Sustainable Northwest Group
Member Manual for All North America Members

Forest Stewardship Council
Chain-of-Custody Certification
Last Updated 3.18.2019
I. INTRODUCTION

This manual is intended to help companies understand, gain, and maintain Forest Stewardship Council (FSC) Certification through Sustainable Northwest’s (SNW) group certification.

The FSC is a non-governmental organization that sets standards by which forests are managed and certified. The chain-of-custody (CoC) verifies materials have been tracked from the forests they were grown and accurately represented to the end user as FSC certified wood, so that customers can make an informed choice to support responsibly managed forests. Companies taking legal ownership of wood must be certified to be part of the system.

Sustainable Northwest is a private nonprofit 501 (c)(3) organization established in 1994 with the mission to promote partnerships that supports environmentally-sound economic development in rural communities of the Pacific Northwest. In March 2003, SNW initiated a Group Chain of Custody certificate and currently is certified through Soil Association; the group structure allows members to gain access to the growing market for FSC-certified products and consultation related to certification maintenance as part of membership.

Group certification significantly reduces time and cost investments involved in the initial assessments and annual certification maintenance. Our membership fee is roughly half the cost of independent certification.

Under the Group CoC structure, members are certified as a group entity under the SNW umbrella. Members do not hold individual certificates, but so long as they comply with all the requirements of membership, they are issued a subcode under the group certificate and function as an individual member. Members of the group may promote their company and products with FSC promotional and on-product logos (like the promotional logo found on page one of this manual). SNW holds ultimate responsibility for maintaining the certification contract with Soil Association; each member business must apply the CoC standard to its business and is responsible for upholding the chain-of-custody system as detailed in this manual and the current FSC procedures. Any violation that occurs at the member level will be the legal responsibility of SNW; therefore, SNW reserves the right to suspend or discontinue the membership of any business if SNW determines that the member is not upholding the FSC standard.

Soil Association certification agreements are written for a five- (5) year period. To maintain certification, SNW must undergo annual on-site audits of the main office as well as a percentage of the member businesses; SNW must also annually audit each individual member who has made FSC sales during the calendar year, collect updated forms and records and provide them to Soil Association. SNW collects membership payment annually to cover the costs associated with providing group certification.
All information gathered during Soil Association CoC audits is kept confidential and maintained in confidential files at Soil Association headquarters. Soil Association will not release this information to any other party except the FSC, unless specifically authorized in writing by SNW. FSC staff and consultants are bound by strict confidentiality agreements. As part of the FSC accreditation and auditing process of Soil Association, the FSC reserves the right to visit Soil Association-certified operations on a random basis.

If SNW or any of its group certificate members encounter organizations or individuals having concerns or comments about Soil Association, the FSC, CoC, or other certification topics, these parties should be strongly encouraged to contact Soil Association headquarters or the FSC directly. Formal complaints or concerns should be sent in writing, if possible.

This manual describes the process for undergoing and monitoring Group CoC and defines other policies and procedures that SNW and group CoC members must uphold. This manual outlines the process of tracking wood from harvest, through manufacturing, distribution, and sale. Also included are the necessary forms for joining the Group CoC, maintaining the appropriate documentation, and tracking FSC purchases and sales.
## II. DEFINITION OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Forest Stewardship Council (FSC)</td>
<td>An international non-profit organization that sets standards for forest management and chain-of-custody certification, accredits certifiers, and governs the use of the FSC logo.</td>
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<tr>
<td>Soil Association</td>
<td>A third-party FSC-accredited certifying organization and the one chosen by SNW for the Group certification.</td>
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<tr>
<td>Chain-of-Custody (CoC)</td>
<td>The complete process by which wood is tracked from stump to store.</td>
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<tr>
<td>Group CoC</td>
<td>Certification of a group of businesses under one coordinating umbrella organization. Members’ wood product annual sales must be &lt;$5million dollars to qualify.</td>
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<tr>
<td>Managing Entity</td>
<td>The entity responsible for the group certification; in this case, Sustainable Northwest.</td>
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<tr>
<td>Group Coordinator</td>
<td>Contact for managing and coordinating SNW group certificate.</td>
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<tr>
<td>Documented Control System</td>
<td>A written description of how FSC wood is segregated, tracked and tagged, unique to each business and based off of the FSC CoC Standard.</td>
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<tr>
<td>Percentage Based Products</td>
<td>Wood products that are a mix of FSC certified, reclaimed, and Controlled Wood inputs. All inputs used in mixed products must meet FSC guidelines.</td>
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III. POLICIES AND PROCEDURES

