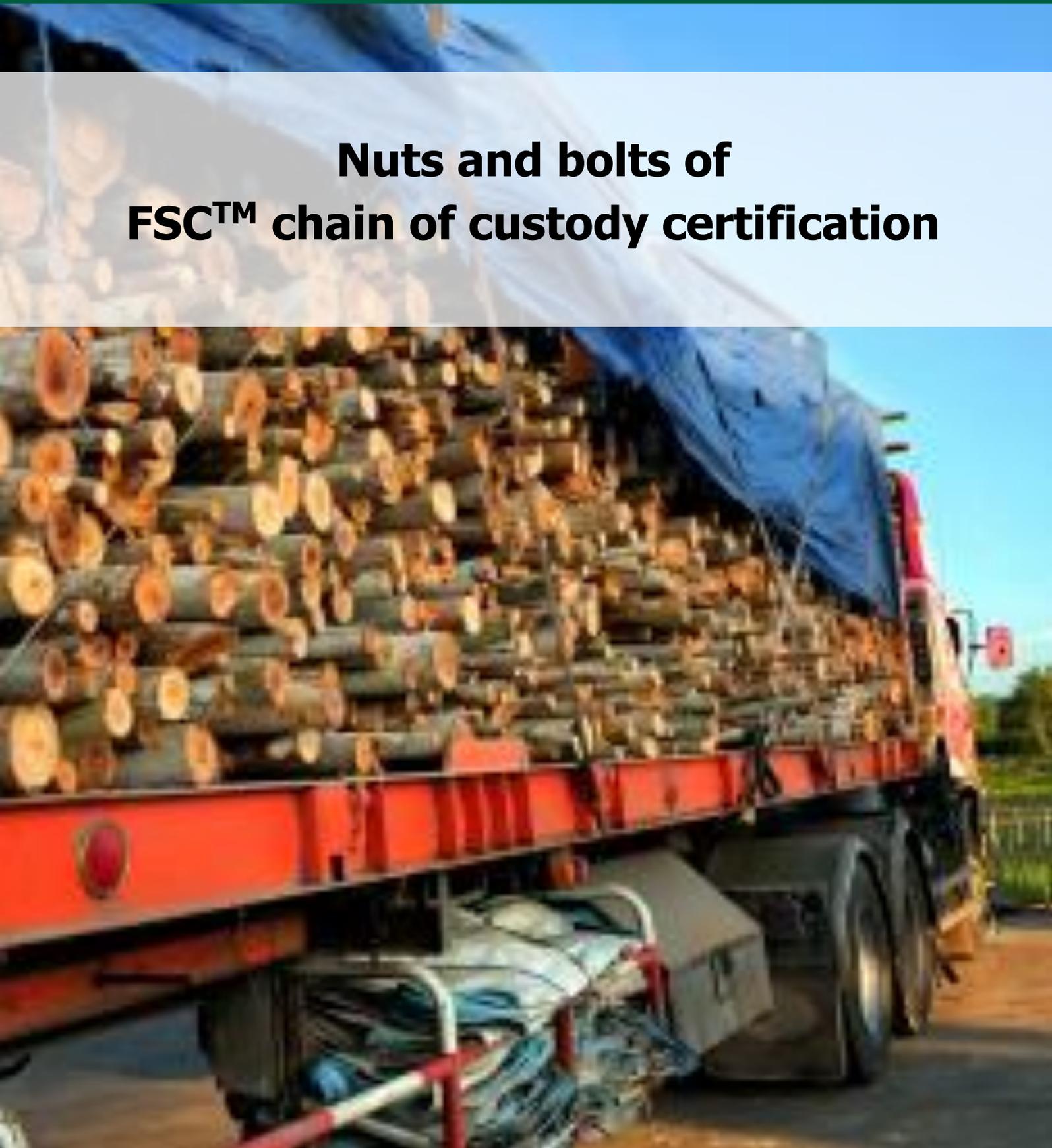


# **Nuts and bolts of FSC™ chain of custody certification**



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## Content

Content .....	2
Introduction to this guide .....	3
1: What is FSC chain of custody certification? .....	4
2: Who does what in the FSC system? .....	5
Who issues the certificates? .....	5
Who controls the certification bodies? .....	5
3: The main requirements for FSC chain of custody certification .....	7
The standards .....	7
4: Choosing a chain of custody system .....	9
The transfer system .....	9
The percentage system .....	9
The credit system .....	9
Using Controlled Wood .....	9
5: Type and scope of the certificate .....	11
Combined CoC/Controlled Wood certificate .....	11
Multi-site certification .....	11
Group certification .....	12
6: The certification process .....	13
7: The process of a typical audit .....	14
8: How to handle non-conformities .....	16
9: Confidentiality .....	17
10: Trademarks .....	17
Annex 1: Relevant certification standards .....	18

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## Introduction to this guide

This guide provides an overview of the principles of FSC chain of custody (CoC) certification and the requirements set by the Forest Stewardship Council™ (FSC™). It aims to help organisations considering certification, but anyone wishing to understand how the FSC system works in practice may find it useful.

If you wish to earn FSC CoC certification, we also recommend you to explore our free certification toolkit and our customer guide "Prepare for FSC chain of custody certification".

### A free resource

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Please share any questions, comments, and suggestions for improvements of this guide with us by writing to [info@nepcon.net](mailto:info@nepcon.net).

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## 1: What is FSC chain of custody certification?

FSC chain of custody (CoC) certification (is based on independent, impartial verification against standards developed by FSC. The purpose of FSC CoC certification is to strengthen the credibility of the FSC system by controlling the flow of certified material through the supply chain.

You need FSC CoC certification in order to sell and promote products carrying FSC claims, labels or trademarks business-to-business. Certification is relevant for most companies in the timber supply chain, including for example processing and manufacturing industries, traders, printing houses, paper merchants and construction companies.

If your customers are end consumers, you do not need certification in order to purchase and sell final FSC-labelled products. You just need to obtain an FSC logo license in order to promote them.

