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Chain of Custody of Forest and Tree Based Products – Requirements

PEFC
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STANDARD

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Foreword

PEFC, the Programme for the Endorsement of Forest Certification, is a worldwide organisation promoting sustainable forest management through forest certification and labelling of forest-based products.

PEFC certified sustainable forest management works through the PEFC endorsement of national and regional forest certification systems, which were independently assessed to be in compliance with PEFC's sustainability benchmarks for forest management certification standards. For further information on PEFC's sustainability benchmarks, please see the PEFC website at www.pefc.org.

PEFC chain of custody certification is based on this standard. This standard delivers confidence that forest and tree based material in products with the PEFC claim or label originates in PEFC certified sustainably managed forests, recycled material and/or PEFC controlled sources.

This standard was developed in an open, transparent, consultative and consensus based process covering a broad range of stakeholders, following PEFC's procedures for the development of technical documentation outlined in PEFC GD 1003:2009.

This standard replaces PEFC ST 2002:2013, Second Edition as of 14 February 2020.

The transition date is 14 August 2021. After this date, PEFC requires all chain of custody certification to follow the requirements outlined in this standard. After the transition date, all external (re-) certification and surveillance audits and all internal audits are expected to be carried out against this document.

Introduction

The objective of this standard is to allow organisations to provide accurate and verifiable information that forest and tree based products are sourced from PEFC certified sustainably managed forests, recycled material and PEFC controlled sources.

Practical application and certification against this standard allows organisations to demonstrate their contribution in sustainable resource management and a strong commitment to the UN Sustainable Development Goals[1].

The aim of communicating the origin of forest and tree based products is to encourage demand for and supply of those products originating in sustainably managed forests and thereby stimulating the potential for market-driven continuous improvement of the management of the world's forests.

1. Scope

This standard covers the requirements that need to be met by an organisation in order to successfully implement a chain of custody for forest and tree based products, and to make PEFC claims to customers on the origin of forest and tree based products in sustainably managed forests, recycled material and PEFC controlled sources.

These chain of custody requirements describe a process of how to classify forest and tree based products according to specified material categories to transfer information about the source of procured raw material to an organisation's output products. This standard specifies three optional approaches for chain of custody, namely physical separation method, percentage method and credit method.

This standard also specifies management system requirements for the implementation and management of the chain of custody process, including requirements on health, safety and labour issues.

This Chain of Custody standard shall be used in connection with PEFC claims.

Appendix 2 of this standard specifies the implementation of this standard by organisations with multiple sites.

The usage of claims and relating labels, as a result of implementation of this Chain of Custody standard, is based on ISO 14020. Consideration of recycled material within the chain of custody is based on the requirements of ISO/IEC 14021.

The labelling of products is considered as an optional communication tool, which may be incorporated into an organisation's chain of custody process(es). Where the organisation applies the PEFC trademarks for on-product or off-product labelling, the requirements for PEFC trademark use become an integral part of the chain of custody requirements.

This standard shall be implemented for the purposes of third party conformity assessment based on requirements defined by the PEFC Council or PEFC endorsed forest certification systems. The conformity assessment is considered as product certification and shall follow ISO/IEC 17065.

The term "shall" is used throughout this standard to indicate those provisions that are mandatory. The term "should" is used to indicate those provisions that, although not mandatory, are expected to be adopted and implemented. The term "may" used throughout this standard indicates permission expressed by this standard whereas "can" refers to the ability of a user of this standard or to a possibility open to the user.

[1] For further information on the UN SDGs see online at https://sustainabledevelopment.un.org.

2. Normative references

The following referenced documents are indispensable for the application of this standard. For both dated and undated references, the latest edition of the referenced document (including any amendment) applies.

PEFC GD 2001, *Chain of Custody of Forest-Based Products – Guidance for Use*

PEFC ST 2001, *PEFC Trademarks Rules – Requirements*

PEFC ST 2003, *Requirements for Certification Bodies operating Certification against the PEFC International Chain of Custody Standard*

ISO/IEC Guide 2, *Standardization and related activities – General vocabulary*

ISO 9000, *Quality management systems – Fundamentals and vocabulary*

ISO 14020, *Environmental labels and declarations – General principles*

ISO 14021, *Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling)*

ISO 19011, *Guidelines for auditing management systems*

ISO/IEC 17065, *Conformity assessment – Requirements for bodies certifying products, processes and services*

EN 643, *Paper and board – European list of standard grades of recovered paper and board*

3. Terms and definitions

For the purposes of this standard, the relevant definitions given in ISO/IEC Guide 2 and ISO 9000 apply, together with the following definitions:

3.1 Accredited certificate

A certificate issued by a certification body within the scope of its accreditation which bears the accreditation body's symbol.

3.2 PEFC authorised body

An entity authorised by the PEFC Council to perform the administration of the PEFC scheme on behalf of the PEFC Council.

Note: The authorised body is either the PEFC National Governing Body operating within its country or other entity that has been authorised by the PEFC Council to perform the administration of the PEFC scheme.

3.3 Certified content

Percentage of **PEFC certified material** in a product or **product group**.

3.4 Claim period

Time period for which the certified content of a product group is determined.

Note: The claim period can also be specified as a single product, job order or production batch.

3.5 Complaint

Expression of dissatisfaction made to an **organisation**, related to its compliance with the requirements of this standard, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.

3.6 Conflict timber

"Timber that has been traded at some point in the chain of custody by armed groups, be they rebel factions or regular soldiers, or by a civilian administration involved in armed conflict or its representatives, either to perpetuate conflict or take advantage of conflict situations for personal gain. (...) Conflict timber is not necessarily illegal." The exploitation of timber may itself be a direct cause of conflict.

Note: Definition in quotations as used by UNEP.

3.7 Controversial sources

Forest and tree based material sourced from:

a) Activities not complying with applicable local, national or international legislation on forest management, including but not limited to forest management practices; nature and environmental protection; protected and endangered species; property, tenure and land-use rights for indigenous peoples, local communities or other affected stakeholders; health, labour and safety issues; anti-corruption and the payment of applicable royalties and taxes.

b) Activities where the capability of **forests** to produce a range of wood and non-wood forest products and services on a sustainable basis is not maintained or harvesting levels exceed a rate that can be sustained in the long term.

c) Activities where forest management does not contribute to the maintenance, conservation or enhancement of biodiversity on landscape, ecosystem, species or genetic levels.

d) Activities where **ecologically important forest areas** are not identified, protected, conserved or set aside.

e) Activities where **forest conversions** occur, in other than justified circumstances where the conversion:

   i. is in compliance with national and regional policy and legislation applicable for land use and forest management, and

   ii. does not have negative impacts on **ecologically important forest areas**, culturally and socially significant areas, or other protected areas, and

   iii. does not destroy areas of significantly high carbon stock, and

   iv. makes a contribution to long-term conservation, economic, and/or social benefits.

f) Activities where the spirit of the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not met.

g) Activities where the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met.

h) **Conflict timber**.

i) **Genetically modified trees**.

Note 1 (on 3.7 b, d and e): Not considered "controversial sources" are such activities in short rotation **forest plantations** with harvesting cycles under 35 years, that are on agricultural land.

