>3. The supply area may be considered low risk in relation to <u>threat</u> to HCVs if:</p> <ul style="list-style-type: none"> a) Indicator 3.1 is met; or b) Indicator 3.2 eliminates (or greatly mitigates) the threat posed to the supply area by non-conformity with 3.1. 	
<p>3.1 Forest management activities at the relevant level (ecoregion, sub-ecoregion, local) do not threaten eco-regionally significant HCVs.</p> <p>The organization shall first assess whether any HCVs are threatened at the ecoregional level. If any HCVs are threatened at the ecoregional level, the organization shall assess how forest management activities relate to these HCVs at the supply area level.</p> <p>For the risk assessment of this category the identification of ecoregionally significant HCVs is required, which in practical terms implies that locally relevant values are not in the focus of this step of the risk assessment.</p> <p>Threatened ecoregions can be identified through the supporting information that references, but is not limited to e.g. Biodiversity Hotspots, Global 200 Ecoregion, Frontier Forest, Intact Forest Landscapes.</p>	<ul style="list-style-type: none"> - FSC documentation on HCVs (ic.fsc.org) - Ecoregion definition and information (www.worldwildlife.org/biomes) - Regions identified by Conservation International as a Biodiversity Hotspot, or ecosystems and communities that are explicitly identified by Conservation International as a key component of a Biodiversity Hotspot - Forest, woodland, or mangrove ecoregions identified by World Wildlife Fund as a Global 200 Ecoregion and assessed by WWF as having a conservation status of endangered or critical. If the Global 200 Ecoregion comprises more than a single terrestrial ecoregion, an ecoregion within the Global 200 Ecoregion can be considered low risk if the sub-ecoregion has a Conservation Status other than

<p>Regarding Intact Forest Landscapes, firefighting or fire prevention for the protection of public safety is not considered to be an economic activity of minimal disturbance. Fire control in the context of forest management activities is not considered to be an economic activity of minimal disturbance.</p> <p>Low risk for this indicator may be demonstrated as follows:</p> <ul style="list-style-type: none"> a) Material does not originate from any of the mapped areas of HCVs (as listed in 3.1), <i>or</i> b) There are no ecoregionally significant HCVs in the supply area according to independent verifiable information at the supply area/supply unit level (NGO reports, environmental impact assessments, etc.). 	<p>'critical' or 'endangered' (www.worldwildlife.org/science/wildfinder)</p> <ul style="list-style-type: none"> - Regions identified by the World Conservation Union (IUCN) as a Centre of Plant Diversity - Regions identified by Conservation International as a High Biodiversity Wilderness Area that contain contiguous forest ecosystems greater than 500 km² - Regions identified by the World Resources Institute as a Frontier Forest - Intact Forests Landscapes, as identified by Greenpeace (www.intactforests.org)
<p>3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.</p> <p>Low risk for this indicator shall be demonstrated as follows:</p> <ul style="list-style-type: none"> a) A strong system of protection of HCVs is in place. The definition of strong shall be based on the effectiveness of law enforcement in the country. This can be demonstrated through a high rating (≥ 75%) in the World Bank 'rule of law' index (www.govindicators.org), <i>and</i> b) There is significant support by relevant national/regional stakeholders from the assessed supply area, <i>or</i> c) The forest manager has agreed to an approach of HCV protection at the supply unit level with national/regional environmental stakeholders relevant for the assessed supply area. c) Indicator 3.2 cannot be met if there is substantial objection from relevant national or regional stakeholders against a low risk designation for the HCV category. 	<ul style="list-style-type: none"> - FSC network partners and regional offices (contacts: ic.fsc.org) - Signatory to the Convention on Biological Diversity and demonstrable progress towards completing a network of protected areas, such as an overall positive analysis of the latest country thematic report on Forest Ecosystems (www.cbd.int)

Controlled wood category 4 – Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses

NOTE: The intent of the risk assessment for this category is to reveal risk in regions where there is a significant occurrence of deforestation of natural forests. The organization is encouraged to seek for guidance from FSC network partners and regional offices on the interpretation of 'significant rate of loss' for forests in their countries and regions.

3.10 Risk assessment indicators:

Risk assessment indicators	Examples of sources of information
<p>4. The supply area may be considered low risk in relation to conversion of forest to plantations or non-forest uses when the following indicator is met:</p> <p>NOTE: the change from plantations to other land uses is not considered forest conversion.</p>	
<p>4.1 There is no net loss or no significant rate of loss (> 0.5% per year¹⁶) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question.</p>	<ul style="list-style-type: none"> - FAO GOFD-GOLD Global Observation of Forest and Land Cover Dynamics¹⁷ - FAO Global Forest Resources Assessment - Conservation International Regional Analysis Program - University of Maryland Department of Geography - UNEP/GRID – Division of Early Warning and Assessment - SERVIR – Regional Monitoring and Visualization System for Mesoamerica - Congo Basin Forest Partnership and CARPE - CEC Joint Research Centre - INPE-PRODES – Brazil's National Institute for Space Research - Hansen, M., DeFries, R., Townshend, J.R., Carroll, M., Dimiceli, C., Sohlberg, R. 2003. 500 m MODIS Vegetation Continuous Fields. College Park, Maryland: The Global Land Cover Facility - National data sources - FSC network partners and regional offices (contacts: ic.fsc.org)

Controlled wood category 5 – Wood from forests in which genetically modified trees are planted

3.11 Risk assessment indicators:

Risk assessment indicators	Examples of sources of information
<p>5. The supply area may be considered low risk in relation to wood from genetically modified trees when one of the following indicators is met:</p>	<ul style="list-style-type: none"> - FAO, 2004. Preliminary review of biotechnology in forestry, including genetic modification. Forest Genetic Resources Working Paper FGR/59E. Forest Resources Development Service, Forest

¹⁶ The rate (i.e. > 0.5%) may be adjusted as additional information becomes available.

