

## FAQs - Schweighofer case

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These FAQs provide additional information about the complaints panel evaluation of the Schweighofer Group. For detailed chronological information on the case please consult the one-page summary [here](#).

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## **Complaints process**

1. **How was the procedure for managing complaints in which organizations violate the FSC-PRO-01-009 *Policy for Association Complaints in the FSC Certification Scheme* applied in the Schweighofer case?**

FSC has a dedicated and publicly available procedure for the processing of *FSC Policy for Association* complaints – [FSC-PRO-01-009 Policy for Association Complaints in the FSC Certification Scheme](#). This procedure was applied in the Schweighofer case as detailed below.

- A complaint was filed by WWF Germany to FSC on 6 November 2015 alleging that Holzindustrie Schweighofer is involved in the purchase and trade of illegally harvested timber in Romania. The complaint was accepted by FSC on 24 November 2015.

- FSC established an independent and chamber-balanced complaints panel on 7 March 2016 to conduct the evaluation of the complaint. The role of the panel was to determine whether the following unacceptable activities, defined by the [Policy for the Association of Organizations with FSC](#), have taken place in relation to Schweighofer Group's operations:
  1. illegal logging or trade of illegal wood or forest products
  2. destruction of high conservation values in forestry operations
  3. violation of traditional and human rights in forestry operations.
- The first complaints panel meeting took place on 20-21 April 2016, meeting which marked the beginning of the formal complaint evaluation.
- From April to October 2016, the complaints panel conducted the evaluation of the complaint. During this complaint evaluation the complaints panel consulted an important amount of documents and conducted a number of stakeholder interviews in order to verify the allegations raised against HS and reach its conclusions.
- On the 14 October the complaints panel presented its evaluation report to FSC with its recommendation to the FSC board regarding the case.
- The FSC Quality Assurance Unit reviewed the complaints panel evaluation report and undertook a quality assessment of the report. Both parties submitted a statement of their position regarding the final recommendation of the complaints panel.
- All the above documentation was submitted to the FSC International Board of Directors, and was discussed during the November 2016 FSC board meeting.
- On 28 November 2016 WWF Germany and the Schweighofer Group were informed by FSC International of the board decision.

## 2. What were the main allegations against the Schweighofer Group, contained in the complaint by WWF Germany?

WWF Germany alleged in its complaint filed with FSC that the Schweighofer Group is involved in the purchase and trade of illegally harvested timber in Romania, and that this is having a negative impact on the country's natural protected areas.

The complaints panel investigated whether the following unacceptable activities, defined by the [Policy for the Association of Organizations with FSC](#), have taken place in relation to Schweighofer Group's operations:



1. illegal logging or trade of illegal wood or forest products;
2. destruction of high conservation values in forestry operations;
3. violation of traditional and human rights in forestry operations.

### **3. How did the complaints panel gather the information on which it has based its conclusions?**

The complaints panel reviewed a wide range of relevant documentary evidence (about more than 400 documents were consulted). The evidence reviewed and analyzed by the complaints panel included company documentation, audit reports, scientific reports related to Romanian forestry, footage and photos provided by various stakeholders, news articles published in the media, legal documentation and other official reports by the Romanian authorities, among other documentation.

In addition, the complaints panel conducted interviews to various relevant stakeholders in the Romanian forestry sector, including the parties to the complaint, to gather further information. These stakeholder interviews were conducted between the months of June and September 2016.

### **4. Were any actions taken by FSC before the filing of the complaint by WWF Germany?**

Following the Environmental Investigation Agency's (EIA) allegations published in April 2015, FSC contracted an independent forestry expert to make an initial assessment of the various publically available materials alleging that the Schweighofer Group might be involved in illegal activities. The aim of this assessment was to enable FSC to make an informed decision on whether to launch a full investigation of the allegations. The result of this initial evidence-based assessment was an internal report which was completed in August 2015.

## **Schweighofer Group current certification status with FSC**

### **5. Who is the Schweighofer Group and how does it relate to Holzindustrie Schweighofer?**

The Schweighofer Group is a conglomerate organization leader in the wood processing industry in Europe, with operations in the production of viscose, bioenergy, forestry and real estate.

