

SUSTAINABLE FIBRE ALLIANCE 2021 Chain of Custody Guidelines - **Mongolia**

IMPORTANT NOTE:

These guidelines are effective from 1st March 2021 and apply to companies that have sourced SFA Certified cashmere fibre from Mongolia during the 2021 Chain of Custody.

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1. INTRODUCTION

1.1. Chain of Custody (CoC) Guidelines

Our Chain of Custody Guidelines outline the set of requirements for companies along the cashmere supply chain who are participating in the SFA's 2021 CoC and who will be buying or selling SFA Certified fibre or products. These guidelines have been revised based on the 2020 CoC pilot project as part of our CoC development.

For 2021 the SFA will continue with a **batch-level** segregation with controlled blending chain of custody model. This model maintains physical segregation of certified product until the final point of blending or mixing for a specific batch of that product. Mixing with non-certified products is controlled and recorded, so the proportion of certified content in each final product is known. Under this model, certified and non-certified cashmere fibre can be mixed within an actual product. This type of CoC model ensures the endproduct contains at least a proportion of certified product, which allows specific end-use claims to be made.

For 2021 we have set a **minimum threshold of 33%** (one third) of SFA Certified fibre *of the total cashmere content* of final products or a **minimum 5%** of Certified fibre of the final product, whichever is higher.

This is a *minimum threshold*, meaning that final products can contain anywhere between 5% and 100% SFA Certified fibre. This model provides our members with flexibility, allowing them to pursue any content above 5% that best fits with their own supply chain dynamics, manufacturing constraints and quality demands. SFA Certified fibre can be mixed with non-certified fibre <u>ONLY</u> from the spinning stage onwards. Certified cashmere <u>must be at</u> least 33% of the total cashmere content of final products or at least 5% of the final product, whichever is <u>higher.</u>





Currently, only producer organisations and primary processors can be accredited against the SFA Cashmere Standard. We have two codes of practice targeted at the producer level: Animal Husbandry Code of Practice and Rangeland Stewardship Code of Practice. A third code of practice (Clean Fibre Processing Code of Practice) is targeted at the scouring and dehairing process of cashmere fibre.

To achieve accreditation from the SFA, producer organisations and processing plants need to demonstrate compliance with the minimum requirements of the relevant code/s of practice.

2.1. Producer organisations

After registering with the SFA, producer organisations are assessed against the requirements of the Animal Husbandry and Rangeland Stewardship Codes of Practice. Depending on their level of compliance for each code of practice, Producer Organisations are accredited at bronze (minimum requirements met), silver and gold level.

Producer Organisations are only eligible to participate in our chain of custody programme if they meet the minimum requirements of both codes of practice.

Fibre sold by producer organisations is only 'SFA Certified' when they are compliant with both Animal Husbandry & Rangeland Stewardship Codes of Practice

2.2. Primary processors

Primary processing of cashmere fibre includes scouring (washing) and dehairing of cashmere fibre, both of which are covered by our Clean Fibre Processing Code of Practice. As some processors are only involved in one of these processes, the code of practice is separated into scouring and dehairing pathways. After registering with the SFA, processing plants are assessed against the requirements of their relevant business activity and, if they meet the minimum requirements, are accredited at bronze, silver or gold level.

- 2.2.1. Scouring processors can only label their cashmere as 'SFA Certified' if they have sourced it from eligible producer organisations (i.e. those compliant with both Animal Husbandry and Rangeland Stewardship Codes of Practice).
- 2.2.2. Dehairing processors can only label their cashmere as 'SFA Certified' if they have sourced it from scouring plants that have been accredited against the Clean Fibre Processing Code of Practice.
- 2.2.3. Combined scouring and dehairing processors can only label their cashmere as 'SFA Certified' if it has been sourced from eligible producer organisations.

Fibre sold by primary processors is only 'SFA Certified' when they are compliant with the Clean Fibre Processing Code of Practice and they have sourced from eligible producer organisations

3. PARTICIPATION CRITERIA

Here we outline the participation criteria for the supply chain organisations involved in the CoC.



