



## SFI: Taking Action Against Illegal Logging

Illegal logging is a critical international issue, one that represents a major concern for buyers of forest products. Illegal logging undermines good forest governance, threatens biodiversity, increases carbon emissions, 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.<sup>1</sup>

The Sustainable Forestry Initiative® (SFI®) program recognizes that illegal logging should be addressed through a combination of regulation, certification, and partnerships.

***While forests certified to the SFI Standard exist only in the U.S. and Canada where there is negligible risk of illegal logging, and while 98% 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.***

If SFI program participants buy fiber from outside North America, they must have a process to assess the risk of acquiring material from illegal logging and they must address any identified significant risks.

### Working with Partners to Address Illegal Logging

The SFI program supports activities by international experts working together to find ways to address the problem of illegal logging. The SFI Conservation and Community Partnerships Grant Program<sup>2</sup> supports projects that foster partnerships to improve forest management in North America and procurement globally. In 2010, grants were awarded to the World Resources Institute (WRI) to create the Forest Legality Alliance Risk Information Tool<sup>3</sup> and to Forest Trends to host the fourth Potomac Forum on Illegal Logging & Associated Trade<sup>4</sup> in May 2011. SFI Inc. is a member of the Forest Legality Alliance, a joint effort of WRI and the Environmental Investigation Agency (EIA) aimed at reducing illegal logging by encouraging the supply of legal forest products. The international, multi-stakeholder initiative is supported by the United States Agency for International Development and stakeholders in the forest sector.

*“There is no simple answer to the issue of illegal logging—the World Resources Institute is pleased to be working with SFI and many other partners to raise awareness and equip participants in forest product supply chains with practical, interactive and freely accessible tools so they can exercise due care and keep illegally harvested forest products out of the market.”*

*– Adam Grant, World Resources Institute*

### Due Care and Due Diligence

***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.***

Private and public procurement policies are increasingly focused on ensuring that forest products come from known and legal sources.<sup>5</sup> These include actions such as the amended Lacey Act in the United States and the European Union (EU) Timber Regulation.

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.<sup>6</sup> 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 on March 3, 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.

The European Commission (EC) Implementing Regulation (July 6, 2012) 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. SFI complies with each of these criteria. Further information about SFI's compliance with the EUTR is available on SFI's website.<sup>7</sup>

*“In order to recognise good practice in the forestry sector, certification or other third party verified schemes that include verification of compliance with applicable legislation may be used in the risk assessment procedure.”<sup>8</sup>*

*– European Union Timber Regulation*

## SFI Certification: Part of the Solution

SFI Inc. is an independent non-profit charitable organization, and is solely responsible for maintaining, overseeing and improving the internationally recognized program. Across North America, more than 200 million acres (81 million hectares) are certified to the SFI forest management standard. The SFI program has achieved international recognition from governments, interest groups, stakeholders and consumers, and has been endorsed by the independent Programme for the Endorsement of Forest Certification schemes (PEFC).<sup>9</sup>

The SFI 2010-2014 Standard includes auditable measures that strengthen forest practices in North America and fiber sourcing globally. Objective 14 requires compliance with applicable federal, provincial, state and local laws and regulations, and focuses on continual improvement that complements the existing legal framework. SFI chain-of-custody certification has a global reach and tells buyers the percentage of fiber from certified forests, certified sourcing and/or post-consumer recycled content.

The SFI program's unique fiber sourcing requirements promote responsible forest management on all suppliers' lands. They address the fact that 90 percent of the world's forests are not certified by requiring organizations to demonstrate that the raw material in their supply chain comes from legal and responsible sources. SFI fiber sourcing also requires that program participants buying fiber from offshore sources promote conservation of biological diversity and socially sound practices that address workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing wages, and workers' right to organize.

Section 7 of the SFI 2010-2014 Standard — SFI Legality Requirements and Policies for Avoidance of Illegal Logging — also includes the SFI Policy on Illegal Logging, which was approved by the SFI Board of Directors in 2008 and makes it clear an organization cannot access the SFI trademarks or SFI labels if any of its operations or those of an affiliate it controls is engaged in illegal logging activities.

**“Anybody supplying the U.S. market from regions where there is a significant risk of illegal harvesting or wood trading now has a strong incentive to demand independently certified wood.”**

– 2009-2010 UNECE/FAO Forest Products Annual Review

## SFI Program Requirements to Avoid Fiber from Illegal Sources

As the chart below shows, there must be a risk assessment on all offshore fiber used in products bearing the SFI label. SFI Inc. can revoke the certification of an SFI-certified organization that is using the SFI label and is found guilty of procuring illegally logged fiber for any of its products.

It is important to note while a secondary producer with a chain-of-custody certification must assess the risk on all offshore fiber that goes into its SFI-labeled products to avoid controversial sources, it does not have to conduct a risk assessment across the entire company or manufacturing facility. For example, a printer may carry 20 brands of paper from around the world, some may be certified to other certification standards and some may not be certified at all. The printer can only make an SFI claim or use the SFI label on paper that has gone through a risk assessment. Buyers who source products bearing the SFI label can be confident that measures have been taken to avoid illegal fiber in the supply chain.

