Efforts to keep FSC strong

Update on FSCs program to maintain and strengthen the system integrity
At FSC we have a real passion for protecting the forests of the world and the markets, communities and environment they serve.

We want our stakeholders and consumers to feel comfortable knowing that FSC is the best and most reliable system in the world for forest management.

We know our brand is synonymous with integrity and we know that consumers trust us to be the honest reflection of a product’s journey from the forest to the store.

And we are committed to ensuring the credibility and integrity of our system and our supply chains.

Two decades ago when FSC was established, things were less complicated, and companies’ systems and needs were simpler. If a company had foreign suppliers, chances were, that they knew the company and its owner personally and had visited them several times. As a result, trust was a fundamental part of doing business. Fast-track to today, and companies are doing business on a scale and at a speed that is unprecedented and where business relationship are often created online without interactions other than emails and occasional phone calls.

We intend to adapt and redefine ourselves, to ensure that our system remains the most credible and respected forest certification system in the world.

Focusing on outcomes, credibility and user friendly tools

We realize that we need to redefine ourselves in three critical areas:

1. Our standards need to focus on outcomes and must respond to the needs of the users of our system. We need to ensure they are data-driven and risk-based, as well as simpler and more flexible.

2. Our system must remain credible and trustworthy. We need to ensure that we limit fraud with trademarks, and we need to ensure that effective means to address inaccurate claims are implemented.

3. We must have simple and user-friendly tools to aid stakeholders in processes such as labelling of trademarks, verifying products and tracking those products throughout their supply chains.

Moving from paper to digital

We need to ensure that our system requirements make sense for all FSC certified companies and this means moving from a paper-based system to a digital one. A system that utilizes technology to ensure that certified companies get more benefits from their certification, and one where flexibility is inherent, the administrative burden is lessened, and where lower-risk companies can adhere to less strict compliance measures.

Our purpose remains the same: to provide organizations and consumers worldwide the assurance that their FSC-certified product can be traced from forest to store, and that those forests are well-managed and responsible. Our methods, however, are changing.

The collection, evaluation, monitoring and processing of FSC certification and market data is an integrated IT concept that we call FSC 2.0. It is the process of moving a paper-based system to a digital data-driven one where technology is at the forefront. It is a system built by us, in conjunction with all of our stakeholders to ensure it is a system embraced by all.
History

Pre 2011

Start up

FSC started looking at addressing the issue of false claims within the system. The current Director-General (DG) started looking at options to limit false claims using technology.

GA 2011

Present OCP

The DG presented the Online Claims Platform (OCP) at the GA in 2011. This was the first look at the program that stakeholders had. The OCP was a tool for comparing transactions between buyers and sellers. The FSC Board of Directors (The Board) decided that the OCP was to become mandatory for all certificate holders.

2013

Mandatory OCP

Communications about mandatory use of the OCP were sent to stakeholders. There was a push back from stakeholders mainly in Europe and North America, stemming from two main concerns:

• FSC neglected to consult adequately with stakeholders about the OCP
• There were concerns about data security

2014

Non-mandatory OCP

The FSC Board of Directors made the decision that the OCP would no longer be mandatory but would remain a voluntary tool and that alternatives were to be developed.

2015/2016

SCIP project initiated

The OCP was developed further and tested to streamline the platform. Stakeholder engagement was a primary concern during this time. The project expanded from OCP to supply chain integrity addressing additional areas like fibre testing, policy development and integrity investigations.

2016/2017

Alternatives to OCP

Alternatives to the OCP are investigated. Fibre testing of product samples is utilized and increased. FSC investigates technology to make the FSC system simpler. Transaction Verification becomes a part of the CoC standard after three consultation periods exploring different methods for implementation of supply chain integrity measures.

2016-2017

Transaction Verification

Transaction verification comparing transactions for charcoal and other supply chains is implemented based on risk in a small number of supply chains.

2018

Development of FSC 2.0

A new set of tools and platforms to address supply chain integrity and ensure flexibility and risk based implementation of standards is developed, tested and rolled out.

Lessons learnt:

We realize the mistakes we made with the OCP process. We should have involved more of our stakeholders more at a much earlier stage.

