

A woman wearing a white hairnet and a red apron is working in a peach processing facility. She is focused on her task, handling peaches on a green conveyor belt. In the background, another worker is visible, also wearing a hairnet and apron. The scene is brightly lit, typical of a food processing plant.

# Chain of Custody and Traceability Standard

Preferred by Nature  
Certification



Chain of Custody and Traceability Standard   Preferred by Nature Certification	
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## Introduction and scope

**Chain of custody** refers to the movement of material from the land management level through the supply chain until the sale of the final product to end users. The organisations in the supply chain purchase, handle and sell products. Some organisations are involved in processing, while others are only trade the products. This Standard regulates all aspects related to the purchase, trade, processing and sales of any certified products.

This Standard applies to organisations certified by Preferred by Nature who want to make **claims** about the certified status of the products they sell.

This Standard has taken into account the [EU Deforestation Regulation](#), and includes specific requirements and guidance related to it.

All organisations taking ownership of certified goods from the land use level until and including production and/or packaging of the final product need to be certified to conform with these requirements.

Organisations involved only in the transportation, distribution and/or sale of final products that do not change anything in the final products or their packaging do not need to undergo the certification.

Depending on the activities, some parts of the Standard may not apply to all Organisations. For example, requirements related to the conversion factor do not apply to traders who are not involved in processing activities. In particular, land managers (such as farm and forest managers) must conform only to a limited set of requirements related to selling certified products and making related claims. All the requirements applicable to land managers are included in **Annex 1**.

Land management organisations such as forest and farm managers, can go straight to **Annex 1**, to see all requirements applicable for them.

All certified organisations can make **claims** about the certified status of the eligible products. Upon conformance with specific additional requirements and in some cases, Organisations may also use the **Preferred by Nature Hummingbird Seal**. All requirements related to using the Seal are specified in a separate document called the **Seal Use Policy**.

Key terms are shown in **green bold font** the first time used in this document. These are always explained in the **Terms and Definitions** section, although for easier readability, the font is not always used for all defined terms.

All parts of this document are normative unless otherwise noted. This Standard is to be used together with other normative documents of the Preferred by Nature Certification.

Please note that a smaller set of indicators in the **Sustainability Framework (PBN-01)** are normative for Chain of Custody (CoC) Certified Organisations. Also, the quality requirements in the **PBN-02 System Requirements** document apply to all CoC-certified organisations.

The latest version of any referred-to documents applies unless noted otherwise.

A list of core other normative documents can be found in **Box 1**.

## Versions history

Version 1.0, August 2022

Version 1.3, January 2023

Version 1.4, September 2023

## Box 1. Normative documents of the Preferred by Nature Certification programme

### **PBN-01 Sustainability Framework.**

The Framework contains the requirements applicable to producers working on land use level (land managers). Selected indicators in the Standard are also applicable to supply chain entities, including processors and must be complied with by the CoC certificate holders. For some products, a product- or sector-specific adaptation of the Framework may be applicable.

### **PBN-02 System Requirements.**

This Standard applies to all Preferred by Nature Certified operations, including the CoC certificate holders. It contains generic quality system requirements.

### **PBN-03 Supplier Management and Due Diligence Requirements.**

This Standard applies to Organisations that apply a risk-based due diligence system to evaluate that the products conform with the Sustainability Framework or other relevant requirements.

### **PBN-04 Preferred by Nature Seal Use Policy.**

This document regulates the requirements and conditions for the use of the Preferred by Nature Hummingbird Seal (the Seal). In addition to the claims specified in this Standard, certified organisations can also use the Seal, if they meet additional requirements. The use of the Seal is optional.

### **PBN-09 Terms and Definitions.**

This Standard contains definitions and concepts used in the Preferred by Nature Certification programme.

## Terms and definitions

**Chain of Custody model.** The approach taken to control inputs and outputs and associated characteristics of the material and related information and claims. This standard allows two models to be used: Segregated (SG) or Mass Balance (MB) model.

**Chain of Custody system.** A CoC 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 supply chain. Its purpose is to ensure that specified characteristics (e.g. that the product or a component of the product is Preferred by Nature certified) are indeed to be the ones that are delivered in the output.

**Claim.** A message used to describe or promote a product concerning its sustainability attributes or specified characteristics. The term claimed material is used in this Standard to denote any material for which the organisation asserts a claim, following the outlined options in this Standard.

**Component.** A part or element of a semi-finished or finished manufactured product. For clarity and to keep the language shorter, ingredients of food products are also called components in this Standard. A component can be cocoa in a chocolate bar or a specific wooden component in a piece of furniture.

**Conformance.** In the context of Preferred by Nature Certification, conformance refers to the high likelihood of no violations against the applicable criteria or requirements. However, it is important to note that this does not guarantee 100% conformance at all times for all aspects. In some cases, a risk-based approach is employed to assess conformance, and typically, sampling is utilised for this purpose as well.

**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 roundwood or the amount of crude palm oil that can be produced from a unit of fresh fruit bunches.

**Core component.** The main component 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 often also visible or prominent part of the product. For example, for chocolate, cocoa is a core component. In case of doubt, please contact Preferred by Nature for clarification regarding whether a component can be considered a core component for a specific product. Properly applying this definition is especially crucial when dealing with **multi-component products** and the associated claims.

**Date or time range of production.** This refers to the period during which trees or agricultural products were harvested, excluding cattle, where it specifically pertains to the date or time range of slaughtering for cattle. Per the EU Deforestation Regulation (the Regulation), Operators (and non-SME Traders) are obligated to gather information concerning the production date or time range as outlined in Article 9 of the Regulation.

This information is needed to establish whether the product is deforestation-free, and it applies to the relevant products that contain, have been fed with, or have been made using the scope of commodities included in the Regulation. Sources: [EU Deforestation Regulation \(EU\) 2023/1115](#) and [European Commission Frequently Asked Questions - Deforestation Regulation 29 June 2023](#)

**End-user.** A person or organisation that purchases the product for the purpose of consuming it or making use of the product for its intended final use purpose. End users always purchase **final products**, but final products may also be traded between business entities who are not end users, including distributors, traders and wholesalers.

**Establishment.** Any premise, structure or, in the case of open-air farming, environment or place where animals are kept on a temporary or permanent basis.

Source: [EU Deforestation Regulation \(EU\) 2023/1115](#)

**EU Deforestation Regulation (EUDR).** Formally, the Regulation ([EU\) 2023/1115](#). A European Union law aiming to reduce the risk of products associated with deforestation or forest degradation being placed on – or exported from – the EU market. The Regulation sets due diligence requirements for European companies in relation to products they source which may contain, be made from, or fed with commodities linked to a high risk of deforestation: soy, beef, oil palm, rubber, wood, cocoa and coffee.

**Final product.** Product where no further modification (including packing or repacking) of the product occurs. Final products may be sold and purchased by distributors and wholesalers, but they will eventually be sold to the **end users**.

**Geolocation preserved.** Material known to originate from a single **plot of land** or **establishment** or from a pool of plots of land or establishments. See also the term **Geolocation**.

