

Public Notification Letter

FSC® Chain of Custody Controlled Wood Stakeholder Consultation

To: Interested Parties

From: SCS Global Services

Consultation period: **11/02/18 to 12/14/18**

Re: Notification of intent to audit **Oaks Unlimited, Inc.** against FSC Chain of Custody Controlled Wood standard FSC-STD-40-005 V3-1

The Forest Stewardship Council® (FSC) requires that a certification body conducting an audit of a certified organization or applicant must consult stakeholders whenever the audit includes intent to source and use uncertified material in an FSC Chain of Custody (CoC) program according to the requirements in FSC-STD-40-005 V3-1 “Requirements for Sourcing FSC Controlled Wood”. Therefore, SCS Global Services (SCS) is seeking input from interested and directly affected stakeholders regarding the relevance, effectiveness, and/or adequacy of **Oaks Unlimited, Inc.’s** Due Diligence System (DDS).

An explanation of ‘FSC Controlled Wood’, as well as a copy of FSC-STD-40-005 V3-1, is available here: <https://ic.fsc.org/en/certification/types-of-certification/controlled-wood-02> ; a copy of this standard is also available from SCS upon request.

Due Diligence Systems are required for certified organizations in order to avoid the sourcing and use of material originating from unacceptable sources in their FSC CoC program.

Directly affected stakeholders include any person, group of persons, or entity that is, with high probability, subject to the effects of the activities related to an organization’s controlled wood sourcing program, including the activities of their suppliers and sub-suppliers, as well as those who influence risk identified through the organization’s Due Diligence System.

This letter serves as SCS’ invitation to directly affected stakeholders to participate in our consultation process. This letter also serves as SCS’ public notification for any interested stakeholders, who are also invited to participate in the consultation process. Participation in this stakeholder consultation process is voluntary; stakeholders are not required to submit comments.

Scope of audit and audit details:

The audit will assess the conformity of the organization’s controlled wood program – including Risk Assessment(s) and DDS – according to the certification requirements as per FSC-STD-40-005 V3-1.

The company’s DDS Public Summary and Risk Assessment (excluding confidential information), as well as any other information or documents deemed relevant for the purpose of this stakeholder consultation, are included as appendices to this letter—see below. For a list of the information that is required to be publically available for stakeholder consultation by SCS, see FSC-STD-40-005 V3-1, Section 6.

Additional certificate holder information:

<https://info.fsc.org/details.php?id=a024000005sS4nAAE&type=certificate>

Options for participation and provision of comments:

Please submit written comments and evidence (where appropriate) by mail, FAX or email to SCS:

SCS Global Services
Att'n: Joseph Kochanski, Chain of Custody Certification Services
2000 Powell Street, Suite 600
Emeryville, CA 94608

Fax: 510-452-6882

Email: CWStakeholder@SCSGlobalServices.com

A summary of the stakeholder consultation and comments received will be made publically available on the FSC certificate database, as per FSC-STD-20-011 V4-0. Verbatim comments will only be published with prior consent from the stakeholder and will not be associated with stakeholder names.

Note that, while SCS is required to evaluate all information and comments objectively, SCS certification decisions are affected by stakeholder comments only insofar as the comments provide evidence of conformity or nonconformity to the applicable requirements.

Within 30 days of making our certification decision, SCS will respond to all stakeholders who provided comments to explain how their comments were taken into account.

More information about FSC and SCS can be found on our respective websites: www.fsc.org and www.scsglobalservices.com.

Publicly Available Information for FSC Controlled Wood Certificate Holders

INSTRUCTIONS

FSC® requires that organizations track their controlled material and publish specific findings. This form helps you meet the requirements in Section 6 of FSC-STD-40-005 V3-0 “Publicly Available Information”.¹

Organization Name	Oaks Unlimited, Inc.
FSC COC Certificate Number	SCS-COC-002043

Name of Authorized Representative (Contact information for person or position responsible for addressing complaints)	Joe Pryor
Procedure for filing complaints <i>Note: for further details on complaints procedure, see section 7 in FSC-STD-40-005 V3-0</i>	Complaints regarding our Controlled Wood Risk Assessment (OAKS-DP-03) should be addressed to one of the following: Oaks Unlimited Certification Manager 828-926-1621 certmgr@oaksunlimited.com

¹ This document is meant as guidance only, utilization of templates and guidance documents is no guarantee of conformity with FSC requirements. It is your organization’s responsibility to conform to relevant FSC requirements.