A. Managing Entity (SNW) Responsibilities

1. Maintain FSC group system conformance at the central office level and oversee conformance at the member businesses level.

2. Conduct assessment and annual evaluations (in most cases on-site) of member businesses to ensuring CoC certification compliance.

   In accordance with FSC requirements, audits may be conducted over the phone in situations where risk is extremely low. Examples of eligible scenarios include:
   a) wood brokers
   b) logging contractors who ship directly from landing site to customer
   c) members who have not handled FSC materials during the audit period
   d) members who produce only FSC certified product and who’s product is made of a single FSC input material.

3. Maintain a master conformance record for all members to track non-conformances, due-dates, and closure.

4. Provide up-to-date FSC standards and policies related to FSC CoC and copies of all group templates related to necessary records and documents on our website (www.sustainablenorthwest.org or www.snwgroupcert.com).

5. Implementing the administrative requirements of CoC certification.

6. Assigning and monitoring use of the group certificate number and member business subcodes.

7. Keeping and maintaining records, including:
   i. Information forms for all members, with date of membership and when applicable, date of leaving the Group CoC
   ii. Certification Agreement forms of all members
   iii. Records demonstrating implementation of Documented Control Systems
   iv. Relevant documentation regarding purchases, production, and sales for certified material
   v. These documents shall be archived for at least 5 years.

8. Monitor conformance at the member level.


10. The Managing Entity shall be fully responsible to Soil Association for paying all the costs of evaluation and monitoring throughout the period of validity of the certificate.

11. Provide member businesses training, up to-date standard documents, and related support material as needed.

12. SNW will notify Soil Association within 30 days of adding group members and within 3 days of removing group members from the certificate.
13. New member growth, for any audit period, is limited to 100% growth. Membership is limited to a maximum of 500 participating group members.

B. Managing Entity Personnel and Organization

Staff responsible for oversight and system conformance of the Sustainable Northwest FSC group certificate system is Paul Vanderford, FSC Group Program Director, and Jordan Zettle, FSC Group Program Associate.

1. Individuals involved in member conformance monitoring shall disclose any conflict of interest and avoid conformance review work where conflict of interest exists.

2. SNW FSC group auditor list:


The Rainforest Alliance, SmartWood Program, Portland, OR

January 2008-February 2012

CHAIN OF CUSTODY MANAGER, WESTERN US

Paul has managing FSC certificates for a diverse group of business: Paul successfully led over 100 organizations through the FSC Chain of Custody assessment processes and managed the FSC Chain of Custody certifications for over 150 audit clients. His responsibilities included audit scheduling, performing audits, and report review and finalization. Keystone clients included: Jeld-Wen, Hampton Resources, ProBuild, Lumber Products, Clearwater Paper, Spicers Paper, Olympic Panel Products, and the Sustainable Northwest Healthy Forests Healthy Communities group certification (in 2009). Paul provided clients critical support to successfully achieve and maintain FSC certification.

Demonstrated technical understanding and knowledge of FSC Chain of Custody:


FSC US board member 2015-present and board chair 2017-present. Member of the policy and standards committee and executive committee.

Jordan Zettle – Green Markets Associate and FSC Group Program Associate. ISO 19001 trained through SCS Global Services.
Jordan works with clients on technical issues, is the point person for FSC trademarks, and has performed audits across various FSC scopes.