Note 2 (on 3.7 i): The restriction on the usage of **genetically modified trees** has been adopted by the PEFC General Assembly based on the Precautionary Principle. Until enough scientific data on **genetically modified trees** indicates that impacts on human and animal health and the environment are equivalent to, or more positive than, those presented by trees genetically improved by traditional methods, no **genetically modified trees** will be used.

3.8 Credit method

A chain of custody method where credits gained from certified material are transferred to **PEFC controlled sources** material within the same **PEFC product group**.

3.9 Due Diligence System (DDS)

A framework of procedures and measures, namely information gathering, risk assessment and risk mitigation, implemented by an **organisation** to reduce the risk that **forest and tree based material** originates from **controversial sources**.

Note: **Organisations** can cooperate with each other and use external services for implementing a DDS, but the responsibility to conform with the DDS requirements of this standard lies with the individual **organisation**.

3.10 Ecologically important forest areas

Forest areas:

a) containing protected, rare, sensitive or representative forest ecosystems

b) containing significant concentrations of endemic species and habitats of threatened species, as defined in recognised reference lists

c) containing endangered or protected genetic in situ resources

d) contributing to globally, regionally and nationally significant large landscapes with natural distribution and abundance of naturally occurring species

3.11 Equivalent input material

Forest and tree based material that can be substituted with each other without significantly changing the appearance, function, grade, type or value of the output product.

3.12 Forest

Minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees, with the potential to reach a minimum height of 2-5 metres at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations that have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to forest (source: United Nations 2002).

3.13 Forest and tree based material

Material originating in **forests** or from other sources recognised by the PEFC Council as eligible for PEFC certification, such as **trees outside forests**, including **recycled material** originally coming from those areas/sources as well as wood based and non-wood based material, such as cork, mushrooms, berries etc., generally referred to as **non-wood forest products**.

3.14 Forest and tree based products

Products from **forest and tree based material**, including measurable but non-tangible products, such as energy generated from **forest and tree based material**.

3.15 Forest conversion

Direct human-induced change of **forest** to non-forest land or **forest plantation**.

Note: Regeneration by planting or direct seeding and/or the human-induced promotion of natural seed sources, to the same dominant species as was harvested or other species that were present in the historical species mix is not considered a conversion.

3.16 Forest plantation

Forest or other wooded land of introduced species, and in some cases native species, established through planting or seeding, mainly for production of wood or non-wood goods and services.

Note 1: Includes all stands of introduced species established for production of wood or non-wood goods and services.

Note 2: May include areas of native species characterised by few species, intensive land preparation (e.g. cultivation), straight tree lines and/or even-aged stands.

Note 3: Application of the definition requires consideration of national forestry terminology and legal requirements.

3.17 Genetically modified trees

Trees in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, taking into account applicable legislation providing a specific definition of genetically modified organisms.

Note 1: The following techniques are considered as genetic modification resulting in genetically modified trees (EU Directive 2001/18/EC):

1) Recombinant nucleic acid techniques involving the formation of new combinations of genetic material by the insertion of nucleic acid molecules produced by whatever means outside an organism, into any virus, bacterial plasmid or other vector system and their incorporation into a host organism in which they do not naturally occur, but in which they are capable of continued propagation.

2) Techniques involving the direct introduction into an organism of heritable material prepared outside the organism including micro-injection, macro-injection, and micro-encapsulation.

3) Cell fusion (including protoplast fusion) or hybridisation techniques where live cells with new combinations of heritable genetic material are formed through the fusion of two or more cells by means of methods that do not occur naturally.

Note 2: The following techniques are not considered as genetic modification resulting in genetically modified trees (EU Directive 2001/18/EC):

1) in vitro fertilisation

2) natural processes such as: conjugation, transduction, transformation

3) polyploidy induction

3.18 Material category

Material with certain characteristics, namely **PEFC certified material**, **other material**, **neutral material** and **PEFC controlled sources**.

3.19 Multi-site organisation

Organisation with an identified central function (normally, and hereafter referred to as a "central office") at which chain of custody related activities are planned, controlled and managed, and with one or more sites at which such activities are fully or partially carried out.

3.20 Neutral material

Material category for material other than **forest and tree based material**, such as metal or plastic, not taken into account in the calculation of **certified content** of a **product group**.

3.21 Organisation

Person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives.

Note: In the context of this standard, an organisation is implementing the requirements of this standard while being covered by a **PEFC recognised certificate**.

3.22 Other material

Material category for **forest and tree based material** for which an **organisation** has not determined through its **Due Diligence System** that there is "negligible risk" that the material is from **controversial sources**.

3.23 Outsourcing

Practice of activities relevant for an organisation's **PEFC chain of custody** being performed by another legal entity, without continuous supervision or control from the **organisation**.

Note: Generally not considered as outsourcing are transportation, (un-)loading and warehousing of materials/products, unless there is a risk that materials with different **material categories** or **certified content** are mixed with each other.

3.24 PEFC certified material

Material category for:

a) **Forest and tree based material** delivered by a **supplier** covered by a **PEFC recognised certificate**, with the **PEFC claim** "x% PEFC certified", or delivered by a **supplier** covered by a **PEFC recognised certificate** against a forest management standard that is endorsed by PEFC with another PEFC endorsed system claim.

Note: PEFC endorsed system claims are published online on the **PEFC website**.

b) **Recycled material** (not delivered with the **PEFC claim** "x% PEFC certified").

3.25 PEFC certified product

Product sold/transferred by an **organisation** with the **PEFC claim** "x% PEFC certified".

3.26 PEFC chain of custody

Processes of an **organisation** for handling **forest and tree based products** and information related to their **material category**, and making accurate and verifiable **PEFC claims**.

3.27 PEFC claim

Organisation's declaration on material/products, stated in sales and delivery documentation, namely the claims "x% PEFC certified" and "**PEFC controlled sources**".

Note 1: In order to highlight **PEFC certified material** that has never been mixed with **PEFC controlled sources** material, **organisations** implementing the **physical separation** method may use the wording "100% PEFC Origin" instead of "100% PEFC certified" for **PEFC certified material** that was delivered by a **supplier** that is a forest owner/manager covered by a **PEFC recognised certificate** issued against a PEFC endorsed forest management standard with the claim "100% PEFC certified" or with another PEFC endorsed system claim, and for **PEFC certified material** that was already delivered with the claim "100% PEFC Origin". **Organisations** receiving material with such a claim "100% PEFC Origin" and implementing the **percentage method** or **credit method** consider this as being the **PEFC claim** "100% PEFC certified".

Note 2: A list of PEFC accepted abbreviations and translations of PEFC claims is available on the **PEFC website**.

3.28 PEFC controlled sources

Material category covering **forest and tree based material** for which an **organisation** has determined through its **Due Diligence System** that there is "negligible risk" that the material is from **controversial sources**.

Note: "PEFC controlled sources" is also the **PEFC claim** that may be used for material from this **material category**.

3.29 PEFC customer

Entity receiving from an **organisation** a **PEFC claim** for products, of which it obtains legal ownership and/or physical possession.