**Geolocation.** The geographical location of a plot of land or establishment, described by means of latitude and longitude coordinates corresponding to at least one latitude and longitude point and using at least six decimal digits. For relevant commodities other than cattle, for plots of land of more than 4 hectares, the geographical location shall be provided using polygons, meaning sufficient latitude and longitude points to describe the perimeter of each plot of land.

Source: [EU Deforestation Regulation \(EU\) 2023/1115](#)

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

**Mass Balance Model.** A CoC model, in which **Sustainability Scope Material** and **Regulatory Scope Material** are mixed. The share of the output material that can be sold with related claims is proportionate to the share of respective input material categories.

**Material category.** Classification of input and output material depending on its level of conformance with the Sustainability Framework indicators. According to this Chain of Custody Standard, there are three material categories: **Sustainability scope material**; **Regulatory scope material**, and **Other material**.

**Multi-component product.** Products composed of multiple components, such as a table with a glass top and wooden frame or a chocolate bar containing cocoa, cocoa butter, sugar and nuts.

**Organisation.** The entity holding or applying for certification.

**Origin not tracked.** Material for which Geolocation or Source information is not collected and communicated.

**Other material.** Any material that does not meet the requirements of either **Sustainability scope material** or **Regulatory scope material**.

**Output material.** Material or product sold by an organisation. Processing activities may or may 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**.

**Plot of land.** An extension of land within a single real-estate property, as recognised by the laws of the country of production, which enjoys sufficiently homogeneous conditions to allow an evaluation of the aggregate level of the risk associated with commodities produced on that plot. Where applicable in this Standard, the plot of land is described by relevant **geolocation** data.

Source: [EU Deforestation Regulation \(EU\) 2023/1115](#)

**Raw material.** Basic material in its state of origin that is converted by manufacturing, processing or combination into a new, usually higher-value product (e.g., cotton, timber, cocoa, rubber, etc.).

**Regulatory Scope Material.** Material originating from sources conforming to the subset of regulatory indicators in the Preferred by Nature Sustainability Framework. Such indicators are currently designated as the EUDR (EU Deforestation Regulation) indicators. Regulatory Scope Material can be used in both Segregated and Mass Balance models.

**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.

**Segregated model.** A chain of custody model, in which all material in the chosen material category shall be segregated and kept physically separated from all other material throughout the entire supply chain.

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

**Source preserved.** Material originating from a single defined Source.

**Source.** In the Preferred by Nature Certification context, the Source is a single clearly defined geographical area or region where raw material is harvested or collected. Sources may be defined at different levels such as country, sub-national region (state, county, landscape), farm or forest management unit, plot of land or establishment (for animals).

**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 certified organisation.

**Sustainability Scope Material.** Material originating from or proportionate in volume to the sources conforming to all the Preferred by Nature Sustainability Framework requirements.

**Traceability.** The ability to trace the movement and handling of the product through the supply chain from one point to another. Full traceability of a product enables tracing the movement of a product from the point of harvest, rearing or slaughter (**plot of land** or **establishment**) through all stages of production and processing up to the distribution of the final product to consumers.

**Traceable material.** Material or products associated with information about their history, application or location. The level at which the material or product is traceable may vary from a less detailed level (information on the product category and supply chain entities) to a more granular level (individual product identification with visibility on each event and transaction related to this product).

**Transactions database.** A database allowing volume reconciliations between material sold by one organisation and purchased by the following organisation in the supply chain. These can, for example, be databases handled by certification schemes, internal databases for vertically integrated companies or databases provided by third parties. A database is typically digital but may also be developed on paper in some cases.

**Certification code.** A unique code assigned by Preferred by Nature to all organisations that are certified under the Preferred by Nature Certification. The code is detailed on the certification certificate issued to the organisation that has demonstrated conformance to the applicable requirements of the Preferred by Nature Certification.

## Key concepts in this Chain of Custody (CoC) Standard

This Standard relies on **three core concepts** - each is important to understand for proper implementation of the Standard.

The concepts are summarised in the **table** below and further explained in this section.

Organisations may choose to use various combinations of these concepts. Depending on the combination used, the Organisation can use different claims.

Material categories	Chain of custody models	Options for origin information
<ul style="list-style-type: none"> <li>• Sustainability scope material</li> <li>• Regulatory scope material</li> <li>• Other material</li> </ul>	<ul style="list-style-type: none"> <li>• Segregated</li> <li>• Mass Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Geolocation preserved</li> <li>• Source preserved</li> <li>• Origin not tracked</li> </ul>

### **Material categories**

There are three material categories under the certification programme: **Sustainability Scope Material**, **Regulatory Scope Material** and **Other material**. The sustainability scope material comes from sources that conform with all the applicable topics and criteria in the Sustainability Framework, covering the full set of sustainability requirements.

The Regulatory Scope Material comes from a source that conforms at minimum with the indicators that are considered core indicators in relation to key international regulatory initiatives in the Sustainability Framework. The regulatory indicators are currently defined as being related to the EU Deforestation Regulation and are clearly indicated as such in the Sustainability Framework.

Any other material that does not meet the requirements of either of these two categories is called **Other material**.

### **Chain of custody models**

This Chain of custody Standard allows organisations to use two chain of custody models: **Segregated model** and the **Mass Balance model**. Under the Segregated Model, all material in the chosen material category shall be segregated and kept physically separated from all other material.

When using the Mass Balance model, the organisation may mix material from the **Sustainability Scope Material** and the **Regulatory Scope Material** categories. If the organisation also handles material from the **Other material** category, such material shall always be kept segregated from any material used for either the Segregated or Mass Balance model.

These requirements collectively mean that material from the Segregated and Mass Balance model is aligned with the EU Deforestation Regulation requirements for land managers.

### **Options for origin information**

This Chain of Custody Standard allows companies to use **three different options** related to the origin of the material. Depending on the option chosen, companies can sell the material with specific origin information added. **Geolocation preserved** allows the most detailed origin information to be preserved and passed on to the buyers.

The option indicates that the material is traceable back to the **plot of land** or **establishment** from where the material originates from. Furthermore, the **Date or time range** of production shall be included. The requirements related to this origin option are aligned with the [EU Deforestation Regulation](#) (EUDR) requirements.

These requirements are marked visually with the EU flag for easy identification. In many supply chains, material from different plots of land or establishments is combined during processing. In such cases, the only option is to consolidate the origin information and pass on a list of the geolocations.

The second option for origin information is called **Source preserved**. Under this option, the organisation can define itself as the Source (or Sources) it wishes to track and make claims about. The Source is a clearly defined geographical area with clear boundaries, however, the size is flexible and can be defined by the organisation. For example, the Source can be a single estate, cooperative, country, specific region or legally defined sub-national area (e.g. province or state).

The option to track and communicate the Source is useful for products where the origin information is an important characteristic from a quality or marketing point of view. For example, end users sometimes want to know the Source of food products, such as wine, coffee and others.

Finally, **Origin not tracked** indicates material for which neither Geolocation nor Source information is collected and communicated. Companies who choose to use either the Geolocation preserved or Source preserved option must collect the information related to geolocation or source for all relevant **input material** and communicate the same information along with all sales of **output materials**.