In the event internal auditors are hired or contracted to perform Managing Entity responsibilities, internal auditors shall undergo the following training:

a) ISO auditor qualification shall be demonstrated, conformant with FSC group certification auditor guidelines.

b) SNW Group Manager shall review auditor in-training’s work either by shadow auditing the first two audit visits or reviewing past audit reports (if the person has past experience as an auditor).

c) The supervising auditor shall review and approve the quality of the auditor in training’s first two site visit reports prior to the reports becoming finalized.

C. Member Responsibilities

1. APPLICATION - Provide current information to Managing Entity prior to joining the group CoC and upon request an update to information. To begin, contact Sustainable Northwest to connect, gather information, and schedule an assessment visit. During the assessment new members will be asked to sign three documents:

   - Certification Agreement
   - Statement of Commitment
   - Self-Declaration

2. During assessment and prior to certification members shall designate a primary FSC contact and complete the following FSC system records and documents:

   - Documented Control System (Living Document)
   - Supplier Verification (Living Document)
   - Product Group Schedule (Living Document)
   - Certification Agreement
   - Statement of Commitment
   - Self-Declaration
   - **Additional system documents may be required based on FSC scope**

**Additional documents are required for members with the following FSC scope elements: Outsourcing, Reclaimed Material, Controlled Material sourcing, and Credit or Percentage systems.**

Once conformant FSC systems are in place, the Managing Entity shall provide a unique FSC Chain-Of-Custody (CoC) number and the new member will be authorized to conduct FSC-certified business.
Member FSC systems documents shall be maintained and made available to the Managing Entity and/or Soil Association representatives upon request.

Members shall inform the Managing Entity when there are ownership, staff, and/or FSC procedures changes that could impact FSC systems and conformance.

Publicly Available Records: Members shall make the product group schedule available to outside parties upon request.

3. TRAINING - Record training sessions. The Documented Control System template has a training record section built in on the first page. Relevant staff must sign this section or separate equivalent for record of training.

SNW maintains up-to-date record and document templates on our SNW website at all times ([www.sustainablenorthwest.org](http://www.sustainablenorthwest.org) or [www.snwgroupcert.com](http://www.snwgroupcert.com)).

4. ASSESSMENT - Participate in an FSC program evaluation (in most cases on-site) by the Managing Entity before processing and selling FSC-certified products as part of the certified group. This assessment visit will pertain only to the site visited, and only the participating site will be able to claim FSC product and use FSC trademarks.

5. VOLUME SUMMARY - Track and submit Annual Volume Summary information as exhibited on SNWgroupcert.org for templates. Volume should be summarized on a calendar year basis and submitted to SNW annually upon request.

6. ANNUAL MANAGING ENTITY INTERNAL REVIEW - Participate in an FSC program evaluation (in most cases on-site) by the Managing Entity for any calendar year FSC materials have been processed or sold. During this evaluation the Group Coordinator will collect all of the necessary materials from members to be compiled in a centralized database.

If any non-conformances are discovered during an internal evaluation the Group Coordinator will provide record to the out of conformance member along with timeline by which the member shall provide record of resolution. Timelines reflect the severity of the identified non-conformance. **Please note: If a business cancels the annual site visit after they have confirmed their site visit with SNW then the member business may incur a fee if travel has already been booked.**

7. SOIL ASSOCIATION GROUP ANNUAL AUDIT - Participate in an audit (in most cases on-site) by Soil Association when selected to do so. Soil Association conducts a yearly audit of the Managing Entity plus member site visits performed randomly by selecting ~15% of member businesses to ensure compliance with all guidelines.