Risk Assessment Summary In the case that there are multiple risk assessments, copy and paste this table below for each assessment.	
Description of Supply Area	North Carolina, South Carolina, Tennessee, Virginia, West Virginia, Kentucky
Reference to the applicable Risk Assessment	Oaks-DP03-riskassessment2018.doc
Submit applicable risk assessment (excluding confidential information) in a separate document	
Risk Designations Summary For any category not rated as "Low" please fill in control measures by risk assessment indicator	Sub-category
In order to select a checkbox, "double-click" on the box, and select default value as "checked".	
Overall Risk Designation for the Supply Area	<input type="checkbox"/> Unspecified (see below for unspecified risk designations) <input checked="" type="checkbox"/> Low
1. Illegally harvested wood Overall Risk Designation: <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low Control Measures per indicator (if applicable)	1.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 1.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 1.3 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 1.4 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
2. Wood harvested in violation of traditional and human rights Overall Risk Designation: <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low Control Measures per indicator (if applicable)	2.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 2.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 2.3 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 2.4 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 2.5 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
3. Wood harvested from forests in which high conservation values are threatened by management activities Overall Risk Designation: <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low Control Measures per indicator (if applicable)	3.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low 3.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses Control Measures (if applicable)	4.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
5. Wood harvested from forests in which genetically modified trees are planted Control Measures (if applicable)	5 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low

Stakeholder Consultation Summary	
<input checked="" type="checkbox"/> N/A No stakeholder consultations conducted	
<p>Summary of the consultation process(es) performed according to Annex B of FSC-STD-40-005 V3</p>	

Expert Engagement Summary

N/A No expert engagement conducted

Information on the engagement of one or more experts in the development of control measures in accordance with Annex C of FSC-STD-40-005 V3

Note: For individual experts this includes the names of the experts, their qualifications, their license/registration number (if applicable), and the scope of their services. For publically available expertise, the specific sources of information shall be cited.

Summary of Field Verification (undertaken as a control measure)

N/A No field verifications conducted as control measures

A summary of the organization's findings from field verification undertaken as a control measure, and steps taken by the organization to address identified non conformities where they occurred, unless confidential. The organization shall provide a justification for the exclusion of confidential information.

Note: The confidential nature of the information may be determined by the legislation that the organization must be in compliance with. Commercially sensitive information, and the names of individual landholders may be treated as confidential.

Publicly Available FSC® Controlled Wood Simplified Risk Assessment

This template is provided as a guide¹, based on FSC-STD-40-005 v3, Annex A, Section 3.

Risk assessments can be provided in any format as long as the contents meet FSC requirements.

A simplified risk assessment is only to be conducted when an FSC risk assessment for all five controlled wood categories is scheduled to be approved before 31 December 2017. A simplified risk assessment shall not be used after 31 December 2017.

To be completed by client

Company Name: Oaks Unlimited

COC Code: SCS-COC-002043

Date of last revision to this Risk Assessment: 10/16/2018

Country and supply area(s): NC, VA, WV, KY, TN, SC, GA

Sources of information: Supplier List

To be completed by SCS

Date Reviewed by SCS:

¹ This document is meant as guidance only, utilization of templates and guidance documents is no guarantee of conformity with FSC requirements. It is your organization's responsibility to conform to relevant FSC requirements.

FSC Global Forest Registry risk designations for country/supply area

Please fill this section out for each Country/Supply Area, using the FSC Global Forest Registry (<http://www.globalforestregistry.org/map>).

Global Forest Registry Risk Designation for Each Category	Sub-category
Illegally harvested wood <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low	1.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	1.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	1.3 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	1.4 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
Wood harvested in violation of traditional and human rights <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low	2.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	2.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	2.3 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	2.4 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	2.5 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
Wood harvested from forests in which high conservation values are threatened by management activities <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low	3.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
	3.2 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low	4.1 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
Wood harvested from forests in which genetically modified trees are planted <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low	5 <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low

Company Risk Assessment

1. Illegally Harvested Wood² <i>The supply area may be considered low risk in relation to illegal harvesting when <u>all</u> the following indicators related to forest governance are met:</i>	Findings	Risk Level <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low
<p>1.1 <i>Evidence of enforcement of logging related laws in the district.</i></p> <p>a) Use the ‘Minimum list of applicable laws, regulations, and nationally-ratified international treaties, conventions and agreements’ (Table A at end of document) for the identification of logging related laws in the supply area under evaluation.</p> <p>b) The organization may use existing national lists from approved FSC National Forest Stewardship Standards and other reputable sources in order to compile the list.</p> <p><i>Where the FSC Global Forest Registry contains an FSC approved list of applicable laws for a country, it is <u>mandatory</u> to use this list.</i></p>	<p>All wood harvested within the Oaks Unlimited Inc's lumbers supply areas are legally harvested and there is negligible evidence of illegally obtained wood. Law enforcement in the Oaks Unlimited Inc. Districts of Origin is active, aggressive, and precludes widespread illegal logging.</p> <p>www.illegal-logging.org: The website addresses worldwide illegal logging activities and efforts underway to curtail it. There is nothing on the website affecting the Oaks Unlimited Inc.'s lumber supply area. Illegal harvesting in Papua New Guinea is the focus of this website.</p> <p>The website identifies the US as a global leader in addressing the problem of deforestation. The State Department is working with other Federal agencies, the states, US business, environmental and labor interests to promote this goal through global institutions and international negotiations, agreements, and initiatives. Among these are the United Nations Forum on Forests (UNFF), International Tropical Timber Organization, Food and Agriculture ORganization of the United Nations, Montreal Process Working Group on Criteria and Indicators for Sustainable Forest Management, and the Convention on Biological Diversity, as well as through bilateral agreements under the Tropical Forest Conservation Act of 1988.</p>	<input checked="" type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low

