

Document 4

Guidelines for SGEC CoC Certification Requirements for CoC Certification

Preface

The guidelines for SGEC CoC certification provides accurate and verifiable information to citizens and consumers relating to the origin of forest based product in sustainably managed forest and other environmental sound non-controversial sources. Through such information dissemination, it aims that citizens and consumers are encouraged to purchase the products from sustainably managed forests and environmentally friendly products selectively, thus encouraged its demand and supply will contribute to enhancing market-driven sustainable use of forest good and services in Japan as well as globally.

The uniqueness of this guidelines could be found in due consideration to promotion of local forest and forestry and inclusion of Japanese traditional wooden house certification system as well as effective use of Japanese government procurement policy of legality verified wood.

Also this guideline has also been amended for mutual recognition with PEFC.

1. Scope

Guidelines for SGEC CoC Certification stipulated in Article 3, Section 1 of Operational Rules of Forest Management Certification and Forest Products Chain of Custody Certification by SGEC shall be provided herein.

As to establishment and application of Due Diligence System in SGEC scheme, the contents of legality verification in Japanese government procurement policy shall be utilized/referred properly in meeting this guideline's requirements.

Any inquiry on the SGEC, the Japanese language version is the official document for the matters linked to the SGEC system and the English language version is the official document for the matters linked to the PEFC.

2. Terms and definitions

2-1 Accredited certificate

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

2-2 Certified material

Raw material which is covered by the CoC claims.

Note: The criteria for certified material and its suppliers are defined as a part of the

definition of SGEC claim(s) which can be found in Attachment 4-1.

2-3 Certified product

Product which is claimed as including certified material whose content is verified by CoC.

2-4 CoC of forest based products

Process of handling of information on the material category of forest based products which allows the CoC organization to make accurate and verifiable claims on the content of certified material.

2-5 Claim

Information which indicates certain aspects of a product.

Note: The term “claim” used in this guidelines indicates usage of the official CoC claims (see Attachment 4-1) relating to the SGEC claim.

2-6 Claim period

Time period for which the CoC claim applies.

2-7 Conflict timber

“Timber that has been traded at some point in the CoC 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” or the exploitation of timber that itself be a direct cause of conflict. (Definition used by UNEP)

2-8 Controlled sources

Material for which the risk of originating from controversial sources has been minimized through the implementation of the SGEC Due Diligence System.

2-9 Controversial sources

Forest activities which are:

- a) not complying with local, national or international legislation, applying to forest related activities, in particular in the following areas:
 - forestry operations and harvesting, including biodiversity conservation and conversion of forest to other use
 - management of areas with designated high environmental and cultural values,
 - protected and endangered species, including requirements of CITES,
 - health and labor issues relating to forest workers,
 - indigenous peoples' property, tenure and use rights,
 - third parties' property, tenure and use rights,
 - payment of taxes and royalties,
- b) not complying with legislation of the country of harvest relating to trade and customs, in so far as the forest sector is concerned,
- c) utilizing genetically modified forest based organisms,
- d) converting forest to other vegetation type, including conversion of primary forests

to forest plantations.

2-10 Customer

A single entity, either buyer or user of the CoC organization's products, to whom the claim is made.

Note: The term customer also covers internal customer within the CoC organization where more subsequent product groups exist.

2-11 Due Diligence System (DDS)

A framework of producers and measures, namely information gathering, risk assessment and risk mitigation, to exercise due diligence.

2-12 Forest based material

Raw material originating in forest areas or from other areas recognized by the SGEC as eligible for SGEC FM certificate, including recycled material originally coming from those areas.

Note: Forest based material includes wood based as well as non-wood material.

2-13 Forest based products

Products which include forest based material.

2-14 Planted forest

Planted forest is established through planting or seeding of specific tree species which occupy more than 50% of the stand either by volume or number. Natural forest is the ones which are not planted forest.

2-15 Labelling

Usage of labels (on- or off-product).

Label will be displayed with license number, percentage of certified raw material and description of certified product as well as logo.

2-16 Material category

The characteristics of the place where the raw material is coming from.

Note: This guideline uses three material categories: certified, neutral and other material, whose definitions are made specifically for individual claims.

2-17 Neutral material

Material which is not forest-based and is therefore considered as neutral in the calculation of the certification percentage.

2-18 CoC organization

Any entity which is making claims on products and is implementing the requirements of this guideline.

2-19 Other material

Forest based material other than certified material.

2-20 SGEC recognized certificate

SGEC recognized certificate is a valid accredited FM certificate or CoC certificate issued by a SGEC notified certification body.

Note: SGEC scheme documents are found at the SGEC website: www.agec-eco.org.

2-21 Physical separation

A procedure in which various materials/products of different material categories are kept separate so that the category of the materials/products used and transferred to the customer is known.

Note: Physical separation can involve physical separation at a CoC organization's facility e.g. in separate bays or in specific storage areas of the facility, or it can include clear marking or usage or having distinguishing marks, to readily identify the materials of different origin categories.

2-22 Primary forest

Forest of native species where there are no clear visible indications of human activities and the ecological processes are not significantly disturbed.

Note: Includes areas where non-wood forest goods are collected with less human impact. Some trees may have been removed.