FSC certified forest operations are committed to look after the forest wildlife, ensure fair and safe conditions for forest workers and respect local communities. CoC certified companies form a crucial link to the end consumers. By offering certified products, you provide your customers with a responsible choice and you support responsible forestry worldwide.



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## 2: Who does what in the FSC system?

The Forest Stewardship Council (FSC) is an international NGO. FSC owns and develops standards for certification of good forest management and related chain of custody standards. FSC is a successful international certification system for eco-labelling of wood and paper products, with a high level of market penetration and consumer recognition worldwide.

The role of FSC is to develop and maintain rules and policies. FSC does not issue certificates and does not conduct audits.

### **Who issues the certificates?**

FSC certification bodies (CBs) issue FSC certificates for forest management enterprises and/or supply chain organisations based on rigorous evaluation of the organisation's compliance with the relevant FSC requirements. In order to maintain certification, an organisation must regularly undergo FSC evaluations conducted by an FSC CB. Learn more about the process in Section 6.

### **Who controls the certification bodies?**

In order to protect the credibility of the system, FSC cooperates with Accreditation Services International (ASI), which acts as the FSC system's overarching inspection body. ASI accredits (approves) the CBs. ASI also carries out regular surveillance audits of CBs, overseeing their auditing and reporting quality.

The chart on the following page shows the main actors and their role in the FSC system.

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**Support and development:**

**Forest Stewardship Council (FSC)**

International membership organisation which develops FSC's standards and policies in a multi-stakeholder process. A General Assembly is held every three years, where the system's future development is outlined. FSC has a three-chamber system ensuring equal influence by environmental, social and economic interest groups. FSC also balances the influence from the North and the South.

**FSC-International**

Maintains central functions, such as management, development of global standards and policies, and global communication.

**FSC National Offices**

Develop national FSC forest management standards and raise awareness of the FSC brand.

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**Practical implementation of the system:**



**Figure 1. The FSC system - the main actors and their roles**

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### 3: The main requirements for FSC chain of custody certification

An FSC CoC certified organisation needs to maintain control of the flow of certified material throughout its processes, from procurement through storage and production to final sale of FSC products.