Producer Organisations must be compliant with Rangeland Stewardship and Animal Husbandry Codes of Practice



Primary Processors must be: 1) compliant with the Clean Fibre Processing Code of Practice; 2) registered with the SFA; and 3) paid the CoC participation fee



Manufacturers do not have to be SFA members, however they must be: 1) registered with the SFA; and 2) paid the CoC participation fee



Brand/retailers must be SFA members



All parties must comply with these Guidelines and be willing to cover any necessary auditing costs.

By participating in the SFA CoC and complying with the SFA CoC Guidelines, companies can demonstrate their use of responsibly produced cashmere and may use the SFA Certified Logo on their products.















Traceability systems are about recording and following the trail that SFA Certified fibre takes along the supply chain. For 2021, the SFA CoC is implemented in two parts. In **Part 1**, all cashmere transactions taking place in Mongolia or with a Mongolian company are verified through the SFA CoC by the SFA. We are trialling CoC software with our existing paper-based system consisting of transaction receipts and transaction certificates which are to be used alongside participating companies' own traceability systems for keeping record of fibre handling in line with these Guidelines. In **Part 2**, all transactions <u>outside of Mongolia</u> will be verified using the Content Claim Standard of Textile Exchange. Part 2 will be carried out by Certification Bodies. From 2021, companies outside of Mongolia are required to be compliant with the Content Claim Standard (CCS) for SFA Certified Cashmere and have valid Scope Certificates (SC). This enables the SFA to trace cashmere along the supply chain outside of Mongolia.

In **Part 1**, fibre will be collected from the field and transported to scouring and dehairing plants by independent fibre agents or those employed directly by

the processor and will be scoured and dehaired. Also, if spinning, weaving and final product making are taking place in Mongolia these will also be covered in this Part by the SFA CoC. **Part 2** will covers any manufacturing process (from spinning, weaving and up to final product) that are taking place <u>outside of Mongolia</u>.

Mixing of certified and non-certified content is not permitted until the spinning stage. Companies can either mix at the point of spinning, to create a blended yarn or mix at the point of weaving as per minimum threshold requirements outline in Section 1, as long as volumes are recorded correctly and stated in the final product claim.

Guidance for companies outside of Mongolia: How to be audited for Content Claims Standard



4.1. Transaction Receipts

For Part 1:

All organisations participating in the 2021 CoC will be issued with Transaction Receipts (TRs) to record the details of their fibre sale/purchase. Completion of a Transaction Receipt will be required every time the fibre changes ownership. Transaction Receipts are to be submitted to the SFA for verification.

Each receipt contains the following information:

- 1. A unique transaction reference number
- 2. Buyer and seller details, including their unique SFA Register IDs
- 3. A product description such as weight and price by each fibre colour.

Two forms of Transaction Receipt will be issued to participating companies – one to cover the dehaired to yarn stages, and one to cover yarn to final product (see Annex). Physical Transaction Receipts will be issued in the form of Triplicate Booklets to producer organisations, fibre agents and primary processors. Each transaction with a valid Transaction Receipt must be entered into the SFA Salesforce online register along with the e-copy/s of the corresponding receipt/s and submitted to the SFA for verification.

Electronic versions of the Transaction Receipts will be issued to companies. These e-receipts are to be signed electronically. Each transaction with a valid Transaction Receipt must be entered into the SFA Salesforce online register along with the corresponding e-Transaction Receipt and submitted to the SFA for verification by the buyer.

For Part 2:

If a company outside of Mongolia purchases cashmere from a Mongolian processor or manufacturer, then the process should follow the SFA CoC, as described above.

If a transaction of Mongolian fibre is completed between the companies outside of Mongolia, detailed instruction on Transaction Receipts and their submission will be given by the certification body.