Note 1: Where material/products are physically delivered to an entity other than the entity that has obtained legal ownership of the material, the **organisation** shall appoint a single PEFC customer for the purpose of this definition, i.e. either the entity that obtains legal ownership or the entity that obtains physical possession of the material.

Note 2: The term PEFC customer can also refer to an internal customer within an **organisation**, if subsequent product groups have been established.

3.30 PEFC product group

Product or set of products with **equivalent input material**, defined by product name/type and category, type(s) of species, chain of custody method, **material category**, **PEFC claim**(s), for which an **organisation** applies its **chain of custody**.

Note 1: The **organisation** can define individual products, product batches and job orders as PEFC product groups.

Note 2: The **organisation** can establish one or more product groups for parallel or subsequent manufacturing or trading processes.

Note 3: In case of **multi-site organisations** as defined in Appendix 2, 2.2 a) of this standard, PEFC product groups can cover several sites.

3.31 PEFC recognised certificate

a) A valid accredited forest management certificate issued by a PEFC notified certification body against a forest management system/standard that is endorsed by PEFC.

b) A valid accredited chain of custody certificate issued by a PEFC notified certification body against this standard or another chain of custody standard that is endorsed by PEFC.

Note 1: PEFC endorsed forest certification systems and chain of custody standards are found at the **PEFC website**.

Note 2: In case of a group or multi-site certificate where it is confirmed in a separate document, such as an appendix to the certificate or a sub-certificate, that a site or a group participant is covered by the certificate, the separate document and the certificate together are considered the site's/participant's PEFC recognised certificate.

3.32 PEFC website

This is the website at the address www.pefc.org.

3.33 Percentage method

A chain of custody method where the **certified content** of a **PEFC product group** is calculated for a specified **claim period**, based on the input material included in the **PEFC product group**.

3.34 Physical separation method

Chain of custody method of controlling a **PEFC claim** for a specified **PEFC product group** based on clear identification and/or separation of different material categories throughout all the activities performed by the **organisation**.

3.35 Recycled material

Forest and tree based material that is:

a) Recovered from waste during a manufacturing process. Excluded is reutilisation of materials such as rework, regrind or scrap generated in a process and capable of being reclaimed within the same process that generated it. Excluded are by-products resulting from primary production processes, such as sawmilling by-products (sawdust, chips, bark, etc.) or forestry residues (bark, chips from branches, roots, etc.) as they are not considered waste.

b) Generated by households or by commercial, industrial and institutional facilities in their role as end-users of the product that can no longer be used for its intended purpose. This includes returns of material from the distribution chain.

Note 1: The term "capable of being reclaimed within the same process that generated it" means that the material generated in one process is continuously returned to the same process at the same site. An example is residue generated by a press line in a panel board production that continuously re-enters the same press line. This is not considered as recycled material.

Note 2: The definition is based on definitions of ISO 14021.

Note 3: Different examples of recycled material are provided in PEFC GD 2001.

3.36 Rolling percentage

A chain of custody method where the **certified content** of a **PEFC product group** is calculated for a specified **claim period**, based on the input material included in the **PEFC product group** on average over a specified period preceding the **claim period**.

3.37 Substantiated concern

Information supported by proof or evidence, indicating that **forest and tree based material** originates in **controversial sources**.

Note: Substantiated concerns can be concerns by third parties, as well as concerns of the **organisation** itself.

3.38 Supplier

Entity supplying material used as input for an organisation's **PEFC product group**.

Note 1: Where **PEFC certified products** are physically delivered by an entity other than that having the ownership title to the material, the entity that is covered by a **PEFC recognised certificate** and that has specified the **organisation** as **PEFC customer** is considered the supplier for the product/delivery in question.

Note 2: The term supplier can also refer to an internal supplier within an **organisation**, where subsequent **product groups** have been established.

3.39 Trademark use

Usage of the PEFC trademarks on- or off-product.

3.40 Trees outside Forests (TOF)

Trees growing outside areas of nationally designated **forest** land.

4. Management system requirements

4.1 General requirements

4.1.1 The **organisation** shall operate a management system in accordance with the requirements of this standard, to ensure correct implementation and maintenance of the **PEFC chain of custody** process(es). The management system shall be appropriate to the type, range and volume of work performed, and cover outsourced activities relevant for the organisation's chain of custody and all sites in case of **multi-site organisations** (see Appendix 2).

4.1.2 The **organisation** shall define the scope of its **PEFC chain of custody** by specifying the **PEFC product groups** for which the requirements of the **PEFC chain of custody** are implemented.

4.1.3 The **organisation** shall only make **PEFC claims** and PEFC related statements that are correct to the best of its knowledge and covered by its **PEFC chain of custody**.

4.2 Documented procedures

4.2.1 The **organisation** shall establish written documented procedures for its **PEFC chain of custody**. The documented procedures shall include at least the following elements:

a) responsibilities and authorities relating to the **PEFC chain of custody**

b) description of the raw material flow within the production/trading process(es), including definition of **product groups**

c) procedures for **PEFC chain of custody** process(es) covering all requirements of this standard, including:

   i. identification of **material categories**

   ii. **physical separation** of **PEFC certified material**, **PEFC controlled sources** material and **other material**

   iii. definition of **product groups**, calculation of **certified content**, management of credit accounts, transfer to outputs (for **organisations** applying **percentage or credit method**)

   iv. sale/transfer of products and **PEFC claims**, including documentation in which **PEFC claims** are made, and other on- and off-product **trademark use**

   v. record keeping

   vi. internal audits and non-conformity control

   vii. the **Due Diligence System**

   viii. complaints resolution

   ix. **outsourcing**

4.3 Responsibilities and authorities

4.3.1 General responsibilities

4.3.1.1 The organisation's management shall define and document its commitment to implement and maintain the chain of custody requirements in accordance with this standard. The organisation's commitment shall be made available to the organisation's personnel, **suppliers**, **customers**, and other interested parties.

4.3.1.2 The organisation's management shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation's **PEFC chain of custody**.

4.3.2 Responsibilities and authorities for chain of custody

The **organisation** shall identify the personnel performing activities for the implementation and maintenance of its **PEFC chain of custody** and shall establish personnel responsibilities and authorities for the implementation of the procedures 4.2.1 c) i-viii.

Note: The responsibilities and authorities for the **PEFC chain of custody** given above can be cumulative.

4.4 Record keeping

4.4.1 To provide evidence of conformity with the requirements of this standard, the **organisation** shall establish and maintain at least the following records relating to the **product groups** covered by its **PEFC chain of custody**:

a) Records of all **suppliers** of input material delivered with a **PEFC claim**, including evidence of the suppliers' PEFC certified status.

Note: Evidence can be a print-out from the **PEFC website**.

b) Records of all input material, including **PEFC claims** and documents associated to the delivery of the input material, and for recycled input material, information demonstrating that the definition of **recycled material** is met.

c) Records of calculation of the **certified content**, transfer of the percentage to output products and management of the credit account, as applicable.

d) Records of all products sold/transferred, including **PEFC claims** and documents associated to the delivery of the output products.

e) Records of the **Due Diligence System**, including records of risk assessments and significant risk supplies management, as applicable.

f) Records of internal audits, periodic chain of custody review, non-conformities and corrective actions.

g) Records on complaints and their resolution.

