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CPET Practical Guides



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Category B evidence *Supply chain information*

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1 Using the Guides

1.1 UK government requirements

The UK government requires suppliers to be in a position to be able to demonstrate that the wood or wood-based product supplied for a contract comes from a legal or sustainable forest source. The government has developed a procedure for procuring timber that includes a contract condition to ensure supply of timber from legal sources, and a variant specification for the option of supplying sustainable timber. *The Timber Procurement Advice Note (November 2005)* advises central departments of the procedure for purchasing legal and sustainable timber.

The recommended supplementary condition of contract states:

5.1 *Before delivering any timber or wood product under this contract, the Contractor shall obtain documentary evidence that the timber and wood derived products is 'legal timber'. If requested in writing by the Authority, the Contractor shall submit such documentary evidence to the Authority either prior to delivery or at such other times as the Authority may require. The Contractor shall identify, as part of the evidence submitted, a chain of custody from the forest source of the timber or wood product through to delivery of the final product.*

5.2 *The Authority reserves the right at any time during the execution of the Contract and for a period of 6 years from final delivery under the Contract to require the Contractor to produce the evidence required for the Authority's inspection within 14 days of the Authority's written request.*

5.3 *The Contractor shall maintain records of all timber and wood derived products delivered to and accepted by the Authority [as detailed on the Form described in the Contract Specification – delete if not applicable]. Such information shall be made available to the Authority if requested at any time.*

The recommended variant specification states:

2.1 *The standards and criteria set for demonstrating attainment of such standards will be acceptable to the authority only if they can be independently verified as appropriate for meeting the sustainable timber production standard objectives specified in 1.2.*

2.2 *Management of the forest or plantation shall be audited at intervals confirming ongoing good forest management and by organisations with appropriate forest management experience that are independent of the organisation that holds timber harvest and/or management rights for that forest.*

3.1 *Where 'Category B' evidence (as defined in 3.2) is to be made available, the Contractor is required to notify the Authority of the source or sources of all virgin timber and wood derived products supplied. Source in this context means the forest or plantation where the trees were grown and all subsequent places of delivery through the supply chain prior to receipt by the Authority. The Contractor shall separately identify virgin timber and wood derived products supplied from forests*

and plantations that are claimed to be subject to sustainable timber production and shall submit to the Authority documentation in respect of such wood to confirm that the criteria for sustainable timber production set out in this specification have been met.

If a supplier has a **contract** directly with the UK Government, they will be responsible for making sure that all the evidence has been gathered and is complete. If a supplier is supplying to Government indirectly through other organisations, they will be responsible for explaining and submitting information on what their own organisation does, as well as asking their own supplier(s) to do the same

The government recognises two types of evidence to show that the timber or wood products are from legal or sustainable sources:

- Category A evidence: claims based on certification under a certification scheme which delivers government requirements. Criteria for assessing schemes to establish whether they constitute Category A evidence are set out in *UK Government Timber Procurement Policy: Criteria for Evaluating Certification Schemes (Category A Evidence)*.
- Category B evidence: all other credible evidence that material is from forests which meet the requirements for legality and/or sustainability. The evaluation of Category B evidence is detailed in *UK Government Timber Procurement Policy: Framework for Evaluating Category B evidence*, supported by this guidance.

1.2 Overview of the guides

Two Practical Guides have been prepared to support the *Framework for evaluating Category B evidence*. The *Framework* presents three Checklists which suppliers should use when submitting Category B evidence of legal and sustainable evidence for a UK Government supply.

There are two elements to the evaluation of Category B evidence:

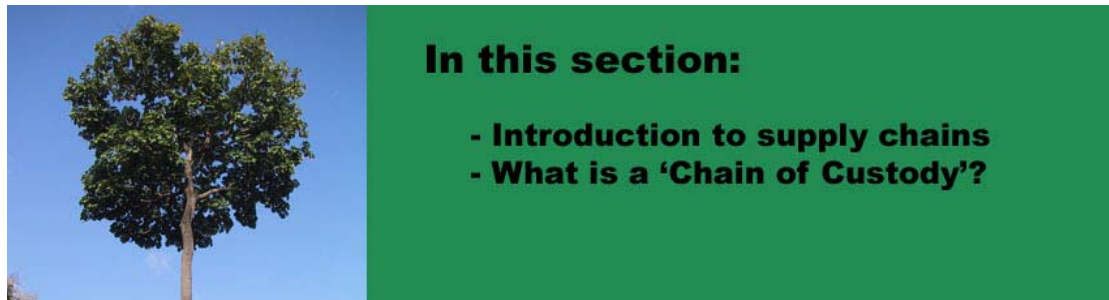
- Confirmation that the product being supplied actually originates from the forests in question, which requires understanding of the supply chain (Checklist 1) (this document)
- Confirmation that the forest or forests of origin were managed legally or sustainably (Checklist 2 and Checklist 3)

This guide examines Checklist 1 (Supply chain information) and describes what Category B information should be presented.

This guide has been written with the **supplier** to the UK Government as the main audience. This doesn't necessarily mean suppliers will have a direct contract with the UK Government. They may be supplying a building contractor who is refurbishing a UK Government building, or importing timber that will be used by a joinery company that will be supplying a UK Government contract.

The second Guide, *CPET Practical Guides: Category B evidence, forest source information*, addresses Checklist 2 and 3, and should also be read when submitting evidence of legal and sustainable evidence for a UK Government supply.

2 Introduction to supply chains



2.1 From the forest to the final product

In order to confirm that a wood-based product originated in a legally and/or sustainably managed forest it is necessary to know which forest or forests it was sourced from. In most cases there are several stages between the original forest and the final product.

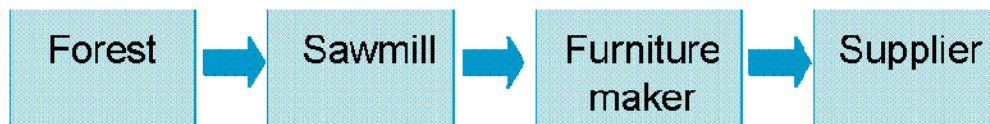


Figure 1. A simple supply chain, from forest to supplier.

For example, the wood in a piece of wooden furniture such as a desk starts out as a tree which is cut and sold to a sawmill. Here it is cut into planks and dried before being sold to a furniture factory. The desk is made in the factory and then sold to a furniture supplier who finally supplies the table to the end user. This is the *supply chain* and is shown schematically in Figure 1.

In reality, the supply chain is likely to be much more complex because there are often several suppliers at each stage in the chain: every sawmill buys logs from several forests, each furniture factory buys wood from several sawmills and the supplier buys furniture from several factories. Thus, the furniture supplied by a single furniture supplier might contain wood from tens or even hundreds of different forests. This is shown schematically in Figure 2.

