SGEC Standard Document 4
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Chain of Custody of Forest and Tree Based Products—Requirements

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Foreword
Sustainable Green Ecosystem Council (hereinafter referred as SGEC/PEFC Japan) is the organization to administer the forest certification scheme which is applied in Japan in order to promote sustainable forest management through forest management certification, COC certification and the labelling system of forest and tree-based products.
This standard defines requirements for COC certification and labelling system on forest and tree based products based on SGEC certification scheme whose conformity with the PEFC international forest certification scheme is endorsed by PEFC.

Since conformity of SGEC certification scheme with the PEFC international certification scheme is endorsed, SGEC certified products, in general, may be distributed as PEFC certified products in domestic and oversea markets, while they may be distributed in the supply chain of SGEC certified domestic products in Japan. When SGEC certified products are distributed with PEFC claims as PEFC certified products, they shall comply with the PEFC COC standard (PEFC ST 2002:2020), while they shall comply with this standard formulated in compliance with PEFC ST 2002:2019 when distributed with SGEC claims as SGEC certified products in the domestic market.

This standard defines requirements for SGEC certified domestic products and is applied mainly in Japan. Therefore, it does not necessarily cover all the elements included in PEFC COC standard, although it is stipulated in accordance with the overall framework and structure of PEFC COC standard.

This standard, being endorsed by PEFC, delivers confidence and reliable information that forest and tree based material and products with SGEC claim or label originates in sustainably managed forests, recycled material and/or PEFC controlled sources (verified by DDS).

This standard was developed in an open, transparent, consultative and consensus based process covering a broad range of stakeholders, following SGEC Standard Document 2 “SGEC Standard Setting” and PEFC COC standard.

This standard replaces SGEC Document “SGEC-COC Certification Guideline” from the date of entry into force. The transition period of this standard is until February 14th, 2023 and all COC certification is required to fulfill this standard by the end of the transition period.

Introduction

The objective of this standard is to allow organizations to provide accurate and verifiable information that forest and tree based products are sourced from SGEC certified sustainably managed forests, recycled material and SGEC controlled sources.

Practical application and certification against this standard allows organizations to demonstrate their contribution in sustainable resource management and a strong commitment to the UN Sustainable Development Goals (SDGs).

The aim of communicating the origin of forest and tree based products is to encourage demand for and supply of those products originating in sustainably managed...
forests by providing such information in a verifiable manner and thereby stimulating the potential for market-driven continuous improvement of the management of forests. It is noted that this standard includes requirements for a mechanism to certify wooden construction in including wooden houses.

*Note:* For detailed information on UN Sustainable Development Goals (SDGs), refer to the website, [https://sustainabledevelopment.un.org](https://sustainabledevelopment.un.org).

1. **Scope**

   This standard covers the requirements that need to be met by an organization in order to successfully implement a chain of custody for forest and tree based products, and to make SGEC claims to customers on the origin of forest and tree based products in sustainably managed forests, recycled material and SGEC controlled sources.

   These chain of custody requirements describe a process of how to classify forest and tree based products according to specified material categories to transfer information about the source of procured raw material to an organization’s output products. This standard specifies three optional approaches for chain of custody, namely physical separation method, percentage method and credit method, and organizations shall choose an appropriate method according to the flow of materials and characteristics of the process.

   This standard also specifies management system requirements for the implementation and management of the chain of custody process, including requirements on health, safety and labour issues.

   This Chain of Custody standard shall be used in connection with SGEC claims.

   Appendix 2 of this standard specifies the implementation of this standard by organizations with multiple sites.

   The usage of claims and relating labels, as a result of implementation of this Chain of Custody standard, is based on ISO 14020. Consideration of recycled material within the chain of custody is based on the requirements of ISO/IEC 14021.

   The labelling of products is considered as an optional communication tool, which may be incorporated into an organization’s chain of custody process(es). Where the organization applies the SGEC labels for on product or off-product labelling, the requirements for SGEC trademark use become an integral part of the chain of custody requirements.

   This standard shall be implemented for the purposes of third party conformity assessment based on requirements defined by the SGEC certification schemes, as well
as requirements of ISO/IEC 17065. SGEC certification bodies shall be accredited by the accreditation body to conform to ISO/IEC 17065 within the scope of the SGEC certification standards.

The term “shall” is used throughout this standard to indicate those provisions that are mandatory. The term “should” is used to indicate those provisions that, although not mandatory, are expected to be adopted and implemented. The term “may” used throughout this standard indicates permission expressed by this standard whereas “can” refers to the ability of a user of this standard or to a possibility open to the user.

If there are any unclear points of the standards, Japanese version of SGEC documents are reference for SGEC certification scheme, while English version of PEFC documents are reference for PEFC certification scheme.

2. Normative references

The following referenced documents are indispensable for the application of this standard. For both dated and undated references, the latest edition of the referenced document (including any amendment) applies.

- SGEC Standard Document 5-1:2021 “Requirements for Certification Bodies operating Certification against SGEC Forest Management Certification Standard”
- SGEC Standard Document 5-2:2021 “Requirements for Certification Bodies operating Certification against PEFC/PEFC-COC Certification Standard”
- PEFC ST 2003:2020 "Requirements for Certification Bodies operating Certification against the PEFC International Chain of Custody Standard"
- SGEC Standard Document 6-1 “Issuance of SGEC/PEFC Trademarks Usage Licenses by SGEC/PEFC Japan”
- PEFC GD 1005:2012 “Issuance of PEFC Log Licenses by the PEFC Council”
- ISO/IEC Guide 2 “Standardization and related activities – General vocabulary”
- ISO 9000 “Quality management systems – Fundamentals and vocabulary”
- ISO 14020 “Environmental labels and declarations – General principles”
- ISO 14021 “Environmental labels and declarations – Self-declared environmental claims (Type II environmental labelling)”
- ISO 19011 “Guideline for auditing management systems”
- ISO/IEC 17065 “Conformity assessment – Requirements for bodies certifying products, processes and services
EN 643 “Paper and board – European list of standard grades of recovered paper and board”

3. Terms and definitions
For the purposes of this standard, the relevant definitions given in ISO/IEC Guide 2 and ISO 9000 apply, together with the following definitions:

3.1 Accredited certificate
A certificate issued by a certification body within the scope of its accreditation which bears the accreditation body’s symbol.

3.2 PEFC authorized body
An entity authorized by the PEFC Council to perform the administration of the PEFC scheme on behalf of the PEFC Council.

*Note:* The authorized body is either the PEFC National Governing Body operating within its country or other entity that has been authorized by the PEFC Council to perform the administration of the PEFC scheme.

3.3 Certified content
Percentage of PEFC certified material in a product or product group.

3.4 Claim period
Time period for which the certified content of a product group is determined.

*Note:* The claim period can also be specified as a single product, job order or production batch.

3.5 Complaint
Expression of dissatisfaction made to an organization, related to its compliance with the requirements of this standard, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.

3.6 Conflict timber
Conflict timber is defined as “Timber that has been traded at some point in the chain
of custody by armed groups, be they rebel factions or regular soldiers, or by a civilian administration involved in armed conflict or its representatives, either to perpetuate conflict or take advantage of conflict situations for personal gain. (...) Conflict timber is not necessarily illegal.” The exploitation of timber may itself be a direct cause of conflict.

Note: Definition in quotations as used by UNEP.

3.7 Controversial sources
Forest and tree based material sourced from:

a) Activities not complying with applicable local (prefectural, etc. in Japan), national or international legislation on forest management, including but not limited to forest management practices; nature and environmental protection; protected and endangered species; property, tenure and land-use rights for indigenous peoples, local communities or other affected stakeholders; health, labour and safety issues; anticorruption and the payment of applicable royalties and taxes.

b) Activities where the capability of forests to produce a range of wood and non-wood forest products and services on a sustainable basis is not maintained or harvesting levels exceed a rate that can be sustained in the long term.

c) Activities where forest management does not contribute to the maintenance, conservation or enhancement of biodiversity on landscape, ecosystem, species or genetic levels.

d) Activities where ecologically important forest areas are not identified, protected, conserved or set aside.

e) Activities where forest conversions occur, in other than justified circumstances where the conversion:
   i. is in compliance with national and regional policy and legislation applicable for land use and forest management, and
   ii. does not have negative impacts on ecologically important forest areas, culturally and socially significant areas, or other protected areas, and
   iii. does not destroy areas of significantly high carbon stock, and
   iv. makes a contribution to long-term conservation, local economic, and/or social benefits.

f) Activities where the spirit of the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not met.
g) Activities where the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met.
h) Conflict timber.
i) Genetically modified trees.

