

**PEFC GUIDE**

**PEFC GD 2001:2014**

**2017-05-09**

**Second Edition**

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**Chain of Custody of Forest-Based Products –  
Guidance for Use**



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**PEFC Council**

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**Document name:** Chain of custody of forest-based products – Guidance for use

**Document title:** PEFC GD 2001:2014

**Approved by:** PEFC Board of Directors

**Approval date:** 2014-06-19

**Issue date:** 2014-06-23

**Application date:** 2014-06-23

**Amendment 1:** 2017-09-05

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## Foreword

PEFC Council (the Programme for the Endorsement of Forest Certification schemes) is a worldwide organisation promoting sustainable forest management through forest certification and labelling of forest-based products. Products with the PEFC claim and/or label deliver confidence for customers and end consumers that raw material originate from sustainably managed forests, recycled and non-controversial sources.

PEFC Council provides endorsement of national forest certification schemes which are required to comply with PEFC Council requirements and are subject to regular evaluations.

This document was amended and re-published as second edition in May 2017, in order to list the SFI 2015-2019 Fiber Sourcing Standard as example for a verification/licensing mechanism in 5.3.5, table 4 (page 28).

## Introduction

This guidance document provides explanation, clarification and interpretation to PEFC ST 2002:2013, *Chain of Custody of Forest Based Products – Requirements*. The guidance document does not repeat the text of PEFC ST 2002:2013 but adds explanation, clarification and interpretation where necessary. References in this guidance document to specific chapters, sections and clauses of PEFC ST 2002:2013 are made in ***bold italics***.

This document consists of three major parts. The first part, chapter 4, describes the major changes in PEFC ST 2002:2013 compared to the former PEFC ST 2002:2010. The second part, chapter 5, provides the guidance on the requirements in PEFC ST 2002:2013. For easy referencing, chapter 5 of this guidance document follows the structure and numbering of PEFC ST 2002:2013. The last part, Annex 1, is the guidance for the implementation of project certification.

This document is based on the former PEFC GD 2001:2011. From this PEFC Guide several parts have been adopted without changes. Most notably this concerns the parts on the chain of custody methods, the examples of percentage calculation and project certification.

This guidance documents is not a static document. It can be amended as new interpretations on requirements are given by the PEFC Chain of Custody and Labelling Working Group after approval by the PEFC General Assembly. Issues that require explanation, clarification and/or interpretation can be forwarded to the Technical Unit of the PEFC Council Secretariat.

Provisions of this guidance are informative and any conformity assessment activities shall be carried out against PEFC ST 2002:2013.

This guidance document provides information, not new requirements for the implementation of the PEFC Chain of Custody standard PEFC ST 2002:2013,

Guidance dealing with Clause 9, *Social, health and safety requirements in chain of Custody* is described in a separate guidance document. Due to the detailed nature of this 'social guidance' it is presented as a one-off issue document.

## **1 Scope**

This guidance document provides information for the implementation of the requirements of the PEFC Chain of Custody standard PEFC ST 2002:2013, excluding clause 9 Social, health and safety requirements in chain of custody.

## **2 Normative references**

PEFC ST 2002:2013, *Chain of Custody of Forest-Based Products – Requirements*

PEFC ST 2001:2008, *PEFC Logo usage rules – Requirements*

## **3 Terms and definitions**

For the purposes of this guidance, the relevant definitions given in PEFC ST 2002:2013 apply.

## 4 Basic changes in the 2013 standard version

### 4.1 Structural changes

Some changes in the structure of the standard should support the readability and comprehensibility of the standard. These changes do not imply any changes of requirements.

#### 1. Former Appendix 2 (DDS ) moved to main body

As the new PEFC DDS applies to all certificate holders and the system is an integral part of the organisation’s Chain of Custody, the PEFC DDS requirements have been moved from an appendix to the main body of the standard (**Chapter 5**).

#### 2. Former Appendix 4 (Social) moved to main body

The social, health and safety requirements have been moved from an appendix to the main body of the standard (**Chapter 9**). The content of the requirements remains unchanged.

#### 3. Separate Chapter 4 on identification of incoming material & Chapter 7 on sales and communication of claimed products.

In PEFC ST 2002:2010 the chapters on the physical separation method and the percentage based method had similar requirements on the identification of incoming material and the sales and communication of certified products. This duplication has been removed by creating two separate chapters for both the identification of incoming material (**Chapter 4**) and sales and communication on claimed products (**Chapter 7**). Further, the two chapters on the Chain of Custody approaches have been combined into one chapter (**Chapter 6**). Figure 1 gives an overview about this change of structure facing the relevant parts of the contents.

Figure 1: Structure of the 2010 version vs. structure of 2013 version

2010 version	2013 version
4 Requirements for chain of custody process – physical separation ..... 12	4 Identification of the category of certified material/products ..... 13
4.1 General requirements for physical separation ..... 12	4.1 Identification at delivery (incoming) level ..... 13
4.2 Identification of the origin of certified material/products ..... 12	4.2 Identification at supplier level ..... 13
4.2.1 Identification at delivery (incoming) level ..... 12	5 Minimum Due Diligence System (DDS) requirements ..... 14
4.2.2 Identification at supplier level ..... 12	5.1 General requirements ..... 14
4.3 Separation of certified material/products ..... 13	5.2 Gathering of information ..... 14
4.4 Sale and communication on certified products ..... 13	5.3 Risk assessment ..... 15
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4.4.2 Usage of logos and labels ..... 14	5.5 Management of significant risk supplies ..... 17
5 Requirements for chain of custody process – percentage based method ..... 15	5.5.1 General ..... 17
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5.4.2 Volume credit method ..... 17	6.3 Percentage based method ..... 20
5.5 Sale and communication on certified products ..... 18	6.3.1 Application of the percentage based method ..... 20
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5.5.2 Usage of logos and labels ..... 19	6.3.3 Calculation of the certification percentage ..... 21
5.6 Controversial sources ..... 19	6.3.4 Transfer of the calculated percentage to the outputs ..... 21
	6.3.4.1 Average percentage method ..... 21
	6.3.4.2 Volume credit method ..... 22
	7 Sale and communication on certified products ..... 23
	7.1 Documentation associated with sold/transferred products ..... 23
	7.2 Usage of logos and labels ..... 23

### 4.2 Definitions added and/or amended

Some new and amended definitions are clarifying various aspects of the standard.

#### 3.7 Conflict timber

This definition has been added to support the new requirement on the exclusion of conflict timber (clause 5.1.7) in the PEFC DDS.

#### 3.8 Controlled sources

This definition has been added to support the PEFC Controlled Sources claim.



### **3.9 Controversial sources**

This definition has been amended to be aligned with the EUTR definition of illegal harvesting. Included are explicit references to local, national or international legislation on biodiversity conservation, third parties' property, tenure and use rights, and an explicit reference to the national customs and trade legislation in the country of harvest.

### **3.11 Due Diligence System**

This definition has been added to generally clarify the meaning of a due diligence system.

### **3.14 Forest plantation**

This definition has been added to support the requirements on conversion of primary forest to forest plantation. As the standard prohibits the input of material from the conversion of primary forest to plantation, this definition specifies what is considered as a plantation. The definition was taken from PEFC ST 1003:2010, *Sustainable Forest Management – Requirements*.

### **3.16 Material category**

This definition has been amended from the former definition of **origin/material origin**. The wording "origin" has been removed to better distinguish between the different types of material categories (certified, neutral and other) and the geographical origin of the material (country of harvest). The wording "origin" is now only referred to as the country/region/FMU of harvest of the material.

### **3.19 Other material**

This definition has been amended by including the wording "forest based" to more explicitly refer to forest based material.

### **3.22 Primary forest**

This definition has been added to support the requirements on conversion of primary forest to forest plantation. As the standard prohibits the input of material from the conversion of primary forest to plantation, this definition specifies what is considered as a primary forest. The definition was taken from PEFC ST 1003:2010, *Sustainable Forest Management – Requirements*.

## **4.3 PEFC Due Diligence System (Chapter 5)**

The major objective of the revision process 2011-2013 was the further development of PEFC's risk assessment procedures in the Due Diligence System part of the standard. Hence, the major changes of the standard can be found in chapter 5.

### **1. PEFC DDS applies to all certificate holders and supplies with PEFC claim**

The updated PEFC DDS applies to all certificate holders and applies to PEFC certified material as well. The main reason for this is that PEFC requires transparency in the PEFC Certified supply chain. Therefore, the access to information on origin and tree species related to all forest based materials shall be available at ANY point in the supply chain. This is fueled by the worldwide emergence of legislations that all require (a form of) due diligence (EU Timber Regulation, US Lacey Act, Australian Illegal Logging Prohibition Act).

### **2. Self-declaration cancelled**

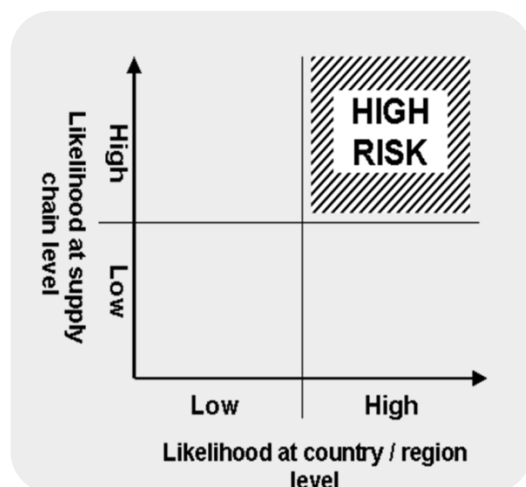
The written signed supplier self-declaration is no longer a requirement. Instead, the organisation shall agree with its suppliers on the access to information and the commitment to allow on-site inspections. For this purpose a self-declaration may still prove useful, but other means can be used as well, for example by using a contractual arrangement.

### **3. New Risk Assessment approach**

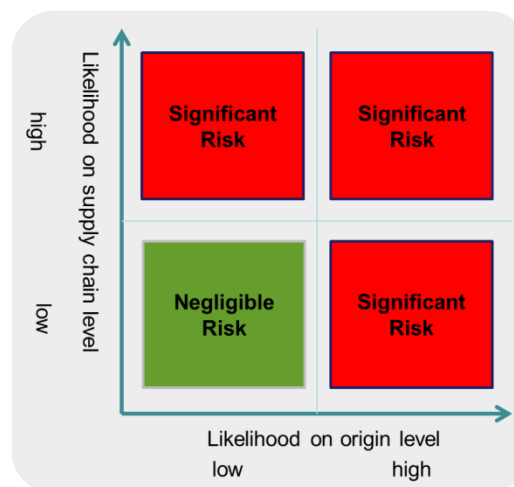
The risk assessment has changed from an approach of identifying 'high risk' to an approach of identifying 'negligible risk' to bring it in line with the EUTR definition of "negligible risk". This difference in approach is illustrated in Figure 2.

Figure 2: Risk determination in the 2010 version vs. 2013 version

Risk determination in PEFC ST 2002:2010



Risk determination in PEFC ST 2002:2013



Further changes to the risk assessment include:

- **'New' indicators for "negligible risk" (Table 1):** These indicators used to be the former indicators for the supply chain risk level assessment.
- **Additional indicators for high likelihood on origin level (Table 2):** Two additional indicators have been added to this table to take into account the prevalence of armed conflict and tree species associated with controversial activities in the risk assessment.
- **New indicators for high likelihood on supply chain level (Table 3):** A new set of indicators is introduced to determine the likelihood of controversial origin at the supply chain level. They focus on the lack of transparency in the supply chain. The more uncertainty the higher the risk will be.
- **Geographical approach for Risk Assessment (5.3.8):** The risk assessment on a specific geographic area allows companies to perform a risk assessment on an area rather than on a single supplier. It is intended to be used by companies that have a large number of different suppliers that supply from the same area, same species (e.g. all other characteristics are the same), It prevents the organisation from performing multiple similar risk assessments that will have the same result and a unnecessary burden on administration.

#### 4. Substantiated comments or complaints

This requirement (5.4) used to be listed as an indicator for origin level risk in PEFC ST 2002:2010 (**Appendix 2, Table 1**), but was moved into a separate requirement to make it more explicit. If you are (made) aware of any substantiated concerns on material coming from controversial sources, you cannot consider the material in question as having a negligible risk. In this case you are required to investigate the concerns and re-assess the associated risk if the concerns are valid. This also applies to material supplies delivered with a PEFC claim.

#### 5. Risk mitigation

A major change is the reference in 5.5.3.3 to PEFC ST 2003:2012, *Requirements for Certification Bodies operating Certification against the PEFC International Chain of Custody Standard*, clause 5.2.6. By this reference competencies for third parties involved in the on-site inspections of suppliers are specified.

#### 4.4 New PEFC claim "PEFC Controlled Sources" added (Appendix 1)

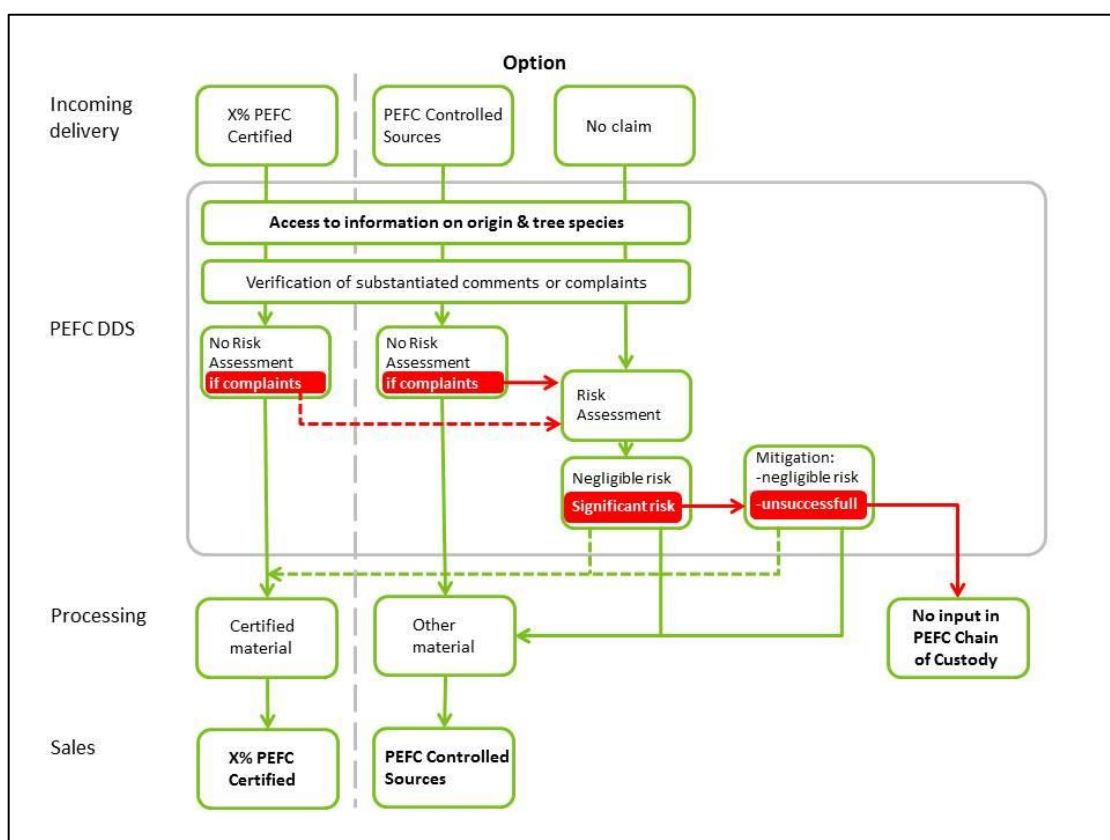
The new claim "PEFC Controlled Sources" can be used to demonstrate that the PEFC DDS has been implemented for output products from the organisation's chain of custody. The claim

is intended to be used on all products from the organisation’s Chain of Custody that cannot be sold with a PEFC Certified claim.

Organisations can use the PEFC Chain of Custody certificate just for the purpose of selling products with the PEFC Controlled Sources claim. In this case 100% of the organisation’s output from the chain of custody would be sold as “PEFC Controlled Sources”. This option is for example suitable for organisations that do not have access to PEFC Certified supplies, but want to demonstrate to their customers that they have exercised due diligence (as required by the EU Timber Regulation). Another area of application is foreseen in countries that currently have no PEFC Certified forest area and/or no PEFC endorsed national forest certification system.

Figure 3 and Figure 4 below illustrate how the PEFC Due Diligence System and the option of using the PEFC Controlled Sources supplies and claims could fit into the organisation’s Chain of Custody system.