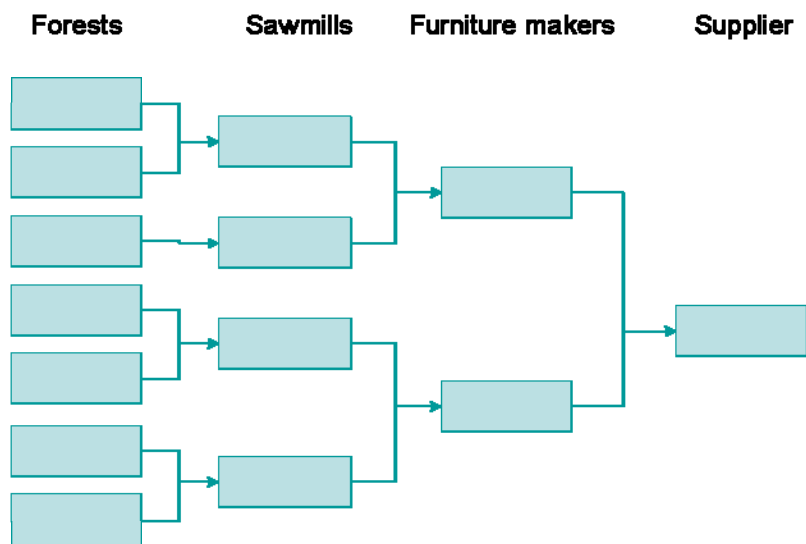


Figure 2: A schematic representation of a more complex supply chain where the final supply contains wood from many forest sources

2.2 Chain of custody

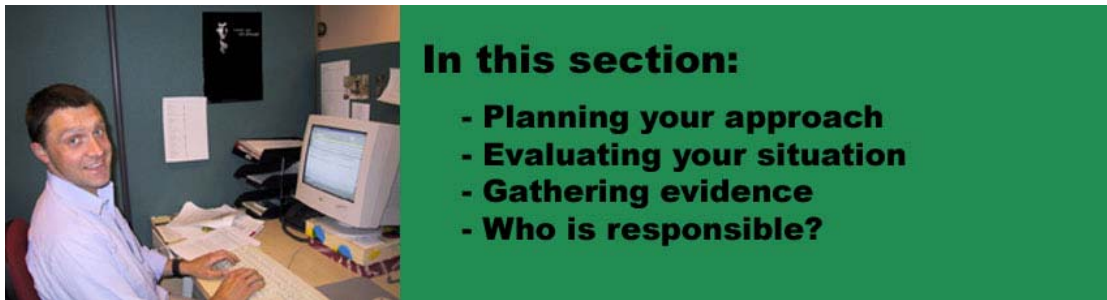
A **chain of custody** is the ability to confirm that the wood in a particular piece of furniture (or consignment of plywood, ream of paper, piece of flooring or any other wood product) is from a legally and/or sustainably managed forest. In order to have chain of custody, it is necessary to know the supply chain for that product and to be able to reliably trace back to the forest source or sources.

Chain of custody involves showing how the wood from the forest or forests passed through each stage of the supply chain and, crucially, demonstrating that the wood was not mixed with wood from other sources at any point. This means that each stage in the chain must have controls in place to ensure that mixing – accidental or intentional – does not occur.

This is achieved through the implementation of systems to control and segregate timber, and record keeping which provide assurance through various forms of documentation. These concepts will be explored in detail as part of this document.

It is possible to have a chain of custody **certified**, which is undertaken through independent verification of each stage in the supply chain. Certification of each stage involves inspection of the company against a set of requirements as set out by a forest certification scheme. Evidence of certification is called Category A evidence, and further information can be found on the CPET website at www.proforest.net/cpet

3 Getting started



3.1 Planning your approach

If this is the first time you are submitting Category B evidence, you should put aside time for reading and understanding the documents, following up with people in your organisation as well as following up with your suppliers. You should ask yourself:

1. Am I the right person to be doing this within my organisation? *There may be someone responsible for Quality Systems or Purchasing who is better positioned to be responsible for putting Category B evidence together for the organisation.*
2. Is there anyone else who has already put together 'Category B' evidence in my organisation that can help me? *If someone else has already gone through this process, you may find that some of your work has already been done for you.*

CPET has produced several documents to assist you with this process. They include:

- Framework for Evaluating Category B evidence*
- CPET Practical Guides: Category B evidence, supply chain information* (this document)
- CPET Practical Guides: Category B evidence, forest source information*

Step 1 – Read Section 2 of both *Practical Guides* for an introduction to supply chains and forest sources.

Step 2 – Familiarise yourself with the UK Government requirements, which can be found in Section 1 of both *Practical Guides* and in the November 2005 *Timber procurement guidance note*. You should read (or re-read) the *Framework for Evaluating Category B evidence* in order to understand what the *Practical Guides* are referring to.

Step 3 - Refer to *CPET Practical Guides: Category B evidence, forest source information*. Supply chain information is only useful if the forest source meets the UK Government requirements (and vice versa).

Step 4 - Check your contract or order and if necessary clarify what the customer/client is expecting from you in terms of products and evidence, and when.

Step 4 - If you have not done so already, investigate your supply chain and ensure you have information linking the end product back to the forest sources it came from.

Step 5 - Complete Checklists 1 using *Sections 4 – 7* as reference. Checklist 1 can be found at Annex 1.

3.2 Checklist 1

To assist suppliers in providing this information, a supply chain checklist ('Checklist 1') has been developed which provides a systematic way of presenting the information required (see Figure 3). A full-page version is found at Annex 1, or alternatively an editable version can be downloaded from the CPET website at www.proforest.net/cpet.

Sections 4 – 7 of this guide explain what is required for each column of the form.

| Product | | | | | |
|--------------------|--------------------------|-----------------|--------------------------------------------|----------------------------|--------------------------------|
| Name of supplier | | Government dept | | | |
| Contact person | | Contract number | | | |
| Contact Details | | Date | | | |
| | | | | | |
| Supply chain stage | Supply chain description | | Controls to prevent mixing or substitution | Mechanism for verification | Evidence available or provided |
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |
| Stage 2 | | | | | |
| Stage 3 | | | | | |

Figure 3. Checklist 1: Supply chain information

3.3 Evaluating your situation



In order to complete Checklist 1, you will need to know your supply chain (see previous section *Introduction to Supply Chains*). A useful starting point is to sketch out as much as possible regarding the description and locations of the links in the supply chain, starting with your company. Checklist 1 can be used as a guide for what types of information will need to be available. At this point, please consider carefully whether it is likely your organisation can actually link back to a legal (and where applicable, sustainable) source.

If you have not yet determined who your supplier(s) will be for the project/supply, you should take in to account the Category B evidence requirements when selecting a supplier.

Simple supply chains may include situations where certified products are coming from a Chain of Custody certificate holder, but have been sold on to a company that does not have Chain of Custody certification. Simple supply chains may also include situations where the supply chain is very short (only two or three links to the forest), and there is only one or two forest sources.

Complex supply chains may include composite products that have many different forest sources or situations where the supply chain is very long. For complex supply chains, it may be very difficult to provide acceptable Category B evidence because so many organisations are involved in the supply chain, and adequate information may be difficult to obtain from some or all of these organisations.

Unknown supply chains should be considered carefully as there is always the risk that when you do trace the supply, you may find that your source(s) will not meet the UK Government's requirements or that there will be insufficient evidence to satisfy the UK Government's requirements.

Once you have an idea of the complexity of your supply chain, you can allocate time accordingly for getting in touch with the organisations in your supply chain.

Investigation of your supply chain should where possible take place prior to tending for a UK Government contract or accepting an order. For complex or unknown supply chains, it may take some time to put together accurate supply chain information. You should anticipate that companies you may be relying on for documentation may require a longer lead time than expected, and thus you agree a timeline at the outset.

It is not recommended that you sign a contract or agree to supply a UK Government project until you can complete Checklist 1, Checklist 2 and where applicable, Checklist 3.