8. MATERIAL SEGREGATION - FSC-certified inputs (FCS 100%, FSC Mix, FSC Recycled, and FSC Controlled Wood) received and handled at group member facilities must be clearly **identifiable** and **separable** from non-certified product. Group members will document their mechanisms to maintain identity of FSC-certified material (both inputs and products) in a Documented Control System. This document can be updated at any time, and upon doing, should be filed and a copy submitted to the Group Coordinator.
9. SUPPLIER INVOICING - Check incoming supplier invoice and shipping documentation for required information:

- Product description, including species information
- FSC claim (FSC 100%, FSC Mix Credit, FSC Mix XX%, FSC Recycled Credit, FSC Recycled XX%, FSC Controlled Wood)
- Supplier’s FSC CoC number
- Name and address of the buyer and seller
- Volume

10. CUSTOMER INVOICING - Include your unique member FSC CoC number and relevant FSC claim (manually or through invoicing software) on customer invoices and shipping documentation. Both sale and shipping documents shall include: product description, FSC claim, CoC number, date of sale, volume, and the name and address of the buyer and seller.

(Missing or incorrect FSC Claim and CoC number information on invoices are the most common non-conformances found during member evaluations)

11. RECORDS - Maintain a system for recording and tracking volume and species information as FSC-certified inputs enters the facility, are manufactured, inventoried, and sold. Documents must be retained for a minimum of 5 years.

12. USE OF OUTSOURCE VENDORS - A Group Member has the right to outsource manufacturing, FSC material storage, kiln drying, and other roles to non-certified companies; however, ownership of the product must be maintained by the certified company and some outsourcing may be considered high risk. High risk outsourcing requires additional steps and potential cost to cover required auditing.

Members must get pre-approval for the use of each outsource vendor prior to use.

Outsource vendors must sign an outsource agreement (visit SNWgroupcert.org for template). A list of all outsource vendors must be maintained and provided upon request. These records should be kept on file with invoice and shipping documents.

13. TRADEMARKS USE - Gain approval for all promotional and on-product FSC logos prior to use. All uses of the FSC logo must be pre-approved by Soil Association. To gain approval, each member shall submit a “proof” of their design with an intended purpose to SNW which will seek the approval by Soil Association if all of the requirements have been met. Refer to SNWgroupcert.org for trademark templates/help. For approval, please email or send a letter with the following information to SNW:

- Date
- Name of company
- Email address
- Proof, sample, or mock-up of planned logo use (contact SNW or visit the member resources section of our website for examples):
On-product
Off-product (brochures, websites, etc.)

14. MEMBERSHIP - Uphold financial commitment to SNW. A one-time Initial Assessment fee of $350 should accompany each application for membership.

Annual dues will be assessed in the beginning of each calendar year based on a rate structure that includes the complexity of certificate and volume of FSC sales. (See section F below for detail)

Dues will be invoiced on Members’ certification date, for a 12 month period. Members who joined the group prior to January 1st, 2015 are invoiced each spring for the calendar year.

D. Failure to meet Requirements

If the internal or external audits show a failure to fulfill the responsibilities of Group Members in upholding the current Chain of Custody standard, Soil Association or the Managing Entity will assign a corrective action request (CAR) and define how the member or group as a whole shall come into compliance. These stipulations are defined at the time of the initial evaluation (assessment), AND at the time of subsequent monitoring (audits). The specification of ‘failure' may distinguish between ‘Managing Entity failure’ and ‘member failure', where:

1. ‘Managing Entity failure’ may lead to corrective actions, suspension or withdrawal of the C-HFHC group certificate, and may be caused by:

   a. failure to fulfill a 'Managing Entity' responsibility, such as administration, management planning, records, etc.;

   b. failure of the Managing Entity to ensure that Group members comply with a condition or corrective action issued by Soil Association or the managing entity;

   c. failure to fulfill Member responsibility(s), sufficient in number, extent and/or consequences to demonstrate that the Group Manager’s responsibility for monitoring or quality control has broken down;

Note: the number as well as the seriousness of member failures may each contribute to the Managing Entity’s failure: many minor failures, or few major failures may both suggest a breakdown in the system for quality control, and may be considered sufficient reason to withdraw the SNW group certificate.

