

A Guide to Chain of Custody

naturally:wood®

British Columbia Forest Facts

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PROMOTE YOUR SUPPORT FOR FOREST CERTIFICATION AND DEMONSTRATE THE INTEGRITY OF YOUR WOOD SUPPLY

Canada is the world leader in third-party sustainable forest management certification, making our forest products a preferred choice for customers around the world.

Increasingly, companies ranging from lumber producers to printers, are using certification to back up their claims that the raw materials in their products come from legal, responsible sources.

In the international marketplace, jurisdictions are increasingly specifying forest certification requirements, backed by Chain of Custody (CoC), in their green procurement policies ensuring they source legal and sustainable forest products. Recent examples include: Denmark, the United Kingdom, Netherlands, and Belgium.

Many countries (U.S., the European Union, Japan, and Australia) are implementing import controls to combat the global problem of illegal logging. As a result of the effective enforcement

of Canada's comprehensive legislative and regulatory framework, which provides regular scrutiny and audits of forest companies, the risk of illegal logging in Canada is negligible. While illegal logging is not an issue in Canada, our exports to these markets can be affected by these controls. CoC is one of the tools available to provide assurance of legality of supply.

Canada manages forests sustainably, ensuring they are there for future generations to be used for the many things that society values; including recreation, wildlife habitat, biodiversity, and forest products. All major forest certification programs in North America are recognized by companies and governments around the world.

This guide will help you develop a CoC management system that you can use for your entire wood supply, adding value through third-party verified claims that promote your product.





Benefits of having a certified chain of custody:

Improve market access by:

- Showing customers that your products represent a sound environmental choice.
- Being in the position to make certified, sustainable, recycled and legality claims.

Strengthen your business processes by:

- Creating a verifiable measure of the amount of certified, non-certified, and recycled material you are using.

Improve forest management globally by:

- Ensuring you are using raw materials from legal and responsible sources, whether the land is certified or not.

Minimize commercial risk by:

- Demonstrating good stewardship.
- Protecting your brand integrity.

The United Nations, UNECE/FAO *Forest Products Annual Market Review, 2009-2010* report said:

- Chain of custody (CoC) certification accelerated over the past year indicating strong trade interest in certification as a tool to demonstrate high environmental performance and to differentiate products in a depressed marketplace.
- The commitment of large publishers and other customers of the paper and packaging sectors has been the main factor driving growth in forest and CoC certification.
- Public-sector procurement policies, green building initiatives and legislation in the United States and European Union to prevent illegal logging are becoming more significant drivers of demand for certified forest products

Three forest based product certification exist in North America:

1. *Sustainable Forest Management (SFM)* – SFM certification is specific to the forest land base and illustrates through a set of indicators or criteria of sustainability, specific to a given standard, to ensure forests are well-managed.
2. *Certified Sourcing* – Unique to the Sustainable Forestry Initiative (SFI), the Certified Sourcing label does not make any claim about certified forest content. The SFI Certified Sourcing label and claim can include fibre sourced in accordance with SFI's Fibre Sourcing Standard, pre- or post-consumer recycled content or from a certified forest, and fibre sourced from non-controversial sources (outside of the U.S. and Canada).
3. *Chain of Custody (CoC) Management System* – CoC certification links forest products from well-managed forests to the marketplace. It is used to track raw materials from their origin to the final product; to specify requirements that ensure wood from uncertified sources has been harvested legally and responsibly; and to measure the proportion of certified and/or recycled content in wood products. A label can be used to communicate these characteristics to consumers.

Independent third-party, accredited certification bodies or registrars conduct forest management, Certified Sourcing and CoC certification audits.

This guide focuses on CoC management systems for forest based products recognized in British Columbia, Canada.

WHAT IS CHAIN OF CUSTODY?

Chain of Custody is an information trail about the path taken to track raw materials from certified forests and other non-controversial sources through each processing or manufacturing stage until the resulting product reaches the store shelf

or the end-user. In addition, it can be used to track characteristics such as the proportion of recycled content.

Chain of Custody can also assist in determining the potential level of risk associated with trading illegally harvested wood or wood harvested in violation of traditional or civil rights – an important

consideration in light of the fact that only 10 per cent of the world's forests are certified. This means there is a good chance you have some non-certified content in your supply chain, and you want assurance that it is not the result of illegal harvesting practices, especially if it is from offshore jurisdictions that lack Canada's rigorous forest laws and enforcement.