If you have already signed a contract or have already supplied a product and you are now trying to complete Checklist 1, please note the following:

- It will **not** always be possible to use your regular suppliers to meet Category B requirements
- Investigating your supply chain after timber has been supplied is often difficult and time consuming and there is **no guarantee** that the timber will meet the requirements

Failure to provide adequate evidence will result in a breach of contract or agreement to supply, which may have serious repercussions for both the supplier and the UK Government project.

3.4 Gathering Category B evidence



In order to find out whether the suppliers you intend to use have evidence that they meet the requirements of the UK Government's timber procurement policy, you will have to get in touch with them. You could provide them with a copy of this document, and the *Framework for evaluating Category B evidence* so they understand what is being asked of them. You should consider asking them to complete Checklist 1, Checklist 2 and where applicable, Checklist 3. Agree a timeline with your suppliers for providing you with the evidence, to ensure that you have time to check it over and where necessary, find a new supplier if what they submit is insufficient.

As you begin to put together your Category B evidence, you should consider how you will keep track of the information, and in what form you will present it to your buyer. Using a computer spreadsheet programme is a good way of summarising your supply chain for your own record keeping purposes. A ring binder (with sections for each link in the supply chain) may be a good way of starting, though you should focus on making sure the Checklists are complete rather than amassing large quantities of paper. You should expect to keep the information on file for 6 years after the contract has been signed or order fulfilled.



3.5 Roles and responsibilities

UK Government personnel will make the final decision when it comes to deciding whether the evidence submitted is adequate.

- ➔ As a supplier, you will need to know what types of information you should be preparing for the UK Government, and how they will be assessing it.
- ➔ As a buyer, you will have to decide whether the evidence submitted to you by your sources is adequate under the UK Government's requirements.



You may be in a position where your organisation has a dual role as both a buyer and a supplier. For example, if you are a building contractor working on a UK Government refurbishment project, you will need to gather evidence from your sub-contractors and decide whether it is adequate. Your contracting Authority may in turn be looking at the evidence you put together on your organisation and supply chain, and decide whether it is adequate under UK Government requirements.

In the process of investigating your supply chain and completing Checklist 1, you will need to gather information and evidence as well as decide whether the evidence is adequate (this is addressed in *Sections 4 – 7* of this document).

When assessing whether information provided about the supply chain is adequate, there are four questions which will be asked. The four questions are:

- 1 Is the supply chain clearly described and complete from point of supply back to the forest source(s) (*Section 4*)?
- 2 Have adequate controls for preventing mixing or substitution been implemented for each stage in the supply chain (*Section 5*)?
- 3 Has information been provided on how these controls have been checked/verified and was the approach used adequate to confirm the controls described are in place and functional (*Section 6*)?
- 4 Is the evidence provided or available adequate to confirm the information provided is accurate (*Section 7*)?

Guidance on what should be provided to satisfy each of these questions is provided in the following *Sections 4 – 7*.

It is very important to ensure that the information provided is appropriate because if it is not, the contracting UK Government Authority may demand independent verification of both the forest source and the supply chain (as set out in the supplementary condition of contract in Box 1).

Box 1. UK Government requirements for submitting evidence

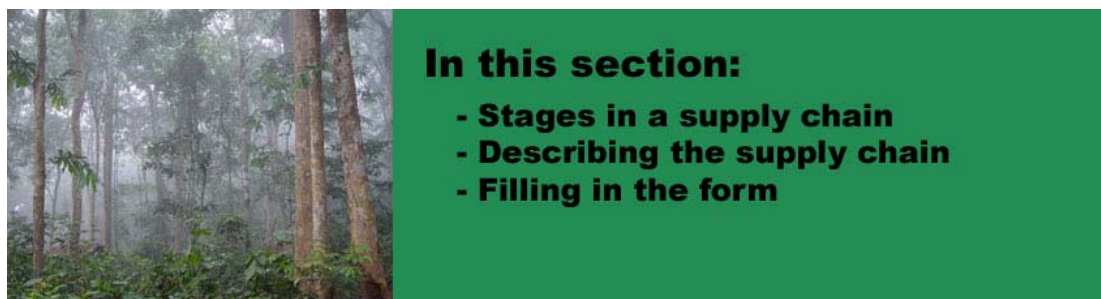
6.1 The Authority reserves the right to decide whether the evidence submitted to demonstrate legality is adequate to satisfy the Authority that the timber or wood product is 'legal timber'. In the event that the Authority is not so satisfied, the Contractor shall, on written request by the Authority, commission and meet the costs of an 'independent verification' and report that will (a) verify the forest source of the timber or wood and (b) assess whether the source meets the criteria for legality as defined in Clause 4 of this Supplementary Condition).

6.2 In this Contract 'Independent Verification' means that an evaluation is undertaken and reported by an individual or body whose organisation, systems and procedures conform to ISO Guide 65:1996 (EN 45011:1998) General requirements for bodies operating product certification systems or equivalent: and who is accredited to audit against forest management standards by a body whose organisation, systems and procedures conform to ISO 17011: 2004 General Requirements for Providing Assessment and Accreditation of Conformity Assessment Bodies or equivalent.

6.3 Where the Contract Contractor promises to deliver 'sustainable' timber, as defined in the Variant Specification for Timber from a Sustainable Source, and to submit evidence to demonstrate compliance, the Authority reserves the right to decide whether the evidence of timber production is sufficient to satisfy the Authority that the specification has been fully complied with. In the event that the Authority is not so satisfied, the Contractor shall, on written request by the Authority, commission and meet the costs of an 'independent verification' and report to (a) verify the forest source of the timber or wood products and (b) assess whether the source meets the criteria for sustainability (as defined in the UK Government Timber Procurement policy: Definition of legality and sustainability edition current on the day the Contract is awarded).

6.4 In this context 'independent verification' has the same meaning as defined in section 6.2

4 Description of the supply chain



4.1 Information required

Information on the supply chain should start with the forest source(s), as it ensures that the supply chain is known. It is critical that complete supply chain information is provided linking each stage in the supply through to a forest source or sources. Without a chain of custody, information on how the forest is managed (Checklist 2 and 3) is not useful as there is no guarantee that the forest management described is related to the product purchased.

The first stage in providing adequate information about a supply chain is to set out the details of each link in the chain. The description of the supply chain is covered by the first two columns in the checklist, as shown below.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification | Evidence available or provided |
|--------------------|--------------------------|----------|------------------------------------------------|----------------------------|--------------------------------|
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |

If the project includes a number of different products (e.g. flooring, window frames and construction timber) information is needed for each product.

If the product is a composite (e.g. a cupboard mainly made of plywood with a solid timber door) the supply chain details must be provided for each component.

4.2 Stages in a supply chain

The Checklist supplied in Annex 1 has space for one forest source and three stages. Please note that the number of forests sources and stages will vary for each supply chain, and you should adjust the number of spaces accordingly. **You should fill out one Checklist per forest source and include as many stages as necessary.**

For example (see Figure 4.), if you are a joinery company who sources timber from three timber merchants, who each source the type of timber you have purchased from 2 importers, who each sources the timber from 1 forest source, you will need

to fill out 6 checklists. In this case, there are 3 stages (including the joinery) in each supply chain and a total of 6 forest sources. You should refer to your initial supply chain sketch to determine the number of Checklists required.