2-23 Product group

Set of products manufactured or traded in the specified processes which are covered by the CoC organization's CoC.

Note 1: The CoC organization can establish one or more groups as a result of parallel or subsequent processes.

Note 2: The CoC product group can also include a single product for which the CoC is implemented.

2-24 Recycled material

Forest based material that is

- a) diverted from the waste stream 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 such as sawmilling by-products (sawdust, chips, bark, etc.) or forestry residues (bark, chips from branches, roots, etc.) as they do not represent "waste stream".
- b) generated by households or by commercial, industrial and institutional facilities in that their role as end-users of the product which can no longer be used for its intended purpose. This includes returns of material from the distribution chain.

Note 1: The above definition is based on definitions of ISO 14021:1999 in which a) is defined as "pre-consumer material" and b) is defined as "post-consumer material"

Note 2: The term "capable of being reclaimed within the same process that generated it" in 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 which continuously re-enters the same press line. This is not considered as recycled material.

Note 3: Material classified under the grades of recovered paper according to the guidelines of Japan Paper Recycling Promotion Center is recognized as meeting the definition of the recycled material.

2-25 Rolling percentage calculation

Calculation of the certification percentage based on input material procured during the specified period before the product's manufacturing or trading.

2-26 Simple percentage calculation

Calculation of the certification percentage based on input material physically included in the product for which the certification is made.

Note: An example of the simple percentage calculation is a printing job where the certification percentage is calculated from the material purchased and used for this specific printing job.

2-27 Supplier

A clearly identified single entity directly supplying input material to the relevant product group.

Note 1: In cases where the material is physically delivered by another entity than that having the ownership title to the material, the CoC organization shall appoint a single supplier for the purposes of this definition, either an entity with the ownership title or an entity physically delivering the material. E.g. a printing house procuring material from a distributor, which is however delivered directly by a paper producer, may consider as the supplier either the distributor or paper producer.

Note 2: The term supplier also covers an internal supplier within the CoC organization where more subsequent product groups exist.

2-28 Legality verification based on the Japanese government procurement policy and guidelines

Legality verification based on "Guideline for verification on legality and sustainability of wood and wood products" by Forestry Agency of Japan on February 2006 (see http://www.rinya.maff.go.jp/j/boutai/ihoubatu/pdf/gaido1_e.pdf)

3. Identification of the material category of materials/products

3-1 Identification at delivery (incoming) level

3-1-1 The CoC organization shall obtain from the suppliers for each delivery of certified materials/products information necessary to verify their certified status.

Note 1: For each delivery of material entering the CoC product group, the CoC organization shall obtain from the supplier the information that is necessary to identify and verify the origin, category and composition of the procured material.

Note 2: An example of the delivery documentation is an invoice or delivery note.

3-1-2 A document associated with each delivery of materials/products shall include at least the following information:

- a) the CoC organization's name as the customer of the delivery,
- b) supplier identification,
- c) product(s) identification,
- d) quantity of delivery for each product covered by the documentation,
- e) date of delivery / delivery period / accounting period,

Additionally the document shall include for each product with SGEC claim:

- f) the formal claim on the material category (percentage of certified material) specifically for each claimed product covered by the documentation, as applicable,
- g) the identifier of the supplier's CoC or FM certificate or other document confirming the supplier's certified status.

3-1-3 For each delivery, the CoC organization shall classify the procured material as certified, neutral or other material following the claim specification for which the CoC was implemented.

3-2 Identification at supplier level

3-2-1 The CoC organization shall require, from all suppliers of certified material, a copy of or access to the FM or CoC certificate or another document confirming the supplier's certified status.

3-2-2 The CoC organization shall evaluate the supplier's certified status with the criteria for the suppliers of certified material based on validity and scope of documents received under 3-2-1 above.

4. Minimum Due Diligence System (DDS) requirements

4-1 General requirements

4-1-1 The CoC organization shall operate a Due Diligence System (DDS), in accordance with the following elements of this guideline, which is based on risk management techniques to minimize the risk that the procured material originates in controversial sources.

4-1-2 The SGEC DDS shall be implemented for all input forest based material covered by the CoC organization's SGEC CoC with the exception of:

- a) recycled material; and
- b) material originating from species listed in Appendices I to III of CITES provided it complies with applicable international and national legislation relating to CITES.

4-1-3 The CoC organization's SGEC DDS shall be supported by the CoC organization's management system meeting requirements of item 7 of this guidelines.

4-1-4 The CoC organization shall implement the SGEC DDS in three steps relating to:

- a) gathering information,
- b) risk assessment and

c) management of significant risk supplies.

4-1-5 The CoC organization procuring raw material originating from species listed in Appendix I to III of CITES shall comply with applicable international and national legislation relating to CITES.

4-1-6 The CoC organization shall not include the restricted forest based material originating from countries which are covered by applicable UN or national government sanctions restricting the export/import of such forest based products.

4-1-7 The CoC organization, for the time being, shall not include any material from genetically modified forest based organisms in products covered by the CoC organization's SGEC DDS.

4-1-8 Conflict timber shall not be used by the CoC organization.

4-1-9 The CoC organization shall not include in products covered by the CoC organization's SGEC DDS any wood based material originating in conversion of forests to other land use, including conversion of primary forests to planted forests.