To become certified, you need to put a chain of custody procedure in place. The procedure must describe all the steps that you are taking to manage FSC material. You also need to prepare certain types of documents and establish quality control of your CoC system.

In addition, you must have a health and safety policy in place, and you need to appoint a safety representative.

FSC CoC certification also requires you to adhere to basic principles of ethical conduct, as described in FSC's "Policy for Association". Amongst other aspects, this includes social issues such as work environment and the freedom of association. Also, your organisation must not be connected to unacceptable forestry activities, such as illegal logging.



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## Key standards

The *FSC Chain of Custody Standard (FSC-STD-40-004)* sets out the key requirements for CoC certified organisations. The Standard describes systems and procedures needed to ensure effective control of certified material throughout all your processes: production, storage, transport, purchase and sale.

The main requirements of the CoC Standard cover three main aspects:

- Documentation of purchased materials.
- Internal tracking of certified materials.
- Procedures for registration of the purchase and sale of certified materials and products.

Only some sections of the standard will apply to you, depending on your scope of certification. Part IV deals with special cases such as outsourcing of FSC processes.

The *FSC Trademark Standard (FSC-STD-50-001)* regulates the use of FSC labels, both on-product and off-product. It is relevant to the vast majority of CoC certificate holders.

The *FSC Policy for Association (FSC-POL-01-004)* requires you to adhere to the core values of FSC if you wish to associate with FSC in any way, for example by earning an FSC certificate. It specifies the conditions under which FSC reserves the right to withdraw its association with an organisation.

The *FSC Product Classification Standard (FSC-40-004a)* classifies all products that can be covered by FSC certification. You need to follow this standard when you define your FSC Product Group Schedule.

Additional standards or policies may apply, depending on the scope of your certificate. For example, special standards apply if you:

- Mix non-FSC certified material into FSC products. → *FSC Controlled Wood Standard (FSC-STD-40-005)*.
- Use recycled material as input for FSC products → *FSC Sourcing Reclaimed Standard (FSC-STD-40-007)*.
- Maintain FSC CoC multi-site certification → *FSC CoC Multi-Site Certification Standard (FSC-STD-40-003)*.
- Maintain FSC CoC group certification → *FSC CoC Group Certification Policy (FSC-POL-40-002)*.

Prior to certification, you must establish procedures covering all relevant requirements. You must also conduct training of relevant staff. This is verified during the main FSC chain of custody assessment.

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## 4: Choosing a chain of custody system

The FSC CoC rules give you a choice between three overall chain of custody systems, each matching different types of organisations and processes. Typically, you will choose one system, but some certificate holders need to apply different systems on different product groups. The three systems are:

1. The transfer system
2. The percentage system
3. The credit system

### The transfer system

The transfer system offers the simplest way to ensure chain of custody. It requires FSC certified material to be separated from non-certified material at all times during the entire production and sales process - including storage, handling, and processing. The transfer system is often used in the printing industry, since the separation of certified paper from non-certified paper is relatively simple.

If the production or supply of raw materials makes it difficult or expensive to maintain physical separation of certified material, you can instead implement one of the two systems described below. On certain conditions, these systems permit the mixing of FSC certified and non-certified material in the warehouse and in production.

### The percentage system

The percentage system is a good option for organisations that process assembled products. For such products, calculating the content of FSC certified material within a product group is straightforward. Under this system, the percentage of FSC-certified input material in the product (or product line) is calculated, and a corresponding FSC claim is used. The percentage system is often used by furniture manufacturers, among others.

### The credit system

The credit system is mainly used for primary and secondary producers with a small number of certified product groups. The system operates with an "FSC credit account" where "FSC credit" is added to "the account" when FSC-certified raw materials are bought. Conversely, "FSC credit" is subtracted when you produce and sell products with an FSC claim. A sawmill is an example of a business type often using the credit system.

