

Guidance for SEG Standard Components

Versions Issued

Version	Date	Description of Amendment	Approved by:
1.0	16 November 2023	First version following consultation and iteration of several drafts, including with the SEG Standard Revision team	SEG Board
1.1	17 July 2024	Correction in 1.2 from 2.5% of gross sales to 0.25%	SEG Board
1.2	14 February 2025	Update of risk section to include Trade to Russia / non EU countries. Update to include UBO Guidance	SEG Board

Purpose

This provides guidance and clarification for components in the SEG Standard, Version 7.0. It is a working document to collate all developing guidance in one place.

When agreed, each piece of guidance will be transferred to relevant documents, e.g. the Assurance System which accompanies the SEG standard.

Criterion 1.1: Commitment to Legality

Guidance on major and minor offences (examples only – not comprehensive):

Major offences	Minor offences
<ul style="list-style-type: none"> Trafficking/smuggling (export/import) of European eels Mis-use of the EU legal market: fraudulent restocking, consumption, and farming to illegally export glass eels. Hiding the IUU origin of glass eels Criminal network involvement: Knowingly selling to traders who are to sell to illegal markets / can't show adequate proof that they are selling all their stock to legitimate markets – criminal network / organised crime Fraud / document fraud (e.g., mis-declaration of BL, forged purchase invoice) / money laundering Major Illegal, Unregulated, and Unreported (IUU) fishing offences. E.g., inaccurate reporting by fisher (>5kg glass eels, 50 kg yellow eels) Where the defendant has been or could be subject to a penal sentence, i.e. an actual or suspended prison sentence Or fined €5,000 or more 	<ul style="list-style-type: none"> Illegal, Unregulated and Unreported (IUU) fishing offences Fishing contrary to local regulations, e.g. location, gear, speed etc. Inaccurate minor reporting by fisher (<5kg glass eels, 50 kg yellow eels) All other lesser sentences and sanctions And fines below €5,000

Criterion 1.2: Contribution to Eel Conservation Projects

Guidance: Examples of expected 100% contribution to eel conservation projects

Type of organisation	Contribution to eel projects expected (any one of these)
Processor	<ul style="list-style-type: none"> • ESF payments • 0.25% of gross sales price to eel projects • 1% of in-kind staff time
Eel Farm	<ul style="list-style-type: none"> • ESF payments • 0.25% of gross sales price to eel projects • 1% of in-kind staff time
Glass eel trader	<ul style="list-style-type: none"> • ESF payments • 0.25% of gross sales price to eel projects • 1% of in-kind staff time • Provision of nets / equipment to fishers to meet the SEG standard (to 2.5% gross sales price)
Glass eel fisher	<ul style="list-style-type: none"> • ESF payments (if/when they exist) • 0.25% of gross sales price to eel projects • Donation of 2.5% of eels to local eel restocking projects • € 150 contribution to SEG as a member (similar to MSC / ASC) • 1% of in-kind time • French glass eel fisher contributions to ARA for restocking.
Yellow / Silver eel fisher	<ul style="list-style-type: none"> • ESF payments (if/when they exist) • 0.25% of gross sales price to eel projects • Eels over the Dyke / Trap and transport • € 150 contribution to SEG as a member (similar to MSC / ASC) • 1% of in-kind time • Eel fisher contributions to ARA for restocking.
Yellow eel trader	<ul style="list-style-type: none"> • ESF payments (if/when they exist) • 0.25% of gross sales price to eel projects • € 150 contribution to SEG as a member (similar to MSC / ASC) • 1% of in-kind time
Fishery (eg. OP)	<ul style="list-style-type: none"> • ESF payments (if/when they exist) • 0.25% of gross sales price to eel projects • Donation of 2.5% of eels to local eel restocking projects • € 150 contribution to SEG for their certification (similar to MSC / ASC) • 1% of in-kind staff time
Examples of eel conservation projects:	<ul style="list-style-type: none"> • Eel passes • Habitat improvement • Protection from entrainment or entrapment in hydropower turbines • Restocking • Assisted migration of young eels up; silver eels down • Eel science / research • Donation of eels for restocking • Financial contribution to local ESF • Financial contribution to SEG

