Validation Report PEFC Austria

The Board of Experts declares that it has validated the PEFC Austria certification system for all its Regions and 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 May 31, 2006:

This report may only be issued integrally

1 Introduction.

In March 2007 the Keurhout Board of Experts (BoE) received a request from KH-participants to validate PEFC Austria at system level. On May 02,2007 a formal request was received from PEFC Austria to validate the PEFC Austria Certification System.against the Principles and Criteria of the Keurhout Protocol for the Validation of Certification Systems (KH-SYS). During the period May-June 2007 a desk assessment study was performed. Relevant documents were collected from the PEFC Austria website www.pefc.at :

SD System Description, Austrian Forest Certification Scheme (June 2006).
A1 Criteria (*principles)* and indicators for assessing sustainable forest management in Austria (App.1), June 2006.
A2 Guidelines for SFM (PEFC) in Austria (App.2), June 2006.
A3 Regions for Certification (App.3).
A4 PEFC Chain of Custody (App.4),.June 2005, Internationaler CoC-standard ***in German***, *conform Annex 4 of PEFC Technical Document and with Appendix 7 concerning "**controversial sources**", October 2006 (formally accepted by PEFC Austria on 27-04-2007).*
A5 Spezifikation für die Verwendung des PEFC Labels, ***in German,*** *also as "Anlage 6 bei A4".*
A6 Statutes PEFC Austria (App.6).
A7 Forest Owner's voluntary declaration of obligation (App.7) and Voluntary declaration of obligation by a Forestry Alliance (App.7.1).
A8 Standard setting procedures in Austria (App.8).
A9 Procedure of arbitration (App.9).
A10 Conducting on-site inspections of the region (App.10).
A11 Measures and consequences in the case of deficiencies (App.11).

On June 25, 2007 a visit was paid to the PEFC Austria office in Vienna especially with the purpose to study sustainability reports and audit reports and to stipulate the importance of

the underlying Keurhout validation. Amongst others the following documents were studied or collected:

- "Nachhaltigkeitsbericht 2006" for regions 1,2,3 and 6.
- SGS "Auditbericht" for region 3, with an additional "witness audit"
- "Akkreditierung" by the German Accreditation Board of SGS-ICS for PEFC Austria SFM.

The Keurhout protocol for the validation of certification systems (KH-SYS, May 31,2006) provides the reference basis for the conformity assessment (see: www.keurhout.nl).
The KH-SYS protocol consist of five parts. Part I is the Validation procedure, the other four parts are normative documents regarding SFM (Part II), CoC (Part III), Certification Bodies (Part IV) and the organisation and stability of the Certification System itself (Part V). The requirements are structured in the form of criteria with indicators grouped under various Principles. All criteria of the standards contained in Parts II to V are being assessed. Indicators serve as practical parameters to assess compliance with the criteria. Compliance with all criteria leads to a positive decision on the validation of the system.

Detailed findings have been worked out in standard assessment tables. See "Assessment of Forest Management Requirements of PEFC Austria".

2 PEFC Austria.

PEFC Austria comprises all the issues required for forest certification: requirements for forest management, CoC, and the accreditation and quality of external auditing. PEFC Austria has been re-endorsed by PEFC in 2006. At this moment approximately 3.96 million ha forest land has been certified under PEFC Austria. Over 273 CoC certificates have been issued.

PEFC Austria is a working group in accordance with par.16 of "Wirtschaftskammergesetz" with place of business in Vienna. Its members include associations of timber producers, paper and timber trade; environmental umbrella organisation; Austrian Chamber of agriculture (Bundesförste); association of private farm and forest owners; federation of farm foresters; labour unions.

Member representatives form a General Assembly, which decides on the important matters and appoints representatives of PEFC Austria to other bodies. The director and the managing vice-director are elected by the members.
The system is supported by expert panels for both SFM matters as well as system matters and for arbitration bodies. Arbitration bodies are convened by PEFC Austria whenever necessary, always including one representative from forestry, one from the environmental group and, in particular, one representative of that interest group which is at the focus of the complaint. Members (3-5) must be independent and impartial.

The costs incurred by PEFC Austria is carried in equal parts by the chambers of agriculture, the association of timber industries and the association of the paper industry. Individual holdings only need to pay for the PEFC logo rights.