*Figure 3: PEFC DDS and PEFC Controlled Sources claim in physical separation method*



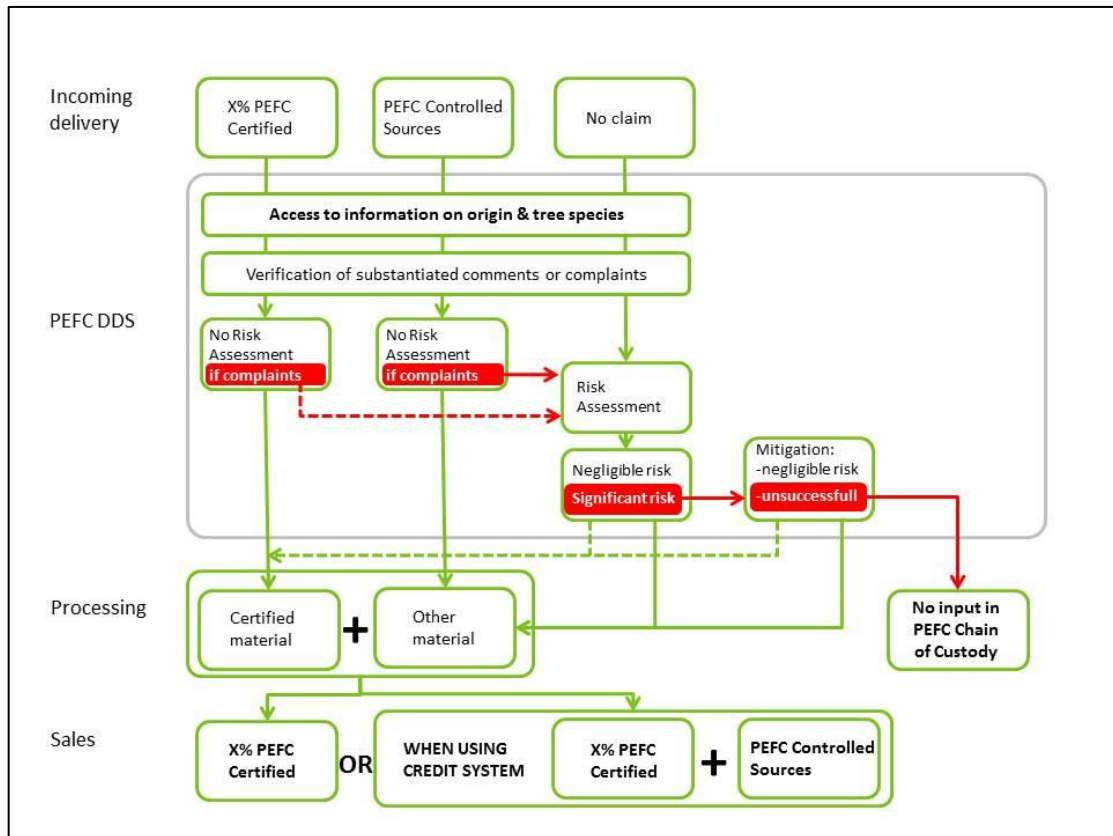
**Physical Separation Method (Figure 3)**

If the scope of the certificate is limited to the purchase and sales of PEFC Certified products, which is illustrated to the left of the dashed line, the DDS is limited to getting the (access to) information on the tree-species and origin related to your supplies. Because PEFC Certified material represents a “negligible risk” there’s no need to perform the risk assessment. See also 5.3.1 for this exemption. The only condition is the absence of any “substantiated comments or complaints”. If there are any such complaints, certified material can still be considered as certified in the processing after a successful risk assessment as is indicated in Figure 3 by the dashed arrows.

When the Chain of Custody also includes non-certified material it may be necessary to perform the risk assessment. This is illustrated in the part to the right of the dashed line. Supplies with the “PEFC Controlled Sources” claim are exempt from the risk assessment as they represent negligible risk (provided there are no substantiated concerns). For any other material received without PEFC claim it is necessary to perform the risk assessment.

If it is possible to determine negligible risk on the material it can be treated in your Chain of Custody together with the PEFC Controlled Sources supplies as “other material” and can be used to sell products with the “PEFC Controlled Sources” claim.

Figure 4: PEFC DDS and PEFC Controlled Sources claim in percentage based method



**Percentage Based Method (Figure 4)**

Because material with “PEFC Certified” and “PEFC Controlled Sources” claim represents a “negligible risk” there is no need to perform the risk assessment. In this case the DDS is limited to getting the (access to) information on the tree-species and origin related to your supplies. See also 5.3.1 for this exemption. The one condition is the absence of any “substantiated comments or complaints”. If there are any such complaints, the certified material can still be considered as certified in the processing after a successful risk assessment as is indicated in Figure 4 by the dashed arrows.

For any other material received without a PEFC claim it is necessary to perform the risk assessment. In case of negligible risk these supplies can be used in the organisation’s Chain of Custody together with the PEFC Controlled Sources supplies as “other material”. They can be mixed with certified material into X% PEFC Certified Products and/or used to sell products with the “PEFC Controlled Sources” claim. Because supplies delivered with the PEFC Controlled Sources claim are considered as “other material” they cannot be sold as PEFC Certified nor be counted towards the certified percentage.

At the point of sales the PEFC Controlled Sources claim can be used depending on the applied percentage method. With the average percentage method all output products from the product group will be sold with the same X% PEFC Certified claim and the PEFC Controlled Sources claim will normally not be used (The organisation could choose not to use the PEFC Certified claim and use the PEFC Controlled Sources claim instead. For example, when selling a supply with a low certification percentage). With the volume credit method only a part of the output products from the product group will be sold as certified. In this case, the remaining part cannot be sold as certified, but the organisation has the option to sell the products with the PEFC Controlled Sources claim.

## **4.5 PEFC Chain of Custody and DDS in relation to EU Timber Regulation and other international legislation**

The PEFC Chain of Custody has been specifically revised to meet the needs of emerging legislations worldwide to halt the trade in illegally harvested timber. Although the focal point of the revision was the EU Timber Regulation the standard also takes into account other legislation such as the US Lacey Act and the Australian Illegal Logging Prohibition Act.

A common theme among these legislations is behaviour modification of organisations through exercising 'due diligence' or 'due care' while sourcing wood products. For this reason the revised Chain of Custody has transparency and information availability as core elements in the PEFC Due Diligence System. Information on the origin and tree species of any supply in the Chain of Custody shall be accessible at ANY point in the PEFC supply chain, whenever, wherever. This extends the PEFC requirements beyond the requirements of the EUTR.

### **4.5.1 Credible Certification**

The EUTR Guidance document contains four questions that companies may use to assess the credibility of a third-party certification system such as PEFC. PEFC meets all of these criteria:

#### **1. Are all the requirements in Article 4 of the Commission Implementing Regulation (EU) No 607/2012 fulfilled?**

PEFC fulfils the EUTR requirements for third-party certification systems:

- ✓ PEFC's system of requirements is publicly available and requires compliance with all relevant requirements of the applicable legislation.
- ✓ PEFC requires certification bodies to undertake annual checks, including field visits, to verify compliance with certification requirements, including the applicable legislation.
- ✓ PEFC's Chain of Custody certification, which is verified by certification bodies, traces timber and forest products through the entire supply chain. All timber must be harvested in accordance with applicable legislation, originating either from sustainably managed, PEFC-certified forests or from forest management activities that are considered as non-controversial and in compliance with applicable legislation.
- ✓ PEFC's Due Diligence System, which is an integral part of Chain of Custody certification, provides controls to ensure that the risk of timber from controversial sources (including illegal harvesting) entering the supply chain is minimized.

#### **2. Is the certification or other third party verified schemes compliant with international or European standards (e.g. the relevant ISO-guides, ISEAL Codes)?**

PEFC certification is compliant with the relevant ISO guides. Among others, PEFC requires certification bodies, auditors, and the process of certification and accreditation to comply with the respective ISO Standards and Guides. Furthermore, PEFC is officially affiliated with ISO, the International Accreditation Forum (IAF) and the European co-operation for Accreditation

#### **3. Are there substantiated reports about possible shortcomings or problems of the third party verified schemes in the specific countries from which the timber or timber products are imported?**

The 2013 PEFC Chain of Custody standard specifically considers the availability of substantiated comments or complaints as part of the PEFC Due Diligence System. Furthermore, this question should be answered in relation to the countries from which the timber or timber products are imported, specifically in relation to the country of harvest. In the event that further assistance is required, national PEFC members or PEFC International will be able to provide the necessary clarification.

**4. Are the third parties that are making the checks and verifications referred to in Article 4 (b), (c) and (d) of the Commission Implementing Regulation (EU) No 607/2012 independent accredited organisations?**

In line with the applicable ISO requirements, PEFC certification is verified by third-party certification bodies that are accredited by independent national accreditation bodies. Accreditation bodies must be members of the International Accreditation Forum (IAF).

## 5 General guidance for the use of PEFC ST 2002:2013

For easy referencing, the numbering in Chapter 5 refers to the corresponding numbering of chapters and clauses in PEFC ST 2002:2013.

### 3 Definitions

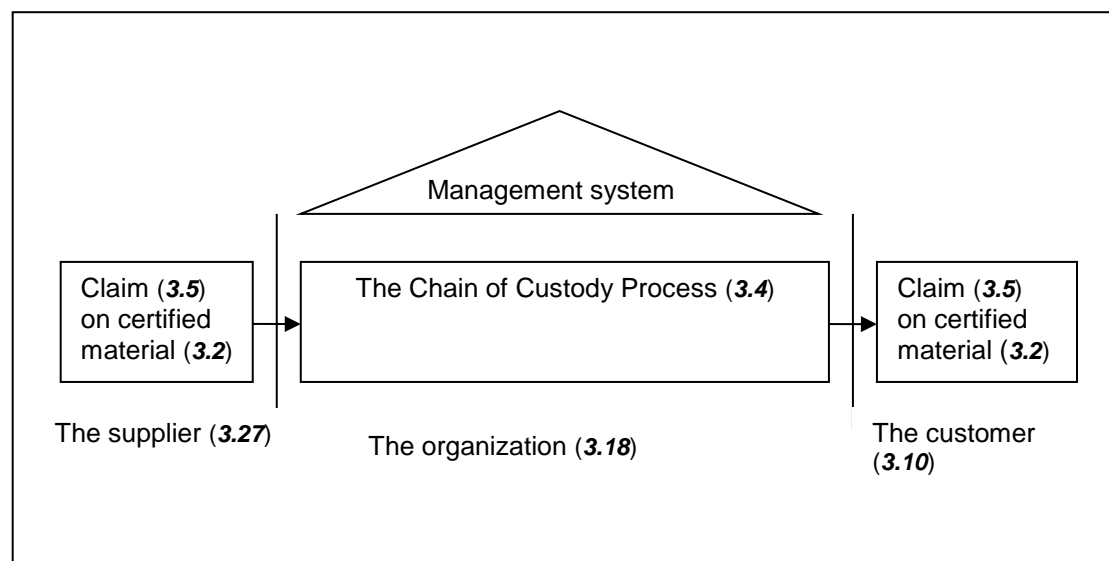
#### 3.2 Certified material

The definition of certified material refers to “material which is covered by the chain of custody claims”. In the case of PEFC certified material this refers to the material covered by the claim X% PEFC Certified as specified in Appendix 1 of the standard. Whereas the PEFC Controlled Sources claim is also material covered by a chain of custody claim, this cannot be considered as certified material.

#### 3.4 Chain of custody of forest based products

The standard defines Chain of Custody as a process for handling information on the raw material category which allows accurate and verifiable claims to be made about the content of certified material. Any process is defined as an activity in which inputs are transferred to outputs. In Chain of Custody the input is the supplier’s claim about the certified material content and the output is the organization’s claim provided to the customer about the certified material content.

Figure 5: Chain of Custody concept

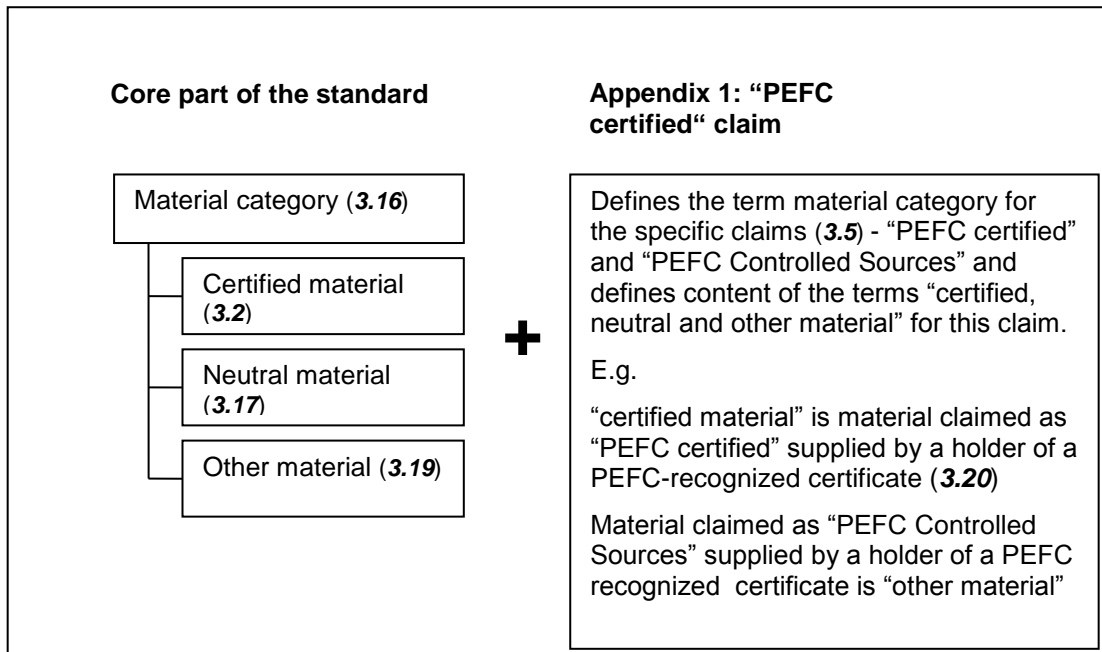


#### 3.5 Claim / 3.16 Material category

A “claim” is generally defined as information relating to certain aspects of a product. In the case of Chain of Custody, the claim relates to the material category. The material category is not defined as the geographical place where the material originates, but rather refers to the certification related characteristics of the material. The origin of certified material can therefore be from PEFC certified forests or from recycled sources.

The Chain of Custody standard can be used for the purposes of various claims, either those of PEFC Council (e.g. “PEFC certified”) or specific claims of PEFC member schemes. Each claim would logically need its own definitions of material categories which are recognized by the claim. Therefore the core part of the Chain of Custody standard uses the generic material categories “certified, neutral and other material”, while the content of those terms is made in a claim-specific appendix. The definitions of the material categories for the PEFC claims are specified in **Appendix 1**.

Figure 6: The structure of the standard “Standard’s core part – Appendix on the claim”



### 3.12 Forest based material

Examples of non-wood forest products include: cork, mushrooms, (products derived from) herbs, rubber, syrup, bamboo etc.

### 3.19 Other material

Any forest based material which is not recycled material and which is not delivered with the claim “X% PEFC certified” by a PEFC certified supplier, is “other material”. This includes forest based material delivered with the claim “PEFC Controlled Sources” or labelled with a PEFC Logo/label, but delivered without the claim “X% PEFC certified” by a PEFC certified supplier.

### 3.20 PEFC recognised certificate

When receiving material from a supplier that has a ‘scheme specific chain of custody standard’ it is still necessary for the supplier to state the formal PEFC Certified claim. So, when an organisation is in doubt of whether they can accept material as ‘certified material’ from a scheme specific chain of custody the answer would be: only if the material is supported by the formal claim X% PEFC Certified. (Suppliers that make use of non-endorsed chain of custody standards are not allowed to make the PEFC Certified claim).

### **The organization (3.18)/the supplier (3.27)/the customer (3.10)/the sub-contractor (8.8)**

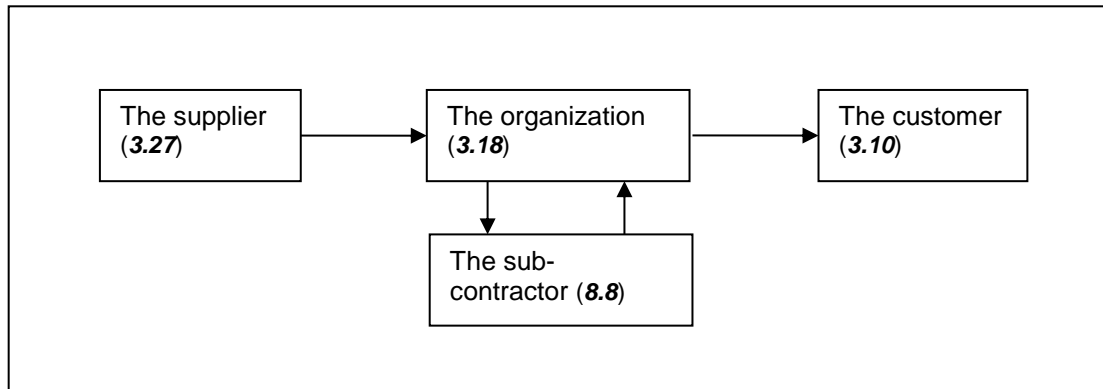
The term “organization” refers to an entity which is making claims about the content of certified material to the customer and which can clearly identify the supplier and customer. The definition of the “organization” also provides guidance as to who needs PEFC Chain of Custody. The PEFC Chain of Custody is implemented by any entity making PEFC claims to its customers.