The complaint by WWF Germany was directed at the Austrian registered company Holzindustrie Schweighofer GmbH which forms part of the larger Schweighofer Group.

The allegations described in the complaint by WWF Germany pointed, however, to potential issues with regards to the Schweighofer Group's forestry and timber trade activities in



Romania. These activities relate to other subsidiaries of the Schweighofer Group (other than Holzindustrie Schweighofer GmbH) which are based in Romania.

For this reason, the scope of the complaints panel complaint evaluation was to investigate the potential involvement of the Schweighofer Group as a whole (not just limited to Holzindustrie Schweighofer GmbH) in activities related to the illegal logging or illegal timber trade.

The decision taken by the FSC Board also affects the Schweighofer Group as whole.

**6. What certificates does the Schweighofer Group currently hold with FSC?**

As of today, the Schweighofer Group has two valid FSC certificates: Holzindustrie Schweighofer Baco srl. ([TUVDC-COC-100906](#)) and Cascade Empire S.R.L ([SA-FM/COC-004420](#)). The Schweighofer Group also remains being part of the FSC group certificate APAPET ([GFA-FM/COC-002596](#)).

The chart below illustrates the FSC certificates currently held by the Schweighofer Group:

Certificate Code	Certificate status	C W	License Number	Organization Name	Country	First Issue Date	Expiry Date
QA-COC-000073	Suspended	✓	<a href="#">FSC-C128353</a>	Holzindustrie Schweighofer GmbH	Austria	2016-01-01	2020-12-31
SA-FM/COC-004420	Valid		<a href="#">FSC-C120622</a>	S.C. OCOL SILVIC CASCADE EMPIRE S.R.L.	Romania	2014-05-29	2019-05-28
TUVDC-COC-100906	Valid	✓	<a href="#">FSC-C132602</a>	Holzindustrie Schweighofer Baco srl.	Romania	2016-10-18	2021-10-17

The FSC certificate held by the Schweighofer Group’s Romanian subsidiary Cascade Empire S.R.L covers more than 13,000 hectares of forest area in Romania.

In addition, the Schweighofer Group is also part of the FSC forest management group certificate APAPET “The Association of the forest owners and managers from the East of Transylvania” GFA-FM/COC-002596, in Romania. The group certificate APAPET, administers 682, 51 hectares of forest area in Romania owned by the Schweighofer Group, which constitute a minimal part of the total forest area managed by the group.



## 7. How has the Schweighofer Group's certification status changed since the complaint by WWF Germany was filed with FSC?

When WWF Germany filed the formal PfA complaint with FSC, the Schweighofer Group held the following FSC certificates:

- S.C. Holzindustrie Schweighofer BACO S.R.L. ([SA-COC-001806](#))
- S.C. HOLZINDUSTRIE SCHWEIGHOFER S.R.L. ([SA-COC-002662](#))
- Cascade Empire S.R.L. ([SA-FM/COC-004420](#))

The Schweighofer Group was also part of the FSC forest management group certificate APAPET "The Association of the forest owners and managers from the East of Transylvania" [GFA-FM/COC-002596](#).

However, in January 2016, significant changes to the certification status of the group took place.

On the 31 December 2015, the certificates S.C. Holzindustrie Schweighofer BACO S.R.L. ([SA-COC-001806](#)) and S.C. HOLZINDUSTRIE SCHWEIGHOFER S.R.L. ([SA-COC-002662](#)) were terminated. These two certificates were included from January 2016 onwards in the new FSC Chain of Custody/Controlled Wood (CoC/CW) multisite certificate Holzindustrie Schweighofer GmbH [QA-COC-0073/0](#), which was issued on the 1 January 2016 by the certification body Quality Austria (QA).

From January 2016 onwards the Schweighofer Group held the following FSC certificates:

- Cascade Empire S.R.L. ([SA-FM/COC-004420](#))
- Holzindustrie Schweighofer GmbH (multisite) ([QA-COC-0073/0](#))
- (The Schweighofer Group also continued to be part of the FSC group certificate APAPET)

The main implication of this change in the certification status of the Schweighofer Group relates to the CW scope of the certificate [QA-COC-0073/0](#).