4-2 Gathering of information

4-2-1 The SGEC DDS is based on information provided by the supplier. The CoC organization shall have access to the following information:

- a) identification of the material/product, including its trade name and type;
- b) identification of tree species including in material/product by their common name and/or their scientific name where applicable;
- c) 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 means a long-term and exclusive contract for harvest on defined geographical area of the publicly owned forests.

Note 5: The term "country/region" is further used throughout this clause to identify a country, a sub-national region or a concession of harvest of the material/product origin.

4-3 Risk assessment

The CoC organization shall operate SGEC DDS on all input forest based material for trading forest based products certified.

- 4-3-1 The CoC organization shall carry out the risk assessment of procuring raw material from controversial sources for all input forest based material covered by the CoC organization’s SGEC DDS, with the exception of:
- a) certified material/products delivered with a claim by a supplier with SGEC recognized certificate,
 - b) other material/product delivered with a claim by a supplier with SGEC recognized CoC certificate.
- 4-3-2 The CoC organization’s risk assessment shall result in the classification of supplies into the “negligible” or “significant” risk category.
- 4-3-3 The CoC organization’s risk assessment shall be carried out based on an evaluation of:
- a) the likelihood that activities defined under the term controversial sources occur in the country/region of the supply or for the tree species of the supply (hereinafter referred to as “the likelihood at the origin level”) and;
 - b) the likelihood that the supply chain has not been able to identify a potential controversial source of supply (hereinafter referred to as “the likelihood at the supply chain level”).
- Note: “at the origin level” is meant by FM level, and “at the supply chain level” is meant by CoC level.
- 4-3-4 The CoC organization shall determine the risk, based on the likelihood at the origin level and the likelihood at the supply chain level and their combination, in order to classify all supplies as “significant” risk where one or both levels are assessed as having high likelihood (see Figure 1).

High	Likelihood on supply chain level	Significant Risk	
		Negligible Risk	Significant Risk
Low		Significant Risk	
		Likelihood on origin level	
		Low	High

Figure 1: Risk categories

- 4-3-5 The following tables list indicators which shall be used for the classification of the risk of supplies. The CoC organization may use the Guideline for verification on legality and sustainability of wood and wood products by Forestry Agency of Japan, upon verification as appropriate, in risk assessment of supplies.

Note: The indicators for “low likelihood” on origin as well as on supply chain level (Table 1) describe options for a first step of risk mitigation (e.g. provision of additional information) before starting the formal risk mitigation process described in 4-5 below. Hence, if the supplies can be characterized by indicators indicating “low likelihood” on the supply chain level or the origin level, risk assessment in Table 2 and 3 is not necessary.

Table 1: List of indicators for “low” likelihood on origin and supply chain level (negligible risk)

Indicators
Supplies: a) certified material/products delivered with a claim by a supplier with SGEC recognized certificate, b) other material/products delivered with a claim by a supplier with SGEC recognized CoC certificate.
Supplies declared as certified against a forest certification scheme (other than SGEC endorsed) supported by a FM or CoC certificate issued by a third party certification body.
Supplies verified by governmental or non-governmental verification or licensing mechanisms other than forest certification scheme focused on activities covered by the term controversial sources.
Supplies supported by verifiable documentation which clearly identifies <ul style="list-style-type: none"> • country of harvest and/or sub-national region where the timber was harvested (including consideration of the prevalence of armed conflict) • trade name and type of product as well as the common name of tree species and its full scientific name in case of Note 1 of 4-2-1 above • all suppliers within the supply chain and • the forest management unit of the supply origin • documents or other reliable information indicating compliance of those timber and timber products with activities referred to by the term controversial sources. <p>Special attention shall be given to documentation which is produced by a governmental body of the country with Transparency International’s Corruption Perceptions Index (TI CPI) below 50. However, timber produced in Japan is not in this category because TI CPI of Japan is 80.</p>

Note 1: The timber verification by a DDS according to the requirements of the European Timber regulation, monitored by a Monitoring Organization, can be used as evidence for the legality of the supplies.

Note 2: A specific geographical approach for the identification of negligible risk

is described in 4-3-8 below.

Table 2: List of indicators for “high” likelihood on origin level

Indicators
The actual corruption perception index (CPI) of the country presented by Transparency International (TI) is lower than 50*.
The country/region has a prevalence of armed conflict.
The country/region is known as a country with low level of forest governance and law enforcement.
Tree species included in the material/product is known as species with prevalence of activities covered by the term controversial sources.

*Transparency International has indicated that its CPI is not always appropriate for forestry. And therefore, where more appropriate indicators exist, these can be used with a prior agreement with the SGEC in consultation with TI.

