CoC group certification is key for FSC to reach small enterprises

A position paper of the CoC Group Network

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based on the draft FSC CoC standard FSC-STD-40-004 V4-0 D2-0 and ongoing discussions

Background

The CoC Group Network (CGN) brings together experienced CoC group managers from Europe and North America, and through them represents thousands of small enterprises in FSC-certified supply chains. CGN members have engaged throughout the CoC revision and set out their positions here so that they are available to FSC, to Certification Bodies (CBs), to FSC members and to the wider public.

CGN offers this paper in a constructive spirit. CGN's members are FSC members and share FSC's goal: a credible system that continues to grow in the markets that matter.

About the CoC Group Network

The CoC Group Network is a network of organizations operating FSC Chain of Custody group certificates. The network:

- represents CoC Group Certificates from Europe and North America.
- advocates for thousands of small enterprises in FSC-certified supply chains.
- was founded by organizations that are members of FSC International and of various national FSC organizations.
- contributes practical group-management and implementation expertise to FSC consultations, working groups and General Assemblies.
- actively supports FSC's mission by working to strengthen the accessibility, integrity and continued relevance of FSC certification.
- provides further information on https://groupcert.org/.

CGN members are not observers of the FSC system. They are inside it – running the Central Offices, conducting the internal audits, hosting the certification body visits and ensuring integrity by supporting the implementation of the CoC requirements.

What CoC group certification is, and why it matters

Group CoC Certification was introduced to the FSC normative framework in 2002 as a mechanism to help improve access to certification for independently owned enterprises for which the cost and administrative burden of individual certification may otherwise represent a barrier. It does so by providing streamlined access to certification and participation in the global marketplace by reducing disproportionate technical, administrative and financial barriers, while maintaining the same applicable CoC requirements and strengthening integrity through centralized oversight, annual internal monitoring and independent certification-body evaluation.

A Central Office is ultimately responsible for the group certificate as a whole. Central Offices track nonconformities at participating sites and suspend sites when required. Every participating site undergoes an internal audit every year, conducted under the Central Office's audit program. On top of that, the group is independently controlled by an accredited Certification Body, which samples participating sites and reviews the internal audit program itself. The Central Office remains responsible for managing conformity across the group, while Certification Body oversight provides an independent evaluation of that system.

Group certification has been established for decades and has already helped thousands of companies obtain certification. It is used not only in the FSC system but across other international certification schemes.

Group certification is how FSC can reach the small and medium-sized enterprises (SMEs) that make up most businesses in relevant markets. Without it, FSC's presence in those markets might shrink significantly.

> "67% of the group participants would not or probably not have obtained FSC certification, if group certification did not exist" (result of a ZGD customer survey[1])

This finding provides evidence from one established group of what may be at stake. Decisions taken in this revision that make group certification harder to operate do not push companies toward individual certification. For many group participants – and for 67% of respondents to this survey – such decisions have the inverse effect and push those companies out of the FSC system altogether.

Our positions

1. Complexity of requirements

CGN recognizes that requirements always involve a balancing act between practicality and credibility. At the same time, CGN warns against tightening the requirements and undermining the standard's practicality and appeal. Simplification is needed instead of ever-new and increasingly complex requirements.

Since Group CoC certification was introduced in 2002, the normative framework and associated administrative burden have expanded substantially through additional standards, directives, interpretations, Core Labour Requirements, assessments and increasingly complex fee and reporting requirements. These additions generate both implementation and recurring audit, training, recordkeeping and support costs, which

[1] Customer survey of the German certification group ZGD, conducted online among the participants in 2023, 145 responses on the question "If group certification did not exist, would you have been able to obtain FSC certification on your own (without consulting services, templates, training)?" from which 11 % answered "no" and 56 % answered "probably not".

disproportionately affect organizations without dedicated certification personnel. Eligibility thresholds should therefore reflect the current – not historical – cost and complexity of maintaining certification.

CoC group certification is an excellent tool to meet Motion 28/2020, which asks for simplified requirements to help improve accessibility of FSC certification for smaller companies. However, group certification can fulfill this purpose only if it remains applicable and achievable.