4.2. Transaction Certificates

For Part 1:

For companies in Mongolia and any transaction done with a Mongolian company, submitted TRs will be reviewed by the SFA and volume reconciliation checks conducted. Once verified, the SFA will issue Transaction Certificates (TCs) to validate the certified status of the fibre or fibre product. TCs will provide us with accurate, verified records of certified inputs and outputs of SFA cashmere along the supply chain. Companies can make valid claims to sell SFA Certified cashmere if they have proof of SFA Certified inputs as demonstrated by a TC.

TCs will be issued by the SFA to the buyer and seller each time SFA Certified cashmere changes ownership. The details on the TC will match those of the TR, as well as the company invoices and shipping documents. A company does not need to know the certification details beyond its immediate supplier to be assured that the fibre they purchased is SFA Certified.

For Part 2:

For companies outside of Mongolia, Transactions Certificates will be issued by relevant certification bodies.

4.3. Record Keeping

Part 1, for companies in Mongolia:

In addition to the SFA's internal CoC database, participants in the 2021 CoC are required to keep their own records to document the handling of SFA Certified cashmere. This will rely on participants existing traceability systems. In this way, we can trial our own digital traceability system alongside participants' existing traceability systems. Running these two systems side by side will provide the opportunity to evaluate challenges and potential synergies when developing SFA's CoC system for 2022.

Part 2, for companies outside of Mongolia: record keeping shall follow CCS standard requirements.





SUSTAINABLE FIBRE ALIEL

5. CLAIMS FRAMEWORK

This section outlines the sustainability claims that participants of the 2021 CoC can make regarding the content of SFA Certified fibre in their products. Different claims will be allowed for different users, depending on the stage of the supply chain that they cover.

Note: For 2021, the SFA requests the use of declared percentage claims, where the total percentage of Certified fibre is displayed in the product claim. Please see our Claims Framework (section 5) for further details.

CoC Users	Conditions of Claim	Claim Statement
Producer Organisation	 Registered with the SFA Compliant with the Rangeland Stewardship Code of Practice and the Animal Husbandry Code of Practice 	"We are an SFA Bronze/Silver/Gold Certified producer of cashmere fibre"
Trusted Trader	 Registered with the SFA Paid the CoC participation fee SFA Certified raw fibre must only be sold to primary processors that are compliant with the Clean Fibre Processing Code of Practice Marketing of dehaired 'SFA Certified fibre' on the open market is not permitted without permission from the SFA 	"I am/We are an SFA Registered Trader of cashmere fibre" Raw cashmere can be sold as "SFA Certified fibre", but only to primary processors that are participating in the SFA CoC Dehaired cashmere can be sold as "SFA Certified fibre" to manufacturers that are participating in the SFA CoC
Primary Processor	 Registered with the SFA Paid the CoC participation fee Compliant with Clean Fibre Processing Code of Practice Marketing of dehaired 'SFA Certified fibre' on the open market is not permitted without permission from the SFA 	"We are an SFA Bronze/Silver/Gold Certified producer of cashmere fibre" Dehaired cashmere can be sold as "SFA Certified fibre" to participants in the SFA CoC
Manufacturer	 Registered with the SFA Paid the CoC participation fee Products containing SFA Certified fibre are only sold to SFA CoC participating company or SFA Members 	"This product contains [at least] X% of SFA Certified cashmere"
Brand/retailer	 SFA Member Brands must retail their own products¹ 	"This product contains [at least] X% of SFA Certified cashmere" Hang tags on cashmere-containing products can include the SFA Certified Logo.

¹ SFA membership is not required for retailers that are selling SFA Certified products on behalf of an SFA brand member.



This section outlines requirements for companies in the cashmere supply chain looking to trade SFA Certified fibre or fibre products and how to handle the certified fibre throughout the processing and manufacturing process.

All participating companies must either be SFA members OR be registered as official participants in the SFA Chain of Custody, via completion of a Participant Information Form and payment of the participation fee. Membership is compulsory for brand/retailers.

All companies wishing to make product claims about SFA Certified fibre must follow our CoC requirements and abide by the Claims Framework (section 5).