² Examples of sources of information: FSC network partners and regional offices (contacts: ic.fsc.org), The Royal Institute of International Affairs (www.illegal-logging.info), Environmental Investigation Agency (www.eia-international.org), Global Witness (www.globalwitness.org), Telapak (for Indonesia www.telapak.org), UK Government’s Department for International Development (DFID), EU FLEGT process (<http://www.euflegt.efi.int/home>), Transparency International Corruption Perception Index (www.transparency.org), WWF (wwf.panda.org), ELDIS regional and country profiles (www.eldis.org), CITES (www.cites.org), NGOs and involved stakeholders.

	<p>www.eia-international.org: The focus of this website is the trading of illegal wood. Because all of Oaks Unlimited Inc. wood originates from the Eco-regions identified above and many of the loggers are trained under the SFI program, there is a "low risk" of illegal logging.</p> <p>Additional information to support low risk: www.fsc.org www.globalwitness.org</p>	
<p>1.2 There is evidence in the supply area demonstrating the legality of harvests and wood purchases, including, e.g. robust and effective systems for granting licenses and harvest permits.</p>	<p>Oaks Unlimited Inc. is committed to legal compliance and does not procure lumber from any suspected areas. There is clear evidence that the States and Eco-regions identified above where Oaks Unlimited Inc. procures lumber have effective systems for granting licenses and harvesting contracts. Government enforcement of timber security is robust and effective.</p> <p>In Kentucky, North Carolina, Tennessee, Virginia, West Virginia, and Georgia there are both civil and criminal laws that apply to the unauthorized harvesting of timber, depending upon the specifics of the case. Nationally, the Lacey Act makes it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant in violation of the laws of the United States, a State, or Indian tribe, or any foreign law that protects plants. While of these states only Virginia has a logging notification law, the states' DOFs activity assists landowners who have become victims of timber trespass or theft and pursues the perpetrators.</p> <p>The company does not import wood that is on the CITES list or that comes from the regions of the world identified as having problems with illegal wood harvests.</p> <p>http://ec.europa.eu/comm/development/body/theme/forest/initiative/index_en.htm: This website details the European Union's Action Plan for Forest Law Enforcement, Governance, and Trade (FLEGT). The EU is developing a licensing scheme for wood coming into the EU and proposes to cooperate with the US to thwart the trade of illegally harvested timber.</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>

	Additional information to support low rise: www.cites.org	
1.3 There is little or no evidence or reporting of illegal harvesting in the district of origin.	<p>Oaks Unlimited Inc. is not aware of any systematic illegal harvesting resulting in a threat to forests, people, or communities within its lumber supply areas. Law enforcement officials continually monitor the potential for and reports of illegal logging. No recent illegal harvesting has been detected or prosecuted among wood suppliers that deliver lumber to Oaks Unlimited Inc.</p> <p>Oaks Unlimited Inc. takes precautions to ensure that delivered wood is not from illegal source through its wood delivery contracts and Lumber Delivery Slips at the Oaks Unlimited Inc. wood yard.</p> <p>www.eldis.org: This website lists regions of the world where illegal logging is occurring and causing problems. The lumber supply areas of Oaks Unlimited Inc. are not included.</p> <p>www.globalwintess.org and www.telpak.org: These sites focus on illegal logging in the developing nations of the Pacific Rim, Africa, and South America. No issues were identified for Oaks Unlimited Inc.'s lumber supply area. The Telpak site is the Pacific Rim arm of Global Witness.</p> <p>www.panda.org: The World Wildlife Fund website addresses illegal logging and how companies can legally procure wood. A WWF publication "Responsible Purchasing of Forest Products, 2nd Edition" is a guide that can be downloaded. Appendix 1, "Working with Potentially Controversial Sources - Buyer Beware" addresses High Conservation Value Forests (HCVF), the Convention on International Trade in Endangered Species (CITES), conflict timber, and conversion timber.</p> <p>The website cites a study conducted by Seneca Creek Associates and Wood Resources International which examined the flow of suspicious roundwood into lumber and plywood and found that it depresses world wood prices by 7-16 cents on average, depending on the product. Were there no illegally harvested wood in the</p>	<input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low