PEFC Austria is first of all based on the technical documents of the PEFC Council with its 7 annexes. But it also is taking into account the specific features of the Austrian forestry sector and long term experience with sustainable forest management systems (SFM). Moreover it is acknowledging site specific features and socio-economic conditions of its well defined 9 habitat regions, covering Austria. This regional approach provides a solid base for concrete forest management targets to be monitored and evaluated with help of the certification process.

Technical documents are subject to public consultation.

The basic document is: Austrian Forest Certification Scheme, System Description (SD), wiith 11 Appendices (A1-A11).
PEFC Austria has incorporated two normative PEFC documents: (A4) Chain of Custody of forest based products (CoC) and (A5) PEFC Logo use rules.

Criteria and indicators have originally been elaborated in three steps, resulting in a high level of completeness:

a. analyses of legal regulations on SFM in Austria
b. analyses of existing catalogues for SFM (including FSC, CIFOR and PEFC Finland)
c. analyses of existing official forest-related sources

Three options for forest certification exist:

(1) regional certification, within clearly defined borders (9 regions). Regional committees with an authorized representative apply for certification and submit the required documents: a.o. descriptions of the region and regional committee, sustainability reports (region and holdings) and reports made by expert committees, procedure for system stability. Only timber of participating forest enterprises is considered “PEFC certified”.
(2) Individual certification, with formal application through the regional committee.
(3) A group of forest owners, with formal application as under (2). All owners are obliged to fulfil the requirements.

The regional committee has administrative as well as professional tasks (SD, page12). It is also conducting internal controlling of the participating forest owners.
The expert committee evaluates regional reports on the plausibility of the data and credibility of conclusions. Moreover it evaluates measurability of targets and effectiveness of measures.

The following figure illustrates the regional approach of PEFC Austria:

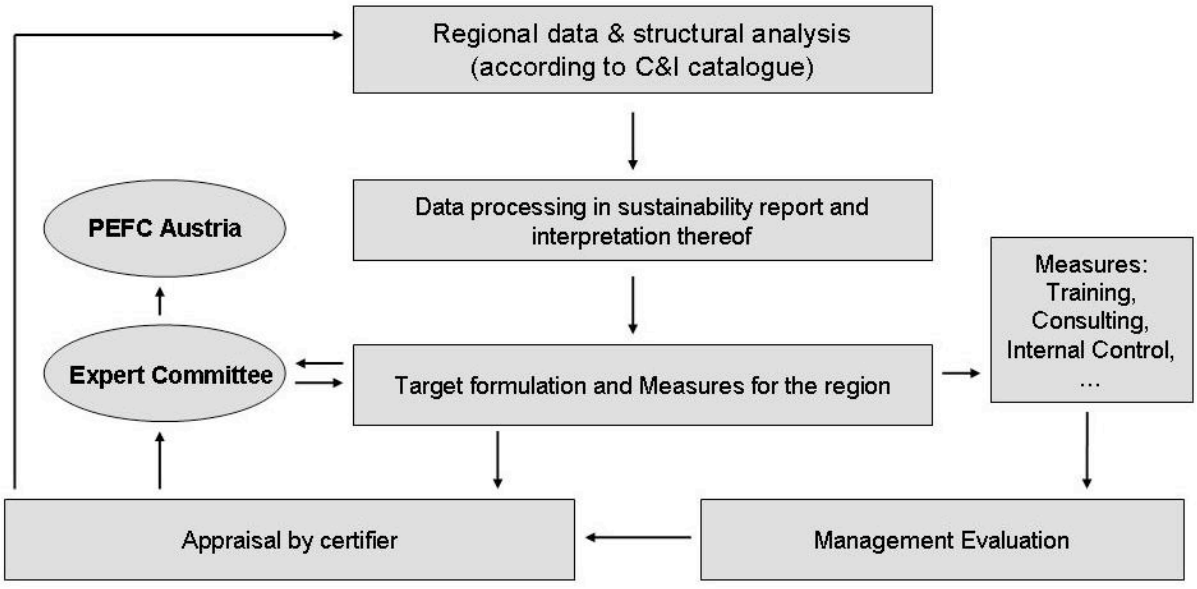


Illustration 1 from SD: Continual improvement process (CIP) in regional certification.

