SUSTAINABLE FORESTRY INITIATIVE
SFI-00001

ADDRESSING ILLEGAL LOGGING THROUGH SFI CERTIFICATION

INTRODUCTION

Taking action against illegal logging is a critical international need, given how illegal logging undermines forest governance, damages wildlife habitat, and reduces the potential for forests to provide stable supplies of products and support local communities.

A 2012 report by the United Nations Environment Program and Interpol estimates that illegal activity accounts for 50-90 percent of all logging in certain tropical countries of Central Africa, South America, and Southeast Asia, and that this criminal trade is worth $30-100 billion annually worldwide.

The Sustainable Forestry Initiative® (SFI) Program recognizes the importance of addressing illegal logging through certification, regulation, and partner initiatives. SFI® Program Participants are responsible for more than one quarter of the global supply of certified forests and they sell into more than 120 countries around the globe.

While forests certified to the SFI 2015-2019 Forest Management Standard exist only in the U.S. and Canada where there is negligible risk of illegal logging (see Forest Trends study, Corruption Perception Index and AHEC study) while more than 99% of the fiber sourced by SFI Program Participants for their North American facilities comes from the U.S. or Canada, the SFI program takes significant steps to promote legal and responsible forest management and procurement worldwide.

Buyers who source SFI products can be confident that measures have been taken to avoid illegal fiber in the supply chain. SFI certification can be utilized as a tool to meet legality requirements.

Given the importance of combating illegal logging and the particular significance of the European Union Timber Regulation (EUTR) for global trade in forest products, SFI created this fact sheet to highlight how the SFI 2015-2019 Standards and Rules address illegal logging in general and how the SFI 2015-2019 Standards demonstrate compliance with the EUTR specifically.

GOVERNMENT POLICIES DEMAND DUE CARE/DUE DILIGENCE

The Lacey Act is a U.S. law passed in 1900 that bans international trade in illegal wildlife, which was amended in 2008 to include plants and plant products such as timber and paper. To comply with the Lacey Act, companies need to eliminate illegal fiber from their supply chain. Companies are required to exercise due care; forest certification systems may provide information useful to manufacturers and importers in their efforts to exercise due care regarding sourcing.

The EU Timber Regulation (EUTR) was formally adopted in 2010 and went into effect in 2013. It requires operators first placing forest products on the EU market to undertake appropriate due diligence to ensure a negligible risk of illegal wood entering the supply chain. Forest certification is recognized in the EUTR and supporting regulations as a potential tool for risk assessment and mitigation.

Australia introduced its Illegal Logging Prohibition Act in 2012. It was designed to support the trade of legal timber into Australia and to deny the Australian market to illegally produced wood products. The Act makes it a criminal offense in Australia to import timber and timber products containing illegally sourced timber and process Australian raw logs that have been illegally logged.

Third-party forest certification programs like SFI are recognized tools to demonstrate due care/due diligence as they show that a company has taken proactive steps to avoid illegal forest products through its supply chain.

SFI CERTIFICATION: PART OF THE SOLUTION

The SFI program supports activities by international experts working together to find ways to address the problem of illegal logging. SFI Inc. is a member of the Forest Legality Alliance, a multi-stakeholder initiative led by the World Resources Institute (WRI) with support from the U.S. Agency for International Development and companies in the forest sector. SFI awarded a grant in 2010 to WRI to create the Forest Legality Alliance Risk Tool, which provides country- and species-focused information to help buyers and importers understand the legal context of the products they buy.

SFI released the **SFI 2015-2019 Standards and Rules** in January 2015. At every point in the supply chain, SFI has a relevant standard to support responsible forestry:

THE SFI 2015-2019 FOREST MANAGEMENT STANDARD

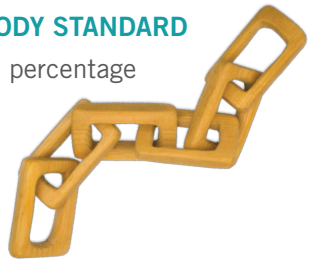
promotes sustainable forestry with requirements to protect water quality, biodiversity, wildlife habitat, species at risk and forests with exceptional conservation value.

THE SFI 2015-2019 FIBER SOURCING STANDARD

distinguishes SFI from all other forest certification programs in that it sets mandatory practice requirements for the responsible procurement of all fiber procured directly from the forest, whether the forest is certified or not. It includes measures to broaden the conservation of biodiversity, use forestry best management practices to protect water quality, provide outreach to landowners, and utilize the services of forest management and harvesting professionals.

THE SFI 2015-2019 CHAIN OF CUSTODY STANDARD

is an accounting system that tracks the percentage of fiber from certified forests, certified sourcing and recycled content through production and manufacturing to the end product.



SFI also has a Policy on Illegal Logging which prohibits an organization from certifying one operation to the SFI 2015-2019 Fiber Sourcing Standard or the SFI 2015-2019 Chain of Custody Standard while another operation controlled by the company is engaged in illegal logging.