The term “supplier” refers to an entity which is directly supplying material/products to the organization together with the formal claim about the content of certified material. The supplier communicates the claim in the document associated to a delivery of material meeting the requirements of 4.1.2.



The term “customer” refers to an entity to which the organization makes the claim about the content of certified material. The organization communicates the formal claim to the customer in the document associated to the delivery of material, meeting the requirements of 7.1.3.

Figure 7: Chain of Custody model “the supplier – the organization – the customer”

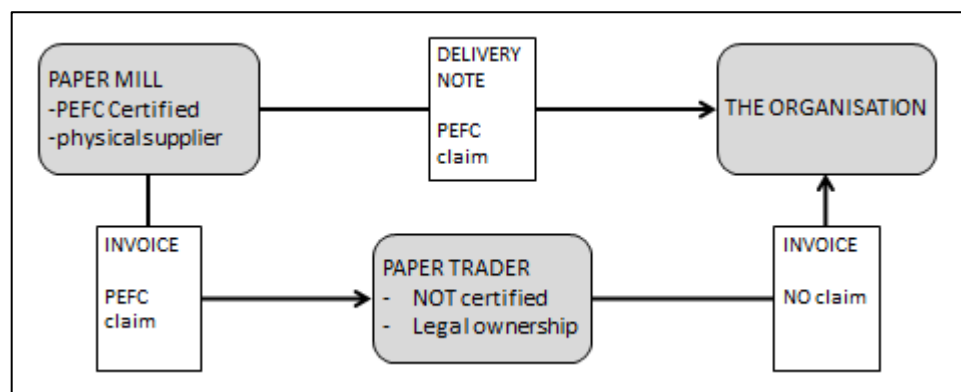


Any supply chain and business scenario where the above model can be defined may be covered by Chain of Custody. The definitions of “supplier” and “customer” are based respectively on “who delivers the claim” and “to whom is the claim made”, regardless of the physical delivery or title of ownership of the supplied material/product.

It is important to note, that for the purpose of the organisation’s Chain of Custody, the suppliers of the material should not necessarily be the legal owner of the supplied material, but can also be the entity physically delivering the material, provided that the chain of custody remains intact.

For example (Figure 8), an organisation sources paper from a non-PEFC certified paper trader. The invoice from the paper trader cannot state a PEFC claim. The paper however, is directly supplied from a PEFC certified paper mill. The delivery note states the PEFC claim and identifies the paper mill as supplier and the organisation as customer. In this case the organisation can appoint the PEFC certified paper mill as “supplier” and accept the supply as PEFC certified. The delivery note shall meet all requirements of 4.1.2.

Figure 8: selection of the “supplier” for the purpose of the Chain of Custody



The question “who should be PEFC certified?” is another issue. Only companies that are PEFC certified can make a PEFC claim at the point of sales. If an organisation wishes to sell products with a PEFC claim, it needs to be certified.

**3.24 Recycled material**

Table 1: Examples of material classification as recycled/not recycled

Examples of material	Classification	Note

Examples of material	Classification	Note
Construction and demolition debris	Recycled	Material generated by commercial, industrial and institutional facilities, the product can no longer be used for the intended purpose.
Commercial transport packaging, such as pallets, crates, cases, cable drums, etc.	Recycled	Material generated by commercial, industrial and institutional facilities which can no longer be used for the intended purpose.
Furniture off-cuts procured by panel board producer	Recycled	Diverted from the waste stream, the material is not used in the same process by which it was generated.
By-products such as sawdust or chips	Not recycled	Neither pre-consumer, nor post-consumer. By-products are explicitly excluded by definition from pre-consumer recycled material.
Unsold magazines, newspapers and other printed material returned from the distribution	Recycled	Generated by industrial facilities in their role as the end-user, the product can no longer be used for its intended purpose.
Reclaimed defective furniture from the manufacture, used by panel board producer	Recycled	Generated by industrial facilities, the industrial facility is the end-user of the defective furniture; the product can no longer be used for its intended purpose.
Printer's off-cuts	Recycled	Diverted from the waste stream, the material is not used in the same process by which it was generated.
Reclaimed office or households scrap paper	Recycled	Generated by households
Grades of recovered paper identified based on EN 643	Recycled	The grades defined by EN 643 meet the definition of recycled material
Mill broke from paper or pulp production used in the same process as it was generated by	Not recycled	The mill broke is excluded from the definition of recycled material as it is "material generated in a process and being capable of being reclaimed within the same process that generated it".

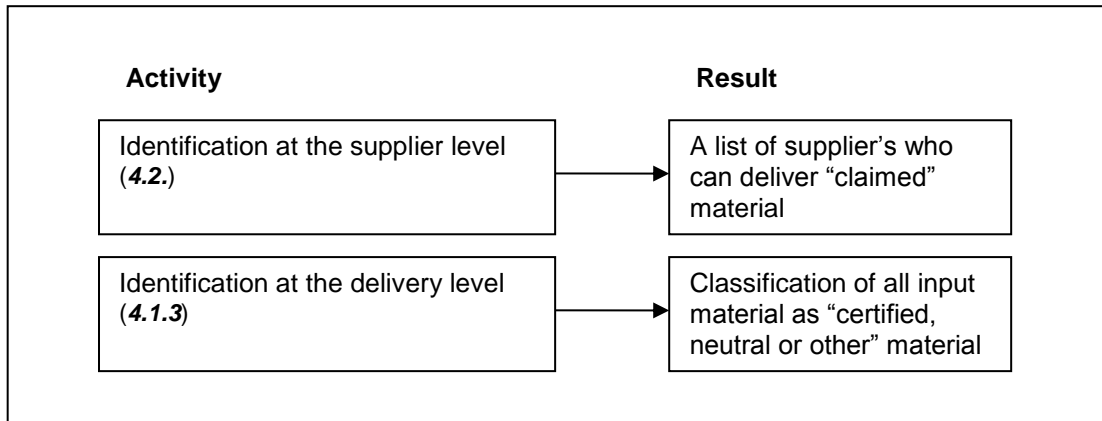
## 4 Identification of the material category of material/products

### 4.1/4.2/Appendix 1 Identification of the material category

The organization shall, for each delivery of material, identify and verify the material category (certified, neutral and other material) based on information and the claim provided by the supplier in the documentation associated with the delivery.

The identification of the material category is carried out in two steps: (i) identification at the supplier level, and (ii) identification at the delivery (incoming) level.

Figure 9: Identification of the material category



#### 4.1.2 (f) PEFC Claims

There are two formal PEFC claims (see **Appendix 1**) that can be stated in the document:

1. **X% PEFC Certified.** When putting the claim on certified material the percentage always shall be specified. Likewise, when receiving certified material it can only be accepted when the percentage is specified by the supplier.
2. **PEFC Controlled Sources.** This claim is always used without a percentage.

#### 4.1.3 Identification at the delivery level

Based on verification of information received in the delivery document (4.1.2), the organization shall classify each material as either "certified", "neutral" or "other", see Table 2.

Table 2: Example of the material category identification in panel board production

1	2	3	4	5	6	7	8	9
Deliv.#	Date	Description	PEFC Claim	Volume		Material category		
				in procured MU	in tonnes	Cert. (in tonnes)	Neutr. (in tonnes)	Other (in tonnes)
537390	030609	Round wood	0%	31300 Kg	31.3	0	0	31.3
537391	030609	Shavings	PEFC Controlled Sources	8160 Kg	8.16	0	0	8.16
537392	030609	Recycled chipped packaging wood	recycled	17840 Kg	17.84	17.84		
Continues								
538399	160609	Sawdust	75%	83 m <sup>3</sup>	28.38	21.29	0	7.09
Continues								
538705	180609	Round Wood	100%	28140 kg	28.14	28.14	0	
538706	180609	Recycled chipped pallets	recycled	14360 kg	14.36	14.36		
Continues								
<b>Total</b>					<b>43624</b>	<b>26984</b>	<b>0</b>	<b>16640</b>

Note:

Example of material category identification in Table 2:

- The table shows only examples of material procured during the period. Therefore the sums in the row "Total" do not correspond to the figures in columns 6, 7, 8 and 9.
- [column 1] The column "Deliv. #" should allow identification of "the delivery documentation" (**4.1.2**)
- [column 4] Includes the PEFC claim (percentage of PEFC certified material, PEFC Controlled Sources) as claimed by the supplier, or "recycled" status of the material. The material with the PEFC claim shall comply with **Appendix 1** requirements.
- [column 5] Volume of procured material in measurement units as identified in the delivery documentation.
- [column 6] Volume of procured material in a single measurement unit (dry tonnes) allowing calculation of certification percentage according to **6.3.3.2**. An organization's internal conversion ratio was used to transfer delivery "538399" from m<sup>3</sup> to tonnes.
- [column 7, 8, 9] Procured material shall be classified as "certified", "neutral" or "other" material (**4.1.3**). Criteria for those material categories are given in **Appendix 1**. Where the procured product includes only a proportion of PEFC certified material (see delivery "538399"), only the volume corresponding to the proportion shall be classified as "certified" ( $0.75 * 28.38 = 21.29$ ). The remaining 7.09 shall be classified as "other" material.

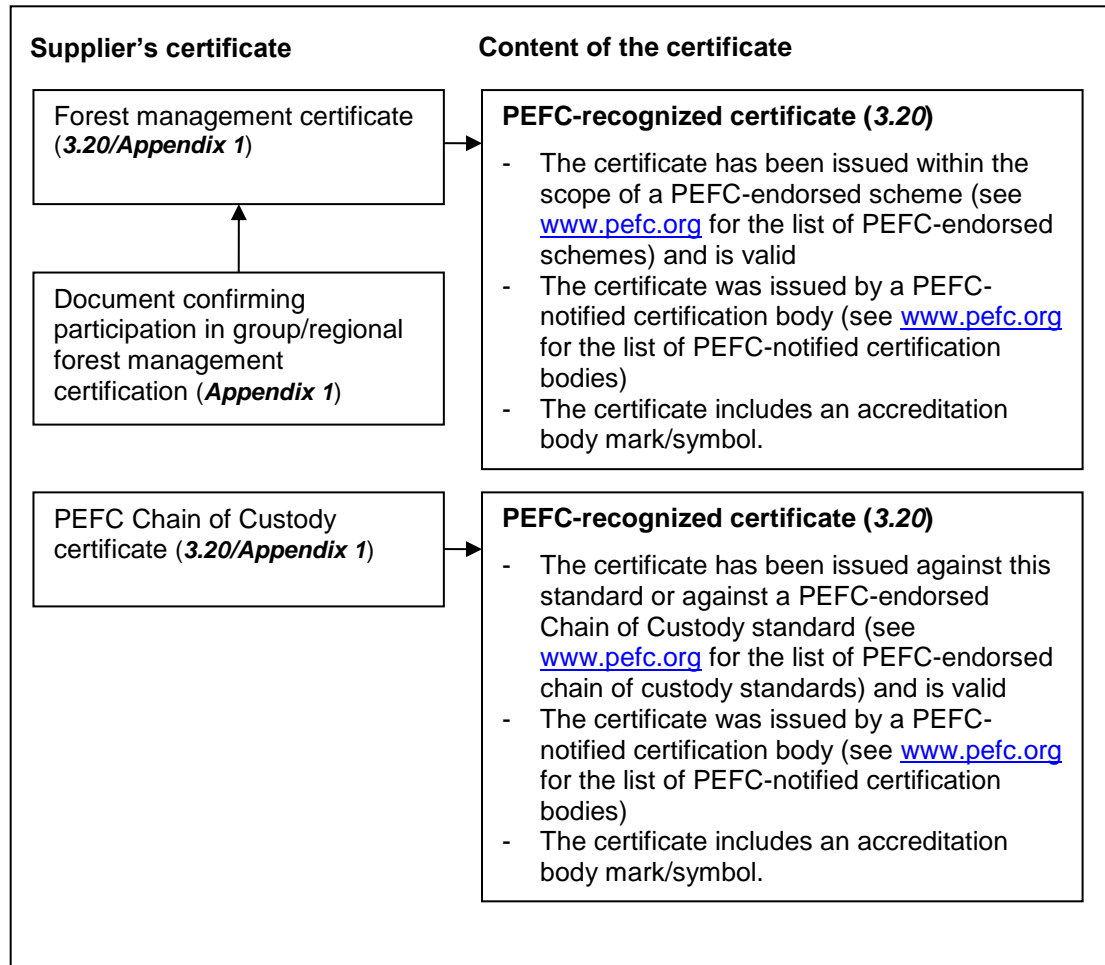
## 4.2. Identification at the supplier level

The organization shall verify whether or not each supplier of claimed material meets the criteria for the supplier of claimed material defined for the specific claim "PEFC certified" and/or "PEFC Controlled Sources" in **Appendix 1**. The verification is based on the supplier's Forest Management or Chain of Custody certificate, which the supplier will make available to the organization by providing the organization with access to a copy of its certificate, for example through a hardcopy or through specific reference to its website.

All the information can also be verified through the PEFC Council database of PEFC-recognized certificates ([www.pefc.org](http://www.pefc.org)). However, verification of the supplier status in the database does not replace the organization's responsibility to be in possession of a copy or to have access to a copy of the supplier certificate.

The term “other document confirming the certified status” (**4.1.2g, 4.2.1, 7.1.3g,**) refers to a document attesting that the entity is covered by the PEFC-recognized certificate in case of regional or group forest management certification or multi-site Chain of Custody certification.

*Figure 10: Identification at the supplier level: requirements of Appendix 1*



## 5 *Minimum Due Diligence System (DDS) requirements*

The PEFC DDS is embedded in the main body of the standard and applies to all organisations that use the PEFC Chain of Custody standard and also certified material is subject to the PEFC DDS. However, input material with a PEFC claim is exempt from the risk assessment thereby generally limiting the PEFC DDS for PEFC claimed material (PEFC Certified and PEFC Controlled Sources) to the gathering of information.

This answers to the growing demand of increasing transparency in supply chain. Through legislation such as the EUTR, US Lacey Act and the Australian Illegal Logging Act it is demanded that organisations take “due care” or “due diligence” when sourcing wood based products. A key element is the availability of relevant information on, amongst others, the origin and the tree species of supplies. The PEFC DDS is the mechanism that provides the access to this information **at any point** in the PEFC certified supply chain.

The PEFC DDS is the mechanism that avoids material from controversial sources entering into the PEFC Chain of Custody and ultimately in products with a PEFC claim and carrying the PEFC logo. As such the PEFC DDS is crucial in protecting the credibility of PEFC and delivering transparency. The PEFC Chain of Custody can only deliver the promise of “originating in sustainably managed forest, recycled and controlled sources” if input material tells a credible story: from a known origin and composition and without risk of coming from controversial sources. Just as the EUTR, the PEFC DDS uses the principle of minimizing the risk that controversial material enters chain of custody. This principle works on the basis of three steps:

1. Gathering of information (clause 5.2).
2. Risk assessment (clause 5.3).
3. Risk mitigation (clause 5.5 & 5.6).

Lastly, clause 5.4 deals with substantiated comments and complaints. Even though it is placed between the second (risk assessment) and third step (risk mitigation) it should not be seen as a step between. The organisation shall at any time be aware of, and act upon, any substantiated concerns.

### 5.1 *General requirements*

The PEFC DDS shall be implemented for all input material entering the organisation’s PEFC Chain of Custody. Any material outside this scope is not subject to the PEFC DDS. An organisation that has implemented the chain of custody for a specific part of its production should implement the PEFC DDS only for the materials that are used as an input into this process. Normally the scope would be limited to the production of PEFC Certified products.

However, the PEFC Controlled Sources claim enables the organisation to make a claim on non-PEFC Certified products for which the PEFC DDS was implemented. The organisation can therefore consider extending its scope beyond the production of PEFC Certified products. See also Figure 3 and Figure 4.

#### 5.1.2

Actually, PEFC’s risk assessment as basic element of the Due Diligence System consists of two parts:

1. The risk assessment as explicitly described in clause 5.3 and
2. The verification whether there are any substantiated comments or concerns as described in clause 5.4.

The standard contains exemptions for the DDS in general and for the risk assessment. If the wording is about “exemption from risk assessment”, this refers only to the first part of the risk assessment as described above. Such material (e.g. PEFC certified) is not exempt from the second part of the risk assessment (the verification whether there are and substantiated comments or concerns).

Material exempt from the DDS (e.g. recycled material) is exempt from both parts of the risk assessment.

