



Forest Stewardship Council®



Impact assessment of the revised requirements for FSC® trademark use by certificate holders

(FSC-STD-50-001 V2 D2-0)

Introduction

This document contains an assessment of the potential impacts that the revised standard FSC-STD-50-001 V2-0 *Requirements for Use of the FSC Trademarks by Certificate Holders* would have on FSC and FSC stakeholders. The impact assessment aims to respond to the decision of the FSC Board of Directors at Board Meeting 71 requesting feasibility and impact analysis to better align policy and standards work.

The analysis was done by FSC staff as a desk-based study and intends to serve stakeholders as a complementary source of information during the second round of public consultation of the revised draft standard (draft 2). A revised report will be shared with the FSC Board together with the final draft standard to inform the decision-making process.

This analysis is based on several sources of information. It includes an FSC desk analysis as well as data from research and surveys conducted with certificate holders, certification bodies, and consumers. Stakeholder comments provided in the consultation and a survey for the consultative forum in connection to the consultation were considered, as well as discussions in regular technical working group meetings.

Stakeholder expectations

The expectations are formulated in the *FSC Global Strategic Plan 2015–2020* as the following critical result area:

- 1.1 FSC will improve certification uptake, cost-effectiveness and outcomes by stabilizing and simplifying FSC policies, standards and procedures while maintaining system integrity, transparency, and credibility.

In the plan, there is also a specific objective related to critical result area 1.2 about increasing quality and consistency in practice:

- 1.2.5 By the end of 2016, a controlled wood strategy is approved and the trademark standard has been revised to ensure clear and transparent interpretation of the FSC Mix label.

In addition, the revision has been aligned with critical result areas 2.1 on rapidly increasing consumer demand and 2.2 on overcoming certification barriers.

The revision of the trademark use requirements is additionally guided by two motions approved by the FSC membership during the FSC general assembly in 2014:

- Motion 29 calling for simplification of trademark use requirements to enable more promotion and labelling; and
- Motion 36 calling for measures to address deceptive promotion whereby promotion is carried out in a way that implies that all products of the organization are certified.

How have these expectations been addressed in the revised standard draft?

Motion 29

The motion requested FSC to redefine FSC trademark standards to facilitate wider use of FSC trademarks on conforming products and in off-product promotional uses. This includes simplification of both the requirements for trademark use and the approval procedures. From earlier studies (e.g. 50 interviews conducted on trademark approval systems in 2015 with certification bodies and certificate holders), it was concluded that for many certificate holders one of the major barriers was the requirement to submit all trademark uses to certification bodies for approval. This was leading to heavy administration and unbearable delays in the process, particularly where clients expect fast delivery times. A new model in which certificate holders may choose to manage their own FSC trademark use that certification bodies will only audit was developed to ease and speed up the process. The model applies to both on-product labelling and promotion to include all types of trademark use as requested by the motion.

Restrictions on general promotion when no sale with FSC claims has been made for 12 months has been removed to facilitate promotion and new client acquisition. Graphic requirements have been made more flexible and, for labelling, required elements have been reduced and new possibilities provided (e.g. in terms of placement). Guidance on how to communicate about FSC and FSC-certified products carrying different claims has been provided to facilitate messaging.

The whole standard was reviewed, redundant requirements deleted, and wording simplified to develop a more compact document that is easier to work with.

Motion 36

The motion asked FSC to engage a consultant to analyse and propose solutions to: (1) a widespread market confusion over the important distinction between certified companies and FSC-certified products; and (2) deceptive practice, whereby some certificate holders attract would-be buyers of FSC-certified products through prominent promotional use of FSC labels and trademarks but offer uncertified products for sale without making clear that they are not FSC certified.

FSC engaged research company B2B International to conduct a study to analyse the experiences of organizations in relation to confusing promotion and misleading practices, and to propose action based on the findings to be translated into requirements and guidance in FSC-STD-50-001. B2B International interviewed 332 respondents across various sectors in 11 countries between July and September 2016.

More than half of the respondents were working with the wood sector and one third with paper and pulp. According to the study, 84 per cent of respondents had not come across practices or promotion that would be carried out in a way that would imply that uncertified products are certified. From those that had seen practices like

this, one third had seen it less than once a year, and one fifth had seen it annually, quarterly, or monthly. Most often it was seen at the point of sale (32 per cent) or on websites (30 per cent). Some 64 per cent of respondents who had encountered these cases expressed concern over them, but only half of the respondents had reported the case to FSC.

The conclusion of the study was that the practices do not seem to be widespread, although some cases were reported by respondents. The results were discussed in the technical working group for the revision of FSC-STD-50-001 in terms of action points for the requirements. It was concluded that FSC should aim to have accuracy in all trademark use and we already have clauses concerning this aspect in the standard. But, given the relatively small scale of incidences, new restrictions or guidance was not seen to be needed in the standard itself. Instead, FSC will improve general communication about the meaning of FSC certification on websites and highlight the possibility and importance of reporting misleading promotion for improved practices.

Specific objective on Mix label from the strategic plan

The *FSC Global Strategic Plan 2015–2020* calls for FSC to revise the trademark standard to ensure clear and transparent interpretation of the FSC Mix label. On the basis of this call, and also the feedback received from stakeholders on the discussion paper published together with the first draft of the revised standard, FSC conducted a study on consumer perceptions of FSC labels.

