

# SECTION 4

SFI 2015-2019  
EXTENDED THROUGH  
DECEMBER 2021  
CHAIN-OF-CUSTODY  
STANDARD



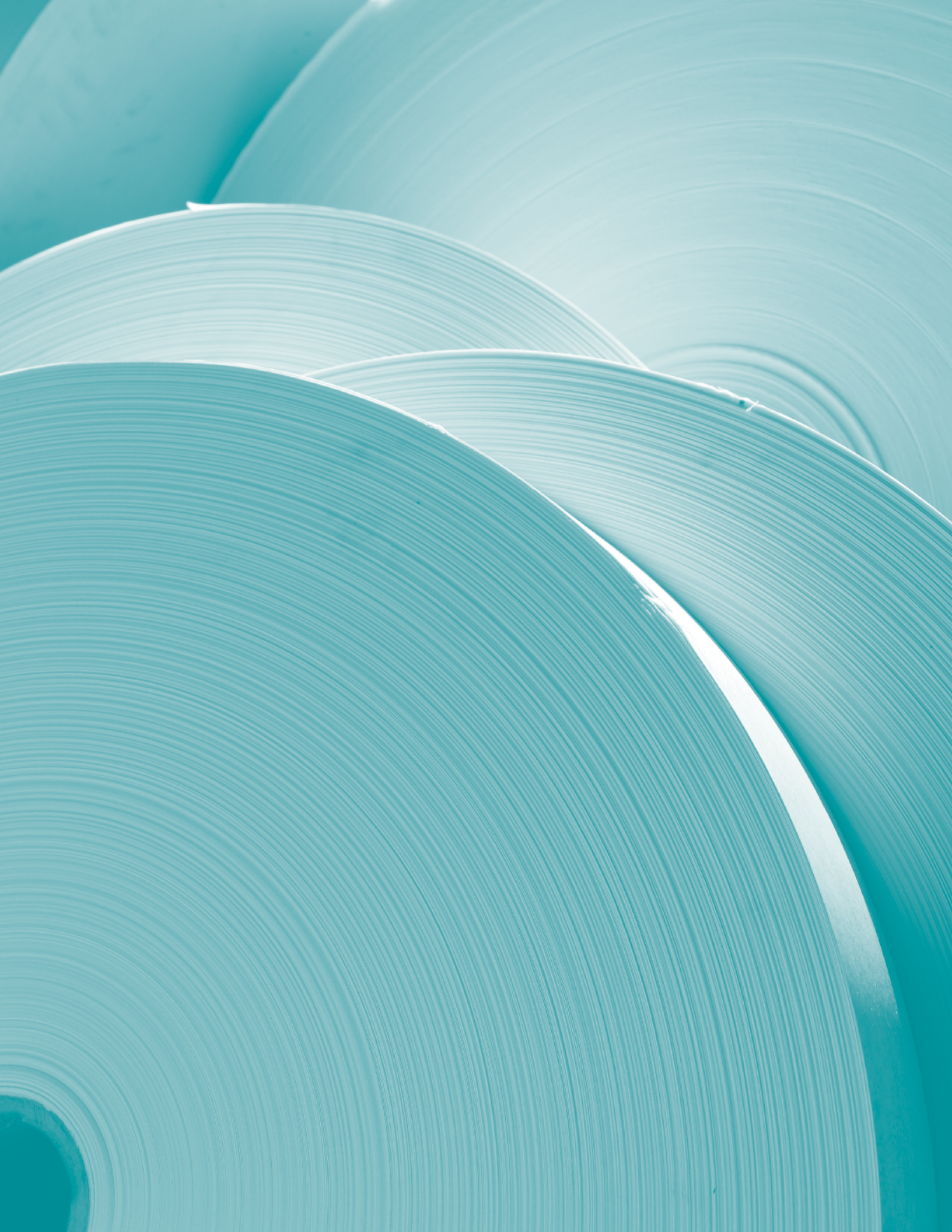
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SUSTAINABLE  
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# SFI 2015-2019 EXTENDED THROUGH DECEMBER 2021 CHAIN-OF-CUSTODY STANDARD

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# SFI 2015-2019 CHAIN-OF-CUSTODY STANDARD

## INTRODUCTION

*SFI Inc.* is an independent, non-profit, charitable organization dedicated to promoting sustainable forest management in North America and supporting responsible procurement globally. The *SFI* Board is a three chamber Board of Directors representing environmental, social and economic interests equally, and the *program* addresses local needs through its grassroots network of 34 *SFI Implementation Committees* across North America. *SFI Inc.* directs all elements of the *SFI program* including the *SFI* forest management, *fiber sourcing*, and *chain-of-custody standards*, labeling and marketing.

Consumers in growing numbers want assurance that their buying decisions represent a sound environmental choice. They are asking for proof that wood, paper and packaging products are made with raw materials from *certified forest content* or *certified sourcing*. The *SFI 2015-2019 Chain-of-Custody Standard* and Associated Labels, implemented together with certification to the *SFI 2015-2019 Forest Management* and *Fiber Sourcing Standards* and the *SFI Rules For Use of On-Product Labels and Off-Product Marks*, delivers a reliable and credible mechanism so businesses can provide this assurance to customers.

Program Participants practice responsible forestry on the lands they manage and, once they are successfully audited by an independent *SFI certification body*, they can make claims about *SFI* forest management certification and access *SFI-certified content* labels. They also need to achieve a separate third-party chain-of-custody certification.

