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Centre de Conférences à Luxembourg, Kirchberg
on Friday, 25th February 2000

Agenda Item 5

**Adoption of Annex 6 to the Pan European Forest Certification
Framework – Common Elements and Requirements Technical
Document –
“Rules for the Verification of the Chain of Custody of Wood”**

**The Directors of the Pan European Forest Certification Council
propose the adoption of this document**

PEFCC

Pan European Forest Certification Council
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**PEFCC asbl, 2^{ème} Etage, 17 Rue des Girondins, Hollerich, Luxembourg L-1626
Web site: www.pefc.org Tel/Fax: +352 26 25 90 59 E-Mail pefc@pt.lu**

Rules for the Verification of the Chain-of-Custody of Wood

1. The purpose of the Chain of Custody rules

The purpose of this paper is to set out the rules and guidelines for the Chain of Custody (CoC) certification in the PEFC scheme. A Chain of Custody certification is needed to verify that PEFC certified wood raw material comes from PEFC certified forests. The Chain of Custody certificate is needed when on- or off-product claims are used. These rules were devised by a Chain-of-Custody Working Group and were adopted at the PEFC Council General Assembly in Luxembourg, on 25 February, 2000.

These rules contain three optional approaches – input/output, minimum average percentage and physical separation system - for Chain of Custody verification. These approaches can be implemented for various purposes and in different phases of the process. PEFC is based on the principle of continuous improvement. The aim is to improve the quality of forest management and to increase the area of certified forests. The existence of Chain of Custody and logo-usage rules promote these targets through increased demand for labelled products.

2. Guiding principles

The following guiding principles were considered:

1. The aim of both the PEFC forest certification and chain of custody certification is to promote sustainable forest management.
2. PEFC is a single issue certification scheme; its claims concern sustainable forestry only and the wood or fibre chain from the forest to consumers.
3. The rules, contained in this annex, for the verification of the Chain of Custody of wood are adopted by the PEFC Council. Where for some reason there is a need to devise national, regional or sectoral Chain of Custody rules, these have to be directly presented and endorsed by the PEFC Council. However, the basic rules for such schemes must be the same as those outlined in this annex. The PEFC Council recognises that small and medium size enterprises may need different arrangements to large international companies (e.g. group certification). The PEFC Board of Directors will monitor national, regional and sectoral chain of custody applications and their credibility.
4. The PEFC Chain of Custody rules attempts to meet the needs of all companies along the wood chain (sawmills, wood based panel mills, paper mills, converters, publishers, printers, wholesalers, retailers etc.)
5. The certification body is responsible for verifying national, regional or sectoral applications and safeguarding their credibility. Where a certified ISO-9000/ISO-14000/EMAS system includes the verification of chain of custody in accordance with the PEFC rules, no separate PEFC chain of custody certificate is required.
6. Rules for market claims and logo usage are presented in Annex 7 of the Pan European Forest Certification Framework – Common Elements and Requirements Technical Document otherwise known as “PEFC Technical Document”.

3. Certification body

The certification body is an accredited independent third party, that assesses and certifies the origin of wood based raw material at each subsequent phase of the chain of custody, in the unit to be certified with respect to the certification criteria.

Certification bodies are impartial and have the necessary technical competence in certification procedures; sufficient know-how on wood procurement and each phase of the chain of custody in general and a good understanding of the certification criteria and the criteria against which certification is done.

The tasks of the certification bodies include:

- carrying-out of independent certification processes
- issuance and withdrawal of PEFC Chain of Custody certificates
- control of the use of the certificate (including claims).

The auditing personnel must have a good knowledge of the relevant certification scheme and the PEFC requirements. Professional expertise in wood procurement and each phase of the chain of custody and certification procedures is proved on the basis of appropriate education and professional experience.

ISO/EMAS certification is not a precondition for the chain of custody certificate.