### Using Controlled Wood

If you apply the credit or the percentage system, you will be mixing non-FSC certified material into your products. Therefore you must ensure that all non-FSC certified material used for your FSC production is "controlled". This implies that there is minimal risk of raw materials coming from

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unacceptable sources such as sites of illegal logging or areas where indigenous peoples' rights are violated.

You need to implement a system for sourcing controlled wood. You can buy FSC Controlled Wood (CW) material in two ways:

1. The easiest solution is to purchase controlled wood from an organisation holding a combined FSC CoC/CW certificate. They usually offer both FSC products and products with an FSC CW claim. In practice, this is often the only way of obtaining controlled materials - unless you buy wood directly from the forest.
2. If you purchase CW directly from non-FSC certified forests, you need to establish your own control. Note: You must be able to demonstrate the origin of all incoming materials all the way back to the forest and you must conduct a risk assessment for the wood that you purchase. Depending on the risk evaluation, verification visits in selected forest areas may be required.

The requirements for sourcing FSC CW are described in a separate standard: *FSC-STD-40-005*.

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## 5: Type and scope of the certificate

Before engaging in FSC certification, you need to decide on the scope of the certificate: Should it cover all of your organisation's sites and products? Will some parts of the certified production process be outsourced? Do you want to sell products with an FSC Controlled Wood claim, in addition to your FSC certified products?

The final choice is normally made in consultation with a certification body which can provide information on the options and help you to evaluate pros and cons in relation to your specific needs.

FSC offers special solutions for organisations facing special challenges due to e.g. their size or complexity. The following are the main options:

### Combined CoC/Controlled Wood certification

You may consider combining your CoC certification with Controlled Wood (CW) certification. This is relevant if:

- You have access to "controlled" raw materials, and
- Only a part of your products can be sold as FSC-certified.

This enables you to sell non-certified products with a CW claim when they are covered by your CoC/CW certificate. In today's market it can be hard to obtain enough FSC raw material to meet the growing demand for FSC products. If this is your situation, combining your CoC certificate with CW can carry significant advantage.

Buyers of Controlled Wood are usually FSC certified and they use the CW material as input for their FSC Mix production. By engaging with such buyers, you will form valuable relationships that may become sales outlets later on when you are able to expand your FSC production.

However, there is limited possibility to promote FSC CW products. Among other restrictions, it is not possible to label the products.

### Multi-site certification

This is relevant if your organisation is large or complex with many sites to be certified. Under a multi-site certificate, your organisation provides internal auditing, which reduces the need for external evaluation of all your sites. There are requirements for internal competence building and for specific procedures for internal auditing.

Multi-site certification reduces the external costs of certification whilst facilitating internal administration, including marketing and use of FSC trademarks, etc.

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## Group certification

This is relevant if your organisation is relatively small, and you wish to share the burden of certification with others. Group certification is simplest if the group is fairly uniform with regard to the scope of the certificate, including the FSC claims used for input and output. For example, a group of printing houses can earn a joint multi-site certificate.

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## 6: The certification process

The certification process can vary depending on your organisation, the type and scope of the certificate and the certification body.

Below is an outline of a typical process when conducted by NEPCon:



1

**Scope of your certificate:** We help you identify the relevant scope of your certificate. Once you have accepted our proposal, we will assign a NEPCon contact person for your organisation and you will receive a welcome pack including FSC documents and NEPCon guides.



2

### Your preparation

You prepare a chain of custody procedure and related documentation. All employees need to be trained to be aware of their role and tasks. You can find help in NEPCon's guide "Prepare for FSC Chain of Custody certification".



3

### The main evaluation

The main evaluation usually involves a visit to one or several of your company sites. The auditor examines your documentation, inspects your facilities and interviews employees\*.



4

### Evaluation report

The report describes the audit results, including your conformance with the FSC rules. Any non-conformities are clearly described. An experienced expert reviews the report. Finally, you are invited to comment as well.



5

### Your certificate

If the final report recommends certification, your FSC chain of custody certificate is issued.

\*If your company does not take physical ownership of the certified products, the evaluation may be carried out without an on-site visit.

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## 7: A typical on-site audit

The duration and programme of an FSC audit depend on the size of your organisation, the geographic location of sites covered by the certificate and the scope and technical complexity of the certificate.

