"A world in which people manage forests sustainably."

Revised PEFC Chain of Custody Standard
PEFC ST 2002:2013

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Organizational issues

- The webinar does not meet the requirements of PEFC ST 2003:2012 regarding auditor training. It’s only about information regarding standard changes!
Key areas for CB's

- PEFC Controlled Sources
- DDS: risk assessment
- Geographical Risk Approach
- Transition procedures
- Interpretation of the standard
- Additional guidance
- Direct support of CBs
Content

- Revision background
  - Revision process
  - Structural & editorial changes
  - Revised PEFC Due Diligence System
  - PEFC Controlled Sources
  - Transition and support
Legislative frameworks on legality

Emerging legislation globally:
- EU Timber Regulation
- Lacey Act
- Australian Illegal Logging Prohibition Act
- …?

Common objective:
- **Behaviour modification**

Behaviour modification:
- Know where/what you’re buying, ‘due diligence’
- Requires information on supplies: tree species & origin
Aligning PEFC with legislation

- PEFC decision to revise the PEFC Chain of Custody standard

“The definition of the term “controversial sources” and the procedures of the PEFC DDS should be compatible with the EU regulation No 995/2010 (EUTR) and other relevant legal frameworks”.
- Revision background

- **Revision process**
  - Structural & editorial changes
  - Revised PEFC Due Diligence System
  - PEFC Controlled Sources
  - Transition and support
# Chain of Custody and Labelling WG

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<th>ORGANISATION</th>
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<td>A - Forest industries</td>
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Process timeline

1. First Revision Draft in the WG meeting in January 2012
2. Intensive discussion about the implementation of the Board decision between January and September 2012
3. Confirmation of the Board decision in the meeting on 21 September 2012
4. WG agreed on **Enquiry Draft** on 3rd December 2012
6. WG agreed on **Final Draft** on 11th April
7. Board recommended approval on 22nd April
8. Postal Ballot from 23rd April to 22nd May
9. PEFC ST 2002:2013 approved by PEFC GA 23rd May
Pilot testing of Enquiry Draft

- Weyerhaeuser (USA)
- Zellstoff Stendahl Holz (Germany)
- Papernet (Austria)
- Steelcase (Spain)
- Puumerkki (Finland)

Major findings:
- Exact species composition difficult $\rightarrow$ potential species
- Large supplier base from single specific area needs pragmatic solution
- Mandatory self-declaration proves difficult (additional document)
Major issues raised during the global public consultation

- Clarification of stand alone implementation/certification of Appendix 2
- Change indicators for the risk assessment (but meet EUTR requirements)
- No mandatory requirements in an Appendix – clarify structure of the standard
- Avoid self-declaration
- Keep exemptions for certified timber/products
- Be more positive! – improve/replace the term «PEFC DDS»
- Revision background
- Revision process

- **Structural & editorial changes**
  - Revised PEFC Due Diligence System
  - PEFC Controlled Sources
  - Transition and support
Structural changes

- Appendix 2 (DDS) in main body → Chapter 5
- Appendix 4 (Social) in main body → Chapter 9
- Separate Chapter 4 on identification of incoming material
- Separate Chapter 7 on sales and communication of claimed products
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Minor / editorial changes I

Definitions added & amended:

- 3.7 Conflict timber
- 3.8 Controlled sources
- 3.9 Controversial sources
- 3.11 Due Diligence System
- 3.14 Forest plantation
- 3.16 Material category
- 3.19 Other material
- 3.22 Primary forest
Minor / editorial changes II

From "certified products" to "claimed products":
- Additional PEFC claim, so broader reference needed
- Applies to clauses in Chapters 4 & 7

Communication of claims:
- Clause 7.1.2
- Used to be "single type of document". E.g. either invoice or delivery note
- Now "type of document(s)". E.g. both invoice and delivery note
- Revision background
- Revision process
- Structural & editorial changes

- **Revised PEFC Due Diligence System**
  - PEFC Controlled Sources
  - Transition and support
List of major changes

- PEFC DDS in main body
- Certified material subject to PEFC DDS
- Self-declaration cancelled
- New Risk Assessment
  - ‘New’ indicators for "negligible risk"
  - Additional indicators for high likelihood on origin level
  - New indicators for high likelihood on supply chain level
  - Geographical approach for Risk Assessment
- Substantiated comments or complaints (more explicit)
DDS in main body

- DDS applies to all certificate holders

Background:

1. PEFC Board of Directors made a strategic decision how PEFC positions itself in the “legality discussion”
2. No regional exception, same requirements for all
3. Feedback from retail sector: “no differentiation because in case of conflicts we are requested to deliver full information”
4. Unpredictable material flow between E27 and other areas
5. Availability of tree-species and origin information at any point in PEFC Chain of Custody
"Stand alone DDS certification"

- 2010 version had possibility of DDS implementation "without chain of custody for purpose of third party certification"
  - No implementation requirements specified!

