



Section 3. SFI Chain-of-Custody Standard
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SFI Chain-of-Custody Standard

Preface

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 35 *SFI Implementation* Committees across North America. *SFI Inc.* directs all elements of the *SFI program* including the *SFI* forest standard, chain-of-custody certification, responsible *fiber sourcing* requirements, 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 Chain-of-Custody Standard* and Associated Labels, implemented together with certification to the *SFI 2015-2019 Standard* and the *SFI Rules For Use of On-Product Labels*, delivers a reliable and credible mechanism so businesses can provide this assurance to customers.

Certified 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 Standard* requiring that *certified 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. The American Consumer

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Council says it supports the good work of the *SFI program*, and applauds the positive and progressive actions it is taking. A poll by TerraChoice Environmental Marketing found that procurement specialists included the *SFI* label on a list of the top 10 eco-labels they relied on frequently to make buying decisions.

Part 1: General

1.1 Scope

This standard specifies requirements for chain of custody an organization must meet if its claims and or labels used in the products it sells or transfers is to be recognized as credible and reliable.

In this standard, the term organization is used to cover any entity harvesting, handling or processing forest-based products at any stage from a forest to a final consumer.

Organizations shall obtain an independent, third-party certification by an *SFI certification body* to the requirements set out in this standard if they choose to utilize an *SFI Chain-of-Custody* label or claim.

This standard specifies three optional approaches for chain of custody. These are the physical separation method, the average percentage method, and the volume credit method.

This standard specifies the minimum management system requirements for the implementation and management of the chain of custody process. An organization's quality (ISO 9001:2008) or environmental management system (ISO 14001:2004) can be used to meet the minimum requirements for the management system defined in Part 4 and to accommodate requirements for the certification process defined in Parts 2 or 3.

This standard shall be used together with the requirements specifying the *origin*, which is to be verified by the chain of custody. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000.

The conformity assessment carried out by the third party (third-party certification) is considered as product certification and shall follow ISO/IEC Guide 65:1996 or ISO/IEC 17065:2012.

The term "shall" is used throughout this standard to indicate those provisions that are mandatory. The term "should" is used to indicate those provisions which, although not mandatory, are expected to be adopted and implemented.

1.2 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 2010-2014 Standard*
- vi. Section 4 - SFI-On-Product Label Use Rules
- vii. Section 5 - Rules for Use of Off-Product Marks
- viii. Section 7 – *SFI* Legality Requirements and Policies for Avoidance of Illegal Logging Policies
- ix. Section 9 - Appendix 1: Audits of Multi-Site Organizations
- x. Section 11 - Public Inquiries and Official Complaints

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 9 - *SFI 2010-2014* Audit Procedures and Auditor Qualifications and Accreditation
- vi. Section 13 – *SFI* Definitions

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.

2.2 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*
 - 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

Certified content shall remain clearly identifiable throughout the entire sourcing, production, trading and sales process. This shall be achieved by:

- (a) physical separation in terms of production and storage space or;
- (b) physical separation in terms of time or; and
- (c) permanent identification of the *certified content* with verification of how it is controlled during the production, trading, and sales process to ensure it is not mixed with or 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 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:

- (a) organization's identification;
- (b) quantity of delivery;
- (c) date of delivery / delivery period / accounting period;
- (d) an official *SFI claim*

- i. SFI X% *Certified Forest Content*
- ii. SFI X% *Recycled Content*
- iii. SFI X% *pre-consumer recycled*
- iv. SFI X% *post-consumer recycled*
- v. SFI X% *Certified Sourcing* ;

(Note: Percentages of any combination of the above are permissible.)

- vi. SFI at Least X% *Certified Forest Content*; and

(e) The organization's chain of custody number.

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

2.4.3 If the organization uses the logo or 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 SFI On-Product Label Use Rules and SFI Off-Product Marks (Sections 4 and 5 in the *SFI* requirements document).