	<p>global market, the study estimates the value of US wood exports could increase by over \$460 million USD each year. Thus, illegal logging is hurting the US forest and paper industry, and no instances of illegal logging in the US were cited.</p> <p>Additional information to support low risk: www.illegal-logging.org</p>	
<p>1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.</p> <p><i>The annually published Transparency International Corruption Perception Index (CPI) shall be used. Countries with a score of less than 50 shall be considered as unspecified risk, unless there is specific independent and credible information at a lower scale (e.g. implemented independent timber tracking systems) that demonstrates the contrary.</i></p>	<p>Oaks Unlimited Inc. is not aware of any corruption in the granting or issuing of harvesting permits in the regions where the company procures wood. Law enforcement of trespassing and timber theft precludes illegal logging within the lumber supply area. The company requires all wood producers to sign contracts containing requirements that they will not knowingly supply wood from illegally harvested sites.</p> <p>www.transparency.org: Transparency International addresses corruption, bribery, and other illegal activities. No issues were identified addressing forestry and wood procurement in the US regions where the company procures wood.</p> <p>The FSC US Draft Guidance document on Controlling Wood Sources concludes that:</p> <p>"There have been international assessments of illegal logging from the World Wildlife Fund (WWF), Seneca Creek Associates, and Wood Resources International. These organizations have identified areas where they have evidence of systemic illegal logging. These areas do not include the US. In addition, the US scores high in measures of good governance such as offered by Transparency International and the World Bank." See www.worldbank.org/wbi/governance/data for good governance data compiled by the World Bank and http://www.transparency.org/policy_research/surveys_indexed/cpi for Transparency International Indices.</p> <p>"It is arguable that illegal logging is a problem in the United States. However, when compared to the global situation, relatively, illegal</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>

	<p>logging in this country is of such small magnitude or frequency that it cannot be considered to be systemic in any areas of the US. In addition, any illegal logging that does occur is often prosecuted or the rightful owner has means to remedy the situation."</p> <p>The company will adhere to relevant laws as noted in FSC-DIR-04-005, Advice 19.</p> <p>The full list is summarized in section 6, beginning on page 11.</p> <p>FSC-US - Minimum List of Applicable Laws for Use with Controlled Wood Risk Assessments.</p> <p>This list was developed by FSC-US in coordination with other FSC stakeholders in the US. It is a minimum list of applicable laws at the national level in the US, and is not intended to be a comprehensive list of all laws pertaining to forest management in the United States. This list may be used in order to satisfy the requirements of ADVICE-40-005-19 until a more complete list is posted on the Global Forest Registry.</p>	
<p>2. Wood harvested in violation of traditional or civil rights <i>The supply area may be considered low risk in relation to the violation of traditional and human rights when <u>all</u> the following indicators are met:</i></p>	Findings	<p>Risk Level</p> <p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>
<p>2.1 There is no UN Security Council ban on timber exports from the country concerned.³</p>	<p>There are no bans on timber exports from the Oaks Unlimited Inc. lumber supply areas. (Note: The websistes listed in Annex2, Section 2, address Africa and Asia and are not relevant to the US. The FSC iNational Initiatives and Regional Offices were reported by FSC supporters as not being in a position to provide detailed assistance in this area).</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>
<p>2.2 The country or supply area is not designated a source of conflict timber (e.g. USAID Type 1 conflict timber).⁴</p>	<p>The Oaks Unlimited Inc. lumber supply areas are not designated as a country or district that is a source of conflict timber.</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>

³ Examples of sources of information: Global Witness (www.globalwitness.org)

⁴ The final report of the expert panel on illegal exploitation of natural resources and other forms of wealth in Democratic Republic of Congo, 2002, Annexes I and III (S/2002/1146). Conflict Timber: Dimensions of the Problem in Asia and Africa. Volume I. Synthesis report. June 2003