Organisations may also choose to track both the **Geolocation** and the **Source** information and use both options. All origin options can be used under either of the chain of custody models. For example, an organisation may choose to use the Mass Balance model to calculate the claims related to material categories and choose the Geolocation preserved option to communicate the origin of all products sold.

The table below summarises the three options for origin information.

Options for origin information	What it means	Example
<b>Geolocation preserved</b>	All material originates from a single plot of land or establishment or from a pool of plots of land or establishments.	Latex from rubber trees grown by a specific group of smallholder rubber farmers, with the geolocation and date and time range of production pooled into a list
<b>Source preserved</b>	All material originates from a single clearly defined Source with precise geographic location and boundaries.	Coffee from Nicaragua
<b>Origin not tracked</b>	Material for which Geolocation or Source information is not collected and communicated.	

# 1. Material handling requirements

## 1.1. Purchasing and management of input materials

### Requirements

**1.1.1.** The Organisation shall certify purchase and transport documentation to ensure that they match the material and quantities received.

**1.1.2.** Data on all purchases of materials used as **input material** for any **chain of custody models** under this Standard shall be recorded by the Organisation, including the following:

- Name of the legal entity of the supplier (including postal address and email) and, if applicable, supplier certificate code
- Reference to the purchase and transport documentation
- Date of purchase
- Description of the product and, if applicable, the species name (including scientific name for wood-related products)
- Quantities
- The product **claim**, if applicable.

### Guidance

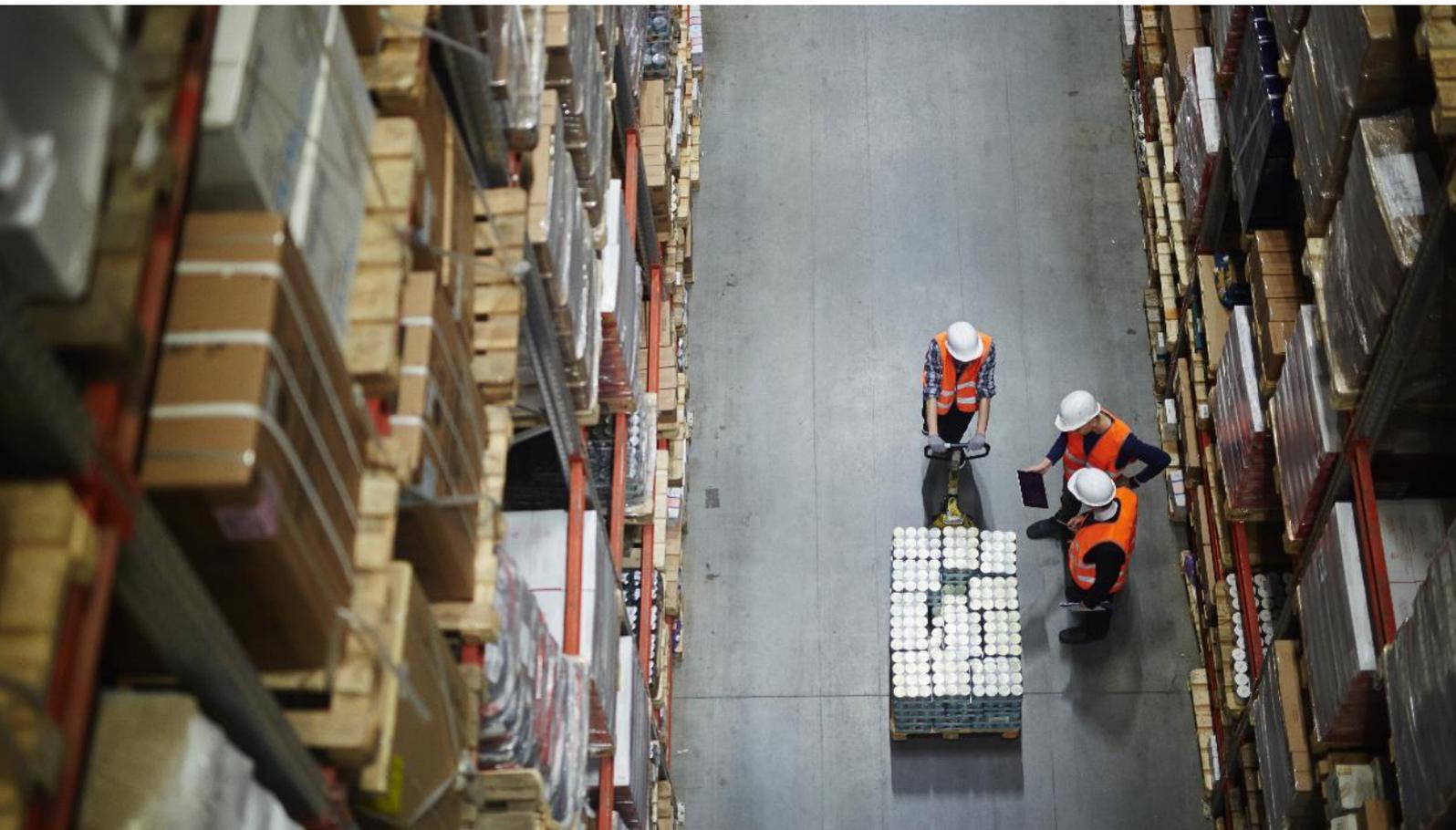
Certifying documents and cross-checking with physical material is necessary to ensure consistency between purchase, sale and transport records and actual products.

A basic set of input material data is required to enable traceability between and within certified Organisations.

For agricultural products, the type of product or crop should be indicated at a minimum, such as coffee for example. For timber products, typically, the name of the species is required.

 Organisations aiming to align with the EUDR should ensure quantities are expressed in: i) kilograms of net mass and, where applicable, in the supplementary unit set out in Annex I to Council Regulation (EEC) No 2658/87 (20) against the indicated Harmonised System code, or, ii) in all other cases, the quantity should be expressed in net mass or, iii) where applicable, volume or iv) number of items. All these options are also accepted under this Standard in relation to material quantities.

**EUDR reference:** Art. 9(1b)



## Requirements

**1.1.3.** Input **material** which is not purchased as Preferred by Nature certified and is intended to be used as **Sustainability Scope Material** or **Regulatory Scope Material** shall be certified to conform to the requirements applicable to these **material categories**, according to the requirements of the *Sustainability Framework Supplier Management and Due Diligence Standard* before classifying the material as Sustainability Scope Material or Regulatory Scope Material.



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

- 1.1.4.** The Organisation shall record the following data for each purchased product:
- Country(ies) of production or sub-nation region(s) where relevant
  - **Geolocation** of all **plots of land** (or **establishments** in the case of cattle products) relevant to the commodities which the purchased product contains, was made using or was fed with
  - **Date or time range of production** for the relevant commodities.

## Guidance

Requirements of the *Sustainability Framework Supplier Management and Due Diligence Standard* must be applied to all material which is not purchased with claims under the Sustainability Framework and which the Organisation wants to use as input material for certified products.

Risk assessment and risk mitigation measures (where necessary) must be conducted to ensure products conform with the Sustainability Framework requirements.

