



SUSTAINABLE FORESTRY INITIATIVE

**Sustainable Forestry Initiative, Inc.  
Board of Directors**

**2008 Winter Meeting  
December 4, 2008**

**Conference call**



**Sustainable Forestry Initiative, Inc.  
Board of Directors conference call**

**December 4<sup>th</sup>, 2008 1:00 p.m. to 3:00 p.m. (Eastern time)**

ACCESS (Dial-In) NUMBERS:  
1 877 339 0018 (Toll-free North America)  
1 205 263 0801 (International)  
MEETING NUMBER: \*6202435\*

**Draft Agenda for Discussion**

	<u><b>PAGE</b></u>
I. Chairman's Remarks, Rick Holley, Plum Creek Timber Co.	
II. Roll Call, Antitrust Reminder, approval of minutes from September 23 <sup>rd</sup> , 2008 meeting <i>Action Item: Approve minutes.</i>	3-13
III. 2009 SFI Inc. Strategic Plan and 2009 Budget <i>Action Item: Approve 2009 plan and budget</i>	14-20
IV. SFI Standard Review Process <i>Objective: Approve extraordinary Board conference call in Jan. 20, 2009 to review first draft of revised standard (revised standard will not be available for review in December 2008 as planned)</i>	21-23
V. PEFC & SFI Label Use <i>Objective: Discuss respective applications of these labels</i>	24-25
VI. Other Business and Adjourn	

Written Updates

1. Mexico Update	26
2. Labels and Claims Task Force	27
3. Carbon Task Force – KPMG Carbon Project Outline	28
4. SFI Annual Conference	29
5. PEFC Update	30-31

**Future Board Dates (all times eastern unless noted otherwise)**

2009 Board meeting dates:

January 20<sup>th</sup> 1:30 – 3:00 pm (conference call)  
 April 23<sup>rd</sup> 8:00 am – 12:00 pm Pacific time; lunch 12 noon – 1 pm (face-to-face; Seattle, Washington)  
 July 14<sup>th</sup> 1:00 – 3:00 pm (conference call)  
 September 22<sup>nd</sup> Time TBD (in conjunction with SFI Annual Conference.)  
 December 3<sup>rd</sup> 1:30 – 3:30 pm (conference call)



### **Antitrust Reminder for SFI Inc. Board of Directors Meetings**

The SFI Board of Directors includes representatives of companies that compete with each other, and with SFI Program Participants. Many SFI Program Participants compete with other SFI Program Participants. SFI's actions can affect that competition. Therefore, the antitrust laws apply to SFI's decisions and actions. It is SFI's policy to comply fully with the antitrust laws.

All proposed actions of the Board of Directors, including Committee recommendations to the Board, are reviewed by antitrust counsel before the Board acts. The agenda for today's Board meeting and the materials that have been circulated are approved by antitrust counsel. Antitrust risks can arise when the Board's discussions depart from the agenda.

If any Board member is concerned that a proposed Board action (or any SFI conduct) may unreasonably restrict competition among SFI Program Participants or their suppliers of customers, you are encouraged to discuss your concern with SFI's antitrust counsel.

SFI meetings and associated social events should not be occasions for discussion of business issues unrelated to SFI. Confidential and proprietary business information should not be discussed at SFI meetings. This means there should be no discussion of, or exchange of confidential information about:

- Individual company prices, price changes, discounts, allowances, credit terms, etc.;
- Individual company data on costs, production, capacity, inventories, sales, etc.;
- Industry pricing policies, price levels, or price changes;
- Changes in industry production, demand, capacity or inventories;
- Company bids on contracts for particular products, or company procedures for responding to bid invitations; or
- Any other competitively sensitive information.

If you believe the discussion during the meeting has crossed the line into prohibited territory, your responsibility is to bring this to the attention of the chair. SFI antitrust counsel will be present throughout the meeting. Please do not hesitate to raise such questions.



# SUSTAINABLE FORESTRY INITIATIVE

## MINUTES OF THE

### Sustainable Forestry Initiative, Inc. Board of Directors

### Fall Meeting

September 23, 2008

Submitted to Counsel October 9, 2008 ; Approved by Counsel October 10, 2008  
Submitted to SFI Board October 16, 2008 ; Approved by SFI Board \_\_\_\_\_

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This document will serve as the record of the proceedings of the September 23, 2008 meeting of the Sustainable Forestry Initiative, Inc. (SFI Inc.) Board of Directors.

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Prepared by SFI Inc. for the Board of Directors

October 9, 2008

Privileged and Confidential Attorney-Client Communication

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

<b>ACTION #</b>	<b>Action Item Description</b>	<b>Responsible</b>	<b>Deliver by:</b>
<b>#01- Sept -08-BoD</b>	<b>Canada:</b> Organize a conference call with Rick Holley, Hank Ketcham, Kathy Abusow and Cassie Phillips to discuss path forward on potential loss of forest certification in Canada, especially as it relates to CSA.	Abusow	November 15, 2008
<b>#02- Sept -08-BoD</b>	<b>2009 Strategy:</b> Strategy document will be updated to clearly identify top level priorities and to promote engagement with conservation sector, and growth of wood products members in 2009.	Abusow	November 12, 2008
<b>#03- Sept -08-BoD</b>	<b>GMOs:</b> Biotechnology Task Force to review the SFI Standard definition on biotechnology and develop recommendations/enhancements to ensure there is a clear understanding of what it encompasses.	Cantrell	December 1, 2008
<b>#04- Sept -08-BoD</b>	<b>Bioenergy Workshop:</b> Finalize report and present results at the SFI annual conference and to the SFI Standard Review Task Force.	Welde	October 15, 2008
<b>#05- Sept -08-BoD</b>	<b>TNC:</b> Kathy Abusow will arrange a meeting with Mark Tercek as the next step in securing TNC support.	Abusow	November 1, 2008

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

**PARTICIPANTS**

	<b>Board Members</b>			<b>SFI Inc. Staff</b>	
1	Rick Holley, Chair	Plum Creek, President & CEO	10	Kathy Abusow	President and CEO
2	Larry Selzer (via phone); also proxy for Roger Sedjo	The Conservation Fund, President & CEO	11	Karen Brandt	VP, Market Affairs
3	Marvin Brown (via phone); also proxy for John Innes	Oregon Dept. of Forestry, State Forester	12	Rick Cantrell	VP and COO
4	Bob Luoto	Representing American Loggers Council	13	Mickey Raup	Mayer, Brown LLP – SFI Inc. Antitrust Counsel
5	Mary Motlow	Representing family forest owners		<b>Resources Committee Members and other invited speakers</b>	
			14	Rob Olszewski	Plum Creek, VP Environmental Affairs
6	Matt Donegan	Forest Capital Partners LLC., Co-President	15	Brian Kernohan	Forest Capital Partners LLC., Manager Wildlife and Forest Stewardship
7	Hank Ketcham	West Fraser Timber Co. Ltd., President & CEO	16	Bill Street	International Association of Machinists and Aerospace Workers, Grand Lodge Representative
8	Mike Zagata	The Ruffed Grouse Society, Inc., Executive Director & CEO		Mike Branch	Smurfit-Stone Container Corporation, Governmental Affairs Manager
9	Pat Moore	Smurfit-Stone Container Corporation, Chairman & CEO	17	Chris Davidson	International Paper, EHS-EMS Manager Forest Resources Division
			18	Ned Masee (via phone) for John Luke	MWV, Vice President
			19	Cassie Phillips for Dan Fulton	Weyerhaeuser Company, VP of Forest and Product Sustainability

