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Exhibit No. \_\_\_\_ (NEH-3),  
Natural Resources Defense Council Comparison of  
Forest Management Certification Programs

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## **Environmental Implications of the American Forest and Paper Association's (AF&PA) Sustainable Forestry Initiative (SFI) in Comparison with the Forest Management Certification Program of the Forest Stewardship Council (FSC).**

By Kate Heaton, Natural Resources Defense Council, San Francisco, June 1999

### **Sustainable Forest Initiative**

While the American Forest and Paper Association's (AF&PA) Sustainable Forestry Initiative (SFI) program may represent a start to make necessary improvements in US forest products industry practices, no leading environmental advocacy organizations currently endorse the program or any environmental claims arising from it. Despite SFI's tagline ("Showing the World a Higher Standard"), leading environmental groups are not convinced that the program is, in fact, showing the world an appreciably higher standard at this time.

Exemplifying concern about environmental performance under SFI is the participation of The Pacific Lumber Company (Maxxam). Pacific Lumber formally complied with the requirements for SFI according to AF&PA's annual progress reports for SFI in 1996, 1997, 1998 and 1999. Nonetheless, during this period, Pacific Lumber became well-known for its role in the Headwaters controversy over clearcutting ancient redwoods, and it had 128 citations and approximately 300 violations of the California state forest practices rules since 1995 which resulted in the suspension of its license to practice forestry in the state of California from November 1998 through early 1999. Obviously, the overall rigor of the SFI is called into serious question by such performance. By association, the performance of other AF&PA members is also called into question.

The Sustainable Forestry Initiative has been developed and is administered by the American Forest and Paper Association for its members (approximately 200 companies and trade associations representing 56 million forested acres and 90% of US industrial timberlands). Since all AF&PA member companies are required to be members of SFI, the program embraces the current range of forestry companies and practices (both good and bad) in AF&PA, and attempts to improve them by requiring companies to report progress towards satisfying SFI's Principles and Guidelines. The SFI implementation guidelines are, however, very general and open-ended. Individual companies are granted significant flexibility to decide how to address the guidelines, and there are few fixed performance requirements (i.e., companies must: meet laws and EPA-approved "best management practices" for water quality; revegetate after clearcutting; attempt to limit average clearcuts to 120 acres -- meaning some can be much larger, as long as some are smaller; and, employ "green up" methods such as waiting for planted trees to be 3 years old or 5 five feet tall before clearcutting

adjacent areas). Under these guidelines, entire watersheds (except for stream buffer zones) can be cleared within relatively short periods of time throughout the landscape.

AF&PA/SFI forestry includes substantial emphasis on intensive forestry management practices (e.g., plantations, tree farms, even-aged management, and heavily regulated uneven-aged management). Although these practices may be justifiable in some contexts, they tend to replace, simplify or truncate the species diversity, structural components, and age class distributions found in natural forests, which are important for ecological functioning, wildlife, soil, and water quality. Chemical use may be significant as well.

While compliance with SFI guidelines is a condition of continued membership in AF&PA, the actual level of performance achieved is uneven and uncertain. SFI does not require consistent benchmarks for environmental performance across companies (verification indicators are optional and voluntary), and there are no requirements for independent monitoring of field performance and environmental claims. Under SFI, companies need only do "first-party" verification through self-reporting of progress. Companies have an option to pursue "third-party" verification of performance by independent auditors, but only a handful have publicly opted for this (notably Champion, Meade, International Paper, and Plum Creek). Even then, third-party verification is only as robust as SFI's general guidelines and each company's individual plans for addressing them.

Companies submit confidential progress reports to AF&PA annually and determinations are made as to whether companies have complied with AF&PA by-law requirements for SFI. Then company-specific information is aggregated for anonymity by AF&PA into more generalized information on industry-wide performance trends under SFI. The generalized information and selected anecdotes are then made available to the "Independent Expert Review Panel" and released to the public in annual SFI progress reports. Almost all company-specific information remains confidential.

The participation of several natural resources management and/or conservation organizations (such as Izaak Walton League of America, The Ruffed Grouse Society, American Forests, and The Conservation Fund) on the Expert Review Panel is the main basis for AF&PA/SFI claims of support from the environmental community. In reality, none of America's most widely recognized environmental advocacy organizations publicly endorses the SFI, and these organizations have recently acted publicly to set the record straight regarding an AF&PA ad for SFI appearing in *Journal of Forestry* (May 1999), the Congressional *Roll Call*, and *Forestry Source*. The ad names many major environmental groups, implying their recognition and support for an environmental forest sustainability award for SFI. Yet, most groups strongly disagree with the award, and had no direct knowledge of, involvement in, or role in approving it.