Note 1 (on 3.7 b, d and e): Not considered “controversial sources” are such activities in short rotation forest plantations with harvesting cycles under 35 years, that are on agricultural land.

Note 2 (on 3.7 i): The restriction on the usage of genetically modified trees has been adopted by the PEFC General Assembly based on the Precautionary Principle. Until enough scientific data on genetically modified trees indicates that impacts on human and animal health and the environment are equivalent to, or more positive than, those presented by trees genetically improved by traditional methods such as selective breeding and cross breeding, no genetically modified trees will be used.

3.8 Credit method
A chain of custody method where credits gained from certified material are transferred to SGEC controlled sources material within the same SGEC product group.

3.9 Due Diligence System (DDS)
A framework of procedures and measures, namely information gathering, risk assessment and risk mitigation, implemented by an organization to reduce the risk that forest and tree based material originates from controversial sources. To be “minimum risk” under the risk assessment of this system is the condition for “controlled sources”.

Note: Organizations can cooperate with each other and use external services for implementing a DDS, but the responsibility to conform with the DDS requirements of this standard lies with the individual organization.

3.10 Ecologically important forest areas
Forest areas:
a) containing protected, rare, sensitive or representative forest ecosystems
b) containing significant concentrations of endemic species and habitats of threatened species, as defined in recognized reference lists
c) containing endangered or protected genetic in situ resources
d) contributing to globally, regionally and nationally significant large landscapes
with natural distribution and abundance of naturally occurring species

3.11 Equivalent input material

Forest and tree based material that can be substituted with each other without significantly changing the appearance, function, grade, type or value of the output product.

3.12 Forest

“Forest” subject to certification is the forest covered by a “forest plan” defined in Forest Act.
1) land on which trees/bamboos grow aggregately and trees/bamboos thereon
2) in addition to the above, land utilized for growing threes/bamboos aggregately

Specifically, the forest subject to certification is national forest, or public/private forest covered by a regional forest plan stipulated in Article 5 of Forest Act (excluding public/private forest which is considered not suitable to be utilized as forest from the aspects of natural, economic and social conditions, or pattern of land utilization of the nearby area).

Note 1: Article 2 of Forest Act

Article 2  “Forest” in this act is defined as follows, except for that land/forest mainly utilized for agriculture, residential area and similar purpose:
1) land on which trees/bamboos grow aggregately and trees/bamboos thereon
2) in addition to the above, land utilized for growing threes/bamboos aggregately

Note 2: Definition and classification of Japanese forests used in a FAO report

(Definition of forest in the country report of Japan in Global Forest Resources Assessment 2005 of Food and Agricultural Organization (FAO))

Forest is defined to be land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use.

Regarding forest classification, (i) ”forest with standing trees” is “forest that have canopy cover of 30 percent or higher, including young stands with the degree of stocking of 0.3 or higher”, (ii) ”forest without standing trees” is “forest that does not fall under “forest with standing tree” or “bamboo forest”, and (iii) ”Bamboo forest” is “forest that does not fall under ‘forest with standing tree’
and is dominated by bamboo (excluding bamboo grass)”.

**Note 3:** Definition” of PEFC ST 1003 “PEFC Sustainable Forest Management – Requirements”

Minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees, with the potential to reach a minimum height of 2-5 meters at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations that have yet to reach a crown density of 10-30 per cent or tree height of 2-5 meters are included under forest,

as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to forest (source: United Nations 2002).

**Note 4:** The PEFC Standard stipulates that each regional, national or subnational standard has to include the specific values for the criteria in the definition, and if such specification for a country are not yet available, the standardizing body is responsible to set the values according to the national framework.

### 3.13 Forest and tree based material

Material originating in forests or from other sources recognized by the SGEC certification standards as eligible for SGEC certification, such as trees outside forests, including recycled material originally coming from those areas/sources as well as wood based and non-wood based material, such as edible wild plants, mushrooms, sap etc. generally referred to as non-wood forest products.

### 3.14 Forest and tree based products

Products from forest and tree based material, including measurable but non-tangible products, such as energy generated from forest and tree based material.

### 3.15 Forest conversion

Direct human-induced change of forest to non-forest land or forest plantation (“Forest plantation” is not defined for forests in Japan considering situation of forest management in Japan.), including conversion of natural forest to man-made forest.

*Note:* Regeneration by planting or direct seeding and/or the human-induced promotion of natural seed sources, to the same dominant species as was harvested or other
species that were present in the historical species mix is not considered a conversion.

3.16 Forest plantation ("Forest plantation" is not defined for forests in Japan considering situation of forest management in Japan.)

Forest or other wooded land of introduced species, and in some cases native species, established through planting or seeding, mainly for production of wood or non-wood goods and services.

*Note 1:* Includes all stands of introduced species established for production of wood or non-wood goods and services.

*Note 2:* May include areas of native species characterized by few species, intensive land preparation (e.g. cultivation), straight tree lines and/or even-aged stands.

*Note 3:* Application of the definition requires consideration of national forestry terminology and legal requirements.

3.17 Genetically modified trees

Trees in which the genetic material has been altered in a way that does not occur naturally by mating and/or natural recombination, taking into account applicable legislation providing a specific definition of genetically modified organisms.

*Note 1:* The following techniques are considered as genetic modification resulting in genetically modified trees (EU Directive 2001/18/EC):

1) Recombinant nucleic acid techniques involving the formation of new combinations of genetic material by the insertion of nucleic acid molecules produced by whatever means outside an organism, into any virus, bacterial plasmid or other vector system and their incorporation into a host organism in which they do not naturally occur, but in which they are capable of continued propagation.

2) Techniques involving the direct introduction into an organism of heritable material prepared outside the organism including micro-injection, macro-injection, and micro-encapsulation.

3) Cell fusion (including protoplast fusion) or hybridization techniques where live cells with new combinations of heritable genetic material are formed through the fusion of two or more cells by means of methods that do not occur naturally.

*Note 2:* The following techniques are not considered as genetic modification resulting in genetically modified trees (EU Directive 2001/18/EC):
1) in vitro fertilization
2) natural processes such as: conjugation, transduction, transformation
3) polyploidy induction

3.18 Material category
Material with certain characteristics, namely SFEC certified material, other material, neutral material and SGEC controlled sources.

3.19 Multi-site organization
Organization with an identified central function (normally, and hereafter referred to as a “central office”) at which chain of custody related activities are planned, controlled and managed, and with one or more sites (sites or group members) at which COC under the management of the central office is fully or partially carried out.

3.20 Neutral material
Material category for material other than forest and tree based material, such as metal or plastic, not taken into account in the calculation of certified content of a product or product group.

3.21 Organization
Person or group of people that has its own functions with responsibilities, authorities and relationships to achieve its objectives.
Note: An organization implements COC based on this standard under the COC certificate.

3.22 Other material
Material category for forest and tree based material for which an organization has not determined through its Due Diligence System that there is “negligible risk” that the material is from controversial sources.

3.23 Outsourcing
Practice of activities relevant for an organization’s SGEC chain of custody being performed by another legal entity based on the outsourcing of activities from the organization by a contract under the entity’s supervision and responsibility. In case of outsourcing a part of COC activities to another legal entity, a contract with a specification sheet or other documents clearly defining procedures, conditions, etc. of
the outsourced activities should be agreed between the organization and the legal entity.

*Note:* Generally not considered as outsourcing are transportation, (un-)loading and warehousing of materials/products, unless there is a risk that materials with different material categories or certified content are mixed with each other.

