FSC-DIS-40-009 EN
Transaction verification: Alternatives for strengthening and streamlining the FSC Chain of Custody
Executive summary

In its new strategic plan, FSC commits to developing policies and standards that are more streamlined, outcome-oriented and risk-based, with an even greater emphasis on the integrity and credibility of FSC's systems than before. The strategic plan includes a set of objectives to streamline the Chain of Custody (CoC) standard and make better use of risk-based approaches to certification.

At the same time, research by FSC and feedback from stakeholders have both identified gaps in the CoC system. These gaps can allow inaccurate or fraudulent certification claims to be passed from one certified organization to another. In addition to affecting the integrity of the FSC system, inaccurate claims create an uneven playing field for companies competing in the global marketplace.

This FSC discussion paper describes a range of proposals and options to provide better assurance for FSC transactions between FSC certificate holders. The proposals directly address the areas of risk identified, such as counterfeit documentation and false FSC invoice claims. They also help to streamline the Chain of Custody in other areas, enabling FSC to remain the most credible forest certification scheme.

This discussion paper is part of the formal consultation process to revise the CoC standard. It also responds to comments received from stakeholders during the first round of consultations on the CoC standard. Furthermore, the discussion paper:

- Describes how misleading or intentionally false FSC transactions have become a risk to the credibility of the FSC Chain of Custody;
- Explains why FSC proposes to include transaction verification in the revised CoC standard;
- Provides an overview of the general extent of misleading and false FSC invoice claims found in the FSC system;
- Outlines methods for streamlining CoC administration, including eligibility requirements for waiving the on-site portion of audits;
- Lists revised options for consideration during the second consultation phase; and
- Describes the potential effectiveness, advantages and disadvantages for certificate holders in demonstrating transaction verification.

In addition, the discussion paper presents how the Online Claims Platform (OCP) can streamline CoC administration through the use of technology. By entering incoming and outgoing FSC-certified transaction information into the OCP, certificate holders can have the on-site portion of audits waived, under certain low-risk conditions (see Section 6). The table below outlines the possible options on how transactions can be verified. **FSC is seeking stakeholder feedback and comments on these options.**

### Options for transaction verification

<table>
<thead>
<tr>
<th>Option</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
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<td>A</td>
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<td>An organization enters FSC-certified purchase transaction information into the OCP.</td>
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<td>F</td>
<td>No change to the current CoC system, which does not require transaction verification.</td>
</tr>
</tbody>
</table>
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2. Why include transaction verification in the FSC CoC Standard?
3. Proposed options for addressing risks in the chain of custody
4. How are Certification Bodies going to audit transaction verification?
5. Comparison matrix
6. Potential means for streamlining CoC administration through the OCP

Annex 1. Effectiveness, advantages and disadvantages of the different options
1. Background

FSC has identified an area of risk in the current FSC auditing procedures – a risk that is present in all similar CoC certification systems. The precise volumes of FSC-certified forest products traded are not being compared between trading parties within the CoC system. As a result, FSC CoC standards and processes do not enable either certification bodies or Accreditation Services International (ASI)\(^1\) to detect discrepancies in the volumes reported by buyers in relation to the actual volumes sold with FSC claims, whether caused intentionally or through negligence. There is also evidence that this loophole is being exploited intentionally.

Certificate holders that unknowingly purchase uncertified wood as though it were FSC certified are particularly at risk. They would have to face the implications, including risks to their reputation and remediation costs, caused by such misrepresentation by sellers.

FSC is therefore trying to address this issue as quickly and effectively as possible, in the interests of all stakeholders and to maintain the integrity of the FSC system. As a result, FSC has introduced draft requirements for transaction verification in the revised CoC Standard (FSC-STD-40-004). Transaction verification will allow certification bodies to access and compare information on FSC-certified transactions between different trading partners within the FSC chain of custody.

Transaction verification is part of a broader set of actions to combat the illegal trade in forest products. Illegal logging is big business, accounting for 50–90 percent of all forestry activities in some regions, such as the Amazon Basin, Central Africa and Southeast Asia, according to Interpol.\(^2\) The same source estimates that 15–30 percent of all of the wood traded globally is harvested illegally, representing US$30–100 billion of economic activity each year. For example, recent research by WWF Germany found that nearly 20 percent of the products they tested included mixed tropical hardwoods, even though the companies selling these products had ruled out this possibility. Some of the products were third-party certified, although not under FSC standards.