*Chain of custody* is an accounting system process that tracks wood fiber through the different stages of production. Companies can make claims about how much of their product comes from certified lands, how much contains *post-consumer recycled content*, and how much is responsibly sourced fiber through unique *SFI fiber sourcing* certification. These claims can be made based on either the physical separation or percentage-based methods of tracking *certified forest content* and *certified sourcing*.

The *SFI program* addresses the fact that only 10 percent of the world's forests are certified through procurement requirements in the *SFI 2015-2019 Fiber Sourcing Standard* requiring that *Program Participants* establish adequate measures to ensure all the fiber they source is from legal and responsible sources, regardless of whether it is from certified or uncertified forests. The *SFI program* meets guidelines on environmental claims in product advertising and communication issued by the U.S. Federal Trade Commission and guidelines on environmental labeling and advertising issued by the Competition Bureau of Canada.

Studies have shown that consumers appreciate the value of forest certification in helping them identify wood and paper products from legal, responsible sources.

The fact that the *SFI program* can deliver a steady supply of fiber from well-managed forests is especially important at a time when there is increasing demand for green building and responsible paper purchasing, and only 10 percent of the world's forests are certified.

## PART 1. GENERAL

### 1.1 Scope

#### What the Chain-of-Custody Standard Does

The *SFI 2015-2019 Chain-of-Custody Standard* is an accounting system that tracks forest fiber content through production and manufacturing to the end product. Organizations can use chain-of-custody certification to track and communicate how much of their product comes from certified lands, certified *fiber sourcing*, *recycled content* and/or *non-certified forest content*.

#### What the Chain-of-Custody Standard Covers

The *SFI 2015-2019 Chain-of-Custody Standard* applies to any organization that sources, processes, manufactures, handles, trades, converts or prints forest-based products.

#### Geographic Application of the Chain-of-Custody Standard

The *SFI 2015-2019 Chain-of-Custody Standard* applies to any organization globally.

### 1.2 Additional Requirements

*Primary producers* must also conform to the *SFI 2015-2019 Fiber Sourcing Standard*.

Use of the *SFI* on-product labels and claims shall follow Section 5 - Rules for Use of *SFI* On-Product Labels and Off-Product Marks as well as ISO 14020:2000.

### 1.3 References

This standard incorporates, by dated or undated reference, provisions from other publications. These normative and informative references are cited at the appropriate places in the text and the publications are listed hereafter. For dated and undated references, the latest edition of the publication applies.

#### Normative References

- i. ISO/IEC Guide 65:1996 General Requirements for bodies operating product certification systems
- ii. ISO/IEC 17065:2012 - Conformity Assessment - Requirements for bodies certifying product, process and services
- iii. ISO/IEC Guide 2:2004 Standardization and related activities - General vocabulary
- iv. ISO 14020:2000 Environmental labels and declarations - General principles
- v. Section 2 - *SFI 2015-2019 Forest Management Standard*
- vi. Section 3 - *SFI 2015-2019 Fiber Sourcing Standard*
- vii. Section 5 - Rules for Use of *SFI*-On-Product Labels and Off-Product Marks
- viii. Section 7 - *SFI Policies*
- ix. Section 9 - Appendix 1: Audits of Multi-Site Organizations
- x. Section 11 - Public Inquiries and Official Complaints
- xi. Section 13 - *SFI* Definitions

For the purposes of this standard, the relevant definitions given in ISO/IEC Guide 2:2004 and ISO 9000:2005 apply, together with the definitions in the *SFI* Definitions (Section 13).

#### Informative References

- i. ISO 9000:2005 Quality management systems - Fundamentals and vocabulary
- ii. ISO 9001:2008 Quality management systems - Requirements
- iii. ISO 14001:2004 Environmental Management Systems - Specification with guidance for use
- iv. PEFC ST 2002:2013 Chain of Custody of Forest-Based Products - Requirements, May 24 2013
- v. Section 6 - Guidance to *SFI* 2015-2019 Standards
- vi. Section 9 - *SFI 2015-2019 Audit Procedures and Auditor Qualifications and Accreditation*

## PART 2: REQUIREMENTS FOR CHAIN-OF-CUSTODY PROCESS - PHYSICAL SEPARATION METHOD

### 2.1 General Requirements for Physical Separation

- 2.1.1 The organization applying the physical separation method shall ensure that the *certified forest content* is separated or controlled to ensure it is not mixed with or replaced by uncertified content.
- 2.1.2 The organization, whose *certified forest content* and *recycled content* inputs are not mixed with other raw material, should use physical separation as the preferred option.
- 2.1.3 An organization who makes *SFI* claims or uses the *SFI* on-product label in association with *non-timber forest products* shall apply the physical separation method to ensure *non-timber forest products* are sourced from *SFI*-certified lands.

### 2.2 Identification of the *Origin*

#### 2.2.1 Identification at Delivery Level

The organization shall identify and verify the category of the *origin* of all procured raw material. Documents and/or verifiable information associated with the source and/or delivery of raw material shall include at least:

- a. supplier identification;
- b. quantity of delivery;
- c. date of delivery / delivery period / accounting period;
- d. category of *origin*,
  - i. *SFI Certified Forest Content* - Raw material from a forest certified to an *acceptable forest management standard* constitutes a claim of 100 percent *certified forest content*
  - ii. *SFI Certified Sourcing*
  - iii. *Post-Consumer Recycled*
  - iv. *Pre-Consumer Recycled*
  - v. *SFI Recycled Content* and
- e. The supplier's chain-of-custody number, if applicable.