### 3.24 SGEC certified material

Material category for:

a) Forest and tree based material delivered by a supplier covered by a SGEC certificate, with the SGEC claim “x% SGEC certified”

*Note:* SGEC claims are published online on the website of SGEC/PEFC Japan.

b) Recycled material (not delivered with the SGEC claim “x% SGEC certified”).

### 3.25 SGEC certified product

Product sold/transferred by an organization with the SGEC claim “x% SGEC certified”.

### 3.26 SGEC chain of custody

Processes of an organization for handling forest and tree based products and information related to their material category, and making accurate and verifiable SGEC claims.

### 3.27 SGEC claim

Organization’s declaration on material/products, stated in sales and delivery documentation, namely the claims “x% SGEC certified” and “SGEC controlled sources”.

*Note 1:* In order to highlight SGEC certified material that has never been mixed with SGEC controlled sources material, organizations implementing the physical separation method may use the wording “100% SGEC Origin” instead of “100% SGEC certified” for SGEC certified material that was originated from certified forest and delivered by a supplier that is a forest owner/manager covered by a SGEC FM certificate with the claim “100% SGEC certified”, and for SGEC certified
material that was already delivered with the claim “100% SGEC Origin”. Organizations receiving material with such a claim “100% PEFC Origin” and implementing the percentage method or credit method consider this as being the SGEC claim “100% SGEC certified”.

Note 2: A list of SGEC accepted abbreviations of SGEC claims is available on the SGEC website.

3.28 SGEC controlled sources

Material category covering forest and tree based material for which an organization has determined through its Due Diligence System that there is “negligible risk” that the material is from controversial sources.

Note: “SGEC controlled sources” is also the SGEC claim that may be used for material from this material category.

3.29 SGEC customer

Entity receiving from an organization a SGEC claim for products, of which it obtains legal ownership and/or physical possession.

Note 1: Where material/products are physically delivered to an entity other than the entity that has obtained legal ownership of the material, the organization shall appoint a single PEFC customer for the purpose of this definition, i.e. either the entity that obtains legal ownership or the entity that obtains physical possession of the material.

Note 2: The term PEFC customer can also refer to an internal customer within an organization, if subsequent product groups have been established.

3.30 SGEC product group

Product or set of products with equivalent input material, defined by product name/type and category, type(s) of species, chain of custody method, material category, SGEC claim(s), for which an organization applies its chain of custody.

Note 1: The organization can define individual products, product batches and job orders as SGEC product groups. Certified houses and other projects based on the “COC certification of SGEC designated projects” as stipulated separately may be identified as SGEC product groups.
Note 2: The organization can establish one or more product groups for parallel or subsequent manufacturing or trading processes.

Note 3: In case of multi-site organizations as defined in Appendix 2, 2.2 a) of this standard, PEFC product groups can cover several sites.

3.31 SGEC certificate
a) A valid forest management certificate issued by an accredited certification body notified by SGEC/PEFC Japan against SGEC forest management certification standard.
b) A valid chain of custody certificate issued by an accredited certification body notified by SGEC/PEFC Japan against this COC standard.

Note 1: The SGEC forest management certification standard and COC standard are found at the website of SGEC/PEFC Japan website, www.sgec.pefc.j.jp.
Note 2: In case of a group or multi-site certificate where it is confirmed in a separate document, such as an appendix to the certificate or a sub-certificate, that a site or a group participant is covered by the certificate, the separate document and the certificate together are considered the site’s/participant’s SGEC certificate.

3.32 SGEC/PEFC Japan website
This is the website at the address www.sgec.pefc.j.jp.

3.33 Percentage method
A chain of custody method where the certified content of a SGEC product group is calculated for a specified claim period, based on the input material included in the SGEC product group.

3.34 Physical separation method
Chain of custody method of controlling a SGEC claim for a specified SGEC product group based on clear identification and/or separation of different material categories throughout all the activities performed by the organization.

3.35 Recycled material
Forest and tree based material that is:
a) Recovered from waste during a manufacturing process. Excluded is reutilization of materials such as rework, regrind or scrap generated in a process and capable of
being reclaimed within the same process that generated it. Excluded are by-products resulting from primary production processes, such as sawmilling by-products (sawdust, chips, bark, etc.) or forestry residues (bark, chips from branches, roots, etc.) as they are not considered waste.

b) Generated by households or by commercial, industrial and institutional facilities in their role as end-users of the product that can no longer be used for its intended purpose. This includes returns of material from the distribution chain.

Note 1: The term “capable of being reclaimed within the same process that generated it” in the above a) means that the material generated in one process is continuously returned to the same process at the same site. An example is residue generated by a press line in a panel board production that continuously re-enters the same press line. This is not considered as recycled material.

Note 2: The definition is based on definitions of ISO 14021.

Note 3: Materials categorized as “waste paper” based on “Major Categories of Waste Paper Classification in Japan” published by the Center for Promotion of Recycling of Waste Paper are regarded as recycled materials under this definition.

3.36 Rolling percentage
A chain of custody method where the certified content of a SGEC product group is calculated for a specified claim period, based on the input material included in the SGEC product group on average over a specified period preceding the claim period.

3.37 Substantiated concern
Information supported by proof or evidence, indicating that forest and tree based material originates in controversial sources.

Note: Substantiated concerns can be concerns by third parties, as well as concerns of the organization itself.

3.38 Supplier
Entity supplying material used as input for an organization’s SGEC product group.

Note 1: Where SGEC certified material is physically delivered by an entity other than that having the ownership title to the material, the entity that is covered by a SGEC certificate and that has specified the organization as SGEC customer is considered
the supplier for the product/delivery in question.

*Note 2:* The term supplier can also refer to an internal supplier within an organization, where subsequent product groups have been established.

### 3.39 Trademark use

Usage of the PEFC trademarks on- or off-product.

### 3.40 Trees outside Forests (TOF)

Trees growing outside areas of nationally designated forest land. They generally grow on urban areas or agricultural land.

### 3.41 Legality verification based on the guideline of Forestry Agency

Legality verification based on “the Guideline for Verification of Legality and Sustainability of Wood and Wood Products” released in February 2016 by the Forestry Agency of the Japanese Government (refer to the website of Forestry Agency of Ministry of Agriculture, Forestry and Fisheries).

### 3.42 “Clean Wood” Act

Act for Promotion of Distribution and Utilization of Legally Harvested Timber (“clean wood” act) was promulgated on May 20th, 2016 and enforced on May 20th, 2017. The act, aiming at promoting distribution and utilization of wood and wood products harvested in compliance with laws and regulations of Japan and other counties of origin, defines the scope of wood/wood products, companies/organizations related to wood/wood products which are subject to regulation under this act, as well as the procedures for registration. The act also determines measures taken by companies/organizations and the national governments respectively (refer the website of Forestry Agency of Ministry of Agriculture, Forestry and Fisheries).

### 4. Management system requirements

#### 4.1 General requirements

**4.1.1** The organization shall operate a management system in accordance with the requirements of this standard, to ensure correct implementation and maintenance of the SGEC chain of custody process(es). The management system shall be appropriate to the type, range and volume of work performed, and cover outsourced activities relevant for the organization’s chain of custody and all sites in case of multi-site operations.
organizations (see Appendix 2).

4.1.2 The organization shall define the scope of its SGEC chain of custody by specifying the SGEC product groups for which the requirements of the SGEC chain of custody are implemented.

4.1.3 The organization shall only make SGEC claims and SGEC related statements that are correct to the best of its knowledge and covered by its SGEC chain of custody.