The independent certification body is responsible for verifying the whole chain of custody and the proportion of certified wood raw materials in each phase of the chain. This includes also that the body verifies certificate holder's statements and claims as well as monitoring and controlling the use of the PEFC trademark.

4. Accreditation

Certification bodies must be accredited by national accreditation bodies so as to ensure the credibility of the certification work and to facilitate mutual recognition. However, where for some reason this is not possible or practical and an adequate credible alternative exists, a special application, requesting exemption from this clause and outlining the alternative procedure to ensure credibility, can be made to the General Assembly of the PEFC.

5. Technical requirements

5.1. Verification requirements

5.1.1. Verification of origin of wood raw material and products

The company must operate a system for verifying the origin of the wood raw material used in manufacturing and also procured products.

The system includes the following requirements:

- when the company buys or procures raw material or products, it must ensure that

- (a) the supplier has a valid forest management certificate, or
- (b) the supplier has a valid chain-of-custody certificate, or
- (c) the origin of wood can be reliably verified otherwise

- when the company receives raw materials or products, it must verify from the associated documents that the origin is verifiable

- if the company is in doubt about the validity of the certificate, the validity must be checked with the issuing certification body or the applicant in question

5.1.2. Inventory control and accounting of raw material flows

The origin of certified raw materials must be verifiable before and after transport, handling and processing on the basis of associated documents.

On the basis of information on deliveries received, the volumes of raw materials coming from different suppliers must be verifiable.

If certified and other raw materials are mixed, reliable data must be maintained to allow an independent certifier to verify their shares during the selected period.

The company should maintain a system in which information of the suppliers of wood based raw materials can be attached to products or associated documents.

5.1.3. Physical separation and/or marking of raw materials

The company must ensure that when certified raw materials are received they be clearly marked or otherwise identified as certified.

Certified inputs must remain identifiable as certified throughout transportation, processing or manufacturing. This may be achieved by:

- directing certified and other raw materials to separate mills or production lines
- using certified and other raw materials at the same mill at different times
- marking the certified raw materials, intermediate, semiprocessed and end products or similar items in each processing phase so that they can be identified as certified

Certified products must be clearly marked or otherwise be identifiable in a manner that marking does not become detached during storage, handling or transportation. In addition, information on the certification status must be recorded in the associated documents and reports.

5.2. Documented control system

The company must establish and update a documented control system, which specifies:

- the personnel responsible for control
- information systems or their parts, and necessary forms, records and documents
- requirements for completing information systems or their parts, and necessary forms, records and documents

5.3. Record keeping

The company should maintain appropriate records of the supplier of all wood based raw materials and products procured, processed and sold.

The records should be sufficient to allow an independent assessor to trace the supplier of raw materials or procured products.

Records are maintained for a period of five years or corresponding to the requirements of the certification body.

5.4. Issuance of certificate

The company may obtain a certificate if it has a system based on which the supplier of wood based raw material or procured products can be verified.

In manufacturing enterprises applying inventory control and accounting of raw material flows, the system must produce verifiable information about the shares of certified/non-certified wood or wood fibre used during a selected time period.

In systems based on inventory control and accounting of raw material flows the share of certified and non-certified wood raw material can be calculated on the basis of volume or weight. The company must communicate the principles on which the shares of wood or wood fibre procured from different sources have been determined.

In manufacturing enterprises applying physical separation, the system must produce verifiable information about the origin of wood or wood fibre used in processing.

5.5. Use and cancellation of certificate

The certification body is responsible for verifying the origin and the control and supervision of the use of the certificate.

The company must have a system to ensure that the certificate is not misused.

The certification body may cancel the certificate if it has good reasons to believe that the certificate is being misused. If a chain of custody certificate is cancelled, the certification body is required to immediately inform the record holder of the PEFC logo licences about the cancellation.

