

Guide to AFS / PEFC Chain of Custody

A guide to assist organisations in planning to implement AFS Chain of Custody Certification

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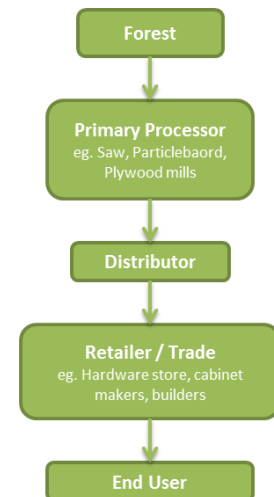
Introduction

This is a guide aimed at those organisations who are considering the implementation of AFS / PEFC Chain of Custody (CoC) certification. The information in this guide will allow organisations to make informed decisions about setting up and choosing an approach to CoC certification.

What is Chain of Custody

A Chain of Custody is a system of independently certified organisations which sell wood fibre based product to the end user so that the end user can be absolutely satisfied that the product they have purchased not only comes from sustainably managed forests, but is independently certified to that effect.

As an example, suppose that an end user buys a book case. In order for that book case to contain a CoC certificate or claim, the bookcase must have been sold by a CoC certified retailer who purchased the book case from a CoC certified cabinet maker, who purchased the raw materials from a CoC certified distributor, who purchased those materials from a CoC certified primary processor, who sourced their wood from a CoC certified forest.



At its heart, an AFS CoC certification system is a documentation system that :

1. Describes how your operation classifies materials as certified or uncertified
2. Describes the processes of your operation
3. Describes the administration of the Chain of Custody system, including management review, internal auditing and training.

There may also be other requirements depending on which approach (one of 3 different ways you can choose to run your Chain of Custody system – discussed later) you have decided to use.

AFS and PEFC



In Australia, CoC certification is granted under the “AFS” Chain of custody standard which is actually Australian Standard AS 4707. This standard is owned and managed by an organisation known as “The Australian Forestry Standard Limited” which is a public, not-for-profit company. This company also owns and operates the AS 4708 standard which is the “Australian Forest Standard - Sustainable Forest Management Certification” standard to which AFS certified forests are certified.

The AFS Scheme has mutual recognition by the PEFC - Programme for the Endorsement of Forest Certification Scheme (PEFC). The PEFC is an international collection of certification schemes including the Australian AFS scheme. Thus, anything certified to AFS is recognised in countries all over the world who participate in PEFC - and vice versa.



FSC

The FSC is another chain of custody scheme operating in Australia (and internationally as well) and is completely separate to AFS / PEFC. Unfortunately FSC and AFS / PEFC do not recognize one another. This means that organisations operating an AFS CoC certification scheme cannot count FSC certified materials towards their certified input (but they can classify this material as being from a “legal origin”).



Green Building Councils Green Star Rating.

Materials certified under either the FSC or the AFS/PEFC can qualify for Green Star rating points.

Legal Sources

One key concept for any organisation considering CoC certification is the concept of legality. When CoC certified organisations purchase any wood fibre based materials – **regardless if these materials are part of their certification** - they must make sure that this material is from a legal origin.

To reinforce this concept it will be stated again - any wood fibre based materials purchased by your organisation which are sold or transformed – even if these materials are not a part of your certification – must be verified as coming from a legal origin.

This verification can be done in a number of ways, but is essentially a risk based approach. **If you can't verify the legality of your high risk suppliers, you may have to consider either not using those suppliers, or conducting second party audits of those suppliers.** This can be especially difficult for suppliers based in countries such as the Philippines, Indonesia or Malaysia.

In some instances, this single concept of Legality has led to organisations choosing not to proceed with CoC certification.

Is AFS Right For My Organisation ?

There is no easy answer to this question. Not all organisations know what they want and may not fully understand some of the pros and cons of this decision.

An organisation should look at the certification status of its current suppliers. Questions such as “Are my current suppliers FSC certified or are they AFS/PEFC certified?” should be asked. Also your customer’s requirements should be taken into account. Do your customers require FSC or AFS/PEFC certification ? Are there going to be orders from large jobs that need one type of certification or the other ?

Another important consideration is the cost of initial certification and the ongoing cost to maintain the certification. Generally, there is a substantial price differentiation between AFS/PEFC and FSC certification.

The remainder of this guide is only applicable to AFS/PEFC certifications.

Single or Multi Site ?