We will therefore develop the new platforms and tools in closer collaboration with our stakeholders to ensure that they are always engaged with and are consulted in new processes.
What we aim to do

1. The FSC system will become more robust and flexible.

   The FSC system will become more robust and flexible. We intend to ensure that it is not a one-size-fits-all approach. FSC will respond to our users’ needs and requirements.

2. The system will be risk-based.

   The system will be risk-based. No longer will each company have the same requirements. We will have to develop a smarter system, where a lower-risk product is meet with different compliance requirements than a higher-risk product. This will mean more flexibility for the certificate holder, who will no longer have to adhere to criteria, which makes little sense in their setup.

3. FSC intends to eliminate fraud from the system

   FSC intends to eliminate fraud from the system. We will address misuse of our trademarks and are implementing new and stronger means to address false claims swiftly and accurately.

4. FSC will move digital.

   FSC will move to digital. FSC will become a more sophisticated system, utilising technology to ease the administrative burden on certificate holders, and rapidly responding to stakeholders. We have moved away from previously developed platforms and are beginning anew. This means development based on stakeholder input and solutions need to be flexible to fit the needs of companies in FSC.
Michaels background

Michael's previous experience includes a nine-year stint at CGIAR, an organisation dedicated to advancing international agricultural research for food security, where he implemented the CGIAR strategy, improved its web-based data and information and knowledge management systems and provided strategic guidance for the IT team.

Before that, Michael held the position of Assistant Vice President at Citigroup based in New York, NY, where he directed data management and IT operations. He has also worked for the United Nations World Food Programme as a senior IT consultant and in 2015 was awarded the InsideNGO Honourable Mention for Operational Excellence in Information Technology.

With a double major BA in Mathematical Sciences and Music, a Master's degree in Music, and an Executive Certificate in Strategy and Innovation (from MIT Business School), Michael is well-qualified to be the steering force for FSC’s digital revolution.

“FSC IT must transform rapidly to be agile and capable in cutting-edge technologies. We need to bring tools to our stakeholders, which are simple and user-friendly and aid in labelling, verifying and tracking products from forest to shelf.”
FSC is on a mission to transform itself. We’re moving from a paper-based system to a digital, data-driven system where risk is used to simplify and streamline our standards and practices. We call this digital transformation FSC 2.0.

As FSC moves in a new digital direction, we’re ensuring that we’re hiring the right people for the job: people who understand our vision for the future, and who have the skills to make that vision a reality.

Introducing our new IT Director: Michael Marus

Michael Marus has the quintessential skills to ensure that FSC’s move to digital is a success. Michael has extensive background with NGOs, and with moving organisations in a new direction. His strategic skills and comprehensive knowledge of web-based data, information and knowledge management systems guarantee that he is the perfect person to move FSC forward.

Michael plans to transform the FSC IT system rapidly, ensuring the system will be agile and capable in cutting-edge technologies, efficient in the delivery of services and scaling, and embedded with key business innovators.

“One of the things that attracted me to FSC was the transformative and bold actions defined in the FSC Global Strategic and Implementation Plan for 2015 – 2020. Most of them require sophisticated, modern, standardized and automated Information Technology and Knowledge Management and if implemented well can mean a breakthrough in forest certification and management. This was a challenge I had to accept and which I am confident that I can help solve,” says Michael. He continues: “We need to bring tools to our stakeholders, which are simple and user-friendly and aid in labelling, verifying and tracking products from forest to shelf.”

FSC 2.0 will deliver global digital solutions to address strategic priorities in verification, credibility, performance, product development, and operational excellence.

Transforming the OCP

As part of this process, FSC will take over ownership of the Online Claims Platform (OCP).

Michael explains why: “We still believe that the intention behind the OCP was the right one, but we must also realize that the platform does not work for our stakeholders in its current form. If it did, uptake would be larger. We will therefore evaluate the platform to identify whether it is fit to deliver on our credibility promises. If it is, we will adapt it to fit user needs. If not, we will start fresh. Taking over ownership will bring us the flexibility to do what is needed.

We still see that FSC will need to implement a transaction verification tool to prevent false claims in the long term. Whether this tool will be OCP or something completely different we do not know – however we do know that whatever the platform, it must fit user needs and be simpler and bring more benefit to our stakeholders than our current solution.”