Material from a recycled origin (see clause 3.24) is exempt from the PEFC DDS requirements. This is to encourage recycling and to avoid a disproportionate burden on organisations, since it is practically impossible to retrieve the origin and species information on recovered material.

Material with PEFC claim (X% PEFC Certified and PEFC Controlled Sources) is not exempt from the PEFC DDS. For example, the requirements on the gathering of information shall be fulfilled for PEFC certified material. The material with PEFC Claim is however exempt from part 1 of the risk assessment.

#### 5.1.5

CITES material is exempt from the PEFC DDS as PEFC (as well as EUTR) considers CITES material as not potentially originating from controversial sources.

Supplies including species that are listed in the CITES appendices 1, 2 or 3 shall be accompanied by the applicable export permit(s) and/or licenses. For more information consult the CITES website at [www.cites.org](http://www.cites.org). A searchable database including all species listed in the CITES appendices can be accessed at [www.speciesplus.net/](http://www.speciesplus.net/).

#### 5.1.6

For more information on UN sanctions visit <http://www.un.org/sc/committees/>. For more information on EU sanctions visit [http://eeas.europa.eu/cfsp/sanctions/index\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/index_en.htm). (Currently no timber sanctions are in effect).

Note: Sanctions that are not applicable to the organisation are for example national government sanctions outside the organisation's own country. E.g. a sanction by the government of Sweden on timber imports from Denmark would not affect a German organisation.

#### 5.1.7

For more information on the prevalence of armed conflicts worldwide visit <http://acd.iiss.org/>, the Armed Conflict Database of the International Institute of Strategic Studies.

## 5.2 Gathering of information

The gathering of information is the first basic step in the PEFC DDS. The purpose is to receive information about the supplies' origin and tree species which can be used in the subsequent risk assessment. Without this information it is not possible to assess the risk on origin level. (see 5.3 Risk Assessment).

The standard requires the organisation to have "**access to the following information**". This means that the 'access to information' is the minimum required level. It does not require the organisation to have the information physically available when it is not necessary. The organisation should have at least a procedure in place that enables them to get the information from its supplier when needed. The procedure should be coordinated with and confirmed by the supplier. The procedure and the confirmation should be documented.

An organisation is affected by this requirement in two ways:

- First, as the purchaser of material used as input into their PEFC Chain of Custody, they shall arrange the access to information with the supplier.
- Second, as the supplier of material to a PEFC certified customer, they will be asked by their PEFC certified customer to provide (access to) the information.
- The organisation should further consider that their own supplier may have a similar agreement in place to have the access to information from their supplier.

### Organizing access to information

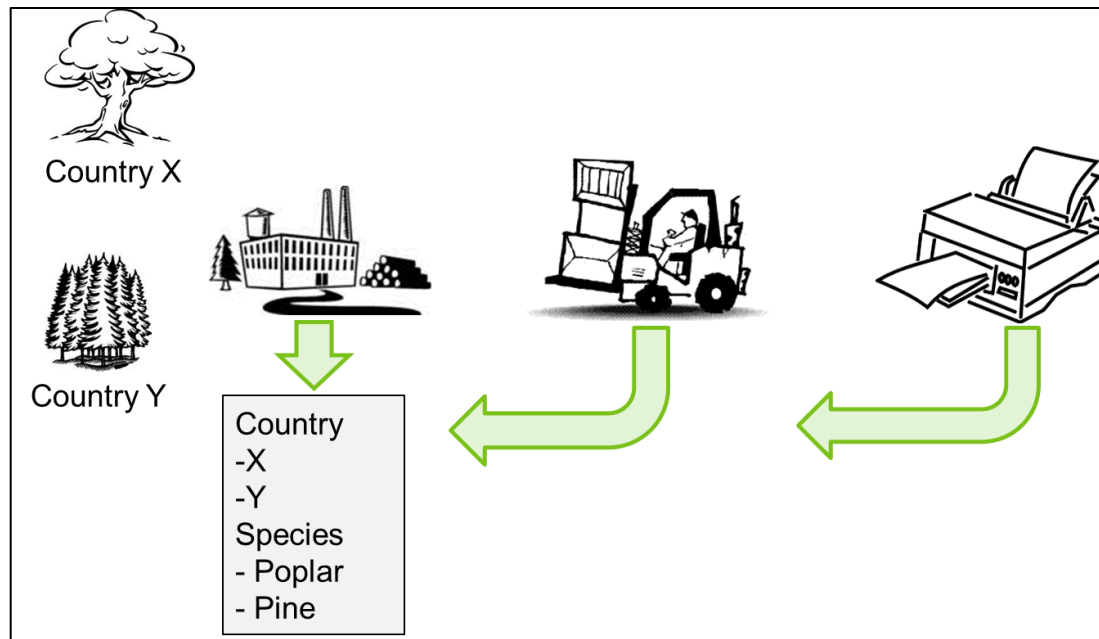
The standard does not specify detailed requirements on the way the access to information should be organized. The supplier and the organisation are free to arrange the procedure for the access to/transfer of information in a suitable manner. It can include other means than

transferring the information physically, like making reference to (external) online/web-based information source. This allows for the implementation of procedures that allow for efficient access to information throughout supply chains.

Figure 11 shows an example: A supply chain could be organized in such a way that the information on the tree species and origin is available at the manufacturer's website, in the form of a product information sheet, or perhaps an external database. All subsequent organisations in the chain would refer back to this central source where the information can be accessed if necessary.

The 2014 revised PEFC Registration and Information System can be used as a tool for the provision of the information.

**Figure 11: access to information at a central (online) source**



As exemplarily described in Figure 11 a paper manufacturer can provide information at a central point and enabling later tiers in the supply chain to access this information. The PEFC Information and Registration System could serve as such central data point.

### Providing information

When the organisation is asked to provide information on the origin and tree species to a PEFC certified customer, or when the supplier provides the information to the organisation they can apply the following principles:

#### *Accumulating information*

The information provided can include multiple tree species and multiple sources of origin. It is not necessary to specify the exact contents or shares of the different species and/or origins. It is not necessary to link the tree species and the origin information, unless a certain tree species' risk differs between countries.

#### *Information on potential origins and tree species*

Where it is difficult to give the exact information on tree species and origin (e.g. in paper and panel production) the information can include all **potential** species and origins. This information should include the species that could normally be included in the product. It is not the purpose to include species that may have a risk of accidentally ending up in the product, unless there would be a high risk of unintended species ending up in the product.

Example: a panel manufacturer normally purchases a mixture of Spruce, Pine and Birch. However, in its production process it is not able to exactly specify the composition for each produced batch. The information he provides may include all three species even if a specific batch would only include two of those species. The same producer identified a list of 50 other



species that may have a negligible risk of ending up in the product.. This information he does not need to provide.

### Note 3

Information about sub-national level is particularly important when the country as a whole might indicate “significant risk” but the governance level in a certain region is known to be effective in preventing illegal harvesting. In some countries for example research has identified significant differences between regions. As such, material from one region may be accepted as having a low/negligible risk, but material from the other regions would still have a significant risk. Clearly, the condition to accept the material is to have the information on the region of origin.

### Self-declaration

The mandatory requirement for a self-declaration in the context of the Due Diligence System was removed in the 2013 version. Nevertheless, a self-declaration is a useful tool for an organisation to arrange the access to information and get the supplier’s commitment to provide supply chain information and to allow on-site inspections. A typical self-declaration may consist of the following elements:

- (a) a written statement that to the best of the supplier’s knowledge the supplied material does not originate from controversial sources,
- (b) a written commitment to provide information on the tree species and geographical origin (country / region / concession) of the supplied raw material which is necessary information for the organisation’s risk assessment,
- (c) a written commitment that, in case the supplier’s supplies are considered as significant risk, the supplier will provide the organisation with necessary information to identify the forest management unit(s) of the raw material and the whole supply chain relating to the significant risk supply,
- (d) a written commitment that, in case the supplier’s supplies are considered as significant risk, the supplier will enable the organisation to carry out a second party or a third party inspection of the supplier’s operation as well as operations of the previous suppliers in the chain.

Table 3 shows some examples for which purposes a self-declaration can be used.

*Table 3: Information potentially provided on the basis of a self-declaration (example)*

Information	Consideration by certification body
A supplier provides information about tree species and origin of the material based on a commitment.	The auditor can accept this information as credible if no substantiated concerns exist.
A supplier (e.g. trader) confirms to sell timber to a particular customer only from a specific region.	The supplier shall have verifiable proof of evidence available that the statement is correct in case a certification body is assessing the area based risk approach.

### 5.3 Risk assessment

The purpose of the risk assessment, the second step in the PEFC DDS, is to determine the risk associated with a specific supply. The assessment is based on the information provided by the supplier. In order to carry out the risk assessment it is therefore necessary to have the information on origin and tree species available. The basic principle of the risk assessment is shown in Figure 12. The overall risk, classified as “negligible” risk or “significant” risk, is determined by the combination of two “likelihoods” (**clause 5.3.3**):

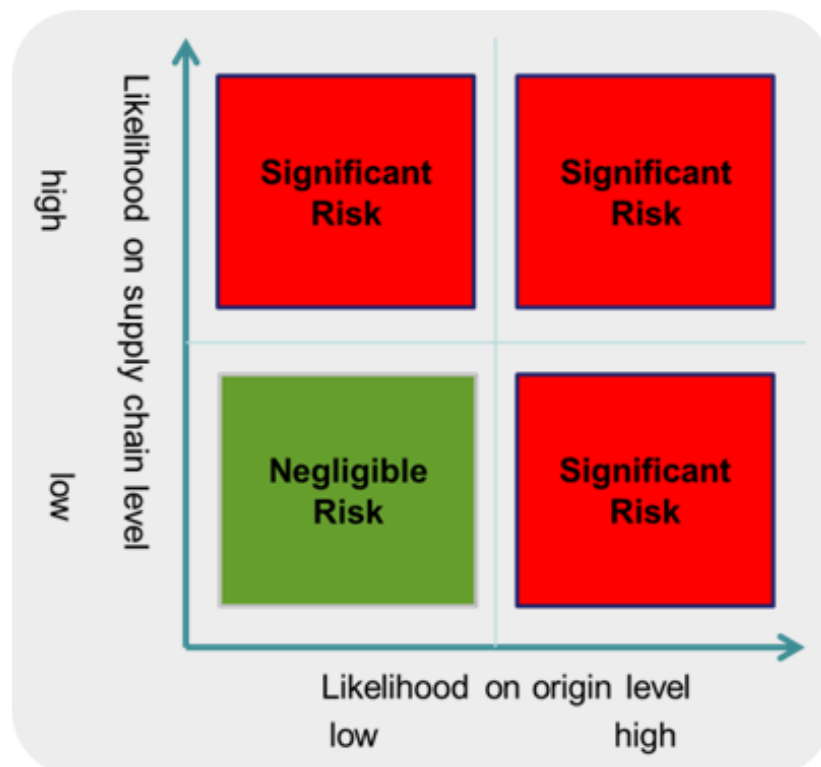
- a) An assessment of the likelihood that activities under the definition of controversial sources occur in the country/region/FMU of origin or are associated with the specific

tree species of the supply. Indicators for a high likelihood are presented in **Table 2** of the standard.

- b) An assessment of the likelihood that any supply from a controversial source is identified in the supply chain. Indicators for a high likelihood are presented in **Table 3** of the standard.

Whereas the indicators in **Tables 2 and 3 (of the standard)** represent a high likelihood (if one of those indicators applies the overall risk will be significant) the indicators in **Table 1** of the standard represent the combination of a low likelihood on the origin and a low likelihood on the supply chain level. Hence, looking at Figure 12, these indicators establish negligible Risk. Further, **Table 1** overrules the other tables.

Figure 12: Risk assessment approach



### 5.3.1

Clause 5.1.2 contains a more detailed description of the risk assessment elements in terms of PEFC's chain of custody standard: risk assessment as described in clause 5.3 and risk assessment as evaluation whether there are substantiated comments or concerns as described in clause 5.4.

Two types of material/products are exempt from the risk assessment described in clause 5.3:

- (a) Material delivered with X% PEFC Certified claim
- (b) Material delivered with PEFC Controlled Sources claim

For both material types any possible risks of controversial sourcing have already been effectively mitigated, provided that no substantiated comments or complaints have been raised on the specific supply (see clause 5.4). Being exempt from the risk assessment does not mean that these materials are exempt from the PEFC DDS as a whole. The requirements in clauses 5.1 5.2, 5.4 and onwards still apply to material with a PEFC claim.

Further, the organisation that imports material with a PEFC claim from the country of harvest is expected to verify compliance with legislation on trade and customs of the country of harvest in so far as the forest sector is concerned.

**Carrying out the risk assessment**

The wording of clause 5.3.6 indicates that the risk assessment should not be repeated for identical supplies/shipments by the same supplier. On an annual basis the risk assessment shall be reviewed and if necessary revised (for example when the CPI of the country has passed the threshold of 50).Whenever one of the characteristics of a supply by the same supplier changes, e.g. another country of origin, another tree species, another type of product, the supply shall be considered as a ‘new’ supply by this supplier and the risk assessment shall be performed.

Example: An organisation has a fixed contract with one supplier for a weekly supply of Birch from Hungary. The organisation should then only carry out the risk assessment for the first delivery and afterwards review and revise the risk assessment on an annual basis.

The standard provides a range of indicators to be used for the risk assessment. Figure 13 contains the general approach on how to use the indicators and carry out the risk assessment:

*Figure 13: General approach for carrying out the risk assessment*

**Step 1:**  
Begin the risk assessment by looking for negligible risk according to table 1. Is any verification from table 1 available?

**IF YES:**            Negligible risk → material can be accepted  
**IF NO:**                Continue Risk Assessment

**Step 2:**  
If step 1 answered ‘no’, carry out the risk assessment with tables 2 and 3. Do any indicators from tables 2 and 3 apply?

**IF YES:**                Significant risk → management of significant risk supplies  
**IF NO:**                Negligible risk → material can be accepted

**5.3.5**

The three tables of clause 5.3.5 present the indicators that are used to determine the respective likelihoods. In the tables below there are additional references, examples and explanations that can be used to assess the specific indicators. These references are not exhaustive and any other appropriate references can be used.

*Table 4: References, examples and explanations to PEFC ST 2002:2013, Table 1*

Indicators	References, examples and explanation
<p>Supplies:</p> <p>a) certified material/products delivered with a claim by a supplier with PEFC recognised certificate,</p> <p>b) other material/products delivered with a claim by a supplier with PEFC recognised chain of custody certificate.</p>	<p>a) supplies with X% PEFC Certified claim</p> <p>b) supplies with PEFC Controlled Sources claim</p> <p>Even though exempted from risk assessment, these indicators are still listed in order:</p> <p>-to support the reference in clause 5.5.2.2</p> <p>-to demonstrate the rationale for the exemption in 5.3.1 to any external party</p>
<p>Supplies declared as certified against a forest certification scheme (other than PEFC endorsed) supported by a forest management or chain of custody certificate issued by a third party certification body.</p>	<p>The organisation should check the validity of the declaration/claim on the certified status made by the supplier against the requirements of the concerned scheme.</p> <p>Further, the organisation should be able to provide evidence that the certification scheme</p>

Indicators	References, examples and explanation
	<p>includes:</p> <ul style="list-style-type: none"> <li>(a) third party certification of forest management which covers activities defined by the term controversial sources<sup>1</sup>,</li> <li>(b) third party certification of chain of custody and,</li> <li>(c) a verification mechanism that non-certified raw material does not originate from controversial sources where percentage based claims apply.</li> </ul> <p>Examples of PEFC non-endorsed forest certification schemes: Forest Stewardship Council, etc.</p> <p>The organisation accepting the material has the final responsibility to ensure that the accepted PEFC non-endorsed certification scheme meets the requirements for negligible risk-</p>
<p>Supplies verified by governmental or non-governmental verification or licensing mechanisms other than forest certification schemes focused on activities covered by the term controversial sources<sup>1</sup>.</p>	<p>The organisation should be able to provide evidence on the scope of the verification or licensing mechanism.</p> <p>Examples of verification and licensing mechanisms:</p> <ul style="list-style-type: none"> <li>- EU FLEGT (<a href="http://ec.europa.eu/environment/forests/flegt.htm">http://ec.europa.eu/environment/forests/flegt.htm</a>)</li> <li>- Tropical Forest Trust (<a href="http://www.tropicalforesttrust.com">www.tropicalforesttrust.com</a>)</li> <li>- The SFI 2015-2019 Fiber Sourcing Standard (<a href="http://www.sfi-program.org/sfi-standard/fiber-sourcing-standard">http://www.sfi-program.org/sfi-standard/fiber-sourcing-standard</a>)</li> </ul>
<p>Supplies supported by verifiable documentation which clearly identifies</p> <ul style="list-style-type: none"> <li>▪ country of harvest and/or sub-national region where the timber was harvested (including consideration of the prevalence of armed conflict)</li> <li>▪ trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name</li> <li>▪ all suppliers within the supply chain and the forest management unit of the supply origin</li> <li>▪ documents or other reliable information indicating compliance of those timber and timber products with activities referred to by</li> </ul>	<p>Examples of documents indicating compliance with activities referred to by the term controversial sources:</p> <p><b>Forest operations and harvesting, including biodiversity conservation and conversion of forest to other use; management of areas with designated high environmental and cultural values; protected and endangered species, including requirements of CITES</b></p> <ul style="list-style-type: none"> <li>-documentation of ownership/rights to land use</li> <li>-contract or concession agreements</li> <li>-official audit reports</li> <li>-environmental clearance certificates</li> <li>-approved harvest plans</li> <li>-coupe closure reports</li> </ul>

<sup>1</sup> Special attention should be given to the assessment of third party certification and verification or licensing mechanism to make sure these systems cover all elements of the PEFC definition of controversial sources. Most notably the elements that could be outside the scope are; the use of genetically modified forest based organisms, the conversion of forest to other vegetation type (including converting primary forests to plantations) and not complying with health and labour issues relating to forest workers.