## **Forest Stewardship Council**

Most leading environmental advocacy groups (including Natural Resources Defense Council, World Wildlife Fund, The Wilderness Society, Greenpeace, National Wildlife Federation, Friends of the Earth, Environmental Defense Fund, and Sierra Club) encourage forest management certification according to the rigorous rules and procedures of the Forest Stewardship Council (FSC). The FSC program constitutes a much higher and consistent bar for standards, program entry, field performance, monitoring, product tracking, labeling, and public information. Unlike SFI, FSC is a performance-based forest certification system whereby “seals of approval” are awarded to well-managed forest operations that adopt environmentally and socially responsible forest management practices and to companies that process and sell products made from certified wood.

FSC is the most credible, broadly supported and environmentally-oriented forest certification program in existence. It was created in 1993 by international environmental, business, forestry, academic, social, community, and certification interests in order to maintain the integrity of the global forest certification movement which began in 1990. Through stakeholder consensus, FSC has established international Principles and Criteria (P&C) for forest management, procedures for developing and approving detailed regional certification standards based on the P&C, and procedures for certification. FSC also accredits and monitors organizations ("certifiers") that are qualified to evaluate compliance with the FSC standards and procedures on the ground.

FSC's robust and detailed standards (involving 10 principles, 56 criteria, and numerous regionally developed indicators) emphasize field performance, and they are systematically applied to all forest management operations seeking certification. The standards emphasize maintenance of natural forest structures and ecological processes, and are designed to ensure the long-term health and productivity of forests for timber production, wildlife, soil, water quality, and social benefits such as lasting employment from stable forest management operations.

To receive and maintain certification, forest owners must successfully complete rigorous certification field assessments by inter-disciplinary teams, undergo confidential peer reviews, satisfy immediate pre-conditions, agree to long-term conditions for improvement where necessary, and undergo annual field performance audits by FSC-accredited certifiers. Certifiers are required to prepare and update public summary reports for each certified forest.

Certifiers also provide “chain-of-custody” assessments for companies that wish to be certified to process and sell products made from certified wood. Chain-of-custody

tracking of wood through milling and manufacturing, plus controlled labeling with the FSC logo, enable buyers to confidently identify wood products that originate in well-managed certified forests. Consumers can thereby use their purchasing power to influence and reward improvements in forest management according to high standards around the world.

## OVERVIEW COMPARISON OF FSC & SFI

	<b>FSC</b>	<b>SFI</b>
<b>IMPLEMENTED</b>	Formally launched in 1993 after long-term planning based on an existing foundation of independent, third-party forest certifications that began in 1990	Formally launched in 1995 after long-term planning led to the adoption of SFI by AF&PA members in 1994
<b>DESIGNED AS CERTIFICATION PROGRAM</b>	Yes	No
<b>PROGRAM DEVELOPED BY</b>	Environmental groups, companies, foresters, academics, social and community development interests, and certifiers belonging to FSC	American Forest and Paper Association for its company and trade association members
<b>MEMBERS TODAY</b>	FSC: 341 members (mainly organizations and companies) from 51 countries  (Note that joining FSC as a supporter is different from becoming certified according to FSC rules and procedures)	AF&PA: Over 200 companies and trade associations from US
<b>SCOPE</b>	International, including US	US almost exclusively
<b>FOREST TYPES</b>	Temperate, tropical, boreal	Temperate emphasis

**OVERVIEW COMPARISON OF FSC & SFI**

	<b>FSC</b>	<b>SFI</b>
<b>REQUIREMENTS FOR ENTRY INTO FOREST MANAGEMENT COMPLIANCE PROGRAM</b>	<p>Voluntary</p> <p>Successful certification assessment (i.e., performance-based entry requirement)</p> <p>High bar</p>	<p>Required of all AF&amp;PA member companies</p> <p>Agreement to self-report progress towards meeting AF&amp;PA by-law requirements for SFI (i.e., process-based entry requirement)</p> <p>Low bar</p>
<b>PARTICIPANTS IN FOREST MANAGEMENT COMPLIANCE PROGRAM</b>	<p>628 certifications issued to forestry companies, community forests, state and local public forests, small private forest landowners, and wood products manufacturers &amp; retailers (176 certified forests; 452 chain-of-custody certified companies)</p>	<p>135 forest products companies and licensees* reporting to AF&amp;PA</p> <p>(*SFI includes a handful of non-AF&amp;PA members who are program licensees such as land trusts and counties)</p>
<b>ACRES IN PROGRAM</b>	<p>40 million acres certified in 31 countries</p>	<p>56 million acres enrolled, representing 90% of US industrial timberlands</p>
<b>FOREST MANAGEMENT</b>	<p>Natural forests &amp; plantations</p> <p>Includes considerable emphasis on natural forest management, which seeks to maintain species diversity, structural components, age classes, and ecosystem functions</p>	<p>Natural forests &amp; plantations</p> <p>Includes considerable emphasis on intensive management (e.g., plantations, tree farms, even-aged management, heavily regulated uneven-aged management), which tends to simplify species diversity, structural components, age classes, and ecosystem functions</p>