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
<b>Welcome Antitrust Minutes</b>	<ul style="list-style-type: none"> <li>• Chairman Rick Holley called the meeting to order and meeting attendees introduced themselves.</li> <li>• Mickey Raup provided the antitrust reminder.</li> </ul> <p><b>Board Decision:</b> The minutes of the July 18<sup>th</sup>, 2008 conference call were approved without revision.</p>	
<b>2008 SFI Inc. Strategy Fulfillment</b>  <u>Objective: Review Progress</u>	<p>Kathy Abusow provided a presentation regarding the recent accomplishments of the SFI Inc. staff and program in meeting 2008 goals and objectives.</p>	
<b>2009 SFI Inc. Strategy Proposal</b>  <u>Objective: Approve 2009 goals and objectives</u>	<p>Kathy Abusow provided an overview of the proposed 2009 SFI Inc. strategy and budget.</p> <ul style="list-style-type: none"> <li>• Based on three year strategic goals (integrity, conservation collaboration and market outreach)</li> <li>• Significant opportunities for growth in 2009 will strain existing resources and budget               <ol style="list-style-type: none"> <li>1. Green building presence and growth in labeling/chain of custody</li> <li>2. Increased participation in SFI by hardwood sawmill sector</li> <li>3. Conservation outreach-develop and implement strategy to gain more conservation support and participation</li> <li>4. Canadian strategy-implement a market outreach strategy for the Canadian market with a focus on the financial sector                   <ul style="list-style-type: none"> <li>• US campaign has been successful in elevate the SFI brand</li> <li>• Canadian SFI companies are increasingly being targeted by market campaigners to switch from CSA or SFI to FSC</li> <li>• Market campaigns in Canada against SFI are also seen by customers in the US</li> <li>• Canadian strategy needed to raise awareness with Canadian customers [Canada accounts for 63% of SFI certified area]</li> </ul> </li> <li>5. PEFC &amp; ATFS promotions in North America and increased focus on PEFC promotion in markets abroad where SFI fiber is used under PEFC label</li> </ol> </li> <li>• A Director of Green Buildings position (existing vacant position) will be filled by the end of October</li> <li>• An Executive Assistant position for the President &amp; CEO (existing vacant position) will be filled by the end of October</li> <li>• A new position is being created, Marketing Coordinator</li> </ul> <ul style="list-style-type: none"> <li>• Proposed budget of \$4,016,000 represents an increase of \$356,000-the first proposed increase in SFI funding in at least 5 years. Three ways proposed to fund the proposed increase               <ol style="list-style-type: none"> <li>1. reshifting existing SFI budgetary priorities coupled with increased voluntary donations</li> </ol> </li> </ul>	

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
	<p>2. reshifting existing SFI budgetary priorities combined with reducing SFI's contribution to the Porter Novelli campaign by \$200K to \$400K (Note: SFI contributions to the campaign included \$600K in 2008 and \$400K in 2007)</p> <p>3. increasing program participant fees</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>• Agreement that 2008 accomplishments were significant and that SFI has accomplished more than planned by taking advantage of new opportunities that occurred during the year</li> <li>• General agreement that the financial climate does not support a dues increase</li> <li>• Possible synergies with CSA for the Canadian strategy and funding were discussed. Pressure points for CSA certified companies switching to FSC include U.S. customers, local campaigns and media, Canadian financial institutions and European customers</li> <li>• Key strengths of SFI to highlight more in promotions include global recognition by PEFC, Accreditation ISO based, conservation collaboration (e.g. Habitat for Humanity)—our balance is a strength</li> <li>• PEFC has endorsed ATFS. There is some brand tension between SFI and ATFS and ATFS desire to primarily promote PEFC brand in the US. SFI Inc. is constructively engaged with ATFS on this issue. SFI Inc. will continue to work with PEFC on funding mechanisms for PEFC dues. Bill Street is chairing a PEFC committee looking at the PEFC dues formula. Kathy Abusow is a member of the committee</li> <li>• USFS Certification project may be of some help if they do become certified. Not a lot of fiber supply, but good promotional tool. SFI is ready to proceed. Many FSC supporters against certification of US federal lands</li> <li>• Prioritization will be necessary in 2009-SFI may have to scale back plans in some areas to meet budget and staffing limitations</li> <li>• LEED changes that accept SFI are possible in 2009-additional arguments in favor of SFI include broader supply of SFI products locally which is an advantage in climate change discussions-reduced transportation of products, less green house gases</li> <li>• The role of SFI in the carbon and bioenergy issues is different. With carbon, a goal is to ensure that developing policies and programs on carbon sequestration and trading of credits recognizes the SFI Standard (along with other certification programs) as a means of verifying well managed forest. With bioenergy, a goal is to ensure that forests being used for bioenergy production are well-managed and that the next generation of the SFI Standard is equipped to deal with bioenergy production</li> <li>• Budget: Agreement to combine recommendations 1 and 2 to close g along with adding a goal to grow the SFI program</li> </ul> <p><b>Action: Organize a conference call with Rick Holley, Hank Ketcham, Kathy Abusow and Cassie Phillips to discuss path forward on potential loss of forest certification in Canada, especially as it relates to CSA.</b></p>	<p>#01 - Sept - 08 - BoD</p>



