

Forest Certification Processes

□ Understanding the steps

1. Introduction

The certification process steps are presented in the next sections. For more detailed information for each type of forest certification, contact a Neocert representative through the various media channels.

For all types of forest certification, an audit called “Main Evaluation” is carried out, which aims at a complete assessment of the operation based on the certification requirements (norms) that are the basis for granting a certificate at the end of the process.

2. Forest Certification Schemes

Neocert is accredited to audit the following types of forest certification

Certification	Scope of Accreditation
FSC® – Forest Stewardship Council	<ul style="list-style-type: none"> ✓ Certification of Forest Management of Plantations Forests (FM/COC) ✓ Forest Management Certification of Natural Forests (FM/COC) ✓ Controlled Wood Forestry Management Certification (FM/CW) ✓ Chain of Custody Certification (COC) ✓ Chain of Custody certification with Controlled Wood (COC/CW)
PEFC – Program for the Endorsement of Forest Certification	<ul style="list-style-type: none"> ✓ Certification of Forest Management of Plantations Forests ✓ Chain of Custody Certification

NEO-DOC-04 - Forest Certification Processes_v7

The version of this document available on the Neocert driver is the latest version. All printed material is uncontrolled. It is the reader's responsibility to verify that the printed copies are the current version.

	✓ Chain of Custody certification with Controlled Wood
AFI - Independent Forestry Audit	✓ Certification of Forest Management of Natural Forests (Concession of Public Forests).

3. Scope, Proposal and Certification Agreement

Through contact with a Neocert representative, each type of forest certification is explained, and which certification scope applies to your business condition.

Information about the business is requested from the client in writing so that the Commercial team and Technical Coordinators can prepare a commercial proposal for the audit process.

After acceptance of the commercial proposal, a service provision certification contract for certification activities is signed between the client and Neocert, which take into account the responsibilities of Neocert and its clients.

4. Forestry Certification Investment Amounts

The budgeted amount for the audit work is described in Table 1.

Table 1 - General information on audit work costs

FSC® certifications PEFC AFI - Audit Work		
Complete Audit	This budgeted amount includes labor costs, use of equipment and software, overhead, taxes, among others.	<ul style="list-style-type: none"> 50% of the budgeted amount upon acceptance of the proposal and contracting of services; 50% of the budgeted amount after 30 days of contracting the services.
Logistics	Travel expenses related to fieldwork (air and land travel, fuel, accommodation, food, etc.).	Eventually, if travel expenses are assumed by Neocert, they must be reimbursed by the customer by means of a debit note plus 20% (administration fee). If the company

		chooses to carry out the logistics, Neocert will provide guidance and approve it.
--	--	---

The amount budgeted as annuities and fees are those remitted annually for the maintenance of FSC International and its network, and PEFC Brazil as described in Table 2.

Table 2 - Annuities and fees related to Investment in FSC and PEFC Forest Certifications

FSC® Certifications PEFC AFI - FEES			
FSC®	Forest Management (MF)	Annual Administration Fee – AAF	The AAF is charged from customers based on the total area actually planted, excluding conservation areas (Table 3).
	Chain of Custody (COC)		Since 2023, the FSC calculates the AAF based on the exact net income of companies, and no longer on large income classes. Therefore, below are the AFF reference values. To find out the exact value of the AAF, just send us the value of the net revenue from the sale of products of forest origin (with and without certification) for the last fiscal year (Table 4).
	MF COC	One-time fee for access to the FSC International logo platform	EUR 50.00
PEFC	Forest management	Certification fee	For individual forest management, it will be based on the effectively productive area (ha) and group certification based on the sum of productive areas (ha) - SG 06.01 (08/2022)* *The amount will be charged directly by PEFC Brasil to the certified company. After confirmed payment, PEFC Brasil informs the certifier that it can proceed with the audit process.
	Chain of Custody		Certification fee for chain of custody based on the

NEO-DOC-04 - Forest Certification Processes_v7

The version of this document available on the Neocert driver is the latest version. All printed material is uncontrolled. It is the reader's responsibility to verify that the printed copies are the current version.