CGN supports that the same CoC requirements apply for group participants as for any other type of FSC CoC certification. Additional requirements that may be introduced should therefore apply to group participants in the same way as they apply to any other certificate holder (e. g. FSC Check).

CGN welcomes the qualification requirements for group managers and internal auditors. CGN clearly underlines: Only well-managed groups are good for the FSC system.

2. Eligibility criteria – company size

CGN supports the idea that participation in group certification is limited to disadvantaged companies, which is defined by the size of the companies in terms of full-time equivalent employees (FTEs) and/or annual turnover.

CGN thinks that participation in group certification should be suitable for two types of critical certification supply chain stakeholders: Small and medium-sized enterprises (SMEs) that often lack technical expertise or dedicated certification and compliance personnel, and organizations that have wood products as only a small component of their overall business model.

Global group eligibility requirements simplify the system. While CGN would prefer different definitions based on the different economic regions of the world (e. g. the EU or North America), CGN acknowledges the aim to simplify the system and therefore also supports a global definition.

The draft eligibility criteria meet the target. Considering existing definitions and circumstances, the definition of 49 FTEs or 10 million US$ in annual turnover, as stated in the current draft of the revised FSC CoC standard, reflects small enterprises rather than medium-sized in most parts of the world[2] and is supported by CGN.

Lowering or otherwise narrowing existing group eligibility criteria would have significant impacts. CGN estimates that most current group participants would not pursue further certification if they were no longer able to participate in group certification.

[2] 49 FTE or $10M US annual turnover reflects global "small" enterprise definitions – "SMEs are further subdivided into micro enterprises (fewer than 10 employees), small enterprises (10 to 49 employees)" as defined by the OECD (Organization for Economic Co-operation and Development) and WTO (World Trade Organization). European Union's definition of a small enterprise: fewer than 50 staff members and no more than EUR 10 million in annual turnover. There is no known documented evidence available for the original eligibility criteria in the standard (15/25 FTE and $1M US annual turnover).

CGN would prefer reference to forest-based turnover[3] rather than total annual turnover, as already utilized for the US[4]. Annual forest-product turnover provides a more proportionate measure of an organization's scale and economic involvement within FSC-certified supply chains, particularly where forest-based products represent only a limited component of its overall operations.

3. Eligibility criteria – geographical scope

CGN does not support limiting CoC groups to a single country. No convincing evidence has been presented demonstrating that the inclusion of participating sites from more than one country inherently increases certification risk or prevents effective Central Office oversight.[5]

CGN believes eligibility should be based on demonstrated management capacity and risk – not national boundaries alone. Cross-country groups should therefore be permitted where the Central Office can demonstrate sufficient capacity, competence and resources to manage applicable legal requirements, language needs, internal audits, participant support and Certification Body access.[6]

4. Size limit for groups

CGN does not consider group size, by itself, to be a reliable indicator of certification risk or management effectiveness. Larger groups can achieve economies of scale that support dedicated personnel, stronger management systems, improved technology, greater separation of responsibilities and more consistent training and oversight. Conversely, a smaller group is not inherently better managed or lower risk.

CGN believes the primary consideration should therefore be whether the Central Office can demonstrate sufficient personnel, technical competence, systems and resources to effectively manage its participating sites. Growth should be supported by evidence that the Central Office continues to maintain effective internal auditing, participant support, nonconformity management and oversight.

Nevertheless, CGN would support a maximum group size of 1,000 participating sites as a reasonable upper safeguard against groups becoming operationally unwieldy and against excessive certification-system risk being concentrated under a single Central Office. The cap should supplement – not replace – ongoing evaluation of the Central Office's demonstrated management capacity and performance.

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[3] Forest-based turnover as defined in the AAF policy FSC-POL-20-005

[4] in the current draft and in FSC-PRO-40-003a (List of Approved National CoC Group Eligibility Criteria)

[5] In fact, there is increasing evidence that supports such expansion. FSC's recent cross-border credit/percentage-system pilot provides relevant, although not directly equivalent, experience. The pilot evaluated cross-border administration within multi-site certificates and reported positive operational and market impacts, with no concerns raised or long-term adverse impacts recorded. The pilot provides relevant evidence that cross-border CoC administration can operate effectively under appropriate controls, although it did not directly test multinational CoC group management.