- Selling "DDS" requires full chain of custody!
  - Identification at incoming level
  - Physical separation
  - Sales and communication
  - Management system
  - Social requirements
  - Multisite procedures

- Chain of Custody certificate with different scope (no sale of PEFC Certified products)
Certified material and DDS

- Certified material NOT exempt from DDS
  - Information on species and origin is required

- Certified material EXEMPT from Risk Assessment
  - Applies to PEFC Certified & PEFC Controlled Sources
  - Provided no substantiated comments / complaints were raised
5.4.1 The organisation shall ensure that substantiated concerns provided by third parties concerning supplier compliance with legal requirements and other aspects of controversial sources are promptly investigated and, if validated, result in (re-) assessment of the risks associated with the relevant supplies.

5.4.2 In case of substantiated concerns material originally excluded from the risk assessment (see clause 5.3.1) shall undergo a risk assessment according to the requirements in 5.3.

- Requirement originally indicator for origin likelihood
- Links to EUTR guidance on «substantiated complaints»
Substantiated comments and complaints II

If a CB is aware of any "substantiated concerns" this has to be considered in the audit and the certification decision.
Self-declaration cancelled

- From «self-declaration» to «gathering information» as first step in the PEFC DDS

- Mandatory written statement cancelled

- Other elements are kept
  - Clause 5.2 on origin information
  - Clause 5.5.1.1 on additional information and inspection of supplier in case of significant risk

- Self-declaration may still serve as a way to get commitment by the supplier in delivering required information
New Risk Assessment approach I

2010 Version

- Likelihood at supply chain level
- Likelihood at country/region level
New Risk Assessment approach II

2013 Version

- **Significant Risk**
  - High likelihood on supply chain level
  - High likelihood on origin level

- **Significant Risk**
  - Low likelihood on supply chain level
  - High likelihood on origin level

- **Negligible Risk**
  - High likelihood on supply chain level
  - Low likelihood on origin level
New Risk Assessment approach III

- To be carried out for every first delivery of 'similar' supplies by every individual supplier. Reviewed/revised annually

- Steps in Risk Assessment

1. Any verification from table 1 "negligible risk" available?
   - YES: negligible risk
   - NO: continue Risk Assessment

2. Any indicators from tables 2 & 3 apply?
   - YES: significant risk, risk mitigation necessary
   - NO: negligible risk
“Negligible risk” verification (table 1)

- Overrule any indicators from tables 2 & 3
- PEFC Certified & PEFC Controlled Sources
- Other third-party forest certification (FSC)
- Licensing/verification mechanism covering controversial sources elements
- Supplies with verifiable documents identifying:
  - Country/region of harvest
  - Trade name, type of product, tree species
  - All suppliers in supply chain and FMU of origin
  - Compliance with activities referred to by the term controversial sources

An EUTR compliant DDS, under Monitoring Organisation control, can be used as evidence for legality
Origin level high likelihood (Table 2)

- The actual corruption perception index (CPI) of the country presented by Transparency International (TI) is lower than 50
- The country / region has a prevalence of armed conflict.
- The country/region is known as a country with low level of forest governance and law enforcement.
- Tree species included in the material/product is known as species with prevalence of activities covered by the term controversial sources.

REMOVED:
The organisation has received comments supported by reliable evidence from their customers or other external parties, relating to its supplies with respect to controversial sources, which have not been disproved by the organisation’s own investigation.
Supply chain level high likelihood
(Table 3)

- Actors and steps in the supply chain before the first verification by a verification system accepted as indicator for low risk in this risk matrix are unknown
- Countries/regions where the timber and timber products have been traded before the first verification by a verification system accepted as indicator for low risk in this risk matrix are unknown
- Tree species in the product are unknown
- Evidence of illegal practices by any company in the supply chain

All "2010 version" indicators for "low" likelihood moved to Table 1
Conclusion

- Lack of transparency in material flows is critical

- Transparency of material flows is one of the main objectives of EUTR

- It’s one of the main objectives of PEFC’s chain of custody system from the beginning as well
Area specific risk assessment I

- **Background**
  - Outcome in public consultation and pilot testing
  - Capacity to compete with other certification schemes, e.g. using a country specific risk assessment
  - To relieve the delivery of information regarding tree species, orgin, etc.