Criterion 1.5: The risks of reputational damage to SEG are identified and prevented or mitigated

Guidance

Reputation and Trade Risk Assessment and Assurance

As part of managing SEG’s reputational risk and the overall credibility of the SEG Standard, clients, the CAB and assessors require guidance on how to identify high risk situations, to include trade.

Given that the glass eel trade is notorious and trafficking supply chains are global, hidden or disguised and illegal trade is extremely lucrative, the CAB and assessors are instructed to be very cautious. Any high risk situations that could damage the Standard’s reputation should be referred to the SEG Board.

SEG expects the CAB to identify and manage the low and medium risk situations. High Risk situations are so important to the Standard’s credibility and reputation that only the SEG Board can make the required judgement for prevention and mitigation. So, **ultimately: all High Risk situations require referral to the SEG Board.**

SEG is developing procedures for independent review of these, and in the mean time, if there are any appeals the client should use the SEG 015 Complaints procedure.

The importance of this issue and its links to sustainability have been brought into sharp focus by the EU Corporate Sustainability Due Dilligence Directive:

https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en

The Reputation and Trade Risk Matrix

IDENTIFY	PREVENT	MITIGATE
Due Diligence Checks GENERAL. In the last 12 months:		
<p>Third Party Due Diligence Checks reveal concerns, for example: the organisation or key individual(s):-</p> <ul style="list-style-type: none"> • Exists on any global watch list • Are NOT Credit worthy • Involvement of Government Officials gives rise to any reputational issues such as being linked to government investigations, litigation, financial difficulty, corruption, fraud or other misconduct • Screening names of Boards and key employees and key contacts against any relevant global lists and watch lists such as the UK and EU Sanctions List (the UK Sanctions List) 	<p>Where these enquiries cause concerns for the CAB and Assessors they should seek to take preventative and mitigation actions. However, and if they trigger the consideration of high reputational risk, then these cases will be referred to SEG Board and SEG Board will consider the prevention and mitigations options including contracting independent external advice from a recognised agency such as Control Risk in the UK.</p>	<p>In high risk situations CAB seeks SEG Board Advice and Decision</p>

<ul style="list-style-type: none"> • The third party is owned or controlled by an entity or individual(s) on any of the aforementioned lists (because even if a third party, or controlling organisations, is not on a sanctions list, a close relationship with a sanctioned entity might also present risk); • Business credit report checks on the third party, such as those prepared by credit reporting agencies reveal concerns; • General review of publicly available information on third parties business and reputation reveal concerns. • Check against the EU Corporate Sustainability due diligence directive reveals concerns. 		
Due Diligence Checks TRADE. In the last 12 months:		
<p>End user is non SEG Certified</p> <p>MEDIUM RISK</p>	<p>An Increased risk so additional assurance and preventative measures will be needed. Especially in countries where eel trade irregularities are recent and known (with evidence on that from credible and reputable media sources or in relevant Trafficking Studies from credible/reputable institutions/bodies). Consequently, the CAB must inspect the End user's control systems for effective traceability and follow through trade destinations assessing their risks.</p>	<p>CAB and Assessor to specify after consulting with Enforcement Agencies and SEG Standard System Manager</p>
<p>Destination Country has UK and or EU Govt serious Travel Warning Advice</p> <p>HIGH RISK as inspection in destination country not possible</p>	<p>Where a high security risk is deemed for an individual traveler or visitor to the country, extreme caution is required as additional checks and assurances may be impractical and unsafe for inspectors. This situation has huge potential for SEG Reputation.</p>	<p>CAB seeks SEG Board Advice and Decision</p>
<p>Destination Country has UK and or EU Govt Trade Advice that shows restrictions on General Trade</p> <p>MEDIUM RISK</p>	<p>Where country has general trade restrictions, applied caution is exercised and additional assurance measures are needed. Where UK and EU advice differs then refer to SEG Board. Where travel by UK and EU Customs officials is also not possible, then this is deemed a High Security Risk and therefore triggers HIGH Risk response</p>	<p>Seek SEG Board for Advice and Decision once issue enters into the High Risk category</p>
<p>Eel Management Plan is not Approved by ICES</p> <p>MEDIUM RISK</p>	<p>Where Eel Management Plans are considered weak or don't have ICES approval. The Assessor and CAB refer the EMP to SEG science leader for advice and opinion. Where cross national boundary issues have not been agreed, this should be a signal too for caution. For previous reference:</p>	<p>If SEG Science leader has concerns surrounding the EMP then the CAB seeks SEG Board Advice and Decision</p>