6. Optional scales for Chain of Custody verification

There are various needs for claims in the marketplace, which necessitate flexibility by the PEFC Council. These include different scales in order to meet these needs and the manufacturer or distributor will make the decision according to the markets' needs. The following examples illustrate possible scales:

Market claims can be applied to:

- a batch of products (or a single product)
- a single production unit (or a production plant or line)
- a whole company operating in a country or in a region

7. Optional approaches for chain of custody verification

The PEFC has three alternative approaches to chain of custody verification. Two of these are based on inventory control and accounting of wood flows and the third one is based on physical separation. An applicant for a Chain of Custody certificate will select the approach. The PEFC recognises the following three options:

- 1.-2. Inventory control and accounting of wood flows
 1. Input/output system (%in/%out)
 2. Minimum average percentage system
3. Physical separation

A company implementing the chain of custody certification is also able to choose its option according to the national, regional or sectoral application. It is also possible to choose an alternative option in different mills and change the system to another one according to certification development or the markets' needs.

7.1. Inventory control and accounting of wood flows

Verification based on inventory control and accounting of wood flows includes keeping track of, and communication concerning, the share of certified wood in different operators' mill sites, warehouses, and storage areas. Each delivery is monitored, until the point of feeding into the process, through detailed accounting of material flows; this approach enables the establishment of certified wood flows in the procurement system, including the share of certified wood in each intermediate storage or log yard at a given point of time. The same principles should be applied in each phase of the chain, i.e. wood procurement, primary and secondary processing and trade.

Monitoring of timber flows can provide transparent information about the share of certified wood used in different products.

7.1.1. Input/output system (%in/%out)

Input/output approach means that when a known percentage of PEFC certified wood based raw material (i.e. input batch) enters into processing, the same percentage (on an average) of the production (i.e. output batch) is considered to be certified. - The claim for option 7.1.1. is presented in the Annex 7 to the PEFC Technical Document (The PEFC Logo Usage Guide for Wood Products) and is referred to in Appendix 2 in this Annex.

7.1.2. Minimum average percentage system

In the minimum average percentage approach the total batch of products can be labelled as certified when the amount of certified wood based raw material in the input batch exceeds the set minimum average threshold. In the PEFC scheme the minimum percentage is 70 % by volume or by weight for all forest based products (solid wood, assembled goods, pulp & paper, chips & fibre). - The claim for option 7.1.2. is presented in the Annex 7 to the PEFC Technical Document (The PEFC Logo Usage Guide for Wood Products) and is referred to in Appendix 2 in this Annex.

7.2. Physical separation

Physical separation includes segregating wood from different origins physically in all the phases of transportation, production and distribution. - The claim for option 7.2. is presented in the Annex 7 to the PEFC Technical Document (The PEFC Logo Usage Guide for Wood Products) and is referred to in Appendix 2 in this Annex.

8. Controversial sources

PEFC labelled products must not contain any wood raw material from illegal logging such as logging in forest areas strictly protected by law. Furthermore, PEFC labelled products must not contain any wood raw material from forest areas officially published by a government/environmental authorities as planned to become strictly protected by law, without the government/environmental authorities giving permission to harvest.

9. Period for monitoring of timber flows (Batch)

The percentage-based methods are applied over a specified time period, batch. The length of the period may be up to twelve months (no minimum). The period will be calculated as a rolling average of the output. The period will be determined by the manufacturer who will communicate it to its certification body or standardised by the approved national, regional or sectoral chain of custody rules relating to the delivered materials or products. Calculations shall be based on verifiable documentation.

In the transition phase the length of the period can be shorter than the final choice. It will be also possible to change the period in order to meet certain customer's specific needs.

10. Product groups

The PEFC has only one product group, namely forest based products, to which all rules apply.

11. The unit of certified wood

The PEFC has two alternatives for a unit of certified wood: dry weight or volume. These units are used when determining the percentage. The unit will be decided by the manufacturer or standardised by the approved national, regional or sectoral chain of custody rules relating to the delivered materials or products and verified by the certification body.