4.2 Documented procedures

4.2.1 The organization shall establish written documented procedures for its SGEC chain of custody. The documented procedures shall include at least the following elements:

a) responsibilities and authorities of the organization relating to the SGEC chain of custody

b) description of the raw material flow within the production/trading process(es), including definition of product groups

c) procedures for SGEC chain of custody process(es) covering all requirements of this standard, including:

i. identification of material categories

ii. physical separation of SGEC certified material, SGEC controlled sources material and other material

iii. definition of product groups, calculation of certified content, management of credit accounts, transfer to outputs (for organizations applying percentage or credit method)

iv. sale/transfer of products and SGEC claims, including documentation in which SGEC claims are made, and other on- and off-product trademark use

v. record keeping

vi. internal audits and non-conformity control

vii. the Due Diligence System

viii. complaints resolution

ix. outsourcing

4.3 Responsibilities and authorities

4.3.1 General responsibilities

4.3.1.1 The organization’s management shall define and document its commitment to implement and maintain the chain of custody requirements in accordance with this standard. The organization’s commitment shall be made available to the organization’s personnel, suppliers, customers, and other interested parties.
4.3.1.2 The organization’s management shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organization’s SGEC chain of custody.

4.3.2 Responsibilities and authorities for chain of custody

The organization shall identify the personnel performing activities for the implementation and maintenance of its SGEC chain of custody and shall establish personnel responsibilities and authorities for the implementation of the procedures 4.2.1 c) i-viii.

Note: The responsibilities and authorities for the SGEC chain of custody given above can be cumulative.

4.4 Record keeping

4.4.1 To provide evidence of conformity with the requirements of this standard, the organization shall establish and maintain at least the following records relating to the product groups covered by its SGEC chain of custody:

a) Records of all suppliers of input material delivered with a SGEC claim, including evidence of the suppliers’ SGEC certified status.

Note: Evidence of SGEC certified status can be a print-out from the SGEC website.

b) Records of all input material, including SGEC claims and documents associated to the delivery of the input material, and for recycled input material, information demonstrating that the definition of recycled material is met.

c) Records of calculation of the certified content, transfer of the percentage to output products and management of the credit account, as applicable.

d) Records of all products sold/transferred, including SGEC claims and documents associated to the delivery of the output products.

e) Records of the Due Diligence System, including records of risk assessments and significant risk supplies management, as applicable.

f) Records of internal audits, periodic chain of custody review, non-conformities and corrective actions.

g) Records on complaints and their resolution.

4.4.2 The organization shall maintain the records for a minimum period of five years.
4.5 Resource management

4.5.1 Human resources/personnel

The organization shall ensure and demonstrate that all personnel performing activities affecting the implementation and maintenance of its SGEC chain of custody are competent on the basis of appropriate training, education, skills and experience.

4.5.2 Technical facilities

The organization shall identify, provide and maintain the infrastructure and technical facilities needed for effective implementation and maintenance of its SGEC chain of custody with the requirements of this standard.

4.6 Inspection and control

4.6.1 The organization shall conduct internal audits at least annually, and prior to the initial certification audit, covering its compliance with all requirements of this standard applicable to the organization, including activities covered by outsourcing, and establish corrective and preventive measures if required.

Note: Informative guidance for performing internal audits is given in ISO 19011.

4.6.2 The organization’s management shall conduct the internal audit and review the result of implementation of the organization’s SGEC chain of custody at least annually.

4.7 Complaints

4.7.1 The organization shall establish procedures for dealing with complaints from suppliers, customers and other parties relating to its chain of custody, reflecting the requirements of 4.7.2.

4.7.2 Upon receipt of a complaint in writing, the organization shall:

a) formally acknowledge the complaint to the complainant within ten workdays
b) gather and verify all necessary information to evaluate and validate the complaint and make a decision on the complaint
c) formally communicate the decision on the complaint and of the complaint handling process to the complainant
d) ensure that appropriate corrective and preventive actions are taken, if necessary

4.8 Nonconformity and corrective action

4.8.1 When a nonconformity with the requirements of this standard is identified through internal or external auditing, the organization shall:

a) react to the nonconformity and:
i. take action to control and correct it
ii. address the consequences by, for example, notify information on the consequences to related parties

b) evaluate the need for action to eliminate the causes of the nonconformity, in order that it does not recur or occur elsewhere, by:
   i. reviewing the nonconformity
   ii. determining the causes of the nonconformity
   iii. determining if similar nonconformities exist, or could potentially occur

c) implement any action needed
d) review the effectiveness of any corrective action taken
e) make changes to the management system, if necessary

4.8.2 Corrective action shall be appropriate to the effects of the nonconformities encountered.

4.8.3 The organization shall retain documented information as evidence of:
   a) the nature of the nonconformities and any subsequent actions taken
   b) assessment of the results of any corrective action

4.9 Outsourcing

4.9.1 The organization may outsource activities covered by its SGEC chain of custody to another entity.

4.9.2 Through all stages of outsourcing the organization shall be responsible for ensuring that all outsourced activities meet the requirements of this standard, including management system requirements. The organization shall have a written agreement with all entities to whom activities have been outsourced, ensuring that:
   a) The material/products covered by the organization’s SGEC chain of custody are physically separated from other material or products. and
   b) The organization has access to the entity’s site(s) for internal and external auditing of outsourced activities for conformity with the requirements of this standard.

Note 1: A template for an outsourcing agreement can be obtained from the SGEC/PEFC Japan.

Note 2: Internal audits of outsourced activities should be conducted at least annually and before the outsourced activity starts.

4.10 Social, health and safety requirements in chain of custody
This clause includes requirements relating to health, safety and labour issues that are based on ILO Declaration on Fundamental Principles and Rights at Work (1998), and compliance with related domestic laws and regulations such as Labour Standard Act.

4.10.1 The organization shall demonstrate its commitment to comply with the social, health and safety requirements defined in this standard.

4.10.2 The organization shall demonstrate that:
   a) workers are not prevented from associating freely, choosing their representatives and bargaining collectively with their employer
   b) forced labour is not used
   c) workers, who are under the minimum legal age, the age of 15, or the compulsory school attendance age, whichever is higher, are not used
   d) workers are not denied equal employment opportunities and treatment
   e) working conditions do not endanger safety or health

5. Identification of inputs and declaration of outputs

5.1 Identification of input material

5.1.1 For each delivery of material used as input for a SGEC product group the organization shall obtain documentation with the following information from the supplier:
   a) supplier identification
   b) material/product identification
   c) quantity of material/products
   d) delivery identification based on date of delivery, delivery period, or accounting period.
   For inputs/products with a SGEC claim the document shall also include:
   e) the organization’s name as the SGEC customer of the delivery
   f) the applicable SGEC claim specifically for each claimed product covered by the documentation
   g) the certificate number of the supplier’s SGEC certificate

Note 1: The certificate number is a numerical or alpha-numerical combination, which is a unique identifier of the certificate.

Note 2: An example of delivery documentation is an invoice or delivery note providing the information required.
5.1.2 Identification at supplier level

5.1.2.1 For all inputs delivered with a SGEC claim the organization shall verify that the supplier is covered by a SGEC certificate on the SGEC/PEFC Japan website. Note: As evidence that a supplier is covered by a SGEC certificate, the website of SGEC/PEFC Japan, SGEC information and registration system and a copy of the organization’s SGEC certificate can be reference.

5.1.2.2 For each delivery of material used as input for a SGEC product group the organization shall classify the material category of the procured material.

5.1.3 Conversion of material/products with a SGEC claim to material/products with a PEFC claim

The organization may convert material/products with a SGEC claim delivered by a supplier as input into material/products with a PEFC claim as output. In this case, the organization shall convert each input with SGEC claim delivered with the document mentioned in the 5.1.10 above into material/products with PEFC claim.

Note: In case of conversion of material/products with SGEC claim into material/products with PEFC claim, detailed information on its origin shall be recorded in the document mentioned in the section 5.1.1f above or in other documents. In case of conversion, the material/products may be delivered with both SGEC claim and PEFC claim. However, material/products with PEFC claim shall not be converted to material/products with SGEC claim.

5.2 Declaration of outputs

5.2.1 For outputs from a SGEC product group for which the organization makes a SGEC claim to a SGEC customer, it shall provide the customer with documentation providing the following information for each delivery:

a) SGEC customer identification
b) the organization’s name as the supplier of the material
c) product identification
d) quantity of product(s)
e) date of delivery / delivery period / accounting period
f) the applicable SGEC claim specifically for each claimed product covered by the documentation
g) the certificate number of the organization’s SGEC recognized certificate
Note: The certificate number is a numerical or alpha-numerical combination which is a unique identifier of the certificate.