	<p>[Previous Responsible:</p> <ul style="list-style-type: none"> • The donor and recipient countries have Eel Management Plans (EMPs) that are approved by ICES or equivalent. • The donor and recipient countries are implementing those EMPs, with over 50% of actions implemented or in progress. <p>Previous Aspiring:</p> <ul style="list-style-type: none"> • The donor and recipient countries have EMPs that are pending approval by ICES or equivalent • The donor and recipient countries are implementing those EMPs] 	
CITES Compliant	A given - without approval, no trade is possible. With approval, trade is possible and the Risk Matrix is applied.	Apply Risk Matrix as with all trade
<p>Where the CAB’s initial lines of enquiry find one or multiple triggers of high risk concern then the issue is referred to the SEG Board; the ultimate body responsible for SEG’s Reputation.</p>		

Where a client has not achieved criterion 1.5 with, as indicated, a high risk activity recorded in the last 12 months, the standard is not achieved and the client can re-apply when it is confident that it can achieve the requirements.

Criterion 1.6 and paragraph 9.3: Ultimate Beneficial Owner

This provides guidance and clarification for clients, the CAB and auditors when identifying the ‘Ultimate Beneficial Owner’ to support section 9.3 and Criterion 1.6 in the [SEG Standard](#).

Process

These are written as instructions to the CAB in applying this requirement in the Standard.

Follow steps 1 – 3 below:

1. Apply as the new Criterion 1.6 in the Standard:

Criterion 1.6: All organisations under the Ultimate Beneficial Owner are SEG certified	
Issues	There is no universally accepted definition for ‘Ultimate Beneficial Owner’ (UBO). SEG has taken the following as a reasonable and proportionate guide.
Guidance	<p>Identifying the Ultimate Beneficial Owner involves determining the individual or entity that ultimately owns or controls a company, even if their ownership or control is indirect or through intermediaries. This process is crucial to ensure that SEG registered clients are legal and credible and not affiliated with illicit, untraceable or uncertified eel trade.</p> <p>The steps involved in identifying a UBO typically include:</p> <ol style="list-style-type: none"> 1. Collecting Information: Gathering data about the company's legal structure and ownership. 2. Analysing Ownership Structure: Examining the layers of ownership, such as shareholders, partners, and entities, to trace back to the ultimate owner.

	<p>3. Determining Control: Identifying who has significant control over the company, such as voting rights, financial interests, or the ability to influence decisions.</p> <p>4. Verification: Confirming the identity of the UBO through documentation, such as identification cards, passports, and other legal documents.</p> <p>5. Compliance and Reporting: Ensuring compliance with regulations that often require companies to report the identity of their UBOs to regulatory authorities.</p> <p>Identifying UBOs is vital to ensure transparency and protect the SEG system's integrity. SEG has taken inspiration from anti-money laundering, know-your-client and anti-fraud regulations across the EU when updating its certification mechanism and guidelines, and concluded that a robust certification process would benefit from identifying the UBOs of the applicant.</p> <p>Where an organisation seeks to be SEG certified, all relevant (eel trade) related businesses (organisations) under common ownership or control i.e. with a similar UBO must also be SEG certified, or there must be clear and convincing separation between them.</p> <p>Certificate(s) cannot be awarded until all organisations under the UBO have achieved the Standard and are ready for certification.</p>
Weighting: 1	
Responsible indicators	<ul style="list-style-type: none"> • The UBO is clearly identified, is legitimate and legally operated • All European eel related organisations owned or controlled by the UBO are clearly identified, legitimate and legally operated • The UBO and any European eel related organisations owned or controlled by it are SEG certified.

