

SGS INFORMATION GUIDE

FOREST PRODUCTS CHAIN OF CUSTODY CERTIFICATION

Important Information for new Chain of Custody Clients:

SGS provides certification services, and so cannot act as a consultant. This means that our auditors and technical staff cannot provide specific guidance or offer direct advice in the preparation of your Chain of Custody system. We can, however, assist you in understanding what the standard(s) require, and what questions the auditor will be asking at your first audit. This is the objective of this information guide.

1. AIMS OF CHAIN OF CUSTODY

Chain of Custody is the unbroken path which products take from the forest to the consumer, including all stages of manufacturing, transformation and distribution.

Chain of Custody certification provides evidence that the certified product originates from certified well managed forests and/or controlled sources, and/or reclaimed sources and verifies that these products are not mixed with products from uncontrolled timber at any point in the supply chain except under strict controls when percentage labelling or credit system is being used. See standard FSC-STD-40-004 (or Qualifor AD51).

Chain of Custody certification is required whenever a company carries out any physical alteration to the timber/product, they take physical or legal ownership of the timber/product and whenever a company wishes to make independent use of the FSC/PEFC trademark.

See below the wording from FSC on Chain of Custody:

Chain of Custody: The path taken by raw materials, processed materials, finished products, and co-/by-products from the forest to the consumer or (in the case of reclaimed/ recycled materials or products containing them) from the reclamation site to the consumer, including each stage of processing, transformation, manufacturing, storage and transport where progress to the next stage of the supply chain involves a change of ownership (independent custodianship) of the materials or the products.

i. **Accurate and reliable information on quantities of materials purchased, produced and sold:**

A central part of any Chain of Custody system is to gather, record and verify information on quantities and volumes of materials involved. Linking and cross-checking the quantities at subsequent stages of the supply chain provides evidence whether there is any accidentally or intentionally caused irregularity and discrepancy in the system which has to be addressed and corrected.

ii. **Management of critical control points;**

Critical control points have to be managed by systems usually based on the principles of identification, segregation, and documentation;

At each point along the supply chain or within an operation at which material from a certified or controlled source potentially could become mixed with or replaced by material from uncertified or uncontrolled sources, it is segregated and handled or processed separately.

Labels affixed to the logs or other products are keyed to documentation so that information on wood volume, species, quality, and other attributes is available to managers of the Chain of Custody system.

iii. **Adequate training and supervision of personnel.**

A fundamental component of an effective Chain of Custody system is to have the responsible and assigned personnel adequately trained, instructed and supervised to strictly follow the established procedures for Chain of Custody control.

Controlled material: Virgin material originating in non FSC-certified forests or plantations from suppliers included in the verification program of organizations certified according to **FSC-STD-40-005**.

Critical control points: Critical control points are those places or situations in the supply chain where materials from uncertified/uncontrolled sources could enter or where certified/controlled materials could leave the system.

2. ACHIEVING A SECURE CHAIN OF CUSTODY

The first step for an organisation which wants to implement Chain-of-Custody is to identify all **Critical Control Points (CCPs)**. Each of the points identified will need controls to ensure that mixing does not occur.

The way that mixing can be prevented at CCPs is through a combination of identification, segregation and appropriate documentation together with adequate training. The stronger the controls are, the lower the risk of mixing of product, ensuring a more robust Chain of Custody.

- ❑ Accurate production records must be kept, from which it is possible to identify the source and quantity of materials input, and the volume or number of goods manufactured.
- ❑ Records must be maintained relating to purchase, delivery, shipment, receipt, forwarding and invoicing of certified products. These records need to be maintained for a minimum of 5 years.

Once the CCPs have been identified the setting up of the Chain of Custody system within the FSC framework can be achieved by following the basic steps outlined below. A good documented system of Procedures and Controls is essential.

3. BASIC PARTS OF A CHAIN OF CUSTODY SYSTEM

A system for the purchasing and acquiring certified materials, including the evaluation of vendors and the acquisition and maintenance of records ensuring traceability of the products to their source.

A system for the handling certified materials within the scope of your business (i.e. keeping them distinct from non-certified materials).