HIGHLIGHTS OF THE NEW SFI 2015-2019 STANDARDS AND RULES

The SFI 2015-2019 Standards and Rules have enhanced requirements to address illegal logging in supply chains. The new Standards:

INTRODUCE A DUE DILIGENCE SYSTEM to address the likelihood of sourcing from controversial sources. Program Participants making claims or using the SFI label must conduct a risk assessment to avoid controversial sources and fiber from illegal logging.

REQUIRE PROGRAM PARTICIPANTS TO ASSESS THE RISK OF ILLEGAL LOGGING REGARDLESS OF COUNTRY OF ORIGIN. The same requirements that used to apply only outside of the United States and Canada now also apply to sources within the United States and Canada – an assurance that will further facilitate compliance with corporate and government policies such as the Lacey Act and EUTR.

INTRODUCE A REVISED DEFINITION OF ILLEGAL LOGGING that is consistent with that used in the EUTR. Illegal logging is now defined as the "*Harvesting and trading of wood fiber in violation of applicable laws and regulations in the country of harvest*."

EUTR AND FOREST CERTIFICATION

The EUTR places specific legal obligations on "operators" and "traders" within the EU. The EUTR requires that operators (those companies or individuals that place timber on the EU market) must implement and regularly evaluate a due diligence system that is sufficiently robust to ensure a negligible risk of illegal wood entering or the supply chain. Proof of legality is not required for each and every separate shipment unless this is necessary to demonstrate negligible risk.

An EUTR-conformant due diligence system is required to contain three elements:

1. "Measures and procedures providing access to information concerning the operator's supply of timber and timber products."
2. "Risk-assessment procedures enabling the operator to analyze and evaluate the risk of illegally harvested timber or timber products derived from such timber being placed on the market."
3. "Risk-mitigation procedures which consist of a set of measures and procedures that are adequate and proportionate to minimize effectively that risk and which may include requiring additional information or documents and/or requiring third party verification." These procedures are required "except where the risk identified in the course of the risk assessment procedures is negligible."

The EUTR is expected to drive increased market interest in forest certification as the simplest and most credible tool available to EU operators for demonstrating legality and minimizing risk.

While there is no automatic green light for certified products, because the European Commission cannot formally endorse non-regulatory instruments, forest certification is referenced in the EUTR and supporting regulations and guidance as a potential tool for risk assessment and mitigation.

SFI Program Participants may be asked for information by customers in Europe and are encouraged to draw on the management systems developed for the SFI Program. Information to the level of detail required by the EUTR Due Diligence System should be accessible to any SFI Program Participant certified to the SFI 2015-2019 Fiber Sourcing Standard, the SFI 2015-2019 Forest Management Standard or the SFI 2015-2019 Chain-of-Custody Standard, since SFI Program Participants are required to develop an extremely high level of knowledge and control over their supply chains.

SFI COMPLIANCE WITH EUTR

The European Commission issued Implementing Regulation concerning due diligence systems in 2012. Article 4 of the regulation specifies that certification or other third-party verified schemes may be taken into account in the risk-assessment and risk-mitigation procedures where they meet certain criteria. Guidance issued by the European Commission in 2013 recommends additional criteria for operators to assess the credibility of a third-party verified scheme. The following two tables show these criteria and how SFI demonstrates compliance.

> "By setting criteria, the due diligence framework provides some measure of direction as to relevant factors to assess risk. By retaining discretion as to how these criteria are met and whether any other criteria are considered, operators may respond in a manner that is relevant to their own supply chains. In this context, certification and other third-party verification are explicitly recognised as being possible tools to meet one of the risk assessment criteria."
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> **CLIENT EARTH REPORT**

