Validation Report

The Board of Experts declares that it has validated the Finish Forest Certification System (FFCS), for all its FMU's and the related Chain of Custody, against the criteria as laid down in the Keurhout Protocol for the Validation of Certification Systems, version August 2005:

Keurhout

This report may only be issued integrally

The following documents have been included in the validation:

1. DNV, 2004; Monitoring audit report of forest management. Union of Forest Owners in Kainuu (translation)
2. DNV, 2005; Report of recertification. CoC audit report for Versowood Oy against Annex 4 and 5 of PEFC Technical Documentation 2004 (translation)
3. DNV, 2005; Report of surveillance audit of Koskisen Oy Saw Mill, Plywood Mill, Particle Board Mill and Building Products Industry against Annex 4 of PEFC Technical Documentation 2004 (translation)
4. DNV, 2005; Audit report of Koskitukki Oy on ISO 14001:2004 / ISO 09001: 2000 / PEFC CoC (translation)
5. DNV, 2006; Audit report of Koskitukki Oy on ISO 14001:2004 / ISO 09001: 2000 / Annex 4 of PEFC Technical Documentation 2004 (translation)
6. FFCS, 2001; Invitation letter to participate in Working Group of Forest Certification Standards (WGFCS).
7. FFCS, 2002; Memorandum on the first WGFCS meeting, 13 May 2002.
8. FFCS, 2003; An Introduction to the Revision of the Finnish Forest Certification System (FFCS) in 2002-2003
9. FFCS, 2003; Alternative implementation levels of the Finnish Forest Certification System (FFCS 1001: 2003)
10. FFCS, 2003; Criteria for Group certification for the Area of a Forestry Centre (FFCS 1002-1: 2003)
11. FFCS, 2003; Criteria for Group certification for the area of a Forest Management Association (FFCS 1002-2: 2003)
12. FFCS, 2003; Criteria for certification of Holdings of Individual Forest Owners (FFCS 1002-3: 2003)
13. FFCS, 2003; Standard for Accounting of Material Flows (FFCS 1003-1: 2003)
14. FFCS, 2003; Standard for Physical Segregation (FFCS 1003-2: 2003)
15. FFCS, 2003; Group certification of the area of a Forestry Centre (FFCS 1002: 2003)
16. FFCS, 2003; Model regulations for a regional forest certification committee in the Area of a Forestry Centre
17. FFCS, 2003; Model regulations for a regional forest certification committee in the Area of a Forest Management Association
18. FFCS, 2003; Qualification criteria for Auditors and Certification Bodies; Certification Procedures (FFCS 1004:2003).
19. FFCS, 2003; Guidelines for Environmental auditing. Qualification criteria for environmental auditors (SFS- EN ISO 14012)
20. FFCS, 2003; General requirements for bodies operating product certification systems (SFS-EN 45011)
21. FFCS, 2003; General requirements for bodies operating assessment and certification/registration of quality systems (SFS-EN 45012)
22. FFCS, 2003; Guidelines for quality and/or environmental management systems auditing (ISO 19011:2002)
23. FFCS, 2003; Vocabulary (FFCS 1000: 2003)
24. FFCS, 2003; Revision of the standards in the Finnish Forest Certification System – FFCS. An assessment report of the main changes between the SMS Standards and revised FFCS Standards of the FFCS system
25. FFCS, 2003; Revision of the standards in the Finnish Forest Certification System – FFCS. Comparison of changes to the requirements in the current SMS standards
26. FFIF & WWF, 2006; Joint Statement between WWF and FFIF (Finnish Forest Industries Federation) on Legal Sourcing of Wood
27. Keurhout, 2001. Verification report on FFCS certificates for SFM/CoC dd 31/07/2001
28. Koskitukki Oy, 2005; Quality and Environmental Handbook in order to ensure compliance of operations with Annex 4 of PEFC Technical Documentation 2004
29. PEFC, 2004; Chain of Custody of Forest Based Products - Requirements. PEFC Technical Document Annex 4
30. PEFC, 2004; Logo Use Rules. PEFC Technical Document Annex 5
31. PEFC, 2004; Checklist 13042004. PEFC Council minimum requirements checklist on FFCS.
32. PEFC, 2006; Appendix to Annex 4 PEFC on "Guide to implementation of requirements for the avoidance of the procurement of raw material from controversial sources" (second draft)
33. SFS-Inspecta Sertifionti, 2005. Audit Report SFSMF0068 on the Union of Forest Owners of South Finland (translation)
34. SFS-Inspecta Sertifionti, 2005. Audit Report SFSSA0160 on CoC audit report on Stora Enso Timber Oy Ltd Tolkisten saha (translation)