4.4.2 The **organisation** shall maintain the records for a minimum period of five years.

4.5 Resource management

4.5.1 Human resources/personnel

The **organisation** shall ensure and demonstrate that all personnel performing activities affecting the implementation and maintenance of its **PEFC chain of custody** are competent on the basis of appropriate training, education, skills and experience.

4.5.2 Technical facilities

The **organisation** shall identify, provide and maintain the infrastructure and technical facilities needed for effective implementation and maintenance of its **PEFC chain of custody** with the requirements of this standard.

4.6 Inspection and control

4.6.1 The **organisation** shall conduct internal audits at least annually, and prior to the initial certification audit, covering its compliance with all requirements of this standard applicable to the **organisation**, including activities covered by **outsourcing**, and establish corrective and preventive measures if required.

Note: Informative guidance for performing internal audits is given in ISO 19011.

4.6.2 The organisation's management shall review the result of the internal audit and the organisation's **PEFC chain of custody** at least annually.

4.7 Complaints

4.7.1 The **organisation** shall establish procedures for dealing with **complaints** from **suppliers**, **customers** and other parties relating to its chain of custody, reflecting the requirements of 4.7.2.

4.7.2 Upon receipt of a **complaint** in writing, the **organisation** shall:

a) formally acknowledge the **complaint** to the complainant within ten workdays

b) gather and verify all necessary information to evaluate and validate the **complaint** and make a decision on the **complaint**

c) formally communicate the decision on the **complaint** and of the complaint handling process to the complainant

d) ensure that appropriate corrective and preventive actions are taken, if necessary

4.8 Nonconformity and corrective action

4.8.1 When a nonconformity with the requirements of this standard is identified through internal or external auditing, the **organisation** shall:

a) react to the nonconformity and, as applicable:

   i. take action to control and correct it

   ii. address the consequences

b) evaluate the need for action to eliminate the causes of the nonconformity, in order that it does not recur or occur elsewhere, by:

   i reviewing the nonconformity

   ii determining the causes of the nonconformity

   iii determining if similar nonconformities exist, or could potentially occur

c) implement any action needed

d) review the effectiveness of any corrective action taken

e) make changes to the management system, if necessary

4.8.2 Corrective action shall be appropriate to the effects of the nonconformities encountered.

4.8.3 The **organisation** shall retain documented information as evidence of:

a) the nature of the nonconformities and any subsequent actions taken

b) the results of any corrective action

4.9 Outsourcing

4.9.1 The organisation may outsource activities covered by its **PEFC chain of custody** to another entity.

4.9.2 Through all stages of **outsourcing** the **organisation** shall be responsible for ensuring that all outsourced activities meet the requirements of this standard, including management system requirements. The **organisation** shall have a written agreement with all entities to whom activities have been outsourced, ensuring that:

a) The material/products covered by the organisation's **PEFC chain of custody** are physically separated from **other material** or products.

b) The **organisation** has access to the entity's site(s) for internal and external auditing of outsourced activities for conformity with the requirements of this standard.

Note 1: A template for an outsourcing agreement can be obtained from the PEFC Council and **PEFC authorised bodies**.

Note 2: Internal audits of outsourced activities should be conducted at least annually and before the outsourced activity starts.

4.10 Social, health and safety requirements in chain of custody

This clause includes requirements relating to health, safety and labour issues that are based on ILO Declaration on Fundamental Principles and Rights at Work (1998).

4.10.1 The **organisation** shall demonstrate its commitment to comply with the social, health and safety requirements defined in this standard.

4.10.2 The **organisation** shall demonstrate that:

a) workers are not prevented from associating freely, choosing their representatives and bargaining collectively with their employer

b) forced labour is not used

c) workers, who are under the minimum legal age, the age of 15, or the compulsory school attendance age, whichever is higher, are not used

d) workers are not denied equal employment opportunities and treatment

e) working conditions do not endanger safety or health

5. Identification of inputs and declaration of outputs

5.1 Identification of input material

5.1.1 For each delivery of material used as input for a **PEFC product group** the **organisation** shall obtain documentation with the following information from the **supplier**:

a) **supplier** identification

b) product identification

c) quantity of products

d) delivery identification based on date of delivery, delivery period, or accounting period

For inputs with a **PEFC claim** the document shall also include:

e) the organisation's name as the **PEFC customer** of the delivery

f) the applicable **PEFC claim** specifically for each claimed product covered by the documentation

g) the certificate number of the supplier's **PEFC recognised certificate**

Note 1: The certificate number is a numerical or alpha-numerical combination, which is a unique identifier of the certificate.

Note 2: An example of delivery documentation is an invoice or delivery note providing the information required.

5.1.2 Identification at **supplier** level

5.1.2.1 For all inputs delivered with a **PEFC claim** the **organisation** shall verify that the **supplier** is covered by a **PEFC recognised certificate** on the **PEFC website**.

5.1.2.2 For each delivery of material used as input for a **PEFC product group** the **organisation** shall classify the **material category** of the procured material.

5.2 Declaration of outputs

5.2.1 For outputs from a **PEFC product group** for which the **organisation** makes a **PEFC claim** to a **PEFC customer**, it shall provide the customer with documentation providing the following information for each delivery:

a) **PEFC customer** identification

b) the organisation's name as the **supplier** of the material

c) product identification

d) quantity of product(s)

e) date of delivery / delivery period / accounting period

f) the applicable **PEFC claim** specifically for each claimed product covered by the documentation

g) the certificate number of the organisation's **PEFC recognised certificate**

Note: The certificate number is a numerical or alpha-numerical combination which is a unique identifier of the certificate.

5.2.2 The **organisation** shall specify the type of documentation in which **PEFC claims** on outputs are made.

5.3 Trademark use

5.3.1 The use of the PEFC trademarks i.e. PEFC logo and labels, chain of custody claims on-product and PEFC initials, shall be in compliance with PEFC ST 2001, *PEFC Trademarks Rules – Requirements.*

5.3.2 In order to enable the **organisation** to use the PEFC trademarks in accordance with the PEFC Trademarks Rules, the **organisation** shall obtain a valid trademark license from the PEFC Council or another **PEFC authorised body**.

5.4 Content of recycled material

5.4.1 For products covered by the organisation's **PEFC chain of custody** that include **recycled material**, the **organisation** shall calculate the content of **recycled material** based on ISO 14021 and inform about it upon request.

6. Chain of custody methods

6.1 General

6.1.1 There are three methods to implement the **PEFC chain of custody**, namely the **physical separation method**, the **percentage method** and the **credit method**. Depending on the nature of material flows and processes, the **organisation** shall choose the appropriate method.

6.1.2 The **organisation** shall implement the chosen chain of custody method(s) of this standard for specific **PEFC product groups**.

6.1.3 **PEFC product groups** shall be established for products with **equivalent input material**, with the same measurement unit or units that can be converted into a single measurement unit.

6.1.4 The **organisation** shall only use **PEFC certified material** and **PEFC controlled sources** material as input for **PEFC product groups**.

6.2 Physical separation method

6.2.1 The **organisation** applying the **physical separation method** shall ensure that material with different **material categories** and different **certified content** are kept separate or clearly identifiable at all stages of the production or trading process.