**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
	<p>While there was broad support for the draft 2009 Strategy, some areas of improvement include:</p> <ul style="list-style-type: none"> <li>• Needs to clearly identify what the top priorities (“must dos”) are;</li> <li>• 2009 Strategy focus needs to be based on more successes in the conservation sector; and,</li> <li>• Recruitment of new wood products program participants in 2009.</li> </ul> <p><b>Action: 2009 Strategy to be updated to clearly identify top level priorities, to promote engagement with conservation sector, and growth of wood products program participants in 2009.</b></p>	<p>#02 – Sept – 08 – BoD</p>
<p><b>Nominations Committee Report</b></p> <p><i>Objective: Approve new Board member</i></p>	<p>Rob Olszewski noted that the Resources Committee continues to have Board recruitment as a high priority and is continuing to pursue several noteworthy candidates to ensure a qualified pool of candidates is available at all times.</p> <p><b>Board Decision: The Board accepted the resignation of Mr. Jerry McCollum (Georgia Wildlife Federation). In conversations with staff, Jerry noted his continued strong support of the SFI program but had to resign due to other constraints on his availability to serve.</b></p> <p><b>Board Decision: The Board elected Mr. Tom Franklin, senior vice-president of the non-profit Theodore Roosevelt Conservation Partnership to the environmental sector.</b></p> <p>The chair expressed thanks to Bill Street and Brian Kernohan for their work in bringing the nomination of Tom Franklin forward to the nominations committee.</p>	
<p><b>SFI Standard Review Process</b></p>	<p>Rick Cantrell provided an overview of the SFI Standard review process</p> <ul style="list-style-type: none"> <li>• Development of 2010-2014 SFI Standard underway.</li> <li>• First 60-day comment period started on June 2, 2008 and ended on August 4, 2008. Requests for comments were sent to over 2000 interested stakeholders. The public review was also announced in our July newsletter and was also posted on our website.</li> <li>• SFI Standard Review Task Force has organized 6 review teams (Forest Management, Biotechnology, Carbon and Bioenergy), Audit Procedures, Procurement and Objectives 9-13) to look at both organizational changes and standard content changes.</li> <li>• Rick noted a wide range of comments have been received including issues such as carbon, climate change, biodiversity, logger training, BMPs, invasive species, biotechnology, reforestation, procurement, landowner outreach, plantations, etc.</li> <li>•</li> </ul>	
<p><b>Green Building Update</b></p>	<p>Kathy Abusow provided an update on green buildings.</p> <ul style="list-style-type: none"> <li>• USGBC has released new credit language for the certified wood credit</li> <li>• SFI Inc staff developed and submitted comments</li> </ul>	

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
<p><u>Objective: Discuss recent announcement regarding LEED standard and SFI Inc. path forward</u></p>	<ul style="list-style-type: none"> <li>• Several governors (California, Minnesota and Maine) have expressed concerns to USGBC on their exclusive policy or have developed their own state approach recognizing all credible certification programs.</li> <li>• As noted in the discussion on the 2009 strategy and budget, SFI will soon have a person on staff dedicated to green buildings</li> <li>• It will likely be 1<sup>st</sup> or 2<sup>nd</sup> quarter of 2009 before USGBC adopts any of the new provisions; following adoption all schemes including SFI and FSC will be assessed against the new criteria. Board members are encouraged to send suggestions for a credible independent organization that we could recommend to USGBC to conduct the assessments.</li> <li>• SFI supporters will be encouraged to become members of USGBC for purposes of casting a ballot vote.</li> </ul>	
<p><b>Controversial Sources</b></p> <p><u>Objective: Approve task force recommendations</u></p>	<p>Mickey Raup provided an overview of a proposed new policy on controversial sources.</p> <ul style="list-style-type: none"> <li>• The Board requested at the July meeting for the Resources Committee and Labels and Claims Task Force develop recommendations to address an emerging issue regarding illegal logging. The preferred course of action following discussion amongst board members was to deal with the issue head on, i.e. SFI will not license labels to any company or organization, if that organization illegally harvests forest products</li> <li>• The Label and Claims Task Force and Resources Committee worked through several drafts of the policy with SFI staff and legal counsel</li> <li>• The new policy consists of two options. The first allows SFI to rely on a finding of illegal logging by the government authority in the jurisdiction where the logging occurred. The second option allows the Board to consider evidence available to SFI in cases where government enforcement is lacking (perhaps because the local government is corrupt or ineffective). In both cases, we want to be clear that <u>isolated incidents, that do not show a pattern of illegal logging and are followed by prompt corrective actions, do not automatically lead to revocation of licenses or trigger automatic audits of overseas operations</u></li> <li>• This policy applies to all SFI program participants and label licensees globally</li> </ul> <p><b>Board Decision: The Board approved the new policy on controversial sources</b>, which is available on the Board member's only section of the website and included in our new Chain of Custody &amp; Labeling Requirements.</p>	
<p><b>Canadian Strategy</b></p>	<p>This agenda item was covered during the discussion on the 2009 SFI Inc. Strategy.</p>	
<p><b>GMO Issue Update</b></p> <p><u>Objective: Discuss</u></p>	<p>Rick Cantrell briefed the board on the re-emergence of biotechnology as an issue for SFI Inc.</p> <ul style="list-style-type: none"> <li>• The issue of GMOs may be a significant obstacle for the SFI program and PEFC International to overcome and over the next year PEFC will likely be reviewing its position on GMOs. As a member of PEFC, SFI will be called</li> </ul>	

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
<p><u>Issues surrounding GMOs and SFI Inc. position</u></p>	<p>upon to engage in this discussion moving forward and as such SFI will be reviewing this issue closely</p> <ul style="list-style-type: none"> <li>• Some national and international SFM assessment criteria do not allow the use of seedlings/trees derived through biotechnology (GMOs). These include the Dutch Procurement Guidelines and the U.S. Green Buildings new draft assessment criteria for LEED</li> <li>• Although commercial application of GMOs is limited around the world (none in the U.S. or Canada) the SFI Standard allows the use of GMOs. The Forest Stewardship Council (FSC) does not allow the use of GMOs</li> <li>• Some individual PEFC countries (e.g. France and Germany) also explicitly ban the use of GMOs. PEFC International currently does not with its “PEFC at this stage cannot consider GMOs as part of its certified materials” statements</li> <li>• The SFI Resources Committee has established a task force to review issues related to biotechnology chaired by Chris Davidson of International Paper. This task force will work with the SFI Standard Review Task Force and the SFI Resources Committee to review the SFI position on GMOs, and comments received during the Standard review process and national and international assessment criteria to develop recommendations for the 2010-2014 SFI Standard</li> <li>• The Board requested that the task force carefully define the terms used so there is a clear understanding of what “biotechnology” means and encompasses</li> </ul>	<p>#03- Sept -08-BoD</p>
<p><b>Bioenergy Update</b></p> <p><u>Objective: Discuss results of workshop and next steps</u></p>	<p>Rick Cantrell presented the results of the Bioenergy workshop sponsored by SFI Inc. in Minnesota on August 26-28.</p> <p>The goals of the workshop were to:</p> <ol style="list-style-type: none"> <li>1. Review the purpose that the SFI Standard serves and how it is relevant for those seeking fiber from green sources, regardless of the end use (bioenergy included)</li> <li>2. Consider proposing modifications to the SFI Standard, as appropriate, during the upcoming revision process by revising existing standards, or creating, if necessary, a dedicated Objective, with associated Performance Measures and Indicators that speak to “bioenergy” issues and opportunities for sustainable forestry</li> </ol> <ul style="list-style-type: none"> <li>• The workshop was attended by 15 SFI Program Stakeholders, which included SFI certified companies, representatives from the Minnesota Department of Natural Resources, the US Forest Service, and research organizations. The workshop was facilitated to ensure that the attendees could successfully work through the standard and research and provide recommendations to SFI Inc. on potential changes to the Standard regarding woody biomass production for bioenergy</li> <li>• SFI Inc. staff will work with the facilitator and the University of Toronto to provide a final report to the SFI Inc. Review task force. Tat Smith, from the University of Toronto will present an overview of the workshop and draft recommendations at the 2008 SFI Annual Conference.</li> <li>• The SFI Inc. Review Task Force will ensure the recommendations are properly vetted through the current SFI Standard Review process.</li> </ul>	