2. ‘Member failure’ may lead to corrective actions, suspension or expulsion of the member and may be caused by a failure of a Soil Association principle at the level of an individual member.
a. Corrective Action Requests (CARs) issued to a member by SNW will be assigned either a Major or Minor statue; SNW will notify the member in writing of any Major or Minor CARs.

1. A member will have 90 days or less from notification to correct any Major CAR.
2. A member will have 365 days or less from notification for any Minor CAR.

If a minor non-conformance is not corrected in the allowed time window it will be upgraded to a major. If a major CAR is not addressed in the amount of time specified, SNW will suspend the member’s certification.

If corrective measures are taken by the member the suspension will be lifted.

If a member’s statutes stays in suspension for 6 months SNW will remove the member business from the group for failure to adequately uphold the FSC standard.

b. Examples of Major CARs include: Failure to provide an annual volume summary or selling material as FSC certified that is not eligible.

c. Example of Minor CARs include: an out-of-date Supplier Verification Form, an inaccurate invoice, a misuse of the logo (including failure to obtain prior approval from Soil Association via SNW), or failure to respond to an email request within 30 days.

E. Controlled Wood

The Managing Entity has performed and maintains a valid Controlled Wood Risk Assessment (CWRA) for the Group Members according to FSC-STD-40-005. By default, the CWRA is endorsed by the Group Manager and functions as the official Controlled Wood policy of the group. The CWRA will be reviewed annually and updated as needed.

Group Members can trade FSC Controlled Wood between themselves and onto FSC-certified customers outside the group using the Controlled Wood code SA-CW-002372. FSC Canada Members will have a separate Sustainable Northwest Canada Code. Please ask Paul Vanderford (612-203-5332) for this code.

Only those species available to qualify as FSC Controlled Wood will be as defined in the Controlled Wood Risk Assessment. Each group member selling FSC Controlled Wood will include a process by which they verify the district of origin for the product and designate a person responsible within the organization. A template document is available from the Group Manager.

Each business must provide the name and address for all suppliers of Controlled Wood when asked by the certifying body. Each business is also responsible for the appropriate training for any employees in the handling of Controlled Wood.

Any other non-certified species purchased by group members will be considered Uncontrolled unless substantiated by a previous FSC Claim or accounted for by the members’ individual assessment as a Reclaimed Source per FSC-STD-40-007.
The Group Manager reserves the right to exclude supply and supplier from the company's FSC Controlled Wood category in case any non-compliance is found. Any group member will be reinstated to supply FSC Controlled Wood once it has proven that it complies with the requirements herein.

F. Marketing and Use of Logo

Upon certification, all Group Members are eligible to use the FSC logo, in accordance with Soil Association and FSC CoC policies and procedures for logo use. The logo can be used in two manners: ‘on-product’ – such as a stamp or hang tag; and ‘off-product’ – meaning a promotional use such as on a webpage or product brochure. Members must submit trademarks to the Group Associate Jordan Zettle (jzettle@sustainablenorthwest.org) and gain approval for use prior to the use of FSC logos. Approval records must be maintained for five years.

The use of the FSC logo for promotional purposes should include the FSC License Code (rather than the Group Member’s certification code). All use of the FSC logo needs to be approved by Soil Association prior to use. It will be the responsibility of the Managing Entity/Associate to submit artwork/prototypes of logos to be used on behalf of the Group Members to Soil Association. The Managing Entity maintains templates of pre-approved logos and encourages Group Members to request the latest version for each use. Group Members are encouraged to stay abreast of the current procedures for using the logo both on- and off-product.

G. Fee Schedule

Group members will pay an annual membership fee. The annual fee will be subject to yearly review based on the audit costs paid to the certifying body. The goal for our FSC group certification is twofold, to provide affordable FSC certification and assistance to small businesses and to be financially self-supporting.

