AIC Sustainable Commodities Scheme (ASCS) Module 1: Origin to the UK Chain of Custody and Legality of Production Guidance

22nd April 2025

Section 1: AIC Sustainable Commodities Chain of Custody Models

1. Introduction

These Chain of Custody Models apply to any organisation taking legal ownership of certified materials and making claims about the connection between certified volumes intake and certified material supplied to customers.

The AIC Sustainable Commodities Scheme (ASCS) Chain of Custody Models establish a connection between any sustainability claims being made by a Participant and the physical flow of product moving through an identified process or supply chain. They are essential components in the ASCS, ensuring that any information provided with regard to the sustainability characteristics of raw materials, intermediate products and feed is credible with regard to its origin and type and can be verified along the entire process and supply chain.

2. Chain of Custody Models

Participants should use the Chain of Custody model that best suits their location, business needs and operational context.

2.1. Controlled Blending

2.1.1 Controlled blending allows certified and non-certified materials to be physically mixed where Participants can demonstrate that those materials and ingredients which are at risk of being linked to deforestation are from sources which are free from legal and illegal deforestation.

2.1.2 Controlled blending allows certified and non-certified materials to be physically mixed only where they have the same characteristics, which within this module requires that raw materials are sourced from and products are produced on deforestation-free sites.

Integrity of controlled blended certified material in accordance with these Principles must be managed at the following points:

a) First Gathering Points (where crops received from farmers are first stored by a purchasing company): on a site-by-site basis.
b) Storage sites (where managed separately e.g ports)
c) Processors (oilseed crushing plants, vegetable oil refineries etc. who will process the crop): on a site-by-site basis.
d) Shippers/ Merchants: on a business-by-business basis.

2.2. Segregation

Segregation allows only certified materials with the same characteristics to be physically mixed, which within this module requires that raw materials are sourced from and products are produced on deforestation-free sites.

Integrity of segregated certified materials in accordance with these Principles must be managed at the following points:

a) First Gathering Points (where crops received from farmers are first stored by a purchasing company): on a site-by-site basis.
b) Storage sites (where managed separately e.g.ports)
c) Processors (oilseed crushing plants, vegetable oil refineries etc. who will process the crop): on a site-by-site basis.
d) Shippers/ Merchants: on a business-by-business basis.

2.3. Identity Preserved

Identity Preserved allows only certified materials produced at the same site, with the same characteristics to be physically mixed, which within this module requires that raw materials are sourced from and products are produced on deforestation-free sites.

Integrity of identity preserved certified materials in accordance with these Principles must be managed at the following points:

a) First Gathering Points (where crops received from farmers are first stored by a purchasing company): on a site-by-site basis.
b) Storage sites (where managed separately e.g.ports)
c) Processors (oilseed crushing plants, vegetable oil refineries etc. who will process the crop): on a site-by-site basis.
d) Shippers/ Merchants: on a business-by-business basis.

2.4 Chain of Custody Models comparison

The diagram below explains how Controlled Blending, Segregation and Identity Preserved models compare to other Chain of Custody models:

Supply Chain Traceability Chain of Custody Models	Assurance that certified material is present in the physical supply chain	Potential for material of unknown origin in the physical supply chain	Complete separation of certified and non-certified raw materials throughout the supply chain
Book & Claim process	NO	YES	NO
Mass balance	**YES**	**YES**	**NO**
Controlled Blending	**YES**	**NO**	**NO**
Segregation	**YES**	**NO**	**YES**
Identity Preservation	**YES**	**NO**	**YES**

3. Principles for Controlled Blending

3.1 Raw Materials/ Feed Entering and Leaving the Controlled Blending Model at First Gathering Point, Origin Port Store and Ship Hold

Participants must use a Chain of Custody system that:

3.1.1 Ensures that only raw materials/ feed that will not compromise feed safety enters the system
AND
3.1.2 Allows **ONLY** consignments of raw materials/ feed with similar sustainability characteristics which are traceable to the production site and free from deforestation to be commingled into one bulk
AND
3.1.3 Provides for the sum of all consignments withdrawn from the commingled bulk to be described as having the same sustainability characteristics in the same quantities, as the sum of all consignments added to the commingled bulk.