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

3.1.1 Application of 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.

3.1.2 Definition of the Product Group

3.1.2.1 The organization shall implement the requirements for the chain of custody process of this standard for the specific product group.

3.1.2.2 The organization shall identify its product group(s) based on the following criteria:

- (a) raw material included in the products covered by the product group;
- (b) production site at which the products covered by the product group have been produced; and
- (c) time period over which the products covered by the product group have been produced or sold/transferred.

3.1.2.3 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).

3.1.2.4 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.

3.1.2.5 For credibility purposes of the product group, the maximum claim period for calculating the percentage is three months.

3.1.2.6 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.

3.2 Identification of the Origin

3.2.1 Identification at Delivery / Receipt Level

The organization shall identify and verify the category of *origin* of all procured raw material that is received. Associated documents 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*
 - 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 customer.

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

3.2.2 Identification at Supplier Level

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

3.3 Calculation of the Certified Percentage

3.3.1 The organization shall calculate the certification percentage separately for each product group according to the following formula:

$$Pc [\%] = \frac{Vc}{Vc + Vo} \cdot 100$$

Pc Certification percentage

Vc *Certified content*

Vo Other raw material

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.

3.3.2 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.)

3.3.3 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.

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

3.3.5 The organization applying the simple certification percentage shall base the calculation of Pc (the certification percentage) for each product group on the figures for Vc (*certified content*) and Vo (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 product group shall not exceed three months of production.

- 3.3.6** The organization applying the rolling average certification percentage shall base the calculation of P_c (the certification percentage) for each claim period on the figures for V_c (*certified content*) and V_o (other raw material) for a specified number of prior claim period. (excluding the current claim period).

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

3.4 Transfer of the Calculated Percentage to the Outputs

3.4.1 Average Percentage Method

The organization applying the average percentage method can label all the products covered by the claim period, provided that the percent of *certified content* is clearly communicated on the SFI label. In addition, the actual percentage of *certified content* must be communicated to the customer per 3.6.2.d

When the label is being applied on products with the "At Least X%" expression in the label, the claim must read, "Product Group Contains At Least X% Certified Forest Content." See *Section 4 – SFI On-Product Label Use Rules* for further guidance.

Proposed Label



3.5 Volume Credit Method

- 3.5.1** 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 (eg. SFI/PEFC certified content) or shall only use 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.

- 3.5.2** 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.

- 3.5.3** The organization shall calculate the volume credits using either:
- (a) certification percentage (from clause 3.3) and volume of output products (clause 3.5.4); or
 - (b) input material (certified forest content / pre-consumer recycled / post-consumer recycled) and input/output ratio (clause 3.5.5).

- 3.5.4** 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.

Example: If there are 100 tons of product, and 54% of the total output is *certified forest content*, then the organization can make a volume credit claim on 54 tons of the output.

- 3.5.5** 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.

Example: If the organization receives 500 mbf of input material with a claim of "70% SFI Certified Content" the amount of certified credits and the verifiable input/output ratio (including manufacturing losses) is 0.60 (e.g. 1 mbf of round wood results in 0.60 mbf of lumber), the organization achieves volume credits equal to 210 mbf of lumber.

- 3.5.6** The label used for the Volume Credit method shall be follows.

Proposed Labels



- 3.5.7** 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.

- 3.5.8** 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.

3.6 Sale of Products

- 3.6.1** 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 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.

3.6.2 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. *SFI Certified Content* - 100% as calculated under the volume credit method.
 - ii. *SFI Recycled Content*- 100% as calculated under the volume credit method; and
- (e) The organization's chain of custody number.

3.6.3 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 Rules for Use of *SFI On-Product Labels* and *SFI Off-Product Marks* (Sections 4 and 5 in the *SFI* requirements document).