[6] CGN would support utilization of a pilot project as was done for cross-border credit/percentage-systems to demonstrate the efficacy of such group eligibility expansion.

Large groups should be supported by sound business practices. As a non-normative best-practice suggestion rather than a proposed requirement, Central Offices operating large groups may wish to consider business-continuity risk management and succession planning, in order to reduce the risk arising from an unexpected interruption of Central Office operations.

5. Sampling

CGN supports the risk-based sampling system established in the most recent draft revised FSC CoC standard. That system is supported by annual internal audits of every participating site and preserves the Certification Body's authority to expand or target the sample when evidence indicates increased risk.

The sampled external audit serves two connected purposes: it directly evaluates conformity at the selected participating sites, and it independently assesses the effectiveness and reliability of the Central Office's management system and internal-audit program in identifying, addressing and preventing nonconformities throughout the group.

It follows that calculating the number of years between external audits of a given site is not a meaningful measure of assurance. Every participating site is subject to an annual internal audit, while the Certification Body annually evaluates the Central Office and selects participating sites based on the applicable sampling methodology and identified risks. The objective is to evaluate the effectiveness of the group's overall control system, not to replicate individual certification by placing every site on a fixed external-audit rotation.

The sampling calculation established by the FSC CoC standard represents the minimum sample, not a maximum. Certification Bodies retain the authority to increase the sample, where warranted by risk factors such as group growth, the range or complexity of participating-site activities, geographic dispersion, complaints, significant changes, nonconformity trends, weaknesses in the internal-audit program or previous audit findings.

6. Remote audits

CGN supports the continued availability of remote and hybrid audits as a legitimate, risk-proportionate audit method. Remote auditing is now established practice across international certification schemes and is recognized in the applicable accreditation requirements.

Remote audits materially lower the barrier to certification for exactly the enterprises group certification exists to serve. Travel to a small site in a rural area can cost more than the audit itself. For low-risk activities the audit objective can be met remotely with no loss of assurance, at a fraction of the cost and carbon footprint.

Remote auditing must remain risk-based, and physical presence must remain the norm where risk requires it. CGN supports requiring on-site or hybrid audits where evidence demonstrates that physical verification is necessary – for example, because of material handling, complex processing, mixing of certified and non-certified inputs or previous nonconformities, and CGN supports Certification Bodies retaining full discretion to require an on-site audit at any time.

CGN supports a requirement that new participating sites receive an on-site or hybrid audit within a defined period of joining a group, subject to appropriate exceptions for sites that never take physical possession of the product. Establishing physical familiarity with a new site early is a reasonable safeguard.

CGN asks that remote audit rules apply consistently across certificate types, and that comparable risks be treated consistently across group, multi-site and single-site certificates. Restrictions on remote auditing that apply to group certificates but not to comparable single certificates would impose a cost penalty on small enterprises without a corresponding gain in assurance and would be difficult to justify on risk grounds.

7. Impartiality

CGN agrees that internal audits must be conducted objectively and impartially to provide credible assurance. Existing requirements already establish expectations regarding auditor competence and impartiality, which should be implemented through appropriate safeguards, disclosure and management of potential conflicts of interest.

At the same time, supporting companies to achieve and maintain certification is the core purpose of group certification and must not be curtailed. Providing training, technical guidance and implementation support to participating organizations is a fundamental function of group certification and should not be limited. Supporting an organization in understanding and implementing FSC requirements does not inherently prevent an auditor from objectively identifying and documenting nonconformities.

Where an internal auditor has been directly responsible for designing or implementing the specific activity being evaluated, the Central Office should apply appropriate safeguards, such as independent review, witness auditing, second-person review or documented conflict-of-interest controls. . This should not be regulated in a top-down manner through standard rules but rather decided on a case-by-case basis, based on findings and risks.

8. Conformance performance

Experience and performance information from CGN members indicate that participating sites can demonstrate a high level of conformity with FSC requirements. This performance is supported by centralized management systems, recurring training, technical assistance, annual internal audits, nonconformity tracking, corrective-action verification, suspension or removal procedures, and ongoing Central Office oversight.