6.1. Documented procedures, training and responsibilities

- 6.1.1. The company shall maintain written procedures covering the requirements of the SFA 2021 CoC Guidelines.
- 6.1.2. The company shall keep a copy of the SFA 2021 CoC Guidelines on their premises.
- 6.1.3. The company shall define all such persons who are responsible for implementing each procedure and ensure that they have adequate training and qualifications to implement the procedure.
- 6.1.4. The company shall appoint a management representative with overall responsibility for the implementation of the SFA CoC to be recorded using their own traceability system.
- 6.1.5. SFA Certified fibre must be kept separate from non-certified fibre during the sorting, scouring and dehairing process.
- 6.1.6. SFA Certified fibre from different producer organisations can be mixed together.

- 6.1.7. The processor shall implement a record keeping system to maintain complete and up-to-date records covering all aspects of the SFA CoC.
- 6.1.8. Auditable records of any staff training relating to CoC shall be kept for at least five years and be open for checking by the SFA.

Support will be provided by the SFA to help participating companies comply with these guidelines. Companies are encouraged to keep a feedback log to document any issues arising with the implementation of these guidelines, in order to improve its development.

- 6.1.9. Any export of dehaired SFA Certified fibre or fibre product shall abide by relevant Mongolian export legislative requirements
- 6.1.10. Mixing of certified and non-certified fibre is not permitted until the <u>spinning stage</u>, after which the exact content of certified and noncertified fibre shall be documented.
- 6.1.11. The final product must contain at least 33% (one third) of SFA Certified fibre of the total cashmere content of final products or at least 5% of Certified fibre of the final product, whichever is higher. This means that anywhere between 5% and 100% Certified content in final product is permitted, as long as the exact content is recorded and included in the final product claim. Examples are provided below:



EXAMPLE 1:

If a scarf is 100% cashmere, then at least 33% <u>must be</u> SFA Certified cashmere.



EXAMPLE 2:

A scarf of 95% wool and 5% cashmere, then this 5% <u>must be</u> SFA Certified cashmere

EXAMPLE 3:

A scarf of 20% wool and 80% cashmere, then at least 27% (=33% x 80%) <u>must be </u>SFA Certified cashmere in the total product

EXAMPLE 4:



A scarf of 70% silk and 30% cashmere, then at least 10% (=33% x 30%) <u>must be</u> SFA Certified cashmere in the total product.

6.2. Material input records

- 6.2.1. The company shall ensure that the SFA Certified fibre received from the seller is accompanied by a Transaction Receipt.
- 6.2.2. The company shall ensure that the quantity of SFA Certified fibre received is in compliance with the supplied documentation before it is recorded using their own traceability system.

6.3. Material output records

- 6.3.1. The company shall ensure that the batch of SFA Certified fibre or fibre product is accompanied by a completed Transaction Receipt that is signed by buyer and seller.
- 6.3.2. The company must write the Unique ID/s of the producer organisation/s that contributed fibre to that particular batch on the back of the Transaction Receipt.

Transaction Receipts are required every time fibre or fibre product is sold onto a new company.

6.3.3. The company shall ensure that the amount of certified fibre sold matches the amount of fibre purchased, after accounting for conversion rates.

It is estimated that the average conversion rate for raw to dehaired is <u>50%</u>. Participants are asked to record their exact conversion rates in order to improve our estimates for future development of these CoC guidelines.

6.3.4. The company shall ensure that the export of fibre or fibre products shall abide by relevant export legislative requirements.

7. CCS REQUIREMENTS

7.1. Chain of Custody requirements of CCS

The Content Claim Standard is based on three principles: Product identification, Product Segregation and Volume Reconciliation.



Product Identification:

- Certified products are accurately identified.
- Content percentages of claimed materials are accurate.



Product Segregation:

- Certified goods are not mixed with noncertified goods.
- Certified goods are stored separately from non-certified goods.