Note: Physical separation can be achieved by any means ensuring that **material category** and **certified content** can be identified, for example, through separate storage, marking, distinguishing product characteristics or production time.

6.2.2 Where material with different **certified content** is used as input in the same **PEFC product group**, the **organisation** shall use the lowest **certified content** of the input as **certified content** of the output.

Example: An **organisation** using material with 100%, 75% and 70% **certified content** as input in the same **PEFC product group** under the **physical separation method** can claim the output as 70% PEFC certified.

6.2.2.1 Where **PEFC certified material** and **PEFC controlled sources** material is used as input in the same **PEFC product group** under the **physical separation method**, the **organisation** shall claim the output as **PEFC controlled sources**.

6.3 Percentage method

6.3.1 The **percentage method** may be implemented to calculate the **certified content** of **PEFC product groups** for which **PEFC certified material** and **PEFC controlled sources** material were used as input material.

6.3.2 Calculation of **certified content**

6.3.2.1 The **organisation** shall calculate the **certified content** separately for each **PEFC product group** and for a specific **claim period** according to the following formula:

$$Cc\ [\%] = (Vc/(Vc+Vcm))x100$$

*(Cc: **certified content**; Vc: volume of **PEFC certified material**; Vcm: volume of **PEFC controlled sources** material)*

Note: **Neutral material** is not considered in the calculation of the **certified content**.

6.3.2.2 The **organisation** shall calculate the **certified content** based on a single measurement unit used for all material covered by the calculation. In case of conversion to a single measurement unit for calculation purposes, the **organisation** shall only use generally recognised conversion ratios and methods. If a suitable, generally recognised conversion ratio does not exist, the **organisation** shall define and use a reasonable and credible conversion ratio.

6.3.2.3 If input material/products include only a proportion of **PEFC certified material**, then only the quantity corresponding to the **certified content** shall enter the calculation formula as **PEFC certified material**. The rest of the material shall enter the calculation as **PEFC controlled sources** material.

Example: 1t of material delivered with the **PEFC claim** "70% PEFC certified" and 1t of material delivered with the **PEFC claim** "100% PEFC certified" are used as input. Using the formula under 6.3.3.1 the **certified content** is Cc[%]= ((700kg+1000kg)/((700+1000)+300))x100 = (1700/2000)x100 = 2t of 85% **PEFC certified material**.

6.3.3 The certified **content** calculated for a **PEFC product group** shall be used as percentage in the **PEFC claim** "X% PEFC certified".

Example: If the **certified content** of a **PEFC product group** has been calculated as being 54% for a specific **claim period**, all products covered by the **product group** can, during this **claim period**, be sold/transferred as **PEFC certified products** with the **PEFC claim** "54 % PEFC certified".

Note: This standard does not define a minimum threshold for the **certified content** that needs to be met in order to communicate the **certified content** of a **PEFC certified product** with the **PEFC claim** X% PEFC certified. However, minimum thresholds for the use of the PEFC trademarks on-product are defined in the PEFC Trademarks Rules, PEFC ST 2001.

6.3.4 The **organisation** may apply the **percentage method** as **rolling percentage**.

6.3.5 The **organisation** applying **rolling percentage** shall calculate the **certified content** of a **PEFC product group** and **claim period** based on material procured during an input period preceding the **claim period**. The **claim period**, in the case of rolling percentage, shall not exceed 3 months and the input period shall not exceed 12 months.

Example: An **organisation** that has chosen a 3-month **claim period** and a 12-month input period calculates the **certified content** for the coming three months based on the input material procured in the previous 12 months.

6.4 Credit method

6.4.1 The **credit method** may be implemented to transfer credits gained from the input of **PEFC certified material** to **PEFC controlled sources** material within the same **PEFC product group**.

6.4.2 The **organisation** shall create and manage a credit account for credits gained from input of **PEFC certified material**. The credits shall be calculated in a single measurement unit. It may be required to define conversion factor(s) for the conversion of the measurement unit(s) of the input components to the output products.

6.4.3 The total quantity of credits accumulated in the credit account shall not exceed the sum of credits entered into the credit account during the last 24 months. The 24-month maximum period may be extended, where the **organisation** can demonstrate that the average production period of the product in question is longer than 24 months.

Example: If the average production period of a product (including maturing, for example) is 36 months, the **organisation** can extend the 24-month maximum period for the accumulation of credits to 36 months.

6.4.4 The **organisation** shall apply the **credit method** for a single claim. The **organisation** receiving a delivery of material with a **PEFC claim** and a claim against another certification system, shall either use it as a combined credit covering both claims or shall only use one of the received claims for calculating the volume credits.

Example: An **organisation** receiving a delivery of material with two claims relating to two certification systems either establishes a credit account for the multiple claim (e.g. PEFC certified*/[other system claim])* or decides, which single claim (either PEFC certified or *[other system claim])* will be entered into the respective volume credit account.

6.4.5 The **organisation** shall calculate the credits using either:

a) **certified content** and volume of output products (clause 6.4.8) or

b) input material and input-to-output ratio (clause 6.4.7)

6.4.6 The **organisation** applying the **credit method** shall calculate the credits by multiplying the volume of output products of the **claim period** with the **certified content** for the relevant **claim period**.

Example: If the **certified content** for the **product group** of the specific **claim period**, which consists of 100 tonnes of output products, is 54%, the **organisation** achieves volume credits equal to 54 tonnes (100 x 0.54) of the output products.

6.4.7 The **organisation** that can demonstrate a verifiable ratio between the input material and output products, may calculate the credits directly from input of **PEFC certified material** by multiplying the volume of **PEFC certified material** input with the input-to-output ratio.

Example: If the volume of **PEFC certified material** input is 70 m^3 (e.g. 100 m^3 with the PEFC claim "70% PEFC certified") and the input-to-output ratio is 0.60 (e.g. 1 m^3 of roundwood results in 0.60 m^3 of sawnwood), the organisation acquires volume credits equal to 42 m^3 (i.e. 70 m^3 x 0.60) of sawnwood.

6.4.8 The **organisation** shall distribute the credits from the credit account to the output products covered by the credit account. The credits shall be distributed to the output products in a way that the certified products will be considered as either having 100% **certified content** or as having less than 100% **certified content** and meeting the organisation's own threshold. The result of the volume of output products multiplied by the **certified content** of the output products shall be equal to the distributed credits withdrawn from the credit account.

Example: The **organisation** can use 7 units of credits to sell 7 units as 100% PEFC certified, or to sell 10 units as 70% PEFC certified.

7. Due Diligence System (DDS) requirements

7.1 General

7.1.1 For all material used as input for a **PEFC product group**, except **recycled material**, the **organisation** shall exercise due diligence in line with the PEFC **Due Diligence System** (DDS) for the avoidance of material from **controversial sources** laid down in Appendix 1 of this standard. Thereby the **organisation** shall establish that for material used as input for **PEFC product groups** there is "negligible risk" that it originates from **controversial sources** and that it meets the definition of **PEFC controlled sources** material.