Often, an audit can be conducted within a single day. Below is an outline of a typical annual audit of an organisation with a simple CoC system and a single site. The main assessment follows a similar agenda.

### A. Opening meeting (approximately 30 minutes)

*Participants: Your organisation's certification coordinator, management representatives and NEPCo's auditor.*



The auditor presents the audit programme, summarises last year's report and presents the focus of this year's audit. Open non-conformities are always a key focus area. In addition, the auditor informs on expected changes in the FSC system.

You describe how you have addressed non-conformities. You also provide information on other changes affecting your certification.

**Note:** During the main (first-time) assessment, the opening meeting will often focus more on your organisation. You will be asked to present your policies and CoC system. Your auditor will present basic facts about the certification and ask general questions about your CoC system.

### B. Review of site and system and interviews (2-4 hours)



*Participants: Your organisation's certification coordinator, relevant employees and NEPCo's auditor,*

The auditor visits facilities playing a role in your CoC system. This includes production, storage, purchasing, sales and marketing. The auditor will typically ask to see electronic and physical systems demonstrating conformance with the certification requirements.

You will be asked to show how you separate certified material from non-certified material, and how you handle FSC claims on invoices and delivery notes.

For each of the central functions, our auditor will conduct one or more interviews with employees responsible for implementing specific parts of your CoC system.

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### C. The auditor's own time (30 minutes)



Throughout the audit, our auditor records his observations. These form the basis for the certification report.

The auditor will often schedule time to collect his notes prior to the closing meeting. This permits the auditor to arrive at well-considered conclusions before presenting the preliminary results to you.

### D. Closing meeting (30 minutes)

*Participants: Your organisation's certification coordinator, representatives of your management, and NEPCon's auditor.*



Our auditor presents the preliminary results of the audit, including strengths and weaknesses found in your system or performance.

Any identified non-conformities are presented. Your questions related to this are discussed and clarified on the spot, if possible.

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## 8: How to handle non-conformities

The FSC control system can be characterised as strict but fair. Rigour is necessary to ensure the credibility of the system, but the certified organisation has opportunity to correct the deficiencies before its certificate is suspended or withdrawn. Note: Preventing non-conformities proactively normally pays off compared to the costs and work load of addressing them.

### The role of the auditor

The auditor seeks evidence verifying your conformance with the FSC requirements. If you are unable to present such evidence, or if the auditor notes evidence of non-conformance, it is the auditor's job to report the nonconformity and ask you to address it within a specified time limit. FSC requires the auditor's work to be carefully monitored. This mandatory quality assurance often focusses on whether non-conformities are raised in accordance with FSC accreditation requirements (*FSC-STD-20-001* and *FSC-STD-20-011*).

### Classification of non-conformities

Non-conformities (NC) are classified as "minor" or "major" in terms of their severity. Minor NC are automatically upgraded to major if they are not addressed sufficiently within the specified timeline. Missing or inadequate follow-up on major NC within the deadline results in suspension of the certificate with a 30 days' notice. The presence of 5 or more major NC during a single evaluation is considered as a breakdown in the organisation's CoC system and can result in the immediate suspension of the certificate.

### Deadlines for follow-up on NC

The deadline for follow-up is usually one year for minor NC. Compliance with minor NC is verified during your next annual audit within the normal schedule. The deadline for follow-up on major NC is shorter - usually 3 months and in some cases even shorter. Therefore, major NC imply extra cost to cover an additional audit and a special audit report outside the normal scope of audit work.

### Observations

Your auditor will also keep an eye on potential problem areas and note them as "observations" in the certification report. Observations are weaknesses in your system which can pose risks of future NC. Whilst addressing observations is not formally required, we recommend you to use them to improve your system and prevent future NC.

### How to understand NC

At the end of the audit, your auditor will inform about any NC identified during the audit, and ensure that you understand the reason for each NC.

In addition, all NC and observations are stated in the evaluation report following each evaluation. Each NC is clearly classified as "minor" or "major" with a specified deadline for compliance.