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
	<b>Action: Finalize report and present results at the SFI annual conference and to the SFI Standard Review Task Force</b>	<b>#04- Sept -08-BoD</b>
<b>PEFC</b>  <u>Objective: Discuss recent PEFC activities, including ATFS endorsement</u>	This agenda item was covered during the discussion on the 2009 SFI Inc. Strategy—see notes beginning on page 5.	
<b>Conservation Update-TNC</b>  <u>Objective: Discuss recent developments in conservation support</u>	Members discussed the need to address The Nature Conservancy’s endorsement of the SFI program. Rick Holley noted he had a very positive and productive meeting with TNC’s President & CEO Mark Tereck.  <b>Action: Kathy Abusow will arrange a meeting with Mark Tercek as the next step in securing TNC support</b>	<b>#05- Sept -08-BoD</b>
<b>Other Business and Adjourn</b>  <u>Objective: Discuss future meeting dates</u>	A few items that developed just prior to the Board meeting were added to the agenda.  <b>A. Labels and Claims</b> <ul style="list-style-type: none"> <li>• SFI sent a final set of recommendations from the Labels and Claims Task Force after Board materials were mailed</li> <li>• Kathy Abusow briefed the Board on the recommendations</li> </ul> <b>Board Decision: The Board Approved the final recommendations from the Labels and Claims Task Force.</b>  <b>B. U.K. Government’s Central Point of Expertise on Timber (CPET)</b> <ul style="list-style-type: none"> <li>• The SFI program is, once again, being assessed by the UK Government via their CPET process. SFI needs to pass this review in order for SFI products to be eligible for government procurement and government funded projects</li> <li>• Kathy Abusow provided a brief update</li> <li>• Our rating was changed in the initial assessment even though neither the SFI standard nor the UK government requirements have changed. SFI Inc. submitted comments on September 19<sup>th</sup>, 2008 to deal with the various issues CPET has raised and believes that most of the “downgrading” of scores for SFI will be overcome with the information</li> </ul>	

**Draft Minutes – September 23, 2008 SFI Inc. Board of Directors Fall meeting**

AGENDA ITEM	DISCUSSION	ACTION ITEM
	<p>provided in our comments. One area of concern addressed by the Labels and Claims Task Force is the use of postconsumer and preconsumer recovered fiber. The UKG requirements do not recognize the use of preconsumer recovered fiber. The new label guidelines do not allow preconsumer recovered fiber to be counted towards the percentage of fiber considered to be certified.</p> <p><i>C. Discuss future meeting dates.</i></p> <p><b>Board Decision: The spring 2009 meeting will be held on the west coast.</b></p> <p>All times eastern unless noted otherwise</p> <p><b>2008 Board meeting dates:</b> December 4<sup>th</sup> 1:00 – 3:00 pm (conference call)</p> <p><b>2009 Board meeting dates:</b> April 23<sup>rd</sup> Time TBD (face-to-face; western US location) July 14<sup>th</sup> 1:00 – 3:00 pm (conference call) September 22<sup>nd</sup> Time TBD (in conjunction with SFI Annual Conference.) December 3<sup>rd</sup> 1:30 – 3:30 pm (conference call)</p> <p><b>2008 RC Meeting Dates:</b> August 15<sup>th</sup>, 2:00 – 3:30 pm (conference call) September 12<sup>th</sup> 2:00 – 3:30 pm (conference call-prep for September Board meeting) October 15<sup>th</sup> 2:00 – 3:30 pm (conference call) November 14<sup>th</sup> 2:00 – 3:30 pm (conference call-prep for December Board meeting) December 12<sup>th</sup> 2:00 – 3:30 pm (conference call)</p> <p><b>2009 RC Meeting Dates:</b> February 27<sup>th</sup> 2:00 – 3:30 pm conference call March 31<sup>st</sup> 9:00 – 3:00 pm face to face meeting, location TBD May 8<sup>th</sup> 2:00 – 3:30 pm conference call June 5<sup>th</sup> 9:00 – 3:00 pm face to face meeting, location TBD July 17<sup>th</sup> 2:00 – 3:30 pm conference call August 28<sup>th</sup> 2:00 – 3:30 pm conference call November 6<sup>th</sup> 2:00 – 3:30 pm conference call</p>	



## BRIEFING NOTE: SFI Inc. Strategy and Budget for 2009<sup>1</sup>- November 25, 2008

### **Background**

The proposed budget for 2009 can be accomplished without any increase in fees or dues to program participants. Recent projections and analysis show that a surplus for 2008 is expected. The surplus is the result of increased dues revenue of approximately \$400,000 from new program participants that joined in late 2007 and throughout 2008 (hence these new funds were not included in the revenue budgeted for 2008).

The 2009 strategy this budget supports can be found on the members only website. (See Instructions for downloading below.)

### **Budget Highlights**

The proposed 2009 core budget balances revenues of \$4.5 million against anticipated expenses of \$4.5 million. This includes funding of the new Canadian marketing strategy approved by the Board in September as well as a full time staff person to implement the Canadian strategy and a new marketing coordinator to assist in all marketing efforts in the U.S. and Canada. Additional highlights can be found in the budget detail which mirrors items in the 2009 strategy.

We also anticipate additional funding (voluntary contributions) for the Porter-Novelli (PN) branding campaign to continue this important work in 2009, but the amounts of those contributions are not yet known and these additional contributions are not included in this core budget. The budget presented here only includes \$500,000 that SFI Inc. will dedicate to this campaign from our core budget for 2009. Additional revenue and equivalent expenditures for the PN campaign will be added to the budget once they are known. SFI Inc. did contribute \$600,000 from our core budget in 2008 for the PN campaign. The total budget for the PN campaign in 2008 is \$3 million.