			<p>organization's annual gross revenue, per SG policy 06.01 (08/2022)*</p> <p>*The amount will be charged directly by PEFC Brasil to the certified company. After confirmed payment, PEFC Brasil informs the certifier that it can proceed with the audit process.</p>
--	--	--	--

Table 3 – AAF for certificates for FM, FM/COC and FM/CW (FSC-POL-20-005 – v3-3)

Forest Management Categories	Multiplied by Hectare (\$)
SLIMF	0
Natural Forest – Community Forest	0
Natural Forest – Conservation Purpose	0.0001
Natural Forest – Tropical	0.0020
Natural Forest – Boreal	0.0035
Natural Forest – Temperate	0.0045
Plantations	0.0200

Table 4 - AAF for certificates for COC and COC/CW (FSC-POL-20-005 - v3-3)

Net Revenue Products of Forest Origin	Annuity for Industries	Annuities Distributors, Traders and Resellers
USD 100 thousand/year	USD 80.00	USD 80.00
USD 1 million/year	USD 569.00	USD 171.00
USD 10 million/year	USD 1,702.00	USD 512.00
USD 100 million/year	USD 5,192.00	USD 1,560.00
USD 1 billion/year	USD 20,391.00	USD 6,117.00
USD 5 billion/year	USD 74,691.00	USD 22,407.00
USD 100 thousand/year	USD 80.00	USD 80.00

5. Description of Rights and Duties

- **Contractor:**
 - ✓ Have a qualified team to carry out the activities.
 - ✓ Collect taxes, charges and contributions, exempting the Contracting Party.
 - ✓ Be liable for any damage caused to the Contracting Party.
 - ✓ Provide guidance on normative documents relevant to certification systems.
 - ✓ Promptly inform if there is a reduction, suspension or withdrawal of

accreditation.

- ✓ The Contractor shall inform in writing in the Audit Plan the list of team members.
- ✓ In case of transfer to another certifier, provide necessary information according to normative requirements.

● **Contracting Party:**

- ✓ Comply with applicable obligations and standards of the certification system.
- ✓ Collaborate so that communication between the parties is fluid and truthful by indicating a point of contact for certification.
- ✓ Authorize the Contractor to obtain relevant audit information, visits, interviews between employees, service providers, partners and suppliers.
- ✓ Agree to receive any witness audits from the accreditation bodies.
- ✓ Provide logistical support and material necessary to carry out audits for the Contractor.
- ✓ Ensure the safety of the Contractor's representatives.
- ✓ Pay the amounts due to the Contractor, fees and annuities to the certification systems and any taxes established in the Commercial Proposal.
- ✓ Be responsible for compliance.
- ✓ Ensure that it will not declare itself certified before the certification decision by the Contractor and the issuance of a certificate.
- ✓ Inform legal, administrative, labor and environmental processes.
- ✓ Disclose current or previous application or certification with FSC and other


NEO-DOC-04 - Forest Certification Processes_v7

The version of this document available on the Neocert driver is the latest version. All printed material is uncontrolled. It is the reader's responsibility to verify that the printed copies are the current version.

Page 5 of 12

Neocert Certificações Florestais e Agrícolas LTDA

 Av. Cezira Giovanoni Moretti, 955 – Sala 112 – Office Reserva Jequitibá – Bairro Santa Rosa – Piracicaba – CEP 13414-157

 +55 (19) 3375.1060

 contato@neocert.com.br

systems within the last five years.

- ✓ Comply with mandatory requirements and international and local legislation.
- ✓ Consider the participation of observers during audits.
- ✓ The Contractor has the right to delay or postpone its decision on certification.
- ✓ Agree that a complaint is first handled in accordance with the Contractor's dispute resolution procedure and, if not resolved, referred to ASI and, ultimately, to the FSC, in case of disagreement with the audit conclusions related to the normative documents from the FSC.