¹⁷ Note: FAO forest cover data and statistics may not consider forest conversion to plantation as a loss of forest cover. Therefore, in an area with extensive conversion of natural forest to plantation, the data might not show a significant rate of forest loss and could thus be misleading in the context of this standard.

<ul style="list-style-type: none"> a) There is no commercial use of genetically modified trees of the species being sourced; or b) Licenses are required for commercial use of genetically modified trees and there are no licenses for commercial use of the species being sourced; or c) It is forbidden to use genetically modified trees commercially in the country concerned. 	<p>Resources Division, Rome, Italy http://www.fao.org/docrep/008/ae574e/AE574E00.HTM)</p> <p>- National and regional data sources</p>
--	--

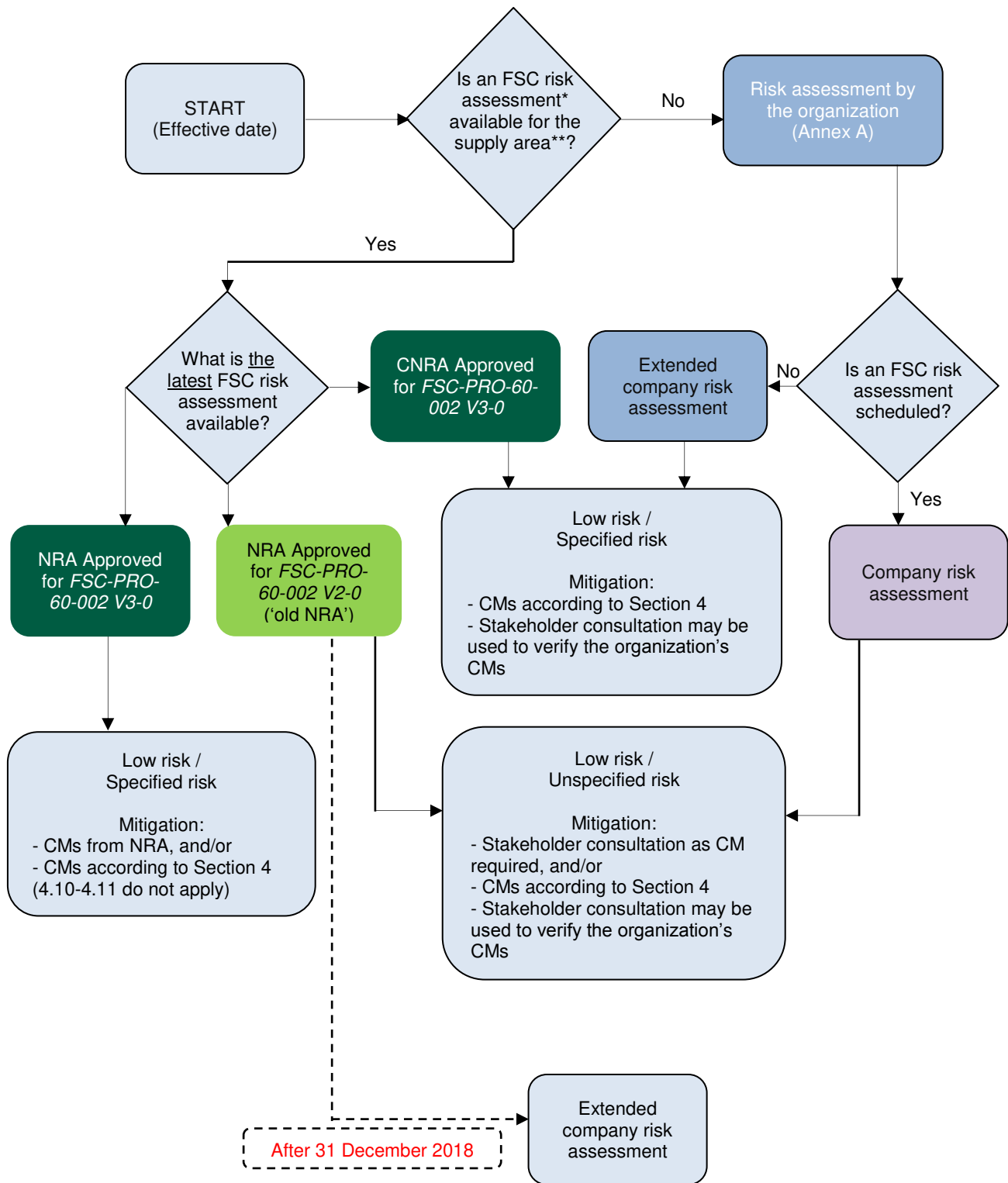


Figure 5. Risk assessment and related steps (apply for each of the five controlled wood categories).

**In case of the CNRA, it shall be used when all five controlled wood categories have been approved. Organizations may use available approved risk assessment for single controlled wood categories of a CNRA, before the CNRA for all five categories is approved.*

***The diagram applies separately for parts of the supply area covered by various FSC risk assessments and unassessed areas.*