

# Guide to outsourcing of FSC™ production activities



# 1. 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 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 Version 2-1
FSC accreditation standard for Chain of Custody evaluations	FSC-STD-20-011 V 1-1
FSC Directive on Chain of Custody certification	FSC-DIR-40-004

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## 1. Key points

A part or all of your FSC production may be outsourced. 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 always required.
- 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 below).

## 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).
2. Set up the necessary agreements and procedures with your contractor.
3. Notify NEPCon, submit agreements and obtain approval before any outsourcing takes place. This may involve auditing of the contractor, see table 1.

### **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 company is outsourcing a wide range of production related activities;
- b) the company is outsourcing to a number of contractors on a regular basis;
- c) contractors grade or sort the material during outsourced processing;
- d) contractors label the product during outsourced processing;
- e) contractors do not physically return the FSC-certified product following outsourced processing;
- f) the company is outsourcing processing across national borders.

If the contractor is FSC certified, then the outsourcing is automatically classified as low risk, since any risk issues are managed through the company's own certification, provided the contractor's scope of certification covers the activities you require.

### 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 a CoC 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 labeled, 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.

#### **5. Contents of the outsourcing agreements**

There are different requirements for outsourcing agreements with FSC certified and non-certified contractors. Please see Annex 1 and Annex 2 for sample agreements covering these two situations.

## Annex 1:

# SAMPLE Outsourcing Agreement for FSC certified Contractors

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

### General Terms for Outsourcing:

- A. The Contractor provides the service under his FSC Chain of Custody system.
- B. The Contractor shall make available all relevant records and documentation to the contracting organisation's certification body upon request.
- C. The Contracting organisation's license code shall be used if the product shall be FSC labelled.
- D. The Contracting organization shall issue the final invoice for the FSC-certified products following the outsourcing arrangement.

### Specific Terms for this Outsourcing Arrangement:

A. **{LIST ADDITIONAL TERMS SPECIFIC TO THIS OUTSOURCING AGREEMENT}**

Certificate Holder

Contractor

Signature\_\_\_\_\_

Signature\_\_\_\_\_

Date \_\_\_\_\_

Date \_\_\_\_\_

## Annex 2:

# 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 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.
- B. The Contractor shall use only the material provided by the FSC certificate holder for products covered by this outsourcing arrangement.
- C. The Contractor shall maintain records of inputs, outputs, and shipping documents associated with all material processed during the outsourcing arrangement.
- D. FSC certificate holder shall issue the final invoice for the FSC-certified products following the outsourcing arrangement.
- E. The Contractor shall not use the FSC or NEPCoN trademarks for promotional use or on any products not included in this outsourcing arrangement.
- F. The Contractor shall not further outsource processing of the material to any other entity.
- G. 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 \_\_\_\_\_

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# Annex 3: 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 working to build capacity and commitment for mainstreaming sustainability.

We do this through certification services, capacity building and innovation projects.

We develop and engage in projects fostering legal timber trade, responsible land use and nature conservation.

NEPCon is an EU-recognised EUTR Monitoring Organisation (MO). NEPCon also holds accreditation as an FSC™ and PEFC Certification Body. We are also an SBP-approved Certification Body.

We provide Carbon Footprint Management (CFM) certification according to the NEPCon CFM scheme, and we are accredited for delivering Sustainable Agriculture Network (SAN) Chain of Custody certification.

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