Indicators	References, examples and explanation
<p>the term controversial sources. Special attention shall be given to documentation which is produced by a governmental body of the country with TI CPI below 50.</p>	<ul style="list-style-type: none"> <li>-codes of conducts</li> <li>-publicly available information demonstrating rigorous legislative supervision and timber tracking and control procedures</li> <li>-official documents issued by competent authorities in a country of harvest</li> <li>-environmental impact assessments</li> <li>-environmental management plans</li> <li>-environmental audit reports</li> <li>-forest inventory reports</li> <li>-(CITES) export license</li> </ul> <p><b>Health and labour issues relating to forest workers</b></p> <ul style="list-style-type: none"> <li>-evidence of payment of salaries (payslips) in compliance with national official scale</li> <li>-employment contracts</li> <li>-regulations on working hours etc</li> <li>-training records</li> </ul> <p><b>Indigenous peoples' and third parties' property, tenure and use rights</b></p> <ul style="list-style-type: none"> <li>-environmental impact assessments</li> <li>-environmental management plans</li> <li>-environmental audit reports</li> <li>-social responsibility agreements</li> <li>-specific reports on tenure and rights claims and conflicts</li> </ul> <p><b>Payment of taxes and royalties</b></p> <ul style="list-style-type: none"> <li>-contracts</li> <li>-bank notes,</li> <li>-VAT documentation</li> <li>-official receipts</li> </ul> <p><b>Trade and customs, in so far as the forest sector is concerned</b></p> <ul style="list-style-type: none"> <li>-contracts</li> <li>-bank notes, trade notes</li> <li>-import licenses, export licenses</li> <li>-official receipts for export duties</li> <li>-export ban lists</li> <li>-export quota awards</li> </ul> <p>[TRAFFIC, WWF's Global Forest &amp; Trade Network Common Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade Annex; European Commission, Guidance document for the EU Timber Regulation", CITES, <a href="http://www.cites.org/eng/disc/how.php">http://www.cites.org/eng/disc/how.php</a>]</p>

**Note 1 to Table 1**

The note 1 at Table 1 refers to verification under due diligence system according to the requirements of the EUTR. Apart from due diligence systems covered by a Monitoring

Organisation the organisation may also use due diligence systems monitored by the Competent Authority of the country concerned as evidence for legality of supplies.

*Table 5: References, examples and explanations to PEFC ST 2002:2013, Table 2*

Indicators	References, examples and explanation
The current corruption perception index (CPI) of the country presented by Transparency International (TI) is lower than 50. <sup>2</sup>	The TI CPI is presented at <a href="http://www.transparency.org">www.transparency.org</a> See the separate section about CPI below this table.
The country / region has a prevalence of armed conflict.	The Armed Conflict Database of the International Institute of Strategic Studies: <a href="http://acd.iiss.org/">http://acd.iiss.org/</a>
The country/region is known as a country with low level of forest governance and law enforcement.	<p>In defining this indicator, the organisation can use its internal surveys or results of surveys of external governmental or non-governmental organisations active in monitoring forest governance and law enforcement and corruption such as</p> <ul style="list-style-type: none"> <li>- The World Bank FLEG Newsletter (<a href="http://go.worldbank.org/FMKUFABJ80">http://go.worldbank.org/FMKUFABJ80</a>);</li> <li>- UK based Chatham House, (<a href="http://www.illegal-logging.info">www.illegal-logging.info</a>);</li> <li>- Environmental Investigation Agency (<a href="http://www.eia-international.org">www.eia-international.org</a>, Global Witness (<a href="http://www.globalwitness.org">www.globalwitness.org</a>), etc.</li> </ul> <p><b>Assessing the forest governance and law enforcement at regional level.</b></p> <p>In general a lot of indexes and assessment tools specify governance on the country level. The organisation should in the first place base the risk assessment on the country level, unless it has other evidence that provides more details on a specific region and/concession. It is assumed that timber importers have some basic knowledge on regional differences e.g. about different Malaysian regions</p>

#### **CPI: other options**

Transparency International's Corruption Perception Index (TI CPI) serves as a threshold for the analysis of risk on the origin level induced by an inadequate legal framework and law enforcement system in a country. The TI CPI is presented at [www.transparency.org](http://www.transparency.org). PEFC is aware that the TI CPI does not always represent the fully correct governance level for forestry. Nevertheless, a threshold as a start for the assessment and the subsequent mitigation is necessary.

Already in the 2010 version of the chain of custody standard PEFC incorporated the following procedure: "On the provision of sufficient evidence that the TI CPI does not reflect the level of corruption in the forest based sector in a specific country scoring less than 5.0, the PEFC Council may make a different determination for this indicator" (*PEFC ST 2002:2010, Appendix 2, Table 1*). This option is still available under the 2013 version. Hence, either

<sup>2</sup> If there are any other PEFC approved external references they will be published on the website of PEFC ([www.pefc.org](http://www.pefc.org)).

another index can be applied or proof of evidence for a sufficient governance level can be delivered by other means.

Two options are described in the following sections.

### 1. *Alternative index application*

Several other indices delivering information about the level of governance, deviating in some details, exist. TI itself e.g. provides alternative information sources. Such an index accepted by TI could be an alternative to the TI CPI. Table 6 shows an example for Italy. PEFC Italy tried to find an alternative option in cooperation with Transparency International Italy. TI Italy informed PEFC Italy that there are other indices which can be used in the forest sector. Transparency International Italy provided a list with indices which can be used under certain circumstances in various countries/regions.

**Table 6: Example for Alternative information sources, replacing CPI in Italy**

Global Corruption Barometer (GCB) -2010 <a href="http://www.transparency.it/ind_ti.asp?idNews=159&amp;id=barometro">http://www.transparency.it/ind_ti.asp?idNews=159&amp;id=barometro</a> –
Transparency Reporting on Anti-corruption (TRAC) - 2012 <a href="http://www.transparency.it/pub_ti.asp?idNews=223&amp;id=pubblicazioniVolumiInt">http://www.transparency.it/pub_ti.asp?idNews=223&amp;id=pubblicazioniVolumiInt</a>
<b>EU:</b> -Eurobarometer 2010 <a href="http://www.transparency.it/ind_ti.asp?idNews=159&amp;id=barometro">http://www.transparency.it/ind_ti.asp?idNews=159&amp;id=barometro</a>
<b>WORLD BANK:</b> World Bank Governance Indicators: - Voice and accountability - Political instability - Government effectiveness - Regulatory Quality - Rule of law - Control of corruption <a href="http://www.transparency.it/Ind_Ti.asp?id=sondaggi">http://www.transparency.it/Ind_Ti.asp?id=sondaggi</a>
<b>EDELMAN:</b> Trust Barometer 2011 <a href="http://www.transparency.it/Ind_Ti.asp?id=sondaggi">http://www.transparency.it/Ind_Ti.asp?id=sondaggi</a>
<b>OCSE:</b> OCSE Progress Report 2010 <a href="http://www.transparency.it/Ind_Ti.asp?id=sondaggi">http://www.transparency.it/Ind_Ti.asp?id=sondaggi</a>
<b>UNIVERSITY OF GOTEBORG (regional index)</b> Measuring the Quality of Government and Sumnational Variation 2010 <a href="http://www.transparency.it/Ind_Ti.asp?id=sondaggi">http://www.transparency.it/Ind_Ti.asp?id=sondaggi</a> Transparency International has also a project specifically focused on the Forest Governance Integrity in Asia Pacific. The link is: <a href="http://archive.transparency.org/regional_pages/asia_pacific/forest_governance_integrity">http://archive.transparency.org/regional_pages/asia_pacific/forest_governance_integrity</a>

If PEFC International has not yet approved an alternative index for a specific country, PEFC certificate holders or PEFC National Governing Bodies can send a request to the PEFC International Secretariat. PEFC International will actively consult with Transparency International regarding potential alternatives for the particular country.

### 2. *“Area risk assessment”*

The TI CPI indicates a specific risk of lack of governance for a specific country based on a quite general analysis of corruption perception of different actors for the whole economy of the country. This general CPI statement can be overruled by a specific risk assessment focusing “on the level of origin” either for the whole country or for a specific region. The following steps should constitute such an area risk assessment (equivalent procedures are possible):

- 1) A PEFC National Governing Body (or several cooperating bodies) should establish a “Risk Assessment Group” (RAG). The composition of the group (stakeholder representation) should be mirrored from the national standard setting process for the SFM standard. Expertise for the area under assessment should be represented in the group.
- 2) The RAG should carry out a risk assessment on the origin level for country or a specific region. The risk assessment should consider all indicators foreseen by PEFC for the assessment on origin level (5.1.6 – 5.1.9, tree species with prevalence of illegal harvesting, implementation of health and labour rights relating to the ILO Declaration on Fundamental Principles and Rights at Work).

The RAG can e.g. consider, whether and how in the country documentation which clearly identifies

- country of harvest and/or sub-national region where the timber was harvested (including consideration of the prevalence of armed conflict)
- trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name
- all suppliers within the supply chain
- the forest management unit of the supply origin
- documents or other reliable information indicating compliance of those timber and timber products with activities referred to by the term controversial sources

is used.

Furthermore, documents as described in Table 4 can be considered in the analysis as well as in a later mitigation.

- 3) The risk assessment procedures as well as the result should be provided to the PEFC International Secretariat. The responsibility for the approval of a submitted area risk assessment lies with the PEFC Council Secretary General. If deemed necessary, an independent consultant with particular country expertise can be assigned with an assessment. Any costs are under the responsibility of the RAG.
- 4) After making procedures and result publicly available the results can be used by all actors.

*Table 7: References, examples and explanations to PEFC ST 2002:2013, Table 3*

Indicators	References, examples and explanation
Actors and steps in the supply chain before the first verification by a verification system accepted as indicator for negligible risk in this risk matrix are unknown	In determining the actors and steps in the supply chain and the countries in which the products have been traded it suffices to identify these up to the first point of transparency. This is demonstrated through verification with any of the <b>table 1</b> indicators. For example, the organisation determines that at one point in the supply chain the supply was PEFC Certified. It can assume that the further supply chain up to the point of harvest is without significant risk.
Countries/regions where the timber and timber products have been traded before the first verification by a verification system accepted as indicator for negligible risk in this risk matrix are unknown.	
Evidence of illegal practices by any company in the supply chain	Any evidence identified by the organisation itself or brought to the attention of the organisation by third parties/external sources should be considered.

### 5.3.8

The option to conduct the risk assessment for multiple deliveries from a specific geographical area has been designed for, but is not necessarily limited to, organisations with large numbers of suppliers that all source from the same geographical area. It prevents an organisation from performing multiple identical risk assessments where only the (known) suppliers are different.

The geographical area on which the risk assessment is based shall be clearly defined. In principle, there is no limitation to the size of the area as long as all the area represents significant risk. For example, the area could be a certain region within one country, a country as a whole, or a certain region across or spanning multiple countries.

Clause 5.3.8 states that an area orientated risk approach is not possible if one of the indicators in table 2 or table 3 applies. Nevertheless, an organisation can carry out such an



assessment if for the critical indicator specific mitigation procedures are established. Table 8 gives some examples.

*Table 8: Typical Risk mitigation procedures in the area based risk approach*

Critical risk indicator (examples)	Potential mitigation procedure
CPI in the particular area < 50	The organization can adapt the risk assessment according to the procedure described under “CPI: other options” and derive a particular mitigation strategy.
Actors and steps in the supply chain before the first verification by a verification system accepted as indicator for low risk in this risk matrix are unknown.	<p>The organization requires a self-declaration from the previous actor confirming the sourcing only from the specified area.</p> <p>The organisation requests from all previous actors (not certified) to register at PEFC’s information and registration system. The system allows to register suppliers and hence making the supply chain transparent without providing the information to competitors.</p>

#### **5.4 Substantiated comments or complaints**

This clause applies again to all materials for which the PEFC DDS is implemented. The material with PEFC claims that is exempt from the PEFC DDS risk assessment shall be in compliance with this clause. The awareness and investigation of substantiated concerns shall be part of the organisation’s procedures on the handling of material with PEFC claims. This ensures that these materials are part of a “risk assessment” in terms of the EU Timber Regulation.

#### **5.5 Management of significant risk supplies**

##### **5.5.1.1**

The management of significant risk supplies is necessary if the organisation wishes to accept supplies for which it determined a significant risk in the risk assessment. The purpose of this step is the mitigation of the significant risk to the level of negligible risk, based on additional information provided by the supplier.

The risk assessment will have revealed the specific areas of significant risk. The supplier shall provide additional information to enable the organisation to revise the risk level from significant to negligible.

##### **5.5.1.2 b)**

The on-site inspection is only necessary in relevant cases. **Clause 5.5.3.1** explains when the on-site inspection can be avoided: “The organisation may substitute the on-site inspection with documentation review where the documentation provides sufficient confidence in the material origin in non-controversial sources.”

##### **5.5.2.2**

In determining the actors and steps in the supply chain and the countries in which the products have been traded it suffices to identify these up to the first point of transparency. This is demonstrated through verification with any of the **table 1** indicators.

For example, if the organisation determines that at one point in the supply chain the supply was PEFC Certified, it can assume that the supply chain after that up to the point of harvest is without significant risk.

##### **5.5.3.4**

The on-site inspection of a supplier’s operations is necessary for supplies where the review of additional documentation provided by the supplier is not sufficient to determine a negligible

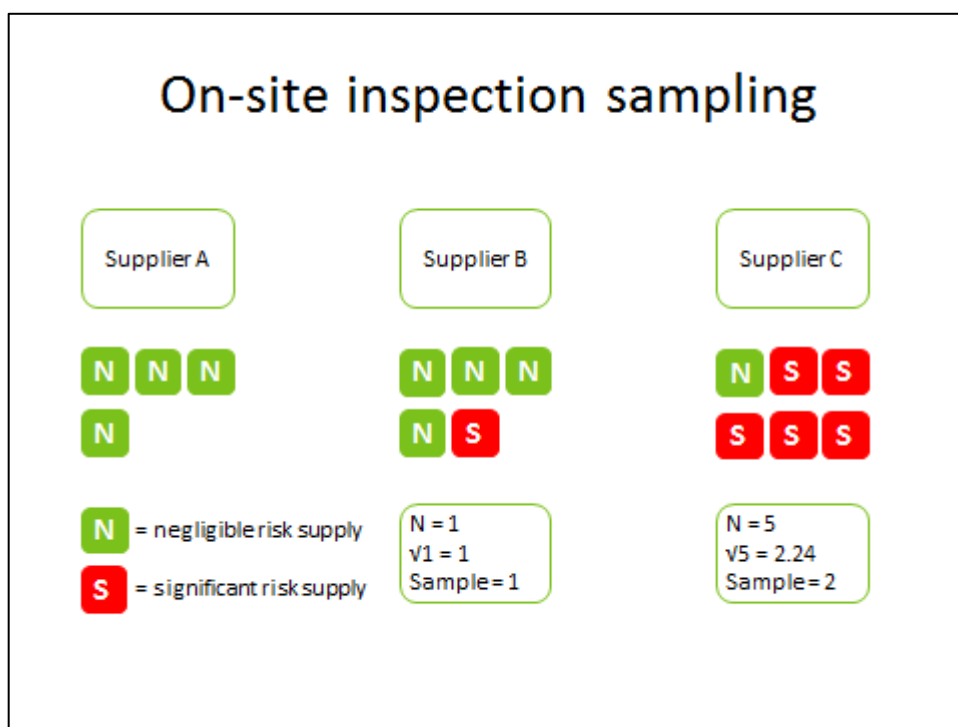
risk (see also the clarification at 5.5.1.2 b)). The on-site inspection program focusses on suppliers. From all significant risk supplies by one supplier the organisation shall take a sample to be verified during the on-site inspection.

Hence:

- The sampling is based on all significant risk supplies by one supplier
- If the organisation has received significant risk supplies by multiple suppliers a sample shall be determined for every single supplier
- Identical shipments/supplies by the same supplier can be considered as one supply.