12. The classification of certifiable wood materials

The PEFC groups raw materials into four categories:

- Category 1. Includes PEFC-certified wood based raw materials or certified wood based raw materials from other certification schemes recognised by the PEFC Council.
- Category 2. Includes recycled wood and recycled fibres (post-consumer wood and fibres) and reclaimed pre-consumer by-products from processes in manufacture where these are not traceable to virgin wood sources.
- Category 3. Includes non-wood material (e.g. agricultural fibre and rags), starch, pigments and wood harvested from urban forestry. This material is considered as "neutral" when determining the percentage of certified raw material.
- Category 4. Includes non-certified wood based raw material.

12.1. PEFC policy for neutral wood/fibre content

PEFC-labelled forest based products can also contain neutral wood or fibre (category 3). This category is excluded from the determination of certification percentage. PEFC does not set any limit for neutral wood or fibre.

12.2. PEFC policy for recycled wood/fibre content

Recycling is considered to be an essential element for sustainable development. Therefore the PEFC does not set any limit for recycled wood or fibre (category 2). Recycled wood or fibre is excluded from the determination of certification percentage. The calculation of the certification percentage (Pc) is the following:

$$[Wc / (Wc + Wnc)] * 100 = Pc$$

Where **Wc** = category 1: PEFC certified or PEFC-recognised wood based raw materials
Wnc = category 4: non-certified wood based raw materials
Pc = certification percentage

The PEFC Council will keep its policy on recycled wood/fibre under review.

The PEFC Council should commission a study to establish an improved platform for the issue of PEFC policy on recycled wood/wood fibre before the first review of the policy on recycled wood/ wood fibre takes place. An important element of such a study is to find a methodology to establish how a chain of custody can verify that recycled wood has originated from PEFC -certified forest and thus have it considered as category 1.

12.3. Certification of non-wood products

Concerning the importance of the certification of non-wood products, the PEFC Council should commission a study to establish a platform for the issue of PEFC policy on the certification of non-wood products, i.e. mushrooms, herbs, foliage, cork, gum resin, etc.

13. Implementation Aspects

Chain-of-custody certificates will be required from the following members of the chain of custody:

- round wood traders
- primary and secondary processors
- traders and/or retailers who break up packages and resell goods in different form/units from what was purchased

The declaration of origin (certified/uncertified) by a certified producer is sufficient as long as the product remains in its original packaging. If the packaging is broken, or the product is worked and/or repackaged, chain-of-custody verification will be required for such a further processor/trader. Even if it is not broken up the producer will always have to be able to prove the product has been certified.

Spot checks by the certification body in the distribution chain can be made to ensure the label is not misused. These checks could involve traders who do not need a separate chain-of-custody certificate but who sell certified products in producer's original packaging. These spot check will be made in a cost-effective way.

The chain-of-custody verification should be integrated as far as possible with:

- existing quality and environmental management systems and their certification so that chain-of-custody claims would not necessarily need separate certification audits
- existing certification of product standards

However, if the producer/trader does not have a certified quality system or a certified environmental management system, their chain-of-custody verification methods and claims must be audited according to PEFC requirements. PEFC will also look for mutual recognition with other chain of custody schemes when appropriate.

Bar codes used on products and packages would be an appropriate means for carrying out spot checks in retail outlets or elsewhere in the logistic chain. The electronic data interchange (EDI) standard for information transfer between the members of the chain of custody could also be used when available.

Appendix 1.

Definitions

The list of definitions in the PEFC Technical Document does not cover all the definitions presented in this Annex.

Accreditation

A procedure by which an authoritative body gives formal recognition that a body or person is competent to carry out specific tasks. (See section 5)

Accreditation body

An authoritative body that assesses the qualifications and capabilities of certification bodies to operate independently and reliably, verifies their competence, and controls their operation. The body must be neutral without vested interests with certification bodies and its competence and neutrality is safeguarded through international accreditation co-operation.