Table 3: List of indicators for “high” likelihood on supply chain level

Indicators
Actors and steps in the supply chain before the first verification by a verification system accepted as indicator for low risk in this risk matrix are unknown.
Countries/regions where the timber and timber products have been traded before the first verification by a verification system accepted as indicator for low risk in this risk matrix are unknown.
Tree species in the product are unknown
Evidence of illegal practices by any company in the supply chain

- 4-3-6 The risk assessment shall be carried out for the first delivery of every individual supplier. It shall be reviewed and if necessary revised at least annually.
- 4-3-7 The risk assessment shall be carried out for every delivery by an individual supplier in which changes regarding the characteristics in 4-2-1 above occurred.
- 4-3-8 An CoC organization can conduct a risk assessment and identify negligible risk for deliveries from a specific geographical area, subsequent to the following conditions:
- a) The CoC organization shall keep updated:
 - i. a clear definition of the particular area
 - ii. a list with tree species delivered from the area
 - iii. appropriate evidence to verify that its sources of supply are limited to the identified geographic area and tree species
 - b) No indicator listed in Table 2 and Table 3 above shall be applicable.
 - c) The area specific risk assessment shall be carried out before the first delivery

from the area. It shall be revised at least once a year.

- d) The area specific risk assessment shall be reviewed and if necessary revised if a) above is changed.

4-4 Substantiated comments or complaints

4-4-1 The CoC organization shall ensure that substantiated concerns provided by third parties concerning supplier compliance with legal requirements and other aspects of controversial sources are promptly investigated and, if validated, result in (re-)assessment of the risks associated with the relevant supplies.

4-4-2 In case of substantiated concerns material originally excluded from the risk assessment (see 4-3-1 above) shall undergo a risk assessment according to the requirements in 4-3 above.

4-5 Management of significant risk supplies

4-5-1 Identification of supplies

4-5-1-1 For supplies identified as “significant” risk, the CoC organization shall request the supplier to provide additional information and evidence, if possible, which allows the CoC organization to classify the supply as negligible risk. The supplier shall ensure that:

- a) it will provide the CoC organization with necessary information to identify the forest management unit(s) of the raw material and the whole supply chain relating to the “significant” risk supply.
- b) it will enable the CoC 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.

4-5-1-2 The CoC organization shall establish a second or third party verification program for supplies classified as “significant” risk. The verification program shall cover:

- a) identification of the whole supply chain and forest management unit(s) of the supply’s origin;
- b) on-site inspection whenever relevant and
- c) risk mitigation, corrective and preventive measures as required.

4-5-2 Identification of the supply chain

4-5-2-1 The CoC organization shall require, from all suppliers of “significant” risk supplies, detailed information on the whole supply chain and forest management unit(s) of the supply’s origin.

4-5-2-2 In cases where the supplies can be verified as negligible risk according to the indicators in Table 1 above at one step in the supply chain, the CoC organization is not required to track the whole supply chain to the forest

management unit.

4-5-2-3 The information submitted shall allow the CoC organization to plan and execute on-site inspections.

4-5-3 On-site inspections

4-5-3-1 The CoC organization's verification program shall include on-site inspections of suppliers delivering "significant" risk supplies. The on-site inspections can be carried out by the CoC organization itself (second party inspection) or by a third party on behalf of the CoC organization. The CoC organization may substitute the on-site inspection with documentation review where the documentation provides sufficient confidence in the material origin in non-controversial sources.

4-5-3-2 The CoC organization shall demonstrate that it has sufficient knowledge and competence in the legislation applicable to the origin of "significant" risk supplies and relevant to the definition of the controversial source.

4-5-3-3 Where the on-site inspection is carried out by a third party on behalf of the CoC organization, the CoC organization shall demonstrate that the third party has sufficient knowledge and competence in the legislation as required by Attachment 2-10.

4-5-3-4 The CoC organization shall determine a sample of "significant" risk supplies from one supplier to be verified by the verification program. 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 to the nearest whole number. Where the previous on-site inspections provided to be effective in fulfilling the objective of this guideline, the size of the sample may be reduced by a factor of 0.8, i.e.: ($y=0.8\sqrt{x}$), rounded to the next whole number.

4-5-3-5 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 and;
- b) the forest owner/manager of forest management unit of the supply origin or any other party responsible for management activities on that forest management unit in order to assess their compliance with legal requirements.

4-5-4 Corrective and prevention measures

4-5-4-1 The CoC organization shall define written procedures for implementing corrective measures for non-compliance for suppliers identified by the CoC organization's verification program/

4-5-4-2 The range of corrective measures shall be based on the scale and

seriousness of the risk that timber or timber 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 timber or timber product(s) from controversial sources is not supplied to the CoC organization;
- b) requiring suppliers to define risk mitigation measures relating to forest management units compliance with legal requirements or efficiency of the information flow in the supply chain;
- c) cancelation of any contract or order for timber or timber product(s) until the supplier can demonstrate that appropriate risk mitigation measures have been implemented.

4-6 No placement on the market

4-6-1 Timber or timber product(s) from unknown sources or from controversial sources shall not be included in product groups covered by the CoC organization's chain of custody scheme.

4-6-2 Timber known or reasonably suspected as coming from illegal sources (controversial sources a) or b) of 2-9 above) shall not be processed and, shall not be traded and/or shall not be placed on the market unless appropriate documented evidence has been provided and verified which allows the timber supplied to be classified as presenting "negligible" risk.

5. Chain of custody method

5-1 General

The CoC organization shall manage certified material/products, at incoming, production/processing, storage, shipment stages, by one of the following two methods.