Michael also encourages stakeholders to get involved in the process to come: “We know we will need the help of our stakeholders to develop the IT systems and risk methodologies we require to ensure that our system is embraced by all. We plan to engage and consult with stakeholders throughout the process, enabling all voices to be heard.”
When a consumer - be it a professional or a private consumer - buy an FSC-certified product, it is essential that he believes that he can trust the FSC label on that product. And it is equally essential that we as the organisation behind the certification system know that we have done all in our power to earn that trust.

But as the number of FSC-certified companies grows, the more potential there is for false claims. False claims not only erode the credibility of the FSC system, but also create reputational and even financial risks for our certificate holders and for companies that trade with FSC-certified products.

To address this risk, we introduced a new criterion in the revised FSC Chain-of-Custody standard (FSC-STD-40-001 V3) effective from January 2017. This criterion calls for all companies to participate in something called Transaction verification, if asked to.

What is Transaction Verification?
Transaction verification is a process of comparing and then verifying all transactions within a specific product type, species or region over a given time period.

In short this means that if a product group has been investigated through supply chain mapping and found to be of higher risk, FSC can require certificate holders to perform transaction verification on all or a sub-set of products bought and sold within a product group during a specified time period.

Transaction verification will only be implemented once a flagged product type or species’ supply chain has been shown to be high-risk, objective measures, such as fibre testing, have demonstrated an unacceptable level of non-compliance.

Why do we insist on Transaction verification?
In short we insist on implementing actions like Transaction verification, because we cannot afford not to! The essence of FSC is to demonstrate trust and a high standard of ethics.

Eliminating risk in the FSC system ensures that your certification and the FSC brand become even more valuable.

How do I know if I have to do Transaction Verification?
If a product type or species has been assessed to be high-risk and transaction verification implemented, the following will occur:

1. Certificate holders will be notified by ASI that the specific product type or species within their scope will require transaction verification.
2. The certificate holders will need to submit their invoice data to their certification body to be analyzed: either manually, via the OCP or through use of a spreadsheet template. This is to be finalized by the dates requested.
3. If false claims are found, action will be taken by the CB against the CH.

NOTE: the transaction verification information required will be for a specific time period only.
When needing to do transaction verification, you can choose between these 4 methods:

1. **Full use of OCP (trading partner verifies transaction)**
   
   Online Claims Platform.
   
   Certificate holders register, **connect with suppliers**, and enter relevant data from their invoice directly to the platform. The transaction is **automatically verified** once the suppliers validate their claim.

2. **Partial use of OCP (trading partner does not verify transaction)**
   
   Online Claims Platform.
   
   Certificate holders register, connect with suppliers, and enter relevant data from their invoice directly to the platform. The transaction is **completed by ASI** instead of automatically.

3. **Use of spreadsheet template**
   
   Certificate holders fill in a **spreadsheet** template and sends that on to their certification bodies for ASI to verify.

4. **On-site audit**
   
   Transaction information is collected **manually** by the **auditor** for ASI to verify.
Identifying high-risk supply chains

FSC is dedicated to providing a credible system for responsible forest products. In some supply chains, there are allegations that the FSC system is being misused or contaminated with non-FSC-certified materials. These assertions are taken very seriously, and we react swiftly to investigate the claims. Ensuring the continuing integrity of our supply chains is a top priority for FSC.

Supply chain investigations and mapping is therefore performed to find out whether the rumors or complaints about a particular supply chain have merit. If they do, then extraordinary measures are established for that specific product group or geography.

Eight requirements for supply chain mapping

If a supply chain is being mapped, the certification bodies will ask certificate holders for the information below for a defined time period – e.g. a specified year for a specific species or product type.

- Certificate code of supplier
- Transaction number (invoice no.)
- Claim date
- Claim type and % (if applicable)
- Description of product
- Quantity
- Units (m3 / kg etc...)
### 6 step process for Supply chain investigations

1. **Investigation**

ASI and FSC investigate supply chains as having potential of being high-risk. This is based on objective data such as fibre testing, CB reports, ASI... choose flagged product types and/or species for mapping and a list of the certificate holders (CHs) using the targeted product is compiled.

These product types are flagged due to complaints about the specific product type, or from repeated rumours that come to FSC’s attention.