BUILDING YOUR CHAIN OF CUSTODY MANAGEMENT SYSTEM

Here are some things to consider when building your CoC management system:

CoC Management System Choices

All of the forest management certification programs used in Canada – the Canadian Standards Association Sustainable Forest Management Standards (CSA), the Forest Stewardship Council® (FSC®), and the Sustainable Forestry Initiative (SFI) program – have an associated CoC option, and associated product labels. The FSC and SFI programs have developed their own CoC standards. To ensure international alignment, CSA has adopted the Programme for the Endorsement of Forest Certification (PEFC) CoC standard (PEFC ST 2002:2013) and labelling for the purposes of its program.

There is no CoC standard that recognizes certified wood from all of these sustainable forest certification programs. However, the

SFI and CSA programs are both endorsed by the PEFC scheme, and the PEFC CoC standard recognizes content certified to any PEFC–endorsed certification scheme. The SFI CoC standard recognizes certified content from the CSA program and the American Tree Farm Standard, both of which are endorsed by PEFC.

The one or more CoC certification standards you choose should be balanced and based in part on the needs of your customer, the certification status of your source product, the geographic source area of your product and your intended use of certification logos or labels.

Cost for CoC Management

The cost to establish, certify and maintain a CoC management system will depend in part on the type of organization (i.e., primary or secondary manufacturer, etc.), the size of the organization (i.e., the number of facilities within the scope of the certification), the geographic source of your raw material, the certification standard chosen and whether or not there is an intent to use certification labels or logos.

Typically costs are incurred from three sources:

1. System development, implementation and maintenance

The cost depends on your starting point and the complexity of your wood supply chain. For example, you may be able to simply adjust your existing procedures or you may need a more time-consuming overhaul.

A system which requires the company to physically segregate certified from non-certified product is the least expensive to implement and certify. Maintenance costs may be more expensive long term as a result of adding multiple product lines (i.e., certified versions vs. non-certified) and the potential for increased warehousing requirements to separate multiple product lines.

Systems which mix certified and non-certified products (through the use of the volume credit or percentage method/system) are typically more expensive to implement initially but may have lower long term maintenance costs.

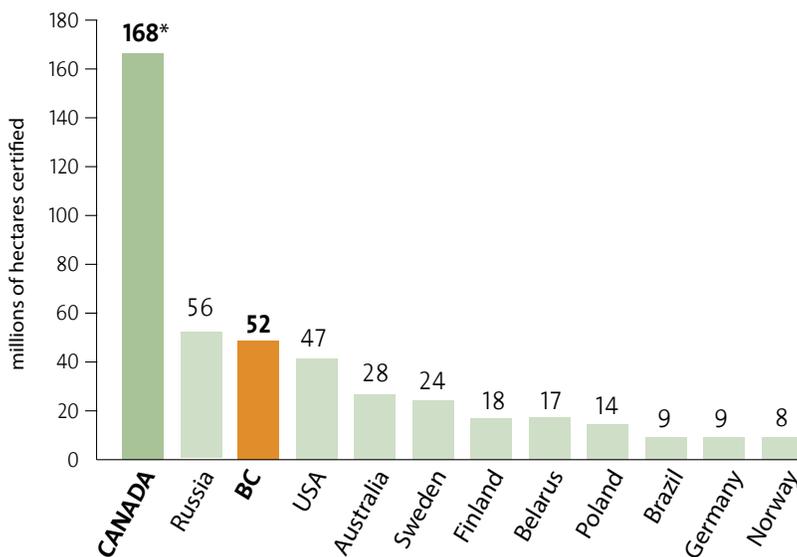
2. Third-party audits

Depending on the number of sites and complexity of the supply chain, it can take as little as a day or several days on-site for the initial audit and for subsequent annual audits. Note: You may also need to audit suppliers who do not have their own CoC systems so you can verify the validity of their sources.

3. Fees

Any fees are specific to the standard and the type of business being certified. Check with the certification scheme if any fees are applicable.