<p>2.3 There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the supply area concerned.⁵</p>	<p>Oaks Unlimited Inc.'s lumber supply area does not experience child labor or violation of ILO Principles and Rights. The jurisdictions where Oaks Unlimited Inc. procures wood material have comprehensive laws prohibiting the use of child labor or violating citizen's rights.</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>
<p>2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the supply area concerned.⁶</p>	<p>There are no violations of traditional rights within Oaks Unlimited Inc.'s lumber supply areas. US, Federal, and State laws preclude such violations and there are recognized processes in place to resolve conflicts over traditional rights and cultural interests.</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>
<p>2.5 There is evidence of no violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the supply area concerned.</p> <p><i>The standard does not refer to the ratification of ILO 169 and a risk assessment shall involve an assessment of evidence of violation of ILO requirements, irrespective of whether they have been ratified by the country in which the risk assessment is made.⁷</i></p>	<p>Oaks Unlimited Inc. is not aware of any evidence of violations of the ILO Convention on Indigenous and Tribal Peoples within the districts of origin.</p> <p>The FSC US in its Draft Guidance on Controlled Wood Sources has concluded that:</p> <p>"Within the US there is no UN Security Council ban on timber exports, the areas are not designated as a source of conflict timber, child labor does not occur systematically, and ILO Fundamental Principles and rights at work are generally respected. In addition, the US has recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity."</p> <p>"In the US, Native Americans with a land base are recognized as Sovereign Nations and accorded rights to manage their land and affairs. In addition, Native American tribes have challenged, won decisions, and resolved issues concerning land management and use rights. There are many examples within the US where tribes have successfully been able to exercise treaty rights through formal and informal conflict resolutions systems."</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>

⁵ FSC network partners and regional offices (contacts: ic.fsc.org), ILO country offices

⁶ FSC network partners and regional offices (contacts: ic.fsc.org), Indigenous Peoples' organization, Local community associations, National Sources (e.g. records of land claims negotiation concluded or in progress, summaries of court decisions)

⁷ FSC network partners and regional offices (contacts: ic.fsc.org), ILO country offices.

	<p>Additional support for low risk. www.naturalresources.org www.globalwitness.org/page/en/forests.html</p>	
<p>3. Wood harvested from forest in which high conservation values are threatened by management activities <i>The supply area may be considered low risk in relation to threat to HCVs if:</i> <i>a) indicator 3.1 is met; or</i> <i>b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the supply area by non-compliance with 3.1.</i></p>	<p>Findings</p>	<p>Risk Level <input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>
<p>3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten eco-regionally significant HCVs.</p> <p>The organization shall first assess whether any HCVs are threatened at the ecoregional level. If there are any HCVs threatened at the ecoregional level, the organization shall assess how forest management activities relate to these HCVs at the supply area level.</p> <p>For the risk assessment of this category the identification of ecoregionally significant HCVs is required, which in practical terms implies that locally relevant values are not in the focus of this step of the risk assessment.</p> <p>Threatened ecoregions can be identified through the supporting information that references, but is not limited to e.g. <i>Biodiversity Hotspots, Global 200 Ecoregion, Frontier Forest, Intact forest landscapes.</i></p> <p>Regarding Intact Forest Landscape, firefighting or fire prevention for the protection of public safety is not considered an economic activity of minimal disturbance. Fire control in the context of forest management activities is not considered to be an economic activity of minimal disturbance.</p> <p>Low risk for this indicator may be demonstrated as follows:</p>	<p><i>List ecoregions</i> A risk assessment study, commissioned by the American Hardwood Export Council (AHEC), of the hardwood producing areas covered the Appalachian-Blue Ridge forests (NA0403) and Southeast Mixed forests (NA0413) of the United States. These eco-regions cover the hardwood regions of the state of North Carolina. The report concluded that forest products harvested within the study area are low risk for threat to HCVF.</p> <p>www.worldwildlife.org/science/ecoregions.cfm http://www.ahec-europe.org/</p>	<p><input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low</p>

<p>a) Material does not originate from any of the mapped areas of HCVs (as listed in 3.1), or</p> <p>b) There are no eco-regionally significant HCVs in the supply area according to independent verifiable information at the supply area/supply unit level (NGO reports, environmental impact assessments, etc.)⁸</p>		
<p>3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.</p> <p>Low risk for this indicator shall be demonstrated as follows:</p> <p>a) A strong system of protection of HCVs is in place. The definition of strong shall be based on the effectiveness of law enforcement in the country. This can be demonstrated through a high rating ($\geq 75\%$) in the World Bank 'rule of law' index (www.goindicators.org), and</p> <p>b) Significant support by relevant national/regional stakeholders from the assessed supply area, or</p> <p>c) The forest manager has agreed to an approach of HCV protection at the supply unit level with national/regional environmental stakeholders relevant for the assessed supply area.</p> <p>d) Indicator 3.2 cannot be met if there is substantial objection from relevant national or regional stakeholders against a low risk designation for the HCV category.⁹</p>	<p>The US States where the company procures lumber have strong regulations and systems for protection addressing threatened and endangered species and HCVs. The states within the lumber supply area have extensive protected areas and conservation reserves that serve to ensure the survival of HCVs across the eco-region.</p> <p>The US is a signatory to the Convention on Biological Diversity, however, it has not been ratified by the US Senate.</p> <p>The FSC US in its Draft Guidance on Controlled Wood Sources has concluded that:</p> <p>"Only in cases where an area is determined to be an HCVF, and threats to the area are high (and protection low), would an on-the-ground assessment be in order to verify the impact of the harvesting operation on the values that make conservation of the area important. This is likely not to be needed for the majority of forests in the US."</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>