Other materials integrated in the validation:

1. Presentation by Secretary general FFCS dd 25/01/06
2. Forest Decree, 1200 1996 amendment to forest law 987 2001
3. Forest Management Association Act 1998, update 2003
4. www.ffcs.finland.org
5. www.finas.fi

Next to the documents mentioned above various other documents appearing on the FFCS website are relevant and have been taken into account in this validation (e.g. "Finland's system" , "Management of Certification", "Preparation of a standard proposal", "Accreditation of credibility", "Certification Standards") as well as information provided by NGO's.

GLOSSARY

BoE	Keurhout Board of Experts
CBD	Convention on Biodiversity
CITES	Convention on International Trade in Endangered Species
CB	Certification Body
CoC	Chain of Custody
EIA	Environmental Impact Assessment
EMS	Environmental Management System
FDC	Forestry Development Centre
FFCS	Finnish Forest Certification System
FINAS	Finnish National Accreditation Service
FMA	Forest Management Association
FMP	Forest Management Plan
FOU	Forest Owner Union
FUN	Forest Use Notification
GIS	Geographic Information Systems
ha	hectare
ILO	International Labour Organization
ISO	International Standards Organization
KH	Keurhout
KH-LET	Keurhout Protocol for the Validation of Legal Origin Timber
KH-SFM	Keurhout Protocol for the Validation of Sustainable Forest Management
KH-SYS	Keurhout Protocol for the Validation of Certification Systems
NC	Non-Conformity
NGO	Non-Governmental Organization
NTFP	Non-Timber Forest Products
NTTA	Netherlands Timber Trade Association
PEFC	Programme for the Endorsement of Certification Systems
RCC	Regional Certification Committee
RFC	Regional Forestry Centre
RFP	Regional Forest Plan
RTP	Regional Target Programme
SFM	Sustainable Forest Management
UNCCC	United Nations Conference on Climate Change
UNFF	United Nations Forum on Forests
WGFCS	national Working Group on Forest Certification Standards

Validation process

In 2000 Keurhout (KH) undertook a validation of certificates of the FFCS. The validation was implemented against the Keurhout Protocol for the Verification of Sustainable Forest Management (KH-SFM) and concerned 13 Forest Management Units (FMU's) and a series of 33 processing companies/units in the chain of custody (CoC). The certificates were admitted to the KH-Sustainable system from July 31st 2001, for approximately 5 years.

Re-validation was first considered by the end of 2004. In April 2005 the KH Board of Experts (BoE) received a formal request from a KH-participant to validate the FFCS system at *system level*. By that time a new KH Protocol for *Validation of Certification Systems (KH-SYS)* was still in development. KH-SYS is strongly related to KH-SFM, but has additional requirements at system level. Admission of a *certification system* to the KH-Sustainable system would mean that in principle *all certificates* that have been/are issued under the system can be admitted to KH-Sustainable. The first working edition of KH-SYS was approved by NTTA in August 2005. The FFCS system validation was to be the first KH assessment of this kind; it has been realized against the August 2005 version.
By mid 2006 a second version of the KH-SYS protocol (version 31/05/06) was established by NTTA (which is as far as the contents concerned basically the same as the 1st draft, but brought more in line with the other two KH-protocols: KH-SFM and KH-LET).

Between May 2005 and October 2006 a validation study took place which included the study of relevant documents, several rounds of questions and answers, a visit by the Secretary General of FFCS (January 2006) and a field visit of 4 days by two BoE members (June 2006). Through the desk study a detailed comparison was made between FFCS documents and the requirements of KH-SYS. Additional questions were asked concerning aspects that did not seem to be covered by the Finnish approach at first glance. The goal of the mission was to fill gaps in information and obtain understanding of the practicalities of Finnish forestry and FFCS, given the nature and complexity of the Finnish forest management approach and the interwoven position of FFCS with law enforcement. During the mission field visits were made to production forests, sites with special protective values and a timber processing company. Discussions were held with representatives of FFCS, certifying bodies, producers and their associations, Regional Forestry Centre staff, NGO's, Finnish National Accreditation Service (FINAS) and representatives of the Finnish Forest Industries among others. The mission team systematically checked upon outstanding issues. The explanations provided and experiences obtained contributed greatly to the better understanding of Finnish forestry in general and the role and way of operating of FFCS in particular.

