

Chain of Custody and Traceability Standard

Sustainability Framework
Programme

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Introduction

This Standard applies to Organisations whose operations are verified as compliant with the Sustainability Framework and those trading in Sustainability Framework verified products or products containing verified material.

This standard is to be used together with other applicable normative standards. For Organisations to make claims under the Sustainability Framework Programme, compliance with the following core documents may be relevant:

- **Standard SP-01 Sustainability Framework.** The Framework contains the requirements applicable to land managers, processors and manufacturers. For some products, a product- or sector-specific adaptation of the framework may be applicable.
- **Standard SP-04 Seal Use and Claims Requirements.** This standard regulates any claims and use of the Preferred by Nature seal related to the Sustainability Framework Programme. It also contains the requirements related to carbon compensation that is a pre-requisite for the use of seal.
- **Standard SP-02 System Requirements for Land Managers.** This standard is applicable to farm or forest management operations and contains generic quality system requirements.
- **Standard SP-03 Supply Chain Management and Due Diligence Requirements.** It is applicable for Organisations who apply a risk-based due diligence system to confirm that the material is compliant with the Sustainability Framework.
- **Standard SP-09 Terms and Definitions.** It explains definitions and concepts used in the Sustainability Framework.

The Standard is mandatory for Organisations purchasing, handling, processing and/or selling verified products. It is a pre-requisite for any product-related claims and seal use under the Sustainability Framework Programme.

This Standard also contains optional requirements, which may be used to ensure that material is traceable to its point of harvest, whether at the country level, sub-national level or **plot of land** level. It may therefore be used by supply chain Organisations wishing to document compliance with regulatory requirements on material traceability, such as the EU Deforestation Regulation¹.

¹ <https://ec.europa.eu/environment/forests/deforestation-proposal.htm>

Scope

This Standard specifies requirements for all Chain of Custody (CoC) verified and applicant Organisations with respect to sourcing, processing and sale of material and products verified under the Preferred by Nature Sustainability Framework.

CoC certification shall cover all relevant activities conducted by the certified Organisation (including data collection, purchasing, processing, storage, marking, record-keeping etc.) to ensure segregation of verified materials/products from non-verified materials or products.

This Standard regulates **activities** related to:

- Purchase of verified products
- Handling verified material
- Manufacturing and sale of verified products
- The basis for making claims and communicating about the verified product status.

Entities verified against this Standard may be involved in one or more of the above activities and some parts of the Standard may not be applicable for all types of organisations.

In particular, land managers (farms, forest harvesting and selling verified material) are only subject to requirements relevant to selling materials and potentially to making claims. Entities verified against this Standard shall be verified against all applicable requirements where they conduct relevant activities.

Companies involved only in transport, distribution and sale of the products, after the final product is packaged and labelled, do not need to be verified under this Standard.

This Standard is effective from the date of approval, as stated in this document. This Standard will be updated periodically, and updated versions will supersede previous versions on the publication date.



Terms and definitions

Chain of Custody System: A chain of custody system includes measures that define the responsibility for the custody of materials and products when these are sourced from one organisation, handled and then transferred to another organisation within the relevant supply chain. Its purpose is to ensure that specified characteristics (e.g. that the product, a component of the product or part of the product is Preferred by Nature Sustainability Framework verified) are indeed the ones that are actually delivered in the output.

Chain of Custody Model: The approach taken to control inputs and outputs and associated characteristics of the material and related information and claims.

Claim: A message used to describe or promote a product, process, business or service concerning its sustainability attributes or credentials.

Compliant Material: Material that conforms with the Sustainability Framework requirements. Compliant material can be purchased as Sustainability Framework verified or it can be verified as being compliant based on a due diligence process implemented according to the Preferred by Nature [Due Diligence Standard](#).

Component: A constituent part or element of a larger whole, such as a semi-finished or finished manufactured product. For clarity, ingredients of food products are considered components in this Standard. This may be cocoa in a chocolate bar or wood used as part of a piece of furniture.

Core component: refers to the main component or ingredient in a multi-component product. The core component is the main component that is usually associated with the product. It is typically a substantial and visible part of the product; e.g.: for chocolate, cocoa would be considered a core component. In case of doubt, please contact Preferred by Nature to clarify if a component would be eligible as core components for a given product.

Conversion factor: The ratio between the output and input materials for a given product or production process in a specified location. For example, the ratio of sawn timber that can be produced from a unit of a raw log or the amount of crude palm oil (CPO) that can be produced per unit of Fresh Fruit Bunch (FFB).

Final product: Product where no further modification (including repacking) of the product occurs. The significance of the final product is that product labelling is usually added in the final production or packaging stage. Companies involved in transporting, distributing and selling the products do not need to be verified under this standard after the final product is packaged and labelled.

Input material: Material or product sourced by an Organisation for trading, with or without processing activities applied to it.

Multi-component product: In this Standard, this refers to products composed of multiple components or ingredients in the case of food products, e.g. a table with a glass top and wooden frame or a chocolate bar containing cocoa, cocoa butter, sugar and nuts.

The plot of land: An extension of land within a single real-estate property, as recognised by the laws of the country of production, and which enjoys sufficiently homogeneous conditions as to allow to evaluate the level of the risk associated with commodities produced on that plot.²

Organisation: The entity holding or applying for verification.

Output material: Material or product sold and shipped by an Organisation. Processing activities might or might not be applied to it.

Outsourcing: Subcontracted manufacturing or other handling services of materials/products by an independent third party. The organisation to which the handling or processing is outsourced is called a **sub-contractor**.

