



FSC LABELS AND CHAIN OF CUSTODY STANDARDS

As the FSC system grows, FSC needs to find innovative ways to maintain the momentum driving forest managers to enter the FSC system and commit to responsible forest practices. FSC must deal with barriers and obstacles in its system while maintaining its commitment to the integrity of the FSC promise.

The current review of FSC labelling requirements and the chain of custody system is focused on working through these issues. While it involves many difficult issues and decisions, the success of this initiative will be judged by whether it contributes to growth in responsible forest management worldwide.

What are the issues driving the review?

1. **Commitment to 'truth in labelling'.** The FSC promise - that the product you are buying comes from a responsibly managed forest - has been stretched in recent years by the introduction of percentage based claims. The prospect of an FSC credit system and recycled products create new challenges and a new opportunity to clarify the idea and promise.

2. **Increased concern over illegal wood and other uncontrolled wood sources.** Environmental groups and others have created a heightened awareness of issues such as deforestation, loss of high conservation value forest areas, social conflict and loss of biodiversity. As a result, FSC needs to pay special attention to how these wood sources are excluded and address the emergence of single issues such as legal verification.



3. **Supply chain blockages.** At present, well over 80 per cent of FSC certified wood is not making it through the supply chain as labelled FSC product. This means: (1) Some forest managers and operations are not able to gain a reward for their investment in forest certification by selling their FSC labelled products in the market; (2) Potential and current chain of custody producers often find it difficult to source adequate supplies of FSC certified material; (3) Retailers specify other less rigorous standards where they cannot source FSC, and; (4) FSC's ability to influence the market for well-managed forest products becomes constrained by its small market share.

4. **Complexity of current graphic requirements.** Difficulties with the current FSC label graphic standards have led some potential users to walk away from the FSC trademark because of size constraints and requirements to put percentage figures on the label. This has been most evident in the paper and printing market. For example, one drink container manufacturer does not use the FSC trademarks on product because of the percentage requirements, even though this manufacturer uses almost 80 per cent FSC fibre in its production. Other retailers have chosen not to display FSC labelled products in their stores on the grounds that FSC's percentage labels on solid wood products confuse consumers.

5. **Demand for recycled products, especially paper.** In certain product lines, producers are combining recycled, virgin and certified materials. In many cases, notably chip and fibre products, consumers see recycled as the key

criteria in product selection rather than FSC certification. Consumers associate recycled with sustainable resource management and look for products with a high proportion of recycled content. Retailers and paper producers want to offer products with high recycled content as part of a suite of certified products. Where virgin material is used they want to ensure it does not come from controversial sources. They are looking for a label to verify the content.

FSC labelling is currently only possible for products containing up to 82.5 per cent recycled content with no verification of that recycled material. These requirements put consumers in a position of having to choose between 'FSC-labelled' and 'recycled' products for high levels of recycled material - potentially putting FSC as second best for many consumers interested in sustainable management of forest resources.

To respond to these issues, FSC has considered three options:

1. **Retreat to minimalism.** FSC should only allow its trademark to appear on products that are sourced directly from responsibly managed forests.

2. **Status quo:** Transition the FSC 'promise' to something that reflects the FSC system as it exists (including percentage based claims), don't introduce the 'FSC credit' system, clean up graphic standards, don't allow positive recognition of recycled content.

3. **Major redesign with a series of related labels** (preferred option): This asks: "What are meaningful variations of the FSC promise that can be simply communicated to retailers and consumers?"

The reason for advocating approach (3) is that it provides the best opportunity to address all the issues listed above. It will lay the foundation for FSC to move beyond being a niche player and into the mainstream with clear promises that can be strongly supported. It addresses weaknesses in the current system and allows us to engage new forest managers who are able to avoid FSC at the moment because there is still a substantial market for non-FSC material.

In deciding how to implement option (3), FSC first considered meaningful promises that could be made and communicated through simplified labels. FSC then considered the implications of these promises and labels for the current chain of custody standards.

FSC Promises

FSC can make three variations on its promise that demonstrate the various levels of commitment available in the market today. All products carrying the FSC trademark must be able to meet the basic FSC promise:

By supporting this product you are supporting the development of responsible forestry worldwide.

All FSC products must be able to assure 'peace of mind' to the customer that it was not harvested through forest practices that have been highlighted as destructive.

1. **'Pure FSC'** *"The wood in this product is sourced from responsibly managed forests."*

The first and most obvious promise FSC should make is its original, traditional promise. To be clear and simple, this promise can only be applied to products that entirely come from responsibly managed forests.

This is the promise FSC would like all products carrying its label to meet. The label should be clear and easy to use so that retailers are encouraged to feature products carrying this label.

2. **'FSC Mixed'** *"The wood in this product is linked to responsible forestry and excludes material from forestry sources you are concerned about."*

This promise identifies products that are linked to FSC forest products (either through a percentage based threshold or a FSC volume credit system) and create demand for material from FSC certified forests. This promise also guarantees that these products exclude 'controversial sources' (illegally harvested logs, uncertified high conservation value forests, genetically modified organisms (GMOs) and social conflict forests). Where product groups contain less than 100% FSC material, the proposed chain of custody standards ensure that no material from controversial sources is permitted to carry an FSC label.

The majority of products carrying the FSC label at present would fall into this category. The adoption of this model is expected to release the existing bottleneck and substantially increase the volume of products in this category.

This promise is not as simple as the "Pure FSC" label and consequently requires careful consideration in how it is communicated by a label.