CANADA AND B.C. CERTIFICATION IN THE GLOBAL CONTEXT (2016)



*Double counting of areas certified to more than one standard has been removed from this figure.



Assurances of Non-Certified Content – Risk Assessments

All CoC standards require screening of any uncertified wood prior to mixing with certified product for the purpose of selling a product with a certified claim. The screening is done to ensure product comes from legal, authorized and credible sources. These sources are termed controlled or non-controversial, depending on the standard, and these sources are risk assessed to exclude wood that is illegally harvested, unauthorized, or stolen. Some certification programs may exclude other specific characteristics such as genetically modified trees, natural forests converted to plantations, or areas without effective social laws addressing worker rights, or indigenous peoples' rights.

Risk Assessments are technical in nature and require a thorough knowledge of the legislative environment of the geographic areas being sourced.

Multiple Certification Standards

Certifying to multiple standards can be considered. As there are many overlaps within the requirements of the standards, you may find it more cost effective to develop a management system covering multiple standards and conduct the corresponding certification audits at the same time. Having more than one CoC certification can allow you to track fibre from multiple forest certification programs and offer your customers more choice in the certified products you offer. This could translate into expanded business opportunities.

Calculating Certified or Recycled Content

There are two general ways to track wood flows in CoC standards:

1. *Physical Separation* – This method or system requires certified product to be segregated from non-certified product. The certified raw material is kept separate, so it remains clearly identifiable throughout the entire production/trading/storage process.
2. *Percentage or Credit* – Under the average percentage or volume credit method, the proportion of certified/recycled content going into a product is tracked, and either a volume credit or percentage is calculated.

a) Volume credit: The volume credit method allows manufacturers to make claims or use the label on the amount of certified input (certified forest content and/or recycled content) they have. For example, if the input of certified content is 30%, the organization can only make claims or use the label on 30% of the output.

b) Average Percentage method: The average percentage method allows manufacturers to make claims or use the label on 100% of their product with the a chain of custody label. For example, if the input of certified content is 30%, the organization can make claims of 30% certified content on 100% of the output.



GETTING STARTED

Here are some considerations to get you started:

1. Decide which CoC standard or standards to use. This choice may be influenced by your customer's needs, the forest certification standard(s) you support, and your marketing strategy. Certification bodies (registrars) can typically certify to more than one standard during a single audit so some companies certify to multiple CoC standards.
2. Contact certification bodies (registrars) who are qualified to certify your operations under the standard(s) you have chosen. Certification bodies (registrars) retained to certify your operation can not provide consultation services to develop or implement your CoC management system however, they know the standards, and can give you a good indication of what will be involved for your particular circumstances. Many of your existing procedures may support CoC certification, such as contracts, log tracking and contractor payment programs, stumpage payment programs, and mill quality control systems. A list of qualified certification bodies (registrars) is available from the websites of the respective certification systems.
3. Review your company's processes to ensure that raw materials that are not certified come from controlled or non-controversial sources. You will need to carry out a risk assessment and may need to set up procedures to verify that your suppliers are sourcing materials from legal, non-controversial or even reclaimed sources, depending on the standard.
4. Make sure your existing management systems can effectively track the flow of wood from both certified and non-certified sources, as well as recycled materials, through the various stages of processing and manufacturing. Products need to be identified and in some cases segregated, with appropriate backup documents at all stages. Information on weight or volume is needed to calculate the certified content of the final wood products.
5. Arrange the audit once the CoC system is in place, and act on the results. Discuss with your certification body whether there are cost benefits in having your forest (should you be responsible for forest management activities) and CoC audits done at the same time.
6. Promote that you are CoC certified and let customers know what the certification logos or labels mean.

A chain of custody can be used to track any product (nuts, coffee beans, wood) or characteristic (locally grown, organic) from source to consumer and guarantees the validity of claims. Legal investigations and forensic work use chain of custody to establish the integrity of evidence, showing it has not been tampered with since it was collected.



Canada has more third-party certified lands than any other country — 168 million hectares (415 million acres); by year-end 2016, Canada had 37% of all the world's certified forest lands. To compare, only 10% of the forests in the world are certified.

These numbers reflect voluntary certification efforts that go beyond Canadian forestry regulations, which are among the most stringent in the world.