3 Results of validation.

3.1 2003 SFM validation

In fact Keurhout already validated the original version of PEFC Austria System in ***July 2003*** against the then valid Keurhout standard for SFM certificates. All regions were assessed.and admitted. Also a CoC certificate from region 6 was admitted.
Keurhout's findings concerning the PEFC Austria approach were positive, amongst others because of :

- Transparant system with an excellent link between national forest policy and planning & control in various Austrian forest enterprises (including private forests).
- Enhancement of sustainability through certification.
- Standards based upon prevailing conditions in the field, which are assessed through regular monitoring and evaluations.
- Use of long term sustainable forest practice, also for small owners enabling measures balanced beyond the borders of ownerships.
- Low cost approach.
- Enabling further attempts for improving selective forest management systems.

In conclusion:
"As long as broad participation inside a forest region is formally arranged (5 year's contracts based upon the PEFC Austria approach), in principle wood from a forest region can be traded with a Keurhout hallmark in the Netherlands provided that the chain of custody inspections can separate certified and non-certified wood".

3.2 2007 system validation

A summary of the of assessment findings is presented in the tables below. The assessment has been done against the four normative documents of the Keurhout Protocol for the Validation of Certification Systems.
Under each Principle (P) the assessment of the related criteria is briefly summarized. This summary is captured in an overall validation per principle with the following indication:

OK = Satisfactorily addressed
\- = Minor deficiency
-- = Major deficiency

Validation Part II a: Requirements regarding the forest management system.

P 1 OK	The organisation responsible for the management of the forest shall act according to the law.
Three criteria come under this principle. The criteria regard legal entity and registration, the right to harvest and royalties and fees. The Austrian legislative aspects have been thoroughly incorporated into the system.	
P 2 OK	The organisation responsible for the management of the forest shall have an adequate forest management system.
Seven criteria come under this principle. Criteria regarding a responsible management body, a clear forest management unit, commitment to long term objectives, complying with (international) legislation, management plan, forest management system with a systematic approach and qualified personnel are considered to be satisfactorily fulfilled. Especially the monitoring part (with annual efforts), the use of measurable targets (specified objectives) and systematic involvement of expert panels are strong assets.	

Conclusion:
Based on the above observations requirements Part II.a are considered to be fully met.
Validation Part II b: Requirements regarding the forest management performance.

P 1 OK	The regulatory functions of the forest shall be preserved.
Four criteria. Maintenance of soil quality and erosion prevention are addressed adequately, aspects concerning the water regime, watershed management and buffer zones are properly dealt with in the context of the Austrian system, integrated in the basic management approach.	
P 2 OK	The biodiversity of the various ecosystems shall be preserved.
Three criteria. All of these criteria, concerning ecosystem identification, measures for protection of species (red list) and monitoring residual stands, are properly dealt with. Old growth forests not explicitly regarded in this respect.	
P 3 OK	Adverse side effects, resulting from forest management, shall be prevented.
One criterion. The criterion requires social and environmental impact assessments. In fact this is a continuous process under PEFC Austria, executed by professional panels. Conform requirements.	
P 4 OK	The timber production capacity of the forest shall be preserved.
Four criteria. Criteria regarding the maintenance of management data, preservation of natural regeneration capacity and implementation of appropriate harvesting systems are perfectly well covered. Also minimizing harvesting damage to the residual stand, seedlings and soil is required. Silvicultural systems are based on long term experiences with SFM. Growth and yield data are professionally dealt with.	
P 5 OK	The production capacity of non-timber forest products (NTFPs) shall be preserved.
Three criteria. Criteria refer to the maintenance of data on NTFP's, local processing of NTFP's. In that sense NTFP's do not play a significant role in the Austrian context. But mushrooms, berries and hunting receive proper attention. Hunting laws have a regional base.	
P 6 OK	The participation of the local population shall be ensured.
Three criteria Criterion about profit sharing is considered to be not applicable in the Austrian context. The rights and the responsibilities of stakeholders are explicitly and implicitly addressed by PEFC Austria at regional and local level.	
P 7 OK	The social and economic well being of the local population and employees shall be ensured.
Four criteria. The requirements regarding working conditions, training, health and safety are adequately addressed. The criterion regarding job opportunities for the local population is fulfilled through promotion of wood-, energy- and tourism based activities.	
P 8 OK	Socio-cultural forest functions and utilisation by indigenous and other people living in and around the forest shall be respected.
Four criteria. Inclusion of requirements pertaining to traditional land use rights, other than the rights of the land owner, and traditional use of NTFP's are not considered opportune in the Austrian context. Religious, cultural and aesthetic values are part of the system.	
P 9 OK	Negative social impacts caused by forest exploitation shall be reduced.
two criteria. Compensation for damaged property is assumed to be part of Austrian legislation. Legislative instruments and regulations are also assumed to be known and respected (basic assumption in SD).	

