



## SFI: Taking Action Against Illegal Logging

Illegal logging is a critical international issue, one that represents a major concern for buyers of forest products and third-party forest certification programs like the Sustainable Forestry Initiative® (SFI®). Illegal logging can undermine good forest governance, leading to the loss of wildlife habitat and reducing the potential for forests to provide stable supplies of products and support local communities.

The SFI program recognizes that addressing illegal logging through certification, regulation and partnerships can lead to healthier communities, a stronger economy and significant reductions in greenhouse gas emissions. While SFI-certified forests exist only in the United States and Canada where illegal logging is not an issue, the SFI program takes significant steps to support responsible forest management and procurement worldwide.

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

### **The Bigger Picture: 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>1</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 Tool and to Forest Trends to host the fourth Potomac Forum on Illegal Logging & Associated Trade 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.

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**“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

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**“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.”**

— European Union Timber Regulation (2010)

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### **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 addressing illegal logging so that forest products come from known and legal sources. 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 United States law passed in 1900 that bans trafficking in illegal wildlife. In 2008, it was amended 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 cannot depend on documents alone to demonstrate compliance but rather must exercise due care. Certification does not replace the need to submit appropriate import declaration information. And while laws such as the Lacey Act are limited to legality, forest certification also addresses environmental and social issues.

The EU Timber Regulation, formally adopted in 2010, will apply to all member states by March 2013. It requires operators first placing forest products on the EU market to undertake appropriate due diligence to ensure legality of the products they import or risk legal sanctions. Forest certification is recognized to demonstrate due diligence in the EU 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 SFI program. Across North America, more than 185 million acres/75 million hectares are certified to the SFI forest management standard, making it the largest single standard in the world.

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.

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<sup>1</sup> SFI Conservation and Community Partnerships Grant Program, [www.sfiprogram.org/conservation-grant](http://www.sfiprogram.org/conservation-grant)

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.

## Impact of Illegal Logging

**It is difficult to estimate the scale of illegal logging but it is believed that more than half of all logging activities in vulnerable forest regions, such as Southeast Asia, Central Africa, South America and Russia may be conducted illegally. Chatham House reports that worldwide estimates suggest illegal activities may account for more than one tenth of the total global timber trade, representing products worth at least \$15 billion a year.<sup>2</sup>**

**The 2006 Stern Review: *The Economics of Climate Change* says emissions from deforestation are estimated to represent more than 18 percent of global emissions, greater than the entire global transport sector produces.<sup>3</sup> The Chatham House says a significant portion of deforestation is illegal: "If avoided deforestation is to become a credible element of an international system for controlling greenhouse gas emissions, forest areas will have to be managed over the very long term and be subject to effective legal enforcement."<sup>4</sup>**

<sup>2</sup> Chatham House Illegal Logging Briefing Note, [www.illegal-logging.info/uploads/BP0806illegallogging.pdf](http://www.illegal-logging.info/uploads/BP0806illegallogging.pdf)

<sup>3</sup> Stern Review: The Economics of Climate Change 2006 Executive Summary, [http://web.archive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/Executive\\_Summary.pdf](http://web.archive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/Executive_Summary.pdf)

<sup>4</sup> Chatham House Illegal-Logging.Info Climate Change and REDD [http://www.illegallogging.info/approach.php?a\\_id=129](http://www.illegallogging.info/approach.php?a_id=129)

**"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

In addition to strong measures in its forest, fiber sourcing and chain-of-custody certifications, Section 7 of the SFI 2010-2014 Standard — SFI Legality Requirements and Policies for Avoidance of Illegal Logging — sets out auditable requirements that must be followed to show fiber is from legal sources and that illegal fiber has been avoided. This section 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.

### 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 Section 4 Rules for Use of SFI Onproduct 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 Section 4 Rules for Use of SFI Onproduct 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 [www.sfi-program.org/files/pdf/Interpretations\\_2010-2014\\_Requirements.pdf](http://www.sfi-program.org/files/pdf/Interpretations_2010-2014_Requirements.pdf)

## 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>5</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.

<sup>5</sup> SFI Definitions [www.sfi-program.org/files/pdf/Section13\\_sfi\\_requirements\\_2010-2014.pdf](http://www.sfi-program.org/files/pdf/Section13_sfi_requirements_2010-2014.pdf)

## 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>6</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.

<sup>6</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 a finding is made.

## Resources

SFI website [www.sfiprogram.org](http://www.sfiprogram.org)

SFI Legality Requirements and Policies for Avoidance of Illegal Logging  
[www.sfiprogram.org/files/pdf/Section7\\_sf\\_requirements\\_2010-2014.pdf](http://www.sfiprogram.org/files/pdf/Section7_sf_requirements_2010-2014.pdf)

World Resources Institute/World Business Council for Sustainable Development, Sustainable Procurement of Wood and Paper-Based Products  
[http://pdf.wri.org/sustainable\\_procurement\\_guide.pdf](http://pdf.wri.org/sustainable_procurement_guide.pdf)

Forest Legality Alliance  
[www.forestlegality.org](http://www.forestlegality.org)  
The U.S. Lacey Act: Separating Myth from Reality,  
<http://www.forestlegality.org/tools-guides/us-lacey-act-separating-myth-reality>

CPET EU Illegal Timber Regulation  
[www.cpet.org.uk/eu-timber-regulation](http://www.cpet.org.uk/eu-timber-regulation)

EU Timber Regulation  
[http://ec.europa.eu/environment/forests/timber\\_regulation.htm](http://ec.europa.eu/environment/forests/timber_regulation.htm)

Chatham House Illegal Logging website  
[www.illegal-logging.info/](http://www.illegal-logging.info/)

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)

Forest Trends: The 4th Potomac Forum on Illegal Logging and Associated Trade  
<http://forest-trends.org/event.php?id=547>

Seneca Creek Associates LLC  
"Illegal" Logging and Global Wood Markets  
[www.illegal-logging.info/uploads/afandpa.pdf](http://www.illegal-logging.info/uploads/afandpa.pdf)

## ABOUT SFI INC.

SFI Inc. is an independent 501c(3) 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 185 million acres/75 million hectares are certified to the SFI forest management standard, making it the largest single standard in the world. SFI chain-of-custody certification tells buyers the percentage of fiber from certified forests, certified sourcing and/or postconsumer recycled content. The SFI program's unique fiber sourcing requirements promote responsible forest management on all suppliers' lands. SFI Inc. is governed by a three-chamber board of directors representing environmental, social and economic sectors equally.



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