⁸ FSC documentation on HCVs (ic.fsc.org); Ecoregion definition and information (www.worldwildlife.org/biomes); regions identified by Conservation International as a Biodiversity Hotspot; or ecosystems and communities that are explicitly identified by Conservation International as a key component of a *Biodiversity Hotspot*; forest, woodland, or mangrove ecoregions identified by WWF as a *Global 200 Ecoregion* and assessed by WWF as having a conservation status of *endangered* or *critical*. If the Global 200 Ecoregion comprises more than a single terrestrial ecoregion, an ecoregion within the Global 200 Ecoregion can be considered low risk if the sub-ecoregion has a Conservation Status other than *critical* or *endangered* (www.worldwildlife.org/science/wildfinger); regions identified by the World conservation Union (IUCN) as a *Centre of Plant Diversity*; regions identified by CI as a *High Biodiversity Wilderness Area* that contain contiguous forest ecosystems greater than 500 km²; regions identified by the World Resources Institute as a *Frontier Forest*; Intact Forests Landscapes, as identified by Greenpeace (www.intactforests.org)

⁹ FSC network partners and regional offices (contacts: ic.fsc.org); signatory to the convention on Biological Diversity and demonstrable progress towards completing a network of protect area, such as an overall positive analysis of the latest country thematic report on Forest Ecosystems (www.cbd.int)

	<p>The following states in the company's procurement area are considered low risk based on www.globalforestregistry.org, Indiana and New York. The remaining states in the procurement area are considered low risk of harm to HCV forests based on the following findings:</p> <p>The 2010 Farm Bill passed by the US government required each state to file a Forest Resource Assessment and a Fish & Wildlife Assessment. Each assessment required significant stakeholder input and no state found High Conservation Value Forests a concern.</p> <p>In the previously cited Seneca Creek study prepared for American Hardwood Export Council, low risk is concluded and can be found under Key Findings and Observations, page iii, paragraph 8, "We can conclude that hardwood procured from anywhere in the Hardwood States could be considered Low Risk in all five categories of the standard".</p> <p>An additional study for AHMI for each state concluded:</p> <p>3. Wood Harvested from Forests in which High Conservation Values are Threatened by Management Activities. Findings Level of Risk</p> <p>3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten ecoregionally significant conservation values. OR A risk assessment study, commissioned by the American Hardwood Export Council (AHEC), of the hardwood producing areas covered the Appalachian-Blue Ridge forests (NA0403) and Southeast Mixed forests (NA0413) of the United States. These ecoregions cover the hardwood regions of the state of North Carolina. The report concluded that forest products harvested within the study area are low risk for threat to HCVF.</p> <p>Low risk</p> <p>3.2 A strong system or protection (effective protected areas and legislation) is in place that ensures the survival of the HCVs in the ecoregion. Federal and state laws provide a strong system to ensure the survival of HCVFs with the eco-regions listed above.</p>	
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Those laws include, but are not limited to: Clean Water Act, Endangered Species Act, National Historic Preservation Act, and Resource Conservation and Recovery Act. Also the forest areas which are located in National Parks and National Forest Wilderness Areas are considered as being relatively well protected.

Low risk

Sources of information:

State of North Carolina Department of Environment and Natural Resources - Division of Forest Resources

(www.dfr.state.nc.us/index.htm)

FSC Global Risk Assessment Website (<http://gra.nepcon.net/>)

FSC Controlled Wood Toolkit Registry

(<http://www.fsccontrolledwood.org/Region.aspx?RegionID=191&Source=RiskRegistry.aspx>)

World Wildlife Fund - Ecoregions

(wwf.panda.org/about_our_earth/ecoregions/ecoregion_list/)

An additional study by the Land Trust Alliance

(www.landtrustalliance.org) gives a state by state national land trust census:

Key Findings of the 2010 National Land Census

* Total acres conserved by state, local and national land trusts grew 47 million as of year-end 2010 - an increase of about 10 million acres since 2005 and 23 million since 2000.