Conclusion:
Based on the above observations, requirements Part II.b are considered to be fully met.

Validation Part III: Requirements regarding the chain of custody

P 1 OK	The timber shall be traced and monitored from the moment of felling through all its possible stages of processing and transport up to the moment of being imported in the EU.
Five criteria. PEFC Austria has included the PEFC requirements as to CoC and the use of the PEFC logo. These requirements comply with the Keurhout criteria. The main issues are: parties in the CoC have a certified management system according to ISO norms. This implies the registration and documentation of production, processing, storage, transport and sales and the distinguishing between certified and non-certified timber products. In case of mixed products the certified products should at least be mixed with timber(products) from legal origin. App.7 of PEFC Annex 4 (handling wood from controversial sources) has been accepted and put in force. As the Austrian legislative system requires and enforces registration and valid licenses, this aspect is well covered for all timber sourced from Austrian sources. Nevertheless, as wood is imported from countries like Czech Republic and Bosnia, it is important to ensure the implementation of third party control of the second party control systems on provider's self-declarations. In this respect a Keurhout condition (1) is established.	

Conclusion:
Based on the above observations, requirements Part III are considered to be met for timber originating from PEFC-Austria certified forests. Nevertheless, it is considered appropriate to define the following KH-condition with respect to all those CoC companies, which process imported timber in addition to timber from PEFC-Austria certified forests:

KH-condition 1:
CoC companies (companies with valid PEFC certificates for CoC), that receive/procure wood raw materials from foreign non-KH admitted sources (from Czech Republic, Bosnia 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 PEFC's requirements for certification bodies).

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 (October 15th, 2011).
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 Part III is considered to be met, and the CoC is considered to be complied with.

Validation Part IV: Requirements regarding the certifying body

P 1 OK	The certification body shall be able to demonstrate that it is capable of assessing forest management and the management system and/or the Chain of Custody.
Seven criteria. The first three criteria concern the expertise and independence of the CB. These criteria are implicitly met as PEFC Austria requires CB'S to be accredited according to EN 45011 by an independent national accreditation body. PEFC Austria is requiring professional auditors. The following four criteria refer to the assessment scheme. They address audit procedures including the identification of relevant legislation and existing (customary) rights and requirements for the audit report. The BoE is of the opinion that all these requirements are covered through the accreditation by a national accreditation body.	

Conclusion:
Based on the above observations, requirements Part IV are considered to be fully met.

Validation Part V: Requirements regarding the certification system

P 1 OK	The organisation management shall clearly act independently.
One criterion. The criterion requires that the CS shall be managed by an organisation that is properly structured and contactable. PEFC Austria is fulfilling this criterion.	
P 2 OK	The system manager shall be responsible for the quality and monitoring of the Certification System.
Nine criteria. Criteria address: the establishment process of the system, the procedures to implement the system, procedures to monitor compliance with requirements imposed by the system, the public access to certification reports, appeal procedures against decisions by the certification body, access to information on the certification system. PEFC Austria is fulfilling these criteria, both at regional level as well as at national level. Moreover system stability is properly taken care off.	
P 3 OK	The development process of the generic standard, regional and national standards and the standard for the chain of custody shall be fair and transparent.
Two criteria. The criteria pertain to fair transparent standard setting and field testing. PEFC Austria has a solid approach. Field testing is a continuous process while the system stipulates the importance of testing SFM target setting through criteria to be influenced. The complete standard is based on fair and transparent processes with professional input.	
P 4 OK	The universal standard and the regional and national standards for Sustainable Forest Management and the standard for the Chain of Custody shall be supported and formally accepted by the system manager.
Two criteria. Standard is based on the generic PEFC standard, on Austrian conditions and on professional input. System manager has a wide range of formal tasks to review standard and for interpretation of documents. In principle all elements from universal CS are dealt with. The system is not excluding elements but stipulates elements of high relevance.	
P 5 OK	The standard shall be clearly structured, complete, usable and allow for objective assessment.
Three criteria. The criteria refer to the suitability to apply the standard at the FMU level, consistency in terms of	

