



Frequently Asked Questions (FAQs)
FSC-STD-40-004 V3-0 and FSC-STD-20-011 V4-0
January 2017

Introduction

On 1 January 2017, the FSC Board of Directors approved revised FSC chain-of-custody standards FSC-STD-40-004 V3-0 and FSC-STD-20-011 V4-0. The revised standards will become effective on 1 April 2017. This document presents FAQs on the new transaction verification requirements, the Online Claims Platform (OCP), and fibre testing.

Note: For definitions of the terms used in these FAQs, please consult [FSC-STD-40-004 V3-0](#).

Questions on the New Transaction Verification Requirement

What is transaction verification?

Transaction verification is the act of certification bodies and/or Accreditation Services International (ASI) verifying that an FSC output sales claim made by an FSC certificate holder is both accurate and matches an FSC input purchase claim by a trading partner.

Why is transaction verification needed?

Transaction verification is needed to protect the integrity of FSC certification and ensure that false claims are identified, prevented, and controlled. Previously, audits were focused on the internal activities of a business only. With the new standards, however, auditors can also evaluate transactions between organizations. This is introduced to ensure that volume balances match between companies.

Is my organization affected by transaction verification?

All FSC certificate holders are subject to transaction verification. This means that all certified businesses could be asked to participate in transaction verification. However, only a small percentage of our global certificate holders will be asked to do so in 2017.



Has the risk-based approach been dropped?

The risk matrix that was proposed in the previous draft of the chain-of-custody standard (FSC-STD-40-004 V3, draft 3) has been removed, as many stakeholders were opposed to the proposed requirements.

Instead, FSC and ASI will be using risk criteria to determine where supply chain monitoring will take place.

How is risk going to be defined?

The transaction verification requirement will be implemented where there is substantiated evidence of false claims occurring in specified supply chains. Such evidence will consist of one or more of the following:

- results of fibre testing;
- substantiated complaints;
- ASI on-site assessments, monitoring, and data analysis;
- ASI and FSC investigations of entire product types in given countries or regions that identify an unacceptable level of misleading claims;
- certification body reporting of false claims to FSC and/or ASI.

In 2017 up to 1,000 businesses globally, with specific focus on the Asia–Pacific region, are expected to be asked to participate in transaction verification. This number is expected to increase in 2018–2019 based on results from 2017.



How are supply chain integrity measures being introduced in the FSC system?

FSC will be introducing a series of supply chain integrity measures over the next four years.

In 2017, a series of immediate actions will continue to be implemented. The introduction of transaction verification to our normative framework through the chain-of-custody standard is one of these actions. Other actions include:

- rapid transaction verification audits by ASI;
- ASI-initiated investigations performed by certification bodies;
- creation of a mechanism for stakeholders to submit complaints about potential false claims;
- randomized, obligatory fibre testing by FSC and ASI of products selected through the FSC fibre-testing programme;
- introduction of legal and financial consequences for intentionally misusing the FSC system;
- sampling of transactions between trading parties, for verification;
- further testing of the OCP in selected high-risk supply chains; and
- investigating the feasibility of digital claims, block chain technology, and alternative platforms.

Many of these immediate actions are designed to increase the knowledge about inaccurate claims in our system and test solutions for addressing these.

It is expected that FSC will expand the number of certificate holders asked to perform transaction verification in 2018–2019 as further high-risk supply chains are investigated by FSC and ASI.

What is the difference between transaction verification and the Online Claims Platform (OCP)?

Transaction verification is a normative requirement in the FSC system (i.e. it is a criterion in our standard).

The OCP is one of the tools to deliver transaction verification. Transaction verification can be achieved with or without the OCP. Other methods of transaction verification will be tested as well, such as ASI rapid transaction assessments, block chain technology, and alternative platforms.



What information must be provided to auditors to fulfil the transaction verification requirement?

The data required will include information on trading partner (e.g. name, FSC CoC code), transaction identifier (e.g. invoice number), transaction date, quantity, units, FSC claim type, descriptions of products, and (potentially) species and country of origin. No financial information will be required.

The data will be collected on a sample basis in a specified format. More than one format will be allowed. The size of the sample requested will be determined by FSC and ASI based on risk. Auditors may also request access to shipping documents, invoices, or similar for confirmation.

What is the role of certification bodies in transaction verification?

Certification bodies will collect the information requested in a specified format and provide it to ASI, which will then verify whether transaction records between the trading partners match and are valid FSC transactions.

How will sampling of transactions be conducted?

ASI will approach certification bodies on a case-by-case basis and request to collect relevant transaction data from their clients. ASI will determine the data to be provided:

- the size of the sample (percentage of claims made, up to 100 per cent)
- what product types
- the frequency for providing transaction data
- duration for providing transaction verification data.

If a business is selected to provide data for transaction verification, the information must be provided during the annual surveillance audit performed by its certification body. For other requests, certification bodies can specify deadlines of up to 10 business days or 30 calendar days depending on the urgency of the verification and the sample size. If the request is for a few invoices, for example, the timeline would be 10 business days. If the request is for a report, covering a considerable amount of data, 30 calendar days would be specified.



What is the difference between false claims, inaccurate claims, and fraud?

'Fraud' is the term used for intentional false claims within the FSC system.