Ensuring that the material conforms to applicable requirements using a due diligence approach is usually complex. It requires detailed knowledge of the supply chain and origin of the material to be able to effectively identify and mitigate risks at the producer level and risks of mixing material in the supply chain.

The conditions on how to incorporate material certified or verified under other schemes are detailed in the *Sustainability Framework Supplier Management and Due Diligence Standard* and additional guidance documents.

Requirements related to geolocation may be used by any Organisation. These requirements have been designed to also align with the EU Deforestation Regulation and are required for companies aiming to supply material that is or will be subject to the requirements of this Regulation.

Meeting the obligations of the EU Deforestation Regulation requires that companies along a supply chain communicate information about the origin of production for commodities, back to the plot(s) of land - or establishments(s) in the case of cattle - as well as the date or time range of production.

Geolocations of plots of lands or establishments need to be passed down the supply chain in the form of geolocation information.

The minimum requirement for establishments and forest or farm plots of land below 4 ha is at least 1 latitude and longitude point with at least 6 decimal digits. Bigger plots of land (over 4 ha) must be described using polygons with sufficient points to mark the plot's boundary.

**EUDR references:** Art. 9(c)(d) and Art. 2(28)

## Requirements

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

**1.1.5.** The Organisation shall define and record each **Source** regarding which it wants to make claims, including the following information:

- The name of the Source that will be used for claims and communication
- The geographic location and boundaries of the Source
- If applicable, other specified characteristics relevant to the Source.

## Guidance

To claim that material or product originates from a specific source, the Source must be clearly defined. For example, if the Organisation wants to sell coffee produced in a particular region, it may define the region's name as the name of the Source. If, for example, an Indigenous community produces coffee, this could be added as a specified characteristic.

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

**1.1.6.** Upon material purchase from each **Source**, The Organisation must collect and record information demonstrating that the material originates from the defined Source.

Recording certified information on the source of the raw material is optional in this Standard. However, in some cases, companies may want to claim a specific source of the material. For example, for some food products, companies may wish to make claims about the particular region from which the product originates.

Certified and recorded information on the source of raw material may be at various levels, such as country, jurisdiction, farm or forest unit, etc. If inputs are mixed with different sources, the system should allow to merge such information in an accurate and up-to-date manner appropriately.

If any claims related to the source(s) are made, this requirement is mandatory to follow. The level of detail necessary on the source must correspond to the source claim being made.

## 1.2. Material handling and processing

### Requirements

**1.2.1.** Conversion factors shall be defined for each product in scope or for relevant product components. The methodology shall be justified and documented.

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

### Guidance

Conversion factors may be expressed in material volume or weight. The Organisation must be able to clearly explain and justify the methodology used to calculate the applicable conversion factors.

All movements, transformations and certified product stocks shall be recorded and accounted for.

## Requirements

- 1.2.3.** If outsourcing any processing activities to an external party, the Organisation shall ensure that the sub-contractors also meet all applicable requirements of this Standard.



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

- 1.2.4.** When the Organisation consolidates any **geolocation** information, it shall determine and justify the methodology and, if applicable, the maximum period during which the geolocation information can be consolidated.

## Guidance

Sufficient procedures shall be in place to ensure that also the sub-contractors conform with all applicable requirements of the Standard. To this end, sub-contractors 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 sub-contractor.

In some cases, material from a single geolocation is maintained separated throughout the supply chain.

In most cases, however, material from different geolocations is mixed during the processing, in which case the only option is to consolidate the geolocation information. Depending on the nature of the production, there are two primary ways to consolidate.

In the first case, material from two or more different stockpiles is mixed into one product. For example, this is typical in furniture, where various components with different geolocations are used in the same product. In such cases, the geolocation of all material is consolidated into one list of geolocations.

The second option is a continuous production situation, with a constant flow of input and output material. Paper and pulp mills are examples of such production approaches. In this case, the Organisation must analyse its production flow and identify which geolocations are likely to have contributed to which output material.

As a general principle, all Organisations that consolidate material from different geolocations should strive to minimise the level of consolidation whenever feasible.

**EUDR reference:** Art. 4(2), Annex II (3)



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

- 1.2.5.** The data management system used by the Organisation shall enable geolocations and dates/times of production to be allocated appropriately to the correct output product, according to the relevant handling, mixing or processing of input materials.

A sufficiently robust system and procedures shall be in place to ensure that output products resulting from handling or processing maintain the correct geolocations and associated dates/times of production or a list of these.

**EUDR reference:** Art. 4(2), Annex II (3)

## Requirements

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

- 1.2.6.** The Organisation shall always maintain clear identification and physical separation of material from each defined Source at every step and from reception and storage through processing and until shipping.

## Guidance

The material from each Source shall be physically identified and segregated from other materials, from the material's reception point up to the point of shipment of products.

If the Organisation has defined several Sources, the material from each must be kept segregated from other Sources.

### 1.3. Sales and management of output material

#### Requirements

- 1.3.1.** All output material sold with a **claim** shall be clearly identifiable as such on sales and transport documents and it should include the relevant claim information.

- 1.3.2.** For all **output material** sold with a claim, the Organisation shall indicate their Preferred by Nature certificate code on the sales and transport document and ensure that it is clear which products are covered by the certificate and sold with the **claim**.

- 1.3.3.** All sales of claimed products shall be recorded by the Organisation, including the following information:

- Name of the legal entity of the buyer (including postal address and email address)
- Reference to the sales and transport documentation
- Date of sale
- Description of the product and, if applicable, the species name (including scientific name for wood-related products)
- Quantities sold
- The product claim

#### Guidance

Combining different **chain of custody models** and **material categories** results in different **claims** available for the **output material**.

If the Organisation includes both products with and without a claim on the same sales and/or transport documentation, it is essential to provide ample information on these documents to eliminate any uncertainty or confusion regarding the claimed products. This also applies when the Organisation sells products with various claims on the same documents.

A basic set of output material data is required to enable traceability between and within certified Organisations.

## Requirements

**1.3.4.** The Organisation shall ensure that the sales of certified products can be cross-checked by Preferred by Nature auditors against buyers' purchases of those products.

## Guidance

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

The Organisation must also ensure that auditors can check the system's credibility for the reconciliation of sales and purchase data and that auditors have access to such information for certification purposes.

You can use various approaches to accomplish this, including but not restricted to the following:

- The Organisation and its clients might already use the same transaction database (from another scheme or an independent traceability service provider). In such cases, auditors should be granted relevant data and access to certify the volume reconciliation between sales and purchases.
- The Organisation's client also holds a Preferred by Nature certificate: in this case, auditors will have access to purchase data and cross-check volumes. In such cases, the Organisation shall simply ensure that sales volumes are summarised and shared with the auditors.
- When the Organisation sells to buyers who are not certified, no further actions are needed beyond presenting clear summaries of sold material sold with the claims.



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

**1.3.5.** For the sale of material, the Organisation shall compile, record and communicate information on:

- Country(ies) of production, or sub-nation region(s) where relevant.
- **Geolocation** of all plots of land (or establishments in the case of cattle products) relevant to the commodities which the sold product contains, was made using, or was fed with.
- **Date or time range of production** for the relevant commodities.