*Further Information**: It is acceptable for a Participant to adopt more stringent controls if they so choose, for example Segregation or Identity Preserved.*

3.2 Sustainability Characteristics

The sustainability characteristics attributed to any raw materials entering the system must include:

3.2.1 The country(ies) and/ or regions of countries of origin
AND
3.2.2 The means by which the absence of deforestation has been verified under a scheme recognised by AIC (e.g. RTRS, Company Scheme etc.) or by the Participant themselves.
AND
3.2.3 Geolocation of plots of land where raw materials were grown or Due Diligence statement number (where required).

3.3 Process Losses and Fractionation

3.3.1 Where processing results in raw materials being fractionated to produce different feeds, appropriate conversion factors must be used to assign the sustainability characteristics to each fraction. The methodology for calculating the conversion factor(s) should be documented and ensure that they are updated when there are changes to the production process, and at least every harvest.

Interpretation: For example, if 18% of soybean oil is extracted from 100 tonnes of whole soybeans, 18 tonnes of soybean oil can be claimed as having the sustainability characteristics originally assigned to the whole soybeans.

If 40% of oil is extracted from 100 tonnes of palm kernel, 40 tonnes of palm kernel oil can be claimed as having the sustainability characteristics originally assigned to the whole palm kernel

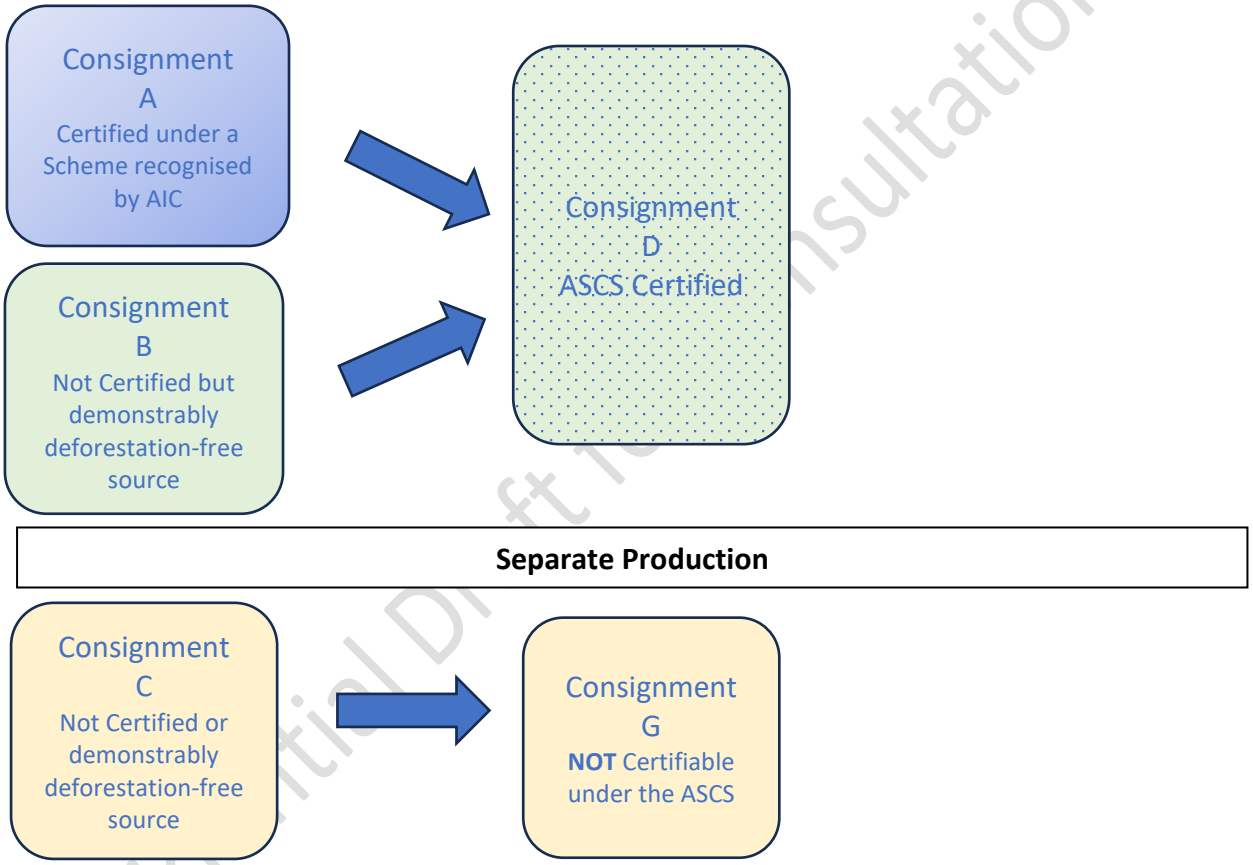
3.3.3 The same sustainability characteristics attributed to a raw material must be assigned to the feed(s) derived from it.