In general it is observed that the Keurhout standard is well covered by the requirements of the FFCS standard in combination with legal requirements and enforcement. Elements that were not entirely clear from the desk study are among those elaborated on below. The BoE came to a positive conclusion after further explanations from the FFCS secretariat and the fact finding mission by two members of the BOE.

Background

Finnish forest management is built upon 3 pillars, which are shortly elucidated below:

1. Traditional forest management system and organisations,
2. Finnish forest-related legislation and law-enforcement,
3. Finnish Forest Certification System (FFCS)

Ad 1. Traditional forest management system and organisations
A considerable part of the Finnish forest is owned and has been managed for decades by individual owners. Traditional forest management organisation involve both government agencies and forest owner organisations, at different levels.
At local level individual forest owners are organised in *Forest Management Associations* (FMA's). FMA's are service organisations paid and administered by forest owners. The objective of FMA's is to enhance the profitability of forest management, implementation of holding level forest management targets, promote Sustainable Forest Management (SFM) and provide professional assistance to forest owners and contractors.

At the regional level FMA's are being represented by *Forest Owner Unions* (FOU's; 14 in total). The government is represented at the same level through *Regional Forestry Centres* (RFC's; Ministry of Agriculture and Forestry; 13 in total). The area of a RFC is mostly covered by one FOU. RFC's are responsible for forest inventory execution (data collection), planning (regional and holding-level), extension and training services (owners and contractors) and forest law enforcement. Besides, *Environmental Centres* (Ministry of Environment; 13 in total) are responsible for collecting specific environmental data, among others on key biotopes, water quality and endangered species.
At national level the *Forestry Developing Centre Tapio* is responsible for development of inventory methods, data base maintenance and development of forest management guidelines. A sophisticated GIS based forest management planning system is part of the services. The *Finnish Forest Research Institute Metla*, is responsible for carrying out National Forest Inventories, but from 2005, RFC's also participate in data collection.

Ad 2. Finnish forest-related legislation and law-enforcement
Finnish forest related legislation includes a lot of elements relevant for SFM. Elements already addressed in legislation are not explicitly included in the criteria contained in the FFCS standards.
Forest legislation includes among others the preservation of biological diversity in forest ecosystems, the preservation of habitats, the preservation of cultural and historical valuable ancient monuments, the safeguarding of forest health and vitality, the definition and documentation of the tenure and use rights of land properties, the safeguarding of the right to move freely and collect NTFP's, the rights of Sami people to benefit from their natural resources, the safeguarding of the social rights of forest workers and promotion of work safety, the obligation to elaborate regional forest management plans.
Forest law enforcement is a basic mechanism to stimulate traditional operational forest measures. Forest law enforcement is monitored by RFC's.

Ad 3. FFCS
FFCS comprises all the issues required for forest certification: requirements for forest management, CoC, and the accreditation and quality of external auditing. FFCS is based on a common conceptual approach to forestry by Finnish society and on an existing forest management structure as described above.
At the national level the Forest Certification Council is responsible for the administration. The practical work is done by a secretariat, headed by the Secretary-General. A national Working Group on Forest Certification Standards (WGFCS) is responsible for the periodical review of the standards. A second working group, the Working Group on the Development of Forest Certification in Finland has the task to develop the application of certification in Finland. Also a Forest Certification Appeals Committee, with independent power of attorney, exists.
At regional level the FOU's and FMA's invite main stakeholders to serve on a Regional Certification Committee (RCC). The RCC handles the practical tasks associated with certification. Among others they maintain a register on the forest owners and parties involved in forest certification in the region, monitor the level of compliance with the FFCS standards, decide on the application for the certificate, inform forest owners on the results of external audits, decide on measures to be taken when possible non-conformities are found and expel operators that repeatedly acted against the certification criteria.

Requirements for SFM

FFCS's requirements for SFM are contained in one general standard,

- Alternative Implementation levels of the Finnish Forest Certification System (FFCS 1001: 2003)

and three specific SFM standards which are, in combination with the general standard, either applicable to one of the following implementation levels:

- Group Certification of the area of a regional Forestry Centre, (FFCS 1002-1:2003; 28 criteria).
- Group Certification of a Forest Management Association, (FFCS 1002-2:2003; 26 criteria).
- Criteria for Certification of Holdings of Individual Forest Owners, (FFCS 1002-3:2003; 25 criteria).