5.2.2 The organization shall specify the type of documentation in which SGEC claims on outputs are made.

5.3 Trademark use
5.3.1 The use of the SGEC trademarks i.e. SGEC logo and labels, chain of custody claims on-product and SGEC initials, shall be in compliance with SGEC Standard Document 6 “SGEC Trademark Rules – Requirements”.
5.3.2 In order to enable the organization to use the SGEC trademarks in accordance with the SGEC Trademarks Rules, the organization shall obtain a valid trademark license from SGEC/PEFC Japan.

5.4 Content of recycled material
5.4.1 For products covered by the organization’s SGEC chain of custody that include recycled material, the organization shall calculate the content of recycled material (in ratio or volume) based on ISO 14021 and inform about it upon request.

6. Chain of custody methods

6.1 General
6.1.1 There are three methods to implement the SGEC chain of custody, namely the physical separation method, the percentage method and the credit method. Depending on the nature of material flows and processes, the organization shall choose the appropriate method.
6.1.2 The organization shall implement the chosen chain of custody method(s) of this standard for specific SGEC product groups.
6.1.3 SGEC product groups shall be established for products with equivalent input material, with the same measurement unit or units that can be converted into a single measurement unit.
6.1.4 The organization shall only use SGEC certified material and SGEC controlled sources material as input for PEFC product groups.

6.2 Physical separation method
6.2.1 The organization applying the physical separation method shall ensure that
material with different material categories and different certified content are kept separate or clearly identifiable at all stages of the production or trading process.

*Note:* Physical separation can be achieved by any means ensuring that material category and certified content can be identified, for example, through separate storage, marking, distinguishing product characteristics or production time.

6.2.2 Where material with different certified content is used as input in the same SGEC product group, the organization shall use the lowest certified content of the input as certified content of the output.

*Example:* An organization using material with 100%, 75% and 70% certified content as input in the same SGEC product group under the physical separation method can claim the output as 70% PEFC certified.

6.2.2.1 Where SGEC certified material and SGEC controlled sources material is used as input in the same SGEC product group under the physical separation method, the organization shall claim the output as SGEC controlled sources.

6.3 Percentage method

6.3.1 The percentage method may be implemented to calculate the certified content of SGEC product groups for which SGEC certified material and SGEC controlled sources material were used as input material.

6.3.2 Calculation of certified content

6.3.2.1 The organization shall calculate the certified content separately for each SGEC product group and for a specific claim period according to the following formula:

\[ \text{Cc} \% = \frac{Vc}{Vc+Vcm} \times 100 \]

(Cc: certified content; Vc: volume of SGEC certified material; Vcm: volume of SGEC controlled sources material)

*Note:* Neutral material is not considered in the calculation of the certified content.

6.3.2.2 The organization shall calculate the certified content based on a single measurement unit used for all material covered by the calculation. In case of conversion to a single measurement unit for calculation purposes, the organization shall only use generally recognized conversion ratios and methods. If a suitable, generally recognized conversion ratio does not exist, the organization shall define and use a reasonable and credible conversion ratio.
6.3.2.3 If input material/products include only a proportion of SGEC certified material, then only the quantity corresponding to the certified content shall enter the calculation formula as SGEC certified material. The rest of the material shall enter the calculation as SGEC controlled sources material.

*Example:* 1t of material delivered with the SGEC claim “70% SGEC certified” and 1t of material delivered with the SGEC claim “100% SGEC certified” are used as input. Using the formula under 6.3.3.1 the certified content is \( Cc[\%] = \frac{(700kg+1000kg)}{(700+1000)+300}) \times 100 = \frac{1700}{2000} \times 100 = 2t \) of 85% content.

6.3.3 The certified content calculated for a SGEC product group shall be used as percentage in the SGEC claim “X% SGEC certified”.

*Example:* If the certified content of a SGEC product group has been calculated as being 54% for a specific claim period, all products covered by the product group can, during this claim period, be sold/transferred as SGEC certified products with the SGEC claim “54 % SGEC certified”.

*Note:* This standard does not define a minimum threshold for the certified content that needs to be met in order to communicate the certified content of a SGEC certified product with the SGEC claim X% SGEC certified. However, minimum thresholds for the use of the SGEC trademarks on-product are defined in the SGEC Standard Document 6 “SGEC Trademarks Rules- Requirements”.

6.3.4 The organization may apply percentage calculated by the percentage method for calculation of rolling percentage.

6.3.5 The organization applying rolling percentage shall calculate the certified content of a SGEC product group and claim period based on material procured during an input period preceding the claim period. The claim period, in the case of rolling percentage, shall not exceed 3 months and the input period shall not exceed 12 months.

*Example:* An organization that has chosen a 3-month claim period and a 12-month input period calculates the certified content for the coming three months based on the input material procured in the previous 12 months.

6.4 Credit method

6.4.1 The credit method may be implemented to transfer credits gained from the input of SGEC certified material to SGEC controlled sources material within the same SGEC product group.

6.4.2 The organization shall create and manage a credit account for credits gained from
input of SGEC certified material. The credits shall be calculated in a single measurement unit. It may be required to define conversion factor(s) for the conversion of the measurement unit(s) of the input components to the output products.

6.4.3 The total quantity of credits accumulated in the credit account shall not exceed the sum of credits entered into the credit account during the last 24 months. The 24-month maximum period may be extended, where the organization can demonstrate that the average production period of the product in question is longer than 24 months.

Example: If the average production period of a product (including maturing, for example) is 36 months, the organization can extend the 24-month maximum period for the accumulation of credits to 36 months.

6.4.4 The organization shall apply the credit method for a single claim. The organization receiving a delivery of material with a SGEC claim and a claim against another certification scheme, shall either use it as a combined credit covering both claims or shall only use one of the received claims for calculating the volume credits.

Example: An organization receiving a delivery of material with two claims relating to two certification schemes either establishes a credit account for the multiple claim (e.g. “x% SGEC certified” /”x% of other scheme” and enter both credits to the account; or decides which single claim (either SGEC certified or certified by other scheme) will be entered into the respective volume credit account.

6.4.5 The organization shall calculate the credits using either:
   a) certified content and volume of output products (clause 6.4.7) or
   b) input material and input-to-output ratio (clause 6.4.8)

6.4.6 The organization applying the credit method shall calculate the credits by multiplying the volume of output products of the claim period with the certified content for the relevant claim period.

Example: If the certified content for the product group of the specific claim period, which consists of 100 tonnes of output products, is 54%, the organization achieves volume credits equal to 54 tonnes (100 x 0.54) of the output products.

6.4.7 The organization that can demonstrate a verifiable ratio between the input material and output products, may calculate the credits directly from input of SGEC certified material by multiplying the volume of SGEC certified material input with the input-to-output ratio.

Example: If the volume of SGEC certified material input is 70 m3 (e.g. 100 m3 with the SGEC claim “70% SGEC certified”) and the input-to-output ratio is 0.60 (e.g. 1 m3 of roundwood results in 0.60 m3 of sawnwood), the organization acquires volume credits equal to 42 m3 (i.e. 70 m3 x 0.60) of sawnwood.
6.4.8 The organization shall distribute the credits from the credit account to the output products covered by the credit account. The credits shall be distributed to the output products in a way that the certified products will be considered as either having 100% certified content or as having less than 100% certified content and meeting the organization’s own threshold. The result of the volume of output products multiplied by the certified content of the output products shall be equal to the distributed credits withdrawn from the credit account.

*Example:* The organization can use 7 units of credits to sell 7 units as 100% SGEC certified, or sell 10 units as 70% SGEC certified.

6.4.9 Certified wooden construction

When percentage method is applied to the management of certified input material used for wooden construction, certified content of material used for the construction which is subject to certification may be calculated. In this case, material other than certified material shall be SGEC controlled sources.

*Note:* Percentage of certified material (certified content) of a certified house shall be calculated based on the method stipulated separately in “COC certification of SGEC designated projects”.