Nonetheless, research conducted by FSC shows that mistakes and fraudulent claims happen, even within the FSC system. In North American, South American, European and Asian markets, there have been cases of inaccurate product claims negatively impacting retailers, in some cases causing the recall of millions of dollars of products. Other examples include FSC transaction claims being accepted from organizations with suspended or terminated certificates and counterfeit products with the FSC label being sold. This undermines the public’s confidence in FSC and the certified organizations. It also reduces the value of legitimate FSC-certified products, diminishing the returns for organizations that comply with FSC policies and invest in responsible forest management.

These examples, and others uncovered by FSC staff, certificate holders and stakeholders, demonstrate the need for additional efforts to maintain integrity in supply chains, and transaction verification can play a part in this. Generally speaking, there are three types of errors that FSC is seeking to address through the inclusion of transaction verification criteria in CoC standards:\(^3\)

- Selling or passing of FSC-certified material without a valid certificate;
- Selling or passing of FSC-certified material with incorrect FSC transaction claims;
- Not recording, or incorrectly recording, information about a sale of FSC-certified products in a certificate holders’ internal accounting system.

The current CoC system does not catch these errors easily, for a number of reasons:

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1. www.accreditation-services.com
3. These shortcomings do not include non-FSC-certified organizations that pass counterfeit claims, as this cannot be controlled through the FSC CoC system. However, FSC’s trademark office and FSC legal staff aggressively pursue any known misuse of the FSC label or brand.
• The verification of FSC transactions between buyer and seller is not currently a requirement in the FSC CoC standard, nor is there an explicit requirement for transactions to be compared between FSC trading parties.
• Even if an auditor chooses to match FSC transactions from a certificate holders’ supplier to the organization being audited, it is nearly impossible to carry this out, especially if purposeful fraud is taking place.\textsuperscript{4}
• There are no tools or agreed methods that allow for the coordination necessary to match FSC transactions between a certificate holder and its suppliers.

2. Why include transaction verification in the FSC CoC standard?

Because the FSC brand has value in the marketplace, and the illegal trade in forest products is big business, there will always be some actors looking to circumvent the systems FSC puts in place to ensure the integrity of its certification. There are actions FSC can take – which includes transaction verification – to minimize inaccurate claims.

Including transaction verification in the FSC CoC standard (FSC-STD-40-004) means that certificate holders will need to demonstrate that FSC input claims match the recorded output claims of its suppliers:

Box 1. Clause 1.7 from the second draft of FSC-STD-40-004 v3

“The organization shall have a method in place to allow the Certification Body to verify that the organization’s recorded FSC input claims match the recorded FSC-certified output claims of its suppliers.

NOTE FOR STAKEHOLDERS: This can be achieved in various ways, such as through the FSC Online Claims Platform (ocp.fsc.org), manual verification (e.g. material account records specific to each FSC-certified trading partner are made available upon request by the respective trading partner or CB) or other automated systems (e.g. systems with a common record of input and output shared between customer and supplier).

FSC invites stakeholders to consult and provide their comments on the discussion paper on alternatives for strengthening and streamlining the FSC CoC system, which is open for public consultation simultaneously to the FSC-STD-40-004 standard. Detailed information about this future core element of the FSC CoC standard and the possibility to provide comments can be found here: https://ic.fsc.org/fsc-std-40-004.782.htm.

The criterion in the first draft of FSC-STD-40-004 v3, which included the revised standard and draft requirement for transaction verification, generated 190 comments during a public consultation held between 19 December 2014 and 28 February 2015. The comments from stakeholders varied, but the general themes were as follows:

• There is no reason to include transaction verification, as the FSC CoC already addresses this issue.
• Inaccurate transaction claims do not take place, or do not take place at a scale that threatens the credibility of FSC.