2. Apply the following guidance as a process:

It is likely to be necessary to check organisation registrations, share certificates, organisational structures and operations. Also, whilst the EU has a UBO Register, each country may have its own legislation and definition for UBO matters. This will be a starting point.

2a. Has the applicant filed a UBO declaration with the local commercial register?

- Ask for (i) a copy of the declaration and (ii) a copy of the receipt of filing issued by the commercial register.
- SEG shall not only refer to this declaration (which is not verified in substance by the local commercial register). That said, it is a prerequisite which enables the CAB to check if the applicant complies with local applicable laws concerning UBO, it being understood that, based on most local laws, the UBO and the directors are criminally liable for any false information contained in such declarations.

2b. Does the applicant meet the following UBO definition?

There is no universal definition. SEG is applying the following, having taken legal guidance. It may evolve with further experience.

'Ultimate Beneficial Owner' (UBO) in this context means any individual who directly or indirectly owns more than twenty-five percent (25%) (or less if that is applicable by law in the country of the applicant) of the shares or voting rights of an organisation or otherwise exercises, by any other mean, control over the decisions of the shareholders or over the management of the organisation.

'Organisation' in this context means any individual, any business or any kind of legal entity (company, association, etc.) or group of organisations.

Each organisation seeking certification shall be considered according to identifying its UBO and any other affiliated eel trade related organisations. Each organisation seeking SEG certification must be audited and certified in full. It is not sufficient to have selected parts of the organisation or of the group certified. This is to ensure transparency and traceability and to show that the whole organisation and the whole group is committed to it – not just selected parts.

As such, if one or more eel trade related organisations under a common UBO ...

- (a) has been convicted of or is under legal investigation for a 'major offence' (see SEG Standard Criterion 1.1 and guidance above)
- (b) fails to provide accurate information and/or provides misinformation during a SEG certification application process; an audit and/or an inspection and is refused SEG certification; and/or
- (c) fails the SEG certification process; an initial audit or inspection and is refused SEG certification; and/or
- (d) meets one or more of the high risk indicators under Criterion 1.5.

... SEG certification cannot be awarded to other eel trade affiliated organisations and to the extent that an organisation already holds SEG certification, such SEG certification shall cease and be withdrawn on no less than 30 days' notice to such organisation.

If one or more organisations under the UBO fails a subsequent audit or inspection (following SEG certification), the Corrective Action or Suspension or Withdrawal of the certificate shall only apply to those organisations that have not achieved the SEG Standard, except to the extent that the acts and omissions of such organisation fall within points (a) to (d) above.

2c. Is the applicant under a common UBO?

Analyse the organisational criteria in the following table to understand if there are commonalities clear differences between organisations, and possibly also over time (as a new applicant may have changed or evolved from a previous organisation).

Analyse the organisation from leadership, management and control perspectives looking for commonalities and also clear differences. Consider overlaps and the organisations recent evolution.