7. Due Diligence System (DDS) requirements

7.1 General

7.1.1 For all material used as input for a SGEC product group, except recycled material, the organization shall exercise due diligence in line with the Due Diligence System (DDS) for the avoidance of material from controversial sources laid down in Appendix 1 of this standard. Thereby the organization shall establish that for material used as input for SGEC product groups there is “negligible risk” that it originates from controversial sources and that it meets the definition of SGEC controlled sources material.

7.1.2 For SGEC product groups where only input material used was delivered with a SGEC claim by a supplier covered by a SGEC certificate, an organization may implement the SGEC DDS by meeting the following requirements:

a) In order to enable SGEC certified and uncertified entities further down the supply chain to implement a DDS, the organization shall, upon request, provide the information specified in Appendix 1, 2.1 for material passed on with a SGEC claim. If the organization does not possess the requested information, the request
shall be passed on to relevant supplier(s) of the organization (Appendix 1, 2.2).

b) Where internal or external substantiated concerns on the origin of input material from controversial sources are raised, the organization shall follow up on these concerns following Appendix 1, 4.

c) The organization shall define, document and implement a commitment and a procedure, also covering forest and tree based material/products not covered by the organization’s SGEC chain of custody, ensuring that where it is known to the organization, or where it has received substantiated concerns, that forest and tree based material/products originates in illegal sources (controversial sources, 3.7a), it shall not be placed on the market until the concern has been resolved in accordance with Appendix 1, 4.

**Supplementary article**

The next review of this standard shall be started on March 29th 2026 or before.
Appendix 1:

SGEC Due Diligence System (DDS) for the avoidance of material from controversial sources (SGEC-DDS)

1. General requirements

1.1 In order to help ensure that activities conducted by the organization under the scope of this standard conform to all applicable timber legality legislation, including trade and customs laws, and to minimize the risk that the procured material originates in controversial sources, the organization shall operate a SGEC Due Diligence System (SGEC-DDS), in accordance with the following elements.

1.2 The SGEC DDS shall be implemented for all input forest and tree based material covered by the organization’s SGEC chain of custody and SGEC product groups, with the exception of recycled material.

Note: The SGEC DDS can be implemented by an organization for forest and tree based products from forests under its own management.

1.3 The organization shall implement the SGEC DDS in three steps relating to:
   a) gathering information
   b) risk assessment
   c) management of significant risk supplies

1.4 The organization procuring raw material originating from species listed in Appendix I to III of CITES shall comply with applicable legislation relating to CITES.

2. Access to information

2.1 In order to enable the organization to implement the SGEC DDS, the organization shall have access to the following information from its supplier(s):
   a) list of tree species included, or list of tree species potentially included, in the material/product by their common name and/or their scientific name where
applicable.

b) Country of harvest of the material and where applicable sub-national region and/or concession of harvest.

*Note 1:* Access to the scientific name of species is required in cases where the usage of a common name could pose a risk of wrong identification of the species.

*Note 2:* Usage of a trade name of species is considered as equivalent to the common name in cases where all species covered by the trade name have an equivalent risk of originating in controversial sources.

*Note 3:* Access to the sub-national level of the material origin is required in cases where sub-national regions within one country do not represent an equivalent risk relating to the controversial sources.

*Note 4:* The term “concession of harvest” refers to a contract for harvest in a geographically defined forest area.

*Note 5:* The term “country/region” is further used throughout this clause to identify a country, a sub-national region (prefecture or others in Japan) or a concession of harvest of the material/product origin.

2.2 In order to enable SGEC certified and uncertified entities further down the supply chain to implement a DDS, the organization shall, upon request, provide the information specified in 2.1 of this appendix for material passed on with a SGEC claim. If the organization does not possess the requested information, the request shall be passed on to relevant supplier(s) of the organization.

3. Risk assessment

3.1 The organization shall carry out a risk assessment, assessing the risk of procuring raw material from controversial sources for all input forest and tree based material covered by the organization’s SGEC chain of custody, with the exception of material/products delivered with a SGEC claim by a supplier with a SGEC certificate, as this material can be considered as having “negligible risk” of originating in controversial sources.

3.2 The organization’s risk assessment shall result in the classification of material into “negligible” or “significant” risk category.
3.3 The organization’s risk assessment shall be based on the indicators for risk at origin and supply chain level listed in tables 1-3 below.

3.4 Where the organization’s risk assessment identifies indicators specified in table 1, the organization may consider the material as having “negligible risk” to originate in controversial sources, and conclude the risk assessment without having to consider the indicators outlined in tables 2 and 3.

3.5 Where the organization’s risk assessment does not identify indicators specified in table 1, the risk assessment shall be continued against indicators outlined in tables 2 and 3; and where any of these indicators apply, the organization shall consider the material as having “significant risk” to originate in controversial sources.

3.6 Where none of the indicators outlined in tables 2 and 3 are identified, the organization may consider the supplies as having “negligible risk” to originate in controversial sources, and conclude the risk assessment.

Table 1: List of indicators for negligible risk

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Supplies declared as certified against a forest certification scheme (other than PEFC endorsed), addressing the activities covered by the term controversial sources defined by SGEC, supported by a forest management, chain of custody or fibre sourcing certificate issued by a third party certification body. Note: “fibre” refers to material used not as solid wood, such as pulp, chip or papers.</td>
</tr>
<tr>
<td>b) Supplies verified by governmental or non-governmental verification or licensing mechanisms other than forest certification schemes, addressing the activities covered by the term controversial sources.</td>
</tr>
<tr>
<td>c) Supplies supported by verifiable documentation that clearly identifies: i. country of harvest and/or sub-national region where the timber was harvested, where the latest Transparency International (TI) Corruption Perception Index (CPI) score is higher than 50, or where the latest World Justice Project (WJP) Rule of Law Index is higher than 0.5, and ii. trade name and type of product as well as the common name of tree species and, where “Note” of 2.1 of this appendix is applicable, its full scientific name, and iii. all suppliers within the supply chain, and</td>
</tr>
</tbody>
</table>
iv. the forest area of the supply origin, and

v. documents, including contractual agreements and self-declarations, or other reliable information indicating that products do not originate from controversial sources.

Note: As for legal timber verified based on the Clean Wood Act, the item c)i to iv of this table shall be also verified in addition to the timber legality, because legal timber assessed by the criteria defined in Article 6 of the Clean Wood Act does not address all the activities covered by the term controversial sources defined in 3.7 of this standard.

Table 2: List of indicators for significant risk at origin level

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) Activities not complying with applicable local, national or international legislation on forest management, including but not limited to forest management practices; nature and environmental protection; protected and endangered species; property, tenure and land-use rights for indigenous peoples, local communities or other affected stakeholders; health, labour and safety issues; anticorruption and the payment of applicable royalties and taxes.</strong></td>
</tr>
<tr>
<td>i. The latest Transparency International (TI) Corruption Perception Index (CPI) score of the country is lower than 50 or the latest World Justice Project (WJP) Rule of Law Index of the country is lower than 0,5.4</td>
</tr>
<tr>
<td>ii. The country/region is known as a country with low level of forest governance and law enforcement.</td>
</tr>
<tr>
<td>iii. Tree species included in the material/product is known as species with prevalence of activities covered by the term controversial sources (a) or (b) in the country/region.</td>
</tr>
<tr>
<td>iv. The country is covered by UN, EU, other international organizations or national government sanctions restricting the export/import of such forest and tree based products.</td>
</tr>
<tr>
<td><strong>b) Activities where the capability of forests to produce a range of wood and non-wood forest products and services on a sustainable basis is not maintained or harvesting levels exceed a rate that can be sustained in the long term.</strong></td>
</tr>
<tr>
<td>i. According to publicly available data, such as FAO Forest Resource Assessments, the amount of annual harvest of industrial roundwood exceeds the amount of annual increment of growing stock of the country/region of origin.</td>
</tr>
<tr>
<td><strong>c) Activities where forest management does not contribute to the maintenance,</strong></td>
</tr>
</tbody>
</table>

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conservation or enhancement of biodiversity on landscape, ecosystem, species or genetic levels.