Raw Material: Basic material in its state of origin that is converted by manufacture, processing or combination into a new and useful product (e.g. cotton, timber, cocoa, rubber, etc.).

Transactions database: A database to ensure volume reconciliations between material sold by one organisation and purchased by the following organisation in the supply chain, which has been recognised by Preferred by Nature. It can, e.g., be databases handled by certification schemes, an internal database for vertical integrated companies or databases provided by third parties. A database is typically digital but may also be developed on physical paper.

Scope: Scope defines the boundaries of the chain of custody system in terms of models applied, products included, crops/species/commodities handled, claims covered, sites and members included.

Site: A geographical location with precise boundaries within which products can be handled, produced or processed.

Source: In the context of the Sustainability Framework Program, the source is a single clearly defined geographical area or region. It can be a single farm, a group of organised farms or a single forest management unit.

Sub-contractor: An external entity involved in handling/processing products or material covered by the scope of the chain of custody system under an outsourcing agreement with the verified organisation.

Traceability: is defined as the ability to trace the movement and handling of the product through the supply chain from one point of the supply chain to another. Full traceability of a product enables tracing the movement of a product from the point of harvest (**plots of land**) through all stages of production, processing up to the distribution of the final product to consumers.

Verification Code: A unique code awarded to an Organisation which is trading Sustainability Framework verified products or products containing verified material.

² European Commission, 17th November 2021. Proposal for a Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation.

General quality requirements

1. Scope

Requirements

- 1.1.** The Organisation defines and documents the scope and boundaries of its chain of custody system, including:
- Sites; members and subcontractors, if applicable
 - Area and location (geolocation data for land managers where relevant)
 - Commodities and, if applicable, species
 - Products
 - CoC model used in each site.

- 1.2.** If the certificate covers multiple sites, locations or members, the Organisation shall ensure compliance with all applicable requirements across the full scope of its certificate.

- 1.3.** If outsourcing to an external party is used, the Organisation shall ensure that all applicable requirements are also met by the subcontractor.

Guidance

Organisations should document the scope of their certificate so that it is clear what the control system and the certificate cover. Any changes to the scope must be documented as well.

Single certificate may include more than one location (site). Also, a certificate can cover several members who have jointly applied for a certificate. Compliance must be ensured across the full scope of the certificate. This may require training, additional documentation, internal control (e.g. internal audits) or other means, depending on the group's size and complexity and the control system's centralisation level.

See the definition of Outsourcing.

2. Responsibilities and competence

Requirements

- 2.1.** A person or position is defined that has overall responsibility for conformance with applicable requirements.
- 2.2.** The responsible personnel have sufficient authority and resources to ensure that requirements are met.
- 2.3.** Individual responsibilities for relevant requirements are defined and known.

Guidance

This position will also be the primary contact person for Preferred by Nature for the audits and verification process.

The Organisation has allocated responsibilities to designated personnel. Depending on the type and size of the operation, it may be relevant to have documented job descriptions. For large organisations, an organisational chart may be a good way to show relevant personnel's responsibilities.

Requirements

- 2.4. Staff, including contractors and seasonal workers, demonstrate awareness of and competence in all aspects of fulfilling the applicable requirements relevant to their position and role.

Guidance

During the audits, the focus will be on demonstrated ability and awareness of the tasks rather than training records. However, in the case of large organisations, it may also be required to demonstrate the training process and records.

3. Procedures and records

Requirements

- 3.1. Procedures are established and implemented to achieve and maintain conformance with all applicable requirements. The systems shall be adequate and proportionate to the size and complexity of operations.

Guidance

- 3.2. Records required to demonstrate conformance with all applicable requirements are maintained and available for internal and external evaluations for a minimum period of 5 years.

Records must be kept available, both for the appropriate implementation requirements by designated personnel within the Organisation and for the purpose of audits.

4. Evaluation of performance

Requirements

- 4.1. Conformance with the requirements is monitored for all entities, appropriate to the size and complexity of operations.
- 4.2. The Organisation ensures that Preferred by Nature and its representatives have access to all relevant information, records, documents, workers, locations or entities (including members and subcontractors) to evaluate compliance with the relevant requirements.

Guidance

Material handling requirements

5. Purchasing and managing inputs

Requirements

- 5.1. The Organisation ensures that input material is eligible for the chain of custody model implemented.

NOTE: See requirements for specific CoC models below.

Guidance

The segregation and mass balance models do not allow the same input types. The material input should match the CoC model used. In addition, specific requirements apply to multi-component products.

Requirements

Guidance

5.2. The Organisation verifies purchase and delivery documentation to ensure that it matches the products and quantities received.

Verifying documents and cross-checking with physical material are necessary to ensure consistency between paperwork and actual products.

5.3. Data on each purchase of compliant material is recorded by the Organisation, including but not limited to:

There is a basic set of input material data required to enable traceability between and within verified Organisations.

- Reference to purchase and delivery documents
- Date of delivery
- Identification of supplier and, if applicable, its Verification certificate code
- Description of product
- Type of raw material and, if applicable, species
- Quantities
- Product claim, if applicable.

Additional product information may be recorded, provided that those are credible.

5.4. For the purchase of compliant material, the Organisation should record information on the country, sub-national region or plot of land where the product's raw material has been harvested (or a pool of these from where the product material may be originating).

Recording verified information on the origin of the raw material is optional but may be crucial to achieving compliance with regulatory requirements (such as the European Union Deforestation Regulation) or with brand sustainability requirements. Additional claims are available for products that are fully traceable to the source.