5-2 Physical separation method

5-2-1 General requirements for physical separation method

5-2-1-1 The CoC organization whose certified material/products are not mixed with other material/products and/or where the certified material/products can be identified during the whole process, shall use the physical separation method.

5-2-1-2 The CoC organization applying the physical separation method shall ensure that the certified material is separated or clearly identified at all stages of the production or trading process such as incoming, production/processing, storage, shipment stages.

Note: Status of physical separation above shall be demonstrated at all stages and be identified in documents.

5-2-1-3 The CoC organization may also apply physical separation method to the certified products with various content of certified material.

Note: The CoC organization may physically separate a product(s) with the same percentage based claim from other products with or without different percentage claims.

5-2-2 Separation of certified material/products

5-2-2-1 The following methods shall be applied for clear identification throughout the whole production/trading process:

- a) physical separation in terms of production and storage space or
- b) physical separation in terms of time or
- c) clear identification of the certified material/products during the process.

5-3 Percentage based method

5-3-1 Application of the percentage based method

5-3-1-1 The CoC organization whose certified material/products are mixed with other material/products and where the certified material/products cannot be identified during the whole process, shall use the percentage based method.

5-3-2 Definition of the product group

5-3-2-1 The CoC organization may treat the products produced under the specific chain of custody process of this guideline as the specific product group. The CoC organization may also treat the products produced under the specific CoC process and products produced partly different process as the group of products.

5-3-2-2 The product group shall be associated with (i) a single product type or (ii) a group of products, which consist of the same or similar input material according to, for example species, sort, etc.

5-3-2-3 The material entering the group of products shall have the same measurement unit or units that are transferable to the same measurement unit.

5-3-2-4 The product group shall be associated with products which have been produced or manufactured by the CoC organization at one production site.

5-3-2-5 The above requirement is not applicable to the CoC organizations and its processes where the production site cannot be clearly identified, e.g. forest contractors, transportation, trade, etc.

5-3-2-6 Calculation of percentage of material certified shall be based on the requirements in 5-3-3 of this guideline.

5-3-3 Calculation of the certification percentage

5-3-3-1 The CoC organization shall calculate the certification percentage separately for each product group and for a specific claim period according to the following formula:

$$P_c [\%] = V_c / (V_c + V_o) * 100$$

P_c: Certification percentage

V_c: Volume of certified material

V_o: Volume of other material

Note: In addition to certified and other material, the criteria of specific claims also define neutral material which does not enter into the calculation formula. Therefore, the total volume of the material is the sum of certified material, neutral material and other material. ($V_t = V_c + V_o + V_n$; where V_t is total volume of material and V_n is volume of neutral material).

- 5-3-3-2 The CoC organization shall calculate the certification percentage based on a single measurement unit used for all raw material covered by the calculation. In cases of conversion to a single measurement unit for calculation purposes, the CoC organization shall only use generally recognized conversion ratios and methods. If a suitable generally recognized conversion ratio does not exist, the CoC organization shall define and use a reasonable and credible conversion ratio.
- 5-3-3-3 If the procured product includes only a proportion of certified material, then only the quantity corresponding to the percentage claimed by the supplier shall enter the calculation formula as certified material. The rest of material shall enter the calculation as other material.
- 5-3-3-4 The CoC organization shall calculate the certification percentage either as:
- a) simple percentage or
 - b) rolling percentage.
- 5-3-3-5 The CoC organization applying the simple percentage calculation shall calculate the certification percentage based on material physically included in the specific products of the products group for which the percentage is calculated.
- 5-3-3-6 The CoC organization applying rolling percentage shall calculate the certification percentage for the specific product group and claim period based on material procured in the specified material input period preceding the claim period. The claim period, in the case of rolling percentage, shall not exceed three months and the material input period shall not exceed 12 months.

Example: The CoC organization which has chosen three months claim period and 12 months material input period will calculate the rolling percentage for the coming three months from the quantity of material

procured in the previous 12 months.

5-3-4 Transfer of the calculated percentage to the outputs

5-3-4-1 Average percentage method

- a) The CoC organization applying average percentage method shall use the calculated certification percentage for all the products covered by the product group for which the calculation has been made.

Example: If the certified percentage calculated for the three months claim period is 54%, all products covered by the product group can, during this claim period, be sold/transferred as certified products including 54% of certified material, e.g. “54% SGEC Certified”.

5-3-4-2 Volume credit method

- a) The CoC organization shall apply the volume credit method for a single claim. The CoC organization receiving a single delivery of material with more than one claim relating to the material category shall either use it as a single inseparable claim or shall only use one from the received claims for calculating the volume credits.

Note: The CoC organization which is receiving a single delivery of material with two claims relating to two certification schemes either establishes a credit account for the multiple claim or decides, for a single delivery, which claim will be entered into the respective volume credit account.

- b) The CoC organization shall calculate the volume credits using either:
- certification percentage and volume of output products or
 - input material and input/output ratio.
- c) The CoC organization applying the certification percentage shall calculate the volume credits by multiplying the volume of output products of the claim period by the certified percentage for the relevant claim period.

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

- d) The CoC organization that can demonstrate a verifiable ratio between the input material and output products, may calculate the volume credits directly from input certified material by multiplying the volume of input certified material by the input/output ratio.