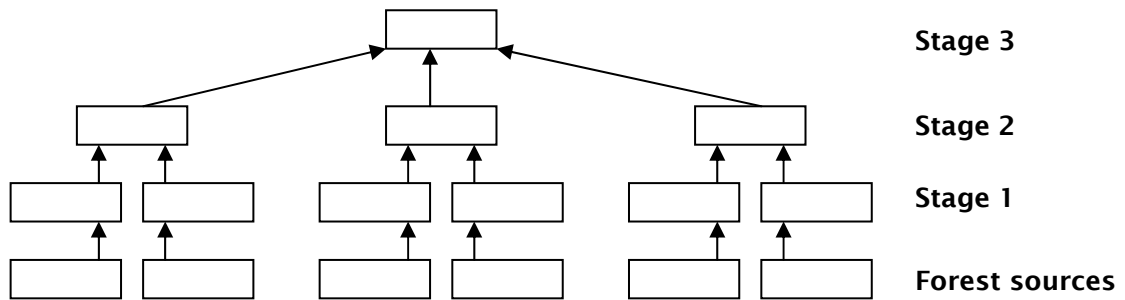


Figure 4. Diagram of supply chain stages

When filling in the Checklists, your organisation should always be the final stage listed.

For a **simple supply chain**, where certified products are coming from a Chain of Custody certificate holder but have been sold on to a company that does not have Chain of Custody (CoC) certification, no information will be required about the supply between the CoC certificate holder and the forest, provided the certificate covers the products being purchased. Information will need to be provided in the Checklist about the CoC certificate holder through to your organisation. Please see *Section 2 Information on supply chains* for more information on certification.

For a **complex supply chain** that includes composite products that have many different forest sources you will have to fill out many Checklists. For a complex supply chain that contains many links between the end user and the forest, but only has one forest source, only one Checklist will be needed. Please note in both instances that it may be very difficult to provide acceptable Category B evidence because so many organisations are involved in the supply chain, and adequate information may be difficult to obtain from some or all of these organisations.

For an **unknown supply chain** you will need to investigate and determine how many forest sources are involved in order to know how many Checklists you will need.

4.3 Description

Information is required on the main activities which make up a supply chain. The type of activity taking place at each stage will need to be identified. Some common examples are provided below. Both the title of the stage (e.g. 'processing') and a short description should be provided.

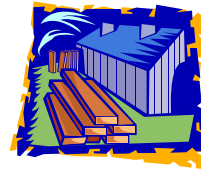
Harvesting

A description of the species being harvested at the forest source should be provided. It is not necessary to provide information about how the trees are harvested as part of the supply chain description.



Processing

A description should be provided about what type of processing occurs. This may include primary processing; for example, logs may be transformed in to sawn timber or other board products, or secondary processing; such as the manufacture of furniture. Where possible, the name of the company should be provided.



Agent or broker

A description should be provided of what was bought and sold, and whether the agent takes legal possession of the timber. Where possible, the name of the company/individual should be provided.



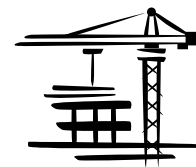
Merchant

A description should be provided of the type of merchant, e.g. furniture company, office supply company, timber merchant etc. Information on what was bought and sold should be provided, as well as the name of the company where possible.



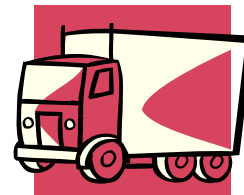
Building contractor

A description should be provided on what type of service the contractor is undertaking on the site, for example they may be putting up site hoarding only, or undertaking the entire build or refurbishment themselves.



Transportation

The type of transportation should be noted, e.g. truck, ship, rail, etc. and the form the timber takes during transportation in noted under 'description'. For example, sealed packs or boxed furniture. No further information would be required on controls, mechanism for verification or evidence (insert N/A in to the appropriate column), except in cases where bulk logs are being transported by ship or rail. In these cases information should then be provided on controls, mechanism for verification and evidence.



These examples are not exhaustive, and when completing the Checklist you can provide your own title for a particular stage and include an appropriate description.

4.4 Location



When providing information on the location of the stage, information on the country of origin must be provided. Where available, information on the region and city/town/village may

also be listed. Contact details, such as address and telephone numbers are not necessary, although for your own internal purposes you may find it useful to include.

4.5 Filling in the form

As a supplier filling out the checklist, you should describe what is happening at each stage, and where it is happening. See Case Study ‘Supply Chain (SC) 1’ below.

Case study SC1: Fence posts supplied to the highways agency.

Fence posts are being supplied to a Highways Agency site by the contractor undertaking the work, ABC Contracting. In the contract it was agreed that the posts would be from a sustainable source¹.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution |
|--------------------|--------------------------------------------------------------------------------------------|--------------------|------------------------------------------------|
| | Description | Location | |
| Forest | Harvesting Logs from Forest Enterprise are all harvested from FE woodlands | Southwest England | |
| Stage 1 | Agent Enterprise Logs sells JB fencing timber from Forest Enterprise woodland. | Southwest England | |
| Stage 2 | Transportation Transported from forest to JB Fencing yard | Wiltshire, England | |
| Stage 3 | Processing Logs cut into fence posts in JB Fencing sawmill and air-dried | Wiltshire, England | |
| Stage 4 | Transportation Fence posts collected by ABC Contracting and transferred to site. | Southwest England | |
| Stage 5 | Fencing contractor Fence posts installed on site by ABC contracting | Southwest England | |

¹ Information to demonstrate that management of Forest Enterprise forests meets UK government requirements for sustainable has been provided separately in Checklist 3.

5 Controls for preventing mixing or substitution



In this section:

- Ways to prevent mixing or substitution
- Determining of controls are adequate
- Filling in the form

5.1 Information required

If wood is going through several stages in the chain from forest to final product then there is a risk that it may be mixed with or substituted by wood from other forest sources which have not been managed legally and/or sustainably. Therefore, it is necessary to have controls in place to ensure that the wood from the forest source which has been confirmed as legal or sustainable is not being mixed with wood from other unknown or unwanted sources.

Information on the ways to prevent mixing or substitution is covered by the third column in the checklist, as shown below.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification | Evidence available or provided |
|--------------------|--------------------------|----------|------------------------------------------------|----------------------------|--------------------------------|
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |

For each stage in the supply chain, the controls in place must be described. It must also be explained how it is ensured that mixing and substitution is prevented. Information must be provided on what checks have been made to substantiate this claim.

There are two main ways in which mixing and substitution can be prevented:

- Only using wood from legal or sustainable forest sources;
- Implementing controls to keep wood from legal or sustainable forest sources separate from wood from other unknown or unwanted sources.

It does not matter if one stage uses only wood from legal or sustainable forest sources and the next stage implements controls to keep wood from legal or sustainable forest sources separate. The controls in place do not have to be the same for all stages, but they must all meet the requirements. Each stage must be evaluated individually.

Within certification and some other third-party verified schemes a third approach called **mass balance** is used. In the mass balance approach, if a manufacturer buys a certain proportion of raw material from a legal or sustainable source, then the same proportion of the product produced from that raw material can be considered to be legal or sustainable. **This approach is not acceptable under Category B evidence requirements.**

5.2 Using only wood from legal or sustainable forest sources

The most reliable way of ensuring that there is no mixing is to handle only wood from legally and/or sustainably managed sources. In this case, it is necessary to have in place a mechanism to confirm that all wood raw materials purchased and delivered are from a legally and/or sustainably managed source. No additional controls would be required. Examples include:

- A sawmill in France which only purchases logs from forest sources within a 100 km radius of the mill. If the forests all meet the requirements for 'legal' then all of the supply is from a legally managed source.
- A plywood mill in the Congo Basin which only uses logs from its own forest concession. If the concession has been shown to have legal or sustainable management then all the supply is from a legally and/or sustainably managed source.
- A furniture maker who only purchases wood from 3 suppliers all of whom know the forest source of the timber they supply and have confirmed it is legal. Therefore, the entire furniture maker's supply is legal.