The first fee will be paid when the membership application form is submitted and may be prorated for the proportion of the annual period in the group. Subsequent annual fees are invoiced in upon their certification anniversary date and are due within 30 days of notice. Payment is a condition of membership.

Our Current Member Fee Scale is as follows

<table>
<thead>
<tr>
<th>Member’s Wood Product Annual Sales</th>
<th>Membership Fee</th>
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<tbody>
<tr>
<td>$0 - $500,000K</td>
<td>$1,000</td>
</tr>
<tr>
<td>$500,000 - $1million</td>
<td>$1,500</td>
</tr>
<tr>
<td>$1million - $3million</td>
<td>$2,000</td>
</tr>
<tr>
<td>$3million - $5million</td>
<td>$2,500</td>
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</table>
In the event a member has not handled or sold FSC material during a calendar year and not gained from being FSC certified, SNW will waive the normal membership fee and instead charge a below cost $350 dollar membership. This reduction is in place to allow members having trouble developing their FSC customer base to stay certified and build their program. This reduction cannot be provided long term and should be seen as a short term solution.

H. Process for adding new members

New members can join the group certificate at any time. The interested member must fulfill all the necessary member responsibilities (as described above) and complete the necessary paperwork, including having a Documented Control System in place, prior to inclusion in the group. The Managing Entity is responsible for informing Soil Association of the addition and providing Soil Association with the necessary documentation for processing within 30 days of adding the new member.

Only the site visited (participating site) will be able to claim FSC product on sales receipts and be able to use FSC trademarks. All associate sites must seek separate certification.

Prospective members cannot conduct FSC business until payment has been received and the new member has been officially notified in writing by SNW. Products acquired prior to certification shall not be treated as FSC material unless you have received the okay from the Group Coordinator.

Note: Soil Association will update the info.fsc.org website monthly to include new member information.

I. Process for members who grow too large to be eligible for group membership

In the US, Group certification is available to businesses with wood product sales below $5 million a year. Members that grow over $5 million a year are given Transitional Membership statues. Members that sustain sales over $5 million across an audit period are allowed to remain a group member for three additional months.

In Canada, group certificate is available to businesses with TOTAL gross sales (not wood sales) of $1,000,000 dollars (CAD) or less OR 25 or less staff.

US Example:
During the annual site-visit on May 5th, 2015, member business, Ace Cabinets shows $5.2 million in annual wood product sales on their 2014 annual volume summary. Ace Cabinets is given Transitional Membership status. The following year, on June 20th, 2016 Ace Cabinets provides an annual volume summary showing total wood product sales of $5.7 million. Transitional Membership status allows group membership for an additional three months, allowing member to reach out and achieve independent FSC certification by September 20th, 2016.

J. Process for retiring members

The Group Coordinator will notify Soil Association within 30 days of retiring group members from
the certificate. Contact information will be kept on file for years following retirement. Group Coordinator will spot check retiring member’s website to ensure members use of the FSC logo has stopped.

K. Chain-of-Custody Process for Monitoring and Tracking

1. Audit

The certification body that third party audits our group certification is Soil Association. Soil Association audits a random sample of the certified group’s members once every year on site. The purpose of this visit is to check compliance with conditions and ensure proper handling of certified wood during its stay with the certified company. Random audits may also sometimes be required. Soil Association reserves the right to visit any member facilities’ at any time, but usually provides prior notification and arranges for audits. The annual audits, beginning in 2019 and going forward, will occur between September and December.

2. Annual Report

Soil Association requires that the Managing Entity submit annual reports that summarize the business’ inputs and outputs of certified wood products. The purpose of these reports is to facilitate cross checking and verification of certified wood products and aid in the detection of handling control problems.

The Managing Entity must provide the following information during this annual reporting (unless other arrangements have been made):

1. A summary of progress in addressing improvements requested by Soil Association during the previous audit.

2. Volume Summary information for each member. Quantitative information for each product group shall be provided for inputs, pre-production material inventory (if applicable), materials use for production (if applicable), manufactured product in stock (if applicable), materials sold.