* The number of active land trusts has leveled off at 1,723 organizations since the last census. This includes 1,699 state and local groups and 24 organizations categorized as national land trusts. California has the most land trusts with 197, followed by Massachusetts (159), Connecticut (137), Pennsylvania (103) and New York (97).

* The number of active land trust volunteers increased by 70% since 2005, while the number of paid staff and contracted staff increased by 19%.

* On average, a land trust with a strategic conservation plan guiding its land or easement acquisition conserves twice as many acres as a land trust without such a plan.

	<p>* From 2005 to 2010, state and local land trusts more than doubled the amount of funding they have dedicated to monitoring, stewardship and legal defense. They also nearly tripled their operating endowments.</p> <p>Finally, a search of the FSC database for Controlled Wood certificates from states in the procurement region resulted in 425 companies, listed on file. This is a substantial number of companies sources controlled wood in the same region.</p> <p>Additional support for low risk. www.intactforests.org www.nationalgeographic.com</p>	
<p>4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</p> <p><i>The supply area may be considered low risk in relation to forest conversion of forest to plantations or non-forest uses when the following indicator is present:</i></p> <p><i>(Note: The change from plantations to other land uses is not considered as conversion.)</i></p>	<p>Findings</p>	<p>Risk Level</p> <p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>
<p>4.1 There is no net loss OR no significant rate of loss (>0.5% per year) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question.¹⁰</p>	<p>Using AHEC interactive website, each state currently shows more hardwood growth than removals and mortality. http://www.americanhardwood.org/en/environmental-profile/interactive-forest-map</p> <p>Based upon a review of State Forest Inventory and Analysis REports produced by the US Forest Service, the growth of the forests in the States where Oaks Unlimited Inc. procures lumber generally exceeds withdrawals, thus indicating that there is "no net loss" and</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>

¹⁰ FAO GOFCC-GOLD Global Observation of Forest and Land Cover Dynamics; FAO Global Forest Resources Assessment; CI Regional Analysis Program; University of Maryland Department of Geography; UNEP/GRID – Division of Early Warning and Assessment; SERVIR – Regional monitoring and visualization system for Mesoamerica; Congo Basin Forest Partnership and CARPE; CEC Joint Research Centre; INPE-PRODES – Brazil’s National Institute for Space Research; Hansen, M., DeFries, R., Townshend, J.R., Carroll, M., Dimiceli, C., Sohlberg, R. 2003. 500 m MODIS Vegetation Continuous Fields. College Park, Maryland; The Global Land Cover Facility; National data sources; FSC network partners and regional offices (contacts: ic.fsc.org).

	<p>no significant rate of loss of natural forests across the company's lumber supply area.</p> <p>The United Nations Food and Agriculture Organization's (FAO) State of the World's Forest 2001 reports that North American forest cover expanded nearly 10 million acres (4 million hectares) over the last decade. Thus, there is low risk that forested ecosystems are experiencing loss.</p> <p>The FSC US in its Draft Guidance on Controlled WOOD Sources has concluded that:</p> <p>"The intent of the criterion in the Controlled Wood standard is to avoid wood harvested from conversion where natural forest cover is threatened at an ecoregion scale. Only when this threshold is past does one need to avoid wood from particular harvests that might lead to conversion."</p>	
<p>5. Wood from forests in which genetically modified trees are planted</p> <p><i>The supply area may be considered low risk in relation to wood from genetically modified trees when <u>one</u> of the following indicators is met¹¹:</i></p>	Findings	<p>Risk Level</p> <p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>
<p>a) There is no commercial use of genetically modified trees of the species being sourced; OR</p>	<p>Oaks Unlimited Inc. did not find its lumber supply areas on any lists contained in the FAO preliminary review of biotechnology in forestry: http://www.fao.org/docrep/008/ae574e/AE574E00.HTM. There are no commercial uses of genetically modified trees taking place across the lumber supply does not source lumber from forests in which genetically modified trees are planted.</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>
<p>b) Licenses are required for commercial use of genetically modified trees and there are no licenses for commercial use of the species being sourced; OR</p>	<p>Based on an analysis of available information, there are no genetically modified trees planted in the United States (Oaks Unlimited Inc.'s districts of origin). Therefore, Oaks Unlimited Inc. has concluded that there is "no risk" that the lumber sourced into</p>	<p><input type="checkbox"/> Unspecified</p> <p><input checked="" type="checkbox"/> Low</p>

¹¹ FAO, 2004. Preliminary review of biotechnology in forestry, including genetic modification. Forest Genetic Resources Working Paper FGR/59E. Forest Resources Development Services, Forest Resources Division, Rome. Italy (<http://www.fao.org/docrep/008/ae574e/AE574E00.HTM>). National and regional data sources

	the Oaks Unlimited Inc.'s facility comes from forests where genetically modified trees have been planted.	
c) It is forbidden to use genetically modified trees commercially in the country concerned.	The FSC US in its Draft Guidance on Controlled Wood Sources has concluded that: "At this time all wood sourced in the US can be considered to not contain wood from GMO trees."	<input type="checkbox"/> Unspecified <input checked="" type="checkbox"/> Low