This information can be documented in the form of, but not limited to, an invoice, bill of lading, shipping document, letter, or other forms of communications between the organization and the next entity in the supply chain.

Note 1: The categories of the *origin* of raw material are specified in the *SFI* Definitions (Section 13).

Note 2: An organization (e.g., printer or lumberyard) that uses the physical separation method and sources inputs from a supplier that uses the percentage-based method must know the percentage of *certified content* if it wants to label products or make claims about them.

#### 2.2.2 Identification at Supplier Level

The organization shall obtain or access confirmation documentation for all suppliers of the *certified forest content*, which proves that the criteria set for the supplier have been met.

### 2.3 Separation of the *Certified Content*

- 2.3.1 *Certified content* shall remain clearly identifiable throughout the entire sourcing production, trading and sales process. This shall be achieved by:
- physical separation in terms of production and storage space or
  - physical separation in terms of time or
  - permanent identification of the *certified content*.

- 2.3.2 Verification that *certified content* is controlled during the production, trading, and sales process to ensure it is not replaced by uncertified material.

### 2.4 Sale of *Certified Content* Products

- 2.4.1 At the point of sale or transfer of the certified products to another entity, the organization shall provide the next entity in the chain with written information confirming the supplier's certification status and an official *SFI* claim statement providing a clear indication of input category. This can be in the form of, but is not limited to, an invoice, bill of lading, shipping document, letter or other forms of communications available to the customer at the time of the sale of the product.
- 2.4.2 The organization shall ensure that documentation of the certified products clearly states at least the following information:
- organization's identification;
  - quantity of delivery;
  - date of delivery/delivery period/accounting period;
  - an official *SFI* claim;
    - SFI X% Certified Forest Content
    - SFI X% Recycled Content
    - SFI X% Pre-Consumer Recycled

- SFI X% Post-Consumer Recycled
  - SFI X% Certified Sourcing  
(Note: Percentages of any combination of the above are permissible.)
  - SFI at Least X% Certified Forest Content ; and
- e. the organization's chain-of-custody number.

- 2.4.3 If the organization uses the off-product mark or on-product label, both on-product and off-product usage shall be carried out according to the terms and conditions of the *Office of Label Use and Licensing* and the Rules \ for Use of *SFI* On-Product Labels and Off-Product Marks (Section 5 in the *SFI 2015-2019 Standards and Rules*).

## PART 3: REQUIREMENTS FOR CHAIN-OF-CUSTODY PROCESS – MIXING OF INPUTS – AVERAGE PERCENTAGE METHOD AND VOLUME CREDIT METHOD

### 3.1 General Requirements for Mixing of Inputs

The percentage-based method applies to organizations with facilities where *certified content* is mixed with non-certified forest inputs that cannot be clearly identified in the output products.

### 3.2 Definition of the *Product Group*

- 3.2.1 The organization shall implement the requirements for the chain-of-custody process of this standard for the specific *product group*.
- 3.2.2 The organization shall identify its *product group*(s) based on the following criteria:
- raw material included in the products covered by the *product group*,
  - production site at which the products covered by the *product group* have been produced,
  - time period over which the products covered by the *product group* have been produced or sold/transferred.
- 3.2.3 The *product group* shall be associated with (i) a single product or (ii) a group of products, which consist of the same or similar input raw material based on, for example, species, sort or substitutability within products (e.g., SPF lumber contains multiple tree species but may be treated as a single *product group*).
- 3.2.4 The organization shall identify an entity within the organization for which the *product group* is defined and only products produced or controlled by that entity shall be included within the *product group*.

Note: The entity may be a standalone manufacturing facility, a forest contractor with multiple harvest sites, a trader or distributor with multiple suppliers, a remanufacturing facility supplied by multiple primary manufacturers or a centralized sales department within an organization with responsibility for multiple manufacturing units.

3.2.5 For credibility purposes, the maximum *claim period* is three months.

3.2.6 The organization shall identify all products included in the *product group* covered by the chain-of-custody *claim period* so it is possible to determine the *product group* to which the products belong. The identifier can be a unique number or a name that all products within the *product group* belong to.

Note: Physical on-product identification of the *product group* is not required if the certification percentage is applied to sold or transferred products as the *product group* identification is evident from the sale or delivery documents. However, products that carry the *SFI* on-product label must be accompanied by the associated claim statement.

### 3.3 Identification of the Origin

#### 3.3.1 Identification at Delivery/Receipt Level

The organization shall identify and verify the category of *origin* of all procured raw material that is received. Documents associated with delivery and receipt of raw material shall include at least:

- a. supplier identification,
- b. quantity of delivery,
- c. date of delivery / delivery period / claim accounting period,
- d. category of *origin*,
  - i. *SFI Certified Forest Content* - Raw material from a forest certified to an *acceptable forest management standard* constitutes a claim of 100 percent *certified forest content*
  - ii. *SFI Certified Sourcing*
  - iii. *Post-Consumer Recycled*
  - iv. *Pre-Consumer Recycled*
  - v. *SFI Recycled Content*
- e. the supplier's chain-of-custody number, if applicable.

This information can be documented in the form of, but not limited to, an invoice, bill of lading, shipping document, letter, or other forms of communications between the organization and the customer.

Note: The categories of the *origin* of raw material are specified in the *SFI* Definitions (Section 13).