\textsuperscript{4} Typically, there is a contract and non-disclosure agreement between the specific certificate holder and their chosen Certification Body. Certificate holders are not required to share invoices with other certificate holders or other Certification Bodies. They are only required to share invoices and other evidence with ASI after a formal complaint has been filed.
FSC needs to better explain how the misleading and false claims are generated within the system.
FSC needs to provide specific examples and data on the extent of the problem.
Stakeholders have concerns about the security of using centralized databases or platforms for transaction verification.
There are potential difficulties, costs and complexities in having to comply with transaction verification requirements.
The alternative methods offered in the first consultation were considered to be difficult to audit and will therefore lead to different levels of rigor.
The burden of demonstrating compliance should rest with the Certification Body.
The need for transaction verification should be assessed using a risk-based approach, specifically related to the Corruption Perceptions Index,\(^5\) to address the areas where FSC has found a greater likelihood of fraud occurring.

A prevailing theme from the consultation was a demand by certificate holders and other stakeholders to clearly demonstrate that the problem of misleading and false claims is sufficiently serious to warrant additional requirements in the FSC Chain of Custody. Through an initial survey, fiber testing and other means, FSC has amassed a significant body of evidence to help quantify the scale of the problem, especially in the Asia Pacific region. This has come from FSC Network Partners (staff) and outside stakeholders, including certificate holders, Certification Bodies and ASI.

FSC used a range of qualitative and quantitative methods to measure misleading transactions and claim types. These included interviews with key informants and ASI, surveys, analysis of internet market places (such as Alibaba\(^6\)), and conducting fiber testing – by microscope, or DNA, or isotope testing – to determine the species and/or origin of a forest product. The initial analysis shows that misleading claims occur in both exporting and importing countries. While evidence has been found globally, there is growing evidence that points to a significant and unacceptable level of erroneous and false claims coming out of regions with a Corruption Perception Index (CPI) of 50 or below. Overall, the results demonstrate a high risk to the FSC system if the problem is not addressed.

In addition to this evidence about misleading claims, FSC continues to receive reports of misleading claims from whistle blowers that have proved to be valid. Recent cases have been reported in North America, Europe and Asia. While the majority of these involve products from Asia, there have been cases where erroneous claims have been passed exclusively in European and North American supply chains. FSC also has evidence that buyers are knowingly involved in buying FSC-certified products with false claims. This has been consistently confirmed through ASI audits, and most often is only discovered after the products have been sold to consumers.

A second phase of research is now underway to gather a better understanding of the scale of the problem, by region and by industry sector.

### 3. Proposed options for addressing risks in the chain of custody

During the first consultation, FSC engaged with stakeholders to identify options for demonstrating transaction verification requirements. In response to the stakeholders’ comments, FSC has developed six options for transaction verification. Table 1 presents the six options; the following text then explains in more detail how each option will work in practice.

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\(^5\) [www.transparency.org/cpi2014](http://www.transparency.org/cpi2014)

\(^6\) Alibaba is an internet marketplace and the most popular platform for international buyers to source products from China.
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**Option A**

The organization enters FSC-certified purchase transaction information into a system that enables transaction verification: an Online Claims Platform (OCP)\(^7\) or an alternative equivalent system. Individual transactions can be entered, or similar transactions can be consolidated into one entry. Alternative systems are considered equivalent if:

- Both the organization and the supplier are connected through the same transaction verification system, ensuring the Certification Body of the supplier can verify the FSC transactions data entered by the organization;
- The system is ISO 27001-certified, ensuring a systematic approach to managing the FSC transaction data;\(^8\)
- The organization demonstrates that the FSC transaction data listed below is matched between the organization and their suppliers through the data exchange system.

An organization can also meet this requirement by authorizing its supplier(s) to enter the FSC transaction information into the OCP or equivalent system on its behalf. In this case, there will be an agreement between both trading parties that the FSC transactions will be entered by the organization’s supplier. The organization will have a period of 14 business days to accept or reject the data entered by the supplier(s). If the supplier enters the FSC transaction information into the OCP, this can act as supplemental documentation to the full FSC invoice claim.

