Environmental Aspects of the Forest Management Certification Process

contribution to study on

Instruments for Sustainable Private Sector Forestry

by Dr David F Scott, Silvicultural and Environmental Specialist on 9 main assessments and 4 surveillance / follow-up audits for FSC certification.

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1. Preface

My experience with certification is confined to work with and for SGS Forestry, and applies to certification in terms of the Forest Stewardship Council's (FSC) Principles and Criteria. I have no direct experience with ISO 14000 that is also referred to as certification. However, there are important differences between these systems and my comments are really only applicable to FSC certification.

2. General thoughts on the contribution of Certification to Forest Management in South Africa

Certification has been responsible for a very large improvement in the standard of forest management in South Africa. The reasons for the positive role of certification are set out briefly below.

Firstly, and most importantly, certification has provided the motivation or impetus for issues

other than short-term profitability to be taken seriously by the companies. Companies would probably still prefer to have a certificate without having to give too much attention or funding to many of the issues raised by certification. But because of the commercial imperative of certification, many issues that were previously overlooked now receive full attention. Part of how this works is by convincing top management that such matters have to be given serious attention and are not simply optional extras. In many cases, certification works by strengthening the hand of good foresters who have always known how work should have been done (particularly with respect to environmental matters) but could not give these equal importance in their management.

Secondly, is the importance of setting the agenda. The FSC certification sets a broad standard that encompasses a very wide range of issues. The result is that the audit checklist now contains many new considerations than would have been considered part of management in the past. Most of the social issues would not have been on the agenda in the past and this has to be a major achievement of FSC certification, especially given the dedicated move by timber companies toward outsourcing all services (contracting). Some environmental issues (such as monitoring) now enjoy attention from an independent and more rational perspective than the companies were able to provide when setting their own agenda. Previously, with internal audits or even where an industry-wide standard has been set, many issues did not receive attention. {This point would probably not apply to ISO 14000 certification.}

Thirdly, FSC certification has introduced an independent, absolute and specific forestry standard. Previously in the forest industry in South Africa, auditing was done more to raise awareness and educate foresters on the issues. Rating was on a basis of ranking performance within a company ("who has done the most on environmental aspects"). In many cases the independent standard is much higher, as well as being broader. {This point would not necessarily apply to ISO 14000 certification.}

3. The process: basics

Pre-assessment and the Checklist

These are vital communications tools. The checklist is the foundation of the assessment and provides the link between the auditors and the company being audited. As such the checklist is a vitally important document. The checklist is a standard document for each country, though it is regularly updated as areas are revised or added by FSC or as a result of new legislation. The pre-assessment is important in developing a common understanding of the checklist and its interpretation, and specifically of what the standard is. Pre-assessment will provide the forest owner with a guideline as to their general readiness for a full assessment as

well as pointing out specific problem areas and possible problems that might prevent them being certified. Following pre-assessment it is up to the forest owner as to when and if they will request a full assessment. The likely interval would vary between 3 and 18 months.

Assessments, and surveillance

This is where the independent auditors assess the performance and progress of the company, and is an important learning and communications phase. It is important for the company being assessed that they make the most of the opportunity to learn from these audits.

The main assessment would typically involve a team of between two to five assessors, depending on the size and complexity of the assessment. Surveillance audits are usually done by one auditor, sometimes assisted by one local expert, and are scheduled for ~~every six~~ 12/14 months following certification. A full re-assessment would be done again after five years. Surveillance audits check on progress; specifically on "closing-out" corrective action requests (CARs), and aspects that have been raised as concerns previously or that have been raised by stakeholders. Surveillance visits would aim to sample parts of the certified operation that have not been visited before.

Self-assessment and continuous improvement

The company needs to spread the standards set during the assessments to the rest of the un-sampled operations. This is done by revising the operating standards and procedures and through first and second party audits.

4. Theme 1: The Assessment Team

4.1 The team leader needs to be

1. a trained forester, in order to understand the issues and nature of the operations that are being audited, and carry adequate credibility with the people being audited,

2. a trained auditor, in order to provide leadership, guidance and perspective for the team, and provide insights into the process for the clients,

3. preferably, experienced in forestry internationally, either by virtue of international auditing experience or by direct experience in forestry in different countries. This requirement also serves the purpose of credibility and perspective: necessities from the viewpoint of both the client and the stakeholders. An important aspect of certification in this country is that it indicates compliance with an international standard - being "world class". For this reason it helps to have internationally exposed and non-local people on the team (Marais, 1999).

SABS and people with international experience. Not having people with international

experience on the team would weaken the claim to having a world standard. On the other hand, the certification would still be granted on behalf of FSC which is clearly an international standard. Therefore, the currently perceived international standard might eventually persist regardless of who is doing the certification assessments.

4.2 Other team members should be appropriately skilled and respected within the technical area for which they are included in the team. Those auditing forest and environmental management, for instance, ought have proper insight in the wide range of areas being assessed. Technical training and experience are more important than auditing experience because it is through a grasp of technical niceties rather than auditing skills that one can truly distinguish good performance from inadequate. Two types of team members are not ideal: firstly, someone with no more than peripheral exposure to the forestry business, and secondly a specialist auditor. An example of the first type would be a specialist (say entomologist), excellent in a limited area of forestry, but with little insight into other technical areas. An auditor would not necessarily have adequate insight into the technical areas of forestry to properly assess the quality of management. Such a person might be equipped to do a purely systems audit, as I suspect that ISO 14000 is, but is not truly able to assess forest management standards.

Ideally, I think the specialist member of the team for forestry and environmental management would be someone who is or who could register as a professional forester. They should also have a demonstrated sympathy for environmental issues.

All team members should have strength of character, financial independence from the companies being audited, personal integrity and good interpersonal and communication skills.

4.3 Local vs Overseas based assessors.

In my experience this relationship works very well. The overseas based auditors have training and experience in auditing and an international perspective on forest management, and provide guidance on interpretation of the checklist and auditing procedures. However, they lean heavily on local assessors for knowledge of local laws, regulations and standards, and insights into local interpretation of performance expectations.

The South African forestry scene is fairly small, and most professionally trained people know each other or know each other. Private consultants will almost inevitably have worked for some of the larger forestry companies that are being certified at some stage or another. The criterion on independence would seem therefore to be that the individual is largely independent of the company for his survival in business. Thus a university or CSIR associated person is probably in a better position to be objective.

4.4 Changing team members

In my experience, specialist members of audit teams receive no formal training. All their auditing skills are learnt "on the job". To some extent this is understandable, they are hired as professional experts in their field, and paid accordingly. However, in my experience there is a learning curve for all new team members to go through. Training would therefore be appropriate. The most appropriate would be auditing skills - some basic guidance on how to do this job. Secondly, some structured learning of the FSC P&C, associated standards and their interpretation would also be useful.

Another useful approach would for a trainee to do a dummy assessment: go on one initial audit as an extra team member specifically to learn about the process and the interpretation of the checklist, and receive mentoring.

As far as "on the job" learning goes, the only suggest I have is that mentoring of new team members should be done consciously by the team leader, and that this has to be planned into the first audit that someone does.

An assessor on an audit team who is not experienced in certification audits needs to be well supported and led by the lead assessor or other team member/s. So it is important to introduce new people through the means of experienced teams. New team members have two problems: lack of familiarity with the standards (just where the line is drawn), and lack of familiarity with auditing, and the skills needed to do this job properly. These can be learnt on the job, but only in a team with sufficient mentoring available. And there is a definite learning phase that one goes through. It follows from this that new team members should be introduced to the job one at a time, or they ought to be given some training prior to going on a job as a full team member.

This process of learning on the job works provided the new member can work with an experienced person, i.e. that there is enough time for some mentoring to take place, and the new team member does not have to do too much independent interviewing on their first assignment. The disadvantage of having inexperienced people on a team is that they may take time to understand how to look for information on an issue, and can lack the confidence to take a firm stand; with the ultimate result that CARs are not always raised where they ought to be.

It should be no surprise that certain people have their pet or comfort areas in terms of certification. I don't mean this is a conscious or intentional bias, but people are more confident in areas they understand best. For example, as a forest hydrologist I'm probably well-known for raising issues around soil damage, drainage and erosion, but an ecologist is

more likely to have a close look at conservation and bio-diversity management issues, or a forest engineer is more likely to raise issues around the correct and safe use of harvesting equipment. Thus new team members bring fresh insights and approaches which is beneficial in ensuring that all aspects are covered thoroughly and that team members are continually learning and challenged.

The important advantage in keeping people on for repeat assignments is that they develop and improve their auditing skills and working knowledge of the checklist. This makes them more efficient and effective auditors, able to cover a lot of ground quickly but thoroughly.
The important point about the same person doing the assessment and the follow-up surveillance is that issues that are raised are followed up thoroughly and a consistent standard is maintained. If the person doing the surveillance has little knowledge of the assessment discussions, then it seems quite likely that the issue might be re-interpreted, with the result that the response may be assessed differently. This is especially true when the assessor is from overseas and has not developed the necessary insight into a local issue (for example, the broader environmental threat of uncontrolled invasion by certain introduced forest tree).
SGS has not in the past endeavoured to have the same auditor do the assessment and subsequent surveillance. My understanding is that there is a relatively small team of Qualifor auditors (the FSC accredited programme) and these auditors might almost do the pre-assessment, assessment or surveillance at random. However, things have changed in the last year. SGS now have now trained a local forester as an auditor. This individual now does most of the Southern African work, assisted by specialists on larger jobs as necessary. There should now be much more consistency in approach to all assessments and follow-up surveillance visits.

5. *Theme 2: The Consultative Process*

In my experience the survey of stakeholders is very variable.

5.1 *Identifying the Stakeholders*

Initially, the client identifies the stakeholders. This is important for two reasons. The client ought to know who the stakeholders are, and this is a checklist requirement. So, the client's list of stakeholders says volumes of the vision of the company of itself and its social environment, and of its existing communications network with stakeholders.

From a certification point of view, a stakeholder is defined as anyone who does or may have an interest in the activities of the forestry company. The company's list of stakeholders is frequently quite inadequate (they are often just lists of clients, contractors and suppliers; or

friends and neighbours that they talk to; sometimes almost only white people). The initial stakeholder list is therefore filled out in an effort to cover all bases, but concentrating on environmental watchdog or interest groups, and the labour unions and representatives of adjoining communities, particularly black communities as these are more likely to have been overlooked by the companies. For several assessments in South Africa, the local specialists have been contracted to do the Stakeholder survey, including the development of the list. Failing this the stakeholder survey is done, I presume, by the lead assessor.

5.2 *Contacting Stakeholders*

Normally an explanatory map, information sheet and questionnaire are sent to a fax number of each identified stakeholder. If no fax no. is available, then a effort is made to contact this party by telephone or the same material may be posted. However, ideally one would like to receive a response before the main assessment, and delays of this sort may easily preclude this from being accomplished. In my experience, responses are in fact received from a minority of the identified stakeholders.

Normally, if the fax has transmitted successfully it is assumed that the party has had a fair opportunity to comment. A non-response is taken as meaning that that party does not have any issues to raise. A very limited amount to phoning will be done to make sure that the correct fax numbers have been used and that the right people have received the fax. These cases are likely to be those where there is some reason to doubt that the contact details were correct.

The survey information sheet and questionnaire we've used has been a standardized form developed by the Certifier. Only one paragraph or so is modified to make the information site specific. The same material is used for everyone, though recipients are invited to telephone for information or help on interpretation of the questions.

5.3 *Thoroughness of the Survey*

Ultimately, the thoroughness of the stakeholder survey depends directly on two important considerations. Firstly, the time and resources allowed for this phase of the assessment. If the responsible person is not given more than a month's warning then the process is bound to be rushed and too little time will be available to make the survey thorough, i.e. develop the list, run down correct contact details, and follow-up on non-responding groups and on responses. Secondly, the familiarity of the assessor with the real and likely stakeholders for an area. The more experience an assessor has with this task, the more efficiently it is likely to be performed. It is a long and frustrating task contacting a long list of people who may or may not have any interest in what you are doing.

Two uncertainties raise themselves. I'm unsure how thoroughly foreign-based persons do this survey. I suspect that they are probably too remote and unfamiliar with issues, organizations and local structures to really do this job effectively. At least this would be the case until the person has developed local knowledge through repeated visits to the country. Secondly, I suspect there is some bias that results from the assessors' own interests and familiarity with groups, issues and languages. For example, one assessor with a labour union background, was suspicious of a company for recognising a minority union that it was not legally required to recognise.

Finally, it is very difficult to contact some groups in a conventional "Western" way. Some communities or labour groups may not have fax machines, may not be very conversant in English and may feel completely ignorant of the whole process. As a result, it is not clear that these groups are adequately surveyed. A personal visit to such groups of stakeholders is much more appropriate, but is enormously time-consuming, both to set up and to carry out. Hence, such a visit is only likely to take place if there is reason to believe that some issue exists. This, in turn, has to come to light from stakeholder contacts prior to the assessment.

There is certainly a need to adapt the stakeholder survey process to local conditions. This will inevitably be costly because of the problems with poor communications with the poorest groups that are the ones that are most likely to be missed; the answer is to have more time, and time is money. On the other hand, if groups are not organized and are poorly represented, stakeholder surveys will still not be fully satisfactory. There may therefore be a case for encouraging companies to help educate and assist these most marginalised groups, to empower them for the stakeholder survey process.

5.4 *The extent to which Stakeholders make use of the opportunity.*

Being part of the certification process gives stakeholders a very real opportunity to have an influence on the company's management. However, stakeholders have, by and large, not yet seized the opportunity that is thus presented. There are some encouraging examples of co-operation by companies and environmental interest groups on particular issues, specifically, wetlands and crane conservation, which have perhaps resulted indirectly through the influence of certification. Certainly, the importance that FSC certification places on stakeholders makes the companies much more attentive to issues that stakeholders do raise.

5.5 *Consultations within the Company*

Discussions are held at all levels and with a sampling of all employees and the company's contractors. A specific effort is made to reach the contractors as there has been some suspicion that the dramatic change from own employees to contractors was a move by some companies to abdicate their responsibility.

On the forest management, silviculture and environmental aspects of the assessment, most time is spent with middle to lower management (Area & Plantation managers, and the Silvicultural and Harvesting Foresters). This involves understanding how they go about their work, what systems and processes are in place and are followed, and finding out what drives decision-making, and then checking on implementation of policy, procedures and standards in the field. Proportionately, therefore, this is the group with whom there is most interaction. The extent to which upper management are party to the audit varies greatly from company to company. Some prefer that the assessment should be used to generate as much understanding as possible, and hence large groups, including district or regional managers, contractors and observers, tour around on the audit together. Others companies leave the job to the actual staff members who have direct responsibility for the management that is being assessed.

There is frequently a problem, except in the Western Cape, in communicating with the lower echelons of the work force because of the language barrier and, to a lesser extent, because of natural reticence and unease on the part of members of this group. Wherever possible labourers are interviewed, with the aid of interpreters if necessary, but one cannot always be sure that the worker feels comfortable or that the discussions, where an interpreter has to be used, are in confidence.

It is preferable that higher management do participate in the field assessments, because they are then aware of any problems that have been encountered in the field, and are better informed at the time of the closing meeting. They will better understand what is needed to correct problems and are less likely to dispute the findings of the assessment team.

5.6 The vexing issue of contractors

There has been a strong swing in the industry away from employing all of their own staff and toward contracting in all services. In the early stages of the process (over 10 years ago) some foresters were encouraged by the companies to go off to start their own contracting firms. The popular view of this development is that it was a move to reduce the companies' exposure to labour issues and strong unions. The forest industry may give a different reason. However, the process is now far down the road and all forestry companies contract in services to a greater or lesser degree. Some companies have only the smallest management teams in their employ and contract out virtually all services including fire-fighting. An extreme example is where less than 20 people (foresters and clerks) now manage a large amalgamated forestry estate where there would previously have been several hundred employees to manage the same area of plantation). It is very rare to find contractor employees who are unionised.

In FSC audits the same standards and expectations have been applied to contractors working for the company being assessed. However, it was not always clear to companies (before the audit) that this was how things would be interpreted, and in reality the performance of contractors is frequently what it is in the company's own teams. The situation is further complicated by an endeavour of encouraging new (small) contractors from previously disadvantaged backgrounds. These are often former company employees who are being given an opportunity to establish themselves as private entrepreneurs. These contractors are often seen as a special case, and company staff have often more lenient with these contractors as a way of helping them to become established. It is not unusual therefore to find such small contractors working outside of the standards and guidelines, most frequently in terms of health and safety issues.

6. Theme 3: The decision-making process

6.1 *Time allowed*

The time allowed to close-out CARs is pretty well fixed (at least within the SGS Qualifor programme) according to whether it is a major or minor CAR (I'm not exactly sure of these time windows, but it is something like 2 weeks to respond and 1 month to implement for a major; 1 month to respond and 6 to implement for a minor - please check with SGS).

Issues (that might become CARs) are discussed with the company representatives as they arise, to make sure that one understands the process and approach of the company. Thus the company is made aware, at least indirectly, of issues that are being followed up. The assessment team discusses all observations on an on-going basis, discussing, each evening, what each has seen, experienced and not yet checked on. In this way, each day begins with a refined list of matters that have not yet been looked at and those that need to be looked at more closely. As a result, one is continually building and refining the list of possible CARs. Frequently, company representatives are gathering documentation from Regional or Head Offices during the week to put issues to rest before the end of the week.

Thus, by the end of the penultimate day of the assessment the team has a pretty clear idea of what CARs will be raised. For the most part it would be clear to the company staff what the issues are, although the seriousness of these would not necessarily be known. In most cases, a major CAR would not be raised at the closing meeting without the most senior company staff having been informed of the situation. Specific CARs may come as a surprise to managers where they were not in the field to observe the objective evidence (this typically happens where the assessors have split into two teams), and to a lesser extent where senior managers have not accompanied the audit team in the field.

6.2 *Major vs Minor CAR.*

To put it simply, a Major CAR is raised if there is a failing on a major point on the checklist (one of the FSC criteria). An alternative and more conservative viewpoint to which I have worked as part of a team was that a Major CAR would be raised if there is complete or consistent neglect of an FSC principle. More practically, I'd say a major is raised where the weight of evidence shows consistent or very serious neglect of an important criterion or company standards and procedures. Ultimately Major CARs are not raised lightly, require broad consensus in the team and have to be supported by broad-based objective evidence.

Minor CARs are followed up individually during the next (half-yearly) surveillance visit. The adequacy of the action plans for attending to the CARs and the implementation of these plans are inspected. Major CARs warrant their own dedicated follow-up visit during which the implementation and adequacy of the action plans are checked. The checking on these close-out visits is more directed, but otherwise is done in the same way as a normal assessment; procedures, process and practice are checked in the office and in the field. Any aspect of management may be checked on during these close-out visits.

6.3 *Available Information*

The assessment checklist will largely dictate the information that a company needs to produce. The assessors will be looking for the necessary documentary evidence to support the requirements stated in the checklist. The only problem that arises here regards interpretation of certain points. Generally the typical information is available, such as company procedures and standards, minutes of meetings, correspondence, training material and records.