Any Organisation may use requirements related to geolocation. They have been crafted to also align with the EU Deforestation Regulation and may be useful for companies looking to provide materials that are currently or will soon be subject to the requirements of this Regulation.

Geolocations of plots of land or establishments need to be passed down the supply chain in the form of geolocation information.

The minimum requirement for establishments and farms below 4ha is at least 1 latitude and longitude point with at least 6 decimal digits.

Bigger plots of land (over 4 ha) must be described using polygons with sufficient points to mark the plot's boundary.

**EUDR reference:** Art. 9(c)(d) and Art. 2(28)

## Requirements

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

**1.3.6.** For the sale of material, the Organisation shall compile, record and communicate certified information on the **Source** of the product's raw material on its sales and shipping documentation.

## Guidance

The level of detail of the information provided about the Sources must correspond to the definition of the Source as defined by the Organisation.

# 2. Requirements for chain of custody models

## 2.1. Segregated model

In the **Segregated model**, material from the chosen **material category** is physically segregated from other materials throughout the purchase, handling, processing and sale.

Organisations may use material from two material categories as input under the Segregated mode: the Sustainability Scope Material and the Regulatory Scope Material.

However, if material from both categories is used and mixed, the claim of lower conformance level may be used on all output material. This means that in the Segregated Model, the output material always physically contains material that meets the minimum requirements for the claim.

If only Sustainability Scope Material is used as **input material**, all the **output material** can be claimed as **Preferred by Nature certified - Sustainability scope**.

If both material categories are used, all the output material can be claimed as **Preferred by Nature certified - Regulatory scope**.

If the Organisation handles any material in the **Other material** category, such material shall always be kept physically segregated and not mixed with any segregated material.

Input material	Claim allowed on output material
Sustainability Scope material only	<b>Preferred by Nature certified - Sustainability scope</b>
Regulatory Scope material only	<b>Preferred by Nature certified - Regulatory scope</b>
Mixture of Sustainability Scope Material and Regulatory Scope material	<b>Preferred by Nature certified - Regulatory scope</b>

Organisations have **two ways** to prove that the input material belongs to the respective material category:

- Input material that is purchased with a certified claim (Preferred by Nature certified-Sustainability scope, or Preferred by Nature certified - Regulatory scope) or
- Input material certified by the Organisation itself to conform with the applicable Sustainability Framework requirements via a due diligence process according to Preferred by Nature Supplier Management and Due Diligence Requirements Standard.

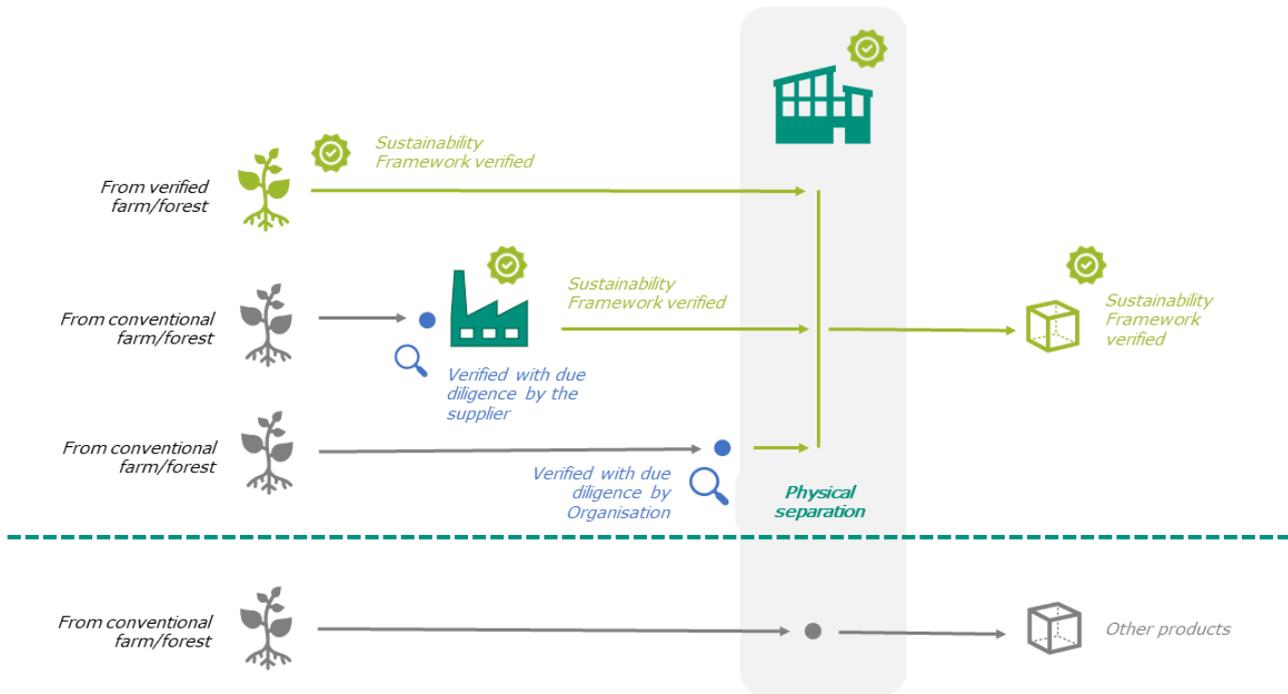


Figure 1: Illustration of the Segregation Model with allowed input materials

## Requirements

**2.1.1.** The Organisation shall define the **input material** categories which it uses for the segregation model according to the claim it wishes to use on the **output material**.

**2.1.2.** The Organisation shall maintain clear identification and physical separation of all material used as input material under the segregation model, from all other material at every step and always, from reception and storage through processing and until shipping.

## Guidance

Input material categories eligible for use in the segregation model are Sustainability Scope material and Regulatory Scope material.

If both are used, only regulatory scope claims can be used. Only Sustainability Scope material shall be used as input for the Sustainability Scope claim.

The material used under the segregation model shall be physically identified and segregated from all other material from the point of reception of the material up to the point of shipment of products.

It may include freeing machinery from other materials before use, managing storage to identify and segregate certified material or other means of ensuring physical separation.

It may include direct segregation marking or designation of material, machines, and storage areas.

## Requirements

**2.1.3.** The Organisation shall ensure that the volumes or weight of output material sold as certified do not exceed the volumes or weight of certified input material, considering conversion factors defined by the product or product component.

## Guidance

Output volumes or weight of conforming products shall not exceed the amount of conforming input used, including the loss of material from processing, if applicable.

## 2.2. Mass Balance model

Under the **Mass Balance model**, Organisations may use material from two material categories as input: the **Sustainability Scope Material** and the **Regulatory Scope Material**. The claims that can be made on the output material depend on the share of input material used from the different material categories.

In the Mass Balance model, the share of output material that can be sold with **Preferred by Nature certified - Sustainability scope** claim will be the same as the share of input material used from the **Sustainability Scope Material** category.

However, since the Mass Balance model relies on calculations rather than physical segregation, the sold material may physically include material that does not correspond to the level of requirements of the claim.