NOTE: This requirement is optional but can be chosen to be followed by companies who want to claim traceability back to the source. For companies to claim products as being aligned with the European Union Deforestation Regulation, it would be mandatory to record the information back to the plot of land level.

5.5. Data on direct suppliers supplying compliant material is collected and stored, including the name of legal entities, locations, verification certificate codes (if applicable) and products supplied.

Both the Organisation and auditors must have a clear understanding of all suppliers selling compliant material.

5.6. When sourcing Sustainability Framework verified input material, the Organisation verifies that purchase documents conform to the Claims and Seal Use Policy.

Sales documents should indicate adequate claims clearly linked to all or part of the products sold. They should indicate the supplier Verification Code, which should be linked to a valid certificate with relevant products in scope.

It is up to the Organisation to ensure that it captures any potential change to the supplier certificate validity and/or product scope, including through the Preferred by Nature's certificate database.

Requirements

5.7. Input material which is not already Sustainability Framework verified and is intended to be used as **compliant** input material is verified to conform to the requirements of the Due Diligence Standard prior to receiving the material.

Guidance

Requirements of the Due Diligence Standard must be applied to all material which is not already verified. Risk assessment and risk mitigation should be conducted to assess products as compliant with the Sustainability Framework.

This assessment should happen before the physical reception of the material to avoid potential mixing of compliant material and material not verified as compliant.

Conditions on how to incorporate material certified or verified to other schemes are detailed in the Due Diligence Standard and additional guidance documents.

6. Material handling and processing

Requirements

6.1. Conversion factors are defined for each product in scope or for relevant product components. The methodology is justified, documented and reflected accordingly in the system used by the Organisation.

6.2. The data records used by the Organisation enable volume or unit reconciliation between movements of materials or products (reception, production, shipping) and existing stocks (before, during, after production).

6.3. If outsourcing to an external party, the Organisation ensures that the subcontractor also meets all applicable requirements of this Standard.

Guidance

Conversion factors may be expressed in material volume or weight. It may be specific to the product line level, or it may be a range.

The Organisation should be able to explain the methodology used to calculate the applicable conversion factors.

All movements, transformations and stocks of verified products shall be accounted for.

Sufficient procedures shall be in place to ensure that the use of subcontractors does not prevent compliance with the elements of the Standard. Concerned subcontractors must comply with the relevant requirements of the Standard. To this end, subcontractors shall be aware of relevant requirements, which might be included in the contracts/agreements concluded with the Organisation and/or in training or written instructions provided to the subcontractor.

7. Sales and managing outputs

Requirements

7.1. All output material sold with a claim is clearly identifiable, and claims conform to the requirements of the Claims and Seal Use Standard.

Guidance

The different chain of custody models results in different claims available for the output. The Claims and Seal Use Standard is an important complementary normative document to refer to.

Requirements

- 7.2.** Records of all sales of claimed products are recorded by the Organisation, including, but not limited to:
- Reference of sale and / or delivery document
 - Date of shipping
 - Description of product
 - Type of raw material and, if applicable, species
 - Quantities
 - Product claim, if applicable.

- 7.3.** For the sale of compliant material, the Organisation may record verified information on the country, sub-national regions or plot of land where the product's raw material has been harvested (or a pool of these from where the product material may be originating from) may also be recorded.

NOTE: This requirement is optional but can be chosen to be followed by companies who want to claim traceability back to the source. For companies to claim products as being aligned with the European Union Deforestation Regulation, it would be mandatory to record the information back to the plot of land level.

- 7.4.** The Organisation ensure that the sale of verified products can be cross-checked against the purchases of those products on the buyer's side.

Guidance

There is a basic set of output material data required to enable traceability between and within verified Organisations. Additional product information may be passed on to the next entity, provided that those are credible. Passing on verified information on the origin of the raw material is optional but may be crucial to achieving compliance with regulatory requirements (such as the European Union Deforestation Regulation) or brand sustainability requirements. Additional claims are available for products that are fully traceable to the source.

If the mixing of inputs with different sources is happening, the system should allow to appropriately merge such information in an accurate and up-to-date manner.

This requirement is related to the requirement 1.4 above. In cases when the organisation chooses to apply the traceability requirements, they must also include the origin information on their sales documents to pass on the information. If the Organisation is processing material and is mixing material from different origins in its processing, it must have a system to ensure that the origin info on the sales documents includes a pool of all origins from where the material may originate from. For example, if roundwood from 10 plots of land is mixed and processed into lumber, all the lumber sold must list all the ten plots of land as a possible pool of land plots of origin. As it will not be known from which plot of land each piece or lumber originates from, it is the only way to pass on the traceability information.

This indicator's objective is to ensure no volume discrepancy between sales and purchases of verified products.

Several options are available to achieve this, including but not limited to:

- The Organisation and its clients might already use the same transaction database (from another scheme or an independent traceability service provider). In such cases, relevant data and access should be granted to auditors to verify the volume reconciliation between sales and purchases.
- The Organisation's client is also holding a Sustainability Framework certificate: in this case, auditors will have access to purchase data and can cross-check volumes. No further action is required from the Organisation.

Requirements for single component products

8. Segregation model

Segregation model application for single component products

With the segregation model, material compliant with the Sustainability Framework is physically segregated from other materials throughout processing and handling. Compliant material from different **sources** may be mixed together, except when the Organisation would like to sell material as being from one or several specific sources (see more info on this below).

This model allows claiming that the entirety of the product traded is compliant with the Sustainability Framework.