	Section 2: SFI 2010-2014 Standard	Section 3: SFI Chain-of-Custody standard	Requirements to Use SFI On-product Labels
<b>Primary Producers</b> <i>(includes companies that manufacture roundwood, wood chips, and/or composite products)</i>	<p>Process to address any significant risks on all offshore fiber in entire manufacturing facility.</p> <p>SFI 2010-2014 Standard Objective 12: Avoidance of Controversial Sources Including Illegal Logging Objective 13: Avoidance of Controversial Sources Including Fiber Sourced from Areas without Effective Social Laws</p>	<p>Process to address any significant risks on all offshore fiber in entire manufacturing facility.*</p> <p>Section 3 SFI Chain-of-Custody Standard: 3.6 Sourcing from Outside the U.S. and Canada</p>	<p>Process to address any significant risks on all offshore fiber in entire manufacturing facility.*</p> <p>Section 3 SFI Chain-of-Custody Standard: 3.6 Sourcing from Outside the U.S. and Canada</p> <p>Section 4 Rules for Use of SFI On-product Labels: 6. Sourcing from Outside the U.S. and Canada</p>
<b>Secondary Producers</b> <i>(includes manufacturers of finished forest products such as plywood, furniture, magazines; printers, and manufacturers using market pulp)</i>	<p>Not applicable because secondary producers certify against Section 3 SFI Chain-of-Custody Standard and/or Section 4 Rules for Use of SFI On-product Labels</p>	<p>Process to address any significant risks on all offshore fiber used for SFI-labeled products.</p> <p>Section 3 SFI Chain-of-Custody Standard: 3.6 Sourcing from Outside the U.S. and Canada</p>	<p>Process to address any significant risks on all offshore fiber used for SFI-labeled products.</p> <p>Section 3 SFI Chain-of-Custody Standard: 3.6 Sourcing from Outside the U.S. and Canada</p> <p>Section 4 Rules for Use of SFI On-product Labels: 6. Sourcing from Outside the U.S. and Canada</p>

\* Primary producers must meet SFI fiber sourcing requirements to be SFI chain-of-custody certified: Interpretations for the SFI 2010-2014 Program Requirements, Rules for Label Use, Procedures and Guidance - part 3, number 2 <http://www.sfi-program.org/standards-and-certifications/sfi-standard/>

## SFI 2010-2014 Standard

### **Objective 12. Avoidance of Controversial Sources including Illegal Logging. To broaden the practice of sustainable forestry by avoidance of illegal logging.**

**Performance Measure 12.1.** Program Participants shall ensure that their fiber sourcing programs support the principles of sustainable forestry, including efforts to thwart illegal logging.

*Indicators:*

1. Process to assess the risk that the Program Participant's fiber sourcing program could acquire material from illegal logging.
2. Program to address any significant risk identified under 12.1.1.
3. Program with direct suppliers to promote the principles of sustainable forestry.
4. Documented information that includes knowledge about direct suppliers' application of the principles of sustainable forestry.

### **Objective 13. Avoidance of Controversial Sources including Fiber Sourced from Areas without Effective Social Laws. To broaden the practice of sustainable forestry by avoiding controversial sources.**

**Performance Measure 13.1.** Program Participants shall avoid controversial sources and encourage socially sound practices.

*Indicators:*

1. Process to assess the risk that the Program Participant's fiber sourcing could take place in countries without effective laws addressing the following:
  - a. workers' health and safety;
  - b. fair labor practices;
  - c. indigenous peoples' rights;
  - d. anti-discrimination and anti-harassment measures;
  - e. prevailing wages; and
  - f. workers' right to organize.
2. Program to address any significant risk identified under 13.1.1.

### **Objective 14. Legal and Regulatory Compliance. Compliance with applicable federal, provincial, state and local laws and regulations.**

**Performance Measure 14.1.** Program Participants shall take appropriate steps to comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations.

*Indicators:*

1. Access to relevant laws and regulations in appropriate locations.
2. System to achieve compliance with applicable federal, provincial, state or local laws and regulations.
3. Demonstration of commitment to legal compliance through available regulatory action information.

**Performance Measure 14.2.** Program Participants shall take appropriate steps to comply with all applicable social laws at the federal, provincial, state and local levels in the country in which the Program Participant operates.

*Indicators:*

Written policy demonstrating commitment to comply with social laws, such as those covering civil rights, equal employment opportunities, anti-discrimination and anti-harassment measures, workers' compensation, indigenous peoples' rights, workers' and communities' right to know, prevailing wages, workers' right to organize, and occupational health and safety 2. Forestry enterprises will respect the rights of workers and labor representatives in a manner that encompasses the intent of the International Labor Organization (ILO) core conventions.