Before January 2016, the Schweighofer Group was only allowed to either source from FSC certified suppliers (and trade with the material as 100% certified, or sell it to other companies which could then mix it with controlled material) or trade with non FSC certified materials (which is out of the scope of the FSC certificates). This means that, until January 2016 there were two separate streams of timber (FSC certified material and non FSC certified material).

But when in January 2016 the Schweighofer Group acquired the FSC CoC/CW multisite certificate with QA, it moved from having two separate streams of timber (FSC certified and non FSC certified), to have 100% of its suppliers controlled.



The FSC CoC/CW certificate issued by QA enabled the group to buy and process FSC-certified wood. The group could either source wood from its own FSC-certified forest (owned by Cascade), or buy FSC-certified wood from other FSC-certified suppliers. This certificate also enabled the Schweighofer Group to source CW, either from organizations that have already controlled the material, or by sourcing from non-certified suppliers using a risk assessment (as indicated in the FSC standard FSC-STD-40-005 *Requirements for sourcing FSC Controlled Wood*).

## 8. Why was the Schweighofer Group's FSC Chain of Custody certificate suspended?

Following a complaint filed by WWF with ASI against Quality Austria, ASI reviewed the certification body's conformance with FSC standard requirements in their last audit of the certificate held by Holzindustrie Schweighofer.

The ASI complaints investigation identified a major non-conformity in Quality Austria's auditing system which contributed to ASI's decision to suspend the certification body. The non-conformity identified led Quality Austria to subsequently suspend the certificate Holzindustrie Schweighofer GmbH QA-COC-0073/0 on 22 June 2016. This suspension was based on the findings that the certification body that issued the certificate (QA) did not have proper systems in place.

See here for more information about [the suspension of the certificate held by the Schweighofer Group](#) and about the [suspension of QA by Accreditation Services International](#).

[QA's suspension was lifted on the 22 November by Accreditation Services Internal](#). The certificate Holzindustrie Schweighofer GmbH [QA-COC-0073/0](#) remains suspended.

In addition, on 18 October 2016, the Schweighofer Group was issued a new CoC FSC certificate in Romania: Holzindustrie Schweighofer Baco srl. ([TUVDC-COC-100906](#)). This new certificate was issued by the certification body DIN CERTCO Gesellschaft für Konformitätsbewertung GmbH (TUVDC). This certificate does not have the same scope as the suspended multisite certificate Holzindustrie Schweighofer GmbH [QA-COC-0073/0](#).

## 9. Can new FSC certificates be issued to an FSC certificate holder who is being investigated under the PfA?

Yes. PfA evaluations are based on the '*precautionary principle*', meaning that certificate holders are considered to be innocent, until proven guilty.

Therefore until the final decision regarding to the PfA complaint evaluation becomes effective,



the certificate holder receives the same treatment as other certificate holders in the FSC system, and may be issued additional FSC certificates by the certification body, when appropriate.

**10. Were the allegations against the Schweighofer Group considered by the certification body prior to the issuance of the new certificate?**

Yes. In February 2016 FSC published the interpretation INT-STD-20-011\_13 to the FSC Chain of Custody Standard (interpretation which was later amended in April 2016) regarding the role of certification bodies in relation to PfA evaluations.

This [interpretation](#) indicates that certification bodies have to review complaints, disputes or allegations of non-conformity received from stakeholders in all cases, prior to the issuance of the certificate. Further evaluation by the certification body is only required if the review indicates that there is:

- a) evidence of non-conformities of the CH with any FSC certification requirements applicable to the scope of certification; or
- b) a risk for nonconformities with applicable FSC certification requirements due to other activities of the organization (including non-certified entities or operations) that may affect the integrity of the chain of custody system, such as illegal timber trade, document forgery or product counterfeiting.

TUVDC followed this interpretation prior to the issuance of the certificate Holzindustrie Schweighofer Baco srl. ([TUVDC-COC-100906](#)) on 18 October 2016.

**Findings by the complaints panel and decision by the FSC Board**

**11. What were the main findings by the complaints panel?**

On the 14 October 2016, the complaints panel submitted to FSC the complaints panel evaluation report, describing their findings and recommendations with regards to the complaint filed by WWF Germany.

