

## **FSC misleading claims survey: a summary of findings**

### ***Background to the Forest Stewardship Council® and misleading claims***

The mission of the Forest Stewardship Council (FSC®) is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. It does this through a **certification system** which sets standards for forestry operations whose managers want to comply with responsible management practices, and for producers and traders of forest products who want to source from these suppliers, and communicate this to their customers.

FSC has two sets of **standards**: forest management and chain of custody (CoC). **Forest management standards** define the essential elements of environmentally appropriate, socially beneficial, and economically viable forest management. **CoC standards** define how FSC-certified material must be identified and kept segregated from uncontrolled material throughout the supply chain from the forest to the consumer. Certificate holders must comply with these standards in order to use FSC claims on their products. An **FSC claim** is made on sales and delivery documents for FSC-certified material, specifying the volume and category of the material. There are several types of FSC claim: FSC 100%, FSC Mix, and FSC Recycled.

**Misleading claims** undermine the integrity of the FSC system, and pose a significant challenge to the organization. There are two types of misleading claims. **Intentionally false claims** are made when a business intentionally avoids the requirements of the FSC standards, and makes a fraudulent claim about the volume or category of material being traded that it knows to be false. **Unintentional errors** are caused by mistake, for example when the wrong FSC claim type or incorrect volume of material is used.

### ***Misleading claims survey***

In June 2015, FSC commissioned a survey to seek the views of its stakeholders, primarily staff from certification bodies, on the extent of misleading claims, and to seek their suggestions on potential solutions. The survey asked respondents about direct experiences with misleading claims, and about misleading claims that they had heard about.

In summary, the survey showed:

- A majority of respondents reported being aware of either intentionally false claims or unintentional errors or both in the supply chains of FSC-certified products.



- The misleading claims discussed were encountered in all links of the wood and fibre supply chain, from forest to retailer.
- Most of the misleading claims discussed originated from small organizations, but were also reported to come from all sizes of business.
- Respondents reported that they were aware of both types of misleading claims reaching the market without being identified, and also expressed the opinion that some are never identified at all.
- The majority of respondents thought that the trend in unintentional errors was stable or decreasing; most of those who expressed views on intentionally false claims thought the trend was stable.
- The misleading claims discussed happened across the world, but were perceived to be most common in those countries holding the most CoC certificates.
- Intentionally false claims were widely perceived to be most common in China, Russia, and Viet Nam.
- The most frequently selected recommendation for eliminating misleading claims was that checks on claims being passed, volumes traded, and transactions between trading partners are needed, especially in high-risk countries.
- Many survey respondents also selected a recommendation for more thorough auditing and more training for auditors.

### ***Survey respondents***

The survey was sent to 1,173 FSC stakeholders – certification bodies, Accreditation Services International (ASI) staff, auditors, and FSC staff – of whom 384 responded. The certificate holders in the sample were involved in sectors throughout the supply chain, ranging from timber production and manufacture, to distribution, packaging and wholesale. Just over two thirds of all the respondents did business internationally.

### ***The source and impact of misleading claims***

More than a third of respondents (34%) said that most of the misleading claims they were aware of entered the FSC system because organizations did not know the FSC rules well enough. The overall complexity of the FSC system was also felt by many to be influential. Nearly half of respondents (45%) said that corrupt auditing was the least influential cause of misleading claims, but this response must be viewed in light of the fact that 72% of respondents were auditors.

A large majority of respondents (67%) felt that misleading claims were a risk to FSC products, and 40% also felt that misleading claims were a risk to their businesses.

### ***Perceptions of misleading claims: intentionally false or unintentional errors?***

Respondents reported having encountered both intentionally false claims and unintentional errors in the supply chains of FSC-certified products. Awareness of unintentional errors (72%



of respondents) was much higher than awareness of intentionally false claims (27%) – with these figures including the 23% of respondents who were aware of both types of misleading claim. Just over one fifth of all respondents were not aware of any misleading claims at all.

### ***Intentionally false claims***

Many respondents were either aware of (87, or 23% of all respondents) or had personally experienced (75, or 20% of all respondents) intentionally false claims, either once or more often. Of these, many reported that they were aware of (39, or 10% of all respondents), or had personally experienced (35, or 9% of all respondents) intentionally false claims multiple times in previous years. Small businesses ranked highest as a source of intentionally false claims, followed by micro, medium, and large businesses.