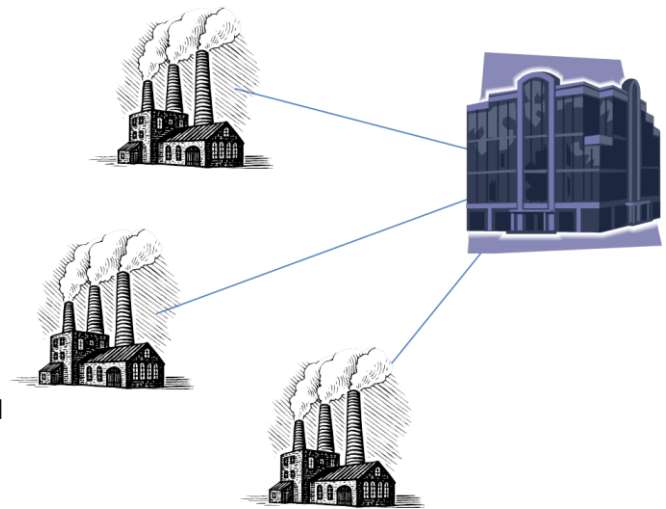
AFS allows you to categorise your organisation as either a single site or a multi-site. If you have one site on which all of your operations are conducted, then naturally your organisation would be a single site organisation. However, a lot of organisations have many different sites – read on if this applies to you.

Multi-Site

If your organisation has many sites, you are presented with the decision of whether to have the whole organisation certified as a multi-site organisation (with one certificate), or certify each site as a Single Site organisation where each site will receive its own certificate.

An example of a multi-site organisation might be a saw milling operation that sells its products via a retail outlet in a city and at the same time have several saw mills spread throughout the state. Another example is a distribution organisation that has outlets in every capital city.

AFS defines a multi-site organisation as an organisation having an identified central function (hereafter referred to as a 'head 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.



There is only one CoC certificate issued to a multi-site organisation, and product sold from any of the sites covered by the certificate must include that same certificate number.

Multi-site organisations do not need to be a unique entity, they can be independent companies with a common interest. Examples are a joint raw material supply arrangement or a common product (or by-product) destination. Where sites are not from the same entity, all sites must have a legal or contractual link with the head office of the organisation and be subject to a common chain of custody which is subject to continuous surveillance by the head office.

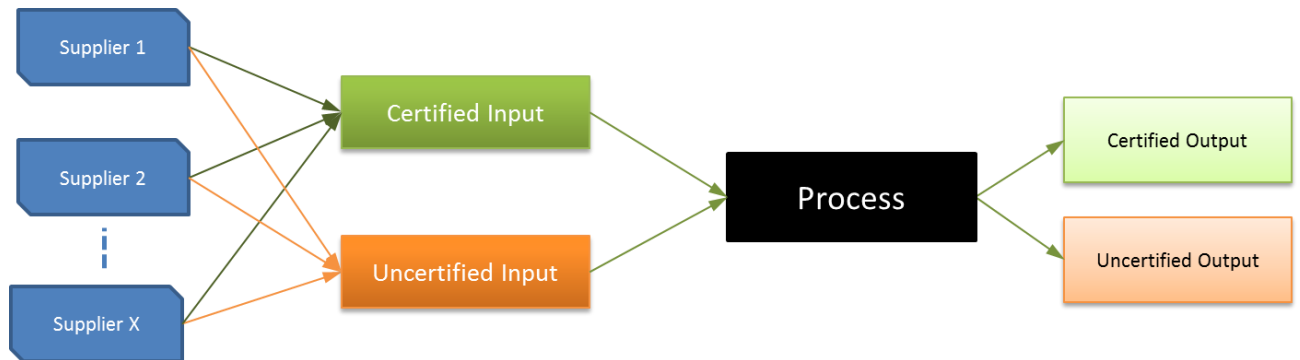
Multi-site organisations are advantageous where you have a head office where most of the administration work is done and you wish to minimise the administration burden of your remote sites. It's also a good idea when the process flows at each site are similar. The advantage of having several Single Site operations is that each site is managed separately – they all have their own management reviews, internal audits, training and quality manuals.

Ultimately, the decision to be single or multi-site is one made purely from an administration / management point of view. There is no cost advantage of choosing multi-site over single site – as certification fees are usually charged by the number of sites – irrespective if they are multi-site or single site.

What Approach do I Take

The approach you choose is another way of saying “How will I control the organisations certified inputs and certified outputs ?” The AFS CoC standard allows three different approaches which will be discussed in this section.