5.3 Separating wood from legal or sustainable forest sources

In many cases organisations in the supply chain will get wood raw materials from both known legal or sustainable source and from unknown or unwanted sources. In this case, it is necessary to ensure that the wood from the known legal or sustainable forest is not mixed with or substituted by wood from unknown or unwanted sources. The normal process for an organisation to achieve this is to:

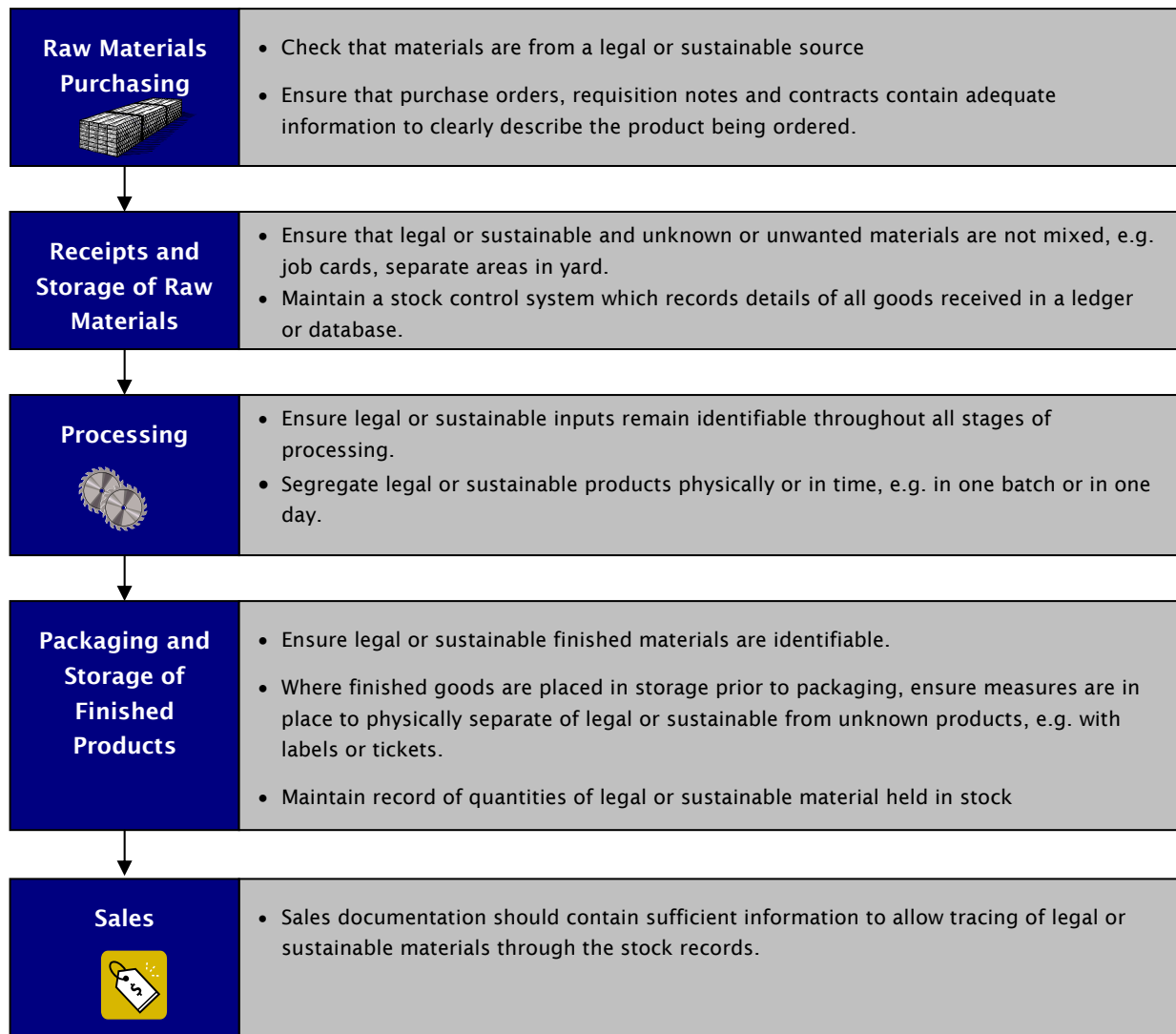
- Identify all the points in purchasing, processing and sales where there is scope for mixing or substitution. These are known as **critical control points**.
- Develop and implement mechanisms to control each **critical control point** to ensure that mixing or substitution does not occur. This is usually done through a combination of documentation, identification and segregation.

5.3.1 Identifying critical control points

The flow chart (Figure 5) shows the main components that are required for control of legal or sustainable material *within* a company.

Training

- All staff should receive adequate training so that they understand their specific responsibilities in the control of chain of custody.
- A management representative should also be identified, with responsibility and authority to implement and maintain the chain of custody.



- Maintain appropriate documentation such as purchase records, goods inward notices, stock records of raw materials and finished products, production records and sale orders and invoices.
- The UK Government can ask for evidence up to 6 years after a contract has been signed, and thus retention times for documentation should reflect this.
- The records should be sufficient to allow an independent assessor to trace back from any given input to the legal or sustainable source.

Figure 5. Main components that are required for control of legal or sustainable material

There are five main areas where critical control points need to be identified and managed:

- Purchasing and goods inwards;
- Storage
- Processing
- Packaging and storage
- Sales and dispatch.

5.4 Assessing the controls in place

In cases where a system has been described, it must be considered whether:

- The controls proposed to prevent mixing or substitution are appropriate
- The controls proposed are being fully implemented in practice

5.4.1 Adequacy of controls

The two key issues are:

- Have all the **critical control points** where mixing or substitution might take place been identified?
- Are the controls for each of these points likely to ensure that mixing and substitution does not take place?

When considering these issues, please bear in mind that in order to make a good judgement, a reasonable understanding of the process and the way in which controls would work is required. Thus, when considering whether the system described is appropriate, *you should consult expert opinion*. If a verification report forms part of the evidence, then it will include information on the adequacy of controls, which can be referenced when completing this part of the checklist. Please refer to *Section 6* for further details.

5.5 Filling in the form

As a supplier filling out the checklist, you should describe what the actual systems in place are. Depending on what type of evidence you are supplying (see *Section 7*) you may wish to refer to certain pages or sections of attached documents, rather than writing out in detail. You should also consider attaching pages to further describe the system. See Case Study 'Supply Chain (SC) 1' below.

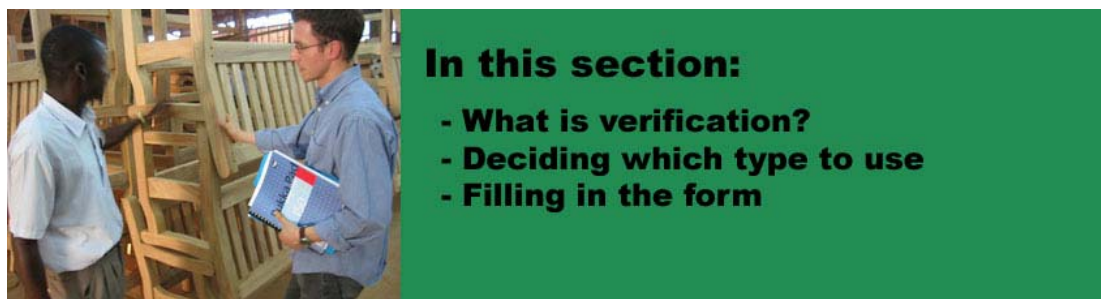
Case Study SC1: Fence posts supplied to the Highway Agency

Fence posts are being supplied to a Highways Agency site by the contractor undertaking the work, ABC Contracting. In the contract it was agreed that the fence posts would be from a sustainable source².