Volume Reconciliation:

- Certified outgoing products match the incoming certified goods.
- (Input)+/-(production loss) = (output)

Based on the above principles, the requirements for a company's operational compliance with the CCS are divided into the following broad groups:

- Management systems: Procedures, record Keeping and staff & management.
- Managing CCS inputs: Input Inspection and Products suspected of not satisfying the Requirements of the CCS Standard.

- Managing CCS product during production: Production control, identification, segregation
- Managing CCS product during postproduction: Packaging and transporting CCS products, storing CCS products and labelling of CCS products.



The full requirements of the Content Claim Standard can be found <u>HERE</u>.

8. CLAIMS

Companies shall follow the CoC Claims Framework (Section 5 of these Guidelines).

Claims must contain the exact content of SFA Certified fibre, or a statement of 'at least X%', as stated in the CoC Claims Framework.

Final products containing SFA Certified fibre must have a hang tag with the SFA Certified logo, unless otherwise agreed with the SFA.

The claims about, and actual physical volumes of Certified cashmere-containing products sold by brands/retailers must match the volume of SFA Certified cashmere-containing products purchased.

Companies must not offer SFA Certified fibre to brand buyers that are not members of the SFA. Only brands that are SFA Members are permitted to make product claims regarding SFA Certified fibre.



Claims guidelines and logo requirements will be provided to brand/retailers for finished products containing SFA Certified fibre



Companies wishing to offer SFA Certified fibre to companies not registered with the SFA, must first inform the SFA, so we can process their registration on our CoC system and issue the appropriate documentation.



9.1. SFA Mongolia Contact Details

ENGLISH

The Sustainable Fibre Alliance Room #32, 2nd floor, Grand Office Olympic Street, Ulaanbaatar, Mongolia Tel: +976-70115559

MONGOLIAN

Монгол улс, Улаанбаатар хот Сүхбаатар дүүрэг, 1-р хороо Олимпийн гудамж Гранд оффис, 23 тоот

email: admin@sustainablefibre.mn

и-мэйл: admin@sustainablefibre.mn

9.2. Transaction Receipts

The SFA CoC involves three types of Transaction Receipts, depending on the production stage of the fibre or fibre product that is being sold. Transaction Receipt 1 (TR1) is a physical receipt issued in triplicate booklets that must be signed in person by Phase 1 users (raw to dehaired fibre). Transaction Receipt 2 (TR2) and Transaction Receipt 3 (TR3) are used for Phase 2 transactions and are issued via email as electronic word forms and require electronic signatures.

TR 1: Part 1 (raw to dehaired fibre)

PHASE 1 TRANSACTION RECEIPT 1 Date [DD/MM/YYYY]://///	Fransaction Receipt #:			sfa
1. BUYER DETAILS		2. SE	LLER DETAILS	
Company Name:		Company	/ Organisation Name:	
Type of Buyer (tick all that apply):		Type of Se	eller (tick all that apply):	
Trader Processor Manufacture	er 🗌 Brand/retailer	Produ	icer <u>Organisation</u> Trader	Processor
SFA Register ID:		SFA Regis	ter ID:	
Contact email:		Contact e	mail:	
Contact number:		Contact n	umber:	
3. PRODUCT DESCRIPTION				
Product Type (tick one): Raw	Scoured			
Colour	Weight (KG)		Price per KG (MNT)	Total price per colour (MNT)
Mixed				
White				
Grey				
Brown/Dark				
TOTAL WEIGHTS			TOTAL PRICE	
Buyer Representative Name:		er Represent	tative Name:	
Signature:	Vhite Copy = SFA; Pink Copy =	Seller, Yellow	Signature: v Copy = Buyer	
SFA Mongolia Office: Roo	om #32, 2 nd floor, Grand Offic	e, Olympic St	reet, Ulaanbaatar. Tel +976-7011555	9