d) Activities where environmentally important forest areas are not identified, protected, conserved or set aside by forest resources survey, mapping and forest management planning.

i. The Environmental Performance Index (EPI) score for “Biodiversity & Habitat” of the country is lower than 50. Where no EPI index exists for a certain country, other indicators may be utilized, such as legislation addressing controversial sources elements c and d, combined with evidence of reliable enforcement of legislation (TI CPI score >50, or WJP Rule of Law score >0.5).

e) Activities where forest conversions occur, in other than justified circumstances where the conversion:

i. is in compliance with national and regional policy and legislation applicable for land use and forest management; and

ii. does not have negative impacts on ecologically important forest areas, culturally and socially significant areas, or other protected areas; and

iii. does not destroy areas of significantly high carbon stock; and

iv. makes a contribution to maintenance of forest functions, and/or economic and social benefits in long-term.

i. The country/region has been identified as having had a net loss of forest area >1% over the most recent ten years of available data, according to publicly available data or information, such as provided by the FAO.

ii. In the country/region the net area with conversions from forests to forest plantations exceeds the forest area increase of the country/region, according to publicly available data or information, such as provided by the FAO.

f) Activities where the spirit of the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not met.

i. Substantiated studies demonstrate that the ILO Declaration on Fundamental Principles and Rights at Work (1998) is not respected in the country.


g) Activities where the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met.

i. Substantiated studies demonstrate that the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) is not met or FPIC is not required in the country.

h) Conflict timber.

i. The country/region has a prevalence of armed conflict according to publicly available
data sources such as Fragile State List.

i) **Genetically modified trees.**

i. According to publicly available data genetically modified forest and tree based organisms are produced in the country/region and placed on the commercial market.

2 The rows a) - i) are elements of 3.7, controversial sources. The rows underneath each element, numbered with Roman numerals (i, ii, iii etc.) provide the indicators used for the risk assessment for this element. Where more than one indicator is listed per element, all indicators shall be applied.

3 Examples of external references and more detailed explanation can be found in the recent issue of PEFC GD 2001 Chain of custody of forest-based products – Guidance for use.

4 These indices might not always be appropriate for forestry. Where more appropriate indicators exist, these can be used with a prior agreement with the PEFC Council. These alternative indicators will be listed in the chain of custody guidance document.

5 The EPI is produced jointly by Yale University and Columbia University in collaboration with the World Economic Forum.

https://epi.envirocenter.yale.edu/about-epi

<table>
<thead>
<tr>
<th>Table 3: List of indicators for significant risk at supply chain level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicators</td>
</tr>
<tr>
<td>a) Countries/regions where the products have been traded are unknown.</td>
</tr>
<tr>
<td>b) Species in the product are unknown.</td>
</tr>
<tr>
<td>c) Evidence of illegal practices concerning controversial sources by any company in the supply chain.</td>
</tr>
</tbody>
</table>

3.7 The risk assessment shall be carried out for the first delivery of every individual supplier, or for several suppliers, with the same characteristics listed in 2.1 of this appendix, and the same applicability of indicators according to tables 1-3 above.

*Note:* Where deliveries from suppliers from the same region share the same characteristics listed in 2.1, and the same applicability of indicators according to tables 1-3, the risk assessment can be implemented as an assessment for a whole region.

3.8 For all material that is subject to the organization’s risk assessment, the organization shall keep an updated list of characteristics listed in 2.1 of this appendix and indicators
according to tables 1-3 for supplies of individual suppliers and suppliers that share the same characteristics.

3.9 The risk assessment shall be reviewed and if necessary revised at least annually, and when changes regarding the characteristics listed in 2.1 of this appendix occur.

4. Substantiated concerns

4.1 The organization shall ensure that substantiated concerns about the potential origin of material covered by the organization’s DDS in controversial sources are promptly investigated, starting no later than ten workdays as of identification of the substantiated concern.

4.2 If the concern cannot be resolved by the organization’s investigation, the risk of the relevant material being from controversial sources shall be determined as “significant” and managed in accordance with clause 5 of this appendix.

5. Management of significant risk supplies

5.1 General

5.1.1 For supplies identified as having “significant risk”, the organization shall request the supplier to provide additional information and evidence that allows the organization to classify the supply as having “negligible risk”. The organization shall request the supplier to:

a) Provide the organization with necessary information to identify the forest area(s) of the raw material and the whole supply chain relating to the “significant risk” supply.

b) Enable the organization to carry out a second party or a third party inspection of the supplier’s operation as well as operations of the previous suppliers in the chain.

Note: These procedures can be ensured e.g. by contractual agreements or a written self-declaration by the supplier.

5.1.2 The organization shall establish a second or third party verification programme for supplies classified as “significant risk”. The verification programme shall cover:
5.2 Identification of the supply chain

5.2.1 The organization shall require, from all suppliers of “significant risk” supplies, detailed information on the whole supply chain and forest area(s) of the supply’s origin.

5.2.2 In cases where the supplies can be verified as “negligible risk” according to the indicators in table 1 at one step in the supply chain the organization is not required to track the whole supply chain to the forest area, except in case of substantiated concerns, which shall be addressed as outlined in appendix 1, clause 4.

5.2.3 The information submitted shall allow the organization to plan and execute on-site inspections.

5.3 On-site inspections

5.3.1 The organization’s verification programme shall include on-site inspections of suppliers delivering “significant risk” supplies. The on-site inspections can be carried out by the organization itself (second party inspection) or by a third party on behalf of the organization. The organization may substitute the on-site inspection with documentation review where the documentation provides sufficient confidence in the material origin in non-controversial sources.

5.3.2 The organization shall demonstrate that personnel carrying out inspections has sufficient knowledge and competence in the local business, cultural and social customs, and applicable treaties, conventions, legislation, governance and law enforcement, relevant to the origin of “significant risk” supplies and to the risk(s) identified.

5.3.3 The organization shall determine a sample of “significant risk” supplies from the supplier to be verified by the verification programme. Identical deliveries by the same supplier shall be considered as a single supply. The size of the annual sample shall be at least the square root of the number of “significant” risk supplies per one year: \( y=\sqrt{x} \), rounded up to the nearest whole number. Where the previous on-site inspections proved to be effective in fulfilling the objective of this document, the size of the sample may be reduced to \( y=0.8 \sqrt{x} \), rounded up to the next whole number.

5.3.4 The on-site inspections shall cover:

a) The direct supplier and all previous suppliers in the supply chain in order to
assess compliance with the supplier claims on the origin of the raw material.
b) The forest owner/manager of the forest area of the supply origin, or any other
party responsible for management activities on that forest area, in order to assess
their compliance with legal requirements.

5.4 Corrective measures

5.4.1 The organization shall define written procedures for implementing corrective
measures for noncompliance for suppliers identified by the organization’s verification
programme.
5.4.2 The range of corrective measures shall be determined with emphasis on the scale
and seriousness of the risk that forest and tree based product(s) may be from
controversial sources and shall include at least one or more of the following:
a) Clear communication of the risk identified with a request for addressing the risk
identified within a specific timeline so as to ensure that forest and tree based
product(s) from controversial sources is not supplied to the organization.
b) Requiring suppliers to define risk mitigation measures relating to compliance
with legal requirements in the forest area(s) or efficiency of the information flow
in the supply chain.
c) Cancellation or suspension of any contract or order for forest and tree based
product(s) until the supplier can demonstrate that appropriate risk mitigation
measures have been implemented.

6. No placement on the market

6.1 Forest and tree based material/products from unknown sources or from controversial
sources shall not be included in a SGEC product group.
6.2 Where it is known to the organization that forest and tree based materials/products
not covered by the organization’s SGEC chain of custody originate in illegal sources
(3.7a of “controversial sources” defined in Standard Document 4), it shall not be
included in a SGEC-COC and shall not be placed on the market.
6.3 Where the organization has received substantiated concerns that forest and tree based
materials/products not covered by the organization’s SGEC chain of custody originate
in illegal sources (3.7a of “controversial sources” of Standard Document 4), it shall
not be placed on the market until the concern has been resolved in accordance with
clause 4 of this appendix.
Appendix 2:

Implementation of the chain of custody standard by multi-site organizations

1. Introduction

This appendix defines requirements for multi-site organization defined in Section 4 of SGEC Standard Document 1 “Operation Rules of Forest Management Certification and Forest Products Chain of Custody Certification by Sustainable Green Ecosystem Council (SGEC)”.