The Mass Balance model assures that the volume sold with each claim corresponds with the volume originating from sources meeting the requirements (also considering the conversion factor and loss of volume throughout the processing).

This Standard does not allow the use of the **Other material** category as input for the Mass Balance model. If the Organisation also handles Other material, the Organisation shall ensure that it is not used as input for the Mass Balance model.

Mass Balance models may use different calculation methods to determine the amount of material volumes sold with which claim.

This Chain of Custody Standard requires using a **credit account** to keep track of the volumes. This means that the Organisation shall set up a credit account for each material category that it wishes to sell and for each product.

Credits can be added to the account based on the input material received under each material category and taking into account the conversion factor.

Upon the sale of material with the claim, the Organisation shall deduct the sold volume from the credit account.

### Example:

*A sawmill uses two material categories as input material: the Sustainability Scope material and the Regulatory Scope material. For simplicity, the conversion factor (outcome) is 50%. This means that for every 2 cubic metres of roundwood purchased, the sawmill can produce 1 cubic meter of lumber. When the Organisation receives 10 cubic metres of roundwood of Sustainability Scope material, it can add 5 cubic metres of lumber credits to the credit account from where the material is sold with **Preferred by Nature certified - Sustainability scope** claim. Whenever any lumber is sold with such a claim, the amount shall be deleted from the credit account. Lumber that is not sold as Sustainability Scope material can be sold as Regulatory Scope material.*

Just like in the Segregated model, Organisations have **two methods** to demonstrate that the input material belongs to the respective material category:

- Input material that is purchased with the certified claim (Preferred by Nature certified - Sustainability scope or Preferred by Nature certified - Regulatory scope) or
- Input material certified by the Organisation itself to be conforming with the applicable Sustainability Framework requirements via a due diligence process according to the Preferred by Nature Supplier Management and Due Diligence Requirements Standard.

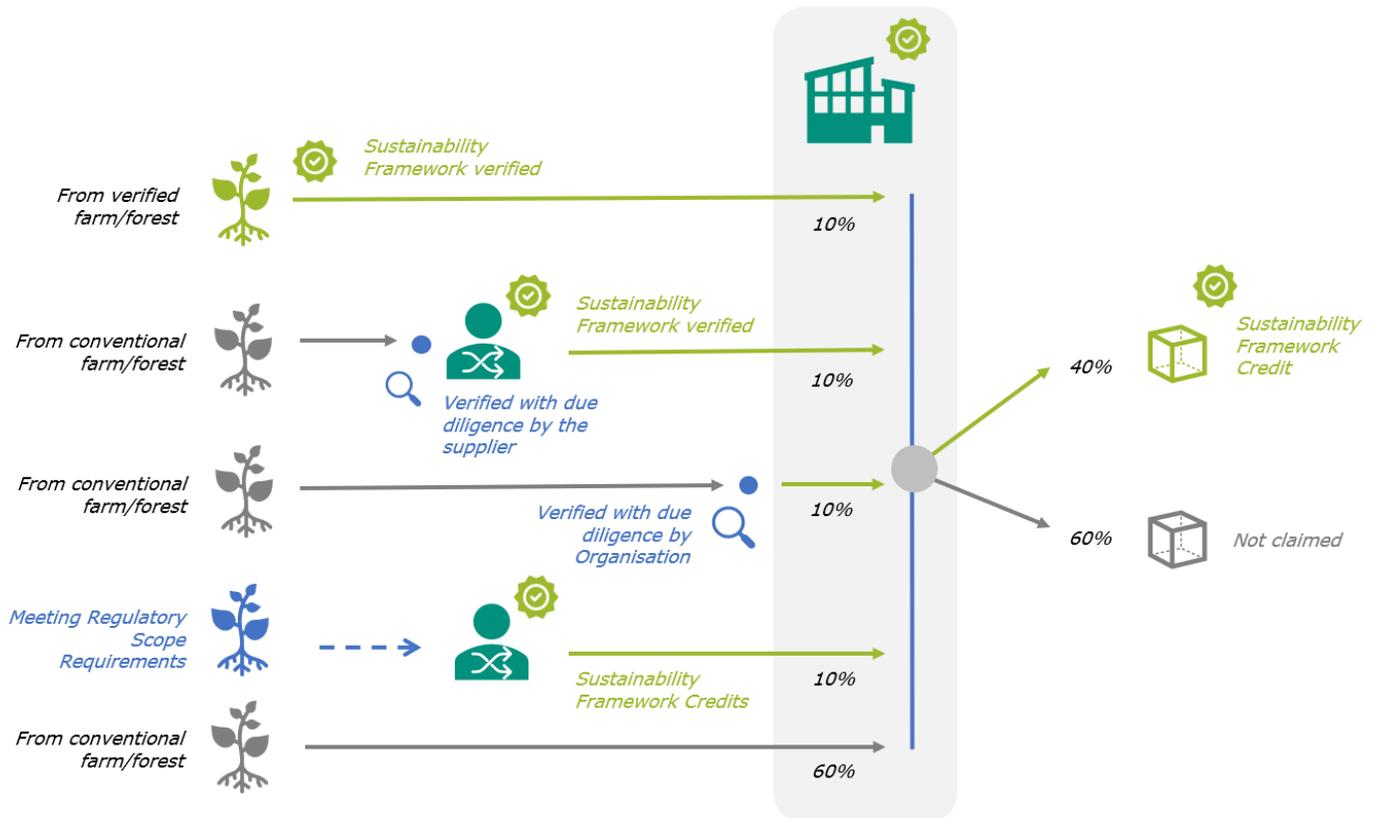


Figure 3: Illustration of the Mass Balance model

## Requirements

- 2.2.1.** A credit account shall be set up for a single site and for each product regarding which the Organisation wants to make claims.

## Guidance

Credit accounts shall be specific to each site and each product processed.

Organisations can make two claims, **Preferred by Nature certified - Sustainability scope** or **Preferred by Nature certified - Regulatory scope**, depending on the input material used.

## Requirements

## Guidance

**2.2.2.** For each credit account, the Organisation shall define:

- The product for the credit account
- The material category of the input material that will contribute credits to the credit account
- The volume that can be added to the credit account upon reception of the input material from the respective category, taking into consideration the conversion factor of the product of the credit account.

The material category can be either the **Sustainability Scope Material** or the **Regulatory Scope Material**.

To maintain the system's accuracy, conversion factors are critical in determining the amount of credits that may be used to sell products claimed.

In case of doubt, the Organisation must use a conservative conversion factor, meaning it should rather underestimate than overestimate the amount of output material per unit of input material produced.

**2.2.3.** Upon the reception of input material from the eligible material category, the Organisation may add the volume of the received material, multiplied by the conversion factor ratio, to the credit account.

For example, an Organisation which is a sawmill, has a credit account for lumber with the **Sustainability Scope Material** category and with a conversion factor of 50% (0,5). The Organisation receives 50 cubic metres of roundwood that is confirmed to conform with the requirements for **Sustainability Scope Material**. The Organisation may add 25 cubic metres of lumber to the credit account ( $50 \times 0,5 = 25$ ).