Certificate holder sites in countries with a CPI score of 51 or higher will enter FSC transaction data into the OCP on a quarterly basis as a minimum requirement. Certificate holder sites in countries with a CPI of 50 or lower will enter FSC transaction data into the OCP by the end of each month as a minimum requirement. The Certification Body of the organizations’ trading partners will verify all the information entered into the OCP or alternative system during annual surveillance audits.

The following information from supplier’s invoices or delivery documents will need to be entered into the OCP or alternative system:

1. Supplier’s name.
2. Supplier’s certification code.

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\(^7\) [http://ocp-info.fsc.org](http://ocp-info.fsc.org)

\(^8\) Conformance with ISO 27001 is not required for systems that control internal trading within the same organization (e.g. two sites within the same multi-site certificate scope trading or transferring products within the same organization).
3. Invoice number or equivalent.
4. Date of the invoices or delivery documents issued.
5. Description of the FSC-certified material.
6. FSC claim.
7. Quantity.

Option B

ASI, the organization that accredits FSC Certification Bodies, will arrange upstream and/or downstream auditing where FSC purchase and sale transaction information is traced from one certificate holder to another. Certificate holders and Certification Bodies will comply with ASI’s requests.

ASI will verify supply-chain audits on a case-by-case basis (either triggered by an incident or complaint, or randomly selected). These assessments will be carried out for the whole supply chains selected, or parts of them. Any non-conformities identified will be issued against the Certification Body (on the basis of objective evidence of its failure to ensure an effective supply chain mechanism for its clients), or brought to the attention of the Certification Body for further follow-up on the certification level, in case the non-conformance is identified with the certificate holder.

Supply-chain assessments will be carried out both upstream and downstream in the FSC supply chain (depending on the case), and will comprise the following:

- Frequency: ASI will introduce supply-chain audits for CoC certificate holders using a risk-based approach. This will have a limited scope, for example 50 supply chains annually. This will potentially be combined with the existing supply-chain audits that ASI conducts on Certification Bodies, which can comprise several sub-audits along the supply chain.
- Selection: the supply-chain assessments will be related to incidents and complaints received by FSC or ASI or on a random basis.
- Scope: the evaluation will start at one point in the supply chain and continue upstream or downstream – back to the forest or down to the end consumer. ASI will check the FSC transaction information from each supplier against the organization’s internal records and volume summaries, as well as comparing it to the certificate holders’ suppliers and customer records. The sampling will also include non-FSC invoices to ensure that no FSC claims are made on them. The sample size will depend on the certificate holder under investigation.

Option C

Certification Bodies will collect a sample of purchase transaction documents during audits and reassessments, which will be verified by the suppliers’ Certification Body. They will collect the following information:

1. Supplier’s name.
2. Supplier’s certification code.
3. Invoice number or equivalent.
4. Date of the invoices or delivery documents issued.
5. Description of the FSC-certified material.
6. FSC claim.
7. Quantity.

This option uses a risk-based approach, in which organizations are classified as ‘low risk’ or ‘unspecified risk’ according to CPI. This approach considers both the risk of the organization and
those that supply it with FSC materials. Organizations and suppliers with a CPI of greater than 51 are considered low risk. If, however, an organization is low risk but a supplier of FSC products has a CPI score less than 50, then FSC-certified trade from this particular supplier will not be considered as low risk.

A sampling approach will apply for low-risk organizations and be applicable to their low-risk suppliers; otherwise 100 percent of FSC transactions will be verified by the Certification Body. Likewise, 100 percent of FSC transactions will be verified by the Certification Body of low-risk organizations which also have unspecified-risk suppliers.

Low-risk organizations will be required to enable their Certification Body to verify a sample of 30 FSC transactions. The Certification Body will collect these from the full scope of invoices and from a variety of the organization’s certified suppliers. The certificate holder will not know which invoices were selected.

If the certificate holder has fewer than 30 invoices, then all invoices available will be verified.

Option D

Under this scenario, the organization enters FSC-certified sale transaction data into a modified OCP. This will then generate digital transaction certificates to the certificate holder entering the information. For each product sold with FSC transaction documentation, the organization will get a transaction certificate with a unique transaction identification number (ID) from the modified OCP, which will act as the official FSC invoice claim (replacing the current invoice identification). The transaction certificate can refer to a single transaction, or multiple transactions consolidated into one entry.9

In order to obtain the transaction certificate, the organization will enter the following sales transaction information into the OCP:

1. Invoice number or equivalent.
2. Date of the invoice issuance.
3. Product name/description.
4. FSC Claim.
5. Quantity.

