

SFI Chain of Custody Standard

Reducing Risk (avoid deforestation, illegal logging)

July 1, 2022

Why It Matters

Sourcing fiber from certified lands gives consumers, customers and the ESG community certain assurances, but it is equally important to ensure the sustainability of the non-certified forest fiber in forest-based products and ensure this fiber does not come from controversial sources. This can be defined as the deforested areas, converted areas, illegal logging, or other risks associated with forest products.

How The SFI Chain of Custody Standard Reduces Risk

SFI-certified organizations are required to comply with all applicable laws and regulations. In addition, SFI has an Illegal Logging Policy that states, "SFI Inc. will not license any organization to use SFI's trademarks or labels, and SFI may revoke any license previously granted, if the proposed licensee has been found to have engaged in Illegal Logging by a government authority in the jurisdiction where the logging occurred"

The SFI chain of Custody Standard also requires SFI-certified organizations to assess the risk of sourcing forest fiber from controversial sources including illegally logged fiber, conflict timber and other controversial fiber sources. If an SFI-certified organization determines they are sourcing from such areas, they will need to mitigate this risk of sourcing this forest fiber.

SFI Chain of Custody Standard Requirements

8.2.6 Certified Organizations shall have a system to comply with all applicable social laws at the federal, provincial, state, and local levels in the country in which the Certified Organization operates. This includes having a policy demonstrating compliance 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.

Part 7 - DUE DILIGENCE SYSTEM TO AVOID CONTROVERSIAL

7.1 Definition of Controversial Sources

Controversial sources are defined as:

- a. Forest activities which are not in compliance with applicable state, provincial, federal, or international laws.
- b. Forest activities which are contributing to regional declines in habitat conservation and species protection (including biodiversity and special sites, Alliance for Zero Extinction sites and key biodiversity areas, threatened and endangered species).
- c. Conversion sources originating from regions experiencing forest area decline.
- d. Forest activities where the spirit of the ILO Declaration on Fundamental Principles and Rights at work (1998) are not met.
- e. Forest activities where the spirit of the United Nations Declaration on the Rights of Indigenous Peoples (2007) are not met.
- f. Fiber sourced from areas without effective social laws
- g. Illegal Logging including trade in CITES (The Convention on International Trade in Endangered Species of Wild Fauna and Flora) listed species.
- h. Conflict Timber.
- i. Genetically modified trees via forest tree biotechnology.

7.3 Develop and Implement a Due Diligence System

- 7.3.1** The SFI-certified organization shall develop and implement a Due Diligence System (DDS) to assess and manage the risk of sourcing forest-based products from controversial sources in accordance with the requirements of this standard.
- 7.3.2** The DDS risk assessment shall classify material into low- and high-risk categories
- 7.3.3** The risk assessment shall be carried out at the regional level unless risk is consistent at the national level.
- 7.3.4** The SFI-certified organization shall review, and if necessary, revise its risk ratings on at least an annual basis.
- 7.3.5** The SFI-certified organization shall conduct a risk assessment before the first time of delivery for each new region of supply.

SFI Policy on Illegal Logging

SFI has strong existing measures in the SFI 2022 Forest Management Standard, the SFI 2022 Fiber Sourcing Standard, the SFI 2022 Chain-of-Custody Standard, the SFI 2022 Certified Sourcing Standard, the SFI Small Lands Group Certification Module, and the SFI Small Scale Forest Management Module for Indigenous Peoples and Families to avoid illegal sources of supply. This appendix covers the issue as to whether an organization can certify one operation to the SFI 2022 Fiber Sourcing Standard, the SFI 2022 Chain-of-Custody Standard (Section 4) or SFI 2022 Certified Sourcing Standard (Section 5), the SFI Small Lands Group Certification Module or the SFI Small Scale Forest Management Module for Indigenous Peoples and Families 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.
- C. Any person or entity whose application for an 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 2022 SFI Standard certifications and shall include local expertise as part of the audit team.
- D. As used in this section,
 - "Illegal Logging" means harvesting and trading of wood fiber in violation of applicable laws and regulations in the country of harvest, including trade in CITES (The Convention on International Trade in Endangered Species of Wild Fauna and Flora) listed species.
 - "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.

SFI's Standard Development Process

As part of SFI's commitment to continual improvement, we revise the SFI standards every 5 years. This last revision process included two public comment periods, a dozen webinars, and nearly 2,300 individuals and organizations commenting on the 2022 Standards. This ensures everyone has a voice in shaping the SFI Standards.

Independent Third-Party Certification

Organizations certified to the SFI Standards are also required to undergo annual audits by independent and accredited certification bodies to deliver ongoing conformance. Third-party independent certification is critical to verify that requirements set out in the SFI standards and supporting documents are met.