Example: If the volume of input certified material is 70 m³ and input/output ratio is 0.60 (e.g. 1 m³ of round wood results in 0.60 m³ of sawn wood), the CoC organization achieves volume credits equal to

42 m³ of sawn wood.

- e) The CoC organization shall create and manage a credit account in a single measurement unit and shall enter the volume credits into the credit account. The credit account shall be established for individual product types of the products group or for the whole product group where the same measurement unit is applied to all product types.
- f) The total quantity of credits cumulated at the credit account shall not exceed the sum of credits entered into the credit account during the last 12 months. The 12 months maximum period can be extended to the average products production period where the products production period is longer than 12 months.

Example: If the average production period of fuelwood (including drying process) is 18 months, the CoC organization can extend the 12 months maximum period for the accumulation of credits to 18 months.

- g) The CoC organization shall distribute the volume credits from the credit account for the output products covered by the credit account. The volume credits shall be distributed to the output products in a way that the certified products will be considered as containing 100% of certified material or as containing less than 100% certified material and meeting the CoC organization's own threshold. The result of the volume of certified products multiplied by the output percentage of certified material included in the certified products shall be equal to the distributed volume credits withdrawn from the credit account.

Example: If the CoC organization decides to distribute 54 tonnes of volume credits to output products, then the CoC organization can either sell 54 tones as certified products including 100% of certified material or X tones as certified products including Y % of certified material, where $X*Y$ =distributed volume credit (e.g. 77 tonnes of output products can be sold as "70% SGEK Certified", where $77\text{ t}*0.70=54\text{ t}$).

5-3-4-3 House constructed by material certified

- a) The CoC organization applying the certification percentage of wood material used in house construction may apply the percentage of certified material in main structural material of the house constructed.

Note: Percentage of certified material in house construction shall be stipulated in Attachment 2-2.

6. Sale and communication on claimed products

6-1 Documentation associated with sold/transferred products

6-1-1 At the point of sale or transfer of the certified products to the customer, the CoC

organization shall provide the customer with a copy or access to a copy of its chain of custody certificate or other document confirming the organization's compliance with criteria for the supplier of certified products. The CoC organization shall inform the customer about any change in the scope of its certification.

Note: In the case of multi-site certification where individual sites receive a separate document (referring to the main certificate) confirming their certified status, the organization (the site) provides its customers copies of this document together with the main certificate.

- 6-1-2 For the purposed of communication of the chain of custody claim, the CoC organization shall identify the type of document(s) associated with the delivery of all sold/transferred products. The document(s), including the formal claim, shall be issued to a single customer. The CoC organization shall keep copies of documents and ensure that information contained within those copies cannot be altered after the originals are delivered to the customers.

Note 1: "Document associated with the delivery" shall be invoice or delivery note.

Note 2: The document(s) associated to each delivery covers the media and information, including electronic media.

- 6-1-3 In the course of shipment of certified products, the CoC organization shall demonstrate its products as SGEC certified products by using SGEC logo or label and shall provide at least the following information to the customers:

- a) name of the CoC organization and its certified number,
- b) customer identification,
- c) supplier identification,
- d) product(s) identification
- e) quantity of delivery for each product covered by the document
- f) date of delivery /delivery period / accounting period,
- g) the formal claim on the material category (including percentage of certified material) specifically for each claimed product covered by the document, as applicable,
- h) the identifier of the supplier's chain of custody certificate or other document confirming the supplier's certificate status.

Note: The formal claim, which means the claim in its exact wording, as well as documents confirming the certificate status are specified by this guideline or other document(s) defined by the SGEC.

- 6-1-4 The CoC organization shall keep records of certified material/products, stock and shipment for at least five years.

Note: The document to be recorded shall be the media and information, including electronic media.

6-2 Usage of logos and labels

The CoC organization shall ensure that the certified products are labeled properly based upon the rules for usage of SGEC logos and labels stipulated in Attachment 2-2 and can be provided to the customers.

6-2-1 The CoC organization which uses a logo or label, for on-product and/or off-product purposes, relating to the CoC certification, shall have an authorization from the SGEC and the usage shall be carried out according to the terms and conditions of the SGEC.

Note 1: Where the CoC organization decides to use the logo/label, the logo/label usage rules specified by the SGEC become an integral part of the chain of custody requirements.

Note 2: In case of SGEC Logo usage, “authorization” means a valid license issued by the SGEC and the “terms and conditions” of the license requires compliance with Attachment 2-2 and Attachment 2-2-1.

6-2-2 The CoC organization may only use the label on-product for those certified products that meet the eligibility criteria for product labelling as specified by the SGEC.

6-2-3 The CoC organization which makes on-product claims on the product itself or its packaging (without a logo or label) relating to CoC certificate shall always use formal claim and the CoC organization making the claim shall be identifiable.

Note: The term “formal claim” means the claim in its exact wording as specified in Attachment 4-1 or other document(s) defined by the SGEC.

6-3 Usage of PEFC Logos and Labels

The CoC organization can use and display PEFC logos, labels and official claims on SGEC-certified products after the mutual recognition between SGEC and PEFC becomes effective.