Compliant input material can be:

- Purchased as Sustainability Framework verified, with the appropriate claim (supply is verified and/or due diligence has been applied by upstream suppliers); or
- Verified by the Organisation through a due diligence process following the Preferred by Nature Due diligence Standard to verify its full compliance with the Sustainability Framework before receiving the product.

If the Organisation is also handling other material that is not verified as compliant with the Sustainability Framework, all such material shall be kept physically separated (segregated) from the compliant material.

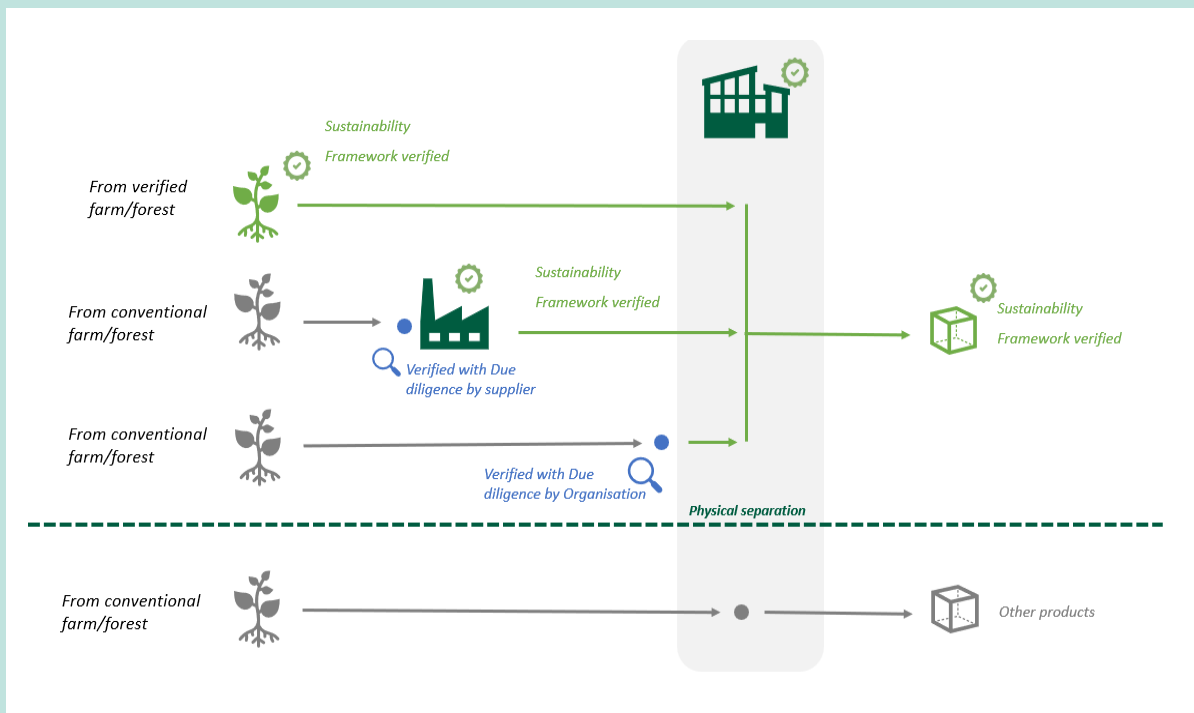


Figure 1: Illustration of the segregation model with allowed inputs

Maintaining and claiming the source of raw material

In some cases, the Organisation may wish to also claim a specific source for its verified products (plot of land, subnational region or country, a specific Community or Indigenous Group area, smallholder farm etc.). This may be crucial to achieve compliance with regulatory requirements (such as the European Union Deforestation Regulation) or with brand sustainability requirements and it is possible under the segregation model.

Input from known specific sources shall be segregated from other compliant material from different sources and from other material not sourced as compliant.

Depending on the level of traceability of the product, additional claims will be available (see the Claims and Seal Use Standard).

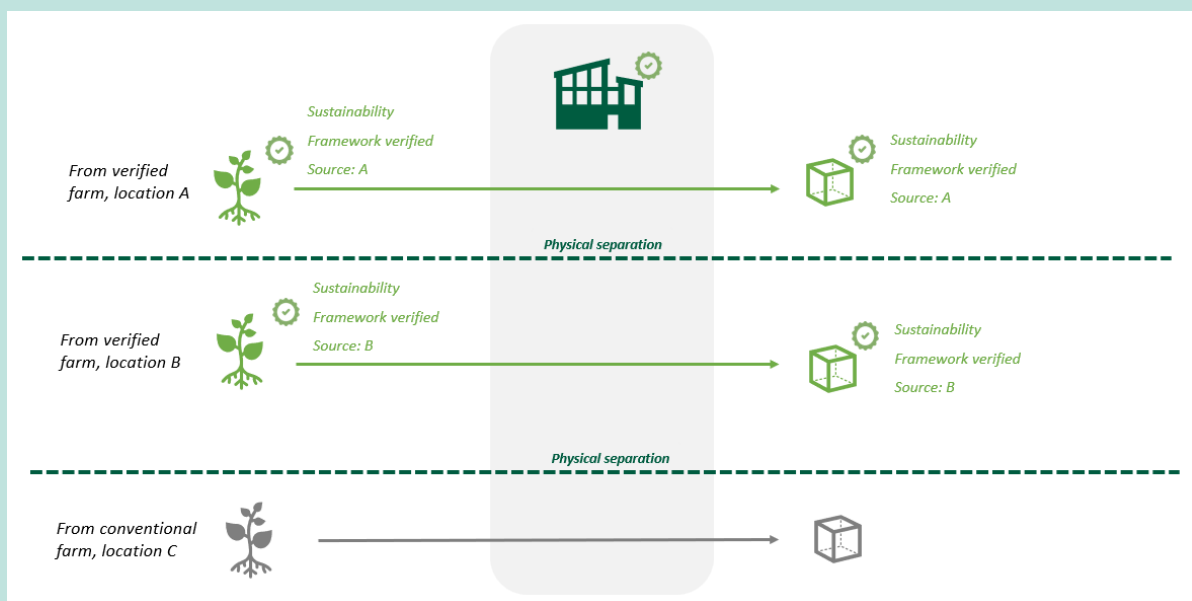


Figure 2: Segregating material with claimed sources

Requirements

8.1. The Organisation ensures that all input materials for the products under this model are compliant.

Guidance

The entirety of the product shall be verified as compliant with the Sustainability Framework.