7.1.2 For **PEFC product groups** where only input material used was delivered with a **PEFC claim** by a **supplier** covered by a **PEFC recognised certificate**, an **organisation** may implement the PEFC **DDS** by meeting the following requirements:

a) In order to enable PEFC certified and uncertified entities further down the supply chain to implement a **DDS**, the **organisation** shall, upon request, provide the information specified in Appendix 1, 2.1 for material passed on with a **PEFC claim**. If the **organisation** does not possess the requested information, the request shall be passed on to relevant **supplier**(s) of the **organisation** (Appendix 1, 2.2).

b) Where internal or external **substantiated concerns** on the origin of input material from **controversial sources** are raised, the **organisation** shall follow up on these concerns following Appendix 1, 4.

c) The **organisation** shall define, document and implement a commitment and a procedure, also covering **forest and tree based material/products** not covered by the organisation's **PEFC chain of custody**, ensuring that where it is known to the **organisation**, or where it has received **substantiated concerns**, that **forest and tree based material/products** originates in illegal sources (**controversial sources**, 3.7a), it shall not be placed on the market until the concern has been resolved in accordance with Appendix 1, 4.

Appendix 1: PEFC Due Diligence System (DDS) for the avoidance of material from controversial sources

Normative Appendix

1. General requirements

1.1 In order to help ensure that activities conducted by the **organisation** under the scope of this standard conform to all applicable timber legality legislation, including trade and customs laws, and to minimise the risk that the procured material originates in **controversial sources**, the **organisation** shall operate a **Due Diligence System** (DDS), in accordance with the following elements of this standard.

1.2 The PEFC **DDS** shall be implemented for all input **forest and tree based material** covered by the organisation's **PEFC chain of custody** and **PEFC product groups**, with the exception of **recycled material**.

Note: The **DDS** can be implemented by an **organisation** for **forest and tree based products** from **forests** under its own management.

1.3 The **organisation** shall implement the PEFC **DDS** in three steps relating to:

a) gathering information

b) risk assessment

c) management of significant risk supplies

1.4 The **organisation** procuring raw material originating from species listed in Appendix I to III of CITES shall comply with applicable legislation relating to CITES.

2. Access to information

2.1 In order to enable the **organisation** to implement the PEFC **DDS**, the **organisation** shall have access to the following information from its **supplier**(s):

a) Identification of tree species included, or list of tree species potentially included, in the material/product by their common name and/or their scientific name where applicable.

b) Country of harvest of the material and where applicable sub-national region and/or concession of harvest.

Note 1: Access to the scientific name of species is required in cases where the usage of a common name could pose a risk of wrong identification of the species.

Note 2: Usage of a trade name of species is considered as equivalent to the common name in cases where all species covered by the trade name have an equivalent risk of originating in **controversial sources**.

Note 3: Access to the sub-national level of the material origin is required in cases where sub-national regions within one country do not represent an equivalent risk relating to the **controversial sources**.

Note 4: The term "concession of harvest" refers to a contract for harvest in a geographically defined forest area.

Note 5: The term "country/region" is further used throughout this clause to identify a country, a sub-national region or a concession of harvest of the material/product origin.

2.2 In order to enable PEFC certified and uncertified entities further down the supply chain to implement a **DDS**, the **organisation** shall, upon request, provide the information specified in 2.1 of this appendix for material passed on with a **PEFC claim**. If the **organisation** does not possess the requested information, the request shall be passed on to relevant **supplier**(s) of the **organisation**.

3. Risk assessment

3.1 The **organisation** shall carry out a risk assessment, assessing the risk of procuring raw material from **controversial sources** for all input **forest and tree based material** covered by the organisation's **PEFC chain of custody**, with the exception of material/products delivered with a **PEFC claim** by a **supplier** with a **PEFC recognised certificate**, as this material can be considered as having "negligible risk" of originating in **controversial sources**.

3.2 The organisation's risk assessment shall result in the classification of material into "negligible" or "significant" risk category.

3.3 The organisation's risk assessment shall be based on the indicators for risk at origin and supply chain level listed in tables 1- 3 below.

3.4 Where the organisation's risk assessment identifies indicators specified in table 1, the **organisation** may consider the material as having "negligible risk" to originate in **controversial sources**, and conclude the risk assessment without having to consider the indicators outlined in tables 2 and 3.

3.5 Where the organisation's risk assessment does not identify indicators specified in table 1, the risk assessment shall be continued against indicators outlined in tables 2 and 3; and where any of these indicators apply, the **organisation** shall consider the material as having "significant risk" to originate in **controversial sources**.

3.6 Where none of the indicators outlined in tables 2 and 3 are identified, the **organisation** may consider the supplies as having "negligible risk" to originate in **controversial sources**, and conclude the risk assessment.

Table 1: List of indicators for negligible risk

Indicators
a) Supplies declared as certified against a forest certification system (other than PEFC endorsed), addressing the activities covered by the term **controversial sources**, supported by a forest management, chain of custody or fibre sourcing certificate issued by a third party certification body.
b) Supplies verified by governmental or non-governmental verification or licensing mechanisms other than forest certification systems, addressing the activities covered by the term **controversial sources**.
c) Supplies supported by verifiable documentation that clearly identifies: i. country of harvest and/or sub-national region where the timber was harvested, where the latest Transparency International (TI) Corruption Perception Index (CPI) score is higher than 50, or where the latest World Justice Project (WJP) Rule of Law Index is higher than 0,5, and ii. trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name, and iii. all **suppliers** within the supply chain, and iv. the forest area of the supply origin, and v. documents, including contractual agreements and self-declarations, or other reliable information indicating that products do not originate from **controversial sources**.

Table 2: List of indicators for significant risk at origin level[2,3]

a) Activities not complying with applicable local, national or international legislation on forest management, including but not limited to forest management practices; nature and environmental protection; protected and endangered species; property, tenure and land-use rights for indigenous peoples, local communities or other affected stakeholders; health, labour and safety issues; anti-corruption and the payment of applicable royalties and taxes.
i. The latest Transparency International (TI) Corruption Perception Index (CPI) score of the country is lower than 50 or the latest World Justice Project (WJP) Rule of Law Index of the country is lower than 0,5.[4]
ii. The country/region is known as a country with low level of forest governance and law enforcement.
iii. Tree species included in the material/product is known as species with prevalence of activities covered by the term **controversial sources** (a) or (b) in the country/region.
iv. The country is covered by UN, EU or national government sanctions restricting the export/import of such **forest and tree based products**.
b) Activities where the capability of forests to produce a range of wood and non-wood forest products and services on a sustainable basis is not maintained or harvesting levels exceed a rate that can be sustained in the long term.
i. According to publically available data, such as FAO Forest Resource Assessments, the amount of annual harvest of industrial roundwood exceeds the amount of annual increment of growing stock of the country/region of origin.
c) Activities where forest management does not contribute to the maintenance, conservation or enhancement of biodiversity on landscape, ecosystem, species or genetic levels.   ***d) Activities where ecologically important forest areas are not identified, protected, conserved or set aside.***
i. The Environmental Performance Index (EPI)[5] score for "Biodiversity & Habitat" of the country is lower than 50. Where no EPI index exists for a certain country, other indicators may be utilised, such as legislation addressing **controversial sources** elements c and d, combined with evidence of reliable enforcement of legislation (TI CPI score >50, or WJP Rule of Law score >0.5).
e) Activities where forest conversions occur, in other than justified circumstances where the conversion: ***i.*** *is in compliance with national and regional policy and legislation applicable for land use and forest management; and*   ***ii.*** *does not have negative impacts on ecologically important forest areas, culturally and socially significant areas, or other protected areas; and*   ***iii.*** *does not destroy areas of significantly high carbon stock; and*   ***iv.*** *makes a contribution to long-term conservation, economic, and/or social benefits.*
i. The country/region has been identified as having had a net loss of forest area >1% over the most recent ten years of available data, according to publically available data or information, such as provided by the FAO.
ii. In the country/region the net area with conversions from **forests** to **forest plantations** exceeds the forest area increase of the country/region, according to publically available data or information, such as provided by the FAO.