6. Pre-evaluation

- Optional phase in most cases, but mandatory for certain types of FSC forest operations such as plantations forest operations with larger than 10,000 hectares and non-plantation forest operations with larger than 50,000 hectares. For certifications in small-scale and low-intensity operations (called SLIMF and/or for forests that have high conservation value), it depends on a technical assessment. FMUs containing High Conservation Value Attributes, unless the whole area meets the requirements for classification as “small forest” (see FSC-STD-01-003 SLIMF eligibility criteria).
- For Independent Forestry Audits (IFA), the Concessionaire needs to be informed by the Managing Body of the Forestry Concession about the need to conduct the IFA and proceed with the contracting of the Neocert Certifier, requesting the performance of the audit. A critical analysis of the request will be carried out in order to guarantee sufficient information for the audit and availability of the certifier.

NOTE: If there is no hiring, the agency itself will select the OAF by public bidding, in which the costs will be the responsibility of the Concessionaire.

After signing the IFA contract, Neocert obtains from the Management Body all the preliminary documentation that will be evaluated, in addition to preparing an IFA Plan describing Phase I and II in detail.

The main objectives include:

- ✓ Field visit at the Forestry Concession (FMU and Processing Unit) and to the Concession Management Body in order to assess and better understand the activities and monitor compliance with the Concession Agreement.
- ✓ Planning the collection and analysis of information and complementary documents from the Dealer and Management Body.
- ✓ Neocert identifies stakeholders by direct survey or indications established in Public Consultation.
- ✓ Agreement between the Concessionaire and the Management Body on the details of the Public Consultation, which include list of stakeholders, stage schedule, face-to-face meeting date, systematization and treatment of demands and issues presented.
- ✓ Agreement between the Concessionaire and the Management Body on the details of Phase II of the IFA.

7. Public Notice or Public Consultation

- The step applies only to certification of forest management and controlled wood. The Public Consultation must be announced to stakeholders 6 weeks before the main evaluation site for FSC certification (Forest Management or Chain of Custody/Controlled Wood), and for PEFC forest certification.

- For Independent Forestry Audits (IFA), in each evaluation, Neocert will conduct a 30-day Public Consultation to inform stakeholders about the structure of the IFA, in addition to creating opportunities for the stakeholders to be consulted, contributing to the evaluation.

8. Customer Preparation

As a certification body, Neocert does not offer consultancy to preparation for certification, but we are available for clarifications or doubts regarding the scope and applicable standards of the FSC, PEFC and IFA systems.

9. Main Evaluation

- Compliance with the standards applicable to the scope is assessed through an audit. To optimize audit time, Neocert divides the certification process into 2 phases:
 - ✓ Phase 1: consists of a remote document evaluation.
 - ✓ Phase 2: comprising a field audit to assess forestry and/or industrial operations, interviews, and consultation with other relevant stakeholders.
- For Independent Forestry Audits (IFA), Phase II must take place at the Concessionaire's office at the UMF, gathering compilations and analysis of demands arising from the Public Consultation. Neocert is responsible for making the following documents:
 - 1) Preliminary Report.
 - 2) Second Version.

3) Final Report.

4) Summary Report.

10. Report

- As the last step is the preparation of a detailed report that describes the audit process, evidence, and conclusions. If points that do not meet the standards are identified, nonconformities are identified for correction. If there are problems of great relevance, the certificate can only be issued after their resolution.
- For Independent Forest Audits (IFA), any nonconformities must be reported in the Preliminary Report and the implementation of corrective actions in the action plan must occur within a maximum period of 6 months. Neocert delivers the Final Audit Report to the Management Body within 30 days and makes the Summary Report available to stakeholders.

11. Certification

A certificate based on a positive result that is valid for 5 years is issued, provided your organization remains in compliance with the standards of the certification schemes.

12. FSC® Check

Integrated in August 2023, the new FSC® tool is based on a prior analysis of the risks of unacceptable activities mentioned in the FSC® Association Policy (FSC-POL-01-004), in addition to ensuring that companies' values are aligned with the principles of the Forest Stewardship Council®. All individuals who want to associate with the FSC® must go through this prior analysis.

13. Trademarks and Promotion

After the issuance of the certificate, the organization will be able to make use


NEO-DOC-04 - Forest Certification Processes_v7

The version of this document available on the Neocert driver is the latest version. All printed material is uncontrolled. It is the reader's responsibility to verify that the printed copies are the current version.