Note that the name of the customer does not need to be entered into the OCP for this option.

The organization will provide the digital certificate to its customer(s) within 30 days of the invoice being issued. Customers can then confirm FSC-certified transactions by logging into the modified OCP and entering the transaction ID to verify that the information they received matches the FSC transaction certificate data. FSC-certified customers will be responsible for checking the digital transaction certificates received, and the Certification Body will verify a sample of these during audits and re-assessments. A sampling approach to verify digital transaction certificates will also apply to organizations in low-risk countries and their suppliers in low-risk countries; in all other cases, the Certification Body will verify 100 percent of digital transaction certificates. The Certification Body will also verify 100 percent of digital transaction certificate from low-risk organizations that have unspecified risk suppliers as well.

Option E

The organization will enter FSC-certified purchase transaction information into the OCP. Individual transactions can be entered, or several similar transactions can be consolidated into one entry.

9 https://ocphelp.zendesk.com/hc/en-gb/articles/201838473-How-to-consolidate-claims-
Alternatively, the organization can meet this requirement by authorizing its supplier(s) to enter the FSC transaction information into the OCP on its behalf. In this case, there will be an agreement between both trading parties that the FSC transactions will be entered by the organization’s supplier. The organization will have a period of 14 business days to accept or reject the data entered by the supplier(s). If the supplier enters the FSC transaction information into the OCP, this could act as supplemental documentation to the full FSC invoice claim.

Certificate holder sites in countries with a CPI of 51 or higher will enter FSC transaction data into the OCP on a quarterly basis as a minimum requirement. Certificate holder sites in countries with a CPI of 50 or lower will enter FSC transaction data into the OCP at the end of each month as a minimum requirement. The Certification Body of the organizations’ trading partners will verify all information entered into the OCP during annual surveillance audits.

The following FSC input transaction data from supplier’s invoice will be entered into the OCP:

1. Supplier’s name.
2. Supplier’s certification code.
3. Invoice number or equivalent.
4. Date of the invoices or delivery documents issued.
5. Description of the FSC-certified material.
6. FSC Claim.
7. Quantity.

Option F

This option means that there is no change to the FSC standard or policy, and no new requirements for certificate holders, Certification Bodies or ASI.

FSC asks stakeholders to feed back about their preferred option(s) for transaction verification during the draft CoC standard consultation period from 1 September, 2015 – 31 October, 2015.

4. How are Certification Bodies going to audit transaction verification?

Option A

The Certification Body, after being provided access by the certificate holder, will check the FSC transaction information inside the OCP or equivalent system, and then check it against the organization’s internal records and volume summaries. The organization will also have its sales documents and volume summary audited by its Certification Body when the OCP or equivalent system is used by its customers.

Option B

The Certification Body will need to comply with ASI’s requests for any information regarding the FSC transaction information for the applicable certificate holder(s).

Option C

The Certification Body will verify a sample of at least 30 invoices from each organization during surveillance audits if the organization is low risk and for the organizations low-risk trading partners. If the organization is in a country that is considered to be of unspecified risk, the Certification Body will verify 100 percent of invoices; likewise for the organization’s suppliers that are in unspecified risk areas. If 30 invoices need to be verified and the certificate holder has fewer than 30 invoices, then all invoices up to 30 will need to be verified and a sample of each
supplier will need to be taken. The Certification Body will need to verify that the invoices selected are valid, according to the organization’s supplier’s Certification Body.

**Option D**

In this scenario, the Certification Body will be required to verify that the organization is communicating a digital claim to their customers by checking a sampling of 30 digital claims sent to the organization’s customers. The Certification Body will also need to verify that the organization is checking the digital transaction certificates sent to the organization by the organization’s supplier. A sampling approach for verifying digital transaction certificates will also apply to low-risk organizations and their low-risk suppliers; otherwise, the Certification Body will need to verify 100 percent of digital transaction certificates. The Certification Body will need to verify 100 percent of digital transaction certificates for low-risk organizations that have unspecified risk suppliers as well. If the certificate holder has fewer than 30 digital transactions, then all digital transactions up to 30 will need to be verified and a sample of each customer and supplier will need to be taken.