Input materials from a mass balance system are not considered fully compliant and are not allowed inputs for the use of this model.

There might be minor exceptions for tiny components or a tiny part of the product (e.g. dowels in home furniture). Such exceptions shall be agreed upon in advance with Preferred by Nature.

Requirements

8.2. The Organisation maintains clear identification and physical separation of compliant material at every step of storage and production.

8.3. Products with a specific source or a pool of particular sources shall be kept separate from material with different sources at every step of storage and production.

NOTE: This requirement only applies to material with a known source of origin, where the original data is transferred along the supply chain.

8.4. The Organisation shall ensure that volumes or weight of output material sold as verified are not exceeding volumes of verified input material, considering conversion factors defined by product or by-product component.

Guidance

Compliant products shall be physically identified and segregated from other products from the point of reception of the material up to the point of shipment. Identification shall be at the specific product level. This may include freeing machinery from other material/products prior to use, managing storage to identify and segregate verified products etc. It may include direct labelling of material, machines, storage areas etc.

Recording and passing on information on the raw material source is optional.

Organisations may choose to segregate compliant products from different sources to sell them with a claim on their specific source.

Mixing products with a raw material of different sources is also allowed if the system allows for an accurate merging of such origin information and if the claim refers to the whole pool of sources.

Products with claimed sources shall be kept separate from all other products, compliant or not, which have different sources not included in the final claim.

Output volumes or weight of compliant products shall not exceed the amount of compliant input used.

9. Mass balance model

Mass balance model application for single component products

The mass balance model allows the mixing of compliant material with other materials. The volumes of compliant inputs sourced by the first supply chain entity applying the mass balance model will be translated into credits of an equivalent amount, which will then travel down the supply chain.

The following inputs are allowed:

- Input material verified as compliant to the Sustainability Framework (claimed from a segregation model or through due diligence)
- Input material with a Sustainability Framework claim from a mass balance model (applied by a previous supply chain entity)
- Input material without any Sustainability Framework claim and not assessed as compliant with due diligence.

The amount of claimed and/or compliant inputs sourced by a single site over a specific period of time shall match or exceed the volumes of outputs sold with Sustainability Framework claims, taking into account the defined conversion factors.

In this model, the physical linkage between physical inputs and outputs is lost, and it is possible that individual products sold with claims do not contain any compliant material. Claims are made based on mathematical accounting only, considering the volumes of input material used.

Mass balance models based on volume reconciliation usually allow either a percentage system (products are sold with a % of verified content) or a credit system (only a % of products are sold with a verified claim).

This mass balance model is based on the credit system.

This model allows to declare a proportion of claimed inputs sourced over a specific period of time. The same proportion may be applied to outputs which will be sold with claims. The products' claims will indicate that a credit / mass balance system has been used (see the Claims and Seal Use Standard).

This model is intended to allow Organisations to communicate on their procurement of and progress in increasing Sustainability Framework material.

This model is NOT intended for:

- On-product, customer-facing claims
- Use of the Preferred by Nature seal at any stage of the supply chain

Note that the mass balance model is not meeting the requirements of the EU Deforestation Regulation.