### **For Approval:**

**Approve SFI Inc. core budget for 2009.**

### **Prepared by:**

Rick Cantrell, VP & COO

*Attachment in meeting materials: 2009 SFI Inc. Proposed Budget.*

*Attachment on Board members' only website: 2009 Strategic Plan -- posted to Board section of Member's Only area our website ([www.sfiprogram.org](http://www.sfiprogram.org)). Download by logging in to the Board and Resources Committee section. (UserName: boardresources Password: sfi7301)*

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<sup>1</sup>All values are in U.S. Dollars (\$)

**SFI INC BUDGET AND PLANNING WORKSHEET--DRAFT BUDGET FOR SFI INC. BOARD**

**2009 LINE ITEM DETAIL BUDGET**

*Strategic Objective: Ensure the SFI Standard is strong, grounded in science, progressive and based on integrity and proven through conservation collaboration resulting in wide market acceptance. SFI will protect and promote its brand.*

										TOTAL	
							Outsourced Work			DIRECT	EXPECTED
ACTION/PROJECT	Meetings	MT&E	Dues & Subs	Partnerships	Legal	Outsourced Work	Commun. Development	Paid Media	Printing	EXPENSES	REVENUE
<b>I. Revenue</b>											
Foundations and Grants											\$ 30,000
Licensing Fees											\$ 3,975,000
PEFC Chain of Custody Fees											\$ 10,000
SFI Annual Conference Registrations											\$ 65,000
SFI Annual Conference Sponsorships											\$ 65,000
SFI Branding Voluntary Contributions (placeholder, decisions for 09 funding not finalized yet)											\$ -
Investment Income											\$ 12,000
Other Revenue											\$ 10,000
Additional revenue from new program licensees (2008)											\$ 400,000
<b>II. Direct Expenditures</b>											
<b>1. Integrity</b>											
<b>Transparency in Labels &amp; Claims</b> -- Launch and promote new labels through targeted media, among program participants (workshops in conjunction with SFI Standard Review workshops), customers; update web site and resource materials on web site to reflect new labels; ensure timely approvals and legal reviews of label usage	5,000	5,000			30,000	-		-	5,000	\$ 45,000	
<b>Standard Review Process</b> -- Another public input review and regional workshops are scheduled for 2009; Develop and publish the 2010-2014 SFI Standard; Develop and implement communications/marketing strategy to promote new Standard	10,000	30,000			30,000	25,000		5,000	5,000	\$ 105,000	
<b>Science-based standard</b> -- Carbon task force work continues to address emerging carbon themes for consideration in SFI program/Standard; Implement carbon messages in communications materials; take bio-energy research to address in SFI Standard/program; Develop position statement and follow up actions on bio-technology	-	5,000								\$ 5,000	
<b>Complete SFI pilot projects</b> -- Findings from these pilots will be considered during the development of the 2010-2014 Standard.										staff time only	

										TOTAL	
							Outsourced Work			DIRECT	EXPECTED
<u>ACTION/PROJECT</u>	<u>Meetings</u>	<u>MT&amp;E</u>	<u>Dues &amp; Subs</u>	<u>Partnerships</u>	<u>Legal</u>	<u>Outsourced Work</u>	<u>Commun Development</u>	<u>Paid Media</u>	<u>Printing</u>	<u>EXPENSES</u>	<u>REVENUE</u>
<b>Balanced Governance</b> -- Review vacancies expected for 2009 and prepare nominations	0	1,000								\$ 1,000	
<b>Collaborate with external stakeholders on common issues</b> - continue to work with ERP on annual progress report (obtain logger training data from FRA) and other issues of common interest; continue to work with forestry associations such as SAF and CIF; participate in USFS sessions to be held in 2009 to determine if US National Forests will be certified to the SFI Standard (Sampson)	10,000	3,000				25,000				\$ 38,000	
<b>External Recognition</b> -- Continue to promote research findings through factsheets, conferences, customer meetings and continue to work with professional forestry associations such as SAF and CIF	5,000	40,000				10,000				\$ 55,000	
<b>Protecting the SFI Brand</b> -- Develop new factsheets such as social, PEFC; Continuous updating of members site to ensure most recent messaging and promotional materials; Continue media monitoring; Letter to editors to respond to misinformation; Update blog with new information, messages on weekly basis; Assess certification situation in Europe, develop recommendations for outreach/promotions									5,000	\$ 5,000	
<b>Increase Awareness and support for fiber sourcing</b> -- Keep website up-to-date with latest audit reports; Promote SFI's actions as it relates to transparency and accountability in communications materials, presentations, etc.	1,000	1,000				10,000			2,000	\$ 14,000	
<b>Promote strength of SFI program as it relates to social values/criteria</b> -- promote social and public involvement criteria in SFI standard in all communications, presentations, customer meetings, etc.; respond to misinformation as it relates to SFI and this information		2,000			2,000					\$ 4,000	
<b>Transparency and Accountability</b> -- Keep website up-to-date with latest audit reports; Promote SFI's actions as it relates to transparency and accountability in communications materials, presentations, etc.						10,000				\$ 10,000	
<b>Support &amp; Engagement of SICs</b> -- Continue to support SICs on regional issues and communications; Keep SIC webpage up to date with resource materials and latest messaging	10,000	10,000								\$ 20,000	
<b>SUBTOTAL INTEGRITY</b>										\$ 302,000	
<b>2. Conservation Collaboration</b>											



										TOTAL	
										DIRECT	EXPECTED
<u>ACTION/PROJECT</u>	<u>Meetings</u>	<u>MT&amp;E</u>	<u>Dues &amp; Subs</u>	<u>Partnerships</u>	<u>Legal</u>	<u>Outsourced Work</u>	<u>Commun Development</u>	<u>Paid Media</u>	<u>Printing</u>	<u>EXPENSES</u>	<u>REVENUE</u>
<b>Conservation Outreach</b> -- Engage with SICS, seek out potential conservation outreach projects; Continue to meet with conservation groups on common issues and seek potential for partnerships, pilot projects; Offer briefings to conservation groups to communicate the SFI Standard/program; Fill conservation seats on SFI board-complete and ongoing; Carried over from 2008 – second person from conservation sector;	10,000	10,000				-				\$ 20,000	
<b>Conservation Partnerships</b> -- Develop list of potential conservation partnerships, prioritize and outreach; sponsor and attend second Forest Trends illegal logging workshop; review potential to hold conservation workshops during SFI Standard Review workshops.	10,000	15,000		100,000	2,000					\$ 127,000	
<b>Leadership in environmental awards</b> – Conduct a SIC and program participant survey to ascertain what environmental partnerships/leadership activities are occurring and that might be worthy of a SFI award.										staff time only	
<b>Conservation Pilot projects</b> -- Potential joint project on carbon; potential joint project on bio-energy; develop list of potential projects and reach out to conservation sector and invite participation		2,000				15,000				\$ 17,000	
<b>Alternate funding</b> -- Seek funding from alternative sources such as foundations.		2,000								\$ 2,000	
<b>Communicate conservation support and work with SFI</b> -- Award conservation leadership awards; Promote conservation work from SFI participants, SFI Inc., SIC in communications materials, update web site	5,000	5,000				5,000			2,000	\$ 17,000	
<b><i>SUBTOTAL CONSERVATION COLLABORATION</i></b>										\$ 183,000	
<b>3. Market Outreach</b>											
<b>Elevate the SFI Brand</b>											
<b>A.</b> Secure funding for continuation of 2009 marketing campaign with Porter-Novelli ; develop and implement 2009 campaign.	-				-	-	250,000	250,000	-	\$ 500,000	
<b>B.</b> Implement Canadian campaign	20,000	40,000		100,000	5,000			200,000	15,000	\$ 380,000	
<b>C.</b> Review tradeshow priority list; Attend tradeshow, print, packaging, forestry, solid wood; Trade advertising strategy revised and implemented	40,000	30,000			10,000			150,000	10,000	\$ 240,000	