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## 9: Confidentiality

FSC auditors have access to sensitive information about the certified organisations, such as revenue and trade partners. FSC auditors are bound by strict confidentiality requirements and the certification bodies are required to keep all documentation confidential.

However, basic information is published on the FSC database <http://info.fsc.org/>. FSC discloses certificate holders' names, certification and license codes, and certification scope. This information is placed on the FSC database by the certification body when your FSC certificate is issued. The main purpose is to give buyers the opportunity to verify that the selling organisation has a valid FSC certificate covering the relevant processes and products.

If you hold a combined FSC/CW certificate, then a summary of your CW risk assessment must also be publicly disclosed through the FSC database.

## 10: Trademarks

FSC CoC certification allows organisations to use the FSC trademarks, demonstrating their commitment to sustainable use of the world's forest resources. FSC-labelling of products sends a clear signal to the market that the product supports responsible sourcing and production of wood-based products.

Once you have obtained certification, you gain access to using three FSC trademarks to label certified products and to promote your company and its certified products:



1. The FSC logo
2. The words 'Forest Stewardship Council'
3. The abbreviation 'FSC'.

You will receive access to the FSC portal <https://trademarkportal.fsc.org/portal/login.php> where you can quickly and easily generate on-product and promotional labels that automatically include your unique FSC license code.

**Note:** FSC certification bodies must approve certified organisations' use of FSC labels and trademarks prior to publishing or on-product labelling.

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## Annex 1: Relevant certification standards

The standards listed below are those which most frequently apply to FSC CoC certificate holders. Additional standards and policies may be relevant for you. This depends on your set-up, specific conditions, and the scope of your certificate.

For up-to-date versions of all standards, policies and directives, please refer to [FSC's website](#).

**Standards** include mandatory, normative requirements for certificate holders.

**Directives** include a number of so-called advice notes. A directive relates to a specific standard. In essence, the role of advice notes is to expand and interpret the requirements included in the standard. All advice notes are mandatory. You need to follow them to be in conformance with the certification requirements.

<b>Certification standard</b>	<b>Description</b>
<b>FSC Chain of Custody Standard</b> (FSC-STD-40-004)	Relevant for all chain of custody certificate holders. Includes purchase, production, storage, sale, labelling and promotion of certified products.
<b>FSC Chain of Custody Directive</b> (FSC-DIR-40-004)	Mandatory guidance on the FSC CoC Standard FSC-STD-40-004.
<b>FSC Trademark standard</b> (FSC-TMK-50-001)	Relevant for all CoC certified organisations wishing to use the FSC trademarks for product labelling and marketing.
<b>FSC Controlled Wood Standard</b> (FSC-STD-40-005)	Relevant for organisations sourcing non-FSC certified wood/paper products which will be included in the FSC production. The standard sets out requirements to ensure that the non-certified material is of acceptable origin.
<b>FSC Controlled Wood Directive</b> (FSC-DIR-40-005)	Mandatory guidance on the FSC CW Standard for company evaluation FSC-STD-40-005.
<b>FSC Reclaimed materials standard</b> (FSC-STD-40-007)	Relevant if the organisation sources recycled material for its FSC production.
<b>FSC Multi-site Standard</b> (FSC-STD-40-003)	Multi-site certification is relevant if the organisation is large or complex with many sites to be certified.
<b>FSC CoC Group Certification Standard</b> (FSC-POL-40-002)	FSC group certification is an appropriate option for small organisations.
<b>FSC CoC Project Certification standard</b> (FSC-STD-40-006)	FSC project certification applies to construction projects.

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## About NEPCon

NEPCon is an international, non-profit organisation that works to ensure responsible use of natural resources and secure sustainable livelihoods worldwide.

Through certification services and innovation projects, we help other organisations become part of the solution to some of the world's greatest challenges including global deforestation, climate change and biodiversity loss.

NEPCon manages the Rainforest Alliance's forest certification programme in Europe, Russia, Turkey and Israel, and we offer FSC evaluations under Rainforest Alliance's FSC accreditation.



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responsible forestry

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