

SFI POLICIES

SECTION 8





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PART 1: SFI POLICY ON ILLEGAL LOGGING¹

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 occurred², 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*³.
- C. Any person or entity whose application for an SFI license has been denied or whose license has been revoked pursuant to this section may reapply for a license upon a showing that any past *Illegal Logging* has been stopped, that appropriate actions have been taken to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 team⁴.
- 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.

PART 2: SFI POLICY ON GENETICALLY MODIFIED TREES VIA FOREST TREE BIOTECHNOLOGY⁵

The SFI Board of Directors reapproved the SFI *policy* on *forest tree biotechnology* on April 15, 2021. The original *policy* stated SFI will proactively review and update the *policy* as necessary. The use of genetically modified organisms is an evolving issue and as federal and international laws, regulations, agreements, treaties and marketplace recognition of the use of genetically modified trees via *forest tree biotechnology* change, *SFI Inc.* will continue to proactively review and update the *SFI 2022 Standards and Rules* language and this *policy* as necessary.

- A. *SFI Inc.* recognizes that genetically modified trees via *forest tree biotechnology* offers the potential to prevent the loss of tree species like the American Chestnut due to devastating diseases and to further improve the quality and *productivity* of trees, their resistance to insects and disease and to grow trees with characteristics that allow them to be more efficiently manufactured into building products, paper and to provide feedstock for bioenergy.
- B. *SFI Inc.* recognizes that genetically modified trees are not approved for commercial planting in the United States and Canada and, even if approved in the future, it will take many years for fiber from genetically modified trees to reach manufacturing facilities.

¹ As Approved by the SFI Board of Directors September 23, 2008.

² This enables SFI to take action that is based on a government finding (conviction, court decision, regulatory decision, fine etc.) of *Illegal Logging*. SFI would not make any factual determinations of *illegal logging*; they would be made by the government. No audit of overseas operations is required unless and until such a finding is made.

³ 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.

⁴ The audit shall cover all operations in all jurisdictions where the *illegal logging* occurred.

⁵ As approved by the SFI Board of Directors April 15, 2021.

- C. *SFI Inc.* realizes that much research is still being conducted to study the ecological cost benefits of genetically modified trees and regulations concerning *forest tree biotechnology* continue to evolve. *SFI Inc.* allows research on genetically modified trees via *forest tree biotechnology* and *Certified Organizations* shall adhere to all applicable federal, state, and provincial regulations and international protocols ratified by the U.S. or Canada depending on jurisdiction of management. As such research and regulations develop, *SFI Inc.* will review to understand the impacts of genetically modified trees from an ecological perspective.
- D. *SFI Inc.* is endorsed by the Program for the Endorsement of Forest Certification (www.pefc.org) which has restrictions on the use of genetically modified trees until December 31, 2022:

*“Genetically-modified trees shall not be used.”*⁶

Note: The restriction on the usage of genetically modified trees has been adopted based on the Precautionary Principle. Until enough scientific data on genetically modified trees indicates that impacts on human and animal health and the environment are equivalent to, or more positive than, those presented by trees genetically improved by traditional methods, no genetically modified trees will be used.

Note: The policy on the exclusion of material from genetically modified forest based organisms remains in force until 31 December 2022.
- E. Given the issues identified in item (b) regarding legal approval and lack of commercialization and in item (d) regarding PEFC requirements for endorsement of the *SFI program*, the use of fiber from genetically modified trees via *forest tree biotechnology* is not approved for use in SFI labeled products.
- F. *SFI Inc.* will proactively review and update the *SFI 2022 Standard and Rules* language and this *policy* as necessary.

PART 3: SFI POLICY ON REPUTATIONAL RISK⁷

To ensure the integrity of the SFI program, SFI seeks to ensure that organizations that apply to become certified to SFI Standards or to use the SFI Labels are aligned with SFI’s strategic mission and vision:

Mission: To advance sustainability through forest-focused collaboration

Vision: A world that values and benefits from sustainably managed forests

As such, this *policy* addresses SFI’s consideration of new applicants to become certified to the SFI Standards, or to use the SFI Labels. This *policy* applies only to applicants that have no current SFI certification or label use agreement; it does not apply to *SFI-certified organizations* or licensees who apply for additional certifications or label use.

- A. Applicants who seek to have their operations certified to the SFI Standards and are engaged in activities that are not in alignment with SFI’s strategic vision and mission, which could bring reputational risk to the SFI program, must demonstrate how and when these activities will be resolved. SFI Inc. will review the relevant documentation demonstrating resolution prior to making the decision to approve or deny the application.
- B. Applicants who seek to have their operations certified to the SFI Standards, and are the subject of, or are engaged in, an ongoing legal process which could bring reputational risk to the SFI program, must demonstrate that this legal process has concluded. SFI Inc. will then review the relevant documentation demonstrating resolution prior to making the decision to approve or deny the application.

⁶ PEFC ST 1003:2018, Sustainable Forest Management-Requirements, 8.4.7.

⁷ Approved by the SFI Inc. Board of Directors December 9, 2021