The sample size (y) is determined as  $y=\sqrt{x}$  with (x) being the number of significant risk supplies. The outcome is rounded to the nearest whole number. Please note that the standard specifies two different ways of rounding the sample size. In the second case, which determines the reduced sample size ( $y=0.8\sqrt{x}$ ), the outcome is rounded **up** to the next whole number.

Figure 14: Example for on-site sampling



In the example in Figure 14 the organisation carries out an on-site inspection at suppliers B and C. The inspection at supplier B deals with one specific supply, whereas the inspection at supplier C deals with two supplies.

### 5.6 No placement on the market

There is a clear distinction between material that shall not be included in the organisation's PEFC Chain of Custody and material that shall not be placed on the market by the organisation at all. The difference lies in the fact that the PEFC definition of controversial sources goes beyond the definition of illegal harvesting in the EU Timber Regulation.

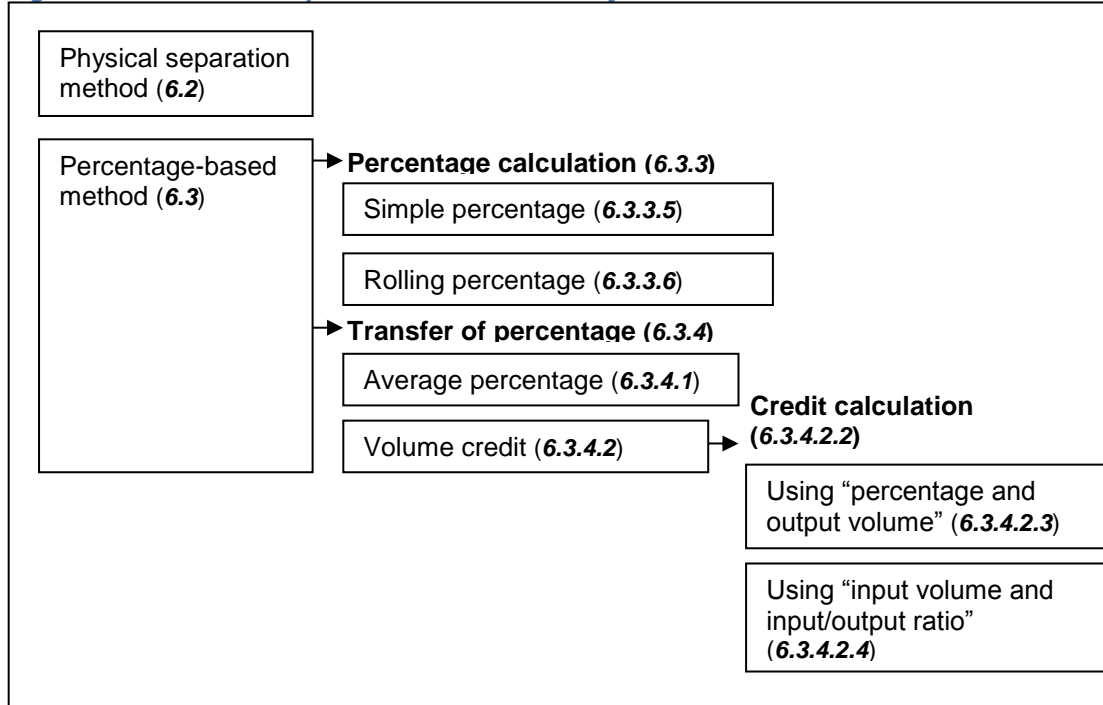
For example an organisation receives a supply that originates in a conversion of forest to to another vegetation type (e.g. agricultural development) in compliance with the national legislation. From e.g. the EUTR perspective this supply is legally harvested and can be placed on the market as such. From the PEFC perspective this supply is from a controversial source and cannot be included in their Chain of Custody. In such a case a physical separation

of material covered by a PEFC Chain of Custody System and other material outside the scope of this system is required.

## 6 Chain of Custody methods

The PEFC Chain of Custody standard provides several optional methods which the organization can implement based on its material flow, but also based on its communication and marketing needs or on a customer’s specific demands.

Figure 15: Structure of optional Chain of Custody methods



### 6.2 Physical separation method

#### 6.2.1.1

There is a clear intention that the physical separation method is applied wherever possible. For example; a company that handles finished products (ready for end use) should apply the physical separation method.

#### 6.2.1.3 Note

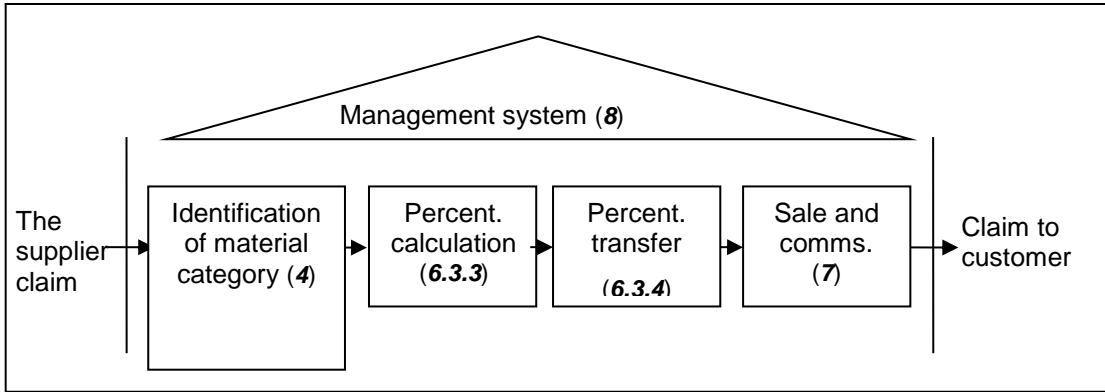
An organisation that procures supplies with different percentages may physically separate these materials. For example a wood products trader keeps one stock pile of 70% PEFC Certified fiber boards and one stock pile of 100% PEFC Certified fibre boards.

The organisation may also choose to combine products with different percentage claims. In this case they shall apply the lowest applicable percentage claim. For example a woodchip trader stocks a supply of 80% PEFC Certified woodchips together with a supply of 95% PEFC Certified woodchips. They shall then consider the complete stock as 80% PEFC Certified. (Only when applying the percentage based method the organisation is allowed to calculate and claim the actual certified content)

Another example would be the mixing of PEFC Certified material with PEFC Controlled Sources material. In this case the complete stock shall be considered as PEFC Controlled Sources.

**6.3 Percentage-based method**

Figure 16: Model of percentage-based methods

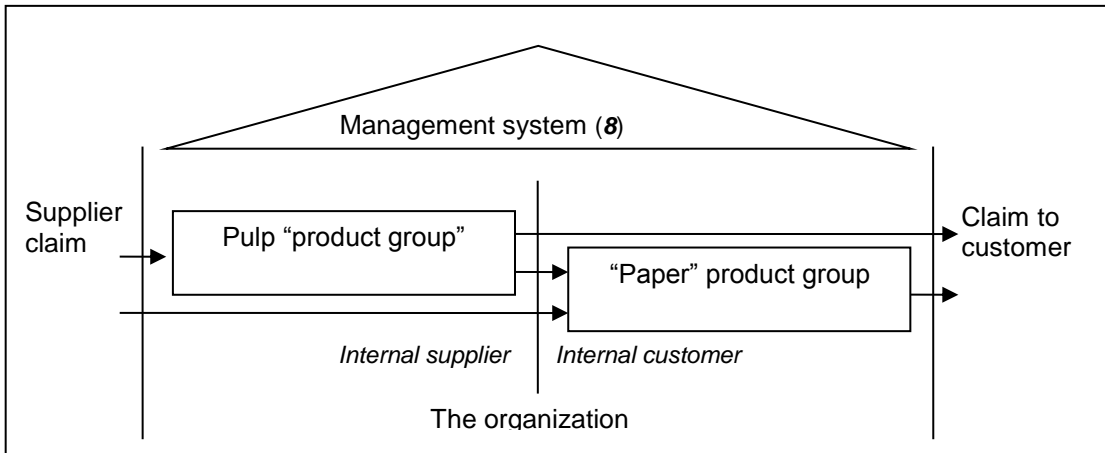


**6.3.2 Definition of the product group**

The organization shall define product groups for which the Chain of Custody is implemented. The product group can be associated with a single product type or a group of products. The product group can only include output products which include the same or similar input material, according to, for example, species, sort, etc.

The organization can define parallel or subsequent product groups. In case of subsequent product groups, the terms “supplier” (3.27) and “customer” (3.10) should also be understood as “internal” supplier and “internal” customer.

Figure 17: Definition of product groups



**6.3.3 Calculation of the certification percentage**

The company can use two methods for calculation of the certification percentage: simple percentage or rolling average percentage.

**6.3.3.5 Simple percentage**

The certification percentage for the specific product group is calculated from the material included in the specific products for which the percentage is calculated. This method is applicable where the organization procures material for specific production (e.g. printing job).

Example: The organization has procured the input material shown in Table 9 (month July) for the production of a specific batch of products for which the claim is made. All the input material has been physically used for the production of the specific product group.

**Table 9: Example of simple percentage calculation**

1	2	3
Volume of certified raw material procured (tonnes)	Volume of other raw material (tonnes)	Simple percentage
V <sub>c</sub>	V <sub>o</sub>	P <sub>c</sub> P <sub>c</sub> = V <sub>c</sub> / (V <sub>c</sub> + V <sub>o</sub> )
26 984	16 640	61,86%

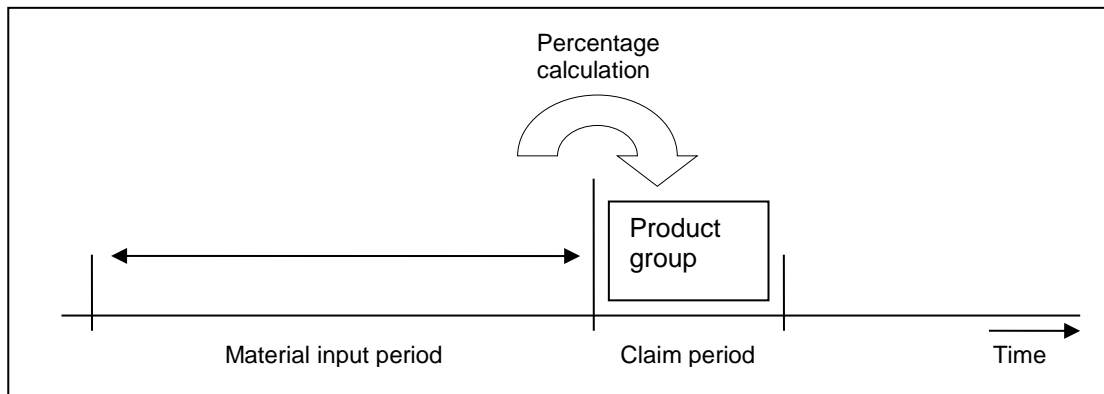
Note: The volume figures given in the table above are taken from Table 2

**6.3.3.6 Rolling average percentage**

The rolling average percentage for the specific claim period is calculated from input material procured during the material input period preceding the claim period.

The claim period shall not exceed three months. The material input period shall not exceed 12 months. The material input period should be longer than the claim period.

**Figure 18: Rolling average percentage calculation**



**Example of the 3-month rolling average percentage:**

The certification percentage for a 1-month claim period is calculated from the volume of certified and other raw material procured during the last 3 months' input material period.

Note: When the organization starts the Chain of Custody and the time period used in the rolling percentage calculation is longer than the time period the Chain of Custody has been in place, the calculation of the rolling percentage is carried out from the volumes procured since the Chain of Custody was established. An example is given in Table 10: the first rolling percentage (month 1) is calculated only from volumes procured in month 1, the second rolling percentage (month 2) is calculated only from volumes procured in months 1 and 2.

Table 10: Example of 3-month rolling average percentage in panel board production

1	2	3	4	5	6
1-month claim period	Volume of certified material procured (tonnes)	Volume of other material (tonnes)	Sum of volumes of certified material for previous 3 months (tonnes)	Sum of volumes of other material for previous 3 months (tonnes)	3-month rolling average percentage
j=i	Vc	Vo	Vc(3)	Vo(3)	Pc(3)
			$Vc(3) = \sum_{j=i-1}^{i-3} Vc_j$	$Vo(3) = \sum_{j=i-1}^{i-3} Vo_j$	$Pc = \frac{Vc(3)}{Vc(3)+Vo(3)}$
Jan. 09	13654	28654			
Feb. 09	15563	32654	13654	28654	32.27%
Mar. 09	19546	25987	29217	61308	32.28%
Apr. 09	5264	36214	48763	87295	35.84%
May. 09	12695	26154	40373	94855	29.86%
Jun. 09	26984	16 640	37505	88355	29.80%
Jul. 09	21564	15261	44943	79008	36.26%
Aug. 09	26897	14561	61243	58055	51.34%
Sep. 09	15265	22641	75445	46462	61.89%
Oct.. 09	18564	26594	63726	52463	54.85%
Nov. 09	16235	25264	60726	63796	48.77%
Dec. 09	15462	24152	50064	74499	40.19%
Continues					

Note:

Example of calculation given in Table 10:

- [column 1] Represents the identification of 1-month claim period for which the certification percentage is calculated.
- [column 2 and 3] The volume of “certified” and “other” material is a result of the identification of the material category (see 4.1.3). Figures for “Jun.09” are taken from Table 2.
- [column 4] Volume is calculated as the sum of volumes of “certified” material procured in the previous 3 months.  
Jun.09:  $Vc(3) = Vc(\text{May.09}) + Vc(\text{Apr.09}) + Vc(\text{Mar.09})$  ;  $Vc(3) = 19546 + 5264 + 12695 = 37\ 505$  [tonnes]
- [column 5] Volume of “other” material is calculated as the sum of volumes of “other” material procured in the previous 3 months.  
Jun.09:  $Vo(3) = Vo(\text{May.09}) + Vo(\text{Apr.09}) + Vo(\text{Mar.09})$  ;  $Vo(3) = 25987 + 36214 + 26154 = 88355$  [tonnes]
- [column 6] The rolling average percentage is calculated according to the formula in 6.3.3.1:  $Pc = Vc / [Vc + Vo]$   
Jun.09:  $Pc(3) = 100 * Vc(3) / [Vc(3) + Vo(3)]$  ;  $Pc(3) = 100 * 37505 / [37505 + 88355] = 29.80\%$

### 6.3.4 Transfer of the calculated percentage to the outputs

The certification percentage shall be calculated for the specific claim period of the product group and distributed to the products sold/transferred during the claim period. The standard defines two methods: average percentage ( 6.3.4.1) and volume credit method (6.3.4.2).

### 6.3.4.1 Average percentage method

In the average percentage method the certification percentage applies to all products in the product group of the specified claim period.

**Table 11: Application of average percentage method in panel board production (continuation of Table 10)**

1	2	3	4
1-month claim period	3-month rolling average percentage	Total output volume of the product group during the claim period (m3)	Volume of certified products in m3 (with % of "PEFC certified" material)
j=i	Pc(3)	Vpb	Vcp (Vc%)
			$V_{cp_i} = V_{pb_i}$ Claimed % = $P_{C_i}$
Jan. 09	0.00%	64589	0.00
Feb. 09	32.27%	73698	73698 (32.27%)
Mar. 09	32.28%	69568	69568 (32.28%)
Apr. 09	35.84%	65423	65423 (35.84%)
May. 09	29.86%	57894	57894 (29.86%)
Jun. 09	29.80%	66589	66589 (29.80%)
Jul. 09	36.26%	58789	58789 (36.26%)
Aug. 09	51.34%	62458	62458 (51.34%)
Sep. 09	61.89%	59658	59658 (61.89%)
Oct. 09	54.85%	70458	70458 (54.85%)
Nov. 09	48.77%	62458	62458 (48.77%)
Dec. 09	40.19%	60589	60589 (40.19%)
Continuation			

Note:

- [column 4] The volume of certified products using the average percentage method is equal to the total volume of products sold during the specific claim period ( $V_{cp} = V_{pb}$ ). Percentage of the certified raw material claimed in the certified products is equal to the percentage calculated for the specific claim period [column 2].

Jun.09:  $V_{cp} = 66589$  [m3], Claimed % = **29.80** [%]

### 6.3.4.2 Volume credit system

The volume credit system is based on the total material input in a specific product groups. The accumulated credits can be sold as certified material. The other volume can be sold as "PEFC Controlled Sources", as the PEFC DDS was implemented on all input material for the specific product group, see also Figure 4.

The organization can calculate the volume credits of output products using either:

- certification percentage and volume of output product ( **6.3.4.2.3**), or
- input material and input/output ratio ( **6.3.4.2.4**).