A system for providing certified materials to your customers; including the provision of the necessary information and documentation allowing traceability and verification.

4. SCOPE OF CERTIFICATION

Scope of Chain of Custody certificates: The scope of a Chain of Custody certificate defines the sites, products (by product types and labelling category/material status), and processes / activities that are included in an evaluation, together with the certification standard(s) against which these have been audited in order to ensure that products from those sites and processes meet all the applicable requirements. It determines the point at which the certified Chain of Custody system starts (i.e. the point at which the certificate holder takes possession of certified and non-certified material), the basic material-related processes (e.g. processing, manufacture, labelling, storage and/or transport), up to the point at which it finishes (i.e. the point that the certified products leaves the certificate holder's control). Any product which is within the defined scope of the certificate at the time the certificate is issued may be considered to comply with the applicable requirements of relevant certification standard(s).

This is the description of the business as it will appear on the certificate once it is approved.

Product Groups

- Establish and maintain a list of products for sale with a product claim (certified products) using the **FSC STD 40-004a (Version 1-0)**.
- For each product select a Chain of Custody control system i.e. Transfer, Percentage, or Credit.
- This list must be available for inspection by SGS and made publicly available to other interested parties.
- Product group: A product or group of products specified by the organization, which share basic input and output characteristics and thus can be combined for the purpose of FSC Chain of Custody control, percentage calculations and labelling according to the FSC material categories: **FSC Pure, FSC Mixed, FSC Recycled or FSC Controlled Wood**.

5. REQUIREMENTS FOR ALL COMPANIES

- A person or position having overall responsibility for the Chain of Custody system.
- General staff awareness of the company's Chain of Custody procedures.
- Written procedures or work instructions showing compliance with the standard. An up to date manual with all the procedures necessary for maintaining the system (CCPs of the COC system) and records for the implementation of the system. All records for the system must be maintained for a minimum of 5 years.
- Assigned roles and responsibilities of staff in relation to their role in maintaining the Chain of Custody system.
- A formal training plan with records of training for staff as defined for each procedure in the system.
- The maintenance of a product group list (the certified products for sale) using the **FSC STD 40-004a V1** as the product classification guide.
- A verification procedure for identifying potential certified suppliers using the website www.fsc-info.org
- A verification procedure for incoming raw material from certified suppliers. (checking of documentation to see that it complies with procedures)
- Identification of outputs (sales documentation, invoices, transport and delivery notes.)
- Labelling and logo use, procedures and permissions for use if intended.

Control system options – The system used for product groups in the chain of custody. More than one system can be used for different product groups.

- **Transfer System** - (or Physical Separation Method) – requires separation of certified inputs and transfers certification claims directly from inputs to outputs. It can be used for FSC Pure products or FSC Mixed if no changes are made to the claims.
- **Percentage System** – requires an accounting system to track inputs of eligible materials and applies percentage-based calculations of output claims. Products must meet the minimum thresholds (e.g. 70% certified material and 30 controlled material for solid products).
- **Credit System** – requires an accounting system to track inputs of eligible materials and the application of “credits” when making certification claims on outputs. This system is applicable to a single site only and is not available for final sales. (ie to a retailer or in its final packaged form)

6. OTHER OPTIONAL REQUIREMENTS

These other optional requirements must also have their own sets of procedures relevant to the standard.

