Overview Of The Chain of Custody Certification Process

The KPMG chain of custody certification program has two major elements:

- Pre-certification assessments
- Certification audits

A. Pre-certification assessments

Pre-certification assessments ("gap analyses") do not lead to direct certification but provide the supplier with detailed information as to how its current practices compare to the chain of custody standard required to achieve Forest Stewardship Council (FSC) certification.

Pre-certification assessments will normally involve a detailed review of relevant documentation based on a chain of custody questionnaire, followed by a field visit to the supplier, typically by a one- to two-person assessment team for a period of up to one week. The field visit is designed to gather as much information as possible on the supplier’s chain of custody practices, systems and controls and identify any weaknesses or problems in chain of custody management from the initial controls over certified inputs through to product labeling and marketing. A full report is prepared and presented to the operation’s management.

The results of pre-certification assessments will not normally be made publicly available.

B. Certification audits

Certification audits are designed to assess the maintenance of chain of custody by a particular supplier against the FSC’s chain of custody standard and certify the chain of custody should it meet the requirements of the standard. There are several potential outcomes to a certification audit. These are:

- The certification of a valid chain of custody through the issue of a five-year chain of custody certificate.
- Deferred certification of a chain of custody, which is maintained in accordance with the chain of custody standard in almost all critical respects except for a small number of non-conformances, which are considered critical
to the overall achievement of chain of custody but the company is still capable of improving performance in these areas within a short timeline. In such cases the certification will be deferred until such time as the improvements have been made. If the improvements are made, a certificate will be issued which is valid for a period of five years from the date of the original audit. Otherwise, the certification will not be granted. Timelines for improvements will not normally exceed six months.

- Where the audit team considers that there is inadequate evidence that chain of custody is being maintained, the certification will be denied.

A comprehensive audit of the operations chain of custody procedures is required before making any certification decision. The key steps in the process are as follows:

- Once an application is received, the Project Manager will put together a team of one to two people to make a planning visit to the operation. This involves interviews with managers responsible for maintaining chain of custody, a review of systems and controls and a brief field assessment of the effectiveness of the controls. At the end of the process the Project Manager must decide whether the operation is ready to undergo a certification audit. If this is the case, the Project Manager must then develop a detailed Certification Plan as to how the audit would be carried out, by who and when.

- The next stage is the full evaluation of chain of custody against the KPMG FCSI’s chain of custody standard. The key principles developed by the FSC and addressed by the standard are:

1. The maintenance of a clearly documented control system
2. The operation of a system that assures the inputs are themselves certified
3. The operation of a system for ensuring that certified inputs remain separated and/or demarcated from non-certified inputs
4. The operation of a secure product labeling process
5. The operation of a system for ensuring that certified inputs remain clearly labeled and are appropriately described on invoices
6. The maintenance of adequate records to demonstrate chain of custody

- A full audit of systems, controls, documentation and field checks is conducted by the audit team. This will typically last up to a week, depending on the size and complexity of the supplier.
In determining whether the supplier has achieved the requirements of the standard, the audit team evaluates the supplier’s performance in respect of each of the key chain of custody principles. For each principle, a score is determined based on the extent to which the requirements of the standard have been met. In order to achieve certification the supplier must score at least 3/4 on all principles. Exhibit I-1 below summarizes the certification options in relation to scores achieved and the extent to which “critical” elements of the standard must be met. In this context, critical elements are critical to the overall achievement of chain of custody.

**Exhibit I-1**
Certification options relative to scoring and achievement of critical and significant elements of the chain of custody standard

<table>
<thead>
<tr>
<th>Score</th>
<th>Performance in respect of the chain of custody standard</th>
<th>Certification options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Moderate to large number of critical elements not adequately addressed or Large number of non-critical elements not addressed which together are considered to have a significant impact on the chain of custody</td>
<td>Certification not achievable at this point</td>
</tr>
<tr>
<td>2</td>
<td>Small number of critical elements not adequately addressed or Moderate number of non-critical elements not addressed which together are considered to have a significant impact on the chain of custody</td>
<td>Deferred certification. If supplier addresses problems to auditors’ satisfaction within six months, certification may be granted at that time</td>
</tr>
<tr>
<td>3</td>
<td>All critical elements adequately addressed and Small number of non-critical elements not addressed which together are considered not to have a significant impact on the chain of custody</td>
<td>Chain of custody certification achievable</td>
</tr>
<tr>
<td>4</td>
<td>All critical elements adequately addressed and All non-critical elements adequately addressed</td>
<td>Chain of Custody Certification</td>
</tr>
</tbody>
</table>

Having reached a conclusion on certification the Project Manager, with the assistance of the audit team, prepares a draft certification report, which is reviewed by the vice president of certification operations.
The draft certification report is then presented to an independent certification committee, which acts as the final check on the appropriateness of the report. Upon approval by the certification committee, a chain of custody certificate is issued which is valid for five years.

Certified operations are also subject to periodic monitoring by the audit team to ensure that they continue to meet the certification requirements. Monitoring visits are at least annual and a full re-audit is conducted every five years.