### 6.3.4.2.3 Calculation of volume credits using certification percentage and volume of output products

Table 12: Example of volume credits calculation using certification percentage and volume of output products in panel board production (continued from Table 11)

1	2	3	4
1-month claim period	3-month rolling average percentage	Total output volume of the claim period (m3) *	Volume credits in m3 of output products
j=i	Pc(3)	Vpb	VC
	$Pc = \frac{Vc(3)}{Vc(3)+Vo(3)}$		$VC = Vpb_i * Pc_i$
Jan. 09	0.00%	64589	0.00
Feb. 09	32.27%	73698	23782.34
Mar. 09	32.28%	69568	22456.55
Apr. 09	35.84%	65423	23447.60
May. 09	29.86%	57894	17287.15
Jun. 09	29.80%	66589	19843.52
Jul. 09	36.26%	58789	21316.89
Aug. 09	51.34%	62458	32065.94
Sep. 09	61.89%	59658	36922.34
Oct. 09	54.85%	70458	38646.21
Nov. 09	48.77%	62458	30460.77
Dec. 09	40.19%	60589	24350.72
Continuation			

Note:

- [column 4] The volume credits are calculated from certification percentage for the specific claim period [column 2 and the volume of output products during the claim period [column 3] and

$$\text{Jun.09: } V_{cp} = 29.80 * 66589 = \mathbf{19843.52} \text{ [m3]}$$

### 6.3.4.2.4 Volume credit calculation using input material and input/output ratio

Table 13: Example of volume credits calculation using the input volume and input/output (I/O) ratio

1	2	3	4	5	6	7
Delivery No.	Date	Description	Status	Volume (m <sup>3</sup> )	Volume credits sawnwood (m <sup>3</sup> ) I/O ratio = 0.6	Volume credits chips & sawdust (t) I/O ratio = 0.18
0353	1.7.09	Roundwood	75% PEFC certified	45	20.25	6.08
0354	3.7.09	Roundwood	PEFC Controlled Sources	65		
0355	3.7.09	Roundwood		85		
0356	5.7.09	Roundwood	100% PEFC certified	65	39	11.7
0357	14.7.09	Roundwood		82		
0358	25.7.09	Roundwood	70% PEFC certified	65	27.3	8.2
<b>Total for June 2009</b>					<b>50.55</b>	<b>25.98</b>

### 6.3.4.2.5 Volume credit account

The organization shall establish a volume credit account for the product group covered by the Chain of Custody.

*Table 14: Example of volume credit management in panel board production (continued from Table 12)*

1	2	3	4	5
Claim period	Credits entered	Credit account (eligible credits) in m3	Maximum credit account in m3	Used credits
	Credits volume (m3)			Credits volume (m3)
i	VC	= $[3]_{(i-1)} - [5]_{(i-1)} + [2]_{(i)}$ condition: $[3] \leq [4]$	$\sum_{i=1}^{i-1} [2]$	
Jan.09	0.00	0.00	0.00	0.00
Feb. 09	23782.34	23782.34	23782.34	0.00
Mar. 09	22456.55	46238.89	46238.89	0.00
Apr. 09	23447.6	69686.49	69686.49	0.00
May. 09	17287.15	86973.64	86973.64	0.00
Jun. 09	19843.52	106817.16	106817.16	2546.56
Jul. 09	21316.89	125587.49	128134.05	958.23
Aug. 09	32065.94	156695.20	160199.99	562.45
Sep. 09	36922.34	193055.09	197122.33	0.00
Oct. 09	38646.21	231701.30	235768.54	1547.25
Nov. 09	30460.77	260614.82	266229.31	1547.15
Dec. 09	24350.72	283418.39	290580.03	0.00
Jan. 10	22564.15	305982.54	313144.18	256.15
Feb. 10	25654.25	315016.09	315016.09	958.26
Mar. 10	26789.15	319348.69	319348.69	123.15

Continuation

Note:

Example of calculation given in Table 14 for the claim period "Mar.10" (last row):

- [column 2] Volume credits calculated for 1-month claim period (values for months Jan.09-Dec.09 are taken from Table 12).
- [column 3] Credit account (eligible credits) is calculated as a result of the credit account in the previous month [column 3, Feb.10] minus volume credits used in the previous month [column 5, month Feb.10] plus volume credits for the current month [column 2, month Mar.10].

$$\text{Mar.10: } 315016.09 - 958.26 + 26789.15 = 340846.98 \text{ [m3]}$$

Total quantity of volume credits accumulated in the credit account cannot exceed volume credits entered into the credit account during the previous twelve months [column 4 = 319348.69] (**6.3.4.2.7**)

$$340846.98 > 319348.69; \text{ therefore credit account (eligible credits) is } \mathbf{319348.69} \text{ [m3]}$$

- [column 4] Maximum credit account is calculated as the sum of volume credits entered into the credit account during the last twelve months [column 2, month Apr.09-Mar.10].

## **7 Sale and communication on claimed products**

### **7.1 Documentation associated with sold/transferred products**

#### **7.1.1 Communication on change to scope of certificate**

If the scope of an organisation's certificate changes, the organisation shall actively inform those customers about the changes which a) have been customers of the organisation in the past and b) are requesting PEFC certified material or material that has undergone the organisation's DDS system for the avoidance of raw material from controversial sources

#### **7.1.2 Documents for communication of claims**

The wording "shall identify" does not mean that the identification of the type(s) of document(s) is definite and cannot be changed at any point in time.

The organisation may choose one or multiple documents to be used for the communication of the claim. For example:

- the organisation chooses to use only the invoice to communicate the PEFC claims
- the organisation uses both the invoice and delivery note to communicate the claims

Figure 19 shows an example how to include the PEFC claims in the delivery documents.

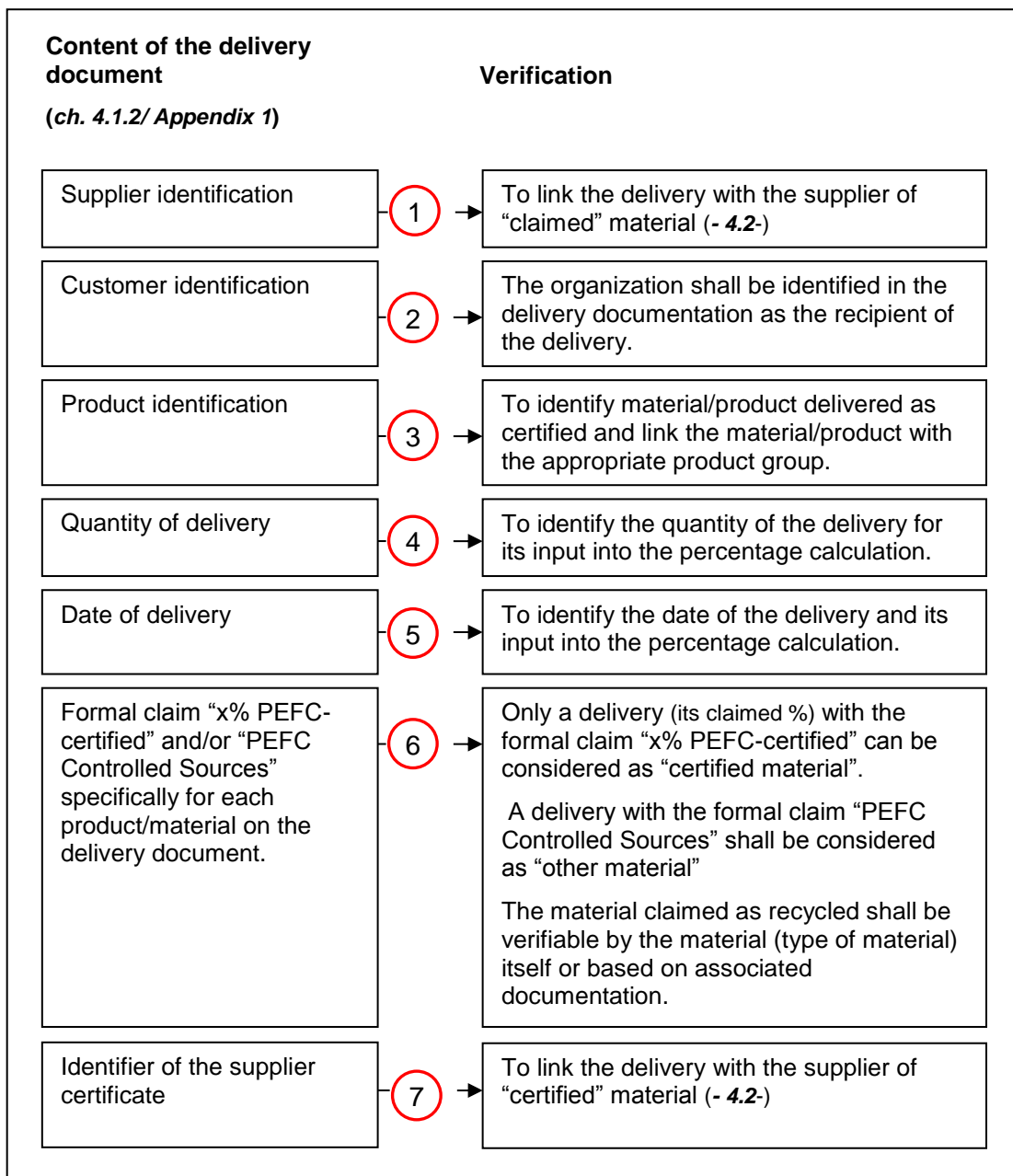
PEFC allows the use of double claims. That means the PEFC claim can be combined with a claim of another forest certification scheme for a specific delivery.

7.1.3

Figure 19: Example of documentation associated with sold products (invoice)

<b>JONSSONS TIMBER AB</b>		Invoice	<b>ORIGINAL</b>	
Änåsvägen 40 - 41668 Göteborg - Sweden <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">1</span>		Date: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">5</span> 13.3.2010	Number : 140177	
<b>Smith LTD</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2</span> MALDON ROAD STANWAY COLCHESTER ESSEX CO3 0SL ENGLAND  VAT GB861447013		FINAL DESTINATION  MALDON ROAD STANWAY COLCHESTER ESSEX CO3 0SL ENGLAND		
Country of origin	SWEDEN	Terms of delivery	FBY COLCHESTER	
Country of destination	ENGLAND	Terms of payment		
From/via	GOTHENBURG, HARWICH	Vessel	MS GUSTAV A.	
To	COLCHESTER	B/L date	12.3.2010	
Buyers reference	CK14011977	Sellers reference	SD12013	
<b>Product</b>		<b>Unit price</b>	<b>Amount</b>	<b>Total price</b>
lot n. 234 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">3</span> 38x80 Sawn Spruce, Sawfalling, Special KD, KD 12%, <b>63% PEFC certified</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">6</span>	11 pcks	██████ SKr	<span style="border: 1px solid black; border-radius: 50%; padding: 2px;">4</span> 40,457 m3	██████ SKr
lot n. 235 38x80 Sawn Pine, Sawfalling, Special KD, KD 12%, <b>PEFC Controlled Sources</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">6</span>	10 pcks	██████ SKr	31,824 m3	██████ SKr
<b>TOTAL</b>	<b>21 pcks</b>		<b>72,281 m3</b>	<b>██████ SKr</b>
These goods are softwood which has been kiln dried to below 20% moisture content.				
JONSSONS TIMBER AB holds the PEFC Chain of Custody certificate No. 123465, issued by CERTIFICATION SERVICES INTERNATIONAL. <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">7</span>				
Customs item number 4407093 Sawn wood (spruce, pine) 72,281 m <sup>3</sup>				
Jonssons Timber AB Änåsvägen 40 41668 Göteborg <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">1</span> Sweden		Tel.: +46 (0) 31 - 84 33 10 Fax: +46 (0) 31- 84 33 13 Email: info@jonssons-timber.se VAT SW86655442		

Figure 20: Identification of the material category at delivery level



The same kind of information (Figure 19 and Figure 20) that the organization is required to receive from the supplier of certified product/material will be provided by the organization to its customers (7.1), including formal claims on the material category ("x% PEFC certified"). The organization is also required to provide its customers with a copy or access to a copy of its Chain of Custody certificate.

## 7.2 Usage of logos and labels

The standard allows the organization to make claims about the content of certified material (e.g. "x% PEFC certified" based on **Appendix 1**) and the implementation of the PEFC DDS ("PEFC Controlled Sources" based on **Appendix 1**). Only certified material is eligible for labelling. The standard does not require certified products to be labelled. The standard considers the labelling of certified products as an optional tool by which the organization communicates the certified product status.

The standard however requires that where the organization decides to use a label/logo for off- or on-product communication, the usage of the logo/label becomes a part of its Chain of Custody and the organization shall follow the terms and conditions stipulated by the owner of the label/logo.

The organization applying the PEFC Logo shall have a valid licence issued by PEFC Council or PEFC-authorized body (e.g. PEFC member organization, see <http://www.pefc.org/about-pefc/membership/national-members>). The requirements for the usage of the PEFC Logo are included in PEFC ST 2001:2008.

PEFC Logo usage rules (PEFC ST 2001:2008) define two labels: “PEFC certified” and “PEFC Recycled”. The use of those labels is based on two criteria: the content of “PEFC certified” material and the content of recycled material.

As the standard can be used for the purposes of various claims developed by PEFC member schemes, the organization can also apply different labels and logos supporting those claims.

Figure 21: PEFC Chain of Custody and labelling requirements

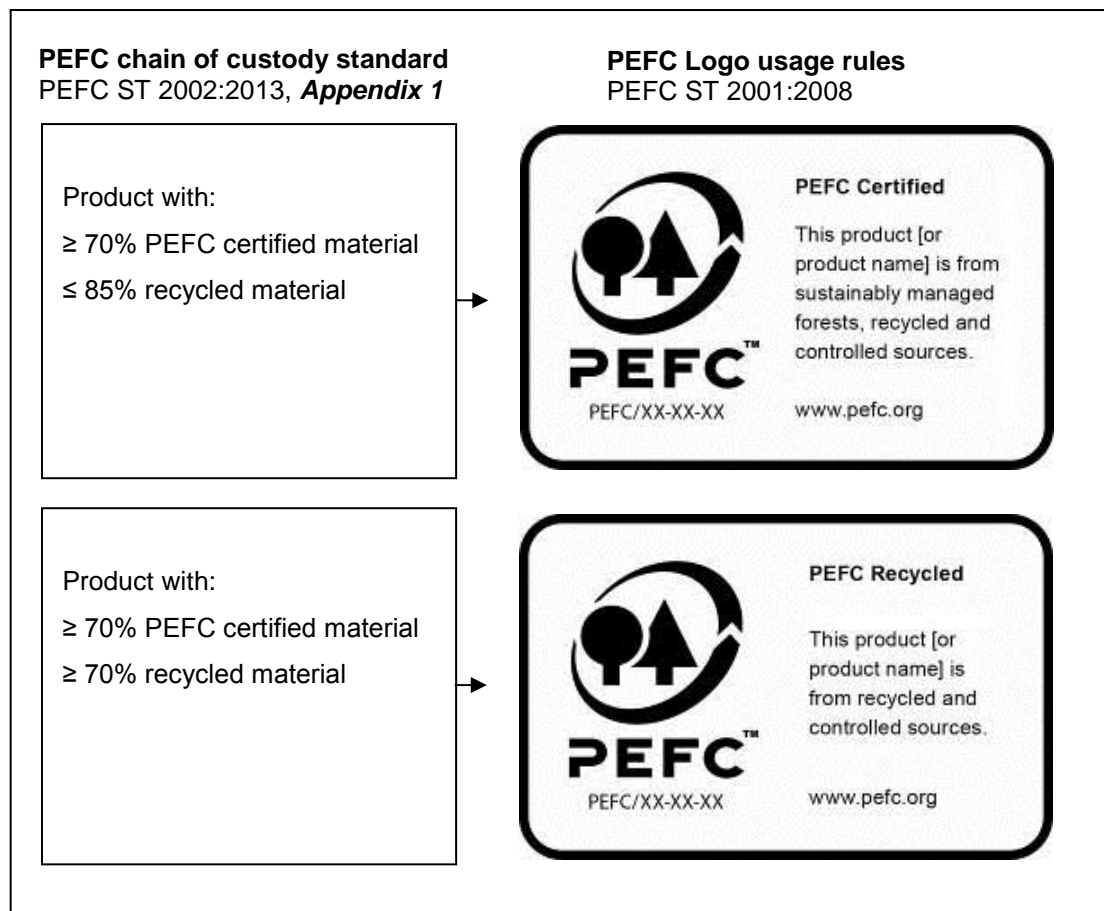


Table 15: Example criteria for the PEFC labels usage

	Company A	Company B
Content of “PEFC certified” material * <sup>1</sup>	90%	90%
Recycled material <sup>2</sup>	60%	75%
Applicable PEFC label * <sup>3</sup>	“PEFC certified” label	“PEFC-recycled” label

Note 1: The content of “PEFC certified” material in PEFC certified products is based on requirements of this standard and Appendix 1 to the standard. Recycled material is recognized and included in the “PEFC certified” content.