Interpretation.
It is NOT permissible to transfer sustainability characteristics between the different fractions derived from a raw material. For example, if there is a high demand for 'sustainable' soybean meal but not for soybean oil, it is NOT permitted to assign the sustainability characteristics of the oil to create additional 'sustainable' meal.

3.4 The Controlled Blending Model

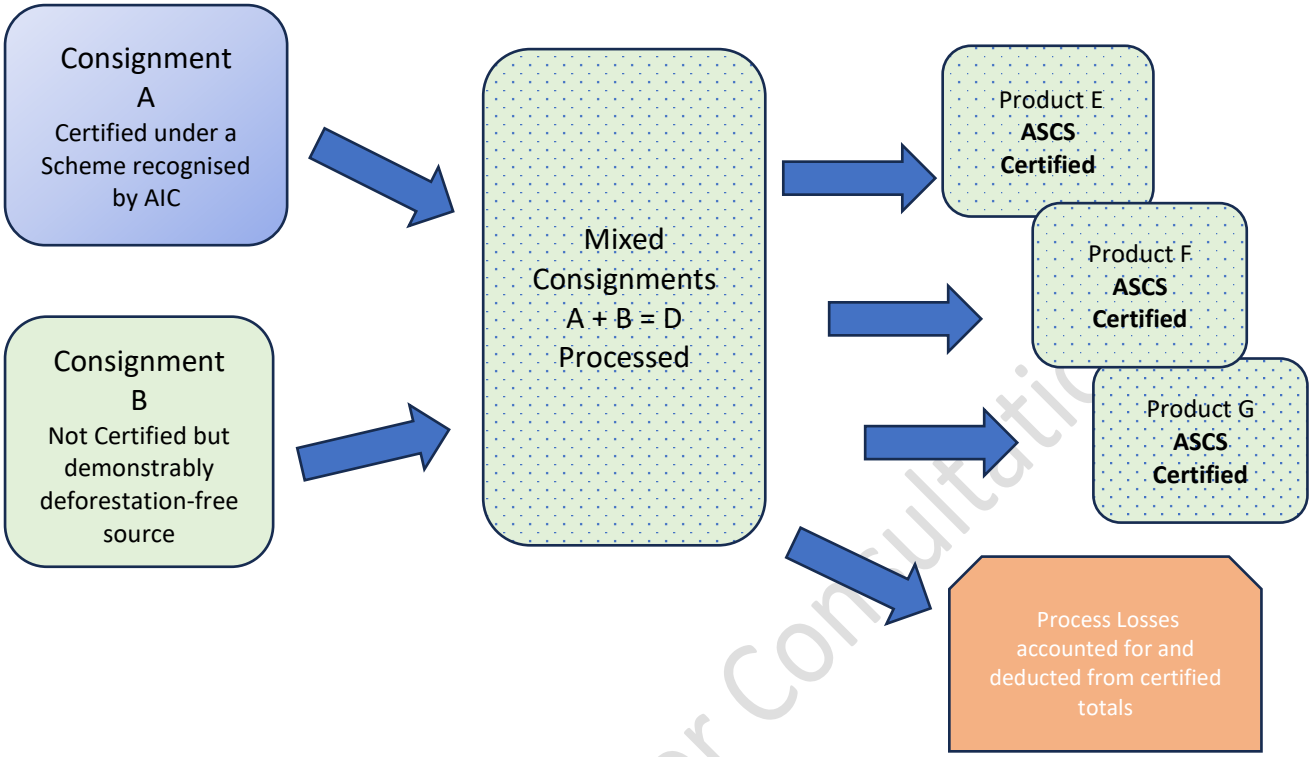
It is a prerequisite of this Scheme that ALL raw materials/ feeds are ALSO certified under a feed safety Scheme recognised by AIC. For Participants in the Feed Sector, this Standard must be applied in addition to any feed safety Scheme recognised by AIC. Participants must contact the Certification Body to confirm that any feed safety certification that they are considering using to partner this Standard is recognised by AIC.