2. **Start**

The notice of TV is announced to certificate holders who use the targeted products and/or species in their scope.

3. **Preparation of data**

CH’s choose one of the options below to comply with TV:

1. Certificate holders voluntarily register on OCP (online claims platform), connect to their suppliers and enter required FSC-certified purchases and sales.
2. Same as #1 but trading partner validates the entered transactions.
3. Certificate holders not utilizing the OCP prepare their data for submission, using a downloadable spreadsheet supplied.
4. Certificate holders can also opt to do an on-site audit where transaction information is collected manually by the auditor for ASI to verify.

4. **Submission of data**

Certificate holders will use the OCP or submit their transaction or OCP data to their certification bodies by the deadline, who will in turn submit the data to ASI.

5. **Data analysis**

ASI compares all transaction data to verify that transactions between trading partners match. If needed, ASI will create a picture of the entire supply chain and identify mismatches by volumes and transactions.

6. **Corrective actions taken**

If mismatches are found, ASI informs CB of mismatches and any other issues identified. The CB implements correcting actions which can include requirements for non-conforming products so products with false claims can be recalled.
Using fibre tests to get answers

Imagine that you are ordering a shipment of FSC certified coffee tables from China. The tables are allegedly made from oak but you find the sample you received to be too light. How do you know, what species of wood were actually used? And how do you make sure that you adhere to legal requirements in Lacey Act and European Timber Regulation?

This is where fibre testing comes in. Fibre testing encompasses a range of forensic wood scientific techniques to identify wood and wood-derived products, and involves comparing test specimens to scientifically verified reference material. In this way, depending on the type of fibre testing, the botanical and/or geographic origin of a product can usually be verified.

Fibre testing can be applied to various categories of wood such as solid wood, plywood and veneers, and engineered wood products, as well as pulp-based products, including paper, cardboard, fibreboards, and even loose pulp.

Why is FSC utilising fibre testing?

When used in conjunction with transaction verification (comparing volumes of products bought and sold) in order to map supply chains, fibre testing is an effective quality control / assurance measure in that it is possible to identify inaccurate FSC claims and consequently deter fraud.

It is also widely accepted in the scientific and legal communities as a way to identify various wood product genus, species, family and/or where they originate.

Methods of fibre testing

There are a range of methods from forensic wood science that fall under the fibre testing umbrella, and FSC typically employs three of these methods.

The FSC product claim makes it easier to assist in transaction verification through these methods of fibre testing by making it clear whether the species and/or origin of the materials in the final product are acceptable.

You can use FSCs fiber testing program to test your products too

FSC offers all stakeholders fibertesting at very reduced prices compared to market standard. If you’d like to submit a sample for fibre testing, you will have to complete the following:

1. Contact Emily Crumley, Supply Chain Integrity Manager at e.crumley@fsc.org to ensure FT can address your concerns and that the correct technology is applied;
2. Fill in the submittal form and submit electronically
3. Ship sample to the lab along with the hardcopy of the submittal form;
4. Once results are available, they will be shared with you and in case of deviating results, also the certification body of manufacturer of the certified product.
**Traditional Wood Anatomy Testing**

Thin sections of the wood product (or a suspension of the wood pulp sample) are placed under a microscope and the anatomy is examined.

The detailed cellular features are studied to find the nature of the connections between the cells, and these are then compared to scientifically verified reference samples.

Genus family or species of wood, and sometimes origin can be determined.

Fibre products: Samples must be a size A5 sheet or bigger;- 2-3 sheets are preferred. Solid wood product: samples must size of a deck of cards or bigger.

**Stable Isotope Testing**

The wood sample is chemically processed to the point where the basic chemical building blocks can be analysed.

Geographic origin of the wood product can be determined, when enough samples are collected.

Fibre products: Samples must be a size A5 sheet or bigger;- 2-3 sheets are preferred.

Solid wood product: samples must size of a deck of cards or bigger.

**DNA testing**

Fairly large samples of the product are needed. The outer surfaces are cut away to display the unexposed surfaces and to eliminate contaminants.

The DNA is then extracted, isolated and purified (or amplified) to produce samples that can be analysed and finally, genetically sequenced.

Species of wood product and geographic origin can be determined, when enough reference samples have been collected.