[2] The rows a) - i) are elements of 3.7, **controversial sources**. The rows underneath each element, numbered with Roman numerals (i, ii, iii etc.) provide the indicators used for the risk assessment for this element. Where more than one indicator is listed per element, all indicators shall be applied.

[3] Examples of external references and more detailed explanation can be found in the recent issue of PEFC GD 2001 *Chain of custody of forest-based products – Guidance for use.*

[4] These indices might not always be appropriate for forestry. Where more appropriate indicators exist, these can be used with a prior agreement with the PEFC Council. These alternative indicators will be listed in the chain of custody guidance document.

[5] The EPI is produced jointly by Yale University and Columbia University in collaboration with the World Economic Forum. https://epi.envirocenter.yale.edu/about-epi

f) Activities where the spirit of the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not met.
i. Substantiated studies demonstrate that the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not respected in the country.
g) Activities where the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met.
i. 1) Substantiated studies demonstrate that the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met in the country.
h) Conflict timber.
i. The country / region has a prevalence of armed conflict according to publicly available data sources such as Fragile State List.
i) Genetically modified trees.
i. According to publicly available data genetically modified forest and tree based organisms are produced in the country/region and placed on the commercial market.

Table 3: List of indicators for significant risk at supply chain level

Indicators
a) Countries/regions where the products have been traded are unknown.
b) Species in the product are unknown.
c) Evidence of illegal practices concerning **controversial sources** by any company in the supply chain.

3.7 The risk assessment shall be carried out for the first delivery of every individual **supplier**, or for several **suppliers**, with the same characteristics listed in 2.1 of this appendix, and the same applicability of indicators according to tables 1-3 above.

Note: Where deliveries from **suppliers** from the same region share the same characteristics listed in 2.1, and the same applicability of indicators according to tables 1-3, the risk assessment can be implemented as an assessment for a whole region.

3.8 For all material that is subject to the organisation's risk assessment, the **organisation** shall keep an updated list of characteristics listed in 2.1 of this appendix and indicators according to tables 1-3 for supplies of individual **suppliers** and **suppliers** that share the same characteristics.

3.9 The risk assessment shall be reviewed and if necessary revised at least annually, and when changes regarding the characteristics listed in 2.1 of this appendix occur.

4. Substantiated concerns

4.1 The **organisation** shall ensure that **substantiated concerns** about the potential origin of material covered by the organisation's **DDS** in **controversial sources** are promptly investigated, starting no later than ten workdays as of identification of the **substantiated concern**.

4.2 If the concern cannot be resolved by the organisation's investigation, the risk of the relevant material being from **controversial sources** shall be determined as "significant" and managed in accordance with clause 5 of this appendix.

5. Management of significant risk supplies

5.1 General

5.1.1 For supplies identified as having "significant risk", the **organisation** shall request the **supplier** to provide additional information and evidence that allows the **organisation** to classify the supply as having "negligible risk". The **organisation** shall request the **supplier** to:

a) Provide the **organisation** with necessary information to identify the forest area(s) of the raw material and the whole supply chain relating to the "significant risk" supply.

b) 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.

Note: These procedures can be ensured e.g. by contractual agreements or a written self-declaration by the **supplier**.

5.1.2 The **organisation** shall establish a second or third party verification programme for supplies classified as "significant risk". The verification programme shall cover:

a) identification of the whole supply chain and forest area(s) of the supply's origin

b) on-site inspection as appropriate

c) corrective measures as required

5.2 Identification of the supply chain

5.2.1 The **organisation** shall require, from all **suppliers** of "significant risk" supplies, detailed information on the whole supply chain and forest area(s) of the supply's origin.

5.2.2 In cases where the supplies can be verified as "negligible risk" according to the indicators in table 1 at one step in the supply chain the **organisation** is not required to track the whole supply chain to the forest area, except in case of **substantiated concerns**, which shall be addressed as outlined in appendix 1, clause 4.

5.2.3 The information submitted shall allow the **organisation** to plan and execute on-site inspections.

5.3 On-site inspections

5.3.1 The organisation's verification programme shall include on-site inspections of **suppliers** delivering "significant risk" supplies. The on-site inspections can be carried out by the **organisation** itself (second party inspection) or by a third party on behalf of the **organisation**. 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.

5.3.2 The **organisation** shall demonstrate that personnel carrying out inspections has sufficient knowledge and competence in the local business, cultural and social customs, and applicable treaties, conventions legislation, governance and law enforcement, relevant to the origin of "significant risk" supplies and to the risk(s) identified.

5.3.3 The **organisation** shall determine a sample of "significant risk" supplies from the **supplier** to be verified by the verification programme. Identical deliveries by the same **supplier** shall be considered as a single supply. The size of the annual sample shall be at least the square root of the number of "significant" risk supplies per one year: ($y=\sqrt{x}$), rounded up to the nearest whole number. Where the previous on-site inspections proved to be effective in fulfilling the objective of this document, the size of the sample may be reduced to $y=0.8\ \sqrt{x}$, rounded up to the next whole number.

5.3.4 The on-site inspections shall cover:

a) The direct **supplier** and all previous **suppliers** in the supply chain in order to assess compliance with the **supplier** claims on the origin of the raw material.

b) The forest owner / manager of the forest area of the supply origin, or any other party responsible for management activities on that forest area, in order to assess their compliance with legal requirements.

5.4 Corrective measures

5.4.1 The **organisation** shall define written procedures for implementing corrective measures for non-compliance for **suppliers** identified by the organisation's verification programme.

5.4.2 The range of corrective measures shall be based on the scale and seriousness of the risk that forest and tree based product(s) may be from **controversial sources** and shall include at least one or more of the following:

a) Clear communication of the risk identified with a request for addressing the risk identified within a specific timeline so as to ensure that forest and tree based product(s) from **controversial sources** is not supplied to the **organisation**.

b) Requiring **suppliers** to define risk mitigation measures relating to compliance with legal requirements in the forest area(s) or efficiency of the information flow in the supply chain.

c) Cancellation or suspension of any contract or order for forest and tree based product(s) until the **supplier** can demonstrate that appropriate risk mitigation measures have been implemented.

6. No placement on the market

6.1 **Forest and tree based material/products** from unknown sources or from **controversial sources** shall not be included in a **PEFC product group**.

6.2 Where it is known to the **organisation** that **forest and tree based materials/products** not covered by the organisation's **PEFC chain of custody** originate in illegal sources (**controversial sources**, 3.7a), it shall not be placed on the market.