Upon using PEFC logos and labels, the display of PEFC logs and labels shall be done appropriately following PEFC ST 2002 “Forest Product CoC –requirements-“, PEFC ST 2002 Appendix 1 “Specification of the PEFC claims” and PEFC ST 2001 “PEFC Logo Usage Rules –requirements-“

7. Minimum management system requirements

7-1 General requirements

The CoC organization shall operate a management system in accordance with the following elements of this guideline, which ensure correct implementation, and maintenance of the CoC process(es). The management system shall be appropriate to the type, range and volume of work performed.

Note: An organization’s quality (ISO 9001:2008) or environmental (ISO 14001:2004)

management system can be used to meet the minimum requirements for the management system defined in this guideline.

7-2 Responsibilities and authorities on certified products

7-2-1 General responsibilities

7-2-1-1 The CoC organization's management shall define and document its commitment to implement and maintain the CoC requirements in accordance with this guideline. The CoC organization's commitment shall be made available to the organization's personnel, suppliers, customers, and other interested parties.

7-2-1-2 The CoC organization's management shall appoint a member of the management who shall have overall responsibility and authority for the organization's chain of custody including identification of the material category of materials/products, process management, documentation and SGEC logo/label usage.

7-2-1-3 The CoC organization's management shall carry out a regular periodic review of the organization's chain of custody and its compliance with the requirements of this guideline.

Note: ISO 19011:2002 can be referred for internal auditing activities.

7-2-2 Responsibilities and authorities for CoC

The CoC organization shall identify the personnel performing activities for the implementation and maintenance of CoC and shall establish personnel responsibilities and authorities relating to CoC for at least the following elements:

- a) raw material procurement and identification of the origin,
- b) product processing covering physical separation or percentage calculation and transfer into output products,
- c) product sale and labelling,
- d) record keeping,
- e) internal audits and non-conformity control,
- f) due diligence system.

Note: The responsibilities and authorities for the CoC given above can be cumulative/

7-3 Documented procedures

7-3-1 The CoC organization shall establish written documented procedures for its CoC.

The documented procedures shall include at least the following elements:

- a) organizational structure, responsibilities and authorities relating to CoC,
- b) description of the raw material flow within the production/trading process(es), including definition of product groups,
- c) procedures for CoC process covering all requirements of this guideline, including:

- identification of the raw material category (refer to Attachment 4-1),
 - physical separation of certified material (for the CoC organizations applying the physical separation),
 - definition of product groups, calculation of the percentage, calculation of volume credits, management of credit accounts (for the CoC organizations applying percentage based method),
 - sale/transfer of products, on-products claims and on-product labelling.
- d) procedures for the due diligence system,
- e) procedures for internal audits,
- f) procedures for complaints resolution.

7-4 Record keeping

7-4-1 The CoC organization shall establish and maintain records on its CoC to provide evidence of conformity with the requirements of this guideline and its effectiveness and efficiency. The CoC organization shall keep at least the following records relating to the product groups covered by the CoC:

- a) records of all suppliers of certified material, including copies of the suppliers' FM or CoC certificates or other documents confirming the supplier's compliance with the criteria for suppliers of certified material,
- b) records of all input material, including claims on the material category and documents associated to the delivery of the input material,
- c) records of calculation of the certified percentage, transfer of the percentage to output products and management of the credit account, as applicable,
- d) records of all products sold/transferred, including claims on the material category 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 suppliers management, as applicable,
- f) records of internal audits, periodic CoC review, non-conformities which occurred and corrective actions taken,
- g) records on complaints and their resolution.

7-4-2 The CoC organization shall maintain the records for a minimum period of five years.

Note: The records cover the media and information, including electronic media.

7-5 Resource management

7-5-1 Human resources/personnel

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

7-5-2 Technical facilities

The CoC organization shall identify, provide and maintain the infrastructure and

technical facilities needed for effective implementation and maintenance of the organization's CoC with the requirements of this guideline.

7-6 Inspection and control

7-6-1 The CoC organization shall conduct internal audits at least annually covering all requirements of this guideline and establish corrective and preventive measures if required.

7-6-2 A report on the internal audit shall be reviewed at least annually.

7-7 Complaints

7-7-1 The CoC organization shall establish procedures for dealing with complaints from suppliers, customers and other parties relating to the organization's CoC.

7-7-2 Upon receipt of the complaint, the CoC organization shall:

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

7-8 Sub-contracting

7-8-1 The CoC organization may outsource or sub-contract activities under the CoC certificate to other organizations within or outside the CoC organization's site. In this case the CoC organization's CoC shall also cover activities of sub-contractors involved in the manufacturing of products covered by the organization's CoC process(es), within or outside the organization's site.

7-8-2 The CoC organization may only consider those activities as sub-contracting where the sub-contractor receives the material from the organization which is physically separated from other material and returns the material back to the organization after the sub-contracted work is completed or where the organization remains responsible for the sale or transfer of the product to the customer.

Note 1: An example of sub-contracting is outsourcing of cutting and stapling process by a printing house with CoC where the printed material is transferred to the sub-contractor and returned back to the printing house after the sub-contracted activities have been performed.