3.7 Process to Avoid Controversial Sources

3.7.1 When raw materials are supplied without a SFI chain of custody claim and valid certificate or *other credible chain of custody standard* claim and valid certificate the organization shall establish adequate measures to ensure that the certified products do not include raw material from *controversial sources*. Use of controversial sources is not allowed in SFI-labeled products. *Controversial sources* include forest activities which are not in compliance with applicable state, provincial or federal laws, particularly as they may relate to:

- i. legally required protection of threatened and endangered species;
- ii. requirements of CITES (The Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- iii. legally required management of areas with designated high environmental and cultural values;
- iv. labor regulations relating to forest workers; and
- v. indigenous peoples' property, tenure and use rights.

Fiber sourced from *illegal logging* and fiber sourced from *areas without effective social laws are also controversial sources*.

Note: *Conversion sources* cannot be included when calculating *certified forest content*.

For all raw materials supplied without a SFI (or *other credible chain of custody standard*) chain of custody claim and valid certificate the organization shall:

- 3.7.1.1** Require a signed self-declaration that the supplied raw material does not originate from *controversial sources*. If it has signed contracts with its suppliers, it shall include such a declaration in the contracts.
- 3.7.1.2** Evaluate the potential risk of procuring raw material from *controversial sources* and establish a program to check a sample of self-declarations by suppliers, using a second- or third-party verification.

Note: The potential risk evaluation carried out by the organization should be based on the regional / country level.

- 3.7.1.3** Ensure procurement from areas outside the United States and Canada promote the *conservation of biodiversity hotspots and high-biodiversity wilderness areas*.
- 3.7.1.4** Develop a process with direct suppliers to promote the principles of sustainable forestry.
- 3.7.1.5** Ensure it knows whether direct suppliers are applying the principles of sustainable forestry.
- 3.7.1.6** Have a process in place to assess the risk of fiber from countries without effective social laws addressing the following:
 - i. workers' health and safety;
 - ii. fair labor practices;
 - iii. indigenous peoples' rights;
 - iv. antidiscrimination and anti-harassment measures;
 - v. prevailing wages; and
 - vi. workers' right to organize.

3.7.1.7 Program to address any significant risk identified under 3.7.1.2 and 3.7.1.6

3.7.1.8 See Section 7 in the *SFI* requirements document for SFI's Policy on Illegal Logging.

Part 4: Minimum Management System Requirements

4.1 General Requirements

The organization shall operate a management system in accordance with the following elements of this 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.

4.2 Responsibilities and Authorities for Chain of Custody

4.2.1 Management Responsibilities

- 4.2.1.1** 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.
- 4.2.1.2** 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.
- 4.2.1.3** 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.

4.2.2 Responsibilities and Authorities for Chain of Custody

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 non-conformity control.

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

4.3 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.

4.4 Record Keeping

- 4.4.1** 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, non-conformities which occurred and corrective actions taken; and
 - f) records of top management's periodic review of compliance with chain of custody requirements.
- 4.4.2** The organization shall maintain the records for a minimum period of three years unless stated otherwise by law.

4.5 Resource Management

4.5.1 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.

4.5.2 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.

4.6 Internal Audit and Management Review

- 4.6.1** 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.

4.6.2 The organization shall conduct the internal audit in accordance with the following requirements:

- a) The internal audit shall be undertaken by personnel that have adequate knowledge of the SFI standard;
- b) Off-site interviews and desk audits are permissible, appropriate to the scope and scale of the organization;
- c) If there have been no inputs or outputs for a site or manufacturing facility over the past year, internal audits are not required;
- d) If a site or manufacturing facility has had no sales of SFI certified products over that past year, internal audits are not required;
- e) Internal audits are to assess overall organizational conformance and internal audit documentation can consist of one consolidated internal audit checklist and/or report; and
- f) Where non-conformities are identified during the internal audit process, a Corrective Action Plan shall be developed at the site and/or organizational level.

4.6.3 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.