## SFI Definition of Illegal Logging<sup>10</sup>

**ILLEGAL LOGGING:** The theft of timber or logs and cutting in parks, reserves or other similar areas where otherwise precluded by laws such as the United States Lacey Act, as amended in 2008. The Act combats trafficking in "illegal" wildlife, fish, and plants. As of May 22, 2008, the Lacey Act makes it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant, with some limited exceptions, taken, possessed, transported or sold in violation of the laws of the United States, a State, an Indian tribe, or any foreign law that protects plants. In addition, see Section 7 in the SFI requirements document for SFI Inc.'s Policy on Illegal Logging.

## SFI Policy on Illegal Logging

The SFI program has strong existing measures in the SFI 2010-2014 Standard, SFI Certified Sourcing label Standard and the SFI Chain-of-Custody Standard to avoid illegal sources of supply. This appendix covers the issue as to whether an organization can certify one operation to SFI's Certified Sourcing Label Standard (Section 4) or SFI's Chain-of-Custody Standard (Section 3) in the SFI requirements document, while another operation controlled by the company is engaged in illegal logging. This is an evolving issue and as international laws, regulations, agreements, treaties and definitions of illegal logging change, SFI Inc. will review and update the language as necessary.

a. SFI Inc. will not license any person or entity to use SFI's trademarks or labels, and SFI may revoke any license previously granted, if **the proposed licensee or an Affiliate of the licensee has been found to have engaged in Illegal Logging by a government authority in the jurisdiction where the logging occurred**, unless the evidence available to SFI supports a conclusion that, in the business judgment of the SFI Inc. Board, any incidents of Illegal logging by the entity are followed by prompt corrective action and do not show a pattern of Illegal Logging.

b. SFI Inc. will not license any person or entity to use SFI's trademarks or labels, and SFI may revoke any license previously granted, if **the evidence available to SFI supports a conclusion that, in the business judgment of the SFI Inc.**

**Board, the proposed licensee or an Affiliate of the licensee has engaged in a pattern of Illegal Logging.**<sup>11</sup>

c. Any person or entity whose application for a SFI license has been denied or whose license has been revoked pursuant to this section may reapply for a license upon a showing that any past Illegal Logging has been stopped, that appropriate actions have been taken to prevent it from recurring, and that the proposed licensee and its Affiliates do not knowingly engage in Illegal Logging. Such showing shall be supported by a third party audit conducted by an SFI certification body accredited to conduct 2010-2014 SFI Standard certifications and shall include local expertise as part of the audit team.

d. As used in this section

- "Illegal Logging" means logging on land where the entity conducting the logging has no legal right to harvest.
- "Affiliate" means any person or entity that directly or indirectly controls, is controlled by, or is under common control with the proposed licensee.
- "Control" means owning a majority of the stock, appointing a majority of the directors, or otherwise having the practical or legal power to direct the operations of a person or entity.

### Endnotes

<sup>1</sup> [http://www.unep.org/publications/contents/pub\\_details\\_search.asp?ID=6276](http://www.unep.org/publications/contents/pub_details_search.asp?ID=6276)

<sup>2</sup> <http://www.sfiprogram.org/conservation-and-research/conservation-community-partnerships-grant-program/grant-program-home/>

<sup>3</sup> <http://www.forestlegality.org/risk-tool>

<sup>4</sup> <http://forest-trends.org/event.php?id=547>

<sup>5</sup> World Resources Institute/World Business Council for Sustainable Development, Sustainable Procurement of Wood and Paper-Based Products <http://www.sustainableforestprods.org/>

<sup>6</sup> United States Department of Agriculture Animal and Plant Inspection Service: Lacey Act [http://www.aphis.usda.gov/plant\\_health/lacey\\_act/index.shtml](http://www.aphis.usda.gov/plant_health/lacey_act/index.shtml)

<sup>7</sup> <http://www.sfiprogram.org/files/pdf/addressing-eutr-requirements-through-sfi-certification-april-2013/>

<sup>8</sup> Paragraph 19 of the Introduction to Regulation EU No 995/2010 of the European Parliament and of the Council of 20 October 2010, [http://ec.europa.eu/environment/forests/timber\\_regulation.htm/](http://ec.europa.eu/environment/forests/timber_regulation.htm/)

<sup>9</sup> [www.pefc.org](http://www.pefc.org)

<sup>10</sup> SFI Definitions: <http://www.sfiprogram.org/standards-and-certifications/sfi-standard/>

<sup>11</sup> This enables SFI to take action against a company that is known to engage in a pattern of Illegal Logging, but that has NOT been subject to government enforcement actions (perhaps because the local government is corrupt or ineffective). The SFI Board would need to make the factual determinations based on the best evidence available to it. No audit of overseas operations is required unless and until such finding is made.

### About SFI Inc.

SFI Inc. is an independent non-profit charitable organization, and is solely responsible for maintaining, overseeing and improving the internationally recognized Sustainable Forestry Initiative (SFI) program. Across North America, more than 200 million acres (81 million hectares) are certified to the SFI forest management standard. The SFI program's unique fiber sourcing requirements promote responsible forest management on all suppliers' lands. SFI chain-of-custody certification tells buyers the percentage of fiber from certified forests, certified sourcing and/or post-consumer recycled content. SFI Inc. is governed by a three-chamber board of directors representing environmental, social and economic sectors equally.