CLAIMS / LABELS

Once your operations have achieved CoC certification, you will need to apply to use the appropriate logo(s) or label(s) that indicates the certified and/or recycled content. These marks are trademarked or copyrighted, and you must first obtain the rights to use the label from the standards body and then follow the rules for each label. The rules are dictated through a separate standard from the CoC requirements.

Logo use rules differ based on the intended use which generally includes on-product or off-product (promotional) use.

The type of label used will depend on which chain of custody certification you have, and may depend on other elements such as whether the products are solid wood or composites, and the use of certified, controlled or recycled fibre in the product.

The chart below lists the key labels that are currently available.

Each certification program lists current labels on its website.

ON-PRODUCT LABELS

PROGRAMME FOR THE ENDORSEMENT OF FOREST CERTIFICATION SCHEMES (PEFC)

PEFC Certified



- The product includes a minimum of 70% of raw material from sustainably managed forests which have been certified against a PEFC endorsed forest certification scheme or from recycled material. The content of recycled material is lower than 85%.
- Controlled sources make up the remainder of product content and may not originate from controversial sources.
- Where the product does not include recycled material, the label claim shall be used without the word “recycled”.

PEFC Recycled



- The product includes a minimum of 70% of “PEFC certified” material from recycled sources.
- Controlled sources make up the remainder of product content and may not originate from controlled sources.

FOREST STEWARDSHIP COUNCIL (FSC)

FSC 100%



- The FSC 100% label identifies products containing 100% material from FSC certified forests.
- The label text is “[Product type] from well-managed forests”.
- Only companies that are FSC CoC certified and using 100% FSC certified fibre are allowed to place this FSC label on a certified product.

FSC Mix



- The FSC Mix label identifies products containing a combination of material from FSC certified forests, FSC Controlled Wood or eligible recycled fibre.
- The label text is “[Product type] from responsible sources”.
- Use of mobius loop is optional and reflects presence of post-consumer plus eligible pre-consumer fibre in the product.

FSC Recycled



- The FSC Recycled label identifies products containing only recycled fibre.
- The label text is “[Product type] made from recycled material”.
- The mobius loop must include a percentage figure, which reflects the pre- and post-consumer reclaimed material content.

SUSTAINABLE FORESTRY INITIATIVE® (SFI®)