#### 3.3.2 Identification at Supplier Level

The organization shall verify the validity and scope of the forest management, *fiber sourcing* or chain-of-custody certificate.

### 3.4 Calculation of the Certified Percentage

3.4.1 The organization shall calculate the certification percentage separately for each *claim period* according to the following formula:

$$P_c [\%] = \frac{V_c}{V_c + V_o} \cdot 100$$

<b>P<sub>c</sub></b>	Certification percentage
<b>V<sub>c</sub></b>	<i>Certified content</i>
<b>V<sub>o</sub></b>	Other raw material ( <i>certified sourcing</i> )

Note: When making claims about *pre-* and *post-consumer recycled content*, both can count as *certified content* and the amount must be disclosed to the customer. For organizations choosing not to count *pre-* and *post-consumer recycled content*, the *pre-* and *post-consumer recycled content* is neutral and shall not be included in the calculation of the *certified content* percentages in chain-of-custody tracking.

3.4.2 The organization shall calculate the certification percentage based on a single measurement unit used for all raw material covered by the calculation. The organization shall use only official conversion ratios and methods. If a suitable official conversion ratio does not exist, the organization shall define and use a reasonable and credible internal conversion ratio.

(Note: The Conversion Factor/Ratio is calculated by dividing the output (volume or weight) by the input (volume or weight) and is applied to each individual input component of a *product group*).

3.4.3 If the procured raw material includes only a proportion of *certified content*, then only the quantity corresponding to the actual certification percentage claimed by the supplier can enter the calculation formula as *certified content*. The rest of that raw material shall enter the calculation as other raw material.

3.4.4 The organization shall calculate the certification percentage as either a simple or rolling average percentage. Refer to Appendix 1 of this document for the definitions of simple and rolling average calculations.

3.4.5 The organization applying the simple certification percentage shall base the calculation of *P<sub>c</sub>* [the certification percentage] for each *product group* on the figures for *V<sub>c</sub>* (*certified content*) and *V<sub>o</sub>* (other raw material) for that specific *product group*. As a result, it is necessary for the organization applying this method to know the percentage of *certified content* before any product of the *product group* is sold or transferred.

The *claim period* shall not exceed three months of production.



- 3.4.6 The organization applying the rolling average certification percentage shall base the calculation of Pc (the certification percentage) for each *product group* and *claim period* on the figures for Vc (*certified content*) and Vo (other raw material) for a specified number of prior *claim periods*.

The time period covered by the specified number of prior *claim periods* shall not exceed 12 months.

### 3.5 Average Percentage Method

- 3.5.1 The organization applying the average percentage method can claim all the products covered by the *claim period*, provided that the percentage of *certified content* is clearly communicated. In order to use the *SFI* label, the organization must meet a 70% *certified content* threshold. The following label may be used. If *recycled content* is not used, then the label must just state, "Promoting Sustainable Forestry."



- 3.5.2 If an organization falls below the 70 percent *certified content* threshold, the organization shall be transparent and communicate the actual percentage of *certified content*. The following two labels may be used.



### 3.6 Volume Credit Method

- 3.6.1 The organization shall apply the volume credit method for a single claim. The organization receiving a single delivery of material with more than one claim relating to the category of *origin* shall either use it as a single inseparable claim (e.g. *SFI/PEFC certified content*) or use only one from the received claims (*SFI* or *PEFC* certified) for calculating the volume credits. The volume credit shall be distributed to the output products from the volume credit account in a way that all products sold as certified are sold as 100% certified.

- 3.6.2 The organization shall recognize volume credits in a single measurement unit used for all raw material inputs and shall enter the volume credits into the credit account. The credit account may be established for individual product types of the *product group* or for the whole *product group* where the same measurement unit is applied to all product types.

- 3.6.3 The organization shall calculate the volume credits using either:
- a. certification percentage (clause 3.4) and volume of output products (clause 3.6.4) or
  - b. input material (*certified forest content/pre-consumer recycled/post-consumer recycled*) and input/output ratio (clause 3.6.5).

- 3.6.4 The organization applying the certification percentage shall calculate the volume credits by multiplying the volume of output products of the *product group* by the certified percentage.

- 3.6.5 The organization must demonstrate a verifiable ratio between the input material and output products. The volume credits may be calculated directly from the input certified material by multiplying the volume of the input certified material by the input/output ratio and accounting for manufacturing losses.

- 3.6.6 The labels used for the Volume Credit method shall be as follows:



- 3.6.7 The organization can accumulate the *SFI* Certified Credits or Recycled Credits by creating a volume credit account, which can be used for the next *claim period*.
- 3.6.8 The total quantity of credits cumulated at the credit account cannot exceed the sum of credits entered into the credit account during the last 12 months.

### 3.7 Sale of Products

- 3.7.1 At the point of sale or transfer of the certified products to the next entity in the supply chain, the organization shall provide customers with written information confirming the supplier's certified status and an official *SFI claim* statement. This can be in the form of, but is not limited to, an invoice, bill of lading, shipping document, letter, or other forms of communications available to the customer at the time of the sale of the product.

3.7.2 The organization shall ensure that documentation of the certified products clearly states at least the following information:

- a. organization's identification,
- b. quantity of delivery,
- c. date of delivery / delivery period / *claim period*
- d. an official SFI claim statement:
  - i. Average Percentage Users:
    - X% Certified Forest Content
    - X% Recycled Content
  - ii. Volume Credit Users:
    - SFI Volume Credit or 100% as calculated under the volume credit method
- e. the organization's chain-of-custody number.