structure and reasoning and compatibility with national and international laws. These criteria have been fully met. Its consistency and stability is seriously taken care off.	
P 6 OK	Certification Bodies shall comply with international accepted standards of professionalism and independency.
Three criteria. The criteria require the CS to set requirements as to the status (accreditation) and professionalism of CB and the procedures they follow. These criteria are fully met.	
P 7 OK	Group Certification shall be based on compliance with the performance standards for individual forest management units, respectively CoC participants, and in addition specific requirements regarding group organisation and management.
Three criteria. The criteria require that the Group Certification system specifies the tasks and responsibilities of the group leader and that the standard imposes requirements for the management system and the expertise of the group leader. As group and individual certification is linked to regional certification alliance representatives are supported by regional expertise and data bases. In this regional context the certification scheme is serving all stakeholders in an integrated way.	

Conclusion:
Based on the above observations, requirements Part V are considered to be fully met.

4. Overall conclusion

The underlying assessment at first sight already underscored the 2003 findings because of the completeness of the system and the professional approach:

- taking into consideration all possible relevant matters and integrating surveys, monitoring and planning at regional level with manageable and specified targets (objectives),
- making use of professional sustainability reports, supporting SFM in a balanced way.
- providing broad elements for system stability.
- providing well functioning CoC and CB's, supporting SFM developments

Keurhout Board of Experts concludes that in principle all CoC certificates from PEFC Austria SFM certified forest holdings and the forest management certificates for the FMU's of all its 9 regions can be admitted to the Keurhout Sustainable System.

However, through the detailed and time consuming process of preparing regional sustainability reports, usually involving an expert panel, the CB showed in its recent audit reports that it is not yet certifying against all the elements of the latest standard. Especially the internal monitoring data (at holding level) and internal inspection data were not yet available during the assessment period, which was prior to the acceptance of the new standard.
This means that Keurhout could not yet assess factual compliance with the new standard. PEFC Austria describes in SD (page 7) the Continual Improvement Process (CIP),as an important element of the new standard. The auditor shall evaluate whether targets have been achieved, as well as the effectiveness of measures. This will internally be assessed by the annual management evaluation (monitoring and control) and externally through regular inspections. Feed back takes place through the expert committee, which is responsible for system relevant issues of content. Hence it is both a matter of system stability as well as a matter of SFM in line with relevant PEFC guidelines.

Keurhout considers the actual audit reports with limited application of internal monitor and control data as inherent handicaps to assessing complete factual compliance with the new standard.
As a consequence Keurhout accepts the PEFC Austria standard with the following Keurhout-condition:

KH-condition.2:
Keurhout demands copies of CB surveillance reports of all 9 regions, in which especially the Continual Improvement Process (CIP) with internal monitor and control data have been assessed, to be available as soon as practically possible (probably first half of 2008),in line with SD deadlines for the period of transition.

Moreover Keurhout considers it the responsibility of PEFC Austria to provide Keurhout with full copies of audit reports in case of new SFM certificates of annual surveillance reports of issued SFM certificates of participating forest enterprises and of re-audits after a 5-years certificate period, whenever requested.

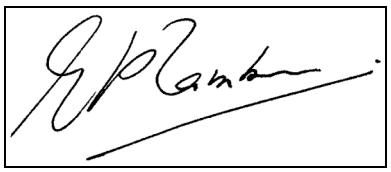
Further, PEFC Austria. shall inform Keurhout at least one month in advance on any changes of its standards as well as of changes in relevant legislation and/or regulations.

PEFC Austria currently is developing an on line data bank and through actualisation shall provide Keurhout once every six month's with an up-dated overview of all valid certificates and of the companies that comply with KH-CoC conditions.

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

Date: 15th October 2007

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



(Secretary) (Chairman)