**Option E**

See Option A.

**Option F**

This requires no changes to FSC standards or policies for certificate holders, Certification Bodies or ASI. Therefore, there are no new requirements for Certification Bodies.
## 5. Comparison matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Option A</th>
<th>Option B</th>
<th>Option C</th>
<th>Option D</th>
<th>Option E</th>
<th>Option F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizations enter FSC purchase claims into a verification system.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASI conducts supply-chain audits on a sampling basis.</td>
<td></td>
<td>ASI</td>
<td></td>
<td></td>
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<td></td>
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<tr>
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<tr>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizations enter FSC-certified purchase transaction information into the OCP.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No change to the current CoC system, which does not require transaction verification.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Effective at addressing inaccurate transaction information and fraud\(^{10}\) | Yes: for all FSC transactions | Limited to 50 supply chains: only for those certificate holders and transactions audited by ASI | Limited: only for sampled invoices | Limited: only for sampled invoices | Yes: for all FSC transactions | No |
| Certificate holder reports no FSC purchases or FSC sales, but actually does sell products as FSC-certified | Yes | Limited to supply chains audited | Limited: only for sampled invoices | Limited: only for sampled invoices | Yes | No |

\(^{10}\) Counterfeit documentation and false FSC invoice claims cannot be addressed through FSC CoC standards. However, it is largely addressed through FSC’s trademark provision enforcement, fiber testing and other reporting of misuse of FSC claims and labels.
<table>
<thead>
<tr>
<th>Time lag to identify inaccurate transaction information</th>
<th>Maximum: quarterly</th>
<th>Undefined: on a case-by-case basis</th>
<th>Annually or longer</th>
<th>Annually</th>
<th>Maximum: quarterly</th>
<th>Minimum: daily</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matches invoice claims between trading parties</td>
<td>Yes: for all FSC transactions</td>
<td>Partial: only for those certificate holders and transactions audited by ASI</td>
<td>Partial: only for sampled invoices</td>
<td>Partial: only for sampled invoices</td>
<td>Yes: for all FSC transactions</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Confirms validity of suppliers' certificate scope in real time</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Potential for a reduction in certificate administration and audit costs</td>
<td>Yes(^{11})</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Transaction verification data security</td>
<td>Yes: see <a href="http://ocp-info.fsc.org/ocp-security/">http://ocp-info.fsc.org/ocp-security/</a> for more information on OCP security; other systems will comply with ISO 27001</td>
<td>Yes: ASI will follow procedures on non-disclosure, according to ASI policy</td>
<td>Yes: auditors will follow procedures on non-disclosure, according to Certification Body policy.</td>
<td>Yes: see <a href="http://ocp-info.fsc.org/ocp-security/">http://ocp-info.fsc.org/ocp-security/</a> for more information on OCP security</td>
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\(^{11}\)For more information on how the OCP can streamline CoC auditing, as well as providing supplemental documentation for full FSC claims (and the possibility to waive the on-site portion of audits), see Section 6 (below) and: [https://ocphelp.zendesk.com/hc/en-gb/articles/201803356-Can-I-use-the-OCP-for-anything-other-than-entering-claims-](https://ocphelp.zendesk.com/hc/en-gb/articles/201803356-Can-I-use-the-OCP-for-anything-other-than-entering-claims-).
<table>
<thead>
<tr>
<th>Direct costs to certificate holders</th>
<th>No fee to use the OCP; time required for set up and use</th>
<th>Increased costs</th>
<th>Increased audit costs</th>
<th>No fee to use the OCP; time required for set up and use</th>
<th>No fee to use the OCP; time required for set up and use</th>
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<tbody>
<tr>
<td>Workload</td>
<td>Initial registration process, inputting FSC transactions (options to consolidate claims)</td>
<td>Cooperating with ASI and providing evidence that they request in order to map the supply chain of the specific product</td>
<td>Provide auditor access to full list of FSC-certified purchase information</td>
<td>Initial registration process, inputting FSC transactions (options to consolidate claims) and communication of digital claims to customers</td>
<td>Initial registration process, inputting FSC transactions (options to consolidate claims)</td>
<td>None</td>
</tr>
<tr>
<td>Possibility of waiving the on-site portion of audit</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Possibly: FSC is evaluating this option</td>
<td>Yes</td>
<td>No</td>
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</table>
6. Potential means for streamlining CoC administration through the OCP