Table A - Minimum list of applicable laws, regulations, nationally-ratified international treaties, conventions, and agreements

1. Legal rights to harvest	
1.1 Land tenure and management rights	Legislation covering land tenure rights, including customary rights as well as management rights, that includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legally required licenses.
1.2 Concession licenses	Legislation regulating procedures for issuing forest concession licenses, including the use of legal methods to obtain concession licenses. Bribery, corruption and nepotism are particularly well-known issues that are connected with concession licenses.
1.3 Management and harvesting planning	Any national or sub-national legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, impact assessments, consultation with other entities, as well as approval of these by legally competent authorities.
1.4 Harvesting permits	National or sub-national laws and regulations regulating procedures for issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. This includes the use of legal methods to obtain the permits. Corruption is a well-known issue that is connected with the issuing of harvesting permits.
2. Taxes and fees	
2.1 Payment of royalties and harvesting fees	Legislation covering payment of all legally required forest harvesting-specific fees such as royalties, stumpage fees and other volume-based fees. This includes payments of the fees based on the correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue that is often combined with bribery of officials in charge of controlling the classification.
2.2 Value added taxes and other sales taxes	Legislation covering different types of sales taxes which apply to the material being sold, including the sale of material as growing forest (standing stock sales).
2.3 Income and profit taxes	Legislation covering income and profit taxes related to profit derived from the sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies and is not related to salary payments.
3. Timber harvesting activities	
3.1 Timber harvesting regulations	Any legal requirements for harvesting techniques and technology, including selective cutting, shelter wood regenerations, clear felling, transport of timber from the felling site, seasonal limitations, etc. Typically this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities, and elements that shall be preserved during felling, etc. Establishment of

	skidding or hauling trails, road construction, drainage systems and bridges, etc., shall also be considered as well as the planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.
3.2 Protected sites and species	International, national, and sub-national treaties, laws, and regulations related to protected areas, allowable forest uses and activities, and/or rare, threatened, or endangered species, including their habitats and potential habitats.
3.3 Environmental requirements	National and sub-national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to or affected by harvesting, acceptable levels for soil damage, establishment of buffer zones (e.g. along water courses, open areas and breeding sites), maintenance of retention trees on the felling site, seasonal limitations of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction, etc.
3.4 Health and safety	Legally required personal protection equipment for persons involved in harvesting activities, implementation of safe felling and transport practices, establishment of protection zones around harvesting sites, safety requirements for machinery used, and legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relevant to operations in the forest (not office work, or other activities not related to actual forest operations).
3.5 Legal employment	Legal requirements for employment of personnel involved in harvesting activities including requirements for contracts and working permits, requirements for obligatory insurance, requirements for competence certificates and other training requirements, and payment of social and income taxes withheld by the employer. Also covered are the observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association.
4. Third parties' rights	
4.1 Customary rights	Legislation covering customary rights relevant to forest harvesting activities, including requirements covering the sharing of benefits and indigenous rights.
4.2 Free, prior and informed consent	Legislation covering 'free, prior and informed consent' in connection with the transfer of forest management rights, and customary rights to the organization in charge of the harvesting operation.
4.3 Indigenous Peoples' rights	Legislation that regulates the rights of Indigenous Peoples as far as it is related to forestry activities. Possible aspects to consider are land tenure, and rights to use certain forest related resources and practice traditional activities, which may involve forest lands.
5. Trade and transport (NOTE: This section covers requirements for forest management operations as well as processing and trade.)	
5.1 Classification of species, quantities, qualities	Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce or avoid payment of legally prescribed taxes and fees.
5.2 Trade and transport	All required trading and transport permits shall exist as well as legally required transport documents which accompany the transport of wood from forest operations.
5.2 Offshore trading and transfer pricing	Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens, combined with artificial transfer prices is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and is considered to be an important source of funds that can be used for payment of bribery to the forest operations and personnel involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading, as far as it is legally prohibited in the country, can be included here.

5.4 Custom regulations	Custom legislation covering areas such as export/import licenses and product classification (codes, quantities, qualities and species).
5.5 CITES	CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention).
6. Due diligence/due care	
6.1 Due diligence/ due care procedures	Legislation requiring due diligence/due care procedures, including e.g. due diligence/due care systems, declaration obligations, and/or the keeping of trade related documents etc.