- **Consequences**
  - Organisations can implement a risk assessment for a specific sourcing area
  - Area can be classified as negligible risk, provided that supply chain is transparent.
  - Simplified sourcing of non-certified material for many organisations
Area specific risk assessment II

5.3.8 An organisation can conduct a risk assessment and identify negligible risk for deliveries from a specific geographical area, subsequent to the following conditions:
(a) The organisation shall keep updated
   i. a clear definition of the particular area.
   ii. a list with tree species delivered from the area.
   iii. appropriate evidence to verify that its sources of supply are limited to the identified geographic area and tree species.
(b) No indicator listed in Table 2 and Table 3 shall be applicable.
(c) The area specific risk assessment shall be carried out before the first delivery from the area. It shall be revised at least once a year.
(d) The area specific risk assessment shall be reviewed and if necessary revised if (a) is changed.
Area specific risk assessment III

The area specific risk approach of an organization has to be audited by the CBs.
Risk Mitigation

- Included self-declaration requirements:
  - Provide additional information
  - Allow second/third party inspection of operations

- Specified knowledge and competencies for third party audits
  - Knowledge on the applicable legislation
  - Competencies comply with PEFC ST 2003:2012, clause 5.2.6
No placement on the market

- Definition of "controversial sources" more strict than "legality"
- What is not allowed under "controlled sources" may be legally allowed (e.g. GMO, conversion)

- Timber from controversial sources not to be included in Chain of Custody product groups.
- Timber from illegal sources not be placed on the market.
- Revision background
- Revision process
- Structural & editorial changes
- Revised PEFC Due Diligence System

- **PEFC Controlled Sources**
- Transition and support
PEFC Controlled Sources

- PEFC claim for output products for which the PEFC DDS has been implemented
  - On product claim is possible, no labelling/logo!

- Input from all material categories:
  - Certified material, other material and neutral material

- "PEFC Controlled Sources" is material category "other material"
  - NOT certified material!

- Basic principle to use "PEFC Controlled Source" for all output products that cannot be sold as "X% PEFC Certified"
  - EUTR will increase demand for evidence of 'due diligence'
PEFC Controlled Sources II

Using PEFC Chain of Custody to demonstrate 'due diligence'

Selling products as "PEFC Controlled Sources"…
- …requires full Chain of Custody certification
- …demonstrates that the PEFC DDS has been implemented
- …demonstrates compliance with EU Timber Regulation
- …is possible for all output products subject to the DDS
- …enables companies to put a claim on non-certified material
- …enables PEFC certified customers to exempt the supply from the risk assessment
- …is like selling certified products, but using a different claim
Changes in light of EUTR
(and other legal frameworks)

- Definitions
  - Adapted "controversial sources", included "conflict timber"

- Due Diligence System
  - Access to information includes tree species and (country/region/FMU) origin
  - Risk assessment only allows negligible risk
  - Certified material always negligible risk, therefore exempt of risk assessment
  - Explicit requirement on substantiated comments and/or complaints

- PEFC Chain of Custody standard and included DDS meet EUTR requirements.

- PEFC Certified & PEFC Controlled Sources claim demonstrate product's compliance with EUTR requirements.
Revision background

Revision process

Structural & editorial changes

Revised PEFC Due Diligence System

PEFC Controlled Sources

Transition and support
Transition

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<td>Date of entry into force:</td>
<td>24 May 2013</td>
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<tr>
<td>Transition date:</td>
<td>24 February 2014</td>
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Certification, surveillance and re-certification audits

- From 24 May 2013 until 24 February 2013: either according to PEFC ST 2002:2010 or PEFC ST 2002:2013
- From 24 February 2014: only according to PEFC ST 2002:2013
- Issuance of new certificate after first surveillance audit against PEFC ST 2002:2013

Certificate holders are required to be in compliance with PEFC ST 2002:2013 from 24 February 2014 onwards.

Webinar with AB's currently under preparation, hence they should have the relevant knowledge in the near future.
Support

- Guidance document, presumably available in November 2013
  - Provide us with your requests for clarification!
  - Email: [technical@pefc.org](mailto:technical@pefc.org)