Note 2: An entity which is either involved in procuring the raw material or sale of the output products is required to implement its own CoC. The terms "receives the material from the organization" and "returns the material back to the organization" also cover situation where the material is received by the sub-contractor directly from the supplier on the CoC organization's behalf or is sent by the sub-contractor to the customer on the CoC organization's behalf. The CoC organization still remains responsible for all parts of the CoC, including

requirements relating to the material procurement and sale and communication.

Note 3: Sub-contracting is not considered as being in conflict with 5-3-2-5 above that requires the product group to be manufactured at one site as stipulated in 5-3-2-4 above.

7-8-3 The CoC organization shall take full responsibility for the all sub-contracted activities in relation with the organization's CoC.

7-8-4 The CoC organization shall have a written agreement with all sub-contractors ensuring that the organization's material/products are physically separated from other material or products.

7-8-5 The CoC organization's internal audit program shall cover the subcontractor's activities.

8. Social, health and safety requirements in CoC

The CoC organization shall comply with the Fundamental ILO Conventions (except for those which are not ratified by Japan) and the Labour Standard Act and other domestic legislations related to ILO 105 and ILO111, which are not ratified by Japan.

8-1 Requirements

8-2-1 The CoC organization shall demonstrate its commitment to comply with the social, health and safety requirements defined in this guideline.

8-2-2 The CoC organization shall demonstrate that:

- a) workers are not prevented from associating freely, choosing their representatives, and bargaining collectively with their employer,
- b) forced labor is not used,
- c) workers, who are under the minimum legal age, the age of 15, or the compulsory school attendance age, which ever is higher, are not used,
- d) workers are not denied equal employment opportunities and treatment,
- e) working conditions do not endanger safety or health.

Supplementary article 1

The Board of Directors has decided to amend this Attachment on 1 April 2012.

Supplementary article 2

The Board of Directors, on 1st April 2015, has decided to amend this Operational Rules.

Notwithstanding this amendment, the previous Operational Rules may be effective up until 30 September 2015.

Supplementary Article 3

This revised document will be effective from 1st January 2016.

Attachment 4-1:

Specification of the SGEC claims

1 Specification of the SGEC claim on “SGEC certified” material

1-1 Scope

This Attachment stipulates the requirements for SGEC certified material.

1-2 Formal claim

The CoC organization shall use the claim “x % SGEC certified” when communicating the content of SGEC certified material in output products.

1-3 Requirements for the categories of input material

1-3-1 Requirements for the categories of input material shall be as follows:

a) Certified material:

i) since the material from genetically modified trees are not in use for the time being, forest based material delivered with the supplier’s claim “x % SGEC certified” by the supplier with either:

- SGEC recognized certificate or
- A document confirming that the supplier is covered by the SGEC recognized certificate.

ii) recycled material (other than products delivered with the “SGEC certificated” claim).

Note: The term “a document confirming that the supplier is covered by the SGEC recognized certificate” is applicable in case of group FM certification and multi-site CoC certification where the supplier is provided with a document referring to the scope of the SGEC recognized certificate.

b) Neutral material:

Other than forest based material

c) Other material:

Forest based material other than certified material, including forest based material delivered with the supplier’s claim “SGEC Controlled Sources” by the supplier with either:

- i) SGEC recognized CoC certificate or
- ii) A document confirming that the supplier is covered by the SGEC recognized CoC certificate

1-4 Percentage of recycled material

1-4-1 For products covered by the CoC organization’s CoC which include recycled material, the CoC organization shall calculate the content of recycled material based on ISO 14021 “Environmental labels and declarations: self-declared environmental claims” and inform about it upon request.

2 Specification of the SGEC claim on “SGEC Controlled Sources” material

Note: The SGEC DDS delivering the Controlled Sources material is described in detail in 4 of this guideline (main text).

2-1 Introduction

The specification of this section shall be used together with the requirements of 4 of this guideline when the CoC organization establishes a CoC including the due diligence system to use a SGEC claim on output products, for which the SGEC DDS has been implemented as the SGEC Controlled Sources.

2-2 Formal claim

The CoC organization shall use the claim “SGEC Controlled Sources” when communicating on output products for which the SGEC DDS has been implemented.

2-3 Requirements for SGEC Controlled Sources input material

2-3-1 Certified material:

Forest based material delivered with the supplier’s claim “x % SGEC certified” by the supplier with either:

- a) SGEC recognized certificate or
- b) a document confirming that the supplier is covered by the SGEC recognized certificate.

Note: The term “a document confirming that the supplier is covered by the SGEC recognized certificate” is applicable in case of regional or group FM certification and multi-site (group) CoC certification where the supplier is provided with a document referring to the scope of the SGEC recognized certificate.

2-3-2 Neutral material:

Other than forest based material.

2-3-3 Other material:

Forest based material other than certified material, including forest based material delivered with the supplier’s claim “SGEC Controlled Sources” by the supplier with either:

- a) SGEC recognized CoC certificate or
- b) a document confirming that the supplier is covered by the SGEC recognized CoC certificate.

Supplementary article 1

The Board of Directors has decided to amend this Attachment on 1 April 2012.

Supplementary article 2

The Board of Directors, on 1st April 2015, has decided to amend this Operational Rules.

Notwithstanding this amendment, the previous Operational Rules may be effective up until 30 September 2015.