The complaints panel found that there is clear and convincing evidence that the Schweighofer Group has been involved in illegal logging or the trade in illegal wood or forest products. The complaints panel found evidence related to various types of illegalities which fall under the category “*illegal logging or illegal timber trade*”.

*In relation to the trade in illegal timber the complaints panel has found variety of clear and convincing evidence that the company has:*



- *purchased timber from sources that cannot be defined as legal under the Romanian legislation.*
- *a Due Diligence System (DDS) that is inadequate to verify if the timber it receives is from legal sources and as a result is compliant with national law. As a result, the company is exposing itself to a substantial risk related to engaging in trade in illegal timber. The DDS developed by the company in order to avoid timber and/or timber products from illegal sources entering the Schweighofer Group's operations is not sufficiently able to ensure compliance in the highly complex regulatory and business environment in Romania – especially with widespread criminal action / prosecution / conviction / records as well as prevalent incidents of corruption in the sector. Romania suffers from a very high risk of illegality based on the use of fraudulently issued documents of all types as well as a lack of adequate law enforcement in previous years and also long delays in legal action where such action has been taken.*
- *itself violated several laws and regulations in relation to the way it has transported, received and accounted for its timber.*
- *sourced timber from lands that it has acquired from cases where fraudulent land restitution has occurred.*
- *associated with individuals and companies with criminal and corrupt backgrounds, and has not removed such companies from their supply chain or implemented extra measures to mitigate the additional risks even where these are made public; as would be required from a precautionary approach to avoiding risks of becoming involved in trading in illegal timber.*
- *developed a culture in which the demand to satisfy the need of the mill for timber has effectively overridden the competing demands for ensuring that timber is legally sourced.*
- *developed a system of paying bonuses for full delivery of volume authorized for harvesting that encourages suppliers indirectly to source timber above and beyond the volumes available from authorized stands.*
- *developed a system for timber accounting and reporting that at best can be described as mistake ridden, sloppy and misleading.*
- *misclassified timber likely in order to benefit from reduced log prices and tax breaks related to bioenergy production.*
- *the complaints panel is also aware that similar allegations against the Schweighofer Group are now emerging from the Ukraine from which the Schweighofer Group sources significant volumes of timber to feed the mills it owns in Romania. The complaints panel has not investigated these allegations in detail.*

*Following the above described, the complaints panel concluded based on clear and convincing evidence that the Schweighofer Group has violated FSC PfA by being involved systematically and over an extended period of time, directly and indirectly, in the trade of timber which has been harvested and/or handled in violation of existing laws and regulations.*

The complaints panel also concluded that there is no clear and convincing evidence of the destruction of high conservation values or the systematic violation of human rights by the Schweighofer Group, and determined that there has therefore been no breach of the PfA with regards to these two unacceptable activities.

### **12. What has been the Board of Director's decision on the WWF Germany complaint?**

The FSC International Board of Directors has decided to immediately place the Schweighofer Group on probation in view of possible disassociation for involvement in illegal logging and timber trade.

Under this measure, the Schweighofer Group is required to meet a number of conditions prior to the next meeting of the FSC International Board of Directors to be held on February 2017. If the group fails to do so, the board will then decide for disassociation.

FSC firmly believes that this decision is the most effective way to ensure that the Schweighofer Group engages in actions to fully address its involvement in illegal logging and timber trade.

### **13. Has the board considered all of the evidence put forward by the complaints panel report?**

The Board of Directors thoroughly reviewed the report submitted by the complaints panel and has weighed in all of its considerations in order to take this decision.

The board considers that this decision is the most effective way to ensure that the Schweighofer Group engages in actions to fully address its involvement in illegal logging and timber trade, as it introduces a very specific time frame to address issues critical to Schweighofer Group's continuation as an associated certificate holder.

### **14. Why has the FSC board not followed the recommendations by the complaints panel to disassociate from the Schweighofer group?**

The complaints panel identified significant shortcomings and irregularities in the Schweighofer Group's operations in Romania. In the report submitted to FSC the complaints panel concluded that these shortcomings have led to a situation where the Schweighofer Group has been involved in irregularities and illegalities in its timber trade operations in Romania, and in the harvesting of timber from forest land that was purchased under a dubious legal framework.