3. Recycled *"This product contains a high proportion of post-consumer recycled material. Any new wood is linked to FSC material and/or excludes sources you are concerned about."*



The promise identifies products that contain a high proportion of post-consumer recycled material (up to 100%) and, if virgin fibre is included, it will either be 'Pure' or 'Mixed' FSC-certified material and/or non-controversial material. It is a relatively simple promise that meets a market demand but needs to be differentiated from both the core 'Pure' promise and 'Mixed' promise.

Of the three promises, the development of the 'Mixed' label requires careful work in terms of design to achieve the optimum balance between leveraging off the strength of the core label but not weakening the core label by compromising its meaning. In order to ensure FSC achieves the optimal balance in this regard, extensive stakeholder consultation is being undertaken in Europe, North America and Latin America. As with any stakeholder consultation, it cannot be expected that everyone will feel the outcome meets all their requirements. At the same time, it is important that the new approach is broadly supported by FSC certificate holders and by all three FSC Chambers.

FSC has been pilot testing some prototypes of the new label system. The availability of these prototypes is already encouraging some producers and retailers to feature and promote the FSC label.



FSC Promises

| |  Pure FSC |  FSC Mixed |  Recycled |
|---------|---|---|--|
| Promise | "Wood in this product is sourced from responsibly managed forests." | "Wood in this product is linked to FSC responsible forestry. It excludes; illegal harvest, uncertified high conservation value, GMO and social conflict forests." | "This product contains a high proportion of post-consumer recycled material." |
| Content | 100% FSC certified content. | Material from percentage based or threshold system and/or material from volume credit system. | Minimum percentage still to be resolved but at least material from above the current 82.5% post-consumer recycled content. |
| Comment | FSC's traditional promise. For the moment, there will be only limited supplies in many segments. This is where FSC wants to encourage people to go. | Enables more FSC labelled product to enter the market. True promise. It enables simplified purchasing decisions where 'Pure' is not available. | Responds to retailer, paper industry, customer demand. Simple promise. |

Implications for chain of custody standards

Once the FSC promises are clearly defined, it becomes possible to design chain of custody standards which deliver those promises. As with any standards development process, clarity is required on the objectives the standard is designed to meet, in order to evaluate whether the resulting standard meets those objectives.

To deliver the FSC promises and taking account of the extensive discussion that has taken place over the last two years, FSC is now testing new chain of custody standards that allow for a combination of 'FSC credit' and 'threshold' systems. Details are provided in the following section.

The key obligation which becomes explicit with the new 'Mixed' label is the need to guarantee that so-called 'controversial' sources are excluded from all FSC-labelled products. This is already a requirement for all 'percentage-based' labels - and environmental groups in particular are keen to see this requirement honoured. One of the conclusions from the *loya jirga* stakeholder meeting of May 2003 was to strengthen delivery on this aspect. The current draft specifications for non-FSC-certified wood ('controlled' wood) are outlined in the latest draft standard for chain of custody and labelling of assembled products (FSC-STD- 40-003). A revised version will be available in early April 2004.

FSC is convening a technical committee in April 2004 to give input on the generic definitions as well as the basic requirements for company controlled systems for ensuring control of uncertified wood. These definitions will be incorporated into the final draft chain of custody standards.

The chain of custody standards must encourage an 'escalator effect' where participants are encouraged to higher levels of FSC content and increasing availability of 'Pure FSC'.

Two further aspects have been identified by stakeholders to be of critical importance in addition to delivering the key promises to consumers and retailers: the standards must minimize complexity, and the cost of implementation must not be a barrier.

Percentage-based 'threshold' and 'FSC credit' systems

Pilot testing of the draft standards has been taking place since July 2003. The pilot is testing a 'FSC credit' approach to all three FSC product categories (solid wood, assembled products, and chip and fibre products), and some technical issues remain to be fully resolved. However, FSC is confident that such an approach is technically viable for all three product categories. This approach delivers on the key promises proposed above. Finally, consultation and the response to pilot testing indicates that this approach meets FSC's objectives, is cost effective, and that there is demand for it from some major manufacturers across all product categories: solid wood, chip and fibre and assembled products.

It is equally clear that some existing certificate holders in each of the three FSC product categories are comfortable with the existing FSC chain of custody requirements, and are not demanding change. As long as the FSC promise is not compromised, there is no reason for these certificate holders to make changes for which they see no real advantage for their system.

The solution is to introduce chain of custody standards that allow both 'FSC credit' based systems and 'threshold' based systems to co-exist. The most recent draft standard for assembled products has been designed to meet this objective by using 'FSC credit' based trading of wood between chain of custody certificate holders, with a dual system of 'FSC credit' and 'threshold' based labelling. The pilot tests have raised no major technical issues to prevent the same solution being applied to chip and fibre and solid wood standards.



Next Steps

Pilot tests of the draft chain of custody standard are in their final stages. An update on the pilot test results is available from the Chain of Custody website.

The new draft chain of custody standard will be publicly available for review and comment in early April 2004. This standard has been drafted with consideration of stakeholder concerns, suggestions received on the previous drafts and input from the pilot tests.

The final draft chain of custody standard will be prepared for approval by the FSC Board of Directors in June 2004. If approved, a two-year phase in period for Chain of Custody certificate holders is proposed.

Review after three years to judge the extent to which these changes have contributed to FSC objectives of improving forest management worldwide.

FSC International Center contacts

Promises and labels:

Michael Spencer, Head of Marketing and Communication
spencer@fscoax.org

Chain of custody standards:

Sofia Ryder, Policy Officer
sryder@fscoax.org

WEBSITE

Latest information on the labels and chain of custody review can be found at
www.fscoax.org/coc