In doing so, apply this process:

- i) Acquire the organisation's credentials (already covered in 2b)
- ii) Obtain a chart explaining the place of the applicant in the group it belongs to, i.e. detailing each level from the applicant until the ultimate organisation of its group, mentioning how the organisations are linked at each level (shareholding/voting right), for each organisation, its exact name and address, its registration number and the name of its directors and detailing the composition of the ownership of the ultimate organisation of the group (already covered in 2b)
- iii) Identify the UBO in each Company or organization:
 - 1) Perform an Anti-Money Laundering or Know Your Customer check of the UBO identified
 - 2) Complete the following table:

2d. This table is to assist the assessor in identifying the UBO. There are legal / essential criteria and other / additional criteria to guide when the UBO is unclear

Organisational criteria	Organisation 1 / Before	Organisation 2 / After
LEGAL / ESSENTIAL		
Ownership		
Ownership and Voting rights <ul style="list-style-type: none"> • Is there formal ownership, such as through an investment holding structure? • Has the group (if there is one) or applicant declared the organisations are linked? • Are the organisations owned or run and controlled by members of the same family, or a similar previous employee(s)? • Is ultimate ownership hidden in offshore organisations or by use of nominees? • Working capital – where does this come from and who owns it. • Bank authority and signatures 		
Control *		
Control and Control structures, starting with the President/Chair and the other directors <ul style="list-style-type: none"> • e.g. Is there any extensive overlap in officials and personnel between organisations? Identify the staff and their roles? • What does the legal constitution say about voting rights? 		
ADDITIONAL – TO HELP IDENTIFY THE UBO		
Ownership		
Organisation address. Sites, HQ <ul style="list-style-type: none"> • E.g. Is there clear difference in address or are there overlaps? 		
Buildings ownership and use <ul style="list-style-type: none"> • Are landholdings under a group's operational control? 		
Equipment, vehicles ownership and use <ul style="list-style-type: none"> • E.g. Who owns the equipment and/or transportation systems being used? 		
Control *		
Leadership, Management, Staffing structure. <ul style="list-style-type: none"> • What are these and how do they operate both formally and informally? • Who has authority to hire and fire. To spend money and to make leadership, management and control decisions? 		
Management Control systems <ul style="list-style-type: none"> • Who controls these? Is there common usage between companies? 		
Transport and Distribution control		

<ul style="list-style-type: none"> Who controls these? Is there common usage between companies? 		
Accounts, Expenditure decisions and sign offs <ul style="list-style-type: none"> Who controls these? Is there common usage between companies? 		
Salary source, payroll <ul style="list-style-type: none"> Who controls these? Is there common usage between companies? 		
External Communications – e.g. website, and claims <ul style="list-style-type: none"> Who controls these? Is there common usage between companies? 		
Internal communications, e.g. meeting structures, job descriptions <ul style="list-style-type: none"> Who controls these? Is there common usage between companies? 		
Sales: <ul style="list-style-type: none"> who leads sales and makes decision to take the order, set delivery timelines and at what price? 		
Ownership and control		
Finance & working capital <ul style="list-style-type: none"> how is this governed and controlled and owned? Are there contractual or other financial arrangements that indicate that one party controls the performance of another? 		
<p>* Control in this regard means the possession of power to direct, restrict, regulate, govern or administer the performance of the other organisation(s) through authority, rights, contact or other means.</p> <p>Note: Control may exist irrespective of the percentage share of ownership. However, it is deemed to exist (unless evidence points to the contrary) when an organisation or individual owns more than 50% share interest in another legal entity.</p>		

3. Has the UBO been clearly identified?

- 3a. If the applicant clearly meets the criteria and the UBO is clearly identified and that this UBO is separate and not linked to another organisation, then the requirement is met and assessment can proceed.
- 3b. If there is clearly no UBO (i.e. there is no legal entity), or the UBO is not SEG certified, or other eel related organisations under the UBO are not SEG certified, the applicant will receive a major non-compliance which may prevent or delay certification, but this will be referred to the SEG Board for ratification.
- 3c. If it is unclear, you are unsure of the identity of the UBO or there is believed to be a risk (see Criterion 1.5 and Risk Matrix), the matter shall be referred to the SEG System Manager for consideration by the SEG Board.