SFI Labels for >70% Certified Content

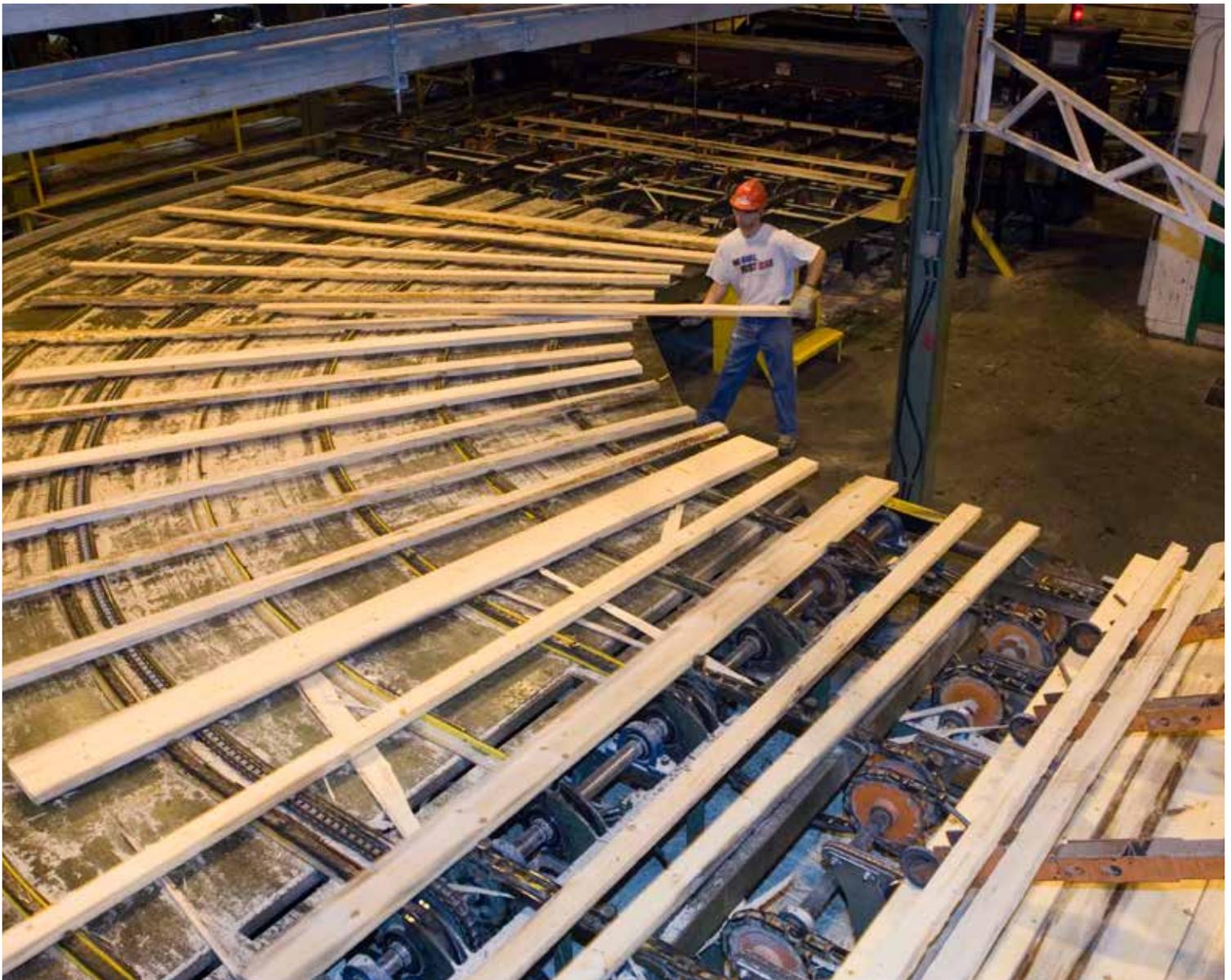


- The SFI COC Promoting Sustainable Forestry labels may be used by organizations claiming more than 70% certified forest content through an average percentage method or with 100% certified forest content through a volume credit method.
- The SFI COC Promoting Sustainable Forestry and Recycled Content label may be used by organizations claiming more than 70% certified forest content and recycled material through an average percentage method or with 100% certified forest content and recycled content through a volume credit method.

SFI Labels for < 70% Certified Content



- The SFI X% labels are used when an organization tracks certified content that is less than 70% of the product batch.
- The label transparently discloses the actual percentage of certified forest content or recycled material on the product label.
- The organization making the product must use the average percentage method to make these claims.



PROMOTIONAL (OFF-PRODUCT) MARKS



Programme for the Endorsement of Forest Certification schemes (PEFC)

- Designed for educational or promotional purposes, this logo indicates support for sustainable forest management and PEFC certification.
- The promotional logo text is “Promoting Sustainable Forest Management”.



Forest Stewardship Council (FSC)

- FSC logo can be used for promotional or educational purposes if authorized by the FSC National Office (for non-certified companies) or by an accredited certifier (for certified companies).
- The label text is “The mark of responsible forestry”.



Sustainable Forestry Initiative (SFI)

- Logo marks may only be used by program participants in good standing whose operations have been certified by an SFI certification body. Permission must be obtained from the SFI Office of Label Use and Licensing.



Chain-of-Custody Certification Schemes

- **PEFC:** www.pefc.org and www.pefccanada.org
- **SFI:** www.sfiprogram.org
- **FSC:** www.ic.fsc.org and www.ca.fsc.org

Certifying Bodies (Registrars)

- **PEFC Certification Bodies:** www.pefc.org/find-certified/certification-bodies
- **SFI Certification Bodies:** www.sfiprogram.org/files/pdf/certification-bodies

- **FSC Accredited Certification Bodies:** www.accreditation-services.com/archives/standards/fsc
- **Standards Council of Canada (CSA, PEFC, SFI):** www.scc.ca/en/accreditation/management-systems/forestry



About 50% of wood products exported from Canada come from British Columbia's sustainably-managed sources. This publication is part of the 'Forest Facts' series, published by Forestry Innovation Investment. Visit www.naturallywood.com for details.

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British Columbia wood. Sustainable by nature. Innovative by design.