The general standard is of a descriptive nature and does not contain explicitly formulated criteria. Finnish forestry is described in terms of forest resources, legislation, policy, monitoring, management planning, forest industry and organisations in private forestry. The *Framework of Forest Certification* refers to the criteria in the Pan European Operational Level Guidelines for SFM, to CBD, ILO, CITES, UNCCC and UNFF and further to National and Regional Forestry Programmes and Central Finnish Legislation on Forest Management and Nature Protection.

The general standard also refers to *Principles and Recommendations for Forest Management***.** All Finnish forest organisations follow forest management recommendations and guidelines, established by the FDC Tapio. These *guidelines* and the *certification criteria* guide SFM. The guidelines include: imitating natural succession; prevention of environmental harm; balanced age class distribution; promotion of natural regeneration; regeneration areas to be marked with a view on landscape values; promotion of developing mixed stands; promotion of mechanical and biological control measures instead of chemical treatment; management for multiple use of the forest, etc.

In the specific standards, the first criterion to be met concerns **compliance with forest and nature legislation as a requirement for certification**.

Requirements for the Chain of Custody

FFCS developed two standards for the verification of the Chain of Custody:

- Verification of Chain of Custody of Wood – Accounting of Material flows (FFCS 1003-1:2003) for percentage based systems,
- Verification of Chain of Custody of Wood – Physical Segregation (FFCS 1003-2:2003) for physical separation systems

However since the admission of FFCS to PEFC in 2005, the PEFC CoC standard (PEFC Technical Document Annex 4) is applied. In order to obtain PEFC logo use license, applicants must comply with PEFC Logo Use Rules (PEFC Technical Document Annex 5).

Requirements for Auditors and Certification bodies

FFCS applies the following standards for auditors, certification bodies and assessment schemes and procedures:

- Qualification criteria for Auditors and Certification Bodies; Certification Procedures (FFCS 1004:2003).
- Guidelines for Environmental auditing. Qualification criteria for environmental auditors (SFS-EN ISO 14012)
- General requirements for bodies operating product certification systems (SFS-EN 45011)
- General requirements for bodies operating assessment and certification/registration of quality systems (SFS-EN 45012)
- Guidelines for quality and/or environmental management systems auditing (ISO 19011:2002)

Results of the validation

Concerning its five validation requirements, the Board of Experts has noted the following:

Validation 1: Requirements regarding the management system

System Organisation
There is a structure of management organisations with defined responsibilities concerning the quality of management. The certificate holder is bound to permanent observance of regulations on SFM and relevant legal requirements. FMU's are clearly demarcated, both administratively as on maps; the various functions of the FMU's are known and acknowledged. The management body is committed to the long-term objectives for SFM and subscribes relevant international agreements; relevant national legislation and regulations are complied with. The management body and forest legislation ensure that sufficiently trained personnel conduct operational forest management.

Management planning
The Forest Act requests the RFC's to establish a Regional Target Programme (RTP) for forestry. The RTP's are prepared in cooperation with forestry organisations and other interest groups. The RTP's set numeric targets for e.g. timber production (volumes), thinning, tending and regeneration (areas), and identify the priorities of safeguarding local biodiversity. The RTP's serve as benchmark which will be compared with what actually will be planned and executed by the combined forest holders in the region. Divergence between the real activities and the RTP may give rise to adaptations in the extension and training programs of the RFC's and the FMA's.

Regional Forest Plans (RFP's) are prepared for uniform areas of 2,000-5,000 hectares, e.g. for forests within the area of a rural village. RFP's are usually prepared by the RFC's or by consultants under their guidance. RFP's contain cumulative information on individual forest management plans and intermediate areas, but they do not include data on individual forest holdings (protection of private data). The goal of an RFP is to harmonise and regulate the activities and economic planning of the RFC's and FMA's, to direct forest holding and project-specific planning and decision making of forest owners and forest professionals, and to produce data for the monitoring and planning of the forest resources of the regional council in question. Data contained in the RFP's aim at sustainable yield at regional level of forest resources, and at preparation of maps on a variety of aspects . Growth and yield data play a dominant role. Attention for other functions than timber production is being emphasized, even at landscape scale, but not yet commonly applied.

