



FSC Advice Note

Title	FSC-ADV-40-010 FSC requirements for outsourcing
Date	19th April 2005
Status	Approved
Advice sought on	<ol style="list-style-type: none">1. FSC requirements for outsourcing (FSC Guidelines for Certification Bodies, June 1998), in particular the requirement that companies should 'take possession of a product again after processing'.2. Certification body auditing of FSC outsourcing requirements to ensure that the risks associated with outsourcing can be controlled.

FSC Advice

Company requirements for outsourcing

1. Companies which outsource work on a flexible basis to any one of a number of potential contractors may apply for inclusion of the outsourcing process within the scope of their FSC chain of custody certificate.
2. Companies which wish to include outsourcing within the scope of their FSC chain of custody certificate shall ensure the following:
 - a) the company has legal ownership of the FSC certified materials;
 - b) the company does not relinquish legal ownership of the certified materials during outsourced processing;
 - c) the company has an agreement or contract covering the outsourcing process with each contractor. This agreement or contract shall include a clause reserving the right of the FSC accredited certification body to audit the outsourcing contractor or company;
 - d) the company has a documented control system which covers the outsourcing process.
3. The company control system for the outsourcing process shall ensure that:
 - a) the FSC certified material can be tracked and controlled and can *not* be mixed or contaminated with any other material during outsourcing;
 - b) the contractor keeps records of material inputs, outputs and shipping documentation associated with all FSC certified material which is processed under the outsourcing contract or agreement.
4. Where the outsourcing process would not usually involve the physical re-possession of the FSC certified material following outsourced processing, the company is not required to re-take physical possession.
5. The company shall issue the final invoice for the FSC certified material following

outsourcing. The invoice shall state the certificate holder's chain of custody certificate number.

6. If the company has not issued the final invoice for the FSC certified material following outsourcing, then the material shall not be sold as FSC certified.
7. The company shall record the names and contact details of all contractors included in the scope of its certificate.
8. The company shall ensure that the contractor only uses the FSC label on products covered by the scope of the outsourcing agreement.
9. The company shall ensure that the contractor does not use the FSC Trademarks for promotional use.
10. The company shall ensure that contractors do not themselves outsource processing i.e. the material may not pass from one outsourcing contractor to another under the outsourcing agreement.

Certification Body Requirements

1. The certification body shall develop documented procedures for evaluating outsourcing. Documented procedures shall include an assessment of the risk to the chain of custody control during the outsourcing process.
2. The certification body shall consider the following as high risk situations:
 - a) the company is outsourcing to a contractor or a number of contractors on a regular basis; and/or
 - b) contractors grade or sort the material during outsourced processing; and/or
 - c) contractors label the product during outsourced processing; and/or
 - d) contractors do not physically return the FSC certified product following outsourced processing; and/or
 - e) the company is outsourcing processing across national borders.

Surveillance monitoring audits

3. As part of its annual surveillance audit, for high risk situations, the certification body shall undertake a physical inspection of a sample of contractors included in the scope of the company's certificate.
4. For high risk situations, the sampling number shall be at a minimum the square root of the number of contractors (x) with 0.8 as a coefficient ($y=0.8\sqrt{x}$), rounded to the upper whole number.
5. The certification body shall evaluate records of material inputs, outputs and shipping documentation associated with FSC certified material.
6. The certification body shall be satisfied that the risks associated with mixing, substitution or false claims by the company or the contractor have been controlled. The certification body shall monitor the chain of custody to ensure that all the requirements of the applicable standard(s) are complied with.

Evaluation reports

7. The certification body shall include in its evaluation report for companies who include outsourcing in the scope of their certificate:
 - a) justification for company outsourcing;
 - b) nature of outsourcing¹ (e.g. planing, storage, drying etc.);
 - c) classification and brief description of the risk (e.g. high risk, contractors label the product during outsourced processing);
 - d) the name and contact details of contractors covered by scope of the certificate; the name and contact details of contractors audited.

Basis for advice

1. Many forest product companies, particularly small forest product manufacturers, outsource particular jobs (for example, making mouldings of a specified dimension, kiln drying, finger jointing, painting, printing, storage) in order to meet their customers' requirements. It is common for such manufacturers to outsource work on a flexible basis to any one of a number of potential contractors. If these contractors are all required to have chain of custody certificates in their own right, then this potentially reduces the FSC certified company's flexibility, and increases costs.
2. The basis for FSC's outsourcing provisions is that the company being certified has taken legal ownership of the certified product and does not relinquish ownership whilst the product is undergoing outsourcing.
3. The basis for FSC's outsourcing provisions is also that the certificate holder (the company) takes responsibility for ensuring that no contamination can take place during outsourced processing.
4. The basis for FSC's outsourcing provisions is not based on the certificate holder taking responsibility for the implementation of another company's full chain of custody system.
5. FSC's current guidelines on outsourcing (FSC Guidelines for Certification Bodies, June 1998, Section 3.3) require companies to 'take possession of a product again after processing'. This is aimed at controlling risk and ensuring that inspection of the outsourcing process is possible. However, many companies do *not* usually re-take physical possession of a product following outsourcing, and therefore have been prevented from benefiting from FSC's outsourcing provisions. Other companies have experienced increased costs as a result of this FSC requirement. Control of the chain of custody is however needed during outsourcing to ensure that only FSC certified products are sold as such.
6. According to the current FSC requirements (FSC Guidelines for Certification Bodies, June 1998), certification bodies are required to audit contractors only if this is necessary to demonstrate that all potential risks are controlled. Some certification bodies have developed specific procedures which ensure that all high risk outsourcing facilities are systematically visited. It is important to ensure that audits of contractors take place where there may be a higher risk of uncontrolled mixing of certified and non-certified material. It is also important that FSC standards ensure consistency of approach across FSC accredited certification bodies.

¹ FSC will consider standardising these descriptions in the development of the FSC database

References

FSC Guidelines for Certification Bodies, June 1998, Section 3.3