Very simply, all organisations at a site level can be thought of as follows :



All suppliers can be considered to supply both certified and uncertified material (even though some suppliers may only supply certified material, while others may only supply uncertified material). Your organisation will then process the supplied material by either on-selling or transforming it. Finally, it will sell the finished product to your customers as either certified or uncertified.

The challenge is to ensure that the organisation only sells material as certified when it is permitted to do so. This challenge is known as the “Approach” to CoC.

AFS essentially permits an organisation to use one of three approaches to CoC :

1. The **Physical Separation** approach – an approach where certified input materials are kept separate from uncertified materials right through the entire supply, process and output stages of an organisation.
2. The **Inventory Control Volume Credit** approach – an approach where a balance of “credits” is maintained which increases as certified materials are purchased and decreases as certified materials are sold.
3. The **Inventory Control Average Percentage** approach – an approach where the organisation ensures that it purchases at least 70% certified material.

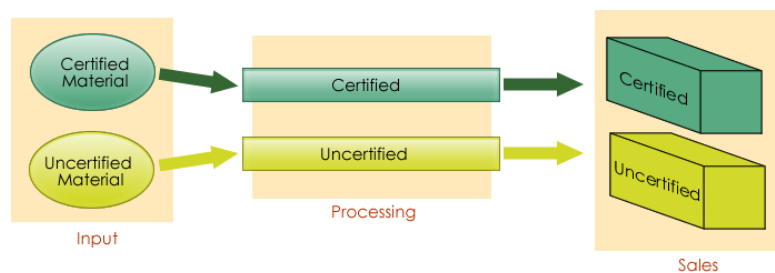
The details of these approaches and the pros and cons of each will now be discussed. Examples will be given to try to explain each approach clearly.

Please note that these are examples only and organisations should use methods which suit their own operations.

Physical Separation Approach

This is the simplest approach conceptually, but depending on your organisation may be the most difficult to implement. The Physical Separation method requires an organisation to physically separate certified materials from uncertified materials the entire way through the organisations receiving, processing and sales operations.

As described below in the Distributors / Retailor Example, physical separation can be achieved in a number of different ways



Primary Processor Example

Generally, primary processors have log / wood fibre inwards stock yards where certified wood or wood fibre is separated from uncertified material by way of separate areas in the log yard.

The processors then either tag or mark each item so that it is identifiable throughout the process, or they choose to process certified material separately to uncertified material.

Finally, the finished certified stock is stored in separate areas to finished uncertified stock, or certified material is marked / wrapped / identified as certified while uncertified material is not so marked.

Distributors / Retailor Example

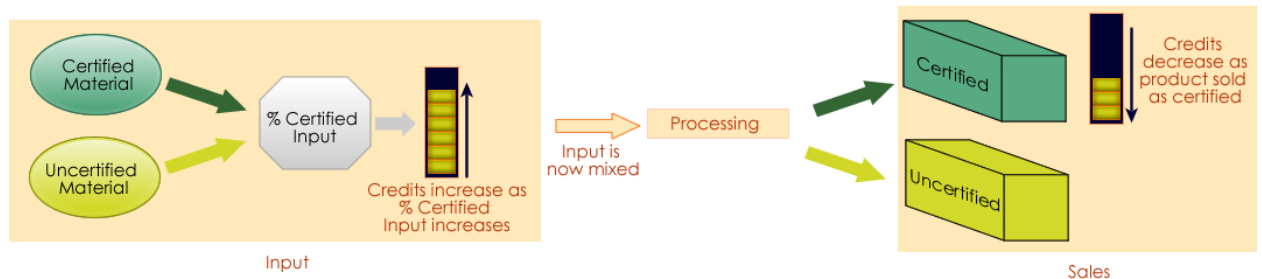
Certified materials are kept separate from uncertified materials upon arrival and stored until sale. This can be done by :

- Having separate certified and uncertified areas in an inwards good area.
- Using appropriate stock codes which identifies the certification status.
- Having shelving which identifies the certification status.
- Using labels or stock cards which identify certification status.
- Any other means of physically identifying the certification status.

For distributors / retailers, care must be taken when opening packs of material to ensure the certification status of part packs is not lost. This can be a challenging task for some organisations.

Inventory Control Volume Credit Approach

This is the most flexible approach allowing organisations to optimise product sold as certified or uncertified. This approach uses a balance of “credits” which increases as certified materials are purchased and decreases as certified materials are sold.