										TOTAL	
							Outsourced Work			DIRECT	EXPECTED
<u>ACTION/PROJECT</u>	<u>Meetings</u>	<u>MT&amp;E</u>	<u>Dues &amp; Subs</u>	<u>Partnerships</u>	<u>Legal</u>	<u>Outsourced Work</u>	<u>Commun Development</u>	<u>Paid Media</u>	<u>Printing</u>	<u>EXPENSES</u>	<u>REVENUE</u>
D. Add enhanced product search engine to website; add enhanced label software for certification holders; product profile sheets for solid wood products; FSC vs SFI comparison factsheet; Continue to communicate/promote SFI awards; SFI monthly newsletter; Update distribution lists; , marketing support, media monitoring and tradeshow support.; Work with ERP to update their website; Promote fiber sourcing/procurement in all SFI communications and promotions, building on 10% vs 90% message; Develop photobank (McMillan-85, Moss-25, Welch-50)							160,000			\$ 160,000	
E. Communications materials translations (French, Spanish, etc.)							20,000		25,000		
F. Graphic design-annual report, newsletters, fact sheets, etc. (Fowler)							35,000				
<b>Ensure market has steady supply of SFI fiber --</b> Promote certification on lands in North America that are currently not certified (e.g. lands owned and managed by Timberland Investment Organizations and lands managed by First Nations or in Quebec where currently 60% of Crown lands are not certified); Support SFI program participants who may be under pressure via campaigns to switch certifications; Expand SFI certification in the US hardwood sector.	5,000	10,000								\$ 15,000	
<b>Promote and support inclusive forest certification policies</b> - Monitor and respond to key procurement policy issues including USGBC, BRL (Holland), CPET, Ontario government procurement policy; ensure government officials responsible for procurement policies have up-to-date and accurate information about the SFI standard before making policy decisions; In cooperation with paper merchants/distributors and printers develop strategy to promote inclusive approach to certification through workshops, webinars, direct mail piece.		30,000			10,000				10,000	\$ 50,000	
<b>Support for SFI in the Greenbuilding sector --</b> Monitor and respond as necessary on USGBC assessment process; Attend USGBC conference in 2009, including tradeshow booth, speaking opportunity and advertising; implement green building strategy; Monitor and respond to green building issues as they arise; promote inclusive green building policies; Encourage labeling of solid wood products to support the growing green building market; Work with lumber dealers who have ongoing concerns with difficulty supplying certified products and are seeking options; Launch new green building product directory on Metafore certification website.		30,000		75,000		25,000				\$ 130,000	
<b>SFI Annual conference --</b> Organize and host annual conference for SFI program participants, certification holders, conservation groups, researchers, academics, etc; Reach out to customers for increased involvement in conference; Reach out to conservation sector for increased participation in conference.	80,000	20,000			2,000	10,000			10,000	\$ 122,000	

										TOTAL	
							Outsourced Work			DIRECT	EXPECTED
<u>ACTION/PROJECT</u>	<u>Meetings</u>	<u>MT&amp;E</u>	<u>Dues &amp; Subs</u>	<u>Partnerships</u>	<u>Legal</u>	<u>Outsourced Work</u>	<u>Commun Development</u>	<u>Paid Media</u>	<u>Printing</u>	<u>EXPENSES</u>	<u>REVENUE</u>
<b>Promote Global Endorsement, Acceptance and Outreach --</b> Continued membership in PEFC International and support for PEFC Asia initiative \$50K in 2009; Continued seat on PEFC International board; continued SFI involvement in PEFC CoC labelling work; Develop (with CSA and ATSF) PEFC promotional materials for SFI program participants; Support program participants with SFI marketing to promote SFI certification offshore, especially in Europe, meeting with customers in Europe when needed and assessing need for a strategy for 2009-2010.		10,000		270,000	5,000				10,000	\$ 295,000	
<b>SUBTOTAL MARKET OUTREACH</b>										\$ 1,892,000	
<b>III. Core Operations</b>											
<b>1. Member Services</b>											
SFI Inc. Board, Resources Committee, Staff and other SFI, Inc. meetings (not specific to a single issue that is included elsewhere in this budget)	10,000	30,000			25,000					\$ 65,000	
<b>2. Payroll</b>											
Payroll and Benefits (Health, Retirement, Etc) for nine Full Time Equivalents (9 FTEs)										\$ 1,165,000	
2 FTE "Contracted Employees"						378,750				\$ 379,000	
Training and Staff Development										\$ 30,000	
<b>3. Administrative</b>											
Fund raising expenses (includes costs of solicitations and marketing agreement fees)										\$ 80,000	
Office Supplies										\$ 27,000	
Office Rent										\$ 125,000	
Postage (Includes Tasco contract for publication storage and shipping)										\$ 25,000	
Telephones, wireless and teleconferencing										\$ 40,000	
Interest, Bank and Credit Card Fees										\$ 10,000	
State Registrations										\$ 12,000	
Corporate Insurance and Taxes										\$ 20,000	
Accounting										\$ 80,000	
Administrative Fees (Payroll, HR, Insurance Administration)										\$ 20,000	
PEO Canada Fees (Payroll, HR, Insurance Administration)										\$ 30,000	

										TOTAL	
							Outsourced Work			DIRECT	EXPECTED
<u>ACTION/PROJECT</u>	<u>Meetings</u>	<u>MT&amp;E</u>	<u>Dues &amp; Subs</u>	<u>Partnerships</u>	<u>Legal</u>	<u>Outsourced Work</u>	<u>Commun Development</u>	<u>Paid Media</u>	<u>Printing</u>	<u>EXPENSES</u>	<u>REVENUE</u>
Furniture and Equipment										\$ 20,000	
Temporary Staffing Expenses										\$ 20,000	
Miscellaneous										\$ 2,000	
Depreciation										\$ 10,000	
401-K Administration Fees-Fidelity										\$ 5,000	
Contribution to Reserve										\$ 25,000	
<b><i>SUBTOTAL CORE OPERATIONS</i></b>										<b>\$ 2,190,000</b>	
<b>Totals</b>	<b>\$ 221,000</b>	<b>331,000</b>	<b>\$ -</b>	<b>\$ 545,000</b>	<b>\$ 121,000</b>	<b>\$ 513,750</b>	<b>\$ 465,000</b>	<b>\$ 605,000</b>	<b>\$ 99,000</b>	<b>\$ 4,567,000</b>	<b>\$ 4,567,000</b>



## Briefing Note: Update on the 2005-2009 SFI Standard Review

### **Background:**

The first open comment period for the 2005-2009 SFI Standard review closed on August 4, 2008. This is the first event in the 18-month long review process, as detailed in the SFI Review Flowchart provided previously and available on the SFI Inc. website.