The auditors look to satisfy themselves that the company has a self-correcting system in place, and that an adequate paper trail is created thereby to demonstrate that this system is working. This is one of the more common inadequacies in available information: auditors are sometimes expected to be satisfied with a system that does not create the evidence to show that it works. Another, fairly simple, yet commonly neglected failing, is the requirement for a publically available summary of an integrated management plan to be available. Many of these highly commercial companies have detailed yield regulation plans, but do not have integrated plans. As a result they seem to find it difficult to meet the above requirement, although they often have most of the elements in ready form.

6.4 *Similar sets of information*

The most efficient way of ensuring that the same type and level of information is available is through detailing the criteria and indicators and, more specifically, making the checklists standardized.

SGS's checklist (a thorough breakdown and interpretation of the FSC P&C, combined with available local management standards) is comprehensive and covers all aspects that would be covered by the forthcoming National Forestry standards. It seems likely that the general local standards or at least the interpretation of these, will not be as rigorous as the SGS checklist.

There is undoubtedly room for further detailing, quantification and specification in the local forestry standards than is currently available. The only areas in which the current checklist becomes fairly absolute is where local operating guidelines have been developed. For example, one company's rules say something like "A road shall be drained at least every 50 m and culverts should not be spaced more than 300 m apart." Another example is that the South African guidelines specify that water draining off roads should be filtered through 10 m of vegetation before entering streams, and that log depots should not be situated within 40 m of streams. Such rules are very specific, even if not particularly demanding. During an audit it is much easier on both parties to use such clear operating standards. By contrast, requirements in terms of social aspects have not been spelled out in exact terms. For example, what guideline is one to use to evaluate, say, the adequacy of a company's "Corporate Social Investment?" Once the good intent of the social aspects of the FSC *standards have been interpreted into firms guidelines that are more easily measured, then social aspects will be more easily covered with the same rigour as environmental aspects. To give a hypothetical example, a specified guideline would be something like "Around 4% of after tax profit should be invested in social upliftment programmes to benefit communities other than direct employees." A prime candidate for such guidelines would be guidelines for company housing facilities.*

From the above it is clear that social aspects of the audit are more difficult to apply. The social aspects are less exact than technical forestry and environmental issues, and more difficult to pin down. It is often difficult to gather the objective evidence in support of a suspected failure. Companies are therefore less likely to receive CARs, especially major CARs, with respect to social issues for the simple reason that mutually accepted and commonly understood operating guidelines are not clearly specified. South African forestry standards could assist greatly by defining aspects of a social code of practice and setting down mutually accepted minimum standards or guidelines.

I can think of only one instance where a company received a major CAR on a social issue. This was essentially because we had a clear rule: they were in contravention of provisions of the new Security of Tenure Act. The new legislation is adequately specific for it to have been used in such an instance, serving in reality as an operating standard. However, the

company's legal council contested the interpretation of the audit team!

6.5 Comparable Conclusions

The most effective means of assuring or aiding uniformity in evaluations is to have more detailed, objective and measurable criteria and indicators, and standardised checklists. In addition to this, training of assessors and company employees would go a long way to developing a consistent and uniform understanding of standards and their interpretation. If everyone is more precisely aware of what the expectations are, then it is more likely that the appropriate evidence will be produced by the forest managers. Also, there will be less need to wait for the external audit to learn where the line is drawn.

However, the assessment is a sampling exercise so there is some luck of the draw involved in what the assessors see or don't get to see. This is one reason that the same objective and measurable standards and standardized checklists would not necessarily produce the same conclusions.

There is also, inevitably, going to be some subjectivity in the evaluation of performance, and this is another factor that is likely to cause a variance in conclusions.

6.6 *Typical CARs raised*

CARs are raised across the spectrum, from the relatively easily resolved to the long-term and difficult. Particularly easy to deal with would be things like a short-coming in the company policy statement, e.g. not signed/endorsed by the Chief Executive. By and large foresters probably have less trouble dealing with CARs of a technical nature, as these things are within the realm of their training Typically awkward are those concerning the social issues. One particular area is that of social responsibility and the applicable community. Companies tend to see their community as their employees or perhaps people who live on their land-holdings. They are hesitant to accept a broader vision of the affected communities and hence social responsibility for the company.

By way of example, CARs relating to environmental and forest management are regularly raised in connection with the following fields:-

- *Control of harvesting operations* or unsatisfactory adherence to the South African code of practice in harvesting, particularly regarding aspects relating to on-site damage and damage to adjacent reserve areas.
- *Roads and road drainage*; as a continuing cause of soil erosion and sediment delivery to streams, and road specifications appropriate to large forestry road systems not being applied.
- *Designation and maintenance of adequate streamside buffer and protection zones* for

sustaining streamflows, providing ecological corridors through the plantation monocultures, and buffers for water quality protection. An objective basis for the delineation of riparian zones in long-established plantations where streams are no longer perennial (as a consequence of the afforestation) is a particular problem.

- *Adherence to health and safety regulations*, especially by contractors, including control of chemicals and chemical stores.
- *Identification of the primary environmental impacts* of the forestry operations, and setting up of *appropriate monitoring programmes* for these has generally been poorly done. There has been little methodical approach to the issue of the monitoring that is required by FSC. A particular case is monitoring of water quality and quantity.

6.7 Two examples of Company responses.

The companies have generally responded to the roads problem by seeking to implement a higher standard of roads, by appointing staff with specific roads skills and by being more systematic in their approach to road-works planning.

The issue of delineating riparian reserves has been addressed as an industry-wide issue by all the big companies and a range of environmental interest groups. This initiative is aimed at producing a new and generally accepted standard procedure for delineation of riparian areas for the protection of streamflow.

New or prospective legislation? Unaware of or uncertain of new challenges.

7. Theme 4: The Learning Process.

Many issues of general concern or applicability are dealt with in apparent secrecy by the companies. There exists, therefore, a great opportunity for open and joint debate of the implications of the certification requirements and a rationale industry response on some issues. There is some call for more co-operation or at least debate amongst the large forestry companies, but as yet there has only been piecemeal action in this regard.

The new National Forest Act requires that local operating standards be developed nationally, and that these be implemented by all forest owners. This initiative may provide the impetus for joint debate and the pooling of ideas and learning in the industry.

On the ground and in the field, assessments are done by means of a process of continuous probing and query. Through following the line of questioning and, to a lesser extent, through discussion of some issues, many foresters find the audit experience to be a positive learning process.

7.1 *Extended and continuous learning.*

Assessments, as has been said before, are a sampling exercise. It is therefore vital that forestry companies do generalise the solutions that they have developed to address problems that have been identified at one or two locations. In this way certification provides the impetus for new operating procedures to be developed and spread throughout the company. As a company would generally prefer to have a single set of operating procedures or standards, this learning also applies to parts of the company outside the scope of the area applying for a certificate.

Evidence that such learning from the certification process is spread is seen by the assessors during surveillance visits. The revised operating procedures and manuals for the whole company, and course schedules, notes and attendance lists are presented as documentary evidence that changes have been made and staff have been informed and trained where necessary. A common response to a CAR is that the company would appoint an action committee to address the CAR (for instance, a working group to revise company road maintenance standards), and the minutes of meetings of such committees and their resultant recommendations, plans and revised guidelines will be recorded to present as evidence to the FSC auditors. The implementation of such new guidelines will also be checked on the ground.

By raising the general standard within the large companies, certification will indirectly cause standards to be improved throughout the industry in South Africa. Certification is creating a market for forestry auditing skills and these skills are likely to further standardise operations to a "certification level" throughout the industry.

7.2 *General Recommendations*

A crucial ingredient of the success of certification in South Africa is strict and independent third-party auditing. Most of the companies in South Africa have had some form of environmental auditing in place. While this has been part of improvement of management by these companies, many of the difficult issues have been ignored in this process (for example, roads and erosion, and riparian reservations in established plantations). Very commonly companies have failed not on the new FSC P&C *per se* but rather on the weak or incomplete implementation of South African forestry operating standards. Also, while the requirement for the independence of the auditors may seem fairly obvious, the forest industry in South Africa is fairly small, and dominated by a few, powerful companies Finding independent audit companies and auditors within the country is therefore not a trivial matter.

Box 1: The example of water quality monitoring.

FSC principles and criteria require that the environmental impacts of the forestry operation are identified and that the key impacts are monitored. The foremost environmental issue in South African forestry is that of the hydrological effects of forestry. Even before the first main assessment Safcol, the first of the larger South African forestry companies to apply for certification, were looking for a practical means to monitor water quality. However, by the time of the main assessments there was no firm plan in place and CARs were therefore issued on water monitoring. Eventually, the big companies, Safcol, Mondi and Sappi, realizing that this was a common issue, established a joint water quality monitoring strategy, agreeing to use the same bio-monitoring methodology. This enabled the establishment of a small, private, specialised bio-monitoring service for these timber companies.

Box 2: Road Building Standards

Forestry companies typically have very extensive forestry road systems. These roads are commonly rather neglected and serve as an continuing source of erosion and sediment delivery to streams draining the forest estate.

Company A, when issued with a CAR on this issue, responded by appointing a champion to resolve the road issue. The company contracted a roads engineer who had extensive experience of gravel road construction in Africa to draw up revised road building and maintenance guidelines, and to present a training course to roads representatives within the company. A committee comprised of the forest engineering experts and the regional roads representatives from around the whole company were appointed, and this group met twice for workshops, and to receive advanced training from the engineering consultant. Obviously, repair of all roads will take a long time, but decisive steps have now been taken by this company to address the problem in earnest, and to keep staff focussed on the issue.

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INTRODUCTION

As markets become more and more competitive new and additional criteria become critical for market success. This is most obvious when one considers how prices competitiveness is no longer adequate for winning customer orders. Other criteria that are becoming increasingly important are quality, design, variety and service. A more recent demand from customers, particularly in developed countries, is for environmentally sustainable products. In the forest products sector such customer demands have coalesced into the development of the internationally recognised Forest Stewardship Council (FSC) and International Organisation for Standardisation (ISO) environmental certification programmes. The ISO 14000 series offers a framework for the certification of environmental management systems, while the FSC system focuses specifically on forest management certification, along with other social and economic aspects of sustainable forest utilisation.

This report forms part of the IIED's research project into Sustainable Private Sector Forestry, and looks at the impact of environmental certification on the South African forest products supply chain. In the South African case environmental certification generally takes the form of FSC forest certification and chain of custody certification, although a few firms have chosen to obtain ISO 14000 certification. An initial round of research conducted by Sarah Roberts of the IIED, included the large forestry and milling groups in South Africa, namely Mondi, Safcol and Sappi, as well as a few manufacturers. This report is based on a subsequent round of research that aimed to expand the understanding of the impact of certification on the supply chain by focusing on other stakeholders along the chain. A total of 17 interviews were conducted, 14 in person and 3 telephonically, in KwaZulu-Natal, the Western Cape, Mpumalanga and the Northern Province. Respondents included B&Q's agent in South Africa, 10 timber products manufacturers[1] with FSC chain of custody certification, 2 manufacturers without FSC, a representative of Mondi and a representative of a smaller group of mills, as well as two companies that combined sawmilling and manufacturing activities. In addition the local SGS[2] office was contacted to clarify a number of issues around the certification process. The focus of the study was on FSC certification, and respondents were drawn from the SGS list of FSC certified firms. FSC currently has no following amongst South African retailers, and all respondents were thus drawn from stakeholders involved either directly or indirectly in the export market.

As will be highlighted, the FSC system of environmental certification has spread rapidly in South Africa. The high level of take-up of the system in South Africa is misleading, however, and cannot simply be taken to mean that FSC certification is being universally demanded by retail customers in South Africa's key export markets. Interviews with South African manufacturers suggest that the rise and spread of the FSC system in South Africa reflects a much more complex set of market dynamics and manufacturer expectations. At the same time, the highly concentrated nature of the South African forestry sector has facilitated the rapid spread of FSC throughout the country's timber products industry. The experiences of South African timber products manufacturers suggest that the future of the FSC system is far from certain. The continued relevance of the system will depend strongly on whether developed country retailers extend their

[1] For an outline of the manufacturing units interviewed please see Appendix I.

[2] Until recently SGS has been the only FSC accredited certifier in South Africa. The South African Bureau of Standards (SABS) has now been accredited to provide FSC certification, but all of the firms interviewed were certified by SGS.

support for the system, while its spread in developing countries is likely to be highly dependent on the shape of the wood and wood products industry in each country.

The aim in this report is to get to grips with the impact that FSC certification has had on the South African forest products supply chain, with particular emphasis on furniture and other value-added timber products manufacturers (DIY and houseware products). Central to understanding this is to understand *why* certain South African manufacturers have decided to obtain FSC chain of custody certification, and indeed, why others have not. We wish to understand how FSC spread through the South African industry, where the drive for certification came from, and what the expectations of FSC certification were. Next we look at the practical issues of FSC certification – how the system has been implemented in firms and what the barriers have been to the spread of FSC amongst South African manufacturers. Thereafter the report will look at the costs and benefits of FSC to certified manufacturers. Finally we will attempt to draw some conclusions about the overall sustainability of the FSC system.

INDUSTRY CONTEXT

The South African forest products supply chain consists of local softwood and hardwood plantations, sawmills and manufacturers. Almost all materials used by manufacturers are locally produced, with the exception of some imported hardwoods. South Africa's main timber resource is commercially cultivated pine, although there are also significant plantations of Eucalypt hardwood species such as Saligna. In 1996 approximately 12% of South Africa's timber went to the furniture sector, making this sector a relatively small user group (IDC 1998).

The sawmilling sector is dominated by a number of large groups with interests in forestry and sawmilling, as well as related activities. These groups include Mondi, Safcol and Sappi. In addition there are a number of smaller sawmilling groups. Finally there are about 300 informal sawmills, usually referred to as "bushmills" that play an important role in meeting niche market demand (IDC 1998). Approximately 68% of softwood lumber sales[3] in 1999 came from formal sawmills, with the remainder from Low Cost mills and bushmills[4] (South African Lumber Index, January 2000).

South Africa's timber furniture manufacturing industry employs about 11 500 people (Finance Week, 9 July 1999), although the industry has experienced a significant loss of employment over the past several years, with about 5 000 jobs lost in the past three years. The value-added timber products sector on which this report focuses is divided into two main groups – firms focused on the domestic market, and producing mainly from particle board, and export-oriented firms manufacturing almost exclusively solid timber, mainly pine, and to a lesser extent, Saligna and other Eucalypt species. The domestic market is by far the most important market for local producers, accounting for 87% of production in 1996 (IDC 1998). However, environmental awareness is at an extremely low level in the domestic market, and research has shown that few retailers or domestic market focused manufacturers are even aware of the international drive for

[3] This is from South African mills – total annual sales were 1 805 047 m^3, with 151 448 m^3 coming from the formal sector. Another 71 759 m^3 came from mills in Zimbabwe

[4] Bushmills are usually mobile sawmilling operations, while Low Cost mills are permanent small scale sawmills.

environmental certification (Dunne 1999). For the purposes of this study, therefore, the emphasis will be on timber product exporters.

South Africa (or more correctly the Southern African Customs Union[5]) features twenty fourth on the list of exporters for Furniture and parts Thereof (SITC 821) in 1995, up from thirty sixth place in 1989. Although exports have been growing since the late 1980s, exports still account for only 13% of production (IDC 1998). Up until 1987 furniture exports did not exceed 3% of domestic production (Manning 1996). Exports are focused on pine knock-down household furniture (beds, wardrobes, desks and tables, for example), small houseware items (such as wooden kitchen utensils and ironing boards), DIY products (including shelves and doors), and increasingly, Saligna garden furniture. Key export destinations are the UK and Germany, although exports also go to other parts of Europe, the USA, Australia and the French Islands (including Mauritius and Reunion).

A key feature of South African furniture exports is their low unit value (Dunne 2000; Manning 1996). Some evidence of this is provided in Table 1, below:

Table One:

British Timber Furniture Imports from Selected Countries (1997)

Imports to the UK from:	% of Trade	Unit Value (Euros/ton)
France	3.7	5.2
Italy	15.0	4.6
Germany	7.9	4.6
USA	3.6	4.3
Croatia	0.4	4.0
Denmark	6.9	3.7
Indonesia	5.6	3.4
Chile	0.1	2.5
Malaysia	3.9	2.3
China	3.9	2.3
Poland	1.8	2.3
Canada	0.4	2.3
Brazil	3.7	1.9
South Africa	4.1	1.7

Source: Biggar, Morel & Sharma (1999)

It is of some concern that the unit value of furniture imported from South Africa is lower than that of any other country shown. Manning (1996:108) attributes the weak export performance of South African manufacturers to two factors: "the internal weaknesses of South African furniture producers, and ... inter-sectoral weaknesses (in the quality and availability of timber inputs)". This is confirmed in other studies of the South African timber furniture industry (Dunne 2000; NPI 1995).

[5] The Southern African Customs Union, or SACU, comprises South Africa, Namibia, Botswana and Lesotho and Swaziland. South Africa is by far the most significant economy in SACU.

THE SPREAD OF FSC IN SOUTH AFRICA

It is well known that the FSC certification system has been driven in large part by B&Q, the UK hardware retailer, following a period of environmentalist boycotts of its products. Intuitively one might expect the system to have spread in two ways – horizontally and vertically. The horizontal spread amongst retailers would likely begin in the UK and then spread to Western Europe and other parts of the world. The system would spread vertically along the supply chain, with retailers meeting their FSC obligations to source from sustainable sources by putting pressure on their suppliers to obtain FSC chain of custody certification. This in turn would force timber product manufacturers to exert pressure on their timber suppliers to have source forests certified Interviews with South African timber product manufacturers suggest that there has been a limited horizontal spread of FSC and consequently less extensive vertical pressure from retailer to manufacturers than is often imagined. However, what cannot be underestimated is the crucial role of B&Q as a force for environmental certification in South Africa.

In South Africa the spread of FSC was clearly prompted by B&Q's history of sourcing pine products in this country, however, the spread of FSC extends beyond B&Q's presence in the country. B&Q's agent in South Africa, Alpine Trading, was instrumental in publicising the FSC environmental certification system. Notably however, this spread of information was not directed solely at B&Q's manufacturing suppliers and *their* raw material suppliers. Rather Alpine Trading, in conjunction with a large South African manufacturer that supplied B&Q organised a public seminar to provide information on the FSC certification system. Alpine Trading's early experience of promoting FSC was that the system spread slowly, and was initially regarded as something of a "money-making racket" by some firms. Nonetheless, B&Q's suppliers were under pressure to obtain certification if they wished to maintain the relationship, and as might be expected, the first firms to obtain FSC certification were predominantly B&Q suppliers.

Obviously, these early FSC certified companies could not have obtained certification without access to timber from FSC certified forests. As Alpine Trading put it, FSC is "a system that needs everyone on board to work", and very early on it became obvious that bringing the mills and growers on board was crucial to the successful spread of FSC in South Africa. In South Africa the timber growing and milling industry is extremely concentrated, with three groups – Mondi, Sappi and Safcol[6] - with interests in both forestry and milling dominating the sector. The process whereby FSC spread to the sawmills reflects quite clearly the 'push' down the supply chain by which one would expect the demand for environmental certification to spread from end customer to retailer to manufacturers to sawmills and finally to growers. Manufacturers, unable to obtain chain of custody certification without an FSC certified timber source, put pressure on the sawmills to obtain certification for themselves and their source forests. At the same time, certain export customers, particularly those in the UK or supplying the UK market were beginning to raise the issue of FSC certification, and this prompted both independent and group sawmills to put pressure on their source forests to certify. According to Alpine Trading, the "biggest breakthrough for the system in South Africa" was probably the decision of Mondi's single biggest sawn timber customer to go for FSC certification. Similarly Safcol was prompted to bring its sawmills into the FSC system as demand from its customers grew For the first manufacturers to get chain of custody certification the biggest obstacle to be overcome was convincing the large milling and forestry groups of the value of FSC certification. In several cases manufacturing

[6] It is important to note that in this paper we are focusing solely on the sawn timber divisions of the mills in question

respondents reported that there was a delay in getting chain of custody certification as they waited for the key sawmills to get certified. However, while a representative of Mondi acknowledged the influence of pressure from customers on the decision to go for FSC certification, it should be remembered that sawn timber for value-added timber products manufacturing is an extremely small part of the milling groups' business. The relationship between value-added products manufacturers and the mills is often problematic for this very reason, with manufacturers complaining about a lack of attention to their needs on the part of the mills. It seems highly unlikely that FSC would have spread as smoothly as it did without a certain amount of incipient goodwill on the part of the mills. Moreover, in South Africa the certification of forests was relatively unproblematic, as good forest management principles were already in place, and source forests were commercially cultivated, rather than natural. Only Sappi was reportedly fundamentally opposed to FSC, and reluctantly began with FSC certification only when competitive pressure made it inevitable.

Box 1

Braecroft Timbers: Feeling the pressure to certify

Braecroft Timbers is owned by Steinhoff International Holdings Ltd, and comprises five sawmills and two manufacturing units. The company has been focusing its attention on exporting for the past six years, and has felt the pressure to get FSC certification in the pas two years. The five sawmills produce timber for the local and export market, while th manufacturing units produce shelving and other value-added products for the export market.

Braecroft is in the unusual position of viewing the pressure towards FSC certification fro both a manufacturing and a sawmilling perspective, and it was pressure on both of these operating activities that prompted the company to apply for FSC certification. On the manufacturing side B&Q was a major customer, and was beginning to exert pressure for its to obtain FSC certification, while on the sawmilling side other South African timber product exporters were exerting pressure on Braecroft to obtain chain-of custody certification for its sawn timber.

As pressure for FSC was limited to the exporter market, Braecroft chose to certify only thei two mills with adjacent export manufacturing units. The Weatherboard mill & factory were certified in June 1998 (as Weatherboard Sawmill of Braecroft Timbers Pty (Ltd)), and the Malenge mill & factory in September 1999. Of the two FSC certified mills, about 50% of the timber ends up in the export market.

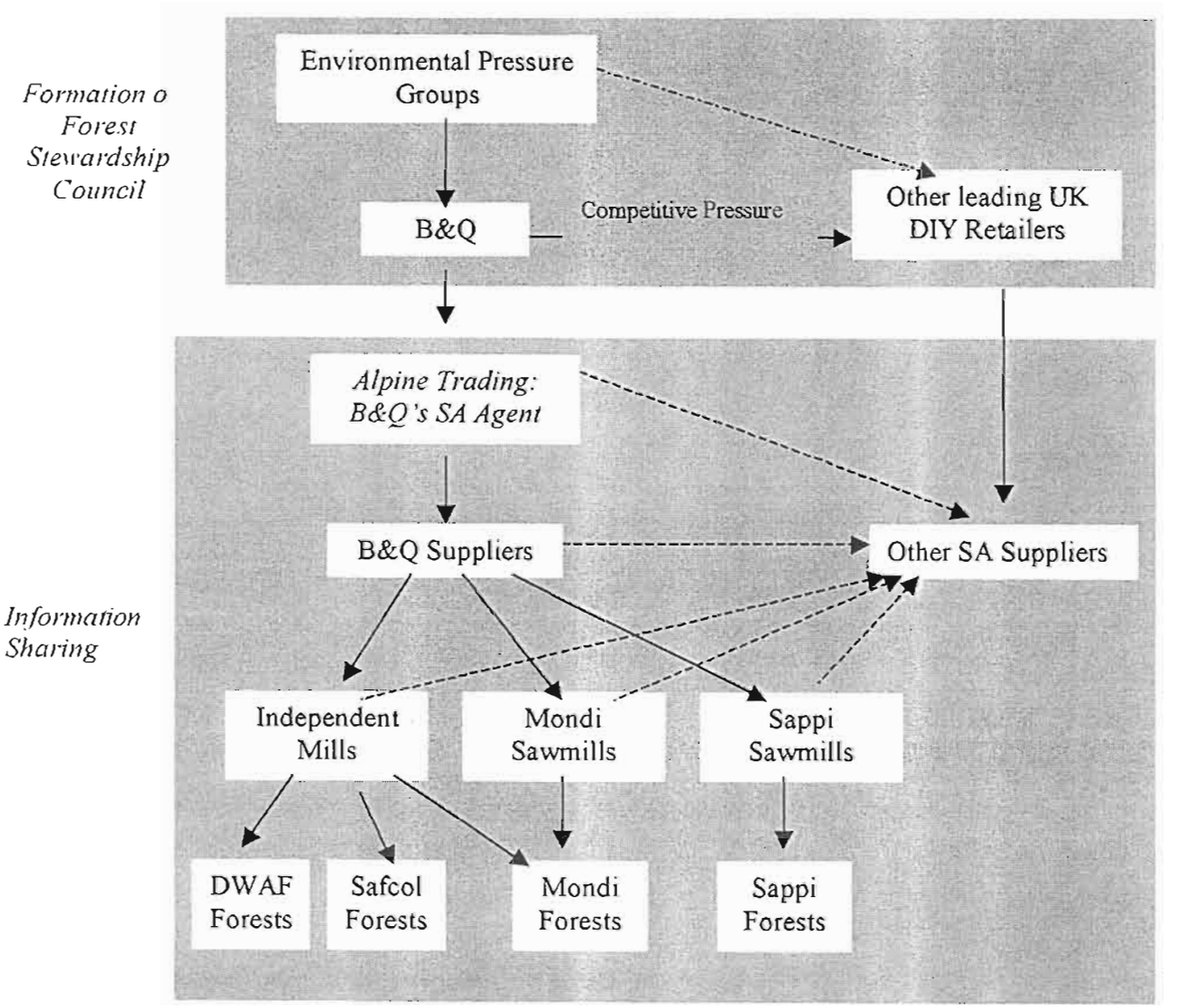
The company is still supplying B&Q, although FSC has not offered any specific marke advantages, as "everyone has it". But the company is sure that *without* FSC they would hav lost access to this market. FSC has been a prerequisite for gaining other customers in the UK However it has not had any effects on relationships in terms of price premiums, nor has i brought about long term commitments from buyers.

Source: Interview with Jed Krige and Gary Chaplin

Once the key mills supplying sawn timber to South African manufacturers were certified, the chain of custody certification process became much simpler for manufacturers, and a second round of certification amongst manufacturers, many of whom were *not* B&Q suppliers, ensued. Some of these manufacturers supplied B&Q's competitors in the UK, who themselves were coming under pressure to meet the standard of environmental awareness set by B&Q. As one such manufacturer stated: "B&Q was the cause behind our certification: they set the standard, and our customers had to follow". At the same time, once the sawmills were certified they began to promote FSC and encourage their customers to get chain of custody certification. The complex web by which the pressure from one UK retailer, B&Q, spread to manufacturers throughout South Africa is represented below:

Figure 1:

Diagram Showing Spread of FSC in South Africa



INITIAL MOTIVATION

As already argued, the initial spread of FSC in South Africa was predictably amongst manufacturers already supplying B&Q, although some of these firms supplied very little of their overall production to B&Q. B&Q made it clear to suppliers that by the year 2000 it would source only from FSC certified suppliers. B&Q is an important customer amongst South African DIY product exporters, offering high volume (although low price) orders, and B&Q's suppliers were generally prepared to get FSC chain of custody certification if this was necessary to maintain access to a potentially very lucrative distribution channel. While timeously meeting future B&Q environmental requirements was one aspect of the motivation to obtain chain of custody certification, another appears to have been the expectation of increased business from B&Q. Many South African manufacturers appear to have believed that FSC would provide an opportunity to capitalise on their existing relationship with B&Q and their ready access to sustainable, commercially cultivated timber sources to strengthen their position as a supplier to B&Q, and indeed to other major UK retailers. Whether this expectation was realistic will be discussed in some detail in the section on the benefits of FSC certification.

Box 2

TDM: Choosing the FSC route

TDM is one of the larger timber products manufacturers in South Africa employing 680 people. The company produces house doors for the import and export market. The primary export market is the UK, while exports also go to the USA and Australia.

TDM was a forerunner in the South African drive for FSC certification, and has been certifie for about 3 years. The company has an ongoing interest in environmental issues, so invested time in getting key players along the supply chain (mills and forests) involved in the process In South Africa FSC was 'sold' to the mills and growers by manufacturers who had bee made aware of FSC by their end markets. Although TDM supplies B&Q, the primary motivation for obtaining FSC certification was to improve the company's general reputation on environmental issues, rather than simply to respond to market pressures. There was neve any question about a choice between FSC and ISO 14001 as an environmental system – IS is seen as 'a set of rules about how to write rules', while FSC is a simple 'pass or fail' system The company does have ISO 9001, and has been certified since 1981.

When TDM was certified there was no accredited certifier in South Africa, and the company was forced to use SGS from the UK. This proved extremely expensive, as the cost o assessment was paid in pounds. SGS has subsequently opened an office in South Africa, an the cost of certification is now much lower.

Source: Martin Scharf

There appears to be a number of reasons why firms *not* supplying B&Q have chosen to obtain FSC chain of custody certification. For a few manufacturers, environmental concerns were the primary reason for certification, and indeed, this is equally true of firms that *did* supply B&Q. Amongst this minority of firms environmental concern predated the introduction of FSC, and

firms were eager to have a vehicle by which their environmental awareness could be publicly recognised. In truth timber product firms had an option of ISO 14000 or FSC as a means of formalising their environmental policy. FSC appears to have been the favoured option for a number of reasons. Firstly, market signals were clearly pointing to FSC as being the favoured environmental certification programme in the key South African export markets. Secondly, ISO is viewed with some scepticism amongst many manufacturers, and is often viewed as a "set of rules about how to write rules", making it a poor vehicle for expressing environmental awareness. Finally, FSC is a simpler system, and certification costs are lower than is the case with the ISO 14000 series[7].

Another reason why firms not supplying B&Q decided to get FSC was the perceived *marketing* benefits. B&Q, through its local agent, was very successful in publicising the FSC system in South Africa. Interviews suggest that manufacturers were left with the impression that FSC would rapidly become a very real pressure, and that firms without FSC would soon be unable to supply the UK market. Indeed, FSC *has* spread to other DIY retailers, particularly in the UK, but also in Germany and the USA. Apart from B&Q, UK retailers asking for FSC include Homebase, Wicks, Great Mills and Metpost, while Bauhaus in Germany and Home Depot in the USA are also requesting FSC certified products from South African manufacturers. Firms assumed that the demand for FSC certification would spread amongst retailers, ultimately causing FSC to become an industry standard. Under these circumstances it is rational for firms that have not come under pressure from their buyers to obtain FSC certification to nonetheless do so. As one manufacturer put it: "We got certified to maintain our supply position down the line". In this view FSC certification is considered a potential trade barrier that might conceivably exclude South African manufacturers from the UK and other European markets. South African timber products manufacturers operate in a highly competitive market segment, with Brazil and Poland strong contenders in the developed country export market for low cost pine products. South African manufacturers were aware that FSC was positively regarded in the UK market, and were keen to be able to use FSC certification to differentiate themselves from competitors (both within and without South Africa) even if customers were not actively asking for FSC. This is part of the expected effect of FSC – as FSC certification spreads, (and consequently as the FSC symbol becomes more widely recognised) it becomes a useful marketing tool. In the early stages this serves to set manufacturers apart from their competitors, although the anticipated end of this process would be that competition forces manufacturers to obtain FSC certification simply to avoid being the 'odd firm out'.

The Logistics of FSC Certification

FSC certification can be differentiated according to two criteria: the activity of the enterprise in question, and the sourcing policy of the enterprise. In the first instance, FSC certification in the true sense applies to timber growers; all other stakeholders along the forest products supply chain apply for a chain of custody certificate that in essence confirms that their products are sourced from an FSC certified forest. While the research from this report did not cover any growers,

[7] In the section titled "The Costs of Certification" an approximate figure of R10 000 (excluding transport expenses) is given for the cost of the initial audit and registration fees for FSC chain of custody certification in a hypothetical firm employing less than 150 people. Discussions with SGS set the cost of the initial audit and registration fees for ISO 14001 in the same hypothetical firm at approximately R23 000.

respondents were well aware that the true burden of FSC certification lies with the forest. FSC certification of forests looks at a complex set of environmental and social concerns that extends beyond simply whether harvested timber is being replaced, to consider the way in which forests are established and managed, and the environmental and social implications of forestry decisions. Chain of custody certification on the other hand is concerned with ensuring that a firm can trace the source of its timber to an FSC certified forest. As such it is a simple system, described as "a book-keeping system" that required "documentation changes" and "a rubber stamp".

The sourcing policy of the firm has a huge impact on how easily FSC chain of custody certification can be integrated into existing factory practices. Firms wanting FSC chain of custody certification can opt for the fully certified system or the dual system where the enterprise is allowed to handle both FSC and non-FSC timber A dual system is considerably more complex to administer, and requires procedural changes within the factory in order to ensure that FSC and non-FSC timber is not mixed during the production process. While the latter system is clearly more complicated a number of firms choose to operate in this manner, largely in order to ensure operational flexibility. For the first firms in South Africa to obtain chain of custody certification, access to sufficient FSC certified timber was obviously a worry, and some firms chose to use non-certified timber for those customers not yet asking for FSC certified products. Over time this concern has largely evaporated as more and more of the large mills and plantations groups have obtained FSC certification. Respondents running the dual system were in fact sourcing far more FSC timber than required by their order book, simply because their larger timber suppliers were now supplying only FSC certified timber. For other respondents running the dual system was necessary to accommodate subcontractors who produced certain components or products on their behalf. Similarly, certain dimensions of timber are produced only by the small, independent "bushmills", which have been slow to obtain FSC certification.

As we have said FSC chain of custody is a relatively simple system to implement, and was perceived as relatively unproblematic by most of the firms interviewed, although the process is obviously more complex for firms running the dual system. Similarly, the first firms to get certified in South Africa faced a number of additional problem relating to lack of information on FSC certification, a smaller pool of certified timber and the added burden of convincing the South African mills that certification was necessary and in the mills' interests. FSC dovetails with the requirements of the ISO 9000 and 14000 series, with six of the ISO 9000 requirements reportedly also required for FSC. The overlap relates to the fact that FSC chain of custody certification is concerned largely with the traceablity of timber, while ISO focuses on introducing systems to monitor quality or environmental performance. Firms that were ISO certified generally found FSC relatively easy to introduce in their factories, with most integrating FSC and ISO into one paperwork system.

How firms went about preparing for certification seems to depend very much on the level of prior knowledge and understanding of the FSC system. At it simplest, a manufacturer reported spending just twenty hours preparing for FSC certification, while other firms assigned the task to a dedicated employee for several months. As might be expected, running a dual system requires more time to set up, as more detailed paperwork and procedures are required to keep FSC certified and non-certified timber separate throughout the production process. The problems of the dual system should not be underestimated, with one mill describing the introduction of non-FSC material into the mill as "a nightmare", with the process of keeping FSC and non-FSC

material separate "painful and laborious". A few firms hired a consultant to advise on the implementation of the FSC system, although this seems to be largely unnecessary. Unravelling why some firms find FSC very easy to implement while others find the process more complex is important if one is to promote the spread of FSC, especially to smaller, less sophisticated firms. One manufacturer suggested that the problem in South Africa's relatively unsophisticated SME dominated timber products industry is that:

> "the average manufacturing operation is not oriented to paperwork, and manufacturers are unsure of how to document procedures on paper".

As will be highlighted, this lack of information on how to implement FSC is a common complaint of the firms interviewed.

A final aspect of the introduction of FSC that needs to be considered is the need for training. Firms operating a full FSC system generally did not find it necessary to introduce any formal worker training in order to secure its implementation. This system does not require any changes in production procedures, and thus has had little impact on most production workers. One manufacturer employing over 1000 people stated that only a dozen people were involved in maintaining the FSC system, including security personnel (who control access to the premises), checkers and administration staff. Some firms operating the dual system did however report that it caused some confusion amongst workers. For firms running the dual system some training is necessary, as workers must understand the need to keep certified and non-certified timber separate. While there was no worker resistance to the FSC system, the dual system reportedly caused some confusion, as it was not always clear to workers why seemingly identical timber should be treated differently.

PROBLEMS WITH FSC

Despite the relative ease with which the FSC system can be introduced and maintained, respondents identified a number of practical and conceptual problems with the system.

Firstly, as mentioned in an earlier footnote, there has, until recently, been only one company (SGS) accredited to provide FSC certification in South Africa. The first firms to be certified relied upon the services of SGS's European offices, and only once it became clear that FSC was a growing phenomenon amongst South African timber product manufacturers did SGS open local offices. While firms were generally happy with the service given by SGS during audits, the complaint was made that having only one accredited certifier in South Africa brought unnecessary delays to the process of certification. Manufacturers have reportedly faced long delays (of up to three months) between assessment and issuance of a certification number. Unacceptably long delays have also been experienced by firms awaiting approval of product labels. Similarly, some firms are concerned with the costs of certification, and feel that competition amongst accredited certifiers might lower costs. The accreditation of a second South African company (SABS) to provide FSC certification is likely to force both SGS and SABS to provide higher levels of service, although it is too early to access the impact of the second accredited auditor.

Labelling of FSC products is an issue of broader concern to respondents. All product labels bearing the FSC insignia must be approved by SGS in the UK, and as mentioned, this can mean unacceptable delays for manufacturers. Particularly when retailers are offering specials, the lead

time between when orders are placed and when delivery is expected can be quite short, and a delay while labels are approved can mean a lost order. Another problem with labelling concerns the controversy over defining what constitutes an FSC product. In the past, in accordance with the regulations governing the FSC certification system, a product could only be certified if it originated in its entirety from FSC certified inputs. In effect this meant that products (such as hollow doors) using currently uncertified (and indeed difficult to certify) materials such as plywood, chipboard and masonite cannot be FSC certified, even if the bulk of inputs are FSC certified. In an extreme case a solid pine ironing board might not qualify as an FSC approved product because it contains non-certified dowels. This situation seems to be changing however, with several respondents reporting moves underway to introduce a percentage-based system of FSC certification. Respondents produced two examples of how this would be done. In the one case the label would indicate the percentage of FSC material, and might detail the source of other materials in the product. In the second case, where the percentage of non-FSC material is very low and difficult to determine, manufacturers are planning to use an FSC label that simply adds "*The dowels in this product are not FSC certified*". Several respondents complained that they were unsure of how to implement the new labelling system, and indeed, whether it was permissible under current FSC rules. No clear guidelines had been given of what the new labels should look like, and at least one respondent had simply prepared a prototype label for and submitted it for approval.

The wider issue underlying some of the labelling problems is one of information, and this was identified by a number of manufacturers as being a weakness of the FSC system. In the first instance, many respondents reportedly had great difficulty in finding information on how to go about preparing for FSC certification. Respondents did not always know who to contact about FSC in South Africa, and found that there was a dearth of information on how to go about preparing the necessary paperwork. Notably, and despite the role often attributed to B&Q in the upgrading of its suppliers, B&Q reportedly offered little or no practical information or assistance towards obtaining FSC certification. The issue of what the new labelling system will mean for the layout of labels is another example of the lack of readily available, reliable information on FSC. While there might be information readily available from the FSC organisation overseas, this knowledge is clearly not spreading to the forest products sector in South Africa.

Finally, a number of respondents raised some conceptual concerns over the FSC system. FSC is perceived as a system designed to address the issue of sustainable management of tropical forests, and, as one manufacturer commented, "how much value FSC adds to the environmental movement in South Africa is questionable". For stakeholder in the forest products supply chain genuinely concerned with environmental issues, the emphasis on FSC amongst UK retailers seems to divert attention from the broader issues of environmental awareness. At the same time, FSC is only gaining attention in a small number of subsectors of the forest products sector. While the system has gained world-wide attention in the DIY and garden furniture sectors (where tropical hardwoods typically dominate) little or no pressure has been felt in the household and structural timber subsectors. There is the feeling that if FSC is really to have an impact it must be applied across the range of subsectors.

Another concern of respondents regards the ability of the FSC organisation to ensure the integrity of the certification system in some developing countries where bribery is reportedly rife. As one manufacturer with a background in the timber industry stated:

> "It is a real concern that FSC could be manipulated by unscrupulous operators who are prepared to buy and sell FSC certification. The FSC logo must be protected and genuine if it is to be sustainable. A guy with enough money shouldn't be able to buy FSC."

More specifically, the dual FSC system that allows non-FSC material into the plant is regarded with some scepticism, as it would appear to be reasonably easy to "cheat" on this system. SGS provides advance warning of their regular audits, and a firm would conceivably have time to ensure that it is dealing properly with non-FSC material by that time.

Problems with FSC need to be addressed if the system itself is to be sustainable. Practical problems slow down the spread of FSC, and build intra-industry resistance to the system. Even more worrying are the conceptual problems with FSC which have the potential to undermine the reputation of the system, thereby jeopardising its future.

THE COSTS OF CERTIFICATION

The costs of FSC certification have been difficult to ascertain with any accuracy. There are obviously a number of direct and indirect costs involved. The most obvious direct cost is that of the accredited certifier. Additional costs may accrue if a firm chooses to hire a consultant to prepare for certification, or to appoint or reassign a dedicated staff member. Indirect costs include the need to change to FSC certified suppliers, and any possible premiums charged on FSC timber.

SGS certification charges vary according to the size of the company and the complexity of its operations. Larger, more complex firms take longer to assess, hence the higher costs. Two audits a year are required to maintain certification. For a firm with less than 150 employees and a low level of complexity SGS estimates that the charge of the initial audit would be approximately R9 800, which includes the FSC registration fee (for registration of the FSC certification number) of about £380[8].

This tallies with the more reliable information from respondents, which suggested a charge of R10 000. However, on top of this basic charge is the transport cost (from the auditor's base city to the manufacturer), which averaged at about R2 000 per visit to a firm in KZN. Many smaller manufacturers find the charge of certification excessively high, and SGS has two schemes that allow firms to reduce the cost of certification. The small business option is designed for firms with less than 10 permanent employees, which require less time to certify and are charged at a lower rate. The group scheme (used by grower co-ops, for example) works out cheaper because firms share one FSC registration number, and hence one accreditation fee (paid in pounds). In addition, the two audits per year are shared between the sites (i.e. out of three sites, only two would be audited in any one year, a different one at each audit), which also reduces costs.

The other cost issue which warrants discussion is the indirect costs associated with changing suppliers and any possible premium charged on FSC certified inputs. Timber products are very price sensitive, and any price premium on FSC timber would be potentially problematic. However, whether there premiums *are* in fact charged for FSC timber has been extremely

[8] The exchange rate at the time of writing was approximately R10 = £1

difficult to determine, with contradictory evidence coming from those interviewed. While several manufacturers suggested that there is no difference in the cost of FSC and non-FSC timber, other estimates suggested that FSC timber costs between 6% and 40% more than non-certified timber.

On balance, a good case can be made for that fact that there is no premium charged on FSC timber *per se*. Price differentials are more accurately accounted for by three variables: the availability of timber, the size of the mill, and a period of adjustments within the timber industry in South Africa. Initially there were fears that there would be a lack of FSC timber available on the South African market, and that this would inevitably push prices up. This does not seem to have been the case with pine, with certification of the major mills providing an adequate supply of FSC certified timber. Any price differentials cannot therefore be explained by a shortage of certified timber. However, Saligna manufacturers are coming up against chronic timber shortages. Saligna is a species of Eucalypt that has rapidly gained prominence in overseas markets as a sustainable hardwood alternative to tropical hardwoods. The supply of Saligna has come under great pressure recently, with some manufacturers actually having to halt production for a short period due to a lack of timber. Saligna has been particularly linked with FSC due to its use it the DIY and garden furniture subsectors, and its particular position as a replacement for less sustainable hardwoods. The pressure for FSC Saligna might be expected to create even more pressure on those mills certified to supply FSC Saligna, and this might well have led to price increases.

While the South African forestry and milling industry is clearly dominated by large firms, small 'bushmills' none the less play an important part in the industry. Many manufacturers source from more than one mill, in part because certain mills will add value to timber (for instance by manufacturing certain components), and in part to follow availability or lower prices. However, not many of the smaller mills are FSC certified, and FSC chain of custody certification may force a change in the certified firm's supply base. Small mills are widely recognised to charge less for timber, or at the very least to be more flexible in price negotiations. As a firm shifts to FSC certified timber sources decreased flexibility in choosing suppliers might raise overall timber costs, and may be perceived by the manufacturer to be the result of more expensive FSC certified timber. One manufacturer who did not actively source FSC timber reported a 15% price differential between mills, and this was largely attributed to the size of the mills. It was suggested that larger mills have favoured FSC as it affords them some protection from small low cost mills, although such allegations are purely speculative. What is clear is that more and more independent mills are investigating the possibility of FSC certification, as are small independent growers. However, the cost of certification remains a major burden for such enterprises.

Finally, the timber industry in South Africa has recently undergone a period of adjustments as Safcol, the state-owned forest company began the process of commercialisation, with an accompanying end to the subsidies which had long benefited South African timber users. It is estimated that the log price has doubled in the past five years, bringing it to an internationally competitive rate. A persuasive explanation for the perception that FSC has increased timber prices is that FSC has been introduced to South Africa at a time when the industry was undergoing a natural adjustment that led to huge price increases. Any price premium specifically associated with FSC has simply been lost in these increases.

THE BENEFITS OF CERTIFICATION

Amongst some of the first B&Q suppliers certified there seems to have been the expectation that B&Q would 'reward' their rapid certification by transferring business from non-certified manufacturers. However, these 'first comer' benefits did not materialise. B&Q instead made it a policy to work with suppliers, and not to penalise them in the short term for not having FSC certification. The story was related of *Firm Z*, a South African firm that supplied B&Q, and was quick to respond to the call for FSC certification. The company assumed it would get more of B&Q's business once it obtained FSC certification, however, B&Q's perspective was that it was not 'in the spirit of FSC' to prejudice other suppliers before the year 2000 deadline. *Firm Z* complained to B&Q, and ultimately the relationship ended.

FSC certification has also not had the effect of giving South African manufacturers access to a whole new range of customers. Two viewpoints have emerged from the interviews. The first sees that the demand for FSC has been slow to spread in the UK and European markets, and that having FSC has therefore not made South African firms particularly attractive as suppliers. The second viewpoint suggests that the major players in the UK, and increasingly the German markets demand FSC, and that manufacturers have no choice except to comply. According to this viewpoint "everyone has it" (FSC), and a firm is simply "not in the game if you don't have it". What accounts for the different experiences of South African manufacturers is probably the retailers they target. As one manufacturer pointed out, FSC "is not a big deal with the 'mama and papa' stores in the UK or Germany", while conversely, the larger chain in these countries are more prominently in the public eye, and are forced to conform to the demands of vocal interest groups.

What is unanimously agreed upon is that FSC offers no price premiums. The message reportedly received from retailers was that "green is good as long as it doesn't come at a premium". There is clearly some inconsistency between public demands for environmentally sustainable manufacturing and the willingness to pay a premium for such products in the end market. Many respondents remain convinced that the end customer is more concerned about price than environmental issues and that far from being a reflection of the demands of "the man in the street", FSC is a response to the demands of a vocal and media-savvy minority. At the same time FSC certification has not meant a commitment to long term purchasing on the part of buyers, as price remains a crucial determinant of competitiveness.

Despite the above, it would be incorrect to assume that FSC certified firms in South Africa are extremely negative about the FSC system. While they might not have seen concrete improvements in their market position, many manufacturers feel that "certain doors were closed to us because we didn't have FSC", or that FSC "prevents doors being closed on us, although it doesn't necessarily open new doors". Some firms have indeed seen benefits from FSC certification. Some firms feel that having FSC certification has made them more attractive to prospective customers, and others report getting orders for new products from existing customers as these customers try to move away from non-FSC certified suppliers, particularly in Asia. As mentioned, new opportunities appear to be opening up for Saligna manufacturers as environmentally concerned retailers search for sustainable hardwood products. Without exception the respondents did feel that FSC would spread, at very least in the UK and in parts of Europe. In general, FSC certification alone appears insufficient to command new business, but combined with an existing relationship with a customer sourcing FSC products, adequate manufacturing

capacity or a specific position in the industry (such as in the Saligna subsector), FSC undoubtedly can offer market benefits.

Box 3

David Egenes Timbers: Winning with FSC

David Egenes Timbers began operating in 1990, and currently employs 1100 people and has an annual turnover about R110 million, making it one of the largest timber products manufacturers in South Africa. The company produce 100% for the export market, and expor to most EU countries, the USA and Australia. They produce DIY products (bookshelves shelving and garden furniture), predominantly in pine, although some Saligna is used. The company purchases R45 million of raw timber per year, of which R30 million is purchased from Mondi.

The company's customers are mainly DIY retail stores, and it was retail pressure that drove the company to obtain FSC certification. David Egenes Timbers saw a gap in the market and reacted quickly, becoming one of the first South African manufacturers to get FSC chain o custody certification. FSC certification was delayed while the company waited for Mondi their key supplier to obtain certification.

While there is no price premium associated with FSC, David Egenes Timbers *has* benefited from FSC certification. The company has seen increased business due to its FSC certified status, specifically as a result of orders for new products placed by existing customers Garden furniture has typically come from the East (especially Malaysia), and South African manufacturers could not compete. However, once B&Q decided to purchase FSC certified products they could no longer purchase from their traditional sources, and looked to South Africa for a sustainable source of timber, especially hardwood. David Egenes Timbers has se up a new factory, which employs 500 people, solely as a response to the demand for FS certified garden furniture. Turnover has doubled as a result of new FSC lines The company was able to benefit from FSC because of its existing reputation as a reliable supplier, and its ability to rapidly expand its already considerable production capacity.

Source: David Egenes

Finally, Alpine Trading, the South African agent for B&Q pointed to an additional and unexpected benefit of FSC certification inherent in the transparency it brings to the supply chain. Because all certified products are clearly marked with the manufacturer's certification number, it becomes easier to monitor quality standards. The identification number means that defects can be traced back to the manufacturer, whereas before it might only be possible to identify that a defective product came from South Africa. At the same time, a *manufacturer* identified this same issue as being problematic, as customers are able to walk into a competitor's store and determine by the FSC certification number whether a particular supplier is also supplying its competitors!

THE FUTURE OF FSC CERTIFICATION

It is important to recognise that the pressure for FSC certification has not been applied evenly across the timber products sector. As highlighted, pressure appears to have been concentrated in the DIY and garden furniture subsectors, probably because these are subsectors where tropical hardwoods traditionally play a large role. At the same time, even within these subsectors relatively few retailers (mainly the large chains) are actively sourcing FSC certified products. Manufacturers in the DIY and houseware subsector considered FSC certification a growing trend (even if they had yet to experience any direct pressure for certification). However, manufacturers producing other timber household furniture such as beds have yet to see any talk of FSC certification in their subsector, and have seen little evidence that FSC certification will become a dominant issue in their markets in the near future. It would also seem that greater pressure is being felt to find FSC certified sources of hardwood, as hardwood is more likely to come from an unsustainable natural forest source than is softwood such as pine. South African manufacturers producing with Saligna see new market opportunities emerging as they attempt to position Saligna as a substitute for unsustainably harvested hardwoods such as teak.

Box 4

Woodstreet Furniture Manufacturers: How widespread *is* FSC?

Woodstreet is a family-owned company that was established 11 years ago, and employs abou 100 people. The company is a dedicated exporter, and the primary export market is the U (accounting for about 60-65% of production). The product range consists primarily of pin bedroom furniture.

Woodstreet first heard about FSC about 2 years ago, and were initially very concerned, as the sense was that it would spread very quickly in the UK market However, B&Q was the company's only customer to set down a strict timetable for implementing FSC sourcing Woodstreet no longer sells to B&Q, and are not feeling any pressure for FSC certification from other buyers. Other buyers have mentioned FSC, but they are not calling for it yet There has not been any significant pressure from the continent for environmental certification although the German market places great emphasis on other environmental issues such as recyclable packaging and water-based lacquer. In the company's market segment safet standards are very important in the European market (for bunk beds, for instance).

Woodstreet is currently preparing for ISO 9001 quality certification. The company started the process two years ago, hoping for a competitive edge, but while ISO has not delivered to ful expectations in this regard, benefits in terms of production efficiency have been significant The company has included FSC in the ISO quote, but are holding off on making a decision on FSC until the end.

Source: Vijay Naidoo

Given the relatively limited spread of FSC amongst UK buyers, essentially the nucleus of the drive for FSC, it is not surprising that pressure from European and other buyers has been even more limited. Once again, while European buyers are reportedly aware of FSC, only one or two large German chains are actively sourcing FSC products. However, manufacturers supplying the European market *are* coming under pressure over a range of other environmental issues (such as recyclable packaging and water-based finishes in the German market). At the same time the USA market is generally perceived as being averse to FSC, although the largest USA DIY retailer, Home Depot has recently followed the example of its UK counterparts and begun to source FSC products. Some buyers appear to be opting for the ISO 14000 environmental management system over FSC. At least one interviewed manufacturer had experienced this in a specific context:

> "Our USA clients were not asking for environmental certification, but made it clear that they definitely didn't want FSC. They preferred the ISO 14001 option."

A number of manufacturers who are currently in the process of obtaining, or investigating quality and environmental certification through an SME support programme indicated that they were planning to include ISO 9000, ISO 14000 and FSC in their certification drive. However, ISO 9000 was considered the priority by these firms. In general, respondents felt that the momentum of FSC certification had been slower than expected. As one manufacturer put it:

> "Initially it was said that if a company didn't have FSC by 2000 it would be difficult to supply into the UK market. Now there is the sense that pine will take another 2-3 years to get to that stage, and hardwoods another 3-5 years".

The above discussion raises questions about the future of the FSC system. Part of the problem appears to be that FSC has been driven by a small pressure group, rather than by widespread public demand. While pressure groups might be effective in convincing large retailers to adopt new environmental measures, they have much less impact on small independent retailers. At the same time, pressure is only being applied on retailers in certain subsectors. As one manufacturer put it: "FSC should be a blanket approach, because only then does it serve its purpose". However, as was understood by most of the respondents, the FSC system is more concerned with, and better suited to the conservation of tropical forests. As such FSC may be largely irrelevant in other forest products subsectors. If this is the case, it may become apparent that FSC has limited use as a vehicle for widespread environmental certification. It would be presumptuous to assume that FSC will automatically become the industry standard for environmental certification: as argued, some retailers may prefer ISO 14000, while others are focusing on national standards that extend beyond the forest focus of FSC certification.

Conclusion

South African manufacturers seem to have mixed feelings about FSC. The hope that FSC would yield concrete benefits in the form of either price premiums or higher levels of demand proved false. Yet few respondents seem overtly negative towards FSC, and it is widely believed that FSC will spread in overseas markets, and that FSC certification will become increasingly important for South African exporters. Resistance to FSC seemed to focus on the cost of the system, which whilst not exorbitant, might impede the spread of FSC certification to small growers, sawmills and manufacturers.

The whole idea of FSC certification seems to be surrounded by an aura of publicity that has obscured the actual level of demand for it in the marketplace. While casual discussions with

manufacturers suggest that FSC certification is vital for ongoing access to the European, and particularly the UK market, in-depth interviews have made it clear that by no means all manufacturers are feeling direct pressure to obtain FSC certification. FSC certification is still in its infancy, and limited predominantly to the DIY and houseware segments of the UK market. The business world is profit-oriented, and many manufacturers perceive that FSC, despite its laudable goals, is, from the perspective of the retailer, simply a marketing exercise. The spread of FSC is dependent on other retailers concluding that those retailers that have gone the certification route are in fact capturing benefits from the process. Furthermore, environmental concerns are just one of the criteria demanded by customers, and the general consensus seems to be that even in the UK, it is by no means the most important. Price, quality, structural integrity and packaging often outweigh environmental concerns. What will happen with the FSC system in the future remains to be seen, but what does seem clear is that the FSC system has some way to go before it can claim to be the answer to environmental concerns in the forest products sector.

Having said this, it is worth concluding with a note of caution. As has been pointed out, the spread of FSC certification has been strongly tied to specific market segments, and this might well have skewed the picture of FSC certification that can be drawn from the South African forest products sector. On the one hand, South African timber products exports are strongly focused on the DIY and knockdown pine furniture markets. Perhaps more importantly however, evidence suggests that South African timber product exports are focused in low-value market segments, where price will invariably be the most important determinant of competitiveness. In the long term the spread of FSC certification might well lie in a very different market segment, where price has less bearing on competitiveness, and where manufacturers need to constantly find new ways of adding value to, and differentiating their products.

Appendix 1: Details of Timber Products Manufacturers Interviewed[9]

Company	Annual Turnover	No. of Employees	Product Range	Main Markets	FSC Certified?
Firm A	R12-R15 million	100	Knock-down pine bedroom furniture	UK, Reunion, Dubai, Kuwait, Germany, France	No
Firm B	-	680	Interior and exterior house doors	UK, USA, Australia	Yes
Firm C	R9-10 million		Pine beds & cabinetware	All exported – mainly to UK	No
Firm D	R6 million	60	Saligna garden furniture	2/3rds of production exported - Germany, Israel and Scandinavia	Yes
Firm E	R30-36 million	140	Pine kitchen & houseware	40% exports – UK, Germany, Italy, Switzerland, France, Australia	Yes
Firm F	-	225	Pine kitchen, bathroom and bedroom doors	UK, Europe, USA and Australia	Yes, also ISO 14000
Firm G	Existing company only recently turned to export.	97	Pine and Saligna garden benches, pine shelves	UK	Yes
Firm H	R15 million	140	Pine shelves, tables and chairs, desks and TV stands	UK, France, Reunion, Australia, West Indies	Yes
Firm I	-	200	Pine shelving and related DIY products	UK, USA, Japan	Yes
Firm J	R110 million	1100	Pine & Saligna DIY	Most EEC countries, USA, Australia	Yes
Firm K	R12 million	60	Saligna garden furniture	UK, Germany	Yes
Firm L	R60 million	200	Pine doors	UK, USA	Yes
Firm M	R12 million	140	Pine DIY products	60% exported, all to UK	Yes
Firm N	New company	40			

[9] This table refers only to manufacturing activities. Where firms are also involved in other activities, the information given refers only to manufacturing activities e.g. turnover from manufacturing activities, export destinations for manufactured products.

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Social and Environmental aspects of the forest management certification process: A discussion of social assessment components in South Africa

Contribution to the study on Instruments for Sustainable Private Sector Forestry

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1. Introduction

This paper is a review and analysis of my experiences with FSC certification auditing in South Africa over the past three years. I was contracted as "social specialist" by SGS-Forestry for 4 Main Assessments (all except 1 were for large forestry companies) and 1 surveillance visit.

The paper begins with an overview of the learning process I went through in developing an approach and methodology to use during assessments. The constraints and difficulties I faced are highlighted. In the next section of the paper, I analyse these experiences through examining FSC certification in the context of an overall process aimed at ensuring adequate social standards are met and maintained within a forestry enterprise. I then look at my experiences under four main themes that are central to the overall study of which this is a part. Key issues pertaining to each are highlighted, and recommendations made.

2. Overview of my approach to assessment of social issues in FSC certification

When I first became involved with FSC certification, I interpreted my role as social specialist as being to identify key social issues in the company, and feed this insight to the Lead Auditor who had the auditing skills and the in-depth knowledge of the Qualifor checklist. Thus, I focused on the identification of key issues, rather than on directly auditing of compliance against the Qualifor checklist. Over the period of a few assessments, I developed and refined an approach to the identification key social issues and concerns prior to and during the main assessment.

Firstly, I developed a simple classification of "social stakeholders": own employees; contractors; tenants; neighbouring communities (some individuals may be in more than one category, for example a tenant could also be an employee). I then developed a checklist of important topics/potential issues/key requirements to investigate for each of these main stakeholder groupings, from my prior knowledge of the Industry, as well as from a summary of the main relevant legislative requirements. This checklist provided a guide for investigation and questioning during the assessment.

Prior to each Main Assessment I identified people/organisations who would be in a position to represent the views of these stakeholders on the issues identified, as well as raise other issues. These included Union organisers, worker representatives, NGOs working with rural communities, rural community representatives etc. These groups would be contacted by phone, interviewed, and where appropriate, appointments made for the week of the main assessment (this process is discussed further in section 4.2 on stakeholder consultation). During the main assessment I would meet with these key stakeholder representatives, review company reports and other documents, and hold discussions with key members of staff. By the eve of the last day I would usually have a clear idea of what was going on in the company under the various headings, and what the key social issues were.

I then had to translate these key issues into a set of single sentence Corrective Action Requirements (CARs) in preparation for the Closing Meeting the next day. CARs have to be formulated in terms of the criteria and indicators in the Qualifor checklist. The challenge was to find a requirement either in the checklist or national legislation [1] that could be used to adequately express the issues identified, in the form of a CAR. This was always a very challenging and difficult task, as the indicators and standards in the Qualifor checklist (levels 3 and 4) are global, and have not been formulated with the South African situation in mind.

[1] Criterion 1.1. in the Qualifor checklist covers the need to adhere to National Statutes

Likewise the structure and logic of the Qualifor checklist was completely different to the way in which I had structured my investigation. The other problem with approaching the audit in this way was that some of the requirements of the Qualifor checklist were not, in the initial assessments at least, adequately investigated. A consequence of this was that inconsistencies could arise in CARs given to companies, a certain issue might be picked up one main assessment and not in another, because it was not investigated directly, and did not emerge in the course of identifying issues.

Over the course of a few Main Assessments, I gradually modified and improved my methodology, aiming a) to find a way to better link the South African issues with the Qualifor checklist, and b) to ensure everything in that checklist was covered during an assessment. The SGS staff, particularly Neil Judd, were supportive, and at one point commissioned me to refine and write up the draft checklist I had been developing so that it could be used by SGS as the basis for auditing social aspects in future. Later on, when Johann Hamman began to work on FSC assessments as a social specialist, he assisted to further refine this checklist, particularly on the land and labour legislation.

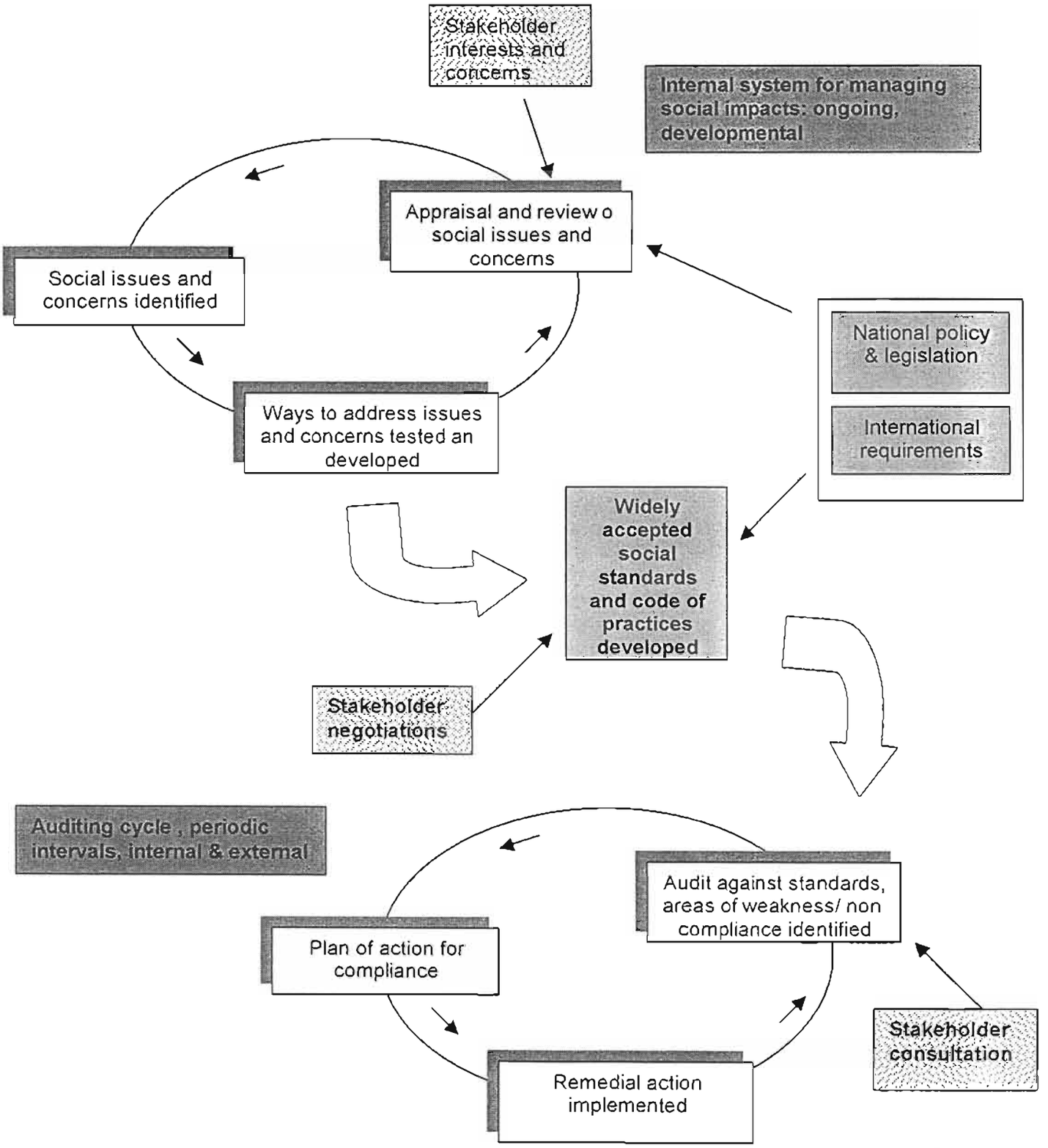
I have not, however, finalised the checklist, mainly because I see that this is merely a temporary substitute for what is REALLY required: a set of standards and code of practice governing social aspects of industrial forestry operations in South Africa, developed/negotiated by all stakeholders. This is a theme that I return to a number of times in this paper.

A number of critical issues regarding social assessment in FSC certification in South Africa arise from the experiences discussed above. These are discussed in the next section.

3. Social Assessment in FSC certification: an overall analysis of constraints and issues

In order to make sense of my experiences and to provide some insights into social assessment, I examine the role and function of certification within a wider process aimed at ensuring adequate social standards are met and maintained within a forestry enterprise (Figure 1).

Figure 1 : Process for ensuring adequate social standards are met and maintained within a forestry enterprise



What I have attempted to illustrate in the diagram is that certification is a part of an overall process for ensuring that social standards are met and maintained within a forestry enterprise. There is need for an internal system for managing social impacts within the organisation (top cycle in the diagram), in which social issues are identified and ways to address them are tested and developed on an ongoing basis. This provides the basis for a set of standards, and code of practice to be negotiated (core of the diagram). Only THEN is there the necessary basis for auditing (lower cycle in the diagram). My contention is that internal systems for managing social impacts and the social standards and code of practice elements of the process have not been adequately developed in the South African forest industry, and therefor the auditing cycle is severely compromised. Ideally, certification auditing should confine itself with the lower cycle of the diagram, in which the task of the auditor or assessor is to check compliance with a set of standards and established code of practice. However where these standards are lacking the task of the assessor becomes confused with other elements in the overall process.

This understanding provides the basis for a discussion of key issues arising from my experiences of social assessment, as described in section 2. Key issues are presented and discussed below.

- **The mismatch between the Qualifor checklist and the REAL social issues and concerns**

There are two parts to this problem. Firstly, the Qualifor checklist does not adequately reflect the real social issues in the South African forest industry. Secondly, unlike environmental issues, there is no widely accepted set of standards and code of practice that has been developed by the industry, which could make up for the limitations of the Qualifor checklist. As a result, If one were to strictly audit against the Qualifor checklist it is likely that the key issues would not be addressed. If one approaches the assessment from the angle of identification of key issues, it is then difficult to use FSC certification as a tool to address these issues. Clearly there is a need to find a way of better matching the checklist with key social issues. How can this be done?

- **Modification of the Qualifor checklist** (or that of any other accredited certifier). SGS was keen to modify their checklist to better reflect the key issues, but this can only be done at the level of indicators and standards. Principles and criteria are set by the FSC and cannot be changed. It is quite difficult to maneuver within such a rigid framework. The other option is for South Africa to develop country-specific FSC indicators, but the same constraints would apply.

- **Developing an "social" equivalent to the South African code of practice in harvesting.** This would automatically be used in conjunction with the Qualifor checklist, and would be an effective way to ensure the main issues are addressed. Most important of all, such a code of practice would (ideally) have the buy in and support of forest companies and key stakeholders: it would be widely accepted code of conduct, set of standards, or even agreed ways of approaching and addressing key social issues in the Industry

- **Principles, criteria and indicators of SFM as required by the 1998 National Forests Act.** This is another vehicle for achieving the same result as a code of conduct. As it is a legislative requirement and is already underway, this is probably the best solution.

- **There is a lack of recognition of the importance of social issues, and a lack of commitment to and ownership of a process of ensuring adequate social standards are met, within forestry companies**

- **Systems to identify and address social issues are inadequate**

- **There is a lack of practical experience with how to address social issues**

All the above are components of the upper cycle in the diagram, which, I contend, is weak in forest companies in South Africa. Ideally, the company should have in place a system for managing the key social issues identified, and in the process develop the necessary skills and approaches for doing so. These weaknesses have important implications for certification:

i) The developmental / learning aspect is central to the overall process. It is through this that companies develop practices, approaches, tools, methods and the experience to address social issues. These in turn are the basis for a code of practice, for the setting of standards and indicators. It is difficult to assess compliance with legislation or with principles and criteria without agreement on HOW these can or should be put in practice.

ii) The contribution certification can make to promoting learning and positive change within an organisation depends on an internal commitment to, and systems for, addressing the limitations identified during an assessment or audit. This is further discussed in section 7 below.

The issues discussed above provide an overall context for the more detailed discussion of social assessment according to the themes provided in the terms of reference for this assignment.

4. Theme 1 : The Assessment Team

4.1 Team Composition

The team for Main Assessments comprises the following members:

- a lead auditor who has been trained in auditing skills, the FSC forestry certification process and in the SGS qualifor checklist. In the past this has always been someone with international experience from SGS Forestry in the UK, but more recently SGS has trained a South African (Pieter Viljoen) to take over as lead assessor in South Africa
- In the earlier Main Assessments that I was involved with, there would also usually be a second team member from UK SGS office, with international experience in certification auditing, but their main area of expertise being the environmental aspects.
- Two local specialists, one on social aspects and one on environmental aspects.

Issue:. There are always at least two people on a Main Assessment who focus on the environmental aspects, and yet when it comes to social aspects, which to my mind are, at least in the South African context, much more demanding and complex, there is only one person. Some guidance is provided by the Lead auditor, but in my experience, s/he expects the social specialist to take over these aspects of the checklist.

4.2 Social specialist: skills & knowledge areas required

The types of skills required depend on how well set up the system is: if there are clear standards and established code of practice, I suspect that assessing compliance with these could be fairly straight forward, as long as one had a good basic knowledge of the standards

and acceptable practice. The absence or lack of clear standards and codes of practice makes the auditors task much more challenging, as s/he has to be able to apply and interpret relevant legislation, and re-interpret the requirements of the checklist for the local situation. This requires familiarity with a very wide range of different fields, most of which are in a state of extreme flux at the present time in South Africa. These include the following:

Land and Labour policy, legislation and acceptable practice: Land and labour issues are critically important social concerns in the Forest Industry. Since 1994 there has been a complete revision of State policies and legislation in these areas, which directly impacts on the Forest Industry. There are 6 relevant Acts – the majority of which have been passed since 1994, governing labour relations and practices in the Industry (and there are more on the way). In addition there are 4 new Acts which apply to tenure rights of employees and residents on forest land. In addition to having a good knowledge of land and labour policy and legislation it is also important to have some experience in what to look out for in checking compliance. One needs to know something about the approaches being developed and problems being experienced in the implementation of policies and legislation. This is often very specialist knowledge.

Contractors and retrenchments: To my mind this is the area of greatest concern when it comes to social sustainability of the forest industry in South Africa, and for this reason I have singled it out from the general requirement of checking compliance with policy and legislation. I think it is important for the social specialist to have some degree of knowledge and understanding of global trends towards outsourcing, and the trends and practices in the Forest Industry in South Africa. In addition, it is necessary to have a clear understanding of what the requirements are, a) in terms of the labour legilsation and b) in terms of the Qualifor checklist. It was only after I had been involved with a number of assessments that I developed a clear set of requirements based on these two sources, which could be used as the basis for auditing. The issues raised by the trend to outsourcing are further discussed in section 6 below.

Housing: Housing policies for employees is another area of importance in South Africa given the legacy of migrant labour, housing shortages, tenure insecurity and the practice of providing workers accommodation on plantations. It is important to have an understanding of the key issues and concerns as well as emerging housing policy and provisions of Government. It is also useful to have some knowledge of how government policies and provisions are being put into practice generally and by the forest industry.

Stakeholder consultation and corporate social responsibility: These are important aspects of the qualifor checklist that need to be assessed by the social specialist. Both require interpretation: what constitutes acceptable practice is not spelt out in the checklist, and therefore requires some familiarity with national accepted practice and standards. A good example is 4.1.5 which is: "support provided for local infrastructure, facilities and social programmes at a level appropriate to the scale of forest resources" . What IS an "appropriate" level? This again raises the issue, discussed in more detail in section 3 above, regarding the lack of agreed standards and code of practice.

4.3 Team work

The idea is that the local specialists work with the SGS team members who have experience in the auditing side, all work closely as a team throughout the assessment, meeting every evening to review the day, and to identify priorities for investigation the next day. The evening before the closing meeting on the last day is when the final decisions are reached by the team about what CARs to raise. By that time there has usually been quite a lot of discussion of the key emerging issues, time to gather objective evidence and refine the CARs. On the whole this process works

very well. The main limitation I have found is the lack of understanding that the rest of the team members have about social issues. As a result the tendency is for the social specialist to work alone, whilst the others work more closely as a team. This can place a very high level of responsibility on one person, who is not required to have any prior training or experience in auditing per se.

4.4 Changing team members

Dave Scott has commented on this in detail. From the point of view of the social assessment the main problem, again, is the lack of agreed standards and code of practice. Assessors have a lot of interpretation to do, and this has implications for consistency across assessments. On a more practical note, a lesson I learned on my first surveillance visit is the importance of wording CARs in such as way as to make it very clear what exactly is ***required*** to close it out. Although this sounds like it should be obvious, given that a CAR is a Corrective Action Requirement, I found that I and others before me had been writing CARs which were worded in such a way as to be unclear as to exactly what was expected in order to close it out. This is partly a result of lack of experience on the part of assessors, but can also be attributed to the more pervasive problem of the lack of agreed standards / accepted practice when it comes to social aspects.

5. Theme 2: the consultative process

5.1 Stakeholder consultation

As has already been observed by Dave Scott and the IIED team, the standard process for stakeholder consultation may not be adequate when it comes to the "social stakeholders". The limitations of using the company stakeholder lists to identify stakeholders has already been highlighted by Dave: these are not adequate and it is necessary for the social specialist to spend some time putting together a more representative list. The next step is to contact stakeholders by fax, using a standarised format that explains the overall process and aims of certification and asks for responses by fax within the period of a week or two. There are a number of problems with the faxes when it comes to "social stakeholders" including:

- The standard fax does not use plain English, it is difficult to read and to understand, especially for readers with low levels of English language and literacy skills.
- It is often very difficult to reach certain stakeholders (such as rural community representatives) by fax.
- Many of these stakeholder groups have had little or no prior exposure to certification, and as a result they are likely to put the fax to one side and forget about it, especially if they are under a lot of pressure with other more immediate and burning issues (Trade Union Officials for example). This is different to other stakeholder groups, for example Environmental NGOs, who are most likely to be aware of certification and how to make best use of it to voice their interests.

When contacting stakeholders for whom these difficulties are likely to arise (often the case for the "social stakeholders") it is necessary to follow-up the faxes sent with phone consultations, and where necessary, with face to face interviews during the actual assessment period. This is the procedure that I followed for all of the Main Assessments I was involved with initially. I was allocated time in my contract to do this prior to the assessment itself. Although there were still limitations, this approach was much more effective than the standard fax-and-wait approach. More recently it seems that there has been a change: the Lead Auditor has taken over the whole process of identification of stakeholders and sending out of faxes. I think this is because the Lead Auditor is now South African based and therefore the thinking was that s/he would be in a position to carry this out, unlike the past when the lead auditor was based in the UK. The

length of audits has also seems to have been reduced (cost cutting measure?) and as a result there is now less time for in-depth interviews with stakeholders during the assessment. The reduction in time may also be because all the main assessments for the big forestry companies have now been done, and main assessments of smaller operations are done in two or three days.

Another important need is to raise the awareness and understanding that Unions and other groups representing "social" stakeholders have of certification. This relates to the concerns discussed below about the imbalance between workers and management in the certification process.

5.2 Consultation within Forest Companies

During the social assessment, it is obviously important to speak with all levels of employees in the company. As Dave Scott pointed out however, it is often difficult to communicate well with worker-level staff, owing language barriers and possibly a fear of reprisals. Another important source of unintended bias is that inevitably, the audit team gets to spend a disproportionate amount of time in the company of senior to middle management, who have the overall responsibility of organising and arranging all aspects of the assessment. Management-level staff host the audit, and usually accompany the audit team throughout the period of the audit, including evenings when travelling away from the headquarters, providing a great deal of opportunity for informal as well as formal discussions. Contact with workers, in contrast, is usually limited to discrete and often fairly formal interviews, in which there is often reliance on a more senior staff member to translate. The consequence is that the assessment team is exposed much more to the perspectives and concerns of senior to middle management than to those of workers or their representatives. Another aspect of this problem is the attendance at the closing meeting. It should be explained that the closing meeting is the most loaded and significant event of the entire assessment or surveillance visit, this is when the team reads out the CARs, clarifications may be asked for, and they are then signed (usually!) by the Company management. As with the rest of the audit process, in my experience, the attendance at the closing meeting is always restricted to senior and middle management employees (just about always all white and all male!).

There are two issues here:

- Only management level staff have the chance to query and challenge the findings. Although in my experience the team very rarely backs down on a CAR, the opportunity is there. When formulating CARs, assessors are aware that they will have to adequately defend each and every one in front of a large crowd of often hostile and aggressive (white, male) managers! [2] There is no representation of workers, tenants or neighbouring communities present to do the same. So again, this could potentially be a source of unintended bias in the formulation of CARs.

- Being marginalised from the auditing process from beginning to end prevents other stakeholders from using Certification to advance the concerns and interests of their members. Certification is a potentially very powerful tool for positive change, for example in improving working conditions, but if worker representatives are marginalised from the process it will be difficult for them to take advantage of these opportunities.

[2] Minor CARs are not usually challenged or queried much, but a major CAR can (certain companies are worse than others) lead to a fierce and acrimonious battle of resistance in the closing meeting.

6. Theme 3: The decision making process

6.1 Procedure for communicating and closing out CARs

Dave Scott has described the process for communicating CARs, procedures for close out and how decisions are reached about whether a CAR should be a major or a minor. I have touched on this in the context of social assessment in the discussion on CARs below.

6.2 CARs given for social aspects

I do not have a full record of all social CARs given on FSC assessment in South Africa (although perhaps the IIED team does, I think this is publicly available information), so the points here are based on the assessments I was involved with. The biggest issues were consistently around the move to outsourcing in the big companies. In my opinion, SAFCOL is the only company that has a responsible approach to outsourcing. As discussed above, the difficulty was to attach very tangible concerns and problems to an indicator in the Qualifor checklist. At one stage I even considered using Principle 4, but the Lead Auditor said this could not be done, that CARs can only be given in terms of criteria or indicators! It was also difficult to get clarity on the legal position regarding outsourcing, with much of the legislation being very new there is a lack of experience in application of the law. These are the kinds of issues that end up in front of the CCMA (The Commission for Conciliation, Mediation and Arbitration), and I felt far from qualified to make judgement on them myself. With the help of Johann I have finally developed a set of minimum requirements for outsourcing, based on legislation and the Qualifor checklist. A number of things I had on the checklist had to be dropped because they could not strictly be justified in terms of legislation or the Qualifor checklist. This again points to the need for an Industry-wide standard and code of practice to be agreed on. More than this, there is a need for this issue to be considered globally, as it will be problematic to set a standard in South Africa which differs from that applied elsewhere. It would be useful for the IIED team to investigate what initiatives there are on a global scale (for example the ILO International Union of Forestry Workers) to address the negative impacts that globalisation and outsourcing are having on forestry workers, and the implications these have for the way in which certification is carried out. To my mind, the trends in labour conditions are in direct contravention of Principle 4. This of courses raises the fundamental issue about certification: what interests are ultimately driving the process: corporate business in pursuit of profits, or consumers' genuine commitment to social equity and fair labour practices?

A major CAR relating to social issues was given recently, and it was one on outsourcing. If there had been more clarity earlier on the key requirements it is likely that other companies would have got majors for issues related to outsourcing. Majors can still be given during surveillance visits, much more easily in fact, as the definition of a major in the context of a surveillance visit is any minor which has not been closed out.

Other topics of concern which have been given CARs include: poor performance with respect to affirmative action and equal opportunity; lack of investment in resident and neighbouring communities; lack of adequate stakeholder consultation; poor standards of worker accommodation.

7. Theme 4: The learning process

In order for learning and continual improvement to take place there needs to be systems in place for this within the company, as shown in Figure 1. The audit or assessment cycle can only

contribute in so far as it signals whether or not standards are being met. The company and its senior management staff need to take responsibility for and be committed to addressing non-compliances identified. In the absence of this, certification only results in a window dressing approach. Without real commitment and their own internal system, companies are likely to respond to the market imperative of certification by trying to outwit, confuse, trick the auditors, and the system as a whole. In these cases, company staff are likely to be highly defensive, try to hide or deny the existence of problems, in some cases deliberately mislead the assessors, and then finally argue fiercely against any major CARs given! Under these circumstances it is very difficult for certification to feed into a learning process. To be fair, many employees including managers have not been used to having external assessments, and it is understandable that it may be difficult to adjust to in the beginning.

Even under ideal circumstances where there is the necessary commitment and good initiatives being taken, the role certification plays in promoting learning is limited by the nature of the process and the way it is carried out. To start with, assessors are not supposed to get into any level of detail regarding the "how" – their role is limited to the identification of non-compliances, and formulation of CARs. The role of "assessor" is not supposed to be mixed with role of "consultant" (Dave Scott and I were often reprimanded by a lead auditor we worked with for behaving like "consultants" instead of assessors when we wanted to talk with staff about how to address CARs!). This idea stems, I think, from the concern about conflict of interest inherent in playing both roles in one company, but to my mind it would not arise unless one were contracted by that company specifically to give them advice outside of the assessment. The principle of separating auditing from "consulting", i.e. directly assisting with the learning process in the company, permeates the design of the entire process. There is no place or space in the process to feed back to staff insights gained about their programmes and approaches, to discuss with them ways to move forward. Feedback is limited to the CARs read out in the closing meeting, and the report that gives very little detail. As already mentioned above, the very nature of the process can be quite alienating, causing staff to try to hide or conceal things, rather than feel free to debate and learn with the assessors. Competition for "good image" amongst companies may exacerbate this.

In conclusion, my impression is that the role certification can play in promoting learning is limited to

- providing feedback on how well processes and approaches are working, i.e. to feed into internal processes of learning and development
- communicating information about international standards and acceptable codes of practice
- providing the impetus for companies to take the need to address issues of sustainability seriously

8. Summary and discussion of key issues

In summary, three key, interrelated issues arise from the above discussion.

1) *Absence of negotiated and agreed set of standards covering important social aspects of the Forest Industry*

This is probably the most fundamental problem facing auditing of social aspects ("the exam without a curriculum" as Crawford-Cousins (2000) has called it!). The other issues highlighted here relate to this central problem.

Important considerations:

- The word "negotiated" is key, as stakeholders have very different interests. This is different from biophysical environmental standards where there is more likely to be a right and wrong way to do things and it is relatively simple to set and agree on a standard. Furthermore, there needs to be an on-going mechanism for negotiation to take place, as standards are not just a once off thing but will need to be renegotiated from time to time.
- A critical issue is how to link SA standards in to global standards, so that certification does not result in SA timber being uncompetitive on the world market. This concern cuts to what is probably the most central question of all:

  Can tools such certification be used to counteract some of the negative consequences of globalisation and the global system of "free trade"? For example, by setting minimum wages for the sector?

Options for developing Social Standards for SA:
Three basic options were outlined above, each have their own pro's and con's

- **Modification of the Qualifor checklist**

Pro's
- Can be done immediately, draft at an advanced stage already
- SGS indicated willingness to fund this development cost

Con's
- Will not be the outcome of stakeholder negotiation

- **Developing an "social" equivalent to the South African code of practice in harvesting.**

Pro's
- Gives the opportunity for a negotiated process
- Specific to SA , but linked into global standards

Con's
- Forest owners would play a leading role and this could bias the outcome

- **Principles, criteria, indicators and standards of SFM as required by the 1998 National Forests Act.**

Pro's
- Gives the opportunity for a negotiated process
- Specific to SA , but linked into global standards
- Development and enforcement by DWAF, compliance by forest owners, a legal requirement according to Forest Act
- Development of C,I &S already underway

Con's
- Time taken to complete the development

2) ***There is a lack of recognition of the importance of social issues, and a lack of commitment to and ownership of a process of ensuring adequate social standards are met, within forestry companies***

This problem is strongly related to the first issue above, absence of a negotiated and agreed set of standards. Without any clear agreement, there is no direction, or goal for companies to strive for. The international competition issue raised above is also important, it could be argued that globalisation is driving down prices and forcing companies find ways to cut costs.

Even without these agreed standards, however, there is scope for companies to take social issues much more seriously, and give them better coverage within existing systems (such as environmental management systems) which allow for a process of ongoing assessment and improvement. It is difficult for certification to feed into company learning unless social aspects are part of internal systems that give priority to identifying and addressing key issues and concerns.

3) ***The auditing process lacks transparency and marginalises key "social" stakeholders***

This takes place in the following ways:

- As there has been no process of negotiation to set the standards (issue number one raised above), stakeholders have had no say setting the standards to begin with;
- Many of the people who represent the interests of marginalised and less powerful groups such as employees, tenants, neighbouring communities do not have sufficient information or understanding about what certification is and how it can be used to advance their interests. The certification process itself has no component for education – who should then take responsibility for this?
- Communication with these stakeholder representatives prior to or during the main assessment or surveillance visit is further compromised by: lack of time, language barriers, fear of reprisals, poor communication facilities, and difficulty in locating and contacting these individuals and groups.
- The closing meeting is a closed shop and only one stakeholder, company management, is present.
- The final report is the property of the company management and is strictly confidential. If this is taken with the above point, other stakeholders a) play no role in checking or authorising the outcome of the audit b) have no knowledge of what the CARs are.

Taken together, all these difficulties mean that key stakeholder groups are marginalised from the certification process, and their ability to make use of the tool to further their interests is severely compromised.

Forestry Certification: Social Aspects

Johann Hamman

1. Introduction

The IIED and CSIR have embarked on a joint study on Instruments for Sustainable Private Sector Forestry. In terms of this study, a sub-study on the experience of persons involved in the certification process was commissioned. Being on these persons so sub-contracted, this report is submitted in fulfilment of that contract.

Please note that large parts of this narrative[1] will be in the first person. This will allow the person editing and integrating the various documents to "quote" as if part of a personal interview.[2]

I was contracted as a 'social expert' by SGS Forestry and the SABS. My experience as an auditor is limited to:

Forest Management Unit	*Type*	*Certification Body*
Natal Timber Co-operative	Main Assessment	SGS Forestry
African Charcoal (Natal)	Follow-up	SGS Forestry
SAPPI (Mpumalanga)	Main Assessment	SGS Forestry
SABS	Accreditation	FSC
Natal Timber Co-operative	Trial Main Assessment	SABS

This document will follow the outline of the 'Draft terms of Reference' circulated via electronic mail in December 1999.

2. The Assessment Team

2.1 Composition and Skills

The ideal assessment team should include a (former) professional forester, an environmentalist familiar with but unconnected to the industry, and a social scientist familiar with forests or the dynamics of rural South Africa. For SGS Forestry I have always been in the same assessment team, the only exception being when we included an extra person for the SAPPI assessment. The SABS assessment team was new. Although the lead auditor was not a forester, the environmental expert was a forester. I have not worked with non-South African auditors, so I cannot comment on the relationship between these.

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[1] 'I know very well how little reputation is to be got by writings which require neither genius nor learning, nor indeed any other talent, except a good memory and an exact journal' Jonathan Swift *Gulliver's Travels* 341 (Penguin edition).

[2] 'I know likewise, that writers of travels, like dictionary-makers, are sunk into oblivion by the weight and bulk of those who come last, and therefore lie uppermost.' Swift, the next sentence.

My experience of the technical side of forestry is obviously minimal, having been trained in law. However, my experience as a labour and land lawyer, specialising in the agricultural sector, allowed me to pick up on the issues facing rural people and rural communities living in the forest without difficulty. Although I was fairly ignorant of the technical side forestry practice, it was also fairly obvious that the trained foresters were not sensitised to social and labour issues. The result is that a real risk arises that social issues can become marginal in the assessment process. The forester and the environmentalist can talk to each other, even debate issues vigorously, but both can be oblivious of issues relating to labour rights or land tenure.

This risk is exacerbated when the social expert is new to an experienced team. The regular absence of absolute standards on the social component of the checklist (as compared to, e.g., the 30-metre exclusion zone) means that the inexperienced social auditor is reluctant to raise major CAR's.

A second problem that arises in the South African context is the concentration of ownership in the forestry sector. On the one hand this has the advantage that, for competitive reasons, the boards of the forestry companies have decided to follow the route of certification, with the result that large tracts of forests have been brought up to FSC standard and under independent auditing. However, this also means that the forestry expert on the team would have worked for that company or it's competition. In such a highly concentrated industry this can lead to suspicion and allegations of non-objectivity, affecting the forestry company's perception of the whole team.

The social auditor role is further complicated by the number of languages spoken in South Africa. Rural people are often not proficient in English, and the auditor then has to rely on his or her ability to speak the local language or the services of a translator. Not only does a lot get lost in the translation, the loss of the nuances of the answer prevents the auditor from pursuing new avenues of questioning. Company representatives are often very keen to provide the translation services, and to add their own comments of the answers provided by the persons being interviewed. This can be very intimidating to respondents.

Related to the question of language is the question of race. South Africa's political history has been characterised by colonialist dispossession and racial exclusivity in political decision-making. The effect of this on rural communities is still very evident. White interviewers are treated with suspicion, particularly when they are investigating the social component of the audit. Furthermore, some of the issues are still very contested, particularly land tenure.

When the South African forestry sector expanded rapidly, a large number of former cattle farms were bought up and afforested. In many of these farm the previous occupants were labour tenants (a labour arrangement whereby a family member or members have to provide unpaid labour to the owner in return for access to land for grazing and ploughing). With these labour tenants surplus to their needs, or their presence constituting a fire hazard, many persons were dispossessed or their traditional lifestyle disrupted. The arrival of the timber companies is still resented in many areas.

The questions posed by and the style of interviewing of a white auditor must take cognisance of this factor. The social auditor must therefore show enough of an understanding of the social issues, history and tradition in order to solicit candid answers.

A different set of suspicions arise when conducting the interviews with management personnel of the forest company. Labour and land tenure legislation are very recent phenomena in South Africa. When these were introduced, the industry associations actively campaigned against it. This created a discourse and industry perception of government as meddling and interfering in labour relations (which of course it was). The defiant rhetoric of the time resulted in a slow and reluctant implementation of these laws. A weak state, unable to enforce its own legislation, did not help to speed up the implementation process. Forestry managers, being technical foresters, are often also not adequately trained in or predisposed to human resource management.

Thus the auditor is immediately treated as a meddler, and managers react with worry to the prying of the social auditor. Although this is true with regard to forestry management and environmental aspects of the audit, the forester seems to be more uncomfortable responding to the social auditor. The skill levels required to gain and maintain the trust of the forest management is very high, and the same racial factors play a role in this process.

In my own experience I have shied away from 'best practice' or 'wish list' audits, simply because they are subjective, therefore difficult to measure and difficult to communicate beforehand to the parties. Rather, the assumption is made that the South African Constitution and social legislation promulgated by the post-1994 government reflects the values of our society. Thus I believe that a social auditor should have at least a working knowledge of labour law (including health and safety legislation) and land tenure legislation, and as I mentioned earlier, an understanding of the history of the particular way in which rural South Africa developed. The latter is missing from, e.g. the SGS *Qualifor* checklist section on rural and indigenous people's rights.

Related to experience and mindful of the general problems relating to race, language and social class mentioned above, is the appearance of neutrality and objectivity. Social auditors should not have a history of regular employment or consultancy for any stakeholder in the sector (except, perhaps, government). The vagueness of some of the social criteria can easily allow a perception that the auditor is biased for or against the owner of the specific forest management unit to be fostered. Therefore: no socialising with any stakeholder during the audit. The pressure from forest managers to 'discuss the days' field trip in a more informal setting' is constant and immense, particularly difficult to say no to after a hot day in the sun. Acquiescence to such a request will compromise the dignity of the process and raise false expectations.

I have had it reported to me that some companies prefer a non-South African person to be part of the auditing team. I presume this is to lend an 'international' stamp of approval to the process. From the ambiguous comments raised by the South Africans that I have worked with, foreign auditors' experience of the process was of immense value, but that the depth of analysis during the actual audit not necessarily so.

Another tightrope to be walked is the auditor's desire to lecture on matters, particularly his or her pet subject (this is a favourite way to create the impression of great knowledge, and thereby obfuscate your ignorance on other matters contained in the rest of the checklist). First, advice falls in the realm of consultants, not auditors. That is what they get paid for. Second, advice generates the risk that the forest managers may actually implement it, and that a subsequent audit may find that corrective action to be inadequate.

Yet an informal and efficient way to administer the checklist is to engage in a technical discussion with the management, interrogating them (in a positive way) on issues raised by the checklist. Persons from a stronger academic background seem to be able to achieve this balance or detachment more easily.

2.2 Team Stability

I have not been part of a repeat visit to a specific forest. I have, though, audited NTC twice on be half of different certification bodies. A repeat visit has the advantage of spending less time getting acquainted with the company, its personnel and personalities and much more time doing the actual audit. In the light of the cost of the certification exercise, this is a real advantage.

I would guess that, on a repeat visit, the company would already be certified and that a lot of the suspicion and fear would have been replaced by a more trusting relationship. This poses its own danger: the relationship can become too cosy with the result that the auditor sacrifices diligence.

3. The Consultative Process

3.1 Stakeholders

The stakeholder consultation is normally done by the lead auditor. Companies are asked to identify and submit a list of stakeholders at the various levels of operation of the company. Inevitably, they identify their clients, nature conservation bodies and local authorities as stakeholders.

As far as I am aware, stakeholders are invited to submit their responses by return of fax. It has been reported that this method is unsatisfactory, since many organisations fail to respond. In other cases it may be unrealistic to assume that all stakeholders have access to telephone and fax lines.

During the actual visit the lead auditor would provide the various 'experts' with the responses from the parties who have replied. Opportunity is scheduled for further consultation with those parties or others who are available.

The same issues involving race and language mentioned above will arise during the consultative process.

3.2 Company Personnel

Most companies have a staff member dedicated to and driving the FSC process. This person is normally the host for the period of the assessment. Opening meetings are held with senior management and the managers of the forest management units to be certified.

At Head Office level the following persons are interviewed:

- Head of personnel / human resources manager
- Human resource staff
- Financial manager
- Legal officer (if any)

At the forest level the forest manager and foresters are interviewed. Meetings are also held with representatives of the labour force, contractors and their employees (if any) and forest residents (if any).

4. The Decision-making Process

4.1 Communicating CAR's

The debate about the status of the CAR (major / minor) is limited to the assessment team. Before the closeout meeting the team would deliberate and formulate CAR's. Despite the 'objective' nature of the decision-making process, the possibility for subjectivity remains a constant threat. The decision whether a specific issue requires corrective action and on the seriousness of the non-compliance is taken by consensus, with the 'expert' leading the discussion on that issue. Even where the other members of team do not have any specialist knowledge on an area, the process of motivating your decision to your colleagues and their interrogation of the issue is crucial in arriving to a defendable decision.

SABS does not share the major / minor CAR system. Their approach is that any non-compliance that violates one of the FSC principles precludes certification. How this differs from the major / minor CAR categorisation must still be explained.

The findings are then communicated at a formal closeout meeting where the senior management and the forest management will be present. Although debate is not supposed to ensue, company representatives (particularly environmentalists) always want to debate issues. One would have expected social issues to be the contentious ones, but this is not the case. It appears that for every approach in the environmental science, three others vie in its claims to be the true road to environmental enlightenment.

It is the perceived effect of non-certification (particularly in this highly concentrated industry) that raises the stakes at the closeout. Auditors tend to forget that the company had decided to follow the FSC route (commendable in itself) and have actively changed their systems and practices in their attempt to conform. The CAR report-back creates an impression of an excessively critical process, since no space is allowed to compliment where practices are of a high standard.

The time-frames for corrective actions are fairly standard, depending on the severity of the non-compliance.

4.2 Information Availability and Gaps

The labour relations and health and safety criteria are normally well documented and easy to verify. However, very little evidence can be found to meet the criteria around community consultation and communities' benefit from the forest.

4.3 Consistency

As mentioned above, the certification also has a subjective component. Thus any assessor can reach different conclusions (major / minor) on essentially the same facts or on a set of facts not to far apart on the continuum. Having audited for two assessment agencies, I know that different agencies will certainly produce different outcomes.

As an adjudicator in other forums (independent arbitrations, the industrial court and the CCMA), I know from experience that the best guarantee of consistency and protection against capriciousness is the threat of review or some form of appeal. The systems used by the accredited certification bodies all have internal appeals, but no external or third party scrutiny (not at a local level).

Another step toward ameliorating the inconsistency would be the introduction of a set of South African criteria and indicators against which companies can be audited. This would encourage similar or comparable checklists, and companies will know what criteria they will be audited against.

4.4 Most Common CAR's

To reformulate this question: where do CAR's come from? The answer lies mostly in the practice of using contractors in the forests. All three major CAR's that I have issued stemmed from the fact that the *contractors* did not comply with the FSC principles. Thus the company seeking certification would have adequate systems and practices, but some of the contractors operating in the forest management unit do not. Companies seeking certification fail to realise that it is the FMU that is being certified, not the company.

On the social side, the most common problems relate to health and safety, as well as basic legal requirements on contracts, etc. Other areas of concern are stakeholder consultations, social responsibility requirements and tenure security legislation. These seem to be viewed as nuisances which, if ignored for long enough, will disappear.

4.5 Example

Independent contractors are, by definition, not subject to the day-to-day supervision of the landowner. Often these contractors would not have written employment contracts, not work to the stipulations of the Basic Conditions of Employment Act, flout health and safety standards and fail to make payments to the Workmen's Compensation Commissioner and the Unemployment Insurance Fund. In other words, be in breach of every single labour statute on the books. Such unlawful and

illegal activities fall foul of the FSC principles, but companies are shocked when a major CAR is issued and claim that they have no control over the contractor's internal affairs. The point is, these affairs are not internal if they take place on a forest management unit that is applying for FSC certification.

A simple mechanism to correct this is to bind the contractor by agreement that the contractor would adhere to the legislation and standards and in general, to FSC principles. Breach of this agreement then leads to suspension and cancellation of the contract, with appropriate penalty clauses added to mere cancellation. Regular monitoring and inspections forms part of the management plan.

4.6 New Legislation

I am not aware of any new legislation that will have a significant impact on forestry companies. It is possible that:

- a wage determination for forestry is coming;
- South African criteria and indicators will be developed; and
- training centres for the industry will be formed, funded by the skills levy.

5. The Learning Process

The assessment or audit is merely a step in the process of changing the way forests are managed. This fleeting moment loses its impact for both parties over time. I would like to see some structured communication forum where companies that are certified can share ideas with each other and with certification teams. This will keep the information in the loop and hopefully lead to a better assessment and better practices.

There have been proposals around a local group to act as a country FSC Forum, and this idea should be supported. Often the company FSC advocate is not in the most powerful or resourced position. Such a forum could lower the cost of acquiring information. It can also serve as a point of interface with stakeholders.

I am concerned that the fundamental *ethical* component of certification is being lost. To many persons in forestry companies, FSC certification is seen as a minimum standard to which they conform because of the perception that they will lose markets if they do not. Like a driver's licence is necessary to satisfy a traffic officer but has nothing to do with your driving ability or indeed with the car that you drive, certification is regarded as something that is needed for European and North America market access, but the relation between it and good forestry management practice is lost. In other words, the financial sensibility is there, but the sense of the system often escapes foresters.

This forms part of a much broader debate around standards and development. There are many who believe that standards are luxury goods, by-products of successful development. It is argued that South Africa, being a developing country, can ill afford the luxuries of rights and standards. On the other side it is argued that development is only possible through the adoption of standards, which form the foundation of all future development.

It is not for me to choose sides in this debate. Our legislature has clearly signalled that it supports the latter perspective by providing for the development and adoption of South African criteria and indicators. If such a process can be inclusive, it can serve to create a climate of trust between all stakeholders, and help us to gain the true spirit and philosophy of the certification process.

The emergence of a second certification body has the opportunity to lower costs to producers, opening the way for smaller growers to also acquire certification. However, it also generates the risk of the lowering of the hoop as these bodies compete for work. Again, a national set of standards will prevent this from becoming a material problem.

The certification process still has a long way to go before the prescribed practices become the standard (as in 'typical', not 'measurement') and the values of the system become fully internalised.

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THE IMPACTS OF THE ISO 14 000 MANAGEMENT SYSTEM ON SUSTAINABLE FOREST MANAGEMENT IN SOUTH AFRICA

DRAFT

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Abstract

The implementation of the *International Organization for Standards* (ISO) series of environmental standards (ISO 14000) within the South African forestry industry will, over time, result in a forestry management standard equal to, or superior to, the levels demanded by the *Forest Stewardship Council* (FSC) certification. This is despite the fact that the two systems have very different philosophies and starting points, and despite the fact that ISO does not impose any pre-defined performance levels that must be met. Two aspects within the ISO system and the environment in which forestry operates within South Africa are the reason for this. ISO, as a management system ensures that there is discipline over the management of environmental issues, it also uses systems approaches to ensure continuous improvement. The combination of the South African forestry and environmental policy, the fact that we have a strong environmental NGO sector, and the fact that South African forestry is plantation forestry are all issues that will lead to a unique ISO implementation within the country.

ISO 14000 is not a product certification. As such it does not help companies market their products where 'green labeling' is becoming the norm. It is probably for this reason that ISO implementation is greater in companies supplying predominantly to the pulp and paper sector, with companies supplying hard wood timber to international markets opting for FSC. Unless market forces change, companies supplying saw timber will need a certification system other than ISO to satisfy market requirements. ISO may, however, still be implemented as a tool to reach and maintain other certification levels of environmental management.

ISO and FSC are not competing systems, but rather complementary approaches. FSC does not require an ISO *Environmental Management System* (EMS), but does require that companies have an EMS system. ISO could be a powerful mechanism to help companies both achieve and maintain FSC certification.

Introduction

This Study is part of a larger study on Instruments for Sustainable Private Sector Forestry. This work is a contribution to the certification theme, which aims to assess the impact of certification on forests, stakeholders, markets and

companies. The ISO 14 000 environmental management system has been adopted by SAPPI, one of South Africa's leading forestry companies, with more companies planning to follow suit

The study has been conducted through a series of interview and reference to limited key literature.

What is ISO

The International Organization of Standards (ISO) is an international NGO established in 1947. Its aim is to develop industrial standards. The ISO 9000 standard for Quality Management developed in 1987 and the ISO 14000 environmental standards developed 10 years later, differ from most ISO standards in that they are generic management system standard rather than a specific product standard. ISO 14000 is a series of environmental standards, the following of which are important for sustainable forestry management (SFM):

- ISO 14001 Environmental Management Systems – Specifications and guidelines for use.
- ISO 14004 Environmental management systems – general guidelines on principles, systems and supporting technologies
- ISO 14061 Information to assist forestry organizations in the use of Environmental Management Systems standards ISO 14001 and 14004 (1998-12-15).

Appendix 2 gives a summary of the standards in the ISO 14000 series.

The ISO 14000 series is a procedure standard, not a performance standard. ISO 14001 certification certifies that a company has an environmental management system (EMS) in place that adheres to ISO requirements. As such it does not provide a "green label" or certification of a product or level of environmental performance. The ISO system can be applied to any industry and is not forestry specific. ISO 14061 gives guidelines on applying ISO 14001 and 14004 to forestry production.

ISO is a systems approach to continual improvement in environmental management. In essence it consists of environmental policy; planning; implementation and operation; checking and corrective action; and management review (see figure 1). Management systems and documentation form an important component of ISO.

ISO 14001 provides guidelines on what must be contained within an EMS. The company being certified defines for itself the performance standards that will be met; these are not defined by ISO. The company can choose to have self-declaration of ISO, in which case only internal auditing of the process is involved. Second-party auditing, for instance by a company to whom they are supplying timber, or full third party independent auditing which is required for ISO certification. Both ISO 9000 and ISO 14000 auditing and certification are carried

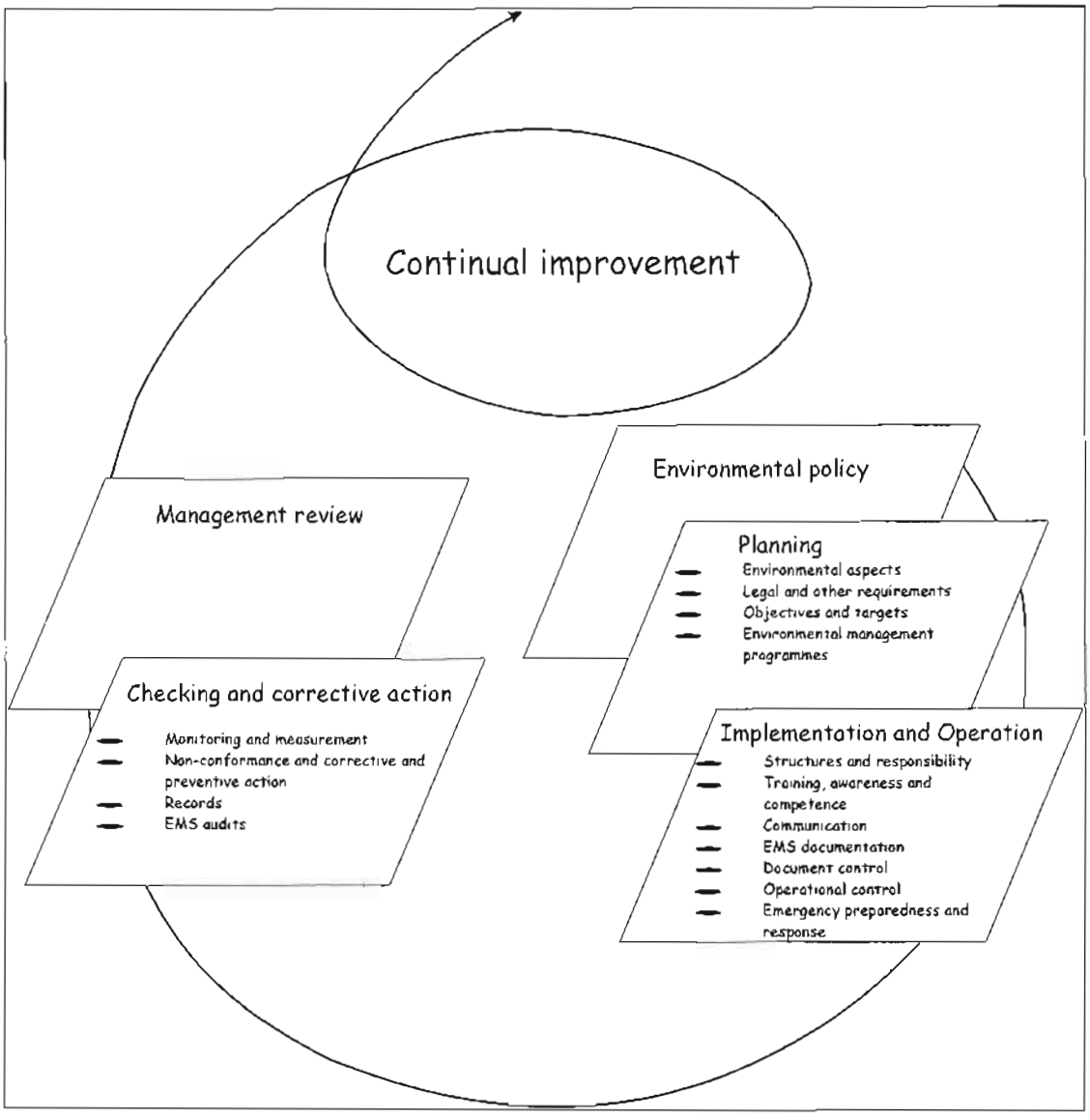

Figure 1. An overview of the ISO EMS system

out independently of ISO by certification bodies under their own responsibility. ISO *per say* does not carry out or provide certification. Within South Africa the SABS is able to perform third party certification of ISO 14000. International companies could also be used for conducting the third party certification.

ISO need not be applied to an entire organization, instead the organization can "ring fence" activities that are included or excluded from ISO. For instance within SAPPI timber the long-hall transportation section has been excluded from what is otherwise a total ISO implementation. The fact that a company can claim that it is ISO certified, when in truth only sections are ISO compliant can be misleading to the public and is a potential weakness in the forestry context.

The ISO 14001 system in brief

ISO 14061 gives detailed guidelines on how ISO should be implemented within forestry organizations. This section will draw extensively on data provided in the ISO 14061 documentation (ISO 1998).

An initial issue in setting up an ISO system is defining the scope of the implementation. A company can only establish systems for aspect of the forestry process where it has control. In South Africa where most commercial forestry is on privately owned land this is far less complicated than where there are a mix of tenure systems. There is likely to be greater complexity if companies form community partnerships for forestry implementation. Inclusion of outgrower schemes into company ISO systems will also provide additional complexities. ISO can be applied to an entire organization or specific components.

In essence ISO has 5 components as illustrated in Figure 1.

Environmental policy

The company must develop an environmental policy and have management commit to the policy. Dr Dave Everard of SAPPI confirms that merely having a formalized policy that management has committed its self to is a powerful tool in guarding against environmental mis-management.

The policy must commits the company to complying with national legislation and can commit to national and international voluntary standards. For example the forest industry in South Africa has developed an internal set of forestry standards, and SAPPI in their environmental policy, commits to these. A vast number of international standards and sets of criteria and indicators have been developed for the forest industry and the companies could also commit to any of these.

Planning

Planning relates to the following EMS elements: environmental aspects, legal and other requirements, environmental objectives and targets.

- Environmental aspects

Environmental aspects are a list of the aspect of activities that are likely to have an environmental impact. For instance the aspect of harvesting will have impacts of change in forest extent, species composition, etc.

ISO requires that aspects are identified, and then a rating system (developed by the company) is used to assess the significance of the aspect in term of its likely impact. This rating will be a function of potential impact, extent, probability, and frequency. Normally some form of severity index is developed. Although ISO does not enforce stakeholder involvement, this would greatly enhance the vigor of this process. When conducting a certification, the SABS employs forestry specialists to ensure that the most relevant aspects have been included. I t therefore implies that a company cannot simply select the aspects that it is comfortable with including.

- Legal and other requirements

ISO specifies that the company must identify and have access to all the relevant national and local legal requirements and legislation. If there is sound environmental legislation in a country, then ISO certification is a sound mechanism to ensure that companies are adhering to the national legislation.

- Environmental objectives and targets

Environmental objectives and targets are set internally by the company. ISO does not insist on instant conformity, but rather a series of realistic targets to close the gap between current non-conformity and the company's ultimate environmental objectives. Consideration of legal requirements is important in setting targets. In this section taking into consideration views of stakeholders is a requirement. The system does, however, not insist on stakeholder participation. These objectives also need not be shares with stakeholders. It is obvious that this section must be in line with the stated environmental policy.

An interesting permutation comes in when the policy and objectives specify that the process will be open and participative. In this instance the company's adherence to its own defined policy and targets for participation is audited for compliance. If this is part of the ISO implementation then it starts to move to a truly powerful process of ensuring stakeholder regulation of the organizations environmental policy.

National environmental criteria or targets can easily be included at this point, and if legislated would need to be included.

- Environmental management program

This is defined simply as a program for ensuring that the organization establishes and maintains a program to achieve its targets.

Implementation and operation

ISO requires that the organization implements a number of systems and procedures to ensure that it meets its environmental policies and targets. These include:

- Structure and responsibility
- Training, awareness and competence
- Communication
- EMS documentation
- Document control
- Operational control
- Emergency preparedness and response.

Checking and corrective action

Procedures must be established to ensure that there is:

- Monitoring and measurement. This means that monitoring and measurement procedures must be established, and these must be consistent with their policy, objectives and targets
- Corrective action for non-conformity and preventative action
- Records.
- EMS audits.

Management review

Management review of the EMS must be conducted to ensure that the system is still meeting its objectives, is up to date with legislation etc. This feeds back into the system to ensure it is up to date and effective.

ISO 14001 implementation in South Africa

Within South Africa ISO has been fully implemented by SAPPI forests and SAPPI's experience with ISO will be used extensively as a case study for the rest of the discussions. In addition to ISO, SAPPI has FSC certification on two of its plantations where predominantly saw logs are produced. SAFCOL, which has FSC certification on all its forests has largely implemented ISO, but as yet has not applied for certification due to uncertainties of the current re-structuring

process. Mondi, the third large forestry company within South Africa has chosen to use FSC for its plantations, but has drawn from ISO in developing some of its EMS.

With the exception of small quantities of indigenous hardwood being harvested in the southern Cape and Amatols, all timber and pulp production is from planted plantations of exotic species such as pine, eucalyptus or Australian acacias (wattle). Indigenous forests are not components of the production systems on forest estates, and are usually totally conserved. Depending on the plantation, production is used predominantly either for pulp and paper or for saw logs. In the case of SAPPI, most production is for pulp and paper as this is SAPPI's core business. SAFCOL and Mondi have a far greater saw log production.

What are the reasons for ISO 14000 implementation?

Forestry as an industry has a large environmental footprint. In South Africa it is typically relatively pristine grassland or in some instances woodland that are converted to plantation forestry. In addition to bio-diversity loss from these habitat types, aforestation impacts negatively on stream flow from mountain catchment areas. These habitat modifications, impacts on biodiversity and changes in hydrology have resulted in forestry coming under increased public pressure from environmentalists.

Market forces

In the pulp and paper market, product certification is less of an issue than for hardwood saw timber, and only a very small percentage of the world's pulp comes from certified forests. There is however increasing demand from end users that can show that environmental standards are being met. SAPPI reports increasing demand for statements relating to their environmental practices and policies from clients and the end users of their products. In this regard they find that their ISO implementation adequately meets consumer requirements. They feel that at present ISO certification is more likely to provide market access than a price premium on pulp.

The international hardwood market is starting to demand environmental certification of timber. Although certification does not give a price premium, it does provide market access to markets closed to uncertified timber. The ISO standard does not provide certification or "green labeling" of products and therefore in its self does not meet market requirements for certification of timber. The ISO EMS systems will, however, assist companies both reach and maintain the environmental standards needed for certification. SAPPI has chosen to obtain FSC certification for forests involved in hard wood production for the export timber market. Their ISO implementation has made obtaining FSC certification relatively simple, and ensures that their forests maintain the FSC standard.

It would appear that market forces within the pulp and paper industry are a greater incentive for the ISO route than in the saw log industry where some form of product certification is being demanded.

Easy to sell to management

ISO is a management system, and operates in a similar manner to other business systems such as financial systems. As such management within an organization easily understands the ISO concept. John Scotcher of SAPPI argues that in organizations with as large an environmental footprint as forestry it is just as important for the organization to have an environmental system as it is for it to have a financial or personnel system.

There is increased government legislation for sustainable environmental management. When SAPPI conducted a legal review it found that there where 26 pieces of legislation that had relevance to environmental aspects of their management. Prior to the discipline imposed by the ISO process they had been un-aware that they had been in violation of some environmental legislation.

Green movement pressure

Within South Africa there is a strong anti forestry lobby from some elements within the environmental movements. SAPPI has found that ISO implementation has reduced this pressure, and they now claim that many of the environmental groups recognize the effort they are putting into sound environmental management. Obviously ISO implementation will not stop reactions from groups that are fundamentally apposed to any form of aforestation.

Internal efficiency

The ISO rigger can lead to increased efficiency of the use of resources in environmental management. The clear structured approach applied to environmental management focuses resources on important issues. For instance in SAPPI they now have a policy that weed (alien) eradication will only be started in new areas if they are able to fully control aliens in already cleared areas. SAPPI is also in the process of reviewing their traditional environmental budgetary process so as to gain greater efficiency between plantations.

Risk reduction

Clear environmental policies aimed at reducing environmental mishaps clearly reduces the risk of expensive environmental disasters. The SABS suggests that

ISO implementation can drastically reduce the cost of insurance payments, and SAPPI confirms that Lloyds were willing to reduce their premiums as a consequence of ISO certification.

Maintenance of FSC certification

The three main South African forestry companies all confirm that maintaining FSC certification is more difficult than obtaining the certification. FSC also requires an EMS to be in place. The well thought out ISO system and its mechanisms for continuous improvement are and effective mechanism for maintaining a forest at FSC levels. Since ISO is a highly formalized system it is unlikely to simply disappear through lack of maintenance or due to a champion leaving the company.

Continues improvement

The ISO process has two mechanisms to ensure continuous improvement. Firstly it is an iterative process where analysis of results and policy review takes place on a regular basis. Secondly, the system monitors non-conformance and has a process in place to review how preventative issues can be improved to prevent a re-occurrence. All reported non-conformances should be reviewed during audits to ensure that they have been effectively dealt with.

Low entry barriers

ISO can be implemented in an organization with limited resources. It can initially be implemented with no, or only internal auditing, and over time be grown to full scale certification. Since targets are internally set the organization can slowly improve its performance whilst still having realistic short-term targets. A criticism of the FSC method is that although certification is an incentive for well managed forests, the gap may be too big for poorly managed forests and they may give up rather than try for the FSC certification.

Cost of ISO implementation and certification

It is difficult to calculate the real costs associated in ISO implementation as many of the environmental management cost would be born regardless of ISO implementation. In addition there are efficiency gains, reductions in wastage and reductions in environmental mitigation costs as a result of ISO implementation. This is recognized by the insurance industries who may also reduce insurance costs. Although difficult to prove, the ISO implementation could result in a net saving over the long term.

Box 1 incentives for ISO certification. Source: Tim Cadman M.A. - Will timber certification deliver sustainable forest management?

Clearly the advantage of ISO over other forms of accreditation schemes is its reliance on organisations defining their own management systems, and relying on government processes that, while moving towards ecological sustainability, may not actually deliver such an outcome. There are other advantages as well. The following is a list of some of them identified by industry consultants:

* Companies certified under ISO 14000 may point to this certification as evidence of progressive environmental policy and thus gain a competitive edge in marketing their products;

* Although ISO 14000 implementation is voluntary, certification under the standards may become a legal prerequisite to bid on contracts and maintain market shares in the European Union and other parts of the world;

* An ISO 14000 EMS may help to save corporations time and money by improving operations and facilitating relations with government agencies;

* ISO 14000 certification may relieve corporations of some regulatory burdens. Under Washington State Department of Ecology guidelines, for example, facilities required to prepare Pollution Prevention Plans or Five Year Plan Updates may fulfill these requirements by showing that they have an ISO 14000 EMS in place.

* Certification under the standards may also encourage greater leniency in government enforcement actions following an accident or environmental violation, as such certification could be held up as evidence of a firm's efforts to be environmentally responsible (EI, 1997).

In the case of SAPPI, ISO implementation resulted in the environmental section expanding from a staff of 4 to a staff of 12. These staff manage the bureaucratic aspects of the ISO system, though most implementation takes place on the individual plantations and is managed by the plantation managers. The bigger cost was, however, the cost of additional infrastructure and structures needed to meet legal requirements for sound environmental management. For instance cost were incurred in constructing suitable infrastructure for the storage of toxic chemicals, and all their fuel depots needed expenditure to ensure that they would contain accidental fuel and oil spills. Waste disposal sites had to be constructed to legal requirements.

The actual costs incurred in the initial third party certification audit and subsequent re-audits are relatively trivial, at about R100 000 per year with the initial assessment about twice that amount.

A number of other costs have been incurred in ISO implementation. These include the use of an external consultant to facilitate and advise on the ISO implementation process, and the use of an external consultant to conduct a stakeholder scoping exercise. SAPPI has a continuous ongoing stakeholder participation process.

SAPPI's history in ISO implementation

SAPPIs history of formal environmental management dates back to about 1988. Prior to this conservation was considered an activity limited to the areas of natural vegetation. Foresters are, however, often people with a conservation ethic, as it is their love of the outdoors that drew many to the profession in the first place. About this stage SAPPI employees where realizing that SAPPI and forestry in general had a poor environmental image with the public. An internal workshop was convened to investigate this problem. This resulted in the industry setting a set of industry environmental practices. Forestry estates where also graded on an environmental rating system and there was a competition for plantations with the best rating. The Wild Life Society of South Africa donated a trophy.

The first SAPPI environmental policy was set 1n 1990 and in 1993 appointed John Scotcher as an environmental manager. He started to implement a systematic approach to dealing with environmental management. For instance internally conducted impact assessments were made compulsory for all plantings including re-plantings. SAPPI investigated international standards and in particular the British BS7750 standard. This was prior to the introduction of ISO. SAPPI believed that a structured process was needed and linked environmental issues to their foresters Key Result Areas (KRAs).

ISO 1400 was in line with a lot of SAPPI's thinking and they gradually moved toward it. A private consultant was used to facilitate ISO implementation in the organization. A bottom up approach was used where there was a lot of consultation with the staff and foresters in setting up of the system. In 1996 they realized that they needed greater public involvement and the Institute of Natural Resources (INR) was contracted to conduct stakeholder review. Drafts of their ISO system were also sent out for stakeholder review. This level of stakeholder involvement goes beyond the level required by ISO and is not a pre-requisite for ISO. If a company has made it policy to have an open process of stakeholder involvement, then the ISO review will audit that they are adhering to this (self imposed) policy.

As a consequence of ISO implementation SAPPI has developed a stronger and larger environmental management team, which has as one of its main objectives the implementation of ISO. At present this is consists of 12 people. SAPPI has found that maintaining the system is requires greater effort than the initial implementation.

SAPPI forests has chosen to have total ISO 14000 implementation across all its divisions and activities. At present this excludes long haul transportation, which was included after ISO implementation.

SAPPI maintains a live database of I&Aps and runs a consultative and process regarding its environmental policy.

How effective has ISO 1400 been in enhancing SFM in SAPPI?

Changes to company policy

ISO implementation has resulted in a major change in SAPPI's policy toward environmental issues, and the development of a formalized policy. There is strong management team commitment to their environmental policy. Some of this is likely to have happened regardless of ISO implementation as the organization was moving in that direction and had already implemented an environmental policy in 1992.

Changes to company business practices

ISO implementation has had widespread impact on SAPPI's business practices. Environmental issues are incorporated into all management policies and plans. There are twice yearly environmental third party audits and annual internal audits. ISO implementation has resulted in standardization in environmental practices across the organization. There is a move to integrate environment with health and safety issues, which are looking to implement some of the ISO thinking. SAPPI is placing pressure on suppliers for increase environmental accountability. SAPPI is looking to provide a price premium for wood from small growers who conform to environmental standards, and may in time make this a requirement for purchase. This in time will also be taken to the project grow (out growers in the former QwaZulu). All contractors working within the plantations must meet the standards.

The environmental group got rewarded as the group with greatest impact on SAPPI forests business last year.

Environmental issues are becoming entrenched as a way of life. The bureaucratic checks and controls ensure this. Incentives such as competitions between the plantations, and environmental news letters have also been introduced.

A system of continuous improvement

Any employee or member of the public can report an environmental issue. These reports are sent through the head office and plantation manager. The plantation

manager is obliged to deal with the incident, and compliance is checked during the next annual audit. For any incident it is also required that mechanisms for prevention or reduction in intensity of similar incidents in the future are also required.

Strengths and weaknesses of ISO

It is not the objective of this paper to discuss the definitions of SFM or the complexities involved in attempting to determine if SFM is being met. Discussion will be limited to the mechanism that would seem to indicate that ISO is acting as a tool to move companies closer to SFM.

Own targets

ISO 14000 has been criticized as a way where companies can set their own environmental targets and get certified for compliance with their own policy whilst still being environmentally irresponsible. Although there is a lot of validity in this criticism, a well-implemented ISO system in the forestry industry in South Africa will require high standards being met. By definition, the minimum standard that the company would have to be aiming for is the standards as laid down through environmental and forestry legislation. It is true that ISO certification does not indicate that the company has achieved that standards, but rather than it has made commitment to achieving the standards through its own self defined annual targets.

Certification of the EMS not the performance standards

ISO certification gives no indication on the standards being met, or the level of environmental performance. It purely certifies sound implementation of the system, and the organizations commitment to move to more environmentally sound management (that aims to comply at least to the minimum legal requirements).

Ring fencing of activities

A company can chose which of their activities to submit to ISO and which to exclude. This knowledge is seldom made public when companies state that they are ISO certified. Claiming ISO certification can give a misleading impression that this applies to the total companies operation.

Community and stakeholder participation

ISO does not require strong stakeholder involvement, though scoping of issues from stakeholders is required. If a company's policy requires stakeholder involvement and an open process then this will be required for certification. The problem is that a statement of ISO certification without an accompanying

company policy provides no way for an outsider to know if this is the case. Pressure from policy, NGOs and even from within the forestry industry is likely to push at least the larger companies to a relatively open and participative process. SAPPI for instance has taken transparency and consultation way beyond the ISO minimum requirements. SAPPI admits that true local community involvement is difficult and this sentiment has been echoed by SAFCOL and Mondi. SAPPI, Mondi and SAFCOL all report that there are very few or non of their plantations against which land claims have been lodged. This does not negate company's community responsibilities, but does simplify the issue. The situation is however different on the DWAf plantations in the ex-homelands where communities have expressed strong claim to forestry land.

As a means to FSC

If companies have implemented a sound ISO system then it should be easy for them to get FSC certification. SAPPI found FSC certification required few additions above what they currently do. ISO will also help maintain the environmental management at FSC levels. FSC can impose limits that business practice demands cannot be met. SAPPI found this regarding harvesting practices for wet weather.

Bureaucratic

This is both a strength and weakness. With out a doubt ISO creates a large bureaucracy and an associated cost in effort. SAPPI sees this as one ISO's strongest points, Mondi rejects these components of ISO in its EMS implementation.

No label

The international hardwood market is starting to demand a green label. ISO does not meet this market need and hence companies who need labeling either have to use a different system or dual system.

Allows a company to start from a low environmental base

ISO has no "true performance standard" as standards are self-imposed. This not totally true as must at least meet national standards and any other standards to which the company subscribes. It does however allow accompany that is far short of national standards to set its standards in a way that annual improvements are at a level that the company can handle. This is different from FSC where it is an all or nothing.

Results in continuous improvement – likely to give better SFM than FSC in the long run, bit this is dependent on how the system is run. In particular it relies on

strong environmental policy in the country, and the companies commitment to an open, transparent and participatory process.

Conclusion

Within South Africa, commercial forestry is almost exclusively industrial plantations of exotic species and it controls most aspects of the forestry operation including the ownership of the land. As such, forestry, companies have a strong industrial affinity and are well suited to the implementation of an industry derived ISO 14000 systems approach to forestry management. FSC, though applicable to forestry plantations, is far more geared to forest exploitation of indigenous forests.

ISO 14000 as a management system does not set environmental standards and targets that must be met by the organization. These are internally set by the organization. As a consequence a criticism of ISO certification is that it does not guarantee that SFM is taking place. This is a very valid criticism, but as long as the following two criteria are met, the structure of ISO will automatically lead to ISO enforcing strong standards for SFM in the companies EMS. Once these standards are set, ISO certification will certify that the company is achieving its EMS targets for achieving standards.

- ISO requires that a company set targets to achieve compliance with national legislation. If there is strong national legislation and legislated national standards, then these are automatically minimum requirements within the ISO system. At present there are not national forestry criteria and indicators and this potentially impacts on both ISO and FSC implementation. The company need not have met the standards to achieve certification, but must show that it has a process and targets in place that will lead to meeting the legislation. The state need not necessarily set the standards, but could simply legislate that companies follow specified approaches that include stakeholder participation in determining of their objectives and goals (see the point below).
- If there is a strong NGO environmental movement in the country, as in South Africa, and if the companies undertake in their policy to involve this sector in setting of standards and targets, then it is reasonable to assume that a high level of SFM will be achieved. An alternative is that the forestry sector as a sector, set standards through a participatory and open approach and that companies make it their policy to adhere to these standard.

A problem with ISO is that it needs to be read in conjunction with the company's environmental policy before an assessment of its value in terms of environmental performance can be assessed. Since ISO places a lot of emphasis on national legislation, ISO certification between countries will not indicate similar environmental standards. At the company level, because companies set their own standards, ISO certification does not signify comparable standards between

companies within a country, but the minimum standards as set by legislation will remain constant.

ISO is not a certification system. If the market wants environmental performance certification, or a 'green label', then forestry companies will have to have a certification system other than ISO in place. ISO can, however, be used in conjunction with a certification system such as FSC and is a powerful mechanism for reaching and maintaining FSC certification standards. This is particularly true for companies where their is a large gap between current practice and FSC requirements.

The strongest benefit of the ISO system is that it uses a systems approach to achieving continuous improvement. In product certification system there is no incentive for a company to be any better than the minimum standard for certification. The ISO approach on the other hand is open ended with the company continually striving to improve its performance. ISO, and a relatively bureaucratic system for implementation ensures that there is a day to day commitment to environmental issues, rather than environmental issues simply being implemented to gain certification.

Appendix 2 A list of standards forming the ISO 1400 series of standards.
From http://www.inem.org/htdocs/iso/iso14000_intro.html

ISO No.	Title of International Standard / Guideline / Technical Report	Publication Date	Subcommittee
ISO 14001	Environmental management systems - Specification with guidance for use	1 September 1996	SC 1/WG 1
ISO 14004	Environmental management systems - General guidelines on principles, systems and supporting techniques	1 September 1996	SC 1/WG 2
ISO/AWI 14004	Revision of ISO 14004:1996	To be determined	SC 1/WG 2
ISO 14010	Guidelines for environmental auditing - General principles	1 October 1996	SC 2/WG 1
ISO 14011	Guidelines for environmental auditing - Audit procedures - Auditing of environmental management systems	1 October 1996	SC 2/WG 2
ISO 14012	Guidelines for environmental auditing - Qualification criteria for environmental auditors	1 October 1996 Corrected and reprinted 15 October 1998	SC 2/WG 3
ISO/DIS 14015	Environmental management - Environmental assessments of sites and organizations	27 April 2000	SC 2/WG 4
ISO/CD.2 19011	Guidelines on quality and environmental management systems auditing	15 April 2000	JWG TC 207/SC2 & TC 176/SC3
ISO 14020	Environmental labels and declarations - General principles	1 August 1998	SC 3/WG 3
ISO 14020: 1998/DAM1	Draft amendment 1 to ISO 14020:1998	16 December 1998	SC3
ISO 14021	Environmental labels and declarations - Self-declared environmental claims (Type II environmental labelling)	15 September 1999	SC 3/WG 2
ISO 14024	Environmental labels and declarations - Type I environmental labelling - Principles and procedures	1999	SC 3/WG 1
ISO/TR 14025	Environmental labels and declarations - Type III environmental declarations	15 March 2000	SC 3/WG 1
ISO 14031	Environmental management - Environmental performance evaluation - Guidelines	15 November 1999	SC 4/WG 1 & SC 4/WG 2
ISO/TR 14032	Environmental management - Examples of environmental performance evaluation	1999	SC 4/WG 3
ISO 14040	Environmental management - Life cycle assessment - Principles and framework	15 June 1997	SC 5/WG 1

ISO 14041	Environmental management - Life cycle assessment - Goal and scope definition and inventory analysis	1 October 1998	SC 5/WG 1
ISO 14042	Environmental management - Life cycle assessment - Life cycle impact assessment	1 March 2000	SC 5/WG 4
ISO 14043	Environmental management - Life cycle assessment - Life cycle interpretation	1 March 2000	SC 5/WG 5
ISO/WD TR 14047	Environmental management - Life cycle assessment - Examples of application of ISO 14042	1999	SC 5
ISO/CD 14048	Environmental management - Life cycle assessment - Life cycle assessment data documentation format	1999	SC 5
ISO/TR 14049	Environmental management - Life cycle assessment - Examples of application of ISO 14041 to goal and scope definition and inventory analysis	15 March 2000	SC 5/WG 3
ISO 14050	Environmental management - Vocabulary	1 May 1998	SC 6/WG 1
ISO 14050: 1998/DAM1	Draft amendment 1 to ISO 14050:1998	30 December 1999	SC 6
ISO/TR 14061	Information to assist forestry organizations in the use of Environmental Management System standards ISO 14001 and ISO 14004	15 December 1998	SC 5/WG 5
ISO/AWI 14062	Guidelines for integrating environmental aspects into product development	To be determined	SC 5
ISO Guide 64	Guide for the inclusion of environmental aspects in product standards	March 1997	SC 7/WG 1

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