At the same time, FSC acknowledges that there are important issues related to legality and sustainability in the Romanian forest sector. Finding solutions to these issues requires joint efforts by industry and civil society in the country.



In order to fulfill the conditions required by FSC, the Schweighofer Group shall demonstrate by February 2017 that it is engaged in a transparent and constructive dialogue with environmental and social stakeholders in Romania. FSC considers that this dialogue among Romanian stakeholders is necessary in order to find long term solutions to the serious issues identified in the Romanian forestry sector. FSC is keen to explore how it can play a constructive role as a robust certification scheme and support in the development of a dialogue platform in helping stakeholders find long-term solutions to these identified challenges.

In addition, the Schweighofer Group shall present to the FSC board a preliminary plan of corrective action, describing the actions that the group is planning to undertake to address the significant shortcomings identified in its operations.

FSC firmly believes that this decision (probation for possible disassociation) is the most effective way to ensure that the Schweighofer Group engages in actions to fully address its involvement in illegal logging and timber trade.

The Schweighofer Group has now a strict and clear timeframe (maximum of three months) to show its commitments towards FSC, as well as demonstrate that it is taking clear actions towards the improvement of its forestry operations in Romania.

FSC believes this time-bound decision and conditions is the most effective way of driving positive change in the Schweighofer Group's operations, as well as in the overall forestry sector in Romania.

## Consequences and conditions

### 15. What will be the Schweighofer Group's obligations with this decision?

The probation for possible disassociation means that the Schweighofer Group must meet the following main conditions prior to the next February 2017 FSC board meeting:

1. Publicly declare their responsibility for certain irregularities in their supply chains and their commitment to address relevant shortcomings in collaboration with civil society organizations.
2. Demonstrate that it is engaged in a transparent and constructive dialogue with environmental and social stakeholders about a clear plan of corrective action built on the recommendations of the complaints panel. This plan shall address both the significant shortcomings still existing in their operations as well as the major impacts on forests and people that irregularities in their operations have caused.
3. Present a preliminary plan of corrective action to the FSC board for approval.



If by the February 2017 FSC board meeting the Schweighofer Group has not presented FSC with sufficient evidence demonstrating that these conditions have been satisfactorily met, the FSC board will immediately decide for FSC to disassociate from the Schweighofer Group.

**16. With this decision, is the Schweighofer Group able to maintain its current certification status?**

Yes. This decision allows the Schweighofer Group to maintain the current valid FSC certificates (listed in question 6 above) until the next board meeting in February 2017, where the FSC board will decide whether the required conditions have been met satisfactorily by the Schweighofer Group in order to prolong the probation, or whether FSC will immediately disassociate from the Schweighofer Group.

**17. What would the consequences for the Schweighofer Group be if it does not present FSC with sufficient evidence demonstrating that the required conditions have been satisfactorily met?**

If the Schweighofer Group does not present FSC with sufficient evidence demonstrating that the required conditions have been satisfactorily met, the FSC board will immediately decide for FSC to disassociate from the Schweighofer Group.

Disassociation implies the termination of all Trademark License Agreements held by the group, including all its FSC certificates listed in question 6 above.

**18. What will be the next steps taken with regards to the case?**

FSC is keen to explore how it can play a constructive role as a robust certification scheme and a dialogue platform in helping stakeholders find long-term solutions to the issues identified related to the legality and sustainability in the Romanian forest sector.

Engaging in a constructive dialogue in Romania also means working to ensure that forestry companies such as the Schweighofer Group, understand the importance of sustainability and legality and commit, along with other stakeholders, to carry out sweeping improvements in their operations in the Romanian forestry sector.

Until February 2017, FSC will closely monitor the progress made by the Schweighofer Group on its fulfillment of the required conditions.

In addition, FSC will support the dialogue process between the Schweighofer Group and other stakeholders in the Romanian forestry sector, engaging with key international wood buyers to



set up a multi-stakeholder initiative to improve the legality and sustainability situation in forest management and timber trade in the country.