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution |
|--------------------|-------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Description | Location | |
| Forest | Harvesting Logs from Forest Enterprise all harvested from FE woodlands | Southwest England | Hold FSC chain of custody certificate XYZ-CoC-4321. This means they have a system in place to control chain of custody and as they sell logs to JB fencing as 'certified' (the invoice confirms they are certified and has the certificate number) the chain of custody is being implemented. |
| Stage 1 | Agent Enterprise Logs sells JB fencing timber from Forest Enterprise woodland. | Southwest England | Delivery notes contain information on the precise harvesting site and the volume. These are checked to ensure that only FE logs are accepted on site |
| Stage 2 | Transportation Transported from forest to JB Fencing yard | Wiltshire, England | No further information required. |
| Stage 3 | Processing Logs cut into fence posts in JB Fencing sawmill and air-dried | Wiltshire, England | No control required because only FE logs are purchased and accepted on site. |
| Stage 4 | Transportation Fence posts collected by ABC Contracting and transferred to site. | Southwest England | No further information required. |
| Stage 5 | Fencing contractor Fence posts installed on site by ABC contracting | Southwest England | JB Fencing is the only supplier of fence posts for this project. All fence posts are labelled with 'JBF' logo confirming they are from JB Fencing. |

² Information to demonstrate that management of Forest Enterprise forests meets UK government requirements for sustainable has been provided separately in Checklist 3

6 Verification of supply chain information



6.1 Information required

Information on how supply chain controls are being verified is covered by the fourth column in the checklist, as shown below.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification | Evidence available or provided |
|--------------------|--------------------------|----------|------------------------------------------------|----------------------------|--------------------------------|
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |

These methods of verification will be used to confirm information about the supply chain, including description and location of the stages and the controls in place to ensure chain of custody throughout. This section focuses on explaining the different types of verification available and providing guidance on when they should be used. Information on what constitutes an acceptable method of control is addressed in *Section 5*.

Each stage in the supply chain should be considered individually. Different types of verification may be appropriate for different stages in the supply chain.

6.2 Types of verification

There are three approaches to verification which are often referred to as first, second and third party verification: In this case, the ‘first party’ is the supplier, the ‘second party’ is the customer and the ‘third party’ is someone who is independent from both supplier and customer.

- **First party verification:** this is when suppliers check themselves and provide information to confirm that they are complying with customer requirements. The most common form of first party verification is a **supplier declaration**.
- **Second party verification:** this is when customers check their suppliers to confirm that they are complying with requirements

- **Third party verification:** this is when an independent organisation (the ‘third party’) checks that the supplier is complying with requirements. The most rigorous form of third party verification is certification. This is addressed through Category A evidence. However, there are a number of other third party options which are not full certification but are based on independent verification.

Each of these approaches is discussed below.

6.2.1 **Supplier declarations (first party verification)**

Supplier declarations need to set out in appropriate detail how the supplier is ensuring that the wood product being supplied is from a legal or sustainable forest source. Supplier declarations have the advantage of being very straightforward and cost-effective. However, they are also the least reliable form of verification since it is not in the interest of the supplier to admit to any problems. Therefore, they are most appropriate where the risk of material coming from an illegal or unsustainable source is low (see *Section 6.3* below for further information regarding risk). Some companies may refer to their own internal audit process which while being a useful exercise, still remains a type of first party verification.

It is NOT sufficient to provide:

- A signed letter simply stating that all wood is from a legal or sustainable source: this does not provide sufficient information on the supply chain and control mechanisms in place;
- Confirmation of membership of an organisation or subscription to a voluntary code of practice: this does not provide sufficient information on the supply chain and control mechanisms in place.
- ISO 9000 or ISO 14001 certificates: unless the scope of these certifications *explicitly and demonstrably* includes control of wood raw material to ensure it is from a legal or sustainable source, certification to either of these schemes is not sufficient on its own because neither normally requires this type of control.

However, all of these can form *part* of a supplier declaration.

Supplier declarations do not have to be long and complex (though they may be if the supply chain is complex or high risk), but they do have to contain the information required by the UK Government.

In general a supplier declaration should include

1. A description of the supply chain (up to the supplier who is making the declaration):

- Details of the forest origins of the wood used by the supplier, particularly legal or sustainable sources (as described in *Section 4*).

- This can be provided using a completed Checklist 1
2. The controls that are in place to prevent mixing or substitution:
 - Details of the control mechanisms in place to ensure that there is no mixing of material from unwanted sources with legal or sustainably sourced material (as described in *Section 5*), both within the company as well as throughout their supply chain.
 - A company making a declaration on their controls may wish to provide a list of critical control points and explain what is being done at each one to prevent mixing or substitution.
 3. Management of the implementation and adequacy of these mechanisms:
 - Details of any verification in place to ensure that the control mechanisms are functioning (as described in *Section 5*). This may include details of systems operating procedures, internal audit programmes etc. This will not usually include any checks by external parties.
 - Results of internal verification should be available to confirm their adequacy.
 4. Confirmation of information
 - Supplier declarations should be dated and include a signature of a senior manager to confirm that the information provided is accurate and complete.
 5. Additional information:
 - It may also be useful to include other background information about the organisation such as relevant policy commitments, but this must not replace or confuse the core information required above.

Example: first party verification

In **Case Study SC1** (p.32) the contractor, ABC Contracting, does not have any independent mechanism for checking that they are only using JB Fencing fence posts, but make available their own project management information to confirm their claim. This is the type of situation – low risk and with a known supplier – where first party verification is appropriate. *Risk is address below in Section 6.3.*

6.2.2 Second party verification

Second party verification refers to checks carried out by the customer or an agent of the customer on a supplier. Many organisations routinely undertake supplier audits or other similar activities to check a range of issues related to implementation of commitments by their suppliers.

Second party verification can be used to look at the entire way a supplier controls the origin of wood, to verify the information in a supplier declaration or to follow up on specific concerns or issues.

A feature of second party verification is that it can be very variable in terms of personnel, methodology and independence:

Who undertakes the verification: personnel undertaking second party verification range from professional auditors (either contractors or staff of the customer) to purchasing staff with no knowledge of the issues they are verifying. The quality of the verification exercise will depend on the technical ability and experience of the people doing the work.

Methodology followed: the way in which second party verification is undertaken can range from a formal audit to a very informal chat. The way in which information is gathered, and the extent to which it is checked, will have a strong influence over the rigor of the results.

Degree of independence: the person or team undertaking the verification can range from a professional auditor who, though hired by the customer to work on their behalf, is almost independent, to a buyer with a long, close relationship with the supplier being verified. The greater the independence of the verification, the more reliable the results are likely to be.

As a result, second party verification can range from a rigorous and credible exercise to a rather sketchy and unsubstantiated report of what is occurring. Clearly, the latter is much less likely to be acceptable, so it is important when relying on second party verification, particularly for complex or high risk supply chains, to provide information on how the verification was undertaken and by whom.