Group certificate holders maintain systems for recording, monitoring and analyzing participating-site nonconformities; verifying correction and corrective action; and suspending or removing participating sites when required. Group certificate Central Offices therefore function as well-appointed technical experts and the first line of compliance oversight and enforcement within group certification.

This experience indicates that implementation support and credible oversight are complementary rather than conflicting functions. Effective support helps prevent nonconformities, while impartial internal auditing identifies and addresses those that occur.

Where performance concerns exist, the established assurance system provides mechanisms for the Central Office, Certification Bodies, FSC, and ASI to identify and address them. CGN believes that evidence of individual performance concerns should result in targeted corrective action rather than normative framework restrictions on all groups.

9. Credibility and FSC check

CGN has been raising credibility and database-representation issues with FSC for more than five years. Motion 55 (2021), proposed and supported by members of CGN, established a mandate to improve the transparency and representation of group participants, including individual records for participating organizations in the FSC database. CGN encourages timely and effective implementation of Motion 55/2021, including transparent and accurate individual database records for group participants, and offers its practical experience to support that work.

CGN supports the introduction of FSC Check for new group participants, provided that its application is proportionate, operationally workable and does not unnecessarily duplicate due-diligence activities already undertaken by the Central Office or create avoidable barriers and preventable onboarding delays for eligible enterprises. FSC Check should also clearly define the respective responsibilities of FSC, Certification Bodies and Central Offices, and include an effective process for addressing incorrect or disputed screening results.

10. Annual Administration Fee

The reduced AAF for group participants, compared with single certificates, is a principal reason group certification succeeds. CGN does not support fee changes that would materially erode this accessibility or undermine the purpose of group certification.

CGN recognizes that FSC may need to periodically review the AAF structure as group certification develops. Any revisions should be transparent, evidence-based and subject to an assessment of their cumulative impact on participating organizations.

The AAF structure should continue to recognize the shared administration, centralized oversight and economies achieved through group certification. It should preserve a meaningful fee differential, avoid duplicative charges at the Central Office and participating-site levels, avoid charging based on unreliable or unverified estimates without an appropriate correction mechanism, and ensure that annual fee adjustments do not progressively exclude the enterprises group certification was created to serve. CGN considers the current AAF formula unnecessarily complicated and requests its simplification.

Conclusion

The revision of the FSC CoC standards is an opportunity to strengthen group certification. Many requirements in the current draft do that: the eligibility thresholds give the mechanism a clear and defensible purpose, directed at the enterprises it exists to serve. The risk-based sampling system reflects how group audits deliver assurance. The extension of FSC Check to new participants, applied proportionately, responds to identified credibility gaps. Strengthened qualification requirements help support quality performance.

Where we differ from the draft or current tendencies in the discussion process, it is for the same reason: CGN supports strengthened controls where they respond proportionately to demonstrated risk, while unnecessary restrictions can reduce access without producing a corresponding integrity benefit. Lowering access/eligibility thresholds, limiting groups to single countries, establishing arbitrary or disproportionately low group-size caps, increasing sampling rates without evidence of increased risk, causing unnecessary travel activities by auditors or materially eroding the group AAF differential would each impose certain costs on participating enterprises without a demonstrated corresponding benefit to system integrity.

Group certification is how FSC reaches the SMEs that make up most businesses in the relevant markets. It has done so for decades, under the same applicable CoC requirements as every other certificate type, while providing shared infrastructure and expertise, annual internal oversight and independent Certification Body verification. The revision should preserve annual internal oversight, independent Certification Body evaluation and effective Central Office accountability, and eligibility criteria should reflect the current cost and complexity of maintaining certification. On that basis, group certification supports credible claims, continued market participation and the ongoing relevance of FSC. CGN asks that the revised standards preserve that capability and offers its members' practical experience to help FSC develop workable requirements.

FSC should fully support and promote CoC group certification. CGN warns against tightening the requirements and undermining the standard's practicality and appeal. Simplification is needed instead of increasingly complex requirements. CoC group certification is key for FSC to reach SMEs.

Contact

This position paper is issued by the CoC Group Network in the context of the revision of the FSC Chain of Custody standards. Further information about the Network is available at https://groupcert.org/.

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