TABLE 1. SFI COMPLIANCE WITH EC IMPLEMENTING REGULATION CRITERIA FOR CERTIFICATION SCHEMES

EC REGULATION CRITERIA	DEMONSTRATION OF SFI COMPLIANCE
They [certification schemes] have established and made available for third-party use a publicly available system of requirements, which system shall at the least include all relevant requirements of the applicable legislation.	The SFI 2015-2019 Standards and Rules and all related requirements are publicly available on SFI's website at www.sfiprogram.org. Objective 9 in the SFI 2015-2019 Forest Management Standard and Objective 4 in the SFI 2015-2019 Fiber Sourcing Standard both state that SFI Program Participants must "comply with applicable federal, provincial, state and local laws and regulations". Program Participants making claims or using the SFI label also must conduct a risk assessment to avoid controversial sources and fiber from illegal logging. To assess the risk of illegal logging, Program Participants are encouraged to use tools such as the World Resources Institute Risk Information Tool, the World Bank Legal Rights Index, or Transparency International. SFI also has a Policy on Illegal Logging.
They specify that appropriate checks, including field-visits, are made by a third party at regular intervals of no longer than 12 months to verify that the applicable legislation is complied with.	The SFI 2015-2019 Forest Management Standard and the SFI 2015-2019 Fiber Sourcing Standard require annual surveillance audits from accredited certification bodies. All certification, recertification and surveillance audits to the SFI 2015-2019 Forest Management Standard and SFI 2015-2019 Fiber Sourcing Standard shall be conducted by accredited certification bodies.
They include means, verified by a third party, to trace timber harvested in accordance with applicable legislation, and timber products derived from such timber, at any point in the supply chain before such timber or timber products are placed on the market.	SFI offers a third-party verified chain of custody standard, the SFI 2015-2019 Chain of Custody Standard, which tracks wood fiber through the different stages of production. Companies can make claims about how much of their product comes from certified lands, how much contains pre- and post-consumer recycled content, and how much is responsibly sourced fiber through the SFI 2015-2019 Fiber Sourcing Standard. SFI Program Participants must show that the raw material in their supply chain comes from legal and responsible sources, whether the forests are certified or not. To meet the fiber sourcing requirements, primary producers must be third party audited and certified to the SFI 2015-2019 Fiber Sourcing Standard.
They include controls, verified by a third party, to ensure that timber or timber products of unknown origin, or timber or timber products which have not been harvested in accordance with applicable legislation, do not enter the supply chain.	Objective 9 in the SFI 2015-2019 Forest Management Standard and Objective 4 in the SFI 2015-2019 Fiber Sourcing Standard both state that SFI Program Participants must "comply with applicable federal, provincial, state and local laws and regulations". When an SFI Program Participant procures wood offshore (beyond North America), the SFI 2015-2019 Fiber Sourcing Standard requires the avoidance of controversial sources of supply, including illegal logging (Objective 12) and fiber sourced from countries without effective social laws (Objective 13). The SFI 2015-2019 Fiber Sourcing Standard now requires Program Participants to assess the risk of illegal logging regardless of the country or region of origin, which means the same requirements that apply outside the United States and Canada now also apply to sources within the United States and Canada.

TABLE 2. SFI COMPLIANCE WITH EC GUIDANCE DOCUMENT CRITERIA FOR THIRD-PARTY VERIFIED SCHEMES

EC GUIDANCE CRITERIA	DEMONSTRATION OF SFI COMPLIANCE
Is the certification or other third-party verified schemes compliant with international or European standards (e.g. the relevant ISO-guides, ISEAL Codes)?	The SFI Standard setting process, certification and accreditation of certification bodies requirements are consistent with guidelines published by the International Organization for Standardization (ISO) and the International Accreditation Forum (IAF). SFI has been endorsed by the international Programme for Endorsement of Forest Certification (PEFC) since 2005.
Are there substantiated reports about possible shortcomings or problems of the third-party verified schemes in the specific countries from which the timber or timber products are imported?	More than 99% of the fiber sourced by SFI Program Participants for their North American facilities comes from within the U.S. and Canada, areas that are widely regarded as low-risk for illegal logging. The SFI Program is recognized by governments, corporations, and social and environmental groups across North America and globally.
Are the third parties that are making the checks and verifications independent accredited organisations?	All certification bodies performing audits to the SFI 2015-2019 Forest Management Standard, the SFI 2015-2019 Fiber Sourcing Standard, and the SFI 2015-2019 Chain-of-Custody Standard are independently accredited by the American National Standards Institute (ANSI); ANSI-ASQ National Accreditation Board (ANAB); or the Standards Council of Canada (SCC), all of which are national members of the International Accreditation Forum and conform to the ISO 17021:2011 or the ISO 17065: 2012 Conformity Assessment Standards.

WHO WE ARE

The Sustainable Forestry Initiative® Inc. is an independent, non-profit organization dedicated to promoting sustainable forest management. While we develop and oversee standards for forest management and the forest products supply chain, we are more than a set of standards — we are a community that stands for future forests. SFI works at the intersection of thriving forests, sustainable communities and responsible procurement.

SFI® Inc. is governed by the SFI Board, which sets SFI's strategic direction and is responsible for overseeing and improving the internationally recognized SFI Program and SFI Standards. The Board's three chambers represent environmental, social and economic sectors equally.

Forests certified to the SFI Forest Management Standard cover more than a quarter-billion acres/100 million hectares, stretching from Canada's boreal forest to the U.S. South. These forests contribute to the overall quality of life of millions of people throughout the United States and Canada, and generate forest products utilized in more than 120 countries worldwide.

Ninety percent of the world's forests are not certified to any forest standard. In the U.S. and Canada, SFI elevates sustainable forestry on non-certified lands through our Fiber Sourcing Standard. The SFI Chain-of-Custody Standard requirements track fiber from certified forest content, certified sourcing and post-consumer recycled material, with third-party audits to verify performance. Together, these standards form the foundation of SFI's approach. By engaging with our grassroots SFI Implementation Committees and organizations participating in the SFI Conservation and Community Partnerships Grant Program, SFI has nurtured a community that reaches across the range of values and outputs generated by sustainably managed forests.

SFI works to ensure the health and future of our forests, because forests are a part of our everyday lives. Growing this future will require a broad range of partnerships and expertise. SFI brings landowners and brand owners from across the supply chain together with communities, government agencies, conservation groups and other key interests to advance understanding and ensure a better future for all of us.

FOR MORE INFORMATION ABOUT SFI AND ILLEGAL LOGGING:

sfiprogram.org

THE CHOICES WE MAKE EVER DAY DETERMINE THE FUTURE OF OUR FORESTS.