Example: second party verification

In **Case Study SC1** (p. 31) ABC Contracting, the contractor carrying out work for The Highways Agency, undertook a second party check of JB Fencing to substantiate their claim that all wood purchased was from Forest Enterprise (and therefore legal and sustainable).

This is a good use of second party verification. The verification methodology is very simple since it just involves checking invoices and delivery notes to ensure that none are from any supplier other than Forest Enterprise

6.2.3 Third party verification

A third party is one that performs the role of an independent, neutral entity in conducting evaluations/ verifications for use by the first or second party. As with second party verification, third party verification can be used to look at the entire way a supplier controls the origin of wood, to verify the information in a supplier declaration or to follow up on specific concerns or issues.

For third party verification of supply chain information, the organisation undertaking the verification must be able to demonstrate their independence as well as their capacity to undertake supply chain verification. For example, the verification

organisations' systems and procedures conform to ISO Guide 65 or equivalent though it may not always be necessary.

Under the UK Government timber procurement policy, it is the supplier who must provide the Authority (e.g. government department) with appropriate evidence. Thus it is the supplier who must organise and take on the costs of the verification. If you are supplying indirectly to Government, you may have to invest in third party verification for your company, depending on the risk and complexity of the supply chain.

Please note where the Government Authority is not satisfied with the evidence presented, they can request third party verification as evidence of compliance with the UK Government's timber procurement policy. In this case, it must be undertaken by a body whose organisation, systems and procedures conform to ISO Guide 65 or equivalent and who is accredited to audit against timber production standards by a national or international body whose organisation, systems and procedures conform to ISO 17011 or equivalent.

A third party verification exercise could be based on the Category B criteria and Annexes. It would be the report or verification statement that would then become the evidence, and would be acceptable only if it satisfied all the relevant Checklists. Verification reports or statements are usually considered valid for up to a year after completion, at which point systems should be checked again. A report generated as a result of third party verification could be used by other organisations as evidence, provide the sponsoring organisation put it in the public domain.

Example: third party verification

In **Case Study SC1** (p. 31) JB Fencing, although not certified for chain of custody themselves, make use of the third-party certification of Forest Enterprise to demonstrate that the first part of the chain of custody within the forest is secure. This type of third party verification is called Category A evidence, but because the timber has not be sold on to chain-of-custody certificate holders, the supply chain information linking the product to the final buyer must be provided using Category B evidence. Please refer to the cpet website for additional information about Category A evidence – www.proforest.net/cpet.

6.3 Which approach to verification is appropriate?

The type of evidence which will be adequate and the type of verification which will be appropriate for each stage in the supply chain depends on the level of risk associated with that stage. This in turn will depend on factors such as

- The availability of wood from unknown or illegal sources in the location
- The reliability of documentation including official documentation
- The complexity of the supply chain.

As many supply chains involve stages in more than one country, this means that in a single supply chain the risk level for different stages may be quite different.



For organisations where there is very little risk of material from illegal or unknown sources entering the supply chain the risk is low. If there is a realistic possibility of wood from unknown or illegal sources entering the chain then there is a much higher risk. In general, the highest risk part of the chain is early on in the forest, in primary processing mills (sawmills, plywood mills or pulp mills) and in transport between the forest and the mill and the mill and secondary processing or export. Therefore, if the forest of origin and primary processing is in a country where illegal logging occurs and where illegally-sourced logs are readily available then these links in the chain should be treated as high risk.

You should consult expert sources to determine whether there have been reports of wood from illegal or unknown sources entering supply chains in the location where sourcing from. A useful resource is the Department for International Development (DfID) website on illegal logging www.illegal-logging.info.



One of the most important ways of implementing and confirming a secure chain of custody is through documentation, both internal and external official documentation (e.g. transport documents, permits to remove logs etc). Where documentation is reliable, the risk attached to its use is low. However, in some countries there is widespread abuse of documentation, including official documentation, making it very unreliable.

You should consult expert sources to determine whether documentation (including official documentation) in the location you are sourcing from is reliable. A useful resource for assessing whether corruption is potentially a problem in a particular country is the Transparency International Corruption Perception Index (issued annually), which can be found at www.transparency.org. Please note that this index was not designed specifically for this purpose.



If the supply chain for raw material is very complex then there is likely to be much greater scope for wood from unknown or illegal sources getting mixed with legal or sustainable wood. This will become apparent when sketching out the supply chain, and when completing Checklist 1.

6.3.1 Appropriate verification approach

As a general rule, the greater the risk in a supply chain, the greater the rigour needed for the verification (see Figure 6).

Where there is a high risk of illegal, unknown and/or unsustainable wood entering the supply chain or where documentation is unlikely to be reliable, then it is better to use third party verification if possible, or at least some form of technically competent second party audit. Where suppliers can show that the risk is low, then first party

verification or a second party check by buyers or other non-technical staff may be sufficient.

It is important to note that for many supply chains there may be some parts which are high risk and some parts which are low risk and the most appropriate verification approach for the different organisations in the chain can also therefore differ.

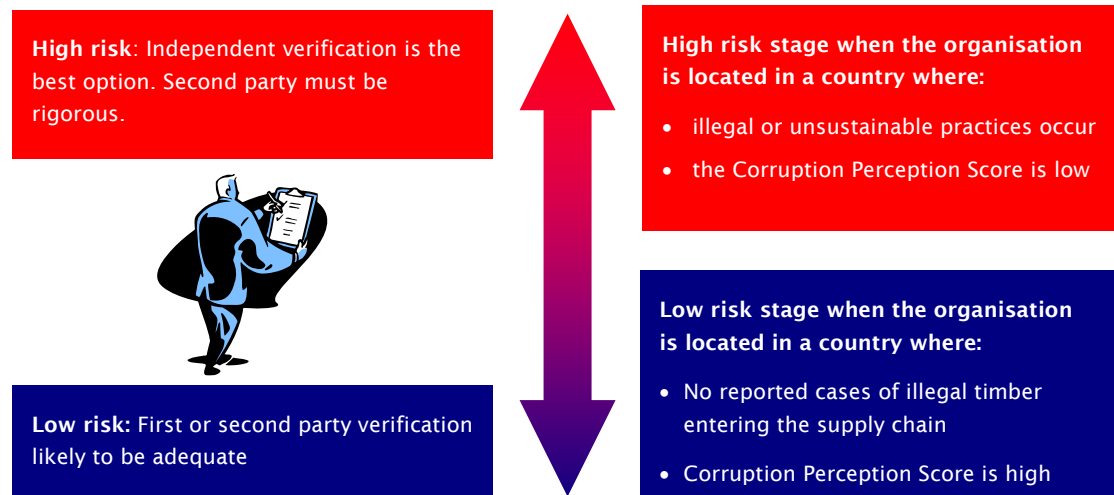


Figure 6. Assessing risk

6.4 Filling in the form

As a supplier filling in the checklist, you should state what the mechanism for verification was for each stage in the supply chain:

- First party verification
- Second party verification
- Third party verification

You should note who undertook the verification (individuals/organisation as appropriate). Information should be provided on the frequency and most recent date of the verification, the requirements which were checked and the methodology followed. Depending on what type of evidence you are supplying (see Section 7) you may wish to refer to certain pages or sections of attached documents, rather than writing out in detail.

See Case Study 'Supply Chain (SC) 1' below.