## OVERVIEW COMPARISON OF FSC & SFI

	FSC	SFI
<b>STANDARDS/ GUIDELINES</b>	<p>Standards address environmental, silvicultural, economic and social issues Detailed &amp; robust Applied systematically to all companies and forests seeking certification</p> <p>10 principles; 56 specific criteria; indicators developed regionally through stakeholder consensus processes Considerable emphasis on field level performance (i.e., performance-based measures)</p>	<p>Guidelines address environmental and silvicultural issues Broad &amp; flexible Individual companies have significant flexibility to determine how to address guidelines and verification 12 objectives; 29 broad performance measures; voluntary and optional verification indicators developed by AF&amp;PA Considerable emphasis on policies and management procedures (i.e., process-based measures)</p>
<b>MONITORING</b>	<p>Third-party (monitored by independent agent)</p> <p>Required annual field audits by FSC-accredited certifiers</p>	<p>First-party (self-policed)</p> <p>Required annual self-reporting of progress by companies</p> <p>Option to pursue third (and second) party auditing is embraced by only handful of companies</p>
<b>CHAIN-OF-CUSTODY (C-O-C) CERTIFICATION</b>	<p>Yes</p> <p>Required annual audits for companies that want to be certified to process and sell products made from certified wood</p> <p>C-O-C tracks certified wood from forest to finished product</p>	<p>No</p>
<b>PRODUCT LABELING</b>	<p>Yes</p>	<p>No</p>



**OVERVIEW COMPARISON OF FSC & SFI**

	<b>FSC</b>	<b>SFI</b>
<b>PUBLIC INFORMATION</b>	Public summary reports prepared and updated by certifier for each certified forest	AF&PA aggregates company-specific information into industry-wide performance trends that are reported with selected anecdotes in annual public progress reports for SFI that began in 1996
<b>REVIEW PROCESS</b>	<p>Required independent peer review of all forest assessment reports prior to certification</p> <p>Required annual monitoring of certifier performance by FSC, including FSC visits to certifiers and certified operations</p>	<p>Required annual review of company-specific progress reports by AF&amp;PA to determine company compliance with by-law requirements</p> <p>AF&amp;PA releases selected anecdotes and aggregated industry-wide performance trends to the Independent Expert Review Panel</p>
<b>SMALL LANDOWNERS, NON-INDUSTRIAL LANDOWNERS &amp; LOGGERS</b>	<p>Certification system accommodates variations in size and complexity of forest management operations</p> <p>Certified resource manager program ensures certification is accessible and cost effective for small landowners</p>	<p>Landowner and logger training and outreach programs to improve practices</p> <p>Licensing program for non-AF&amp;PA members has 5 licensees including land trusts and counties</p>
<b>LARGE-SCALE CLEARCUTTING</b>	Numerous certification criteria significantly constrain this harvest practice	<p>Standard Practice</p> <p>Attempt to limit average clearcuts to 120 acres (some may be much larger, as long as some are smaller). Revegetate and wait 3 years or until trees are 5 feet tall before clearcutting adjacent</p>

**OVERVIEW COMPARISON OF FSC & SFI**

Permitted

Some forms not permitted

Minimize; eliminate

	<b>FSC</b>	<b>SFI</b>
<b>TREES GENETICALLY IMPROVED THROUGH: - SELECTIVE BREEDING</b>		Permitted
<b>BIOENGINEERING</b>		Permitted
<b>CHEMICAL USE</b>		Continue prudent use
<b>CONSERVATION, RESTORATION AND ECOSYSTEM MANAGEMENT</b>	Greater detail, emphasis and requirements in guidelines	Lesser detail, emphasis and requirements in guidelines
<b>FORMALLY AFFILIATED NON-PROFIT ENVIRONMENTAL &amp;/OR NATURAL RESOURCES ORGANIZATIONS</b>	<p>Natural Resources Defense Council; World Wildlife Fund; Greenpeace; Sierra Club; The Wilderness Society; National Wildlife Federation; Friends of the Earth; Environmental Defense Fund; Rainforest Action Network; Rainforest Alliance; World Resources Institute; American Lands Alliance; Ecoforestry Institute; Ecotrust; Institute for Sustainable Forestry; New England Environmental Policy Center; Rogue Institute for Ecology and Economy; Tropical Forest Management Trust; Pacific Forest Trust; The Watershed Research and Training Center; Headwaters Charitable Trust; Pacific Environment and Resources Center; and, numerous environmental groups from other countries....*</p> <p>(*All organizations are formal members of FSC)</p>	<p>Izaak Walton League; Ruffed Grouse Society; American Forests; The Conservation Fund; NY Botanical Garden; American Bird Conservancy; Society of American Foresters*</p> <p>(*A representative from each of the above organizations is on the SFI independent expert review panel, although such participation does not necessarily signify formal endorsement of SFI by each organization)</p>