Forest Management Plans (FMP's) are being drafted upon request of the forest owner, by either the RFC (85%), the FMA (15%), a professional forest owner or a consultant. The plans are usually prepared for a period of 10 to 20 years and are updated each time any kind of management activities is carried out in the forest. A FMP is in fact a plan of activities compatible with law and regulations. The RFC's have prepared a model for a FMP, which ought to be used. A FMP contains a descriptive part, with essential data (area with forest types, age classes, habitats of special importance, etc.) of the forest holding and an operational part, mainly focussing on harvesting, thinning, tending and regeneration activities. Planning procedures for industrial companies are very similar to those for individual FMP's. FMP's do not necessarily cover 100% of a RFC forest area

Inventories and inspections
Finnish forest reserves and the state of forests have been monitored through Forest Inventories since the 1920s. An almost 100% *inventory* is carried out in ten years (so on average every forest holding is surveyed once in every ten years). All data are integrated into sophisticated GIS systems at the RFC's, FOU's and FMA's. Computerized maps contain all the thematic information necessary for forest planning as required for the Finnish approach, both at the regional level and at the level of a forest holding.

In order to assess prevailing forest composition and growth, regeneration, erosion, protected habitats, pests and diseases, water quality, 3-5% of the harvested areas are annually *monitored*. The survey focuses also on the actual state of the planned measures (regeneration, soil and water protection, etc). The inspection also includes assessment of compliance with additional requirements related to certification such as retention trees, snags and buffer zones along streams. A separate division of the RFC's (Law Enforcement Division) is responsible for all the field inspections.

Management organisation and certification

Private forest owners are members of FMA's. Forest companies have a separate linkage with the FOU, because of their professional skills. In order to ensure professional forest management the law determines that individual owners of forest > 4 ha must be a member of the FMA. FMA's inform their members through newspapers, by brochures, personal letters and through training.

FMA's and FOU's are legal entities. Legislation on FMA's and FOU's (e.g. Forest Management Association Act 1998, updated 2003) and the bylaws of FMA's and FOU's arrange the duties of the members and the way they are committed to their acts. Individual forest owners are bound by decisions of the FMA and the respective FOU. Forest certification is a good example. A FOU may decide to request to be certified based on the request of individual FMA's. Each FMA will have to decide whether it wishes to participate in the certification process. If it does so, then each individual owner is committed to the process, as a result of the legally binding decision making procedures of the FMA. In case a forest owner is not subscribing the FFCS system or is expelled from FFCS, he still is a member of the FMA. But his property is clearly marked, both administratively and on maps. Non-compliances may be considered to have a high chance for detection in FFCS.

Despite the fact that KH system requirements do not specifically require compliance with ISO 14001, the question was raised whether or not a comparable systematic approach is part of the FCCS system. Neither FFCS as a system nor individual FFCS certificate holders have been evaluated by a third party against the requirements of ISO 14001. However, already in an ISO Technical Report, ISO/TR 14062 "Information to assist forestry organizations in the use of the EMS Standards ISO 14001 and ISO 14004", published in 1998 the small-scale family forestry in Finland (FMA's management system) formed one of the many examples given as operating according to the the principles of ISO 14001. The Finnish Certification Standard for SFM at that time was part of the study.

Additional information from FFCS, FINAS and interviewed CB's indicates that the Finnish system is comparable with the principles of ISO 14001:

- Nature and completeness of forest regulations and additional requirements from FFCS standards used by FMA's;
- Appropriate data bases with adequate monitoring and with perfectly operating Management Information Systems at all levels of planning;
- Iterative processes, including stakeholders involvement at all levels of policy making and SFM standard setting.
- Dozens of FMA's have developed Environmental Management Systems similar to ISO 14001 requirements, thereby using a systematic approach to achieve SFM in line with regulations.

The Management System's principles of "plan, do, check, improve" seem to be sufficiently covered by different levels in the organisations.

Taking into account the above, validation requirement No 1 is considered to be met.

Validation 2: Requirements regarding the management performance

Legislation and control

Many aspects concerning the preservation of regulatory functions of the forest are embedded in national forest legislation and regulations. Compliance with these laws and regulations in practice is being monitored by the RFC's and Environmental Centres on a regular basis; all inspection data are available to the CB. Issues regarding soil conservation, water quality, protection of buffer zones along water bodies and -courses, identification of main ecosystems, special ecosystems and red-listed species are included. Environmental centres may conduct EIA's on key habitats; regular operational activities are monitored by the RFC's.

Management practice

Activities at the individual forest holding level are the responsibility of the forest owner. A notification must be submitted to the RFC for harvesting. Clear cut harvesting is common practice; harvest areas have an average size of a few hectares. In some cases gale damage causes larger clear cut areas and subsequently larger regeneration areas. The average size of a stand in Forest Management Planning is 1,8 ha in the whole country. Approximately 1/3 of the regeneration areas are regenerated naturally and 2/3 by planting and seeding.