Note 2: The content of recycled material is calculated based on ISO 14021 (see Figure 23).

Note 3: In cases where the content of recycled material ranges between 70% and 85%, the organization can decide on which label to use.

Note 4: the threshold percentage (e.g. 70% PEFC certified) only apply to the usage of the PEFC logo and labels. For the communication of the PEFC claim on delivery documents there is no threshold.

### **7.2.3**

This clause allows an organisation to communicate the formal PEFC claim on the product itself or its packaging. The organisation making this claim shall be identifiable which could be achieved by adding the organisation's PEFC certificate number.

An example would be a book that is 80% PEFC Certified. Instead of carrying the PEFC-certified label on the back cover the printer could include a text "80% PEFC Certified, CB PEFC COC/123456".

The wording also allows the "PEFC Controlled Sources" claim to be used on the product itself.

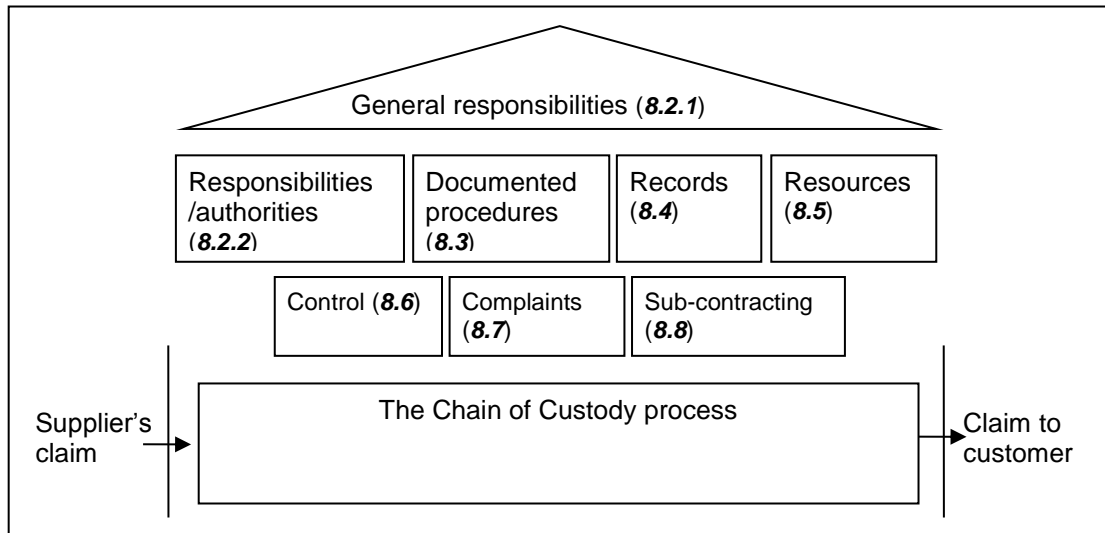
However PEFC considers it best practice not to use the "PEFC Controlled Sources" claim on products being sold outside a business-to-business situation between certificate holders.

## 8 Minimum management system requirements

### 8.1 General requirements

The organization shall establish a management system which ensures that the Chain of Custody process is implemented properly and consistently. At the same time, the management system requirements allow the third-party certification body to audit conformity with this standard based on sampling methods.

Figure 22: Structure of management system requirements



### 8.8 Subcontracting

#### 8.8.1

The wording “Cover activities of sub-contractors” also refers to the sub-contractors social, health and safety compliance. The organisation is responsible for ensuring that all their activities comply with the social, health and safety requirements in chain of custody, including outsourcing/sub-contracting.

As activities by sub-contractors are covered by the organisation’s chain of custody, these activities are also subject to the audit by the certification body. Whether or not these activities should be verified on-site would depend on the level of risk that the material from the organisation could be mixed with or swapped for other material.

Naturally this risk increases when the material/product is less ‘unique’.

For example the cutting and stapling of printed material (which will most likely be different from any other printed material at the sub-contractor’s site) would have less risk than the impregnating of softwood poles (which may be present at the sub-contractor’s site from several other companies).

#### 8.8.2 Note 3

The note implies that clause 6.3.2.3 should not prevent an organisation using the percentage based method from outsourcing certain activities. It does however not mean that other requirements of the percentage based method can be applied on multiple sub-contractors sites. For example, applying one volume credit to multiple sub-contractor sites.



## Appendix 1: Specification of the PEFC claims

**Appendix 1** specifies the two formal PEFC claims that can be used by organisations that have implemented the PEFC Chain of Custody.

“**X% PEFC Certified**” can be used for all products containing certified material. The percentage, which shall be stated at all times, is calculated according to the requirements in section **6.3**.

“PEFC Controlled Sources” can be used for all products for which the PEFC DDS has been implemented. There is no percentage attached to this claim

The claim PEFC Controlled Sources is intended to be used wherever the use of the PEFC Certified claim is not allowed. The two claims PEFC Certified and PEFC Controlled Sources shall be used stand alone, not simultaneously.

### 1.2 Formal Claim X% PEFC Certified

“X% PEFC”, without the word certified, is an acceptable abbreviation of the formal claim “x% PEFC certified”.

Translations of the formal claim which are approved by PEFC are listed on the PEFC website at <http://www.pefc.org/certification-services/supply-chain/translations>. Translations into further languages can be requested from the PEFC Council Secretariat.

### 1.4 Calculation of the content of recycled material

For products which include recycled material, **Appendix 1** of the standard requires the organization to calculate the content of recycled material. The content of recycled material shall be communicated upon request to clients and customers.

The calculation of recycled material shall follow ISO 14021, 7.8.4 as shown in Figure 23. The definition of recycled material (pre-consumer recycled material and post-consumer recycled material) is consistent with the definition of recycled material used in the PEFC Chain of Custody standard (**3.24**).

The content of recycled material is one of two criteria for determination of the usage of the applicable PEFC label (see also **7.2**).

*Figure 23: Calculation of recycled material based on ISO 14021*

Evaluation shall be undertaken in accordance with clause 6 of ISO 14021. In addition, recycled content shall be expressed quantitatively as a percentage, calculated as shown below. As there are no methods available for directly measuring recycled content in a product or packaging, the mass of material obtained from the recycling process, after accounting for losses and other diversions, shall be used.

$$X(\%) = \frac{A}{P} \times 100$$

where

*X* is the recycled content, expressed as a percentage;  
*A* is the mass of recycled material;  
*P* is the mass of product.

Verification of the source and quantity of the recycled materials may be carried out through the use of purchasing documentation and other available records.

## 2 Specification of the PEFC claim on “PEFC Controlled Sources” material

### 2.3 *PEFC Controlled Sources input material*

Similar to PEFC certified material, a product sold with the PEFC Controlled Sources claim can contain certified (without recycled as this is exempt from the PEFC DDS), neutral and other material.

Other material is **all** forest based material other than certified material. Material delivered with the PEFC Controlled Sources claim is also ‘other material’.

## Appendix 2: Implementation of the chain of Custody standard by multisite organisations

### 2 Definitions

#### 2.3 types of multisite organisations

- a) The sites are linked through a common ownership, management or other organisational link. This includes examples like a trading companies with several (inter)national sales outlets, or a group of printing houses that has a shares purchasing and order processing management
- b) A group of independent legal enterprises established for the purpose of chain of custody certification (producer group). In practice, this type of multisite is often referred to as “group certification”. The central office or group entity is usually, but not necessarily, an external consultant referred to as the “group manager”.

Figure 24: examples of different types of multisite organisations



#### 2.6 Producer Group

In case that a participant in a producer group exceeds the limit of 50 employees / 9,000,000 CHF turnover after joining the producer group, the participant shall leave the producer group after the second (surveillance) audit in a row where one of the limits is exceeded.

### 4 Scope of responsibilities for requirements of this standard implemented in the multisite organisation

The correct references are found in Table 16 below:

Table 16: correct references to PEFC ST 2002:2013

Standard requirements		Central office	Site
6.2	Physical separation method		Yes
6.3	Percentage based method		Yes
8	Minimum management system requirements		
8.2.1	General responsibilities	Yes	Yes
8.2.2	Responsibilities and authorities for chain of custody	Yes (for d and e)	Yes
8.3	Documented procedures	Yes (for a, e and f)	Yes
8.4	Record keeping	Yes (for f and g)	Yes
8.5.1	Human resources / personnel	Yes (only for activities provided)	Yes
8.5.2	Technical facilities		
8.6	Inspection and control	Yes	Yes
8.7	Complaints	Yes	Yes

## **Annex 1: Guidance for the implementation of PEFC Chain of Custody for specified projects**

### **1 Introduction**

This section provides guidance on the implementation of the requirements of this standard for any specifically defined project where certified material is used.

The implementation and certification of the PEFC Chain of Custody at the project level is specific in that it is only linked to and valid for a time- and site-specific project for which the claim(s) is made rather than for on-going and continuous production or trade of certified products.

The information given here should be read in conjunction with the normative part of this standard which provides the definitive normative requirements.

### **2 Terms and definitions**

The relevant definitions of PEFC ST 2002:2013 apply, together with the following definitions specific to this Guide:

#### **2.1**

##### **Controlling entity**

A controlling entity is an organization that has overall control and management of a specifically-defined project.

#### **2.2**

##### **Project**

A project is a clearly defined tangible product, a part of a product which forms a functional unit, or a group of related products forming a functional unit manufactured and/or assembled at one particular site (exceptionally at an integrated series of sites, e.g. a ship built at one site and fitted out at another).

Note 1: The term “project” used in this guide is equivalent to the term product group used in this standard.

Note 2: Examples of a project include: a ship, a new building such as a stadium or an office building, the refurbishment of such a ship or building, etc. An example of “a part of the product” includes roofing of a building. An example of “group of related products” is a building complex at one site.

#### **2.3**

##### **Project member**

A Project member is an organization involved in procuring and installing raw material or products for a specifically-defined project. The term does not include organizations involved in manufacturing or replacing products at a location other than the project site or sites.

### **3 Basis for implementation of project Chain of Custody**

#### **3.1 Application of Chain of Custody methods**

Any project will entail a range of different suppliers providing differing contents of certified materials. In such circumstances, physical separation is not applicable. The project Chain of Custody is therefore based on the percentage-based method where the claim percentage is based on the total input of certified material for the whole project, enabling a single claim to be made based on the proportion of certified material involved in the project.

## 3.2 Percentage-based method

### 3.2.1 Project

3.2.1.1 This standard requires that the Chain of Custody requirements shall be implemented for a specific product group. In the case of the project Chain of Custody, the specific project is considered to be the product group to which the Chain of Custody process is applied. The Chain of Custody process entails the identification and quantification of (a) certified, (b) neutral and (c) other material utilized which is used in the calculation of the claim percentage.

3.2.1.2 The project is limited to:

- (a) the product, or part or group of products, covered by the Chain of Custody,
- (b) the single site at which the project was manufactured or assembled,
- (c) the time period over which the project was manufactured or assembled.

3.2.1.3 The project corresponds to the product, construction or part thereof for which the project Chain of Custody claim is made. Examples are given below:

The coverage of the project	Chain of Custody claims
The whole building, e.g. the stadium	x% of wood raw material used in the stadium construction, including supporting material, is PEFC certified.
Roof element of the housing project "abc"	x% of the wood raw material used in the roof element of housing project "abc" is PEFC certified.
Reconstruction of the ship "xyz"	x% of the wood raw material used in the reconstruction of ship "xyz" is PEFC certified.

3.2.1.4 The project can cover several products (e.g. several buildings), however in such a case, all of them form a single functional unit.

3.2.1.5 The claim period corresponds to the time period during which the project was being manufactured or assembled.

### 3.3 Identification of material category

3.3.1 The controlling entity is responsible for ensuring that all materials procured for the project, either directly by that entity or by other project members, are identified and verified as being either (a) certified, (b) neutral or (c) other as defined in the standard.

3.3.2 For each delivery, the identification covers supplier, date of delivery, volume (or weight) and a formal claim, including percentage of certified material.

3.3.3 For each supplier of certified material, the identification also includes verification of the supplier's compliance with the criteria for the supplier of certified material such as PEFC-recognized Forest Management or Chain of Custody certificates.

3.3.4 The project members are responsible for providing the controlling entity with verifiable information on the receipt of all input material as part of this overall identification of inputs to the projects.

### 3.4 Calculation of certified percentage

3.4.1 The claim percentage for the project is calculated as a simple percentage in compliance with chapter 6.3.3 of this standard, from input material delivered to and used in the specific project.

3.4.2 The claim percentage calculation is based on a single common unit of measurement for all material covered by the calculation. Where a complex variety of products have been incorporated in the project, the determination of such a single measurement unit can be difficult. If the controlling entity is able to demonstrate that a common volume or weight measurement unit cannot be found, either based on an official or on an internally derived conversion ratio, then the calculation can be based on values in a single monetary currency.

Note: The certification body reviews the justification for a decision by the controlling entity to use monetary values and requires evidence to demonstrate that a common unit in volume, weight or other appropriate terms could not be found.

### **3.5 Transfer of the calculated percentage to output**

3.5.1 The claim percentage is transferred, in compliance with this standard, to the output product (“the defined project”) using the average percentage method. This means that the calculated claim percentage refers and is communicated to the whole project and cannot be distributed to its constituent parts.

### **3.6 Sale of products (including communication of claims)**

3.6.1 The final calculation of the simple percentage of certified material by the controlling entity can only be done after the completion of the project when all materials have been procured, delivered and identified as either; (a) certified, (b) neutral, or (c) other material.

3.6.2 The controlling entity can, however, obtain a Chain of Custody certificate to indicate the expected certified percentage before the completion of the project if it is able to demonstrate the expected certified percentage based on commitments, specifications and contractual relationship with its suppliers entered into during the planning stage of the project. The compliance between the planning stage claims and the final calculation based on delivered material is verified by the controlling entity as a part of the internal audit and subsequently by a certification body during the third-party audits.

3.6.3 The controlling entity can only use the label/logo based on a valid authorization /licence from the label/logo owner.

Note 1: Where the PEFC Logo is used, the controlling entity is required to have a valid PEFC Logo licence issued by PEFC Council or the PEFC National Governing Body on its behalf.

Note 2: Any usage of the PEFC Logo with reference to the specific project is considered “on-product usage” and can only be applied when the content or expected content (see above) of PEFC certified material exceeds 70%.

3.6.4 Both the communication of the percentage content of certified material and the usage of the logo/label of the project should include a claim about the “expected” percentage content calculated during the planning stage.

### **3.7 Controversial sources**

3.7.1 The controlling entity is responsible for implementing the PEFC Due Diligence System to ensure that non-certified products supplied to the project through the controlling entity or through a project member do not originate from controversial sources.

3.7.2 To mitigate the risk that non-certified products originate from controversial sources, the controlling entity and the project members are responsible for obtaining from their suppliers the information necessary to implement a Due Diligence System in accordance with chapter 5 of the Chain of Custody standard. In accordance with chapter 5, non-certified material delivered with a “PEFC Controlled Sources” claim by a supplier with recognised certificate do not need to undergo a risk assessment.

3.7.3 The controlling entity is responsible for carrying out a risk assessment for all supplies of non-certified products delivered directly to the controlling entity or to the project members. The controlling entity also carries out a subsequent second- or third-party verification programme in those instances where the risk has been classified as high. The controlling entity should enter into a contractual, or other agreed relationship, with project members whereby it can implement such second- or third-party verification programmes for the supplies delivered through the project members.

#### 4 Management responsibilities

4.1 The controlling entity is required to establish a management system in accordance with this standard to ensure correct implementation and maintenance of the project Chain of Custody process. The management system also covers activities performed by project members.

#### Scope of responsibilities for the requirements of this standard

*Table 17: Scope of responsibilities for the requirements of this standard*

Responsibilities		Controlling entity	Project member
<b>6.3</b>	<b>Chain of custody process - percentage based method</b>		
<b>6.3.2</b>	Definition/scope of the Project	Yes	No
<b>4</b>	Identification of the material category of supplied raw material	Yes	Yes (for its own supplies)
<b>6.3.3</b>	Calculation of the certification percentage	Yes	No
<b>6.3.4</b>	Transfer of the certification percentage	Yes	No
<b>7</b>	Sale and communication (including PEFC Logo usage)	Yes	No
<b>5</b>	Controversial sources	Yes	Yes
	Risk assessment	Yes	No
	2 <sup>nd</sup> and 3 <sup>rd</sup> party verification	Yes	No
<b>8</b>	<b>Management system requirements</b>		
<b>8.2</b>	Management responsibilities	Yes	No
<b>8.3</b>	Documented procedures	Yes	No
<b>8.4</b>	Record-keeping	Yes	No (provides records on material supplied to the controlling entity)
<b>8.5</b>	Resource management	Yes	No
<b>8.6</b>	Inspection and control	Yes	No
<b>8.7</b>	Complaints	Yes	No
<b>9</b>	Social, health and safety requirements	Yes	Yes