- ❑ **Controlled Wood**, the purchase and use of controlled materials (uncertified) in the production process. A set of procedures for maintaining compliance with the standard is essential and will be audited against the Qualifor document AD54-C (**FSC STD 40-005 V2-1**). A company declaration by a senior management representative against purchasing timber or material originating from the 5 points listed by FSC as controversial sources is mandatory. Also a risk assessment will have to be completed by the company following the guidelines in the Qualifor document AD54-F. The document must be made available publicly as well as forwarded to SGS for verification and publication on the FSC Risk Register. This will need to be done before certification can proceed.
- ❑ **Reclaimed material use** – When a company sources reclaimed materials for use in manufacture (discarded timber from demolition sites/old packing materials/reject or discarded pallets and waste paper for recycling – post-consumer material) then the company must have procedures in place that follow the requirements in the document Qualifor AD 54-D (**FSC-STD-40-007 V1-0** - Sourcing reclaimed materials).
- ❑ **Outsourcing** – When companies outsource certain types of work to specialist companies, for the material processing of their certified products. A written contract that shows ownership retention by the certified company permits on site audits by SGS and other points that can be found in the Qualifor document AD51 (**FSC-STD-40-004 V2-0** - Standard for CoC Certification Part iv section 12).
- ❑ **Use of Minor components** – Derogation. There is a derogation available for companies that use minor components (under 1% of the total volume or weight of the product requires a statement from the company that the required part in certified form is not available locally or if available is not commercially viable, with a survey conducted to prove the claim) or alternatively under 5% but completion of the Qualifor application AD51-C is required in compliance of **FSC-PRO-40-004**. (Not allowed for face veneer and CITES species.)
- ❑ **Multi Site operations** – When there are more than two sites operated across a centrally controlled network of facilities then a multi site certificate can be issued that covers all the sites. These requirements can be found in the Qualifor document AD52 (**FSC STD 40-003 V1**).

7. LABELLING

Use of FSC labels, on products, or for identification, or promotional use is subject to strict controls by SGS and FSC. These controls are monitored by SGS Qualifor on behalf of FSC and incorrect labelling can lead to withdrawal of the product and labels at the client's expense. Should clients wish to label products, final artworks of proposed labels must be forwarded to SGS prior to printing for approval. SGS will provide access to the FSC Labelling System which indicate the different templates of types of labels that are permissible for use by clients covering the different systems. All labelling for *on-product* use of the FSC Trademark must conform to **FSC-STD-40-201** (version 2.0). FSC on-product labelling requirements and *for promotional use* of the label must conform to **FSC-TMK-50-201** FSC Trademark requirements for promotional use.

8. SALES AND DELIVERY

Invoice details

Once you are certified and you want to sell certified products you need to include the company CoC number in the correct format (SGS-CoC-XXXXXX) for the sales of certified products or (SGS-CW-XXXXX) for the sales of FSC Controlled products and the certification claim information - FSC Pure, FSC Mixed (xx%), FSC Mixed (credit), FSC Controlled wood or FSC Recycled etc.

9. SUMMARIES

The company is required to keep lists of approved certified suppliers, total raw material receipts per product group and certified sales per product group.

10. BRIEF OUTLINE OF THE AUDIT PROCESS.

Application

Following receipt of an application, a financial proposal is prepared by SGS and, if acceptable, an agreement for Chain-of-Custody Evaluation signed by the organisation.

Evaluation

Opening meeting

The auditor explains the process and confirms the scope of chain-of-custody.

Site visit

This usually consists of an examination of the following by inspecting documents and interviewing the relevant staff:

Incoming material

- Visit to the purchasing department.
- Review of documentation and records.
- Receipt measurement and recording of incoming raw material or products.
- Storage of incoming raw material, including location control for certified material.
- Evaluation of inputs to the Chain-of-Custody system.

Processing

- An evaluation of risk of uncontrolled mixing of certified and non-certified material/products within the system.
- Evaluation of control systems implemented.
- Control and identification of products during processing, sorting and packing.

Outgoing material

- The segregation and/or identification of certified products in the store.
- The labelling and dispatch of certified products.

Closing meeting

- Summary of the audit and findings
- Confirmation if certification will be recommended or not.

Reporting process

If no major CARs were raised, the draft report is submitted to SGS Qualifor for the certification decision.

Once report is approved the certificate is issued for five years and a copy of the approved report is provided to the company.

The process of submitting the report, certification decision and the issue of the certificate may take 6 weeks.

Once the approved certificate is received the company can start promoting themselves as certified and sell products as certified.

Surveillance Audits must be conducted at least annually but may be more frequent.

11. GENERAL

There are many points to consider when drawing up a chain of custody procedure that are not covered here. Access to all the FSC documents via www.fsc.org is advisable and your local SGS office can avail you of the important Qualifor documents that are mentioned in this brochure.

End of Reference Document