Respondents were far from unanimous about trends in the frequency of intentionally false claims. While 41% said they did not know, 35% said that the trend was stable. The remainder were almost equally divided between those who thought intentionally false claims were increasing and those who thought they were decreasing.

Respondents were aware of intentionally false claims across the full range of sectors covered by the FSC system, but no sectors stood out as having a particular problem. More than half of the respondents who were aware of intentionally false claims said that these make it to market, while 24% said that they thought they were identified before reaching the market.

### ***Unintentional errors***

Many respondents were either aware of (214, or 56% of all respondents) or had personally experienced (251, or 88% of all respondents) unintentional errors, either once or more often. Of these, many reported that they were aware of (95, or 25% of all respondents), or had personally experienced (94, or 24% of all respondents) unintentional errors multiple times in previous years.

Respondents attributed unintentional errors to mistakes in documentation, trademark misuse, or volume summaries that were missing an FSC claim altogether. As with intentionally false claims, small businesses ranked highest as a source of unintentional errors, followed by micro, medium, and large businesses.

Unintentional errors were not perceived to be on the increase. Although 19% of those aware of this kind of misleading claim did not hold an opinion about trends, 39% said the trend was stable, and a further 38% said it was decreasing. Only 4% of respondents saw an increase in unintentional errors.

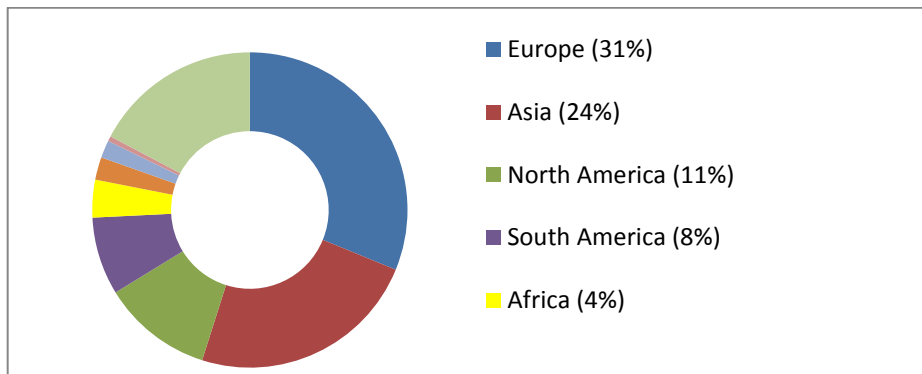
Respondents were aware of unintentional errors across the full range of sectors covered by the FSC system, but no sectors stood out as having a particular problem. More than half of the

respondents who were aware of unintentional errors said that these misleading claims make it to market, while 31% said they thought they were identified before reaching the market.

### ***Where are misleading claims reported to be happening***

Figure 2 shows respondents' views of the regional origins of both types of misleading claims.

**Figure 2. Regional origins of misleading claims**



When this information was broken down within regions, there was some correlation between the level of misleading claims attributed to each country and the number of CoC certificate holders in each.

For example, in Europe, Italy and Germany show a direct correlation between the highest number of certificates and the highest number of reported misleading claims. In Asia, most misleading claims were attributed to China, followed by Viet Nam and Indonesia – the three countries with the most CoC certificates. Within the North America region, most misleading claims were attributed to the USA, which holds the largest number of CoC certificates in the region.

### ***What needs to be done?***

Respondents were presented with a list of options for reducing or eliminating misleading claims, and asked to select one or more options. The vast majority (97%) agreed that something needs to be done.

The two most popular options for resolving misleading claims were transaction verification between partners as part of the chain of custody (47%) and more thorough audits of certificate holders (46%). A third option, the introduction of comprehensive inventory management systems, was less popular (28%).



In addition to these options, 106 respondents offered detailed suggestions for solutions as comments, which included

- stronger legal control of and action against intentionally misleading claims
- simplification of the claims system, particularly claim titles
- transaction verification for high-risk countries
- collaboration with other forestry schemes and governments to establish secure log tracking systems
- more frequent, short-notice audits in high-risk areas
- a system for auditors to inform FSC of misleading claims.

Several respondents also warned against further complicating the FSC system.