

7. Providing FSC transaction data for the purpose of transaction verification by certification bodies

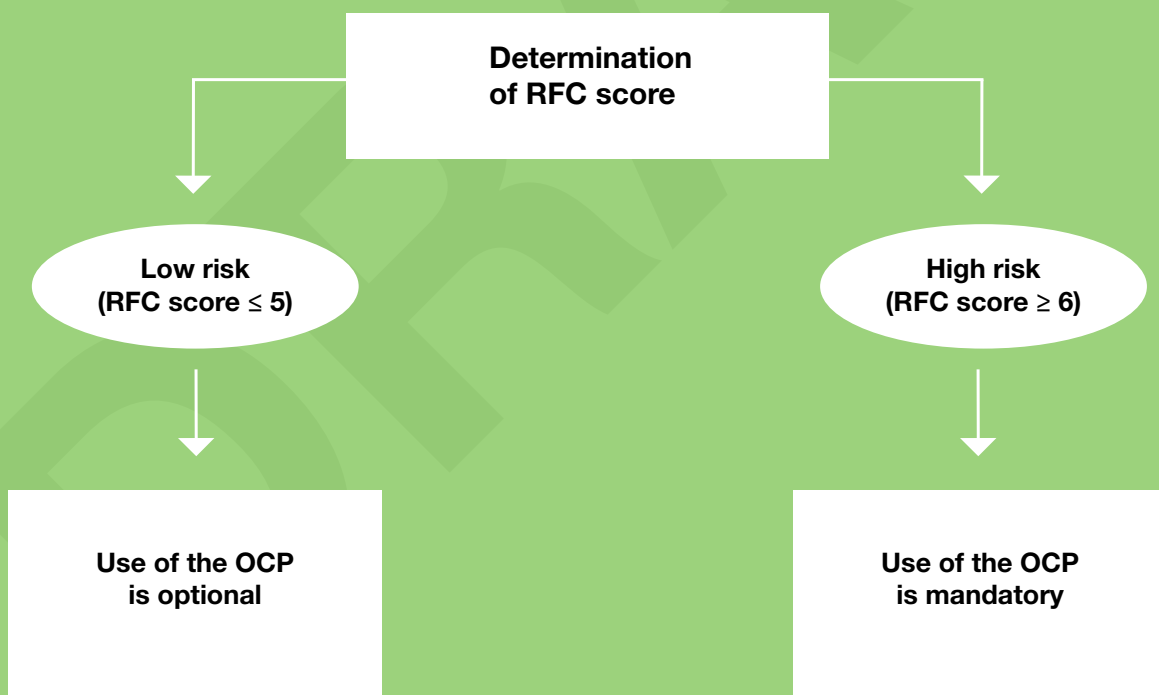
Box 3. Transaction verification

Transaction verification is the process by which certification bodies verify that the FSC output claims made by organizations are accurate and match the FSC input claims of their trading partners. FSC has developed the Online Claims Platform (OCP) as a method to enable transaction verification. The OCP provides a secure platform for organizations to provide their FSC transaction data for verification.

The use of the OCP by organizations is voluntary, except in cases where a high risk of false claims has been identified. In order to identify these cases of high risk, each organization holding a certificate will be given a risk of false claims (RFC) score. Organizations that are already submitting data on all of their FSC-certified purchases and sales to the OCP on a voluntary basis do not require a RFC classification.

The RFC score of each organization will be determined by its certification body according to the risk criteria specified in Table D below. One RFC score may be applied to the whole organization or specific RFC scores may be applied to different sites and/or product groups, as long as all activities under the scope of the organization's certificate are covered by RFC assessment. The organization is only required to use the OCP for the FSC transactions of the sites and/or product groups related to a RFC score 6 or higher.

Figure 1. Determination of risk of false claims



Although organizations that receive a low-risk RFC score will not be required to use the OCP, its use is recommended as a risk mitigation tool. Using the OCP to enable certification bodies to verify transactions between FSC trading partners reduces the risk of false claims in organizations' supply chains. Using the OCP may also help organizations conform to FSC chain of custody requirements and reduce the number of audits.

Alternative methods to the OCP for transaction verification are recognized in the criteria for risk determination (see table D below). Using such methods will lower the organization's RFC score which can result in a low risk designation. For high RFC scores, the OCP is currently the only system accepted by FSC for transaction verification. FSC will monitor the implementation of transaction verification and evaluate the means for verification two (2) years after it is introduced and consider additional platforms for verification.

- 7.1 Organizations that have sites and/or product groups with a RFC score of six (6) or higher shall enter the following invoice information of all inputs and outputs received and/or sold with FSC claims related to these sites and/or product groups into the FSC Online Claims Platform (OCP) for the purpose of transaction verification:
- a. invoice number;
 - b. date of the FSC transaction;
 - c. material or product description;
 - d. quantities;
 - e. FSC claim;
 - f. FSC certification or license code of the trading partner. If the trading partner does not possess an FSC certification or license code, the organization may enter the name of the trading partner.

NOTE: The organization may also allow its trading partners or certification body to enter the information specified in Clause 7.1 into the OCP on their behalf.

- 7.2 Organizations that have sites and/or product groups with a RFC score of six (6) or higher shall enter their FSC transactions according to Clause 7.1 into the OCP no later than thirty (30) days after the date of the transaction (i.e. date of the invoice issuance).
- 7.3 Organizations that have sites and/or product groups with a RFC score of six (6) or higher shall start using the OCP for these sites and/or product groups within thirty (30) days after the score determination and shall continue using the OCP until the corresponding RFC score is determined to be five (5) or lower.
- 7.4 The organization, regardless of its RFC scores, shall support its certification body in reviewing their records of FSC transactions at each evaluation in order to verify that they match with those of the organization's trading partners.