3.7.3 If the organization uses the logo, both on-product and off-product usage shall be carried out according to the terms and conditions of the *Office of Label Use and Licensing* and the Section 5 - Rules for Use of SFI On-Product Labels and Off-Product Marks, in the *SFI 2015-2019 Standards and Rules* document.

## PART 4. DUE DILIGENCE SYSTEM TO AVOID CONTROVERSIAL SOURCES

### 4.1 Definition of *Controversial Sources*

- a. Forest-based products that are not in compliance with applicable state, provincial or federal laws, particularly as they may relate to:
  - *conversion sources*,
  - legally required *protection of threatened and endangered species*,
  - requirements of CITES (The Convention on International Trade in Endangered Species of Wild Fauna and Flora),
  - legally required management of areas with designated high environmental and cultural values,
  - labor regulations relating to forest workers,
  - *Indigenous Peoples'* property, tenure and use rights.
- b. Forest-based products from *illegal logging*
- c. Forest-based products from *areas without effective social laws*

### 4.2 Verification of Purchased Product(s)

To avoid *controversial sources*, the organization shall obtain and verify the scope of an SFI Section 2 (*SFI 2015-2019 Forest Management Standard*), Section 3 (*SFI 2015-2019 Fiber Sourcing Standard*), Section 4 (*SFI 2015-2019 Chain-of-Custody Standard*), or *other credible chain-of-custody standard* certificate. Verification shall ensure that the facility and the purchased product(s) are directly associated with the certification. This can be achieved through the following:

- a. On a valid SFI Section 2 (*SFI 2015-2019 Forest Management Standard*), Section 3 (*SFI 2015-2019 Fiber Sourcing Standard*), Section 4 (*SFI 2015-2019 Chain-of-Custody Standard*), or *other credible chain-of-custody standard* certificate or appendix to the certificate.
- b. On a publicly available *product group* listing, or
- c. By other means of verification.

Where inspection of the certificate and other supporting evidence can demonstrate that the facility and *product groups* are within scope of the certificate, then the organization purchasing that *product group* can credibly conclude that the products being sourced are low risk of coming from *controversial sources*.

### 4.3 Conducting a Risk Assessment

When forest-based products, excluding *recycled content*, are procured without a valid SFI Section 2 (*SFI 2015-2019 Forest Management Standard*), Section 3 (*SFI 2015-2019 Fiber Sourcing Standard*), Section 4 (*SFI 2015-2019 Chain-of-Custody Standard*), or *other credible chain-of-custody standard* certificate, the organization shall collect information on the source of the forest-based product, through a due diligence system to address the likelihood of sourcing from *controversial sources*.

The Organization's Due Diligence System shall:

- 4.3.1 Conduct a risk assessment of sourcing forest-based products which are not in compliance with applicable state, provincial or federal laws, particularly as they may relate to:
  - *conversion sources*,
  - legally required *protection of threatened and endangered species*,
  - requirements of CITES (The Convention on International Trade in Endangered Species of Wild Fauna and Flora),
  - legally required management of areas with designated high environmental and cultural values,
  - labor regulations relating to forest workers,
  - *Indigenous Peoples'* property, tenure and legally established use rights.

The risk assessment shall be carried out at the national level and where risk is not consistent, at the appropriate regional level.

- 4.3.2 Conduct a risk assessment of sourcing forest-based products from *illegal logging*
- 4.3.3 Conduct a risk assessment of sourcing forest-based products from *areas without effective social laws* addressing the following:
  - a. workers' health and safety;

- b. fair labor practices;
- c. *Indigenous Peoples'* rights;
- d. anti-discrimination and anti-harassment measures;
- e. prevailing wages; and
- f. workers' right to organize.

#### 4.4 Implementing a *Program* to Address Risk

Where the risk assessment conducted under 4.3 determines other than low risk, the organization shall implement a *program* to mitigate such risk and require a signed contract and/or self-declaration that the supplied forest-based product does not originate from *controversial sources*.

## PART 5: MINIMUM MANAGEMENT SYSTEM REQUIREMENTS

### 5.1 General Requirements

The organization shall operate a management system in accordance with the following elements of the *SFI 2015-2019 Chain-of-Custody Standard*, which ensure correct implementation and maintenance of the chain-of-custody process. The management system shall be appropriate to the type, range and volume of work performed.

Note: An organization's quality (ISO 9001:2008) or environmental (ISO 14001:2004) management system can be used to meet the minimum requirements for the management system defined in this standard.

### 5.2 Responsibilities and Authorities for Chain of Custody

- 5.2.1 The organization's top management shall define and document its commitment to implement and maintain the chain-of-custody requirements, and make this available to its personnel, suppliers, customers and other interested parties.
- 5.2.2 The organization's top management shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the chain of custody.
- 5.2.3 The organization's top management shall carry out a regular periodic review of the chain of custody and its compliance with the requirements of this standard.
- 5.2.4 The organization shall identify personnel performing work affecting the implementation and maintenance of the chain of custody, and establish and set responsibilities and authorities relating to the chain-of-custody process:
  - a. raw material procurement and identification of the *origin*;
  - b. product processing covering physical separation or percentage calculation and transfer into output products;
  - c. product sale and labeling;
  - d. record keeping; and
  - e. internal audits and nonconformity control.

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

### 5.3 Documented Procedures

The organization's procedures for the chain of custody shall be documented, and include at least the following elements:

- a. description of the raw material flow within the production process;
- b. organization structure, responsibilities and authorities relating to chain of custody; and
- c. procedures for the chain-of-custody process covering all requirements of this standard.