'False claims' happen when a product that is not eligible to be sold as FSC certified is sold with FSC claims on its sales documents. False claims can be intentional or not. They are only considered fraud when it can be proven without a doubt that the claim was made intentionally.

'Inaccurate claims' are where a product that is eligible to be sold as FSC certified is sold with the wrong claim (e.g. a product that should be sold as FSC Mix is sold as FSC 100%).

What are the consequences for certificate holders if they are found making false and/or inaccurate claims?

The appropriate actions shall be determined by the certification body in charge of the organization's assessment on a case-by-case basis.

In most cases, when a false claim is identified, it is difficult to determine whether it was a mistake or an intentional act (fraud).

When there is clear evidence of fraud, the certificate will be terminated and the certification body will notify FSC via the FSC certificate database. FSC will apply specific sanctions to the organization (e.g. financial penalty, grace period to become certified again).

When it is not clear whether the false claim was intentional or not, the certification body will issue a major corrective action request for the organization, requiring applicable measures to address the problem, such as identification of the root cause of the problem, application of non-conforming procedures, notification of customers, and product recall.

The certification body will also notify FSC about this occurrence via the FSC certificate database.

If during the transaction verification the certification body identifies non-certificate holders making false claims, the certification body shall notify FSC, which will follow up on applicable measures against the organization.



What are the consequences for uncertified businesses that are found making false and/or inaccurate claims?

Fraud and misuse of the FSC label by non-certificate holders are dealt with through the FSC legal office and trademark enforcement team, which investigate false use of FSC trademarks for non-eligible products and take legal action when needed.

What happens if a certificate holder refuses to provide transaction data to their certification body?

The refusal to provide transaction data represents a breach of the contractual agreement between the organization and the certification body. If the information is not provided within the time frame requested by the certification body, the certificate will be suspended and/or terminated.

Are transaction verification requirements the same everywhere in the world?

Yes, they are the same everywhere in the world. However, based on a risk analysis and evidence of false claims, FSC and ASI will mainly focus transaction verification audits on certain regions and supply chains, where likelihood of false claims is proven to be high.

Are forest-management certificate holders affected by transaction verification?

Yes, forest-management certificate holders may also be required to provide FSC transaction data for transaction verification purposes.

Who pays transaction verification costs?

If a certificate holder is chosen for transaction verification, the cost for complying with the requirement will be part of the certification body's auditing costs.

FSC is currently investigating with certification bodies and ASI how to divide costs related to transaction verification.

It is important for FSC that introducing transaction verification does not dramatically increase costs for FSC chain-of-custody certification.

More specific information on this topic will be released prior to the effective date of the standard, 1 April 2017.



Questions on the Online Claims Platform (OCP)

What is the Online Claims Platform (OCP)?

The OCP is a digital tool that provides timely information about FSC products and the organizations that produce them. The OCP supports administration of FSC chain of custody as well as providing information to validate FSC claims. The OCP is free of charge to certificate holders.

Who needs to use the OCP?

In 2017 up to 1,000 companies globally, with specific focus on the Asia–Pacific region, are expected to be asked to participate in transaction verification by ASI. This number is expected to increase in 2018–2019 based on results from 2017. A subset of the selected companies will be asked to use the OCP (estimated 300–600 companies, with a special focus on Asia–Pacific and only companies trading in products for which investigation has shown significant issues with false claims).

FSC and ASI will determine which certificate holders and supply chains will need to use the OCP.

The OCP is also available for voluntary use by FSC certificate holders not identified by ASI.

Questions on Fibre Testing

What is fibre testing?

Fibre testing is a method whereby products are tested at a fibre level to ensure that they contain what they are claimed to contain.

A fibre test can determine which wood (family, genus, and/or species) a product is made from, the amount of recycled fibre in a product, and/or which country the fibres are likely to have originated from, depending upon the type of fibre analysis completed.

Fibre testing of wood products allows buyers, sellers, and traders to confirm that the products they receive from suppliers are what they are claimed to be.



How does the FSC fibre-testing programme work?

Since 2011, FSC has been part of a joint venture with the United States Department of Agriculture (USDA) Forest Service's Forest Products Laboratory (FPL) with the goal to test approximately 2,000 FSC-certified components a year from around the world.

The joint venture has served as a reliable quality management measure that provides producers and buyers of forest products added assurance against inaccurate claims.

FSC has also been investigating the feasibility of isotope and DNA testing to verify the origin of products.

What are fibre-testing results used for?

Fibre testing is an additional quality assurance tool to tell whether products contain the family, genus, and/or species expected. The test may also determine the amount of recycled content in a fibre-based product, whether the product contains mixed tropical hardwoods, and the likely origin of the fibres in the product (country or region) – depending upon which testing technique is used. This information is useful for companies for due diligence and quality management purposes, and is used by FSC and ASI as an additional measure to ensure supply chain integrity.

When and how are my company's products being fibre tested?

FSC randomly selects FSC-certified products for fibre testing worldwide. Fibre testing is a tool that can also be used by any FSC stakeholder interested in verifying that the products they receive from suppliers are what they are claimed to be.

FSC offers certificate holders traditional wood anatomy fibre testing through the Forest Products Lab at a very low rate compared to market prices (USD100 per tested component of a product). For example, a children's book may consist of four different paper grades, so if each component was tested, the fee would be USD400. Click [here](#) for more information.