This approach has the major benefit of not having to track the certification status of materials through the process – it is truly a “black box” approach. It also allows organisations to sell any output as 100% certified, provided that the necessary credits are deducted.

The down side of this approach is that there will be some kind of “spreadsheet” or administration system required to track your current Credit “balance”. The Credit “balance” must also be verified upon sale, so that there can never be certified product sold if Credits are not available.

The number of credits accumulated is determined using the following (simplified) formula :

$$\% \text{ Certified Input (\%CI)} = \text{Certified Input} / \text{Total Input}$$

$$\text{Credits Added} = \text{Total Output} \times \% \text{CI}$$

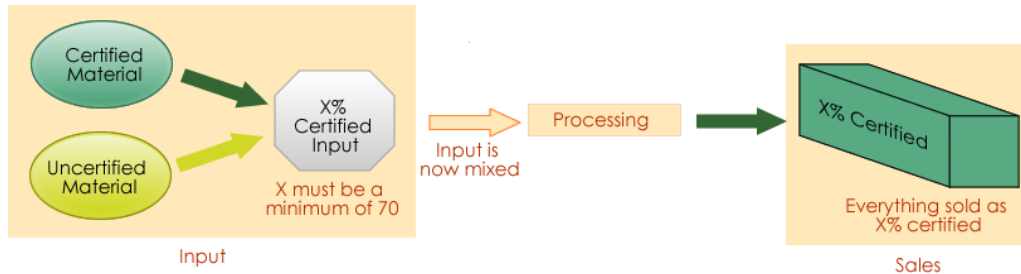
Example

Generally, organisations maintain a spreadsheet or similar reporting system that allows them to calculate the Certified Input and total output on a month by month basis. If there are multiple material inputs which use different units (the common ones being cubic meters and tonnes) then units need to be converted to a common unit, or they need to be tracked separately.

As orders where customers want certified material are filled, products are marked as certified and credits are deducted, taking care to never mark as certified when the Credits have been depleted.

Inventory Control Average Percentage Approach

This is the easiest approach to implement. This approach requires organisations to monitor their certified input percentage (X%) on a month by month basis, and ensure this percentage remains at or above 70%. Then, all product can be sold as being X% certified.



$$\text{Certified Input (X\%)} = \text{Certified Input} / \text{Total Input}$$

This approach has the major benefit of not having to track the certification status of materials through the process – it is truly a “black box” approach and as mentioned previously, this approach is very easy to implement.

This approach may not be suitable if your customers require 100% certified material. Only when you have 100% certified input material for a month (ie. X% = 100%) will you be able to mark your product as 100% certified with this method.

Example

Organisations have a process in place to record the certified input percentage (X%) on a month by month basis. As orders where customers want certified material are filled, products are marked as X% certified.

An even simpler method is to simply mark everything as being 70% certified as X% will always be at or above 70%.

Documentation

Once you have decided on your approach, then it is time to create your Chain of Custody documentation. Most organisations choose to create a single document known as a “Chain of Custody” manual or “Quality Manual”. These manuals are usually about 15 – 20 pages in size. Please note that electronic documentation systems are perfectly acceptable.

The manual must contain several items which are required by the AS 4707 Chain of Custody standard – including :

- A series of statements regarding management’s commitment to CoC
- Key personnel and their responsibilities
- Key infrastructure and technical facilities
- Raw material flows
- Internal Audits and Management review
- Record keeping
- Personnel training and Development
- Origin of Material
- Use of Certificates
- Continuous improvement

You can create your own manual from scratch, use the Timber Queensland proforma manual (which the EWPAAs can supply on request) which is then modified to suit your particular organisation.

You may also wish to hire a consultant to help you with establishing your CoC system. Consultants can not only provide you with the required documentation, but also provide further advice in setting up your system. The EWPAAs can recommend a consultant should you wish.

If you choose the EWPAAs as your certification body it is important to note that the EWPAAs cannot directly provide assistance with establishing your CoC system. This is due to the fact the EWPAAs must maintain its objectivity and independence of the organisations it certifies.

Some Administration

The last thing to do before you are ready to apply for certification is :

- Conduct training for all staff involved in the Chain of Custody processes and keep a record for this.
- Conduct an internal audit – this is where you audit your own operations against the Chain of Custody manual. Keep a record of this.
- Conduct a Management Review Meeting – this is where Management holds a meeting with the people responsible for running the Chain of Custody system to discuss the outcome of the internal audit and any other pertinent issues. Minutes needs to be kept of this meeting.