TR 2: Part 2 (dehaired to spun yarn)

is batch: [enter historica			210
	l receipt numbers here]		I
	2. SELLER DETAILS		
	Company Name:		
	[enter name here]		
	Type of Seller (tick all th	at apply):	
Brand/retailer	Trader Proce	essor 🗌 Manufactu	rer 🗌 Brand/retailer
	Contact email: [enter er	mail here]	
	Contact number: [enter	phone number here]	
abric 🗌 Final prod	luct		
Batch ID numbers	Total Weight (KG)	SFA Content Weight (KG)	Proportion of SFA Conter
[#]	[#]	[#]	[#]
[#]	[#]	[#]	[#]
[#]	[#]	[#]	[#]
[#]	[#]	[#]	[#]
TOTAL WEIGHTS	[#]	[#]	
		e Name: [enter name]	
3	bric Final proc Batch ID numbers [#] [#] [#] [#]	Company Name: [enter name here] Type of Seller (tick all th Trader Proce Contact email: [enter en Contact number: [enter Contact number: [enter Enter Batch ID numbers Total Weight (KG) [#] [#] [#] [#] [#] [#] [#] [#] [#] [#]	Company Name: [enter name here] [enter name here] Type of Seller (tick all that apply): Brand/retailer Trader Processor Manufactur Contact email: [enter email here] Contact number: [enter phone number here] bric Final product SFA Content Weight (KG) SFA Content Weight (KG) #1 [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#] [#]

TR 3: Part 2 (yarn to final product)

Date: [DD/MM/YYYY) Transaction Receipt a	#: [enter receipt number he	ere]		sta
listorical Receipt Numbers for fibre contained in	this batch: [enter historica	l receipt numbers here]		I
1. BUYER DETAILS		2. SELLER DETAILS		
Company Name:		Company Name:		
[enter name here]		[enter name here]		
Type of Buyer (tick all that apply):		Type of Seller (tick all th	at apply):	
Trader Processor Manufacture	er 🗌 Brand/retailer	Trader Proce	essor 🗌 Manufactu	rer 🗌 Brand/retailer
Contact email: [enter email here]		Contact email: [enter e	mail here]	
Contact number: [enter phone number here]		Contact number: [enter	phone number here]	
3. PRODUCT DESCRIPTION	I			
Product Type (tick one):	Fabric 🗌 Final prod	luct		
Description	Batch ID numbers	Total Weight (KG)	SFA Content Weight (KG)	Proportion of SFA Content
[Description]	[#]	[#]	[#]	[#]
[Description]	[#]	[#]	[#]	[#]
[Description]	[#]	[#]	[#]	[#]
[Description]	[#]	[#]	[#]	[#]
	TOTAL WEIGHTS	[#]	[#]	
Buyer Representative Name: [enter name]		Seller Representativ	e Name: [enter name]	

9.3. Transaction Certificate

Transaction Certificates are only issued upon receipt of a valid Transaction Receipt that has been verified by the SFA. For companies sourcing fibre from Mongolia CoC, Transaction Certificates are issued by the SFA Mongolia office.

BUYER DETAILS	S	ELLER DETAILS		
Company Name:	C	rganisation/Company Nan	ne:	
Type of Buyer (tick all that apply): Trader Proce Manufacturer Branc		ocation of seller (town/city	r, province, country):	
SFA Register ID:	S	FA Register ID:		
Contact number:	C	ontact number:		
PRODUCT DESCRIPTION				
Fibre Type (Tick one): Raw	Washed D	ehaired Yarn	Fibre Garme	nt/Product
ITEM DESCRIPTION			FIBRE TRANSACTION RECEIPT(S) / BATCH REFERENCE(S):	PRODUCT WEIGHT (KG)
	TOTAL	NEIGHT OF SFA CERTIFIED	CASHMERE USED (KG)	
DECLARATION:				
This is to certify that the cashmere fibr	re purchased in the tra	ansaction above has been	produced in accordance w	ith the SFA's Cashmere
DECLARATION: This is to certify that the cashmere fibe Standard. ISSUER STAMP	re purchased in the tr		produced in accordance w	vith the SFA's Cashmere
This is to certify that the cashmere fib Standard.	re purchased in the tra	изи Тогтвор ноос но эвсэл ноолуурын өрг	JER DETAILS	



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