### **Status:**

The SFI Standard Review Task Force has organized teams, as noted below, comprised of members of the Resources Committee or their designees, to review comments and begin development of the first draft of the 2010-2014 SFI Standard. These task forces have met by conference calls and face to face meetings approximately 30 times (30 plus hours) during October and early November and have several more calls scheduled for November and December. The SFI Standard Review Task Force will also meet for 1.5 days the first week of January to work on the first draft of the revised standard.

### **2010-2014 SFI<sup>®</sup> Standard Review Task Forces Roster –November 2008**

#### **STANDARD REVIEW TASK FORCE<sup>1</sup>**

**Lawson, Joe** [Chair]

*Director, Sustainable Forestry*  
MWV

**Tucker, Lena**

*District Forester*  
Oregon Department of Forestry

**Williamson, Scott**

*Vice President*  
Wildlife Management Institute

**Emory, Bob**

*Forest Stewardship Manager*  
Weyerhaeuser Company

**Branch, Mike**

*Government Affairs Manager*  
Smurfit-Stone Container Corporation

**Aikman, Rik** [Ontario SIC Chair]

*Coordinator, Environment & Forest Cert.*  
Buchanan Forest Products Ltd.

**Cantrell, Rick** [Staff Support]

*Vice President & COO*  
SFI Inc.

**Welde, Allison** [Staff Support]

*Manager*  
SFI Inc.

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<sup>1</sup> This is the oversight task group that is also responsible for reviewing comments on standard organization, definitions and principles

**LAND MANAGEMENT  
REVIEW & WRITING TEAM**

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**Emory, Bob** [Chair]  
*Forest Stewardship Manager*  
Weyerhaeuser Company

**Vinnedge, Stephen J.**  
*Stewardship Forester*  
West Fraser Mills Ltd.

**Dessecker, Dan**  
*Senior Wildlife Biologist*  
Ruffed Grouse Society

**Williamson, Scott**  
*Vice President*  
Wildlife Management Institute

**PROCUREMENT REVIEW  
& WRITING TEAM**

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**Tucker, Lena** [Chair]  
*District Forester*  
Oregon Department of Forestry

**Davidson, Chris**  
*Manager, Environmental Performance*  
International Paper Company

**Branch, Mike**  
*Government Affairs Manager*  
Smurfit-Stone Container Corporation

**Aikman, Rik** [Ontario SIC Chair]  
*Coordinator, Environment & Forest Cert.*  
Buchanan Forest Products Ltd.

**OBJECTIVES 9-13  
REVIEW & WRITING TEAM**

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**Lawson, Joe** [Chair]  
*Director, Sustainable Forestry*  
MWV

**Dructor, Danny**  
*Executive Vice President*  
American Loggers Council

**Street, Bill**  
*Grand Lodge Representative*  
IAMAW

**Hoyt, Kevin** [TN SIC Chair]  
*Wood Procurement Manager*  
Huber Engineered Wood Products

**CARBON & BIOENERGY  
REVIEW & WRITING TEAM**

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**Kernohan, Brian** [Chair]  
*Manager, Wildlife & Forest Stewardship*  
Forest Capital Partners, LLC

**Siikamäki, Juha**  
*Professional Title*  
Resources for the Future

**Sonne-Hall, Edie**  
*Manager, Environmental Affairs*  
Weyerhaeuser Company

## **BIOTECHNOLOGY REVIEW & WRITING TEAM**

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**Davidson, Chris** [Chair]  
*Manager, Environmental Performance*  
International Paper Company

**Jacobson, Marshall**  
*Manager, Forest Productivity*  
Plum Creek Timber Company, Inc.

**Gerhardt, David**  
*Director, Operations Support*  
MWV

**Emory, Bob**  
*Forest Stewardship Manager*  
Weyerhaeuser Company

## **AUDITING REVIEW & WRITING TEAM**

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**Branch, Mike** [Chair]  
*Government Affairs Manager*  
Smurfit-Stone Container Corporation

**Hart, Kit**  
*Manager, Environmental Affairs*  
Plum Creek Timber Company, Inc.

*Certification bodies consulted as needed*

### **Next Steps:**

The review process adopted was overly ambitious in the plans to develop the first draft of the 2010-2014 for review by the Resources Committee (RC) on November 14th and by the Board of Directors (BOD) on December 4th. The SFI Standard Review Task Force recommends that the schedule be modified slightly to have the first draft ready for review by the RC on January 13<sup>th</sup>, 2009 and for the BOD in late January. This will still allow the process to be on schedule as it calls for the first draft to be available for public review via the SFI Inc. website in January of 2009. This would mean that a Board conference call to discuss the first draft would need to be arranged for January. The proposed date and time for the extraordinary board call is January 20<sup>th</sup>, from 1:30-3:00 pm eastern time.

Prepared by: Rick Cantrell, VP & COO



## Briefing Note: PEFC and SFI Label Use – Updated November 24, 2008

### Issue:

Increasing requests to use the SFI label on non-North American PEFC certified fiber

### Background:

PEFC is a global forest certification umbrella program that endorses forest management standards around the world. To date it has endorsed 25 standards globally including SFI, ATFS and CSA in North America. Among PEFC's value that it brings to its participants include:

1. **Maintain Autonomy:** Endorsed standards retain their own autonomy, offering a service similar to the "Star Alliance" airline model, where there is a global brand but each airline continues to brand its own company and retains its own operations.
2. **Global reach:** PEFC is a global brand and carries the global label thus allowing fiber certified to the various PEFC endorsed national standards to be mixed together under a single PEFC label.
3. **Labeling Options & Flexibility:** For SFI this means that SFI program participants can use the SFI label domestically and if they get PEFC Annex 4 CoC can use the PEFC label either domestically or offshore if they wish.

A wide-spread value that PEFC also brings to its members is that it is a global umbrella program and thus for them the PEFC label is trans-national and this has obvious advantages given the flow of fiber around the world. As such, since the SFI forest management standard is endorsed by PEFC, some see the SFI and PEFC labels as interchangeable with other PEFC fiber and they are requesting to use the SFI label on PEFC certified fiber from offshore to sell into the North American market.

Part of this increase in requests is a result of SFI's successful marketing campaign in the US that has raised awareness and demand for SFI certified products in the US market. However, SFI's position to date has been that the SFI certified forest content labels represent only certified fiber from North America and to start allowing offshore fiber to count as certified forest fiber under the SFI label would compromise SFI's branding position as a North American forest management standard. (*note: SFI forest management standard was endorsed in 2005 by PEFC*). It is noteworthy that while SFI certified forests are in North America, the SFI program does reach globally with its procurement requirements but that fiber does not count as certified forest fiber and is intended for use by SFI program participants that procure fiber offshore from uncertified forests to avoid risk of illegality etc.)

### Discussion:

Some PEFC members/companies offshore are interested in using the SFI label in the US market even if it does not carry any certified North American fiber. For example, Australian grown fiber manufactured in China and then sold under the SFI label with a country of origin stamp that reads "made in China" could pose several questions and contribute to customer confusion.