Apply For Certification

The EWPAA is a JAS-ANZ accredited certification body that can certify your organisation to AFS Chain of Custody. The certification process is as follows :

1. Fill in an application form and lodge with the EWPAA. These forms are available from the EWPAA web site – <http://www.ewp.asn.au>.
2. Discuss an appropriate time for a “Stage 1” audit – this is a preliminary audit where the EWPAA assesses your Chain of Custody system and provides initial feedback.
3. Address any issues raised during the Stage 1 audit.
4. Discuss an appropriate time for a “Stage2” audit – this is a final audit where the EWPAA assesses your Chain of Custody system and makes a decision on certification. Note that in some instances (especially where consultants have been used to create the Chain of Custody manual), organisations have very well defined quality manuals and processes at the Stage 1 audit. In these situations, the EWPAA will combine the Stage 1 and Stage 2 audits.
5. If certification is granted, you will receive an approval letter and a certificate and your details will be published on the EWPAA, JAS-ANZ and the AFS registers of certified organisations.
6. If you wish to use the AFS or PEFC logos, you will need to apply for licenses to use these directly from AFS Limited. This is not something the EWPAA has control over.



Revision History

Revision	Changes	Date	Who
1	Initial Release	08-03-12	MB

EWPAA Members

Plywood and Laminated Veneer Lumber (LVL)				
Member Name	Location	Phone	Fax	Web
Ausply	Australia / NSW	+612 6922 7274	+612 6922 7824	www.ausply.com
Austral Plywoods Pty Ltd.	Australia / QLD	+617 3426 8600	+617 3848 0646	www.australply.com.au
Big River Group Pty Ltd.	Australia / NSW	+612 6644 0900	+612 6643 3328	www.bigrivertimbers.com.au
Brown Wood Panels Pty Ltd	Australia / SA	+618 8294 3877	+618 8294 6871	www.bwp.com.au
Carter Holt Harvey Woodproducts Australia (Plywood) – Myrtleford	Australia / Vic	+613 5751 9201	+613 5751 9296	www.chhwoodlogic.com.au
Carter Holt Harvey Woodproducts Australia – Nangwarry LVL	Australia / SA	+618 8721 2709		www.chhfuturebuild.com
Carter Holt Harvey Woodproducts - Marsden Point LVL	New Zealand	+649 432 8800	+649 432 8830	www.chhfuturebuild.com
Carter Holt Harvey Woodproducts (Plywood) - Tokoroa	New Zealand	+647 886 2100	+647 886 0068	www.shadowclad.co.nz www.ecoply.co.nz
Fiji Forest Industries	Fiji	+679 8811 088	+679 8813 088	
IPL (West Coast) Ltd	New Zealand	+643 762 6759	+643 762 6789	
Juken New Zealand Ltd. (Gisborne)	New Zealand	+646 869 1100	+646 869 1130	
Juken New Zealand Ltd. (Wairarapa)	New Zealand	+646 377 4944	+646 377 1166	
Nelson Pine Industries Ltd	New Zealand	+643 543 8800	+643 543 8890	www.nelsonpine.co.nz
PNG Forest Products Ltd	PNG	+675 472 4944	+675 472 6017	www.pngfp.com
RH (PNG) Ltd	PNG	+675 325 7677	+675 323 0522	www.rhpng.com.pg
Valebasoga Tropikboards Ltd.	Fiji	+679 8814 286	+679 8813 848	
Wesbeam Pty Ltd	Australia / WA	+618 9306 0400	+618 9306 0444	www.wesbeam.com

Particleboard and MDF				
Member Name	Location	Phone	Fax	Web
Alpine MDF Industries Pty Ltd	Australia / Vic	+613 5721 3522	+613 5721 3588	www.alpinemdf.com.au
Carter Holt Harvey Woodproducts Australia	Australia / NSW	1300 658 828	+612 9468 5793	www.chhwoodlogic.com.au
D & R Henderson Pty Ltd	Australia / NSW	+612 4577 4033	+612 4577 4759	www.drhenderson.com.au
Tasmanian Wood Panels (Aust)	Australia / TAS	+613 9460 7766	+613 9460 7268	



Visit the EWPAA Website to get the latest information. www.ewp.asn.au

Visit www.ewp.asn.au/register to ensure your products carry genuine EWPAA certification