In case suspicion is raised concerning observing regulations, the RFC's check harvest areas, stated in Forest Use Notifications (FUN's), before harvesting takes place. Harvesting in zones along streams and in habitats of special importance is not allowed. During field checks by the RFC's other aspects of forest use may be discussed e.g. expanding buffer zones and wildlife conservation.

Thinnings are not obligatory, but any damage caused in neighbouring forests as a consequence of bark beetle attack must be taken care of and consequently compensation might be imposed. Thinnings are usually salvage thinnings, i.e. harvesting under story trees which might otherwise decay. Hence thinning is not done to favour individual (future) trees or to create specified forest conditions.

FFCS strongly focusses on legal aspects but is adding additional elements, pertaining to environmental aspects and working and operational conditions. RFC's play a key role in law enforcement and in providing data for SFM in Finland and in that sense RFC's already cover the main part of criteria related to SFM. In fact Finnish forest legislation together with the professional organisations for forest management determine for a great deal SFM aspects. On the other hand the additional FFCS approach has influenced the forestry sector in several ways, for example:

- Greater awareness exists about ecological/environmental aspects,
- Increasing amount of decayed and burned wood is left in the forests,
- Natural waters are being protected; buffer zones: no fertilizers and herbicides used,
- All organizations have updated their working instructions,
- Closer co-operation realised between organizations,
- Security obtained about the origin of the certified timber.

This may lead to further adjustments in Finnish forest management approaches and to better understanding of NGO's views on environmental aspects.

The prevailing approach towards forest management in Finland is widely accepted. It has a legal base with related consultation processes. Nevertheless forest management was and to a certain extent still is somewhat one-sided aimed at achieving sustainable yield and maintaining a permanent forest cover. Specific environmental values were rather considered to be a consequence of this approach than an issue that deserves to be targeted explicitly. Forest certification has changed this situation to a certain extent.This attitude leads towards a relatively simple system of man made rotation forestry. Rotations tend to be short without a guarantee for full utilization of yield potentials. In this system thinning do not deliberately support longer rotations or stand stability. Furthermore efforts (costs) are made for artificial regeneration after clear cut.

As compared with Central and Western European forest management approaches (model) forest management plans in Finland are lacking a specific goal setting part at the beginning. In Finland management measures are induced by a certain urgency (need for income or demand for timber from the processing industry or by decay of a stand) to harvest wood. The planning procedure is subsequently done in line with regulations and in line with calculated rotations for man made forests. As these rotations tend to remain rather short, so-called "old growth" forests are not an objective of multifunctional forest management planning. However a forest owner may deliberately postpone clear cuts in order to favour old growth.

The harvest system is suitable for the Finnish approach and conditions. Damage caused by harvesting is minimised. Forest buffer zones around peat habitats or hydrological sites are managed on size criteria. Small areas of "old growth" may develop in such buffer zones.

NTFP use and hunting rights are regulated but related management efforts are limited.

The present state of the forests does not prevent long term forest developments including higher proportions of older forest ecosystems and other key biotopes. Hence sustainability is not at risk and future generations can decide on shifting accents in forest management. Forest conditions are kept at a "status quo".

NGO's try to change the prevailing approach towards forest management. Finnish forests bear a great potential for creating older boreal forest ecosystems For instance by creating protected areas or just by extending rotations on specific sites of production forests. But as forest use is determined by a political process, addressing legislation might be more appropriate and effective to improve the FFCS system.

Consultation and participation of stakeholders is arranged for and their rights and responsibilities are known and respected. Social and economic well being of the local population is ensured through direct participation as forest owners, employment, appropriate working conditions (submitted to national and international guidelines), proper training and adequate safety and health provisions. Traditional land use rights are acknowledged and respected.

Taking into account the above, validation requirement No 2 is considered to be met.

Validation 3: Requirements regarding the chain of custody

The used standards cover CoC procedures in the forest and during processing. The BoE considers the PEFC-CoC (2005) standard to be well developed; it covers all the criteria of Keurhout in respect of CoC and enables tracing the origin of timber in a transparent way. The CoC covers all organizational and functional units and processes. Computerized timber tracking systems are mostly in place, starting from the forest until sales and export. The CoC systems are based on the PEFC-CoC procedures and include all critical control points. Proper registration and identification is supposed to take place at all relevant stages of transformation and processing.