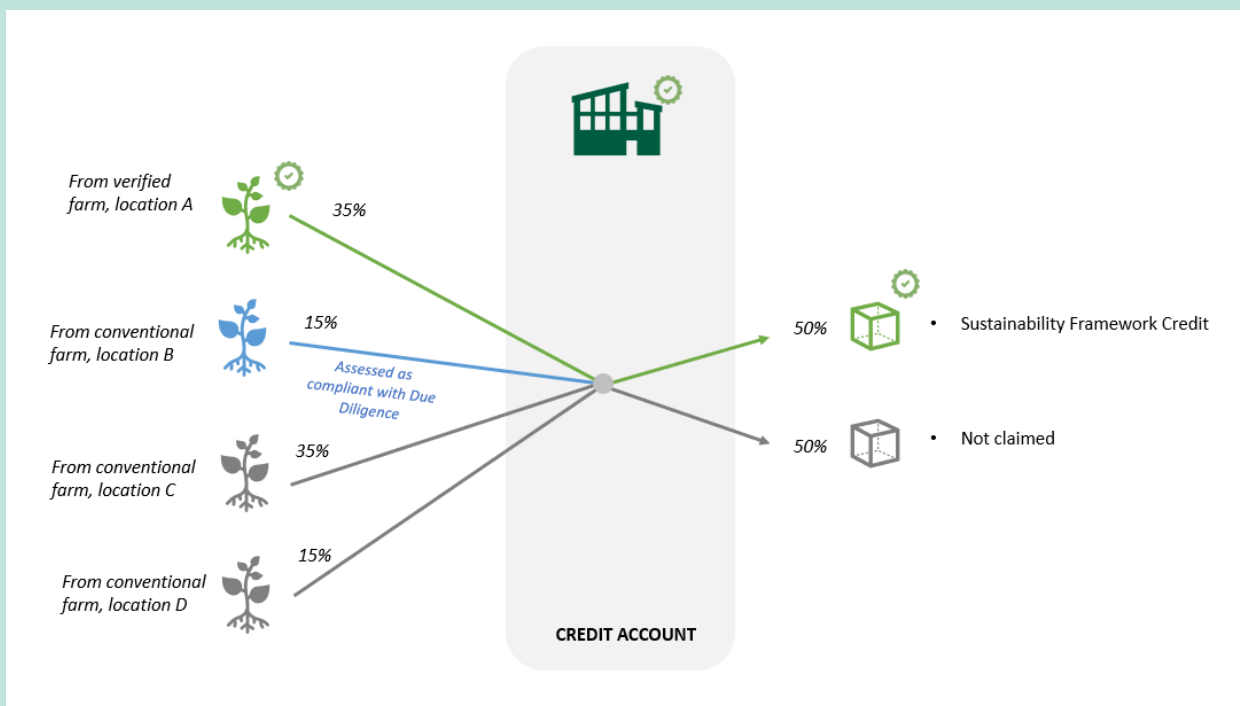


Figure 3: Illustration of the mass balance model

Requirements

Guidance

<p>9.1. A credit account is set up by a single site and for each type of product processed. Claimed and/or compliant input material shall be credited to such account within a reasonable timeframe.</p>	<p>Credit accounts shall be specific to each site and each product processed.</p>
<p>9.2. Recorded credits are valid for one year. The available credits on the credit account shall never exceed the volume purchased during the past year, taking the conversion factor into account.</p>	<p>Credits which were not used for output claims after one year cannot be used anymore. If the credit account exceeds the sum of credits recorded in the previous year, exceeding credits shall be deducted from the credit account.</p>
<p>9.3. Available output credit quantities are determined by product, taking into account the specified conversion factors. Output credit quantities are deducted from the account when products are sold with a credit claim.</p>	<p>To maintain the system's accuracy, conversion factors are critical in determining the output credits that may be used to sell products claimed. Available claims under the mass balance system are detailed in the Claims and Seal Use Standard.</p>
<p>9.4. Sale of products with a credit claim shall only happen after the equivalent volume of claimed and/or compliant material has been purchased and received onsite.</p>	<p>It is impossible to have a negative account where the output credits exceed the available input credits.</p>
<p>9.5. There is no double selling of volumes. Products may be purchased with claims from several certification/verification schemes. Such claims shall not be separated and applied to different sales that would exceed the initial purchase quantity.</p>	<p>If the claims are separated, the initial purchase quantity would be counted twice. The system in place shall prevent this from happening.</p>

Requirements for multi-components products

10. Segregation model

Segregation model application for multi-components products

With the segregated model for multi-components, material compliant with the Sustainability Framework is physically separated from all other similar non-verified components throughout the processing and handling. However, it may be mixed with material of different types, under the condition that the core component of the output is compliant material; e.g. a chocolate drink (cocoa + milk) or a table (glass top + wooden frame) or sundried tomatoes (tomatoes + olive oil).

This model allows claiming that the entirety of one or several component(s) within a traded product is compliant with the Sustainability Framework.

The **input material** can be:

- One or several components purchased as Sustainability Framework verified, with appropriate claim (farms/forests are verified and/or due diligence has been applied by upstream suppliers).

- One or several components verified by the Organisation through a due diligence process following the Preferred by Nature Due diligence Standard to verify its full compliance with the Sustainability Framework before sourcing the product.
- Other input not verified as compliant to the Sustainability Framework (not claimed nor assessed as compliant with due diligence). This is permitted only to components in the output product which are not claimed as compliant.

If the Organisation is also handling other material of the same type than the claimed component(s) (either inputs not purchased as already verified or inputs not assessed as compliant with Due diligence requirements), all such material shall be kept physically separated (segregated) from the compliant material.