FSC is analyzing alternative ways to streamline CoC administration; the OCP is a prominent method under consideration. Streamlining could occur in the following way:

1. Waiving the on-site portion of an audit (allowing desk audits) under certain conditions. The certificate holder would be eligible to waive the on-site portion of their audit if:
   - the organization has all of its FSC-certified purchases and sales entered into the OCP or equivalent system;
   - the organization has been FSC certified for at least three years by the same Certification Body;
   - the organization has been continually FSC certified for the past three years (e.g. the certificate has not been suspended or withdrawn);
   - there have been no changes in the designated CoC management representative, as identified in FSC-STD-40-004, clause 1.1; and
   - the organization has submitted written consent to participate in FSC’s fiber testing program.

2. The OCP includes the option for certificate holders to receive automatic updates if/when their own certificate or their connected suppliers’ certificate scope or status changes.12

3. The OCP provides a downloadable list of FSC-certified suppliers and customers.13

4. The OCP contains a downloadable list of FSC-certified purchases and sales.14

5. The OCP provides verified FSC-certified transactions.

6. The OCP provides a downloadable list of FSC-certified suppliers and customers.13

7. The OCP can be supplemental documentation for the full FSC claim type on sales documentation when the sales and delivery documentation itself does not include the full claim; see Advice 40-004-005 for more details on this.16

FSC is also considering how the OCP can be further improved to provide additional benefits for organizations.

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## Annex 1. Effectiveness, advantages and disadvantages of the different options

FSC recognizes that there are advantages and disadvantages to all of the options presented. To help stakeholders understand the strengths and weaknesses more clearly, the following table lists FSC’s analysis of each option.

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<th>Option</th>
<th>Effectiveness</th>
<th>Advantages</th>
<th>Disadvantages</th>
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</table>
| A: Organizations enter FSC purchase claims into a verification system. | Effective for all FSC-certified transactions that are entered into the system. | 1. This option allows certificate holders to use the full functionality of the OCP.  
2. Systems can support the management of certification requirements and assist in the audit process. For example, the OCP provides certificate holders with:  
  - automatic updates about changes to connected suppliers’ FSC certificate scope/status  
  - a list of FSC-certified purchases and sales  
  - a list of FSC-certified suppliers and customers  
  - verified FSC-certified transactions, so claims can be trusted  
  - origin reports so the user knows the potential list of species and countries of harvest in a particular FSC product or product type.  
3. It allows for the use of alternative verification systems, which some stakeholders have said. | 1. While FSC was drafting criteria for what other alternative methods could entail, FSC was also seeking advice from stakeholders on what alternative systems could be used. During this period, FSC learnt that:  
  - it was difficult for certificate holders to manage multiple systems  
  - it may be difficult to audit multiple systems  
  - alternatives may not be as credible as the OCP.  
2. When FSC sought feedback from stakeholders on alternative systems, most comments were about the complexity that multiple systems bring to the FSC system. As the approach to transaction verification becomes more flexible, the complexity and cost increases for FSC stakeholders. |

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they would like to use.

4. It allows for OCP use, which includes the potential for the on-site portion of the audit to be waived.

| B: ASI conducts supply-chain audits on a sampling basis. | Effective only on selected supply chains, and for the specific transactions checked. | 1. This option gives ASI control over the auditing of complete supply chains.

2. ASI already has the ability, with agreements in place, to conduct regular surveillance audits, short-notice assessments and compliance audits to Certification Bodies.  