### 5.4 Record Keeping

- 5.4.1 The organization shall establish and maintain records to provide evidence it has conformed to the requirements of this standard and its chain-of-custody procedures are effective and efficient. The organization shall keep at least the following:
  - a. records of all suppliers of forest-based raw material, including information to confirm requirements at the supplier level are met;
  - b. records of all purchased forest-based raw material, including information on its *origin*;
  - c. records that demonstrate how the certification percentage for each *product group* was calculated;
  - d. records of all forest-based products sold and their claimed origin. including, as applicable, records of movements in volume credit accounts;
  - e. records of internal audits, nonconformities which occurred and corrective actions taken; and
  - f. records of top management's periodic review of compliance with chain-of-custody requirements.
- 5.4.2 The organization shall maintain the records for a minimum period of three years unless stated otherwise by law.

### 5.5 Resource Management

- 5.5.1 Human Resources/Personnel:  
The organization shall ensure that all personnel performing work affecting the implementation and maintenance of the chain of custody shall be competent on the basis of appropriate training, education, skills and experience.
- 5.5.2 Technical Facilities:  
The organization shall identify, provide and maintain the infrastructure and technical facilities needed for effective implementation and maintenance of the organization's chain of custody to meet the requirements of this standard.

## 5.6 Internal Audit and Management Review

- 5.6.1 The organization shall conduct internal audits at intervals of no more than one year covering all requirements of this standard, and establish corrective and preventive measures if required.
- 5.6.2 The organization shall conduct the internal audit in accordance with the following requirements:
- The internal audit shall be undertaken by personnel that have adequate knowledge of the *SFI 2015-2019 Chain-of-Custody Standard*;
  - Off-site interviews and desk audits are permissible, appropriate to the scope and scale of the organization;
  - If there have been no inputs or outputs for a site or manufacturing facility over the past year, internal audits are not required;
  - If a site or manufacturing facility has had no sales of *SFI* certified products over that past year, internal audits are not required;
  - Internal audits are to assess overall organizational conformance and internal audit documentation can consist of one consolidated internal audit checklist and/or report; and
  - Where nonconformities are identified during the internal audit process, a corrective action plan shall be developed at the site and/or organizational level.
- 5.6.3 Where the organization has outsourced activities within the scope of its chain of custody, the organization shall develop procedures for the audit of these contractors.
- 5.6.4 The internal audit of outsource contractors may be conducted remotely.
- 5.6.5 Where there are sufficient outsource contractors, the internal audit may use a sampling approach for these contractors.
- 5.6.6 The internal audit of outsource contractors shall:
- determine the level of risk associated with the outsourced activities as determined by Part 6 – Outsourcing Agreements.
  - include within the scope of the internal audit those outsourced activities assessed as high risk.
- 5.6.7 The organization shall have its rationale for remote audits and its sampling procedure audited by its third-party certifier.
- 5.6.8 The results of internal audits shall be reported to management for review during the annual management review.

## PART 6. OUTSOURCING AGREEMENTS

### 6.1 Outsourcing Agreements

Chain-of-custody certificate holders who outsource processing or manufacturing activities on a flexible basis to any one of a number of potential contractors may apply for inclusion of the outsourced process within the scope of their *SFI 2015-2019 Chain-of-Custody Standard* certificate.

Organizations that wish to include outsourcing within the scope of their *SFI 2015-2019 Chain-of-Custody Standard* certificate shall ensure the following:

- the organization has legal ownership of all input material to be included in outsourced processes;
- the organization does not relinquish legal ownership of the materials during outsourced processing;
- the organization has an agreement or contract covering the outsourced process with each contractor. This agreement or contract shall include a clause reserving the right of the *SFI*-accredited *certification body* to audit the outsource contractor or operation;
- the organization has a documented control system with explicit procedures for the outsourced process, which are shared with the relevant contractor.

The organization shall issue the final claim statement and documentation for the processed or produced *SFI*-certified material following outsourcing. The documentation shall state the certificate holder's *SFI 2015-2019 Chain-of-Custody Standard* certificate number and formal claim statement.

### 6.2 Assessing Risk for Outsource Contractors

As per the requirements of 5.6.6 outsourced activities shall be risk-ranked in accordance with the following criteria:

- 6.2.1 Low Risk: Outsource contractor receives the certified material from the organization and material is physically segregated from other non-certified material and contractor returns the material back to the organization after the outsourced work is completed.
- 6.2.2 High Risk: One or more of the following would indicate high risk scenarios:
- The outsourced contractor lacks the procedures to prevent the mixing of the organization's certified material with that of other companies' materials that are unrelated to the outsourced process.
  - The outsource contractor receives certified material purchased by the organization for the process directly from the supplier on the organization's behalf and ships finished product to the end customer on the organizations' behalf
  - The outsource contractor applies the organization's *SFI* label to the finished product and ships the product direct to the customer.



# APPENDIX 1: CALCULATION OF THE CERTIFICATION PERCENTAGE

(Informative)

## DEFINITION OF THE *PRODUCT GROUP*

The organization shall identify *product group(s)* for which the certification percentage is calculated. The *product group* shall be identified for specific products or groups of products (e.g., paper). Only products that consist of the same or similar raw material can be included in one *product group*. Other examples are listed in Table 1.