DNA testing is a testing method under development.
Does it work?

Case Study of FSC’s rapid response, that aims to ensure false claims are dealt with swiftly.

In May of 2017, a German organisation, Stiftung Warentest contacted FSC with potential infringements within the FSC system. Stiftung Warentest is one of the leading consumer rights and product test organisations in Germany, who are highly regarded by consumers and media alike.

Stiftung Warentest had done tests on FSC-certified products, and found inconsistencies in three of them - two different types of outdoor wooden tiles and a garden bench. Stiftung Warentest then contacted FSC to notify us of these inconsistencies. The tiles were manufactured by one company and the bench by another, and the two incidents were unrelated. Both products were sold in stores of a retailer with an FSC license.

Rapid response

FSC immediately sprang into action, with FSC Germany doing initial checks on the information received and formulating the issue that needed to be investigated. FSC Germany then contacted the FSC Supply Chain Integrity Manager, who within hours reported the incident to ASI. FSC Germany purchased samples of the respective products and contacted the retailer with the aim of collaboration.

The same day as receiving the incident, ASI added a record within their incident registry and started initial investigations into the allegations. All incidents are arranged according to severity and both of these were categories as major, which triggers a rapid response process within ASI. ASI also contacted the relevant certification bodies to inform them of the potential infringements, and then initiated further investigations to find out what exactly had occurred.

During this time, Stiftung Warentest were kept updated on all actions, and ASI also requested more information on the issues from Stiftung Warentest.

ASI, along with the relevant certification bodies, set and performed short-notice audits on each of the certificate holders responsible for the products with potential inaccuracies, requested audit reports and supporting documentation, and also sent product samples for fibre testing through FSCs fiber testing program to determine whether the products were what they claimed to be.

Outcomes and actions taken

After the various investigations had taken place, it was determined that both incidents regarding the tiles and the garden bench had merit. Fibre testing confirmed the species mismatches. The garden bench manufacturer’s FSC certification was then terminated due to volume and species mismatches, and the remaining products on the shelves of the retailer were de-labelled.

The tile manufacturer was found to have committed a trademark infringement, and relabelling of that FSC-certified product is to take place. A compliance audit for the tile manufacturer was also performed in August 2017.

Once the investigation had concluded and the actions had been determined, Stiftung Warentest was immediately informed.

What we do in case of suspicion of fraud

FSC ensures that any complaints reported to us, or any rumours that we pick up on, are dealt with promptly. We utilise a rapid response system during which the complaint is immediately acted upon. It works as follows:

1. Incident reported
2. Record incident in ASI’s incident registry
3. Notify CBs of potential non-conforming products or trademark infringements
4. Ensure feedback in a few business days
5. Notify the FSC trademark unit about potential infringements
6. Initiate further product investigations in relevant supply chain (supply chain mapping)
7. Re-call or relabel products, if applicable
8. Report back to informant/complainant our actions within a limited time frame
10 May
First emails from Stiftung Warentest sent to FSC

Press office informs FSC Germany of the incidents
FSC Germany collates the info and forwards to the SCIP Manager

12 May
SCIP Manager informs ASI about the incidents
Incidents are recorded on ASI’s registry
Investigations into incidents begins

15 May
First update from ASI received

17 May
Second update from ASI received

26 May
Third update from ASI received

5 June
Short-notice audit for distributor of garden bench performed

1 Aug
Short-notice audit for manufacturer of garden bench performed

May - July
Investigations continue for tile manufacturer
Trademark infringement corrective action requests issued to certificate holder
Certificate holder to relabel product
Compliance audit scheduled for August

4 Aug
FSC certification for manufacturer of garden bench terminated
Stiftung Warentest immediately notified of the actions
Streamlined incident reporting tool

Imagine that you are a certificate holder who discover, that your non-certified competitor are promoting them-selves with FSC logos.

Or you are a local community stakeholder who find, that the forest owner in your area isn’t managing their forest according to FSC rules.

Where do you go and what action do you take address the situation?

Today the answer isn’t straight forward, as there are multiple paths you can take – you can report in person, on a website or through CBs. Furthermore your actions will need to match the type of complaint you have to ensure, that it ends up with the right people – trademark complaints with the trademark unit and dispute complaints with dispute resolution staff. To add to the complexity sometimes you never hear back what is happening with your complaint and where it is in the process.