Audit

Systematic and objective activity to find out the extent to which requirements related to an agreed subject matter are fulfilled, performed by one or more persons who are independent of what is audited. (ISO 9000, version CD2, 1999)

Batch

The quantity of wood raw material or of intermediate or finished product which is quantified as being work in progress between the first day and the last day of the relevant batch period and subsequently delivered as an identified batch or parts of a batch to one or more processors, traders or users.

Batch period

The period within which a batch of wood material is processed, or a batch of finished product covered by this standard is manufactured, within a single processing or manufacturing plant, which shall normally be an identified maximum period of 12 months commencing on any day on which the relevant batch enters into processing as work in progress. The batch period relating to a specific phase or activity in the chain of custody may be standardised in national, regional or sectoral chain of custody rules if appropriate.

Certificate

A confirmation by an independent third party that a product, method or service is compliant with the certification criteria of pre-set requirements.

Certification

Procedure by which a third party gives a written assurance that a product, process or service conforms to specified requirements. (e.g. ISO/IEC Guide 2)

Certification body

An independent third party, accredited by a national accreditation body, that assesses and certifies organisations with respect to standards and any supplementary documentation required under the system (See section 4).

Chain of custody

All the changes of custodianship of forest products, and products thereof, during the harvesting, transportation, processing and distribution chain from the forest to the end-use.

Chain of custody certificate

A certificate which confirms the origin of wood raw material, and products thereof. With a chain of custody certificate a producer/trader may verify that wood raw material used in products comes from certified forests.

Industrial by-products

Wood based material in the form of sawdust, fibrous wood, printers' off-cuts, solid-wood off-cuts or composite wood off-cuts resulting from any wood transformation or manufacturing process and

which may be reclaimed and recycled as raw material for manufacturing process, or burned. Various materials belonging to this category are defined in details in customary definitions of the business in question.

Industrial co-products

A class of virgin wood consisting of chips, slabs, sawdust and the like co-produced with the cutting of sawn wood or veneer log from the round wood log and used as materials for industrial processing or other commercial applications. Industrial co-products are comparable to virgin fibre when determining the percentage of certified raw material. Various materials belonging to this category are defined in details in customary definitions of the business in question

Label

A claim which indicates certain aspects of a product.

Labelling

Usage of labels (on- or off-product labels) in connection of products in order to communicate their properties.

Life cycle analysis

An analysis concerning consecutive and interlinked stages of a product system, from raw material acquisition or generation of natural resources to the final disposal ("from the cradle to the grave"). It includes production of raw materials, the production, processing, storage, transport of materials, and use, recycling and disposal.

Off-product label

Information conveyed by a supplier by documentary means other than an on-product label, concerning the nature or classification of the material in a batch including the percentages of certified or non-certified materials in the batch.

On-product label

A merchandising label attached to a product or a package of products.

Origin

The forest from where the wood raw material of products originates. When determining the percentage of certified wood raw material producer/trader has to verify with a chain of custody certificate whether the origin is certified or not. The origin shows whether the forest is certified or not. The origin may be verified with systems based on inventory control and accounting of wood flows or physical separation.

Recycled wood and wood fibre

Recycled wood/fibre in the form of either reclaimed pre-consumer by-products from processes in manufacture where these are not traceable to virgin wood raw material sources, or reclaimed post-consumer wood/fibre which after reclamation is recycled into the chain of commercial supply and reduced to a raw material form. Normally classified in a list of Standard Grades

Rolling average

The batch period is calculated as a rolling average in order to avoid remarkable seasonal variation. This means that if a manufacturer has a batch period of six months and the basic monitoring period is one month, the batch period is calculated monthly as a average of previous six months.

Single issue-label

A label which states something only on one property of the product (e.g. management of the forests which are origins of the wood raw material used in the product)

Sustainable Forest Management (SFM)

The stewardship and use of forests and forest land in a way and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil now and in the future, relevant ecological, economic and social functions, at local, national and global levels and does not cause damage to other ecosystems (Definition of SFM within the Pan-European process). The PEFC certified forests are certified in accordance with the six Pan European criteria as defined and endorsed by the Pan-European Ministerial Conferences on the Protection of Forests in Europe.