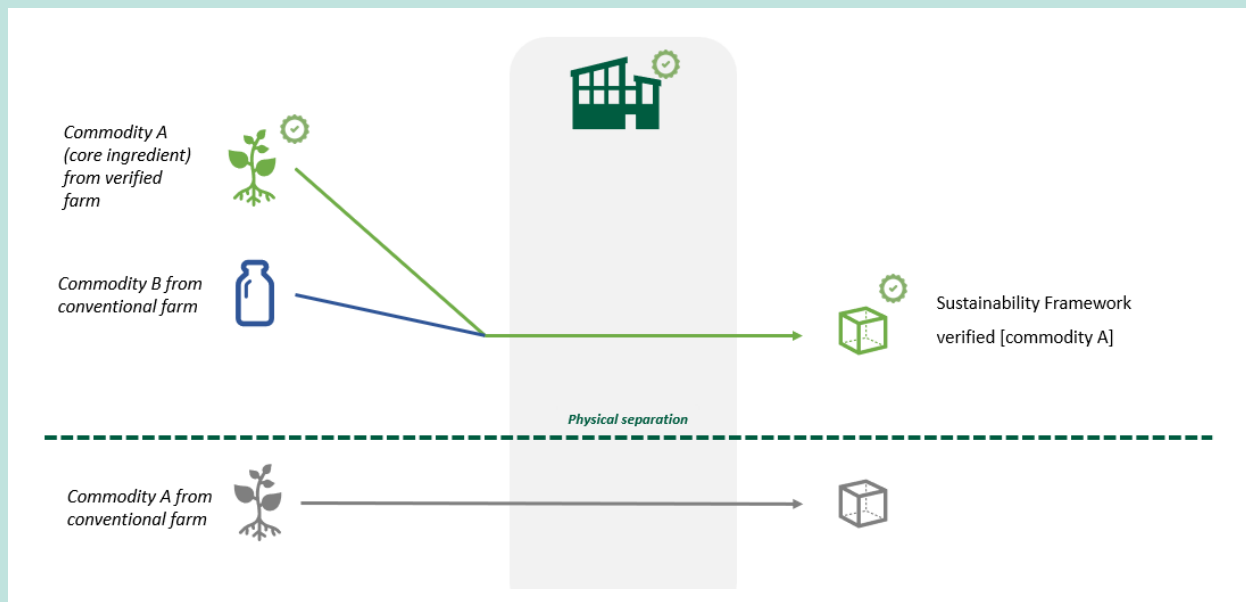


Figure 4: Illustration of the Segregated model for multi-component products

Maintaining and claiming the source of raw material

In some cases, the Organisation may wish to also claim a specific source for the verified component(s) (plot of land, subnational region or country). This may be crucial to achieving compliance with regulatory requirements (such as the European Union Deforestation Regulation) or with brand sustainability requirements and it is possible under the segregation model, with some additional conditions.

Input with specific sources shall be kept separated (segregated) from other compliant material from different sources and other material not sourced as compliant.

Depending on the product's traceability level, additional claims will be available (see the Claims and Seal Use Standard).

Requirements

Guidance

10.1. The **core component** of the output material produced shall be fully from a compliant material.

Please refer to the definition of the core component above. The core component must come from a segregated supply chain (purchased as an already verified product) or must be fully assessed as compliant with due diligence.

Input components from a mass balance system are not considered fully compliant and are not allowed inputs for the use of this model; e.g. for a chocolate drink mixing cocoa and milk, it is allowed that all the cocoa is compliant input and all the milk is input not verified as compliant. However, it is not permitted to mix compliant cocoa with cocoa which is not verified as compliant.

10.2. If applicable, each component of the same raw material as the core component shall be entirely compliant.

It is not allowed to claim only one component when the product contains other components of the same raw material; e.g. in a wooden table, everything made from timber shall be compliant, even if there are several components (legs, core board, veneer...). However, other raw materials such as plastic, glass, metal may not be verified as compliant.

10.3. The Organisation clearly identifies products, including compliant component(s), at every step of storage and production.

Products containing compliant components shall be physically identified and segregated from other products from the point of reception of the material up to the point of shipment. Identification shall be at the specific product level.

It may include freeing machinery from other material/products prior to use, managing storage to identify and segregate verified products etc. It may include direct labelling of material, machines, storage areas etc.

10.4. Products, including component(s) with a specific claimed source or a pool of specific sources shall be kept separate from material with different sources at every step of storage and production.

Recording and passing on information on the raw material source is optional.

Organisations may choose to segregate products containing compliant components from a specific source to sell them with a claim on this source.

Mixing products with a raw material of different sources is also allowed if the system allows for an accurate merging of such origin information and if the claim refers to the whole pool of sources.

Products with components with claimed sources shall be kept separate from all other products, compliant or not, which have different sources not included in the final claim; e.g. chocolate beverages with compliant cocoa from country A shall be segregated from compliant cocoa from country B and from cocoa not verified as compliant to apply a claim including the source of cocoa as country A.

11. Mass balance model

Mass balance model application for multi-component products

The mass balance model allows the mixing of material verified as compliant with the Sustainability Framework with other materials. The volumes of compliant inputs sourced by the first supply chain entity applying the mass balance model will be translated into credits of an equivalent amount, which will then travel down the supply chain.

The mass balance model for multi-components products allows the following inputs for components which are claimed in output products:

- Input material verified as compliant to the Sustainability Framework (claimed from a segregation model or through due diligence)
- Input material with a Sustainability Framework claim from a mass balance model (applied by a previous supply chain entity)
- Input material without any Sustainability Framework claim and not assessed as compliant with due diligence.

E.g. a chocolate drink mixing (1) verified cocoa from a segregation model, (2) claimed cocoa from a mass balance model, (3) cocoa not claimed nor verified as compliant and (4) milk not claimed nor verified as compliant.

This model is allowed, provided that part of the core component inputs is claimed and/or verified as compliant.

In this model, the physical linkage between inputs and outputs is lost, and it is possible that individual products sold with claims do not contain any compliant material. Claims are made based on mathematical accounting only, considering the volumes of input material used.

Mass balance models based on volume reconciliation usually allow either a percentage system (products are sold with a % of verified content) or a credit system (only a % of products are sold with a verified claim). This mass balance model is based on a **credit system**.

This model allows declaring a proportion of claimed inputs sourced over a specific period within a single site. The same proportion may be applied to outputs which will be sold with claims. The products' claims will indicate that a credit/mass balance system has been used (see the Claims and Seal Use Standard).

This model is intended to allow Organisations to communicate on their procurement of and progress in increasing Sustainability Framework verified material.

It is not intended for:

- On-product, customer-facing claims
- Use of the Preferred by Nature seal at any stage of the supply chain.

Note that the mass balance model does not meet the European Union Deforestation Regulation requirements.