In theory a PEFC-certificate for CoC ensures compliance with Keurhout CoC requirements. However, often sawmills do not only process wood from Finnish certified forests, but also wood from external sources (including from Russia). In case that logs are received from external suppliers, a controlled declaration system is being used to ensure that the logs concerned are not originating from controversial sources.
Since the introduction of the Keurhout Legal System in 2005 KH-Sustainable timber may only be mixed with KH-Legal timber. It is therefore suggested that future external supply complies at least with the requirements of the Keurhout Standard for Legal Origin Timber (KH-LET). Although the PEFC-system actually requires so-called "self declarations" of suppliers, confirming that timber raw

materials have not been sourced from controversial sources, such declarations on itself are not considered to be sufficient by Keurhout. The BoE feels the need that on the one side the contents of such declarations should comply with certain requirements and that on the other side effective procedures should be in place at the receiving company to check whether such requirements have been complied with. This should include the checking of all relevant legally required documents (such as harvest licences, tax payments, export documents, etc). Finally, the BoE is of the opinion that the functioning of such a verification system shall be verified by an accredited certification body. In order to provide for sufficient time to make the necessary arrangements, the BoE has considered the following **Keurhout condition** with respect to all those FFCS-CoC companies, which process imported timber next to timber from FFCS certified forests:

KH-condition 1:
CoC companies (companies with valid FFCS certificates for CoC), that receive/procure wood raw materials from foreign non-KH admitted sources (from Russia or other countries) shall fulfil the further conditions a) and b) in order to be admitted to the KH Sustainable system.
a) A company has to have a functioning protocol to verify the legal origin of the (non-)certified wood including the credibility of supplier's self declarations.
b) A company shall maintain (copies of) supplier's self declarations for auditing purposes.
Conditions a) and b) are being verified by CB's, which fulfil FFCS's requirements for certification bodies (standard FFCS 1004), from May 1 st 2007 by latest.

Admitted CoC companies shall comply with the following:
c) A full Legal origin timber verification of suppliers will be implemented by CB's not later than at the end of this admission to KH Sustainable (November 25th, 2010).
d) CoC companies admitted to the KH Sustainable system shall inform their KH-partners on the % of certified timber; it will be defined per load whether timber can be classified as KH-level 1(100 % KH-Sustainable), KH-level 2 (70 - 99 % KH-Sustainable and the rest legal origin timber) or no Keurhout at all (any other option).

Provided the KH-condition will be complied with, validation requirement No 3 is considered to be met, and the CoC is considered to be complied with.

Validation 4: Requirements regarding the certifying body

The Finnish Accreditation Service (FINAS), the national accreditation body of Finland, is a governmental body (15% state budget), IAF member and works according to international rules.
It has accredited 2 independent CB's (Det Norske Veritas Oy and SFS-Inspecta Sertifiointi Oy) for the FFCS scheme on the basis of ISO Guides 62 and 66. Part of its assessment concerned the credibility of the FFCS scheme itself. System owners requirements have been taken into account in evaluating the CB's assessment schemes. As a result the accredited CB's are not allowed to issue conditional certificates, meaning that non-compliances have to be dealt with before a certificate comes into force. Both CB's are also entitled to certify against the PEFC-CoC standard. The CB's have the necessary expertise in the area of forest management and CoC certification and are considered competent.

During audits all criteria are checked on compliance. The audit reports of the CB's tend to focus on non-conformities and observations. By this way of reporting information is provided on possible or identified Non-Conformities (NC's) and on positive aspects considered worthwhile to mention, while no systematic overview is provided on the level of compliance with each and every criterion. While validating a sample of audit reports, the BoE requested some additional information. The explanations/information provided sufficed to take away the concerns of the BoE.

Based on the above observations requirement No 4 is considered to be met.

Validation 5: Requirements regarding the certification system

Organisation and system management

There is an independent management in charge of the development and implementation of the FFCS system. The establishment process of the certification system is considered transparent. Relevant market parties and other stakeholders have been involved in the development of the system as far as they were interested to do so. The system works on continuous improvement and counts with a standard revision cycle of 5 years. The system manager set the requirements for forest managers, CoC companies and CB's. Information on requirements (standards), procedures, structures, etc is publicly available (often even in English), e.g. on the FFCS-website. Procedures are in place to deal with improper use of the certification system and stakeholders can appeal against decisions taken by the CB's. Procedures are followed to monitor compliance with the requirements of the system.