3. ASI can arrange upstream or downstream auditing where FSC purchase and sale transaction information is traced from one certificate holder to another. |

| C: Certification Bodies collect a sample of purchase transaction documents during audits and reassessments, which are then verified by the supplier’s Certification Body. | Effective only on a sample of FSC transactions, unless all FSC transactions are verified. | 1. This option provides certificate holders in regions with a CPI score of 51 or higher a choice to either empower their Certification Body to verify a sample of 30 invoices with the organization’s suppliers, or to use the OCP. Certificate holders in regions with a CPI score of 50 or lower have a choice to either empower their Certification Body to verify 100 percent of the invoices with the organization’s suppliers.

2. This option uses a sampling approach in low-risk regions that is similar to how financial auditing works. While it may take more time and effort during the audit, it could reduce the |

1. The cost of ASI assessments is unknown at this time, but estimated to be high.

2. The amount of supply-chain audits ASI can physically conduct each year is low, compared to the number of FSC-certified organizations.

3. The complexity is considered moderate to high compared to the other options.

1. The risk-based sampling approach may take more time and effort during the audit on the part of Certification Bodies.

2. Some stakeholders are concerned about what this additional time and effort may mean for their audit costs.

3. There is a potential issue if the certified customer is certified by one Certification Body and the certified supplier is certified by a different Certification Body.

4. There may need to be non-disclosure agreements between Certification Bodies so that

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<td><strong>D:</strong> Organizations enter FSC-certified sales transaction information into a modified OCP, which will generate digital transaction certificates.</td>
<td>Effective only on a sample of FSC transactions, unless all FSC transactions are verified.</td>
<td>1. As soon as the certificate holder enters their FSC sale into the OCP, the OCP will produce a unique digital claim record. The organization is responsible for notifying the customer of that digital claim record. 2. This option provides certificate holders in regions with a CPI of 51 or higher with the choice to either enter their FSC sales invoices with limited information (i.e. no customer name/code) into the OCP. 3. It addresses stakeholder concerns about storing confidential data in an online system, while reducing the number of inaccurate claims within the FSC system. 4. It removes the need for any confidential information to be kept in the OCP. 5. Complexity is considered moderate to high compared to other options, depending upon the risk designation of the organization.</td>
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<td><strong>E:</strong> Organizations enter FSC-certified purchase transaction information into the OCP</td>
<td>Effective for all FSC-certified transactions.</td>
<td>1. This option allows all certificate holders to make use of the full functionality of the OCP. One system being used by all certificate holders reduces the complexity for them and they can verify specific transaction documentation. 1. There is potentially more administrative work required by the certificate holder supplying the digital claim to their customer in a secure way. 2. There is the potential for increased audit time and difficulty for the Certification Body to verify that their client is notifying their certified customers with the digital claim, and that the organization is checking the digital claim supplied to them by their suppliers. 3. Entering FSC sales, as opposed to FSC purchases, may increase the burden on organizations that have more customers and more sales than suppliers and purchases 4. Organizations will need to enter their FSC sales into the OCP, but then also send the digital transaction certificate to their customers to be verified. 5. The complexity is considered high compared to the other options. 1. This option requires certificate holders to use FSC's platform and does not allow for alternative technologies to meet the transaction verification criterion.</td>
</tr>
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</table>
Certification Bodies.

2. The OCP can support the management of certification requirements and assist in the audit process. For example, the OCP provides certificate holders with:¹⁹
   - automatic updates about changes to connected suppliers’ FSC certificate scope/status
   - a list of FSC-certified purchases and sales
   - a list of FSC-certified suppliers and customers
   - verified FSC-certified transactions, so claims can be trusted
   - origin reports so the user knows the potential list of species and countries of harvest in a particular FSC product or product type
   - the potential for the on-site portion of the audit to be waived.

F: No change to the current CoC system, which does not require transaction verification.  
Not effective.  

1. There will be no change within FSC standards or policies for certificate holders, Certification Bodies or ASI.

1. The credibility of FSC is at risk, as misleading and false claims will continue to be prevalent in the FSC system.
   2. Stakeholders will know that FSC has identified a significant risk to the system and has not addressed this risk (see Section 2).

¹⁹ https://ocphelp.zendesk.com/hc/en-gb/articles/201803356-Can-I-use-the-OCP-for-anything-other-than-entering-claims-