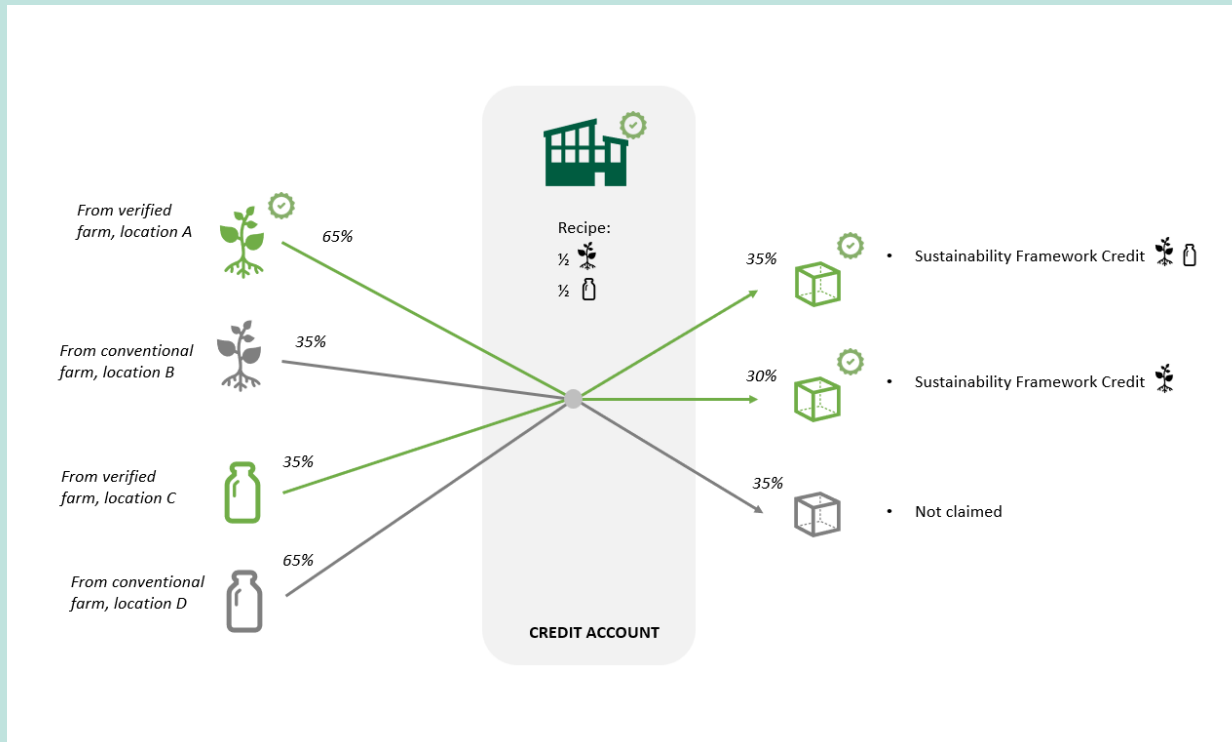


Figure 5: Illustration of the mass balance model for multi-components products

Requirements

- 11.1.** Part of the core component of the output produced shall be sourced with a Sustainability Framework claim or should be assessed as compliant with requirements of the Preferred by Nature Due Diligence Standard.
- 11.2.** A credit account is set up by single site and by product for each type of component processed and claimed. Compliant input components shall be credited to the such account within a reasonable timeframe.

Guidance

Please refer to the definition of the core component above. The core component of the product must be associated with Sustainability Framework verified raw material.

Other non-core components may also be claimed if they are sourced with a Sustainability Framework claim or verified as compliant with Due Diligence.

Credit accounts shall be specific to each site and each product processed; e.g. a fruit beverage with strawberries and bananas. There is a credit account for strawberries and a credit account for bananas. Depending on the credits available, the output beverage may be claimed (1) both for strawberries and bananas, (2) only for strawberries or (3) only for bananas.

Requirements

11.3. Recorded credits are valid for a period of one year. The available credits on the credit account shall never exceed the volume purchased during the past year, taking the conversion factor into account.

11.4. Available output credit quantities are determined by product for each relevant component, taking into account the specified conversion factors. Output credit quantities are deducted from the account when products are sold with a credit claim.

11.5. The exact composition of the final outputs is clearly determined to allow the accurate deduction of output credit in the credit account(s).

11.6. Sale of products with a credit claim for one or several components shall only happen after the equivalent volume of claimed and/or compliant inputs has been purchased and received onsite.

11.7. There is no double selling of volumes. Products may be purchased with claims from several certification/verification schemes. Such claims shall not be separated and applied to different sales that would exceed the initial purchase quantity.

Guidance

Credits which were not used for output claims after one year cannot be used anymore.

If the credit account exceeds the sum of credits that were recorded in the previous year, exceeding credits shall be deducted from the credit account.

To maintain the accuracy of the system accuracy, conversion factors are very important in determining the output credits that may be used to sell products claimed.

Available claims under the mass balance system are detailed in the Claims and Seal Use Standard.

E.g. a pair of shoes composed of 200g natural rubber and 300g leather. If 10 ten pairs are sold with a Sustainability Framework claim for both rubber and leather, then 2kg should be deducted from the rubber account and 3kg from the leather account.

It is impossible to have a negative account where the output credits exceed the available input credits.

If the claims are separated, the initial purchase quantity would be counted twice. The system in place shall prevent this from happening.



About us

Preferred by Nature (formerly known as NEPCon) is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate. We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building.

For more than 25 years, we have worked to develop practical solutions to drive positive impacts in production landscapes and supply chains in 100+ countries. We focus on land use, primarily through forest, agriculture and climate impact commodities, and related sectors such as tourism and conservation. Learn more at www.preferredbynature.org

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