3. Access to trademark approvals related to members’ trademark use during the audit period.

4. Optional short summary of activities, thoughts and needs vis-à-vis the Soil Association Program.

NOTE: Please be advised that during on-site visits, the Soil Association auditor will seek the above information, as well as access to other relevant information, such as invoices.
and bills of lading for FSC purchases, purchase and sales ledgers for certified products, inventory records, and employee interviews.

ALL INFORMATION WILL BE KEPT CONFIDENTIAL. Sustainable Northwest is the oldest FSC group certificate in the US. We have never had an issue with record confidentiality. We take the privacy of your information very seriously.

IV. FUNCTIONALITY OF THE CHAIN OF CUSTODY

A. Control Systems
There are three distinct “Control Systems” within the Chain of Custody. A control system is the scheme for managing certified material throughout the supply chain. The three systems are:

1. **Transfer System:**
The transfer system is the simplest of the control systems. It functions with the certified company simply transferring the label (FSC 100%, Mix, etc.) from the supplier to the customer. For example, if a sawmill buys FSC 100% logs from a FSC-certified landowner, maintains separation and identity of those logs from non-certified logs, and processes lumber, the sawmill can pass on FSC 100% lumber to their customer.

2. **Percentage System:**
The percentage system is most applicable when TWO or more material types are combined into the same unit of sale, such as a cabinet where sheet goods and solid wood are used. It is most commonly used for secondary manufacturers like cabinet and furniture builders, door and window manufacturers, etc. The percentage system requires the manufacturer to calculate the percent FSC content in the product vs the percent Controlled Material and FSC Controlled Wood. For example, a cabinet is manufactured from 5 sq ft of FSC controlled material lumber, 5 sq ft of FSC 100% lumber, and 15 sq ft of FSC Mix Credit sheet goods. The resulting cabinet would contain 80% FSC content and be applicable to carry an FSC Mix 80% label (The minimum percentage claim for FSC labeling and promotion is 70%). The certified business must be able to document this calculation and keep it on file. (NOTE: non-certified un-controlled material is not allowed in an FSC product even while using the percentage system).

3. **Credit System:**
The credit system is not recommended for group members and is most often used by traditional sawmills and papermills. The credit system does not require separation and identification of FSC-certified inputs or products. It works akin to a bank account: You deposit one hundred $1 bills; in 6 months you withdraw the same thing, one hundred $1 bills. The difference is that you will not receive the same exact $1 bills (think about the serial numbers) as you deposited. The products traded under the credit system can only carry the label FSC Mix Credit and does not assure the customer that the product came from an FSC-certified forest. The benefit of this system is that it doesn’t require segregation. A mill is required to
verify that all inputs qualify as “Controlled Material.” The mill is then allowed to combine FSC inputs with Controlled Material inputs in inventory. The credit system allows high volume mills to buy small amounts of FSC material, hold the theoretical volume in their credit account, and sell FSC Mix Credit down the line when they get an FSC request.

B. Product Labels
There are six product categories within the FSC system and four corresponding labels.

1. **FSC 100%:**
   This material category tells the customer that 100% of the material in the product came from an FSC-certified forest. It only trades under a Transfer system. To maintain FSC 100% inputs, a certified business must separate and identify inbound material and maintain this system throughout production, inventoriring and delivery.

In addition to FSC Mix xx% products being sold by companies on the percentage system, FSC Mix xx% can trade under the Transfer system. For example, if a certified company purchases sheetgoods that are FSC Mix 70% the company may resale the unit as is without further mixing. In addition, a cabinet maker could choose to trade the product under the Transfer system by taking the lowest claim of their inputs (FSC 100% lumber + FSC Mix 70% sheetgoods = FSC Mix 70% casework.

2. **FSC Mix xx%:**
   This material category details a specific content of FSC-certified material in the product. For labeling purposes, the % must be greater than 70% and there must be documentation to prove this percentage.