6.3 Where the **organisation** has received **substantiated concerns** that **forest and tree based materials/products** not covered by the organisation's **PEFC chain of custody** originate in illegal sources (**controversial sources**, 3.7a), it shall not be placed on the market until the concern has been resolved in accordance with clause 4 of this appendix.

Appendix 2: Implementation of the chain of custody standard by multi-site organisations

Normative Appendix

1. Introduction

The aim of this appendix is to establish guidance for the implementation of the **PEFC chain of custody** requirements in an **organisation** with a network of sites, thus ensuring on the one hand, that the assessment provides adequate confidence in the conformity of the chain of custody, and on the other, that the certification of the chain of custody is practical and feasible in economic and operative terms. Certification of **multi-site organisations** also allows implementation and certification of the chain of custody in a group of typically small independent companies.

This appendix only includes requirements for implementation of the chain of custody requirements that are applicable to **organisations** with multiple production locations.

2. Eligibility criteria for the multi-site organisation

2.1 The **multi-site organisation** is defined as an **organisation** having an identified central function (normally, and hereafter referred to as a "central office") at which certain activities are planned, controlled and managed and a network of local offices or branches (sites) at which such activities are fully or partially carried out.

2.2 The **multi-site organisation** does not need to be a unique entity, but all sites shall have a legal or contractual link with the central office and be subject to a common chain of custody that is subject to continuous surveillance by the central office. This means that the central office has the right to implement corrective actions when needed at any site. Where applicable, this should be laid down in the contract between the central office and the sites.

2.3 The **multi-site organisation** may cover:

a) **Organisations** operating with franchises or companies where the sites are linked through a common ownership, management or other organisational link.

b) Groups of independent legal enterprises established and functioning for the purposes of the chain of custody certification (producer group).

Note: Membership in an association is not covered by the term "management or other organisational link".

2.4 A producer group is a network of typically small independent enterprises that have associated together for the purpose of obtaining and maintaining chain of custody certification. The central office may be an appropriate trade association, or any other properly experienced legal entity that is either nominated for the purpose by a group of intending members or offers a group service managed for the purposes of and consistently with this standard. The central office can also be administered by one member of the group.

Note: The central office in the case of the producer group can be called the "group entity" and sites can be called "group members".

2.5 A site is a location at which activities relating to the organisation's chain of custody are carried out.

2.6 The producer group is limited to participation of sites that are domiciled in a single country and that:

a) have no more than 50 employees (full-time employees equivalent),

b) have a turnover of maximum of 10,000,000 EUR, or equivalent

3. Requirements for multi-site organisations

3.1 General

3.1.1 The organisation's chain of custody shall be centrally administered and be subject to central review. All the relevant sites (including the central administration function) shall be subject to the organisation's internal audit programme and shall have been audited in accordance with that programme prior to the certification body starting its assessment.

3.1.2 It shall be demonstrated that the central office of the **organisation** has established a chain of custody in accordance with this standard and that the whole **organisation** (including all the sites) meets the requirements of this standard.

3.1.3 The **organisation** shall be able to demonstrate its ability to collect and analyse data from all sites, including the central office authority and its ability to initiate changes in the chain of custody operating in the sites if required.

3.2 Function and responsibilities of the central office

3.2.1 The central office shall:

a) Represent the **multi-site organisation** in the certification process, including communication and relationship with the certification body.

b) Submit an application for the certification and its scope, including a list of participating sites.

c) Ensure contractual relationship with the certification body.

d) Submit to the certification body a request for extension or reduction of the certification scope, including coverage of participating sites.

e) Provide a commitment on behalf of the whole **organisation** to establish and maintain a chain of custody in accordance with the requirements of this standard.

f) Provide all the sites with information and guidance needed for effective implementation and maintenance of the chain of custody in accordance with this standard; The central office shall provide the sites with the following information or access to the following information:

- A copy of this standard and any guidance relating to the implementation of the requirements of this standard.
- PEFC Trademarks Rules and any guidance relating to their implementation.
- The central office's procedures for the management of the **multi-site organisation**.
- Conditions of the contract with the certification body relating to the rights of the certification body or accreditation body to access the sites' documentation and installations for the purposes of evaluation and surveillance, and disclosure of information about the sites to a third party.
- Explanation of the principle of the mutual responsibility of sites in the multi-site certification.
- Results of the internal audit programme and the certification body's evaluation and surveillance and relating corrective and preventive measures applicable to individual sites.
- The multi-site certificate and any of its parts relating to the scope of the certification and coverage of sites.

Note: The term "mutual responsibility" means that nonconformities found in one site or the central office may result in corrective actions to be performed at all sites; an increase in internal audits or withdrawal of the multi-site certificate.

g) Provide organisational or contractual connection with all the sites, which shall include commitments by the sites to implement and maintain the chain of custody in accordance with this standard. The central office shall have a written contract or other written agreement with all the sites which covers

the right of the central office to implement and enforce any corrective or preventive measures and to initiate the exclusion of any site from the scope of certification in case of nonconformities with this standard.

h) Establish written procedures for the management of the **multi-site organisation**.

i) Keep records relating to the central office and sites compliance with the requirements of this standard.

j) Operate an internal audit programme as outlined in 3.2.2.

k) Operate a review of the central office and sites conformity, including review of results of the internal audits programme and certification body's evaluations and surveillance; shall establish corrective and preventive measures if required; and shall evaluate the effectiveness of corrective actions taken.

3.2.2 Internal audit programme

3.2.2.1 The internal audit programme shall provide for:

a) Audit of all the sites (including its own central administration function), on site or remotely, where a remote verification of the implementation of chain of custody processes is feasible, prior to the certification body starting its evaluation.

b) Budit of any new site prior to the certification body starting the process of the certification scope extension.

3.3 Function and responsibilities of sites

Sites connected to the **multi-site organisation** shall be responsible for:

a) Implementation and maintenance of the chain of custody requirements in accordance with this standard.

b) Entering into a contractual relationship with the central office, including commitment on the compliance with the chain of custody requirements and other applicable certification requirements.

c) Responding effectively to all requests from the central office or certification body for relevant data, documentation or other information whether in connection with formal audits or reviews or otherwise.

d) Providing full co-operation and assistance in respect of the satisfactory completion of internal audits performed by the central office and audits performed by the certification body, including access to the sites installations.

e) Implementation of relevant corrective and preventive actions established by the central office.

Table 4: Scope of responsibilities for requirements of this standard implemented in the multi-site organisation

Standard requirements	Central office	Site
Requirements for chain of custody process – **physical separation method**		Yes
Requirements for chain of custody process – **percentage method**		Yes
Requirements for chain of custody process – **credit method**		Yes
Management system requirements		
Responsibilities and authorities	Yes	Yes
General responsibilities	Yes	Yes
Responsibilities and authorities for chain of custody	Yes (for d and e)	Yes
Documented procedures	Yes (for a, e and f)	Yes
Record keeping	Yes (for f and g)	Yes
Resource management	Yes (only for activities provided)	Yes
Human resources / personnel		
Technical facilities		
Inspection and control	Yes	Yes
Complaints	Yes	Yes

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