Page 9 of 12

Neocert Certificações Florestais e Agrícolas LTDA

 Av. Cezira Giovanoni Moretti, 955 – Sala 112 – Office Reserva Jequitibá – Bairro Santa Rosa – Piracicaba – CEP 13414-157

 +55 (19) 3375.1060

 contato@neocert.com.br

of the Trademarks of the certifications. For this, Neocert's approval is required for the use of FSC trademarks and, in the case of PEFC, Inmetro's approval. The use of Neocert's trademarks and name may be requested, subject to Neocert's approval.

14. Surveillance

After certification, surveillance is carried out to verify the organization's implementation and monitoring of processes to comply with certification standards. Considering the transparency of the certification processes, the public summary of the report is published in the FSC database (<https://info.fsc.org>) and in the case of PEFC, Neocert publishes it on the website (<https://neocert.com.br/certification/>).

15. Complaints and Appeals

Neocert provides a channel on the website (https://b24-q3g2i9.bitrix24.site/crm_form12/) to receive possible complaints regarding certified companies or regarding Neocert's work.

Complaints are also received directly by the audit teams, and we take seriously all concerns raised about our services or customers which can be submitted at any time. All complaints are kept confidential unless the complainant authorizes Neocert to share the information.

Appeals refer specifically when a certification candidate or certified client disagrees with the audit decisions, and can be made directly to Neocert's technical team or through the channel on the website (https://b24-q3g2i9.bitrix24.site/crm_form12/). The situation will be sent to a Technical Coordinator qualified as a decision maker and who has not participated in the certification process. In the event that the customer does not accept the decision, Neocert is liable to create an appeal committee for dealings and, if it is still not possible to issue a decision, the appeal will be forwarded to the FSC Mediation, Conciliation and Dispute Resolution Committee Brazil (<https://br.fsc.org/preview.protocolomediacaopt.a-978.pdf>). As a last case, it must

be forwarded to FSC International (<https://connect.fsc.org/document-centre/documents/resource/335>). For PEFC ([Complaints and appeals investigation and resolution procedures - PEFC - Program for the Endorsement of Forest Certification](#)) and IFA ([Brazilian Forest Service - Ministry of Agriculture and Livestock - www.gov.br](#)).

16. Additional Certification Situations

It is important to note that there may be other situations in addition to the initial certification process.

- ✓ **Refusal**: to start the process, the potential client requests certification and submits an initial form to the Neocert representative. Neocert reserves the right to refuse to conduct the certification evaluation process in case of lack of sufficient information to establish an audit plan, requests outside the scope of accreditation of Neocert other than FSC, PEFC or IFA, lack of Neocert's technical and/or human resources to meet the customer's demand or in situations where Neocert's risk analysis considers that there are unacceptable risks (threats to impartiality, threats to operations, security, bad reputation of the customer, among others).

- ✓ **Maintaining and Re-evaluation**: certifications have a 5-year cycle, and the certificate is valid for that period. After the main evaluation audit and certification is obtained, certification maintenance audits are carried out annually, called "surveillance" that make up 4 audits over the 5-year cycle. At the end of the 5-year cycle, if the organization wishes to renew the certification for a new 5-year cycle, a new audit called Re-evaluation is carried out.

- ✓ **Suspending, Reinstating and Withdrawing**: some situations may lead to suspension of the certificate, such as a failure in the certificate management

system the client has persistently or seriously failed to meet the certification requirements, failure of the requirements for the effectiveness of the management system, impediment of the certified client to carry out surveillance or re-evaluation audits are carried out within the regulatory deadlines, when the certified client voluntarily requests a suspension or even when the certified client is in default with the certifier, in terms of annuities and fees. A suspended certificate can be reinstated if the issue that resulted in the suspension is resolved. Certificates can only be suspended for up to 12 months. After this period the certificate is cancelled. Canceled certificates can only be reissued through a new main evaluation.

- ✓ **Extending and reducing the scope of certification**: changes in the client's certification scope can be carried out on demand, which can be extending (increase scope) to insert new forest management areas, cover new products, new processes or reducing (decrease scope) to remove from the scope sold forest management areas, products or processes no longer carried out by the organization.