**2.2.4.** When products are purchased with claims from multiple certification or verification schemes, the Organisation shall select only one claim for the purchased volume before allocating the volume to a credit account.

This requirement aims to ensure that there is no double selling of volumes from multiple certification schemes. If claims from multiple schemes are added separately to different records or credit accounts, this means that the initially purchased quantity will be sold multiple times to different buyers. This requirement aims to avoid such cases, as it would mean that the volumes sold with claims exceed the volumes purchased.

**2.2.5.** The sale of products using credit from the credit account shall only happen after the equivalent volume of eligible input material has been received onsite.

This requirement is set to avoid the risk that the Organisation sells products with a claim without having received the actual material that conforms with the requirements relevant to the claim.

## 3. Requirements for multi-component products

This Chain of Custody Standard and its models can also be applied to multi-component products.

A **multi-component** product consists of multiple **components** or ingredients. For concise language, the term *component* is used throughout this Standard as an alternative for the term *ingredient*, even though the term ingredient would sometimes be more appropriate for the food sector.

For example, cocoa beans are a single-component product, however, a chocolate bar with cocoa, sugar, milk and other components would be considered a multi-component product.

For non-final products, organisations are allowed to make **claims** about any product component that conforms with this Standard's requirements. All the applicable Standard requirements must be followed for all the components regarding which any claims are made.

When making claims about multi-component products, the Organisation shall specify which part of the product the claim applies to. For example, if cocoa is the certified component of a chocolate bar, the claim shall refer to *Cocoa*.

For claims related to **final products**, the term **core component** is of central importance. The product's core component is its main component, which gives the product its distinctive nature.

When promoting final products, which reach **end users** with claims related to sustainability or regulatory aspects, it is essential that the core component of the product is certified and meets the applicable requirements.

See the Terms and Definitions section for more explanation on the core component.

If the product contains multiple components which are made from the same material as the core component, all the components from such material must meet the applicable rules.

## Requirements

## Guidance

**3.1.1.** For all **multi-component products** in the scope, the Organisation shall clearly define each **component** for which it wishes to make any claims, including the volume and share of these components from the total product.

The chain of custody requirements apply to all the components regarding which the Organisation wishes to make any claims. It is crucial to specify precisely which parts of the product are subject to the rules and their respective volume or proportions in relation to the entire product.

**3.1.2.** The Organisation shall ensure that all components for which claims are made adhere to all relevant requirements of the selected chain of custody model.

In the case of the Segregated Model, the input material for the entire chosen component must belong to the material category eligible for use in the model.

In the case of the Mass Balance model, the Organisation shall establish and maintain a credit account for the chosen component. A separate credit account shall be established for each product's component(s) in the scope.

**3.1.3.** The Organisation may choose to apply the chosen chain of custody model to multiple components made from different materials. In this case, all the requirements shall be followed separately for the components from each material.

Example: An organisation makes shoes that contain both leather and rubber. The input material for both leather and rubber is from one of the eligible material categories (**Sustainability Scope Material** or **Regulatory Scope Material**). The Organisation may choose to apply the chain of custody to one of these materials or both. If the Mass Balance model is being utilised, it is necessary to establish distinct credit accounts for rubber and leather. This allows for claims to be made about the shoe, specifying the use of both materials.

## Requirements

**3.1.4.** For products with multiple components of the same raw material, the Organisation shall ensure that all applicable requirements of the chosen chain of custody model are applied to all components in the product made from such material.

**3.1.5.** For any claims related to final products, the Organisation shall define the **product's core component** and ensure that the core component meets the applicable requirements for the chosen chain of custody model.

## Guidance

It is not allowed to claim only one component when the product contains other components of the same raw material. For example, in a wooden chair with a leather seat cover, everything made of timber shall be subject to the requirements of the chosen chain of custody model. However, other materials, such as leather seat covers, may be excluded from the model rules.

In the case of the Mass Balance model and, if the product contains multiple components from the same material as the core component, the credit account must cover all these components.

Let's take the example of producing a chocolate bar by mixing cocoa, sugar and milk. In this scenario, cocoa is considered the core component because it is the ingredient that defines the chocolate bar's fundamental characteristics. As the chocolate bar is a final product that will be sold to end users, all the cocoa used as input material must be from the eligible input material category.

## 4. Use of claims

This section defines claims that certified organisations can use in relation to the certified products. The allowed claims depend on: a) the **material category** used as **input material**, b) the **chain of custody model** used, and c) which option is used in relation to the information about the origin of the material.

This Chain of Custody Standard permits **two main claims**, as outlined in the table below. Both of these are eligible to be used under both chain of custody models, with the condition that all input materials must meet at least the requirements of the Regulatory scope.



Claim	Explanation
<b>Preferred by Nature certified - Sustainability scope</b>	The Sustainability scope refers to the full set of requirements (all indicators) in the Preferred by Nature Sustainability Framework. The full framework is developed to regulate the sustainable production of natural resources and aims to cover the full scope of core sustainability topics.
<b>Preferred by Nature certified - Regulatory scope</b>	<p>The Regulatory scope refers to a sub-set of requirements in the Sustainability Framework. These requirements centre on critical international or major consumer region regulatory standards. In the Sustainability Framework, these are presently identified as requirements pertaining to the EU Deforestation Regulation.</p> <p>It is essential to make clear that the regulatory requirements are not distinct from the sustainability requirements. Instead, they represent a subset of the complete set of sustainability requirements, distinguished by their specific designations.</p>

In addition to the two primary claims about the level of conformance with the requirements related to sustainability and regulatory aspects, this Standard allows **two claims related to the origin of the information**: a) **Geolocation preserved**, and b) **Source preserved**. These can be used in addition to the primary claims, but only together with one of them.

All claims can be made on sales and transport documents and in any business-to-business communication. This includes claims that are put directly on non-final products for easy identification in the supply chain. Claims related to the Regulatory Scope material are reserved for business-to-business use and are not allowed to be used in relation to final products or towards end consumers. The claim **Geolocation preserved** and claims about the **Source** of the material may be used for any products at any stage in the supply chain and towards any target group.

Please note that the Organisation shall always maintain responsibility for conformance with relevant national labelling and consumer protection regulatory obligations. If there are instances where legal labelling and consumer protection requirements conflict with any provisions or guidance in this Standard, Organisations should consistently adhere to applicable legal requirements and get in touch with Preferred by Nature to determine the appropriate steps to take next.

## Requirements

**4.1.1.** For products related to the material category of **Sustainability scope material**, the Organisation may use the following claim:  
**Preferred by Nature certified - Sustainability scope.**

## Guidance

In the Segregated Model, this refers to products made exclusively from **input material** within the **Sustainability scope material** category. For the Mass Balance Model, this indicates the products utilising credit from credit accounts where only **Sustainability scope material** input material contributes to adding the credit.

## Requirements

**4.1.2.** For products related to the material category of **Regulatory scope material**, the Organisation may use the following claim: **Preferred by Nature certified - Regulatory scope**.



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

**4.1.3.** If the Organisation tracks the geolocation of the material and supplies all the information related to the **geolocation** with the product, it may use the following claim: **Geolocation preserved**.