The research was carried out by B2B International in China, Germany, and the USA in September–November 2016. One focus group discussion was organized per country to capture the main viewpoints of consumers; this formed the basis of the design of an online survey on. The survey received over 2000 individual responses. All age groups (between 18 and 65 years) and both genders were represented. The goal of the research was to assess how the FSC labels are currently perceived in terms of clarity and whether changing the Mix label text would make it clearer.

The current Mix label text was rated “clear” by fewer respondents than the 100% and Recycled labels (60 per cent cf. 74 per cent and 73 per cent). When the use of controlled wood and the process of mixing materials was explained, slightly fewer respondents rated the Mix label as clear (56 per cent). When presented with four alternatives for the Mix label text – including the current one – to order in terms of clearness, the most common first choice was “responsible use of forest resources”. The second choice for under 45-year olds was the current “from responsible sources” and for over 45-year olds it was “from certified and controlled sources”. When asked to rate “certified” and “controlled” in terms of the expected diligence level of the process (before the difference was explained), half of respondents rated “certified” as more diligent, while 29 per cent said that “controlled” was more diligent.

More than half said that their preferred option would increase the clarity of the label. The effect was higher for younger respondents (72 per cent) and with those that chose “responsible use of forest resources” as their first choice (66 per cent).

When the credit system was explained, 60 per cent said they did not need more information about this feature on the label, while 40 per cent would like to have this more visible. In general, respondents were not aware that FSC had different labels. Their main concern was to know more about FSC in general.

At the same time, a desk analysis of costs was carried out on all the labelling options. The costs would be borne by certificate holders and brand owners, with FSC costs limited to design and tool updates.

The FSC Mix label is the most used label in the FSC system. According to the FSC Market Survey 2016, some 64 per cent of certificate holders label at least some of their FSC-certified products. Not all labels would have to be changed though, because 100% and Recycled labelled products would not be changed. Also small products are excluded because they are often labelled with minimum elements without the explanatory text. The factors increasing costs to the user were identified as:

- printing technique using plates intended to be used for several years (high costs in thousands of US dollars for creating each new plate);
- use of the Mix label on a large number of products;
- products with designs already in place that were intended to be used for several years.

From the consultation, consumer research, and impact analysis, FSC concluded the following: Changing the Mix label text would slightly improve the clarity of the message for consumers. However, changing the label would impact a considerable number of certificate holders and the costs might be high for certificate holders where several cost factors come together (e.g. redesign, new printing plates, reprinting). The text currently used is rather vague, but it is not regarded as misleading by consumers. Therefore, the benefits of changing the text do not outweigh the costs that would be created by a change.

What are the impacts on stakeholders?

Impact on certificate holders

Certificate holders will have clearer and more compact requirements for FSC trademark use when the standard is in clearer language, redundant and overlapping clauses have been removed, and advice notes and interpretations have been incorporated into one document. Trademark use will be more flexible and more choice will be available – for example, in terms of label placement, size, and labelling elements. Certificate holders will have more control over their timelines and processes concerning trademark use if they choose to implement a trademark use management system. They will, however, need to establish a few new procedures to replace approvals by the certification body. Ready-to-use examples for messaging about FSC and FSC-certified products are now available for easier promotion. All these changes should facilitate FSC trademark use by certificate holders. No new

cost implications are foreseen in complying with the compulsory parts of the requirements.

Impact on certification bodies

Auditing trademark use cases will be easier when fewer requirements are in place. Some new aspects will have to be added when auditing organizations with trademark use management systems, and a procedure for confirming that certificate holders have a good track record of trademark use needs to be created. It is expected that considerably less time will be needed for trademark approvals where certificate holders opt for a trademark use management system instead of approval by the certification body, and the focus is expected to shift from pre-approval of each case to auditing a system in the medium term. Less time will be needed for guidance on matters related to trademark use.

Impact on members

Economic chamber members, including (for example) certificate holders and certification bodies, will benefit from added flexibility and streamlining of approval processes without cost-triggering changes made to labels.

Environmental chamber members originally suggested the review of the way the Mix label is being communicated. Members might not find the result, with the Mix label not changing, as responding to their expectations.

The impact on social chamber members is expected to focus around integration of smallholder labels into the body of trademark requirements that will raise awareness of the option among companies looking into labelling their products.

Impact on consumers

The meaning of the Mix label text will remain somewhat vague to consumers. On the other hand, increased flexibility and simplification in trademark use should result in more FSC-related promotion and labelling, and therefore wider selection of FSC certified products and visibility in consumer markets to increase general awareness of FSC.

Impact on brand owners

Easier labelling requirements and added flexibility will make it easier for brand owners to combine FSC marks with their designs and speed up the service, particularly where their supplier chooses to work with their own management system.

Impact on FSC

Simpler requirements will benefit FSC by generating fewer enquiries across the FSC system, and the added flexibility will reduce the number of cases that will have to be considered for individual solutions.

FSC will need to find means of explaining the labels for interested consumers. This could include investment in explaining the labels better on websites and making the control systems behind them more understandable by creating infographics and videos.

Increased visibility in terms of the number of products labelled and promoted will benefit FSC, making use of FSC-certified material and labelling more attractive, although visibility per product might be reduced due to changed label size and placement requirements.