The aim of this appendix is to establish guidance for the implementation of the SGEC chain of custody requirements in an organization with a network of sites, thus ensuring on the one hand, that the assessment provides adequate confidence in the conformity of the chain of custody, and on the other, that the certification of the chain of custody is practical and feasible in economic and operative terms. Certification of multi-site organizations also allows implementation and certification of the chain of custody in a group of typically small independent companies.

This appendix only includes requirements for implementation of the chain of custody requirements that are applicable to organizations with multiple production locations.

Note: The multi-site organization is defined as an organization having an identified central function (normally, and hereafter referred to as a “central office”) at which certain activities are planned, controlled and managed, and sites (referred as “sites” or “group members”) at which COC activities administered by the central office are fully or partially carried out.

2. Eligibility criteria for the multi-site organization

2.1 The multi-site organization does not need to be a unique entity, but all sites shall have a legal or contractual link with the central office and be subject to a common chain of custody that is subject to continuous surveillance by the central office. This means that the central office has the right to implement corrective actions at any site. Where needed, this should be laid down in the contract between the central office and the sites.

2.2 The multi-site organization may cover:

a) Organizations operating with franchises or companies where the sites are linked
through a common ownership, management or other organizational link.
b) Groups of independent legal enterprises established and functioning for the purposes of the chain of custody certification (producer group).

*Note 1:* Membership in an association is not covered by the term “management or other organizational link”.

*Note 2:* “Franchise “is a type of continuous business relationship where an entity (franchiser) gives other entities (franchisees) rights to operate sales of goods and other businesses under the unified image using business symbols such as trademarks, service marks and trade names, as well as using certain business know-hows, based on contracts between the franchiser and franchisees, while franchisees pay fee to the franchiser and operate their businesses on their own investment under the guidance and support by the franchiser. (definition by Japan Franchise Chain Association)

2.3 A producer group is a network of typically small independent enterprises that have associated together for the purpose of obtaining and maintaining chain of custody certification.

The central office may be an industry organization nominated by the members of the producer group, an appropriate trade association providing management service to the group according to the purpose of this standard, or any other properly experienced legal entity. The central office can also be administered by one member of the group.

*Note:* The central office in the case of the producer group can be called the “group entity” and sites can be called “group members”.

2.4 A site is a location at which activities relating to the organization’s chain of custody are carried out.

2.5 The producer group is limited to participation of sites that are domiciled in Japan and that:
   a) have no more than 50 employees (full-time employees equivalent),
   b) have a turnover of maximum of 1 billion yen, or equivalent

2.6 When a member of the producer group exceeds the threshold stipulate in the above 2.5, the member shall exit the producer group after two consecutive surveillance
audits implemented after the time the member exceeds the threshold.

3. Requirements for multi-site organizations

3.1 General
3.1.1 The organization’s chain of custody shall be centrally administered and be subject to central review.

All the relevant sites (including the central office with the central administration function) shall be subject to the organization’s internal audit programme and shall have been audited in accordance with that programme prior to the certification body starting its assessment.

3.1.2 It shall be demonstrated that the central office of the organization has established a chain of custody in accordance with this standard and that the whole organization (including all the sites) meets the requirements of this standard.

3.1.3 The organization shall be able to demonstrate its ability to collect and analyze data from all sites, including the central office authority and its ability to initiate changes in the chain of custody operating in the sites if required.

3.2 Function and responsibilities of the central office
3.2.1 The central office shall:
   a) Represent the multi-site organization in the certification process, including communication and relationship with the certification body.
   b) Submit an application for the certification and its scope, including a list of participating sites.
   c) Ensure contractual relationship with the certification body.
   d) Submit to the certification body a request for extension or reduction of the certification scope, including coverage of participating sites.
   e) Provide a commitment on behalf of the whole organization to establish and maintain a chain of custody in accordance with the requirements of this standard.
   f) Provide all the sites with information and guidance needed for effective implementation and maintenance of the chain of custody in accordance with this standard; The central office shall provide the sites with the following information or access to the following information:
      – A copy of this standard and any guidance relating to the implementation of the requirements of this standard.
      – PEFC Trademarks Rules and any guidance relating to their implementation.
- The central office’s procedures for the management of the multi-site organization.
- Conditions of the contract with the certification body relating to the rights of the certification body or accreditation body to access the sites’ documentation and installations for the purposes of evaluation and surveillance, and disclosure of information about the sites to a third party.
- Explanation of the principle of the mutual responsibility of sites in the multi-site certification.
- Results of the internal audit programme and the certification body’s evaluation and surveillance and relating corrective and preventive measures applicable to individual sites.
- The multi-site certificate and any of its parts relating to the scope of the certification and coverage of sites.

*Note:* The term “mutual responsibility” means that nonconformities found in one site or the central office may result in corrective actions to be performed at all sites; an increase in internal audits or withdrawal of the multi-site certificate.

- Provide organizational or contractual connection with all the sites, which shall include commitments by the sites to implement and maintain the chain of custody in accordance with this standard. The central office shall have a written contract or other written agreement with all the sites which covers the right of the central office to implement and enforce any corrective or preventive measures and to initiate the exclusion of any site from the scope of certification in case of nonconformities with this standard.
- Establish written procedures for the management of the multi-site organization.
- Keep records relating to the central office and sites compliance with the requirements of this standard.
- Operate an internal audit programme as outlined in 3.2.2.
- Operate a review of the central office and sites conformity, including review of results of the internal audits programme and certification body’s evaluations and surveillance; shall establish corrective and preventive measures if required; and shall evaluate the effectiveness of corrective actions taken.

### 3.2.2 Internal audit programme

#### 3.2.2.1 The internal audit programme shall provide for:

- Audit of all the sites (including its own central administration function), on site
or remotely, where a remote verification of the implementation of chain of custody processes is feasible, prior to the certification body starting its evaluation.

b) Audit of any new site prior to the certification body starting the process of the certification scope extension.

3.3 Function and responsibilities of sites

Sites connected to the multi-site organization shall be responsible for:

a) Implementation and maintenance of the chain of custody requirements in accordance with this standard.

b) Entering into a contractual relationship with the central office, including commitment on the compliance with the chain of custody requirements and other applicable certification requirements.

c) Responding effectively to all requests from the central office or certification body for relevant data, documentation or other information whether in connection with formal audits or reviews or otherwise.

d) Providing full co-operation and assistance in respect of the satisfactory completion of internal audits performed by the central office and audits performed by the certification body, including access to the sites installations.

e) Implementation of relevant corrective and preventive actions established by the central office.

Table 4: Scope of responsibilities for requirements of this standard implemented in the multi-site organization

<table>
<thead>
<tr>
<th>Standard requirements</th>
<th>Central office</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements for chain of custody process – physical separation method</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Requirements for chain of custody process – percentage method</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Requirements for chain of custody process – credit method</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Management system requirements</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Responsibilities and authorities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>General responsibilities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Responsibilities and authorities for chain of custody</td>
<td>Yes (for d and e)</td>
<td>Yes</td>
</tr>
<tr>
<td>Documented procedures</td>
<td>Yes (for a, e and f)</td>
<td>Yes</td>
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<td>-------------------------------------</td>
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<tr>
<td>Record keeping</td>
<td>Yes (for f and g)</td>
<td>Yes</td>
</tr>
<tr>
<td>Resource management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources/personnel</td>
<td>Yes (only for activities provided)</td>
<td>Yes</td>
</tr>
<tr>
<td>Technical facilities</td>
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<td></td>
</tr>
<tr>
<td>Inspection and control</td>
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<td>Yes</td>
</tr>
<tr>
<td>Complaints</td>
<td>Yes</td>
<td>Yes</td>
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