1. **Background**

Since 2004, FSC provides the opportunity for small businesses to collective join in one Chain of Custody (CoC) certificate, called ‘group certification’. A set of generic criteria was established\(^1\) to define which companies qualify as “small” and therefore are eligible to join in a Group CoC certificate.

In 2010, FSC introduced a procedure for the development of national CoC group eligibility criteria, enabling National Offices to adapt the generic eligibility criteria to the national context. In August 2010 FSC published the US specific eligibility criteria for group CoC certification. These criteria define which company is considered “small” within the economic context of the United States\(^2\). To date, the United States is the only country where national eligibility criteria have been approved as the Board requested an analysis of the impact of national criteria development before allowing other countries to apply the procedure (application moratorium).

Several other National Offices (such as FSC Germany, FSC Italy, FSC France) have indicated interest in developing national or European group COC eligibility criteria as soon as the moratorium is lifted.

The revised Group COC Standard FSC-STD-40-003 is now being presented to the PSC and FSC Board for approval. The generic international eligibility criteria are proposed to remain unchanged. A parallel decision is now needed whether or not the process of adapting the generic international eligibility criteria (described in FSC-PRO-40-003) should be maintained or dropped.

2. **Summary of the impact evaluation**

PSU employed a consultant to conduct an impact study on the situation in the US after the approval of national criteria.

The analysis showed that the introduction of the US criteria created a strong incentive for small businesses to join the FSC system:

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\(^1\) The generic eligibility criteria as specified in the current version of the Group Chain of Custody certification standard (FSC-POL-40-002a) consider a small enterprise eligible for Group certification with no more than 15 employees (full time equivalent), or no more than 25 employees and an annual turnover of 1 Million USD.

\(^2\) The US specific criteria define a small enterprise with annual forest product sales less than 5 Million USD. With this criterion the cap on the number of employees was eliminated and a higher turnover threshold set, linking turnover to forest product sales.
• The number of groups in the US has almost doubled since the change (from 9 groups to 17 and 3 applicants).
• The total number of group members has more than doubled (from an average of 13 to an average of 35).
• The print and paper industry was not represented in US groups until the change in eligibility.
• 59% of group member (106 survey respondents) had never been part of the FSC CoC system prior to joining the group.
• 38% of group members (62 survey respondents), that held a single certificate prior to joining a group, chose to join a group rather than leave the FSC system altogether.
• 90% of group members (150 survey respondents) said that the current US criteria were an incentive to get certified.

7 CB responded that group certification had no positive financial benefit for them. However, only 3 CBs said that groups had an actual negative affect on their business. One CB respondent (responsible for the greatest number of US group certificates) said that the new group structure had a positive impact on their financial outlook.

3. Requested decision

The FSC Policy and Standards Committee is requested to recommend keeping the procedure FSC-POL-40-002 as presented, allowing that national group COC eligibility criteria continue to be developed.

Annexes:

1. Development of national Chain of Custody Group eligibility criteria (FSC-PRO-40-002)