4.6.4 The internal audit of outsource contractors may be conducted remotely.

4.6.5 Where there are sufficient outsource contractors the internal audit may use a sampling approach for these contractors.

4.6.6 The internal audit of outsource contractors shall:

- a) determine the level of risk associated with the outsourced activities as determined by Part 5.0 Outsourcing.
- b) include within the scope of the internal audit those outsourced activities assessed as high risk.

4.6.7 The organization shall have its rationale for remote audits and its sampling procedure audited by its third party certifier.

4.6.8 The results of internal audits shall be reported to management for review during the annual management review.

Part 5 – Outsourcing Agreements

5.1 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 one or more of the outsourced processes within the scope of their *SFI* Chain-of-Custody certificate.

Organizations that wish to include outsourcing within the scope of their SFI chain of custody certificate shall ensure the following:

- a) the organization has legal ownership of all input material to be included in outsourced processes;
- b) the organization does not relinquish legal ownership of the materials during outsourced processing;
- c) 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 outsourcing contractor or operation; and
- d) 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 Chain of Custody certificate number and formal claim statement.

5.2 Assessing Risk for Outsource Contractors

As per the requirements of 4.6.6 outsourced activities shall be risk-ranked in accordance with the following criteria:

- i. 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.
- ii. High Risk: one of 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 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. Only products that consist of the same or similar raw material can be included in one product group.

Table 1: Example of chain-of-custody product group definition

Output products	Input raw material	Chain-of-custody product group	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. 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 a 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	Vc(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:

- a) [column 4] Volume of certified raw material is calculated as sum of volumes of certified raw material procured in the previous 3 months.

$$Vc(3)_6 = Vc_6 + Vc_5 + Vc_4 ; Vc(3)_6 = 16 + 15 + 14 = \mathbf{45} \text{ [tons]}$$

- b) [column 5] Volume of other raw material is calculated as sum of volumes of other raw material procured in the previous 3 months.

$$Vo(3)_6 = Vo_6 + Vo_5 + Vo_4 ; Vo(3)_6 = 90 + 90 + 90 = \mathbf{270} \text{ [tons]}$$

- c) [column 6] The rolling average percentage is calculated according to the formula of chapter 3.3.1: $Pc = Vc / [Vc + Vo]$

$$Pc_6 = 100 * Vc(3)_6 / [Vc(3)_6 + Vo(3)_6] ; Pc_6 = 100 * 45 / [45 + 270] = \mathbf{14.29 \%}$$

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 3.5.4 applies.

Table 3: example of volume credit accumulation (in tons)

1	2	3	4	5
Number of 1 month's product group	Credit volume for the product group	Credit account	Maximum credit account	Used credits
i		$= [3]_{i-1} - [5]_{i-1} + [2]_i$ condition: $[3]_i \leq [4]_i$	$\sum_i^{i-1} [2]$	
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:

- a) [column 2] Includes volume credit calculated for 1 month's product group. (Values for months 1-11 are taken from table 2).
- b) [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].

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

- c) Total quantity accumulated in the credit account cannot exceed volume credits entered into the volume credit in the previous twelve months [column 4 = 149.72] (chapter 3.4.2.4)
- i. $152.88 > 149.72$, therefore credit account is **149.72 [tons]**
- d) [column 4] Maximum credit account is calculated as a sum of volume credits entered into the credit account during the last twelve 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 draw down of the volume credit account for different product sales.

Table 4 – Example of draw down 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 chain-of-custody audits that conform to the *SFI Chain-of-Custody Standard*.

2. Certificate Meaning: The certificate holder has been independently certified by an *SFI certification body* accredited to perform *SFI* chain-of-custody audits to the, *SFI 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 (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* Standard is eligible to obtain an *SFI* Program Chain-of-Custody 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 successful completion of an audit.

- 6. Availability of On-Product Label.** Holders of *SFI* Program Chain-of-Custody 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 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 which 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 International Organization of 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.