Standard setting

WGFCS is the standard setting body for SFM. The standard complements forest legislation and traditional forest management structures and rules. FFCS has adopted the PEFC standard for CoC. Certification Bodies, which have been accredited by FINAS, assess conformity with the standards, which apply to different organization levels and apply to SFM, CoC's and CB requirements.

In general SFM standard setting is done as part of the national legislative policy on forest law and forest regulations. Participation is following national rules and procedures, involving representatives of various bodies, including NGO's. FFCS stakeholders are also involved through these representatives.

The certification council has written rules to arrange for stakeholder participation (through representation) in the consultative process. Comments from NGO's are dealt with as far as it concerns the specific additional part of the certification standard. NGO's have decided not to participate in the standard setting working group but to submit their views and wishes in a written form. The fact that several NGO's did not participate in the WGFCS to explain and further support their position may have influenced adversely the integration of their wishes in the standard.

Besides, disputes about old growth areas to be protected and about Sami People's rights have not been and will most likely not be resolved by the process of standard setting for SFM certification. These issues seem more appropriately to be settled in legislation through the political process.

KH criteria, which relate to SFM standard setting, are covered by the above process.

SFM Certification

The CB grants a SFM certificate for the participating forest holdings in the entire area of a RFC. The size of a RFC area is comparable with concessions or other FMU's in the tropics. The RFC area is to a great extend managed as a FMU. Participating holdings are members of the FMA's, except those who have notified not to be included (in practice this is a negligible number). Forest contractors are being certified for carrying out the work properly. All together they constitute the Certification Group. Certificate holders possess formal power and procedures to enforce commitment of the participants.

The certificate is issued for 5 years. Annual surveillance audits check the continuous compliance with the standard and indirectly with the law. For the latter CB's check surveys of the RFC's. Governmental surveys on the state of the forests and inspections on law enforcement form an important basis of assessments. Decisions on law enforcement and sanctions are properly dealt with. The CB is checking certain additional criteria, while the certificate holder may perform specific audits to gain further insight. The complete range of data gathering is available for the CB. The CB's are accredited and independent; they comply with international accepted standards of professionalism.

Forest management planning is using coherent data at all levels and in line with legislation. Non-compliances are properly dealt with.

Corrective actions for SFM
Approximately a quarter of the FMA's are annually surveyed through field visits, interviews and desk studies. CB's screen all observations and complaints which have been brought to the attention of the regional Certification Committee. The CB brings the need for corrective actions to the attention of that Committee. Non-conformance and corrective actions and preventive actions are jointly dealt with by RFC's, FOU's, FMA's and CB's and are first of all being tackled through extension actions. In fact they operate in a harmonisation model. The Regional Certification Committee checks the implementation of the corrective actions. It may suspend and expel members from the certificate. However the CB holds its own responsibility for granting and withdrawing the certificate for the group as a whole.

Herewith validation requirement No 5 is considered to be met.

Conclusion:

On this ground, and taking into consideration the above mentioned conditions, the Board of Experts is of the opinion that the validation requirements have sufficiently been met. Therefore, it concludes to admit timber and timber products with the announced FFCS certificates for Sustainable Forest Management and related FFCS and/or PEFC certificates for Chain of Custody into the Keurhout Sustainable system, to be specified as either KH-level 1 or KH-level 2, for a period of four (4) years as from November 25th 2006, provided that:

- the admission of FFCS to KH is not withdrawn,
- the underlying FFCS certificates remain valid and
- the above specified Keurhout conditions are complied with.

Keurhout considers it the responsibility of FFCS to provide Keurhout with full copies of annual surveillance audit reports, related to the FMU's and related CoC, whenever requested.

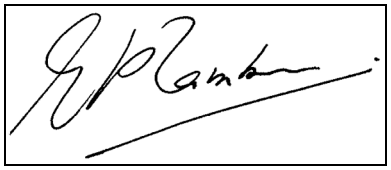
Further, FFCS shall inform Keurhout at least one month in advance on any changes of its standards as well as of changes in relevant legislation and/or regulations.

FFCS shall provide Keurhout once every six month's with an up-dated overview of all valid certificates and of the companies that comply with the additional KH-CoC conditions.

Failure to do so may result in suspension of the admission to the Keurhout Sustainable system.

Date: November 25th 2006

Signed: Ir. E.P. Zambon Prof. C.J. Jepma



(Secretary) (Chairman)