Since its endorsement by PEFC in 2005, SFI Inc. has maintained that PEFC is the global carrier and as such the PEFC label should be used to carry the brand of products from multiple countries whereas SFI is a North American standard that sells itself on the benefits of North American certified fiber. While allowing other PEFC members to use the SFI label would increase SFI prominence in the US market; it



also places SFI in a vulnerable position since while PEFC endorsed SFI; SFI did not endorse PEFC's 25 national standards and likely neither do they meet SFI specific requirements such as logger training, commitment to research, EPA requirements, indigenous peoples, public input, etc.

SFI Inc also believes this issue comes down to transparency in marketing. The perception of the SFI CoC label and the forest management standard is that it is specific to North American certified forests. Selling PEFC fiber from forests certified offshore under the SFI certified content labels could be construed as misleading to the marketplace. SFI Inc feels a discussion is warranted at the Board level to discuss this situation and recommended actions more fulsomely.

**Options:**

- 1) SFI Inc. moves to accept any PEFC fiber worldwide under the SFI label.

**Or**

- 1) SFI continues at this time to only accept North American certified forest content for certified content claims associated with the SFI label while offering program participants the option of the PEFC label.

**Recommended Steps:**

- 1) Continue to offer the PEFC label as an option for SFI program participants through the PEFC Annex 4 CoC
- 2) Continue to position SFI as a North American forest management standard offering the SFI CoC label for those carrying certified North American fiber (includes CSA & ATFS)
- 3) Continue to work with PEFC to increase the promotion of PEFC in offshore markets, especially Europe and Japan
- 4) Continue to promote PEFC in SFI communications, presentations, etc.
- 5) Develop a strategy for PEFC communications in North America. Discussions to this end have already begun with both CSA and ATFS and a co-ordinated strategy will be developed early in 2009. The purpose of this strategy is to better communicate and promote PEFC to those customers in the North American market that are interested in PEFC's global brand and to support SFI program participants who also use the PEFC label. Also to ensure consistency with PEFC International's marketing plan
- 6) Draft a letter on behalf of the SFI Inc. Board of Directors indicating our ongoing support for the PEFC program, PEFC promotions and reconfirming our position on SFI label use
- 7) Engage in an ongoing dialogue with PEFC to develop a long range plan to resolve specific issues from individual PEFC national governing bodies as to how to create a seamless co-branding strategy that maximizes the advantages to both SFI and PEFC program participants

**For Approval:**

Board approval on recommended steps

Prepared by: SFI Inc. Staff



## BRIEFING NOTE: SFI and Mexico

### **Background:**

SFI is recognized as a North American standard and promoted and marketed throughout the U.S. and Canada. SFI has been approached in the past regarding expanding the reach and scope of the SFI Standard to include Mexico. Earlier analysis and information gathering visits with interested parties revealed significant differences in the environmental, social and laws and regulations in Mexico as compared to the U.S. and Canada. These differences would likely make the SFI Standard less relevant (and less effective) in Mexico without significant changes. As a consequence, the SFI program has not expanded into Mexico.

### **Status:**

Recently, additional inquiries about the value of marketing the SFI in Mexico have come to the attention of SFI Inc. There are SFI Program Participants that sell into the Mexico market and would like assistance in promoting and marketing the SFI brand in Mexico.

### **Next Steps:**

SFI Inc. will work in 2009 to translate our key marketing and promotional documents into Spanish for use by SFI program participants in the Mexico markets. This may include a new section to the SFI Inc. website with all of the key documents would be translated and available for download and use by program participants and others.

### **For Approval:**

**Approve SFI Inc. plans to develop marketing tools in Spanish for the Mexico markets**

### **Prepared by:**

Rick Cantrell, VP & COO

*Attachments: 2009 SFI Inc. Proposed Budget*



## Briefing Note: SFI Inc. Label and Claims November 20, 2008

### **Background:**

On September 25, 2007, the SFI Board of Directors appointed a task group to review SFI labels and associated claims in an effort to facilitate SFI label use uptake, integrity, and market acceptance. A set of recommendations developed by the SFI Label and Claims Task Group as well as the SFI resources Committee were presented to the SFI Board of Directors at their September meeting. All recommendations were approved by the SFI Board of Directors on September 23, 2008.

### **Next Steps:**

SFI staff has revised the *SFI Requirements for Fiber Sourcing, Chain of Custody and Product Labels Document* to reflect all revisions approved by the SFI Board of Directors. The draft documents were posted to the member's only section on the SFI website on November 3<sup>rd</sup> and SFI staff is compiling comments and feedback on these draft documents. Based on the comments received, SFI staff will make necessary revisions and then release the documents on the public website December 1.

One issue SFI worked through was the definition of post-consumer and pre-consumer content. Different definitions apply depending on the jurisdiction where the product is sold. The solution the SFI Label and Claims Task Force developed was to define post-consumer content and pre-consumer content to be consistent with applicable laws where the product is sold. This means if a company sells product in the U.S., FTC guidelines would need to be followed and if they sell product in Canada, the Competition Bureau guidelines would need to be followed. The key difference between the two is the Canadian Competition Bureau accepts overruns of newspapers and other publications that get sold back to mills as post-consumer content. The FTC does not count overruns as post-consumer recycled content, but rather as pre-consumer.

Once the new documents are made available publically, companies will then have until December 31, 2009 to be in full conformance with the new requirements. If a company is unable to transition to the new requirements by the end of 2009, a letter must be sent to the SFI Office of Label Use and Licensing requesting an extension.

**Prepared by SFI Inc. Staff**



## Briefing Note: Update on SFI Inc. Carbon Policy Task Force – November 24, 2008

### **Background:**

There were five opportunities originally identified by the SFI Inc. Carbon Policy Task Force regarding the potential role of SFI in the emerging carbon markets. Thus a RFP was created that covered these five areas with the ultimate result of a comprehensive white paper that will provide insight, information and guidance to SFI Inc. on how SFI certification fits in with these carbon markets.

### **Status:**

The RFP was sent out on Wednesday October 29, 2008. It went to SFI contacts at ForestTrends, the World Resources Institute, NCASI, the Duke Climate Change Partnership, and each accredited SFI certification body.

### **Next Steps:**

The Carbon Policy Task Force reviewed the applications received and awarded the contract to KPMG Registrar, with Chris Ridley-Thomas as the project lead. KPMG has prepared an annotated outline of the full white paper for the Board to review and provide comment or direction to the Carbon Policy Task Force.

*Attachment on Board members' only website: Annotated Outline of the Carbon White Paper – posted to Board section of Member's Only area our website ([www.sfiprogram.org](http://www.sfiprogram.org)). Download by logging in to the Board and Resources Committee section. (UserName: boardresources Password: sfi7301)*

Prepared by: Allison Welde



## Briefing Note: 2008 SