

Certified ✓

We provide 24/7 advice on all aspects of certification

May 2010

Issue Number 7

FROM THE EDITOR

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This issue of *Certified* ✓ focuses on:

- the requirements for outsourcing activities related to “certified” and/or “controlled” products and the associated services;
- the PEFC’s invitation to interested stakeholders to comment on its proposal to include social, health and safety requirements in its CoC certification; and
- Quick Facts on PEFC and FSC certification globally.

A handwritten signature in black ink that reads 'Kwame Asumadu'.

Kwame

Copies of back issues of *Certified* ✓ can be downloaded from our website at: www.aassociates.com.au.

What is outsourcing?

Outsourcing is where a company arranges with another company (contractor) to perform, on its behalf, some of its in-house activities.

Usually, the activities outsourced are not core activities but are those which complement the business of the outsourcing company.

Examples in the timber industry can include:

- using external couriers to deliver products to the customer;
- distributing products from the warehouse of a transport company;
- contracting another company to complete all or part of the manufacturing process on its behalf such as veneering, polishing, edge banding, dressing, moulding, cutting, packaging etc.

Outsourcing can also include situations where the outsourcing company either receives back the product(s) it has outsourced, or requests the contractor to deliver the finished product(s) to another company or a customer.

Certified companies may outsource activities to either certified or non-certified companies. However, it will be preferable for certified companies to outsource to other certified companies.

Pre-conditions for outsourcing

A company applying for Chain of Custody (CoC) can decide to include “Outsourcing” in the scope of its certificate. If the company decides to include outsourcing in the scope of its CoC certificate, it must ensure that:

- it will continue to have **legal ownership** of all **input materials** to be included in the outsourced processes; and
- it will not relinquish **legal ownership** of the materials during the outsourced processing.

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What are the requirements for outsourcing?

Before outsourcing any aspects of its activities which are included in the scope of its CoC certificate, the certified company must ensure that:

- it has signed an agreement, or there is a written contract in place with the contractor, covering the outsourced process;
- it has documented a control system with clear procedures for the outsourced process;
- it has given a copy of the documented control system to the contractor;
- it has explained **fully** the requirements of the control system to the contractor; and
- the contractor clearly understands the requirements of the documented control system, and has agreed to follow them.

What are the “Rights” of your certification body in outsourcing arrangements?

Your certification body has the right to visit the premises of the contractor, either during the main assessment audit, or during subsequent surveillance audits, to audit the contractor and/or its operations. This is necessary to ensure that the contractor:

- is aware of its roles and responsibilities, as well as obligations under the CoC system;
- has in place control systems to enable it to perform the outsourced activity(ies) on behalf of the certified company with minimal risk of accidentally mixing or replacement with uncertified (uncontrolled) material.

Procedures for outsourcing

All certified companies which undertake outsourcing must ensure that their CoC

procedures include “Control Systems” for ensuring the following:

- all input materials they send to the contractor are “certified” and/or “controlled”
- all “certified” and/or “controlled” materials can be tracked and accounted for all the time; and
- “certified” and/or “controlled” materials cannot be mixed or contaminated with any other material during the outsourced processing.

Record-keeping by the outsourcing company

The company outsourcing to another company must keep the following records:

- the names and contact details of all contractors who undertake outsourcing activities on its behalf;
- description and quantities of “certified” and/or “controlled” inputs provided to the contractor, and the description and quantities of the outputs (finished products);
- delivery documentation related to the “certified” and/or “controlled” input and output materials; and
- a signed contract or agreement covering the outsourcing arrangements.

Record-keeping by the contractor

The contractor must keep records of all “certified” and/or “controlled” inputs and outputs, and the associated delivery documentation.

During surveillance audits, both the outsourcing company and the contractor must be able to produce all the documentation associated with the outsourced arrangements for verification by the certification body’s auditor.

Invoicing for outsourced activities

The certified company must issue final invoices for the processed or produced certified materials after the outsourcing has been completed.

The invoice must also state the certificate holder's Chain of Custody certificate number.

Certified companies cannot sell or claim "certified" and/or "controlled" finished outputs as "*certified*", if they are not accompanied by valid final invoices.

Labelling under outsourcing

The outsourcing company can either:

- label the finished outputs at its own premises once the products have been returned by the contractor; or
- request the contractor to label the finished products on its behalf.

If the contractor labels the finished outputs on behalf of the outsourcing company, the outsourcing company must:

- provide the products labels (which must conform with the trademark requirements of its certification scheme) to the contractor; and
- ensure that the contractor only uses the approved labels on products covered by the scope of the outsourcing agreement.

Promotion under outsourcing

Contractors cannot promote "certified" products on behalf of the outsourcing company.

It is the responsibility of the outsourcing company to ensure that the contractor does not use the Trademarks of its certification scheme to promote its own products and/or company.

Subcontracting of outsourced activities

Contractors cannot themselves outsource activities that have been

outsourced to them by a certified company.

Certified companies must ensure that their contractors do not themselves outsource processing, i.e. the material may not pass from one contractor to another under the outsourcing agreement.

PEFC to Consider Social Requirements for Chain of Custody Certification

The PEFC is working on including social requirements in its CoC certification, and has invited all interested stakeholders to comment on the draft social, health and safety requirements for its Chain of Custody certification by 23 July 2010.

Copies of the draft document can be downloaded from www.pefc.org.

According to Ben Gunneberg, PEFC Secretary General, "social issues have long been an integral part of forest certification, which verifies that forest management satisfies the environmental, social and economic aspects of sustainable development. Yet Chain of Custody certification has so far been limited to tracking certified material through the production process, from the forest to the consumer."

Under the PEFC's proposal to expand the scope of its Chain of Custody certification, PEFC-certified organizations will be obliged to demonstrate that they:

- ensure workers' freedom of associations and rights for collective bargaining;
- prohibit the use of forced labour covering the organization;
- ensure minimum age for workers;
- ensure equal employment that covers recruitment, promotion, division of work and dismissal; and

- ensure occupational health and safety, including its documentation and reporting.

According to the PEFC, if the requirements are approved following consultation and integration of the input received, the PEFC would become the first global forest certification system to demand compliance with key requirements of the fundamental International Labour Organisation (ILO) conventions along the whole supply chain.

Quick Facts

- About 225 million hectares of forest area (or 560 million acres) are managed in compliance with PEFC's internationally accepted Sustainability Benchmark.
- This is an area equivalent to the size of the whole of Mexico; or France, Germany, Italy and the UK combined.
- Two-thirds of all certified forests globally are certified to PEFC.
- By the beginning of May 2010, 6,707 companies and organizations have achieved PEFC Chain of Custody certification.
- One-third of all Chains of Custody globally have been awarded by PEFC.
- 34 national members and 28 endorsed national certification systems have joined forces under the PEFC umbrella to collaboratively promote sustainable forest management.

As of 21 May 2010, the FSC had:

- 133.78 million hectares of forest certified globally;
- 17,461 CoC certificates issued globally; and
- 1024 FM/CoC certificates issued globally

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ABN: 47104589228

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We can help with your CoC certification by:

- Preparing your internal procedures based on the standard of your preferred certification scheme (FSC, PEFC or both).
- Training your staff in the procedures, and preparing them so they know what to do and say during the audit.
- Engaging an auditor (FSC or PEFC accredited)
- Completing on your behalf all the necessary paperwork, including quotations from auditors to give you the most competitive price.
- Attending the audit to ensure everything goes well with the auditing process.

We also specialize in sourcing FSC and PEFC certified plywood and sawn timber for the Australian market.