3. **FSC Mix Credit:**
   This material category is the result of employing the Credit system or buying a FSC Mix Credit product. A percentage of the overall production that corresponds with a percentage of FSC-certified purchases (adjusted for the conversion factor) can be sold under an FSC Mix Credit label. For example, a mill buys 10,000 bf of FSC 100% logs and has a 1:1.2 conversion rate; the mill can sell 12,000 bf of FSC Mix Credit lumber even if separation and identification have not been maintained throughout production.

4. **FSC Recycled Credit:**
   This Recycled category is almost exclusively used for paper products as reclaimed wood products are less frequently mixed with pre-consumer material. Additionally, when virgin fiber is mixed with a recycled fiber the FSC Mix claim becomes the default. FSC Recycled material must contain at least 85% content of post-consumer reclaimed material. Post-consumer reclaimed material must have a documentable prior industrial use; most commonly this includes reclamation wood from demolition of old buildings. Reclaimed material procedures must be in place and approved prior to sourcing post-consumer material that is
not already in the FSC system. Underwater or orchard salvage does not qualify as post-consumer.

5. **FSC Recycled xx%:**
   This Recycled category is the most common. When inputs are from a post-consumer source and sold without missing with other wood inputs the output is sold as FSC Recycled 100%. This is treated much like FSC 100% (virgin material from an FSC certified forest) but the “Recycled” wording shares with customers that the material is all from a post-consumer reclaimed source.

6. **FSC Controlled Wood:**
   This category represents acceptable input material that has not come from an FSC certified forest. Controlled Wood procedures must be in place and approved prior to sourcing controlled material or buying FSC Controlled Wood from a certified vendor. While this category represents wood that is not from an FSC certified forest base the FSC does require that it be sourced from a district that is low risk for five key areas:
   
   a) Illegally harvested wood;
   b) Wood harvested in violation of traditional and civil rights;
   c) Wood harvested in forests where high conservation values are threatened by management activities;
   d) Wood harvested in forests being converted to plantations or non-forest use;
   e) Wood from forests in which genetically modified trees are planted.

C. Separation and Identity
FSC-certified materials need to be physically separated and identifiable throughout the inventorying and manufacturing process. This can take on many forms but must be clearly documented in the Documented Control System and kept up to date. Depending upon whether a business is driven by custom-orders or stocking inventory, the system can be set up to fit in with the production nature of the business. The system to maintain separation and identity can be amended at any time but should be reflected as current in the Documented Control System (see sections 3.2.2 for inputs, 4.1 for Transfer system, and 4.2 for Percentage system in written procedures template on SNWgroupcert.com).

D. Conversion Factors
For each product group, a certified company must establish a Conversion Factor that account for gains or losses of material in production. For primary manufacturers (sawmills), this is commonly referred to as ‘overrun’ but note that these factors need to be established by Product Group. For example, a sawmill may produce beams, lumber, paneling, and fencing. Since each is a separate product group, the company will need independent conversion factors which need to be documented (note: it is acceptable to initially base these on experience but they will need to be refined – and documented – over the first year of membership). An example of the product mix above may be:

- Beams – 60%
- Lumber – 40%
• Paneling – 20%
• Fencing – 30%

Note that the above percentages total more than 100%. This is expected for sawmill operations but should be well-documented since auditors may or may not be used to this fact (‘Overrun’ is a function of log scales that were developed in the early 1900s and the difference in blade thicknesses between then and now). For secondary manufacturers however, the total should not exceed 100% of product from a given set of inputs.

Establishing a conversion factor for custom cabinet, furniture, and window/door manufacturers is admittedly difficult. However, a business needs to establish a Conversion Factor to use and explain the difficulty of this calculation. For use in the initial year, a business could choose to base the Conversion Factor on experience or industry averages but should put a system in place to calculate the value by product group and be able to document the result.

For all templates please visit SNWgroupcert.com or email Jordan Zettle at jzettle@sustainablenorthwest.org.