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

**4.1.4.** If the Organisation has defined the **Source** of the material and tracks the Source for all the input material, the Organisation may include information about the Source:

- On transport and sale documents
- In product-related communication and promotion materials
- On the product.

**4.1.5.** Claims shall always specify the certified material in the following cases:

- For multi-component products
- Whenever there is potential for confusion regarding the material to which the claim applies.

## Guidance

In the Segregated Model it indicates the products made from **input material** in the **Regulatory scope material** category or from the mixture of the Regulatory scope material and the **Sustainability scope material**. In the Mass Balance Model, it indicates the products utilising credit from credit accounts where Regulatory scope material or both Regulatory scope material and Sustainability scope material contribute to adding the credit.

Please refer to the requirements in the Material Handling Requirements section for information that shall be collected for **input material** and provided with the **output material** related to the geolocation.

Please refer to the requirements in the Material Handling Requirements section for information on how to define the **Source** and what information shall be collected for **input material** and provided with the **output material**.

Claims concerning multi-component products shall consistently clarify which component is certified. For instance, in the case of a chocolate bar where cocoa serves as the core component, the claim shall explicitly specify the cocoa as being the certified component. If the cocoa used as input material falls within the **Sustainability scope material**, the claim would be: **Preferred by Nature certified cocoa - Sustainability scope**.

In certain scenarios, it may not be obvious to which part of the product the claim pertains. For example, if only the packaging is certified, the claim must include a clear explanatory statement indicating this.

## Requirements

## Guidance

**4.1.6.** If the Organisation becomes aware of any information, including substantiated concerns, indicating that the product that they have supplied is at risk of not conforming with the requirements of the Preferred by Nature Certification programme, it promptly notify both Preferred by Nature and the companies to whom they have supplied the product.



## Annex 1.

# Chain of Custody requirements for land managers

This annex details all the chain of custody requirements applicable to land managers, e.g. farm and forest managers, under the Preferred by Nature Certification programme.

Farm and forest managers are responsible for ensuring that all the material sold as certified originates from areas that are covered by valid Sustainability Framework certificate scope.

Also, they shall ensure that accurate sales claims are included in the sales and transport documents in a way that enables the claim to be linked with the physical material supplied.

Land managers have access to the same choices as other organisations when it comes to providing information regarding the material's origin.

Requirements	Guidance
<p><b>A.1</b> The Organisation shall ensure that all material sold as certified originates entirely from areas that are included in the scope of their valid Sustainability Framework certificate.</p>	<p>The Organisation is responsible for selling products with a certified claim only when they have confirmed that the materials fall within the scope of their certificate and that the certificate is currently valid.</p>
<p><b>A.2</b> The Organisation shall ensure and be able to document that volumes or weight of material sold as certified do not exceed actual production achieved within the certified area included in the certification scope.</p>	<p>The Organisation must maintain records related to the production volumes, which enable auditors to certify that the amount of products sold with the claim corresponds to the production volumes.</p>
<p><b>A.3</b> All sales of claimed products shall be recorded by the Organisation, including:</p> <ul style="list-style-type: none"> <li>• Name of the legal entity of the buyer (including postal address and email address)</li> <li>• Reference to the sales and transport documentation</li> <li>• Date of sale</li> <li>• Description of the product and, if applicable, the species name (including scientific name for wood-related products)</li> <li>• Quantities sold</li> <li>• Product claim</li> </ul>	<p>The Organisation shall maintain complete and accurate records of all its sales transactions.</p>

## Requirements

## Guidance

- A.4** All **output material** sold with a **claim** shall be clearly identifiable on sales and transport documents and should include one of the following claims:
- **Preferred by Nature certified – Sustainability scope** for Organisations conforming with all the applicable requirements of the Sustainability Framework or
  - **Preferred by Nature certified - Regulatory scope** for Organisations conforming with all the regulatory requirements of the Sustainability Framework.

The allowed sales claim depends on the level of conformance to which the Organisation's land management activities have been certified.

- A.5** For all output material sold with a claim, the Organisation shall indicate their Sustainability Framework certificate code on the sales and transport documents.

Each certified Organisation will receive a unique code communicated on the certification certificate issued to the Organisation.

- A.6** If the Organisation becomes made aware of any information, including substantiated concerns, indicating that a product that they have supplied is at risk of not conforming with the requirements of the Sustainability Framework, it shall promptly inform Preferred by Nature, as well as the companies whom it has supplied.



Mandatory only for Organisations that want to communicate origin information using the **Geolocation preserved** option.

- A.7** For the sale of material, the Organisation shall compile, record and communicate information on:
- Country(ies) of production or sub-nation region(s) where relevant
  - **Geolocation** of all plots of land (or establishments in the case of cattle products) relevant to the commodities which the sold product contains, was made using or was fed with
  - **Date or time range** of production for the relevant commodities.

Requirements related to geolocation may be used by any Organisation. They have been designed to also align with the EU Deforestation Regulation and may be useful for companies aiming to supply material that is or will be subject to the requirements of this Regulation. Since for land managers, it is easy to provide such information, it is highly recommended to include the information with the sold material.

Geolocations of plots of lands or establishments need to be passed down the supply chain in the form of geolocation information. The minimum requirement for establishments and farms below 4 ha is at least one latitude and longitude point with at least six decimal digits. Bigger plots of land (over 4 ha) must be described using polygons with sufficient points to mark the plot's boundary.

**EUDR reference:** Art. 9(c)(d)

## Requirements

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

- A.8** The Organisation shall define and record each **Source** regarding which it wants to make claims, including the following info:
- The name of the Source that will be used for claims and communication
  - The geographic location and boundaries of the Source
  - If applicable, other specified characteristics relevant for the Source.

## Guidance

To claim that material or product originates from a specific source, the Source must be clearly defined.

For example, if the Organisation wants to sell coffee produced in a specific region, it may define the region's name as the name of the Source.

For instance, if an Indigenous community produces coffee, this could be added as a specified characteristic.

Land managers who want to emphasise specific locations or other characters may choose to add the Source information to the products they sell.

Mandatory only for Organisations that want to communicate origin information using the **Source preserved** option.

- A.9** For the sale of material, the Organisation shall compile, record and communicate certified information on the **Source** of the product's raw material on its sales and shipping documentation.

- A.10** If the Organisation handles material that is not covered by the scope of their certificate, they shall segregate certified material from non-certified material and shall ensure that no claims related to the Preferred by Nature Certification programme are used in relation to such material.

In some cases, farm or forest managers may also purchase material from other farms or forests.

Sometimes, a farm may grow several crops in the same area but have only one or some of these crops covered by the scope. Any material that is not covered by the certificate shall not be sold with any claims.

If the Organisation purchases any material with Sustainability Framework claims from other organisations and intends to sell such material with any claims related to Sustainability Framework, it must be assessed according to the full set of applicable requirements outlined in this Chain of Custody Standard.

Preferred by Nature 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 30 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 the forest, agriculture and climate impact commodities, and related sectors, such as tourism and conservation.

[www.preferredbynature.org](http://www.preferredbynature.org)