**Table 1: Examples of chain-of-custody *product groups***

Output products	Input raw material	Chain-of-custody <i>product group</i>	Units for credit account
Spruce lumber A	Spruce, Pine, Fir (SPF) sawlogs	Spruce, Pine, Fir (SPF) products	Tons of Spruce, Pine, Fir (SPF) sawlogs
Pine lumber B			
Fir lumber C			
Fir/Spruce/Pine (SPF) chips			
Alder lumber A	Alder sawlogs	Alder products	Tons of Alder sawlogs
Alder lumber B			
Alder lumber C			
Alder chips			
Alder/Pine/Spruce sawdust	Alder/Spruce/Pine sawlogs	Residue products	Tons of Alder/Spruce, Pine, Fir (SPF) sawlogs
Alder/Pine/Spruce bark			

## CALCULATION OF THE CERTIFICATION PERCENTAGE

The company can use two methods to calculate the certification percentage (simple percentage or rolling average percentage):

### Simple Percentage

The certification percentage for the specific *product group* is calculated from the material included in that specific *product group*. As a result, the organization applying this method must know the percentage of *certified content* before any product from that *product group* is sold or transferred.

### Rolling Average Percentage

The rolling average percentage is obtained by using the quantity of raw material procured in the specified previous period. As a maximum, the rolling average can be applied over the last 12 months.

## EXAMPLE OF A THREE-MONTH ROLLING AVERAGE

The certification percentage for the *product group* is calculated from volumes of certified and other raw material procured during the previous three-month period (excluding the current *product group*).

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

**Table 2: Example of three-month rolling average**

1	2	3	4	5	6
No. of the 1-month calcul. period	Volume of certified raw material procured (tons)*	Volume of other raw material (tons)*	Sum of volumes of certified raw material for previous 3 months (tons)	Sum of volumes of other raw material for previous 3 months (tons)	3-month rolling average percentage
j=i	Vc	Vo	Vv[3]	Vo[3]	Pc[3]
			$Vc[3] = \sum_{j=i}^{i-2} Vc_j$	$Vo[3] = \sum_{j=i}^{i-2} Vo_j$	$Pc = \frac{Vc[3]}{Vc[3] + Vo[3]}$
1	11	90	11	90	10.89%
2	12	90	23	180	11.33%
3	13	90	36	270	11.76%
4	14	90	39	270	12.62%
5	15	90	42	270	13.46%
6	16	90	45	270	14.29%
7	17	90	48	270	15.09%
8	18	90	51	270	15.89%
9	19	90	54	270	16.67%
10	20	90	57	270	17.43%
11	21	90	60	270	18.18%
CONTINUES					

\* The volume figures given in the table above are only examples

**Example of calculation given in Table 2:**

- [column 4] Volume of certified raw material is calculated as sum of volumes of certified raw material procured in the previous 3 months.  
 $Vc[3]6 = Vc6 + Vc5 + Vc4$  ;  $Vc[3]6 = 16 + 15 + 14 = \mathbf{45}$  [tons]
- [column 5] Volume of other raw material is calculated as sum of volumes of other raw material procured in the previous 3 months.  
 $Vo[3]6 = Vo6 + Vo5 + Vo4$  ;  $Vo[3]6 = 90 + 90 + 90 = \mathbf{270}$  [tons]
- [column 6] The rolling average percentage is calculated according to the formula of chapter 3.3.1:  $Pc = Vc / [Vc + Vo]$   
 $Pc6 = 100 * Vc[3]6 / [Vc[3]6 + Vo[3]6]$ ;  $Pc6 = 100 * 45 / [45 + 270] = \mathbf{14.29\%}$

Note: The *product group* period does not need to be equal to the calculation period as long as it does not exceed the length of the calculation period.

## VOLUME CREDIT ACCUMULATION

The organization can establish a volume credit account for the input raw material used in the specific *product group* or for specific products of the *product group* if 3.4.2.4 applies.

**Table 3: Example of volume credit accumulation (in tons)**

1	2	3	4	5
Number of 1 month's <i>product group</i>	Credit volume for the <i>product group</i>	Credit account	Maximum credit account	Used credits
i		$= [3]_{i-1} - [5]_{i-1} + [2]_i$ condition: $[3]_i \leq [4]_i$	$\sum_{i=1}^{i-1} [2]_i$	
1	0	0	0	0
2	7.78	7.78	7.78	0
3	8.17	15.95	15.95	0
4	8.56	24.51	24.51	0
5	9.28	33.79	33.79	0
6	9.99	43.78	43.78	0
7	10.70	54.48	54.48	0
8	11.41	65.89	65.89	0
9	12.12	78.01	78.01	0
10	12.83	90.84	90.84	0
11	13.54	104.39	104.39	0
12	14.25	118.64	118.64	0
13	14.96	133.61	133.61	0
14	15.68	141.50	141.50	5
15	16.38	149.72	149.72	10
16	17.09	156.81	158.25	50
17	17.80	124.62	166.78	50
18	18.51	93.13	175.30	100

**Example of calculation given in Table 3 for the product group of month 14:**

- d. [column 2] Includes volume credit calculated for 1 month *product group*. [Values for months 1-11 are taken from Table 2.]
- e. [column 3] Credit account is calculated as a result of the credit account in the previous month [column 3, month 14] minus volume credits used in the previous month [column 5, month 14] plus volume credit calculated for the current month [column 2, month 15].

$$[3]_{14} - [5]_{14} + [2]_{15} = 141.50 - 5 + 16.38 = \mathbf{152.88 \text{ [tons]}}$$