Case Study SC1: Fence posts supplied to the Highway Agency

Fence posts are being supplied to a Highways Agency site by the contractor undertaking the work, ABC Contracting. In the contract it was agreed that the fence posts would be from a sustainable source³.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification |
|--------------------|-------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Description | Location | | |
| Forest | Harvesting Logs from Forest Enterprise all harvested from FE woodlands | Southwest England | Hold FSC chain of custody certificate XYZ-CoC-4321. This means they have a system in place to control chain of custody and as they sell logs to JB fencing as 'certified' (the invoice confirms they are certified and has the certificate number) the chain of custody is being implemented. | Third party verification Audits by FSC-accredited certification body, ISO Guide 65 compliant auditors. Audited against FSC Chain of Custody standard. Forest Auditors Inc., 15 May 2005. |
| Stage 1 | Agent Enterprise Logs sells JB fencing timber from Forest Enterprise woodland. | Southwest England | Delivery notes contain information on the precise harvesting site and the volume. These are checked to ensure that only FE logs are accepted on site | Second party verification ABC Contracting checked a sample of purchase orders and delivery notes from the last three years to confirm that FE is the only supplier of logs. |
| Stage 2 | Transportation Transported from forest to JB Fencing yard | Wiltshire, England | No further information required. | First party verification Transportation documents available |
| Stage 3 | Processing Logs cut into fence posts in JB Fencing sawmill and air-dried | Wiltshire, England | No control required because only FE logs are purchased and accepted on site. | First party verification JB Fencing make available their own project management information to confirm their claim. |
| Stage 4 | Transportation Fence posts collected by ABC Contracting and transferred to site. | Southwest England | No further information required. | First party verification Transportation documents available |
| Stage 5 | Fencing contractor Fence posts installed on site by ABC contracting | Southwest England | JB Fencing is the only supplier of fence posts for this project. All fence posts are labelled with 'JBF' logo confirming they are from JB Fencing. | First party verification JB Fencing make available their own project management information to confirm their claim. |

³ Information to demonstrate that management of Forest Enterprise forests meets UK government requirements for sustainable has been provided separately in Checklist 3

7 Evidence



7.1 Information required

The final stage in providing information is setting out what evidence there is to substantiate the claims being made. Information on evidence being provided or available is covered by the fifth column in the checklist, as shown below.

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification | Evidence available or provided |
|--------------------|--------------------------|----------|------------------------------------------------|----------------------------|--------------------------------|
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |

The evidence available or provided must substantiate the information presented so far in Checklist 1:

- Description of the supply chain
- Controls for preventing mixing or substitution
- Verification of supply chain information

Each stage in the supply chain should be considered separately, and evidence must be provided to support information supplied at each stage.

In some instances, it may be possible to provide information on the location of important documents and how long they are kept, rather than attaching all the relevant documents to the Checklist.

7.2 Types of evidence

The type of evidence that is provided will be directly related to the type of verification used. Please refer to *Section 6* for information on types of verification. The three types of evidence are as following:

- First party **report/Supplier declaration**
- Second party verification **report**
- Independent or third party audit **report/certificate/verification statement**

First party reports/supplier declarations and **Second party reports** should confirm the 'description of the supply chain' (*Section 4*) and the 'controls for preventing mixing or substitution' (*Section 5*). The report or supplier declaration must be consistent with the information provided for that stage in the 'mechanism for verification' column, in terms of individual/organisation who undertook the check, the date of verification, etc. (refer to *Section 6*). To clarify and strengthen the credibility of a report or supplier declaration, suppliers can refer to supporting documentation (which they may wish to include as part of the Category B evidence submitted). Examples include:

- Official documents (Certificate of origin, Bill of lading, etc.)
- Internal documents (Delivery notes and invoices, Mill tally sheets, etc.)
- System documents (Operating procedures, Quality systems procedures, etc.)

Supporting documentation should *never* be submitted without an accompanying Checklist 1, which in turn must refer to the documentation.

An **Independent audit report/ third party verification report** should confirm the description of the supply chain and the controls for preventing mixing or substitution. No supporting documentation is required for a third party verification report.

A **certificate of third party verification** from one of the schemes approved by the UK Government should either be attached to the Checklist, or the Chain of Custody number should be indicated in the 'evidence' column. The use of approved third party certification means that no further information is required on the stages between the certificate holder and the forest source. For further information on Sustainable Forest Management Certification Schemes, you should refer to the UK government's most up-to-date assessment of Category A evidence (available from www.proforest.net/cpet). A number of third party verification schemes for legality are being assessed under the Category B requirements, which may be used as evidence. Please refer to the CPET website (www.proforest.net/cpet) for guidance.

A **certificate of third party verification** from a scheme or initiative that has not been assessed by CPET must be supported by additional information including reference to the requirements against which the certificate was issued, qualifications of the auditing organisation and executive summary of what was checked. This information can be provided by the organisation that issued the certificate.

All documents provided as evidence must be in English or with an English translation of relevant parts.

7.3 Right to require independent verification

It is important to ensure that the evidence provided is appropriate. The UK Government reserves the right to demand independent, third party verification of the

forest source and supply chain if it is not considered adequate as set out *Section 3.4* above.

Requirements are set out in the recommended supplementary conditions of contract relating to independent verification of evidence, as per the November 2005 Timber procurement guidance note and reproduced below, in Box 2.

Box 2. UK Government requirements for submitting evidence

6.1 The Authority reserves the right to decide whether the evidence submitted to demonstrate legality is adequate to satisfy the Authority that the timber or wood product is 'legal timber'. In the event that the Authority is not so satisfied, the Contractor shall, on written request by the Authority, commission and meet the costs of an 'independent verification' and report that will (a) verify the forest source of the timber or wood and (b) assess whether the source meets the criteria for legality as defined in Clause 4 of this Supplementary Condition).

6.2 In this Contract 'Independent Verification' means that an evaluation is undertaken and reported by an individual or body whose organisation, systems and procedures conform to ISO Guide 65:1996 (EN 45011:1998) General requirements for bodies operating product certification systems or equivalent: and who is accredited to audit against forest management standards by a body whose organisation, systems and procedures conform to ISO 17011: 2004 General Requirements for Providing Assessment and Accreditation of Conformity Assessment Bodies or equivalent.

6.3 Where the Contract Contractor promises to deliver 'sustainable' timber, as defined in the Variant Specification for Timber from a Sustainable Source, and to submit evidence to demonstrate compliance, the Authority reserves the right to decide whether the evidence of timber production is sufficient to satisfy the Authority that the specification has been fully complied with. In the event that the Authority is not so satisfied, the Contractor shall, on written request by the Authority, commission and meet the costs of an 'independent verification' and report to (a) verify the forest source of the timber or wood products and (b) assess whether the source meets the criteria for sustainability (as defined in the UK Government Timber Procurement policy: Definition of legality and sustainability edition current on the day the Contract is awarded).

6.4 In this context 'independent verification' has the same meaning as defined in section 6.2

Annex 1. Checklist

| | | | |
|------------------|--|-----------------|--|
| Product | | | |
| Name of supplier | | Government dept | |
| Contact person | | Contract number | |
| Contact Details | | Date | |

| Supply chain stage | Supply chain description | | Controls for preventing mixing or substitution | Mechanism for verification | Evidence available or provided |
|--------------------|--------------------------|----------|------------------------------------------------|----------------------------|--------------------------------|
| | Description | Location | | | |
| Forest | | | | | |
| Stage 1 | | | | | |
| Stage 2 | | | | | |
| Stage 3 | | | | | |

