



## **Towards a stronger FSC Chain of Custody system**

*Bonn, Germany (28 August 2014)* – The Forest Stewardship Council (FSC) recognizes that there is a gap in the current FSC certification scheme – a gap which is present in all similar chain of custody (CoC) certification systems but which we wish to close. The gap consists in the fact that the precise volumes of FSC certified forest products traded are not being compared between trading parties within the chain of custody system. Our current standards and processes, along with the significant volume of FSC products traded, do not enable either certification bodies or ASI to detect discrepancies in the volumes reported by buyers and then used for "volume credits," whether caused intentionally or through negligence. This makes it nearly impossible to detect this type of fraud. This gap was one of the reasons for the development of the Online Claims Platform (OCP).

Because we have evidence that this loophole is being used intentionally, we need to close the gap as quickly and effectively as possible for the interest of all stakeholders and for the integrity of the FSC system. We are well aware of the risk our certificate holders face if they unknowingly purchase uncertified wood as though it were FSC certified and then have to face the implications, including reputational risk and remediation costs that the misrepresentation by the seller then entails. We are also aware that certificate holders desire more information on the extent of the problem and how it will be solved.

The FSC International Board has discussed these issues at several meetings. The Board considers the OCP to be one potentially effective instrument to address these system gaps and ensure compliance with the present and future CoC administrative requirements, and for that reason the Board has supported significant investments in its development. But the Board also recognizes that there may be other systems available now and in the future.

In light of this, the Board:

- Has asked for relevant criteria to close this gap to be included in the revised CoC standard, which will be released for consultation in a few weeks. The Board recognizes that businesses will need to have improved mechanisms and systems in place to show compliance with the new CoC requirements.
- Has requested that more detailed information be collected on the extent of incorrect claims in the FSC system. This should be done in 2015 as part of the process to implement a revised CoC standard, once approved.
- Requests the further development of the OCP as one tool to close the gap, recognizing that other existing and future systems may serve the same purpose. Alternative mechanisms will be acceptable if they meet our CoC requirements and allow for comparison and verification of FSC transactions between trading parties.



- Expects the continued investigation of solutions where commercially sensitive information is not stored centrally and of the implications of using a risk-based implementation of the OCP.

The Board is committed to ensuring that the FSC system remains the most robust, credible certification system available. It is our ambition to uphold the environmental and social values of FSC, without compromising the need for economic viability of FSC-certified companies worldwide.

More information on FSC's chain of custody standard: <https://ic.fsc.org/chain-of-custody.80.htm>

More information on FSC's Online Claims Platform: <http://ocp-info.fsc.org/>