3.4.1 Model 1 applies typically where no processing is taking place.



Formula D ≤ A+ B where D = (A+B) – any handling losses

3.4.2 Model 2 applies typically where processing is taking place.



Formula: ∑E,F,G = (E x conversion factor D)+ (F x conversion factor D)+ (G x conversion factor D) -any processing losses.

<u>Further Information:</u> Note that, in accordance with 3.1.1 (above), in addition to being 'deforestation-free', raw materials/ feeds entering a commingled bulk should not compromise feed safety.

4. Spatial Boundaries

4.1 Participants must establish a separate administration system for each of their premises, identified by the address where the facility is located to ensure traceability of batches of materials is maintained.

4.2 Each material supply must be clearly identified by its associated address and each consignment entering and leaving the administration system must be traceable to this address.

Interpretation: Where a Participant operates two facilities in close proximity, but with separate addresses, each will be required to operate its own administration system. Where multiple activities are undertaken at a single address, one administration system may apply to all activities.

5. External Storage and Third-Party Storage

5.1 Where a Participant operates or contracts a store at a different address to its other facilities to hold sustainable raw materials/ feed products, the store must operate its own administration system to ensure traceability of batches of materials is maintained.

5.2 Where a third-party store holds sustainable raw materials/ feed products on behalf of one or more Participants, a separate traceability record must be maintained for each Participant.

6. Material Accounting System

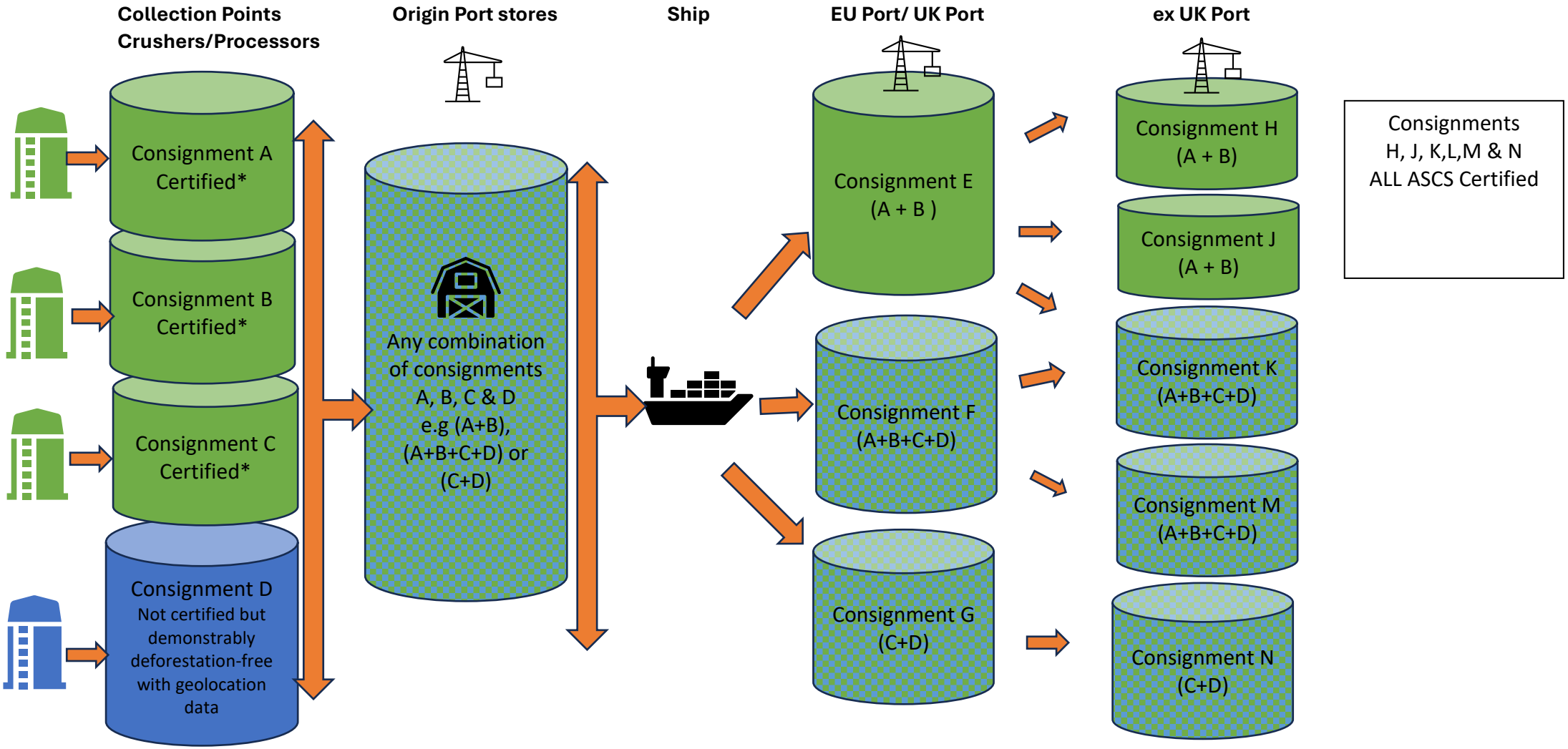
Records must be maintained of the material and the quantity (weight) of certified inputs received in the material accounting system after legal ownership of the input material is gained, and the supporting documentation must be checked. These data shall form the basis for any sustainable product claimed, using either the validated conversion factor(s) for the processing unit or actual measured output quantities.

Interpretation: A Participant will increase the quantity accounted for in their administration system upon physical receipt of raw materials/ feed products meeting the sustainability criteria of the Chain of Custody model in use. Similarly, a Participant will reduce the quantity accounted for in their administration system upon the physical despatch of raw materials/ feed products meeting the sustainability criteria of that same Chain of Custody model.

This means that where Participant 1 at a step in the supply chain supplies raw materials/ feeds to Participant 2 at the next step in the supply chain, Participant 1's material stock will be reduced when the raw material/ feed product is despatched and Participant 2's material stock will be increased upon receipt of the raw material/ feed product on the site where their material is located, regardless of whether the governing contract was on an 'ex' or 'delivered' basis.

AIC Sustainable Commodities Certification System 'Controlled Blending' Chain of Custody in the Supply Chain (illustration only of possible scenarios)

It is a prerequisite of this Scheme that ALL raw materials/ feeds are ALSO certified under a feed safety Scheme recognised by AIC. For Participants in the Feed Sector, this Standard must be applied in addition to any feed safety Scheme recognised by AIC. Participants must contact the Certification Body to confirm that any feed safety certification that they are considering using to partner this Standard is recognised by AIC.



*Certified to a Certification system listed as approved by AIC

Section 2: EU Guidance for Evidence Required to demonstrate Compliance with local laws

Extract from the Guidance Document for Regulation (EU) 2023/1115 on Deforestation-Free Products.

6. Legality

Relevant legislation: ***EUDR – Article 2(40) – Definitions and Article 3(b) – Prohibition***

According to Article 3 of the EUDR, relevant commodities and relevant products shall not be placed or made available on the market or exported, unless **all** the following conditions are fulfilled:

a) they are deforestation-free;
b) they have been produced in accordance with the relevant legislation of the country of production; and
c) they are covered by a due diligence statement.

To show compliance with these obligations, operators and large traders sourcing from standard or high-risk areas must fulfil a series of requirements, which essentially consist of:

1. Collecting information on where and how the products were produced (geolocation of plots of land, proof of deforestation-free status and of compliance with the relevant legislation of the country of production, etc.),
2. Conducting an assessment of the risk of non-compliance of the products, based on the information collected on where and how the products were produced and any other relevant information,
3. Carrying out further risk assessments and mitigating any potential non-negligible risks of non-compliance to bring the risk down to zero or negligible,
4. Establishing and maintaining a due diligence system and reporting on the due diligence system.

Operators and large traders sourcing from low-risk areas (as classified under Art. 29) are exempt from points 2 and 3 as long as they can ascertain the low-risk origin of their commodities/products by demonstrating negligible risk of circumvention and of mixing with products of unknown origin or origin in high-risk or standard-risk countries.

The EUDR takes a flexible approach by listing a number of areas of law without specifying particular laws, as these differ from country to country and may be subject to amendments. However, only the applicable laws **concerning the legal status of the area of production** constitute relevant legislation pursuant to Article 2(40) of the EUDR. This means that generally the relevance of laws for the legality requirement in Article 3(b) of the EUDR is not determined by the fact that they may apply generally during the production process of commodities or apply to the supply chains of relevant products and relevant commodities, but by the fact that these laws specifically impact or influence the legal status of the area in which the commodities were produced.

Additionally, Article 2(40) of the EUDR must be read in the light of the objectives of the EUDR as laid down in Article 1(1)(a) and (b), meaning that legislation is also relevant if its contents can be linked to halting deforestation and forest degradation in the context of the Union's commitment to address climate change and biodiversity loss.

Points (a) to (h) of Article 2(40) further specify this relevant legislation. The following list gives some concrete examples which are for illustration purposes only and cannot be considered exhaustive:

*1.**Land use rights***, including laws on harvesting and producing on the land or on the management of the land; such as

- legislation on land transfer in particular for agricultural land or forests,
- legislation on land lease transaction.

2. Environmental protection. A link to the objective of halting deforestation and forest degradation, the reduction of greenhouse gas emissions or the protection of biodiversity exists, for example, in

- legislation on protected areas,
- legislation on nature protection and nature restoration,
- legislation on the protection and conservation of wildlife and biodiversity,
- legislation on endangered species,
- legislation on land development.

3. Forest-related rules, including forest management and biodiversity conservation, where directly related to wood harvesting, such as

- legislation on the protection and conservation of forests, and sustainable forest management,
- anti-deforestation legislation,
- rights to harvest timber within the legally gazetted boundaries.

4. Third parties' rights, including rights to use and tenure affected by producing the relevant commodities and products, and traditional land use rights of indigenous peoples and local communities; this may include e.g. rights to land charge or usufructuary rights.

5. Labour rights* and *human rights protected under international law, applying either to people being present in the area of production of relevant commodities to the extent relevant to the EUDR taking into account its objectives, or to people with rights to the area of production

- if they are applicable or reflected in the respective national legislation; for example rights to land, territories and resources, property rights, rights in relation to treaties, agreements and other constructive arrangements between indigenous peoples and States.

6.The principle of free, prior and informed consent (FPIC), including as set out in the UN Declaration on the Rights of Indigenous Peoples.
Further guidance as to the application of the FPIC principle can e.g. be found through the UN Office of the High Commissioner for Human Rights where it is noted that States must have consent as the objective of consultation before any of the following actions are taken:

- the undertaking of projects that affect indigenous peoples' rights to land, territory and resources, including mining and other utilization or exploitation of resources,
- the relocation of indigenous peoples from their land or territories,
- restitution or other appropriate redressing if lands have been confiscated, taken, occupied or damaged without the free, prior and informed consent of indigenous people who possessed it.

***7.Tax, anti-corruption, trade and customs regulations*.**

- Applicable laws concerning the relevant supply chains entering the Union market, or leaving it, if they have a specific link to the objectives of the Regulation, or, in the case of trade and customs laws, if they specifically concern the relevant sectors of agricultural or timber production.

Operators must be aware of what legislation exists in each of the countries they are sourcing from as to the legal status of the area of production. The relevant legislation can, among others, consist of:

- National and regional laws, including relevant secondary legislation,
- International law, including multi- and bilateral treaties and agreements, as applicable in domestic law by codifying and implementing them, respectively.

Under Article 9(1)(h) of the EUDR, information, including documents and data showing compliance with applicable legislation in the country of production, must be collected as part of the due diligence obligation. This includes information related to any arrangement conferring the right to use the respective area for the purposes of the production of the relevant commodity. Whether a land title or other documentation of an arrangement is needed is dependent on the national legislation; if possession of a land title is not required under domestic law to produce and commercialise agricultural products, it is not required under the EUDR.

The obligation to collect documents or other information depends on the different regulatory regimes of countries, as not all of them require the issuing of specific documentation. Therefore, the obligation should be understood as including, where applicable:

- Official documents issued by countries' authorities, such as e.g. administrative permits,
- Documents showing contractual obligations, including contracts and agreements with indigenous peoples or local communities,
- Complementary information issued by public and private certification or other third-party verified schemes,
- Judicial decisions,
- Impact assessments, management plans, environmental audit reports.

The following additional documents can be also useful:

- Documents showing company policies and codes of conduct,
- Social responsibility agreements between private actors and third right holders,
- Specific reports on tenure and rights claims and conflicts.

Information, including documents and data, may be collected in hard copy or in electronic form.

According to Article 10(1) of the EUDR, the information collected must be assessed as a whole to ensure traceability and compliance throughout the supply chain. All information must be analysed and verified, meaning operators must be able to evaluate the content and reliability of the documents they collect and to understand the links between the different information in different documents.

Usually, the operator should check as part of the assessment:

- Whether the different documents are in line with each other and with other information available,
- What exactly each document proves,
- On which system (e.g. control by authorities, independent audit, etc.) the document is based,
- The reliability and validity of each document, meaning the likelihood of it being falsified or issued unlawfully.

Operators should take reasonable measures to satisfy themselves that such documents are genuine, depending on their assessment of the general situation in the country of production. In this regard, the operator should also take into account the risk of corruption (e.g. bribery, collusion, or fraud). Various sources provide generally available information about the level of corruption in a country or subnational region, for example Transparency International's Corruption Perceptions Index, or other similar recognised international indices or relevant information.

In cases where the level of corruption is considered high there might be an implication that documents cannot be considered reliable, and further verification may be required. In the occurrence of such cases special care is necessary when checking the documents as there might be reason to doubt their credibility.

Apart from relying on recognised international indices, operators could check lists of conditions and vulnerabilities, including previous evidence of corrupt practice, that point to a greater risk - and thus demand a higher level of scrutiny. Examples of such additional evidence may include third-party-verified schemes, independent or self-conducted audits, or the use of technologies/forensic methods tracking the relevant products which can help to reveal indications of corruptions or illegalities.

Downstream non-SME operators and traders are under the obligation to ascertain that due diligence, including on legality, has been exercised by the upstream operator, see Article 4(9) of the EUDR. When collecting information, documentation and data for this purpose, downstream operators and traders should respect the applicable data protection rules and competition rules.