Virgin wood/fibre:

Wood/fibre, whether in the form of round wood, chips, sawdust, fibrous wood, not yet subjected to industrial processing.

Wood based raw material

Raw material or intermediate product based on wood (e.g. round wood, chips, sawdust, sawn wood, wood based panels, pulp, paper)

Appendix 2.

The Connection of the PEFC Chain-of-Custody document to the PEFC Logo Usage Guide

The PEFC logo and trademark provide information that wood and wood raw material used in designated products comes from sustainably managed forests (SFM), as defined and endorsed by the Pan-European Ministerial Conferences on the Protection of Forests in Europe, and independently certified in accordance with the requirements of the PEFC scheme.

A PEFC product can carry the PEFC logo without a claim, but it is recommended to have a claim. The PEFC logo can be used with or without claims in two different ways:

On-product claims

- Claim on the label (e.g., ready- to- fit parquet, moulded wood, glued wood sheets etc)
- Claim on the product itself (unpackaged products), where the logo is stamped onto the goods
- Claim (stamp) on the roundwood

Off-product claims

- Claim on the product documents (Bill of loading, packaging list, invoice, etc)
- Claim on general documentation (PEFC brochure, company or product brochure, etc.)

In cases where the chain-of-custody verification is based on ***inventory control and accounting of wood flows (input/output system or minimum average percentage system)***, the claim on the label /behind the logo would read, as follows:

“www.pefc.org”

or

“Promoting sustainable forest management – For more info: www.pefc.org”.

In cases where the chain-of-custody verification is based on ***physical segregation*** and there is 100% certified wood content, then the claim on the label/behind the logo would read as follows:

“From sustainably managed forests – For more info: www.pefc.org”.

The official claims are written in English, but translations are allowed, if and as approved by the PEFC Council.

A producer of PEFC product may add a voluntary product description when he wants to inform about other raw material properties such as origin of non-certified raw material of a product. Management of the origin is recommended to be based on both quality management systems such as ISO 9002 and environmental management systems such as ISO 14001 or EMAS. The content of a product description may be as follows:

- primary wood fibres/wood from PEFC-forests
 - other PEFC compatible primary wood fibres/wood
 - other primary fibres/wood
 - recycled wood fibres
- total wood raw material content

Appendix 3.**List of members of PEFC Chain of Custody working group**

Albizu, Pedro,	Aspapel Central Forestal	Spain
Auqui�re, Bertrand	Woodnet	Belgium
Van Den AVENNE, Bernard	Chepboard NV spano	Belgium
Bastiaansen, Adriaan	CEI-Bois	
Causi, Jose	ANFTA	Spain
Duke-Evans, David	WPIF	UK
Edinger, G�nter	Austropapier	Austria
Heider, Gerhard	VDS	Germany
Holm, Bo	Swedish Sawmill Federation	Sweden
Huart, Christian	FEBO	
Kibat, K-D	Verband Deutscher Papierfabriken e.V. (VDP)	Germany
Litzinger, Marion	FEBO	
Prados Edwards, Juan	Spanish federation of woodworking industries	Spain
Rebernic, Christian	Die S�geindustrie	Austria
Rotherham, Tony	CPPA	Canada
Schopfhauser, Wolfgang	CEPI	
Segerst�en, Christer	S�dra	Sweden
Sousa, Alexander	Forest Owners	Portugal
Steenberghen, Pierre	FEBO	
Streiff, Hans R.	E.O.S.	
Thoresen, Sverre	Norske Skog	Norway
Verneret, Pierre	Federation Nationale du Bois	France
Viron de, Jean-Charles	Woodnet	Belgium
Valtanen, Hannu	Finnish Forest Industries Federation	Finland
Kallio-Mannila, Pekka	Finnish Forest Industries Federation	Finland