For a certificate holder this is not an easy system to navigate, and we at FSC realize that.

Furthermore our current separate systems do not allow for us to learn from the complaints that have been reported, as many are handled ad hoc on a national level and are not registered anywhere. This means that valuable data is lost and we’re unable to make data-driven decisions through analysis of trends, target areas of conflicts, recurrence of cases by scopes, etc.

The intelligence from our stakeholders are so fundamental to ensuring our integrity, and therefore we aim to make it much simpler to act and ensure that your complaint is addressed.

For this reason, FSC, with plenty of stakeholder engagement, is devising a newer reporting system: a central reporting database that will make the process of reporting issues quicker and more efficient.

A single source for all types of indicents

The intention is to ensure a rapid response to logged complaints, and to streamline the processes of analysing, categorizing and reassigning the info to the correct department, including ASI. We want to ensure that the process of registering complaints is effective, efficient and consistent throughout.

On the proposed platform, stakeholders will be able to report incidents like:

1. On-product and promotional trademark infringements/misuse by both certificate holders and non-certificate holders
2. false claims
3. complaints
4. disputes
5. Suggestions/comments/other

All steps throughout the process will be documented, from the initial intake to the resolution of the issue.

Frequent updates to complaienee

Throughout the process, automatic update notifications will be sent to stakeholders to ensure they are kept up-to-date on the progress of their complaint.

This way we ensure, that stakeholders are assured that their efforts to notify the FSC system of anormalities is appreciated and acted upon.
Suggested process for incident reporting

Captures all types of incidents and complaints in one place and gathers all needed information

User-friendly web tool

Reviews all incoming tickets, evaluates type of incident/complaint

Intake coordinator

Misuse of FSC system

Intake coordinator assigns a level of severity to case to determine future process.

Critical
Major
Regular
Minor

Rapid response permanent team handles case

Intake coordinator consult, respond and close case

Dispute resolution

Trademark infringements

Intake coordinator defines type and assign to lowest local level possible for further processing

Local processing if possible

FSC system performance

Intake coordinator defines type and assign responsible

Complaint of FSC processes, requirements, principles

Head of relevant unit / ASI

To be defined

Keeping stakeholders in the loop

To ensure that stakeholders are keep informed about what is happening to their reported incident, they are informed automatically when their case in the ticketing system moves to next stage in the process.

Similarly FSC staff assigned to solving a given case will be reminded to keep stakeholders updated about progress as the cases is being handled.

All information throughout the process is logged and kept in a database for further data processing and record keeping.
The future of FSC is digital

The future of FSC is digital, with emphasis on simplicity, flexibility and technology. We’re moving towards a new system which is less complicated for our certificate holders, will be more attuned to their needs, and is not needlessly burdensome. Outcomes-based and risk-based, with a rapid response procedure for comments, queries, complaints and disputes.

A major part of FSC 2.0 will be our utilisation of technology. FSC wants to make use of cutting-edge technology that will ensure the system is less administratively onerous, saves time and effort on the part of the certificate holder and is smarter.

Some of the options we’re looking at include earth observation imagery, digital tracking, forest tool identification and field level monitoring.

Earth observation uses extremely detailed satellite imagery to show changes and verify whether anything has happened in a forest lot over a period of time. The imagery can make a comprehensive forestry map that can also identify the species in different areas of the forest, eliminating costly GPS maps and limit the cost for site visits for auditors.

Digital tracking encompasses a multitude of mechanisms. One such mechanism is block chain technology. Block chains enclose loops of information that cannot be altered to allow for forgeproof identification and authentication.

Field level monitoring could use smartphones as a tool for auditing. This could make a move towards desk audits, where an auditor does not physically journey to a certificate holder’s premises, but a certificate holder can communicate various requirements to the auditor using his smartphone. This will certainly reduce the cost of auditing, and allow auditors to focus on high-risk areas where problems have been identified.

FSC is committed to ensuring that our supply chains remain strong and credible, and we know that moving forward using technology is the way to guarantee that. We look forward to working with our stakeholders to come up with solutions that are the most beneficial to them, and that pave the way for progress.