NOTE FOR STAKEHOLDERS: *The introduction of transaction verification requirements in the FSC Chain of Custody will also result in changes for the certification bodies. FSC is proposing that four new clauses are added to the CoC accreditation standard FSC-STD-20-011 (the standard that applies to certification bodies for conducting CoC audits). In this box you can see the four clauses that are being proposed for certification bodies, but will not be part of the FSC-STD-40-004 standard. They are only placed here to facilitate the public consultation. FSC is also proposing some other minor changes to FSC-STD-20-011. You can download the full PDF version of this standard [here](#).*

Section 3 of FSC-STD-20-011:

- 3.2 For a certificate that has a five-year validity, at least four surveillance evaluations shall take place before the certificate expires, except when Clauses 3.3 or 3.4 apply.
- 3.3 The number of surveillance evaluations may be reduced to two within the period specified in 3.2 if the following conditions are met:
- a. the organization has been continually FSC-certified for at least five years by the same certification body (Transfer of certification body motivated by changes in the certification body's accreditation is not considered in this case); and
 - b. the organization has not received corrective action requests (CARs) related to fraud/false claims (the act of selling products that are not eligible to be sold with FSC claims as being FSC certified) in the last three years; and
 - c. the organization has all of its FSC-certified purchases and sales entered into the OCP for two consecutive years; and
 - d. the organization has submitted written consent to participate in FSC's fiber testing programme¹ (with the possibility of at least one sample collected per year).

¹ Agreeing to the fiber testing programme includes signing the fiber testing agreement and paying \$150 USD per year to cover random fiber testing costs. For more information on the FSC fiber testing program, please visit <https://ic.fsc.org/en/our-impact/program-areas/supply-chain-integrity-programme/wood-and-fiber-testing>.

Section 10 of FSC-STD-20-011:

10 Transaction Verification

10.1 At each evaluation (main evaluation, surveillance evaluation and re-evaluation), the certification body shall define the RFC (risk of false claims) score applicable to the organization according to the criteria specified in Table D.

NOTE: One RFC score may be applied to the whole organization or specific RFC scores may be applied to different sites and/or product groups, as long as all activities under the scope of the organization's certificate are covered by RFC assessment.

Table D. Matrix for RFC score determination.

Risk factors		Score	Score Given
Material type	Softwood, hardwood (non-tropical), non-timber forest products and unknown species ²	1	
	Hardwood (tropical)	2	
	CITES species	5	
Corruption Perception Index (CPI) ³ of the country where the organization's site is located	CPI ≥ 60	1	
	CPI 36 – 59	2	
	CPI ≤ 35	3	
Organization's performance in relation to CoC conformity	The organization has received CARs related to fraud/false claims (the act of selling products that are not eligible to be sold with FSC claims as being FSC certified) in the last three years ⁴ .	6	
	The organization has changed the certification body two or more times within a five year period (except in cases where the transfer of CB is motivated by changes in the CB's activities)	2	
	The organization is subject to annual third party supply chain audits that ensures matching of transactions between trading partners and addresses the risk of false claims (e.g. a third party auditor physically compares invoices)	-1	
	The organization uses an externally controlled traceability platform/system (other than the OCP) that ensures matching of all FSC transactions between the organization and its trading partners and addresses the risk of false claims (e.g. an electronic system that allows matching of transactions)	-1	
Evidence of false claims	There is documented evidence of false claims further down in the organization's supply chain or systematically occurring in the country where the organization is located ⁵ (i.e. results of fiber testing, substantiated complaints, results of ASI monitoring, CB reporting of false claims to FSC/ASI).	3	
TOTAL (RFC = sum of the scores given)			Σ
			RFC ≤ 5 = Low risk of false claims RFC ≥ 6 = High risk of false claims

² The category "unknown" refers to product groups where species information does not designate the product characteristics (according to Clause 2.2 c) and therefore does not need to be specified by the organization.

³ Based on the latest CPI report from Transparency International (see www.transparency.org).

⁴ This risk factor applies to the organization as a whole and not only to specific product groups under the scope of the RFC assessment.

⁵ FSC will compile monitoring data regarding false claims/fraud identified in the system and will publish periodic reports listing areas where there are evidences of systematic false claims/fraud occurring at national or regional level. Where the evidences occur at the organization or supply chain level, the information will only be disclosed to the organization and its certification body.

- 10.2 Regardless of the RFC score of the organization, the certification body shall access the OCP to determine if any FSC transactions with the organization have been documented by trading partners and determine if these transactions match with the organizations records by reviewing the following information:
- a. total volume summaries of FSC transactions per trading partner; and
 - b. a minimum sample of 10 FSC transactions. Special attention shall be given to transactions that are flagged in the OCP as potentially being false claims/fraud (e.g. when information entered by the organization and its trading partner do not match. In the absence of flagged transactions related to the organization, the sample shall include randomly selected transactions and cover the widest possible range of trading partners, products and regions.

NOTE: In order to facilitate transaction verification by the auditor, the OCP provides a search mechanism and volume summary reports identifying total volumes of FSC transactions per trading partner and a list of individual FSC transactions.

- 10.3 If any cases of false claims/fraud are identified during an evaluation, the certification body shall enter this information in the organizations' records at the FSC certification database (as non-public information).