Total quantity accumulated in the credit account cannot exceed volume credits entered into the volume credit in the previous 12 months [column 4 = 149.72] [chapter 3.4.2.4]

152.88 → 149.72, therefore credit account is **149.72 [tons]**

- f. [column 4] Maximum credit account is calculated as a sum of volume credits entered into the credit account during the last 12 months [column 2, month 4-15].

$$\begin{aligned}
 [4] &= [2]_4 + [2]_5 + [2]_6 + [2]_7 + [2]_8 + [2]_9 + [2]_{10} + [2]_{11} + [2]_{12} + [2]_{13} + [2]_{14} + [2]_{15} = \\
 &= 8.56 + 9.28 + 9.99 + 10.70 + 11.41 + 12.12 + 12.83 + 13.54 + 14.25 + 14.96 + 15.68 + 16.38 = \\
 &= \mathbf{149.72 \text{ [tons]}}
 \end{aligned}$$

### USE OF THE VOLUME CREDIT

The volume credit account shall be drawn down as certified sales are made. The number of volume credits removed from the account shall be based on the ratio of input/output volume for the specific products sold as certified. Table 4 shows an example of the drawdown of the volume credit account for different product sales..

**Table 4: Example of drawdown of the volume credit account for different product sales**

Credit account balance (raw material credits)	Product	Input/output ratio	Volume of certified sales	Reduction to credit account balance
200	A	1/1	20	20
180	B	4/1	40	160
20	C	2/1	10	20
0	–	–	–	–



## APPENDIX 2: SFI CHAIN-OF-CUSTODY CERTIFICATE REQUIREMENTS

(Informative)

**1. Certificate Statement:** The X company or facility has been independently certified by Y, an *SFI certification body* accredited to perform *SFI program* audits that conform to the *SFI 2015-2019 Chain-of-Custody Standard*.

**2. Certificate Meaning:** The certificate holder has been independently certified by an *SFI certification body* accredited to perform audits to the, *SFI 2015-2019 Chain-of-Custody Standard*, and has received a license from the *SFI Office of Label Use and Licensing* authorizing use of the *SFI* service marks.

**2.1 Certificate Content:** All *SFI* chain-of-custody certificates shall have the following information, at a minimum, on the certificate:

- a. Chain-of-custody number: The numbering system will have a three-letter abbreviation of the *SFI certification body's* name, followed by "SFICOC," followed by the audit number. The audit number can be unique to the *SFI certification body*. (Example for *certification body* XYZ completing its 20th chain-of-custody audit: XYZ-SFICOC-0020.)
- b. The *SFI* off-product logo service mark (see below) must be placed on the certificate.



- c. The logo of the accreditation firm (e.g. ANSI or SCC) for the *SFI certification body* conducting the chain-of-custody certification must be placed on the certificate.

**3. Eligible Entities:** Any company or facility that manufactures or distributes forest-based manufactured or printed products and wants to document that the material in the products was manufactured by a company certified to the *SFI 2015-2019 Chain-of-Custody Standard* is eligible to obtain an *SFI 2015-2019 Chain-of-Custody Standard* certificate (except as provided for in the *SFI Policy on Illegal Logging* in Section 7 of the *SFI* requirements document).

**4. Application for SFI Label Use:** The certified company and/or the *SFI certification body* will inform the *Office of Label Use and Licensing* of a successful completion along with a copy of the chain-of-custody certificate

### 5. Issuance of License and Certificate

**5.1. Issuance of License.** The *Office of Label Use and Licensing* shall issue the license to use the *SFI* off-product marks to the applicant upon written confirmation of successful completion of the chain-of-custody audit.

**5.2. Certificate.** The *SFI certification body* provides the written documentation of a successful completion of an audit.

**6. Availability of On-Product Label:** Holders of *SFI 2015-2019 Chain-of-Custody Standard* certificates may also qualify for use of an *SFI* on-product label and may receive authorization from the *SFI Office of Label Use and Licensing*.

# APPENDIX 3: CRITERIA FOR THE EVALUATION OF CHAIN-OF-CUSTODY CERTIFICATION STANDARDS FOR USE IN THE SFI PROGRAM

## OBJECTIVE

This appendix is intended to evaluate whether or not the chain-of-custody standards have credible systems for tracking wood flows from *SFI* certified land bases. The intent is not to recognize or include other provisions on “controlled wood,” “good wood” or any other forest management provisions.

## CRITERIA

1. The standard contains elements that address scope, references and definitions.
2. The standard defines minimum requirements for the management system, including:
  - management and personnel responsibilities;
  - documentation of procedures for the chain-of-custody process covering all requirements of the standard;
  - record keeping; and
  - internal auditing.
3. The standard contains specific requirements for each chain-of-custody method allowed under the standard (physical separation, percentage based, volume credit, batch in/batch out, procurement system), including but not limited to:
  - supplier identification/verification or *origin* of wood flows;
  - inventory control and accounting of wood flows;
  - separation of material (if necessary); and
  - calculation of the certified percentage.
4. The standard is consistent with the requirements of national and international standards and conformity assessment forums such as the International Organization for Standardization (ISO) or the International Accreditation Forum.
5. The standard requires the use of *certification bodies* accredited by ANSI, Standards Council of Canada, or an equivalent body recognized by the International Accreditation Forum to conduct a Chain of Custody (CoC) Conformity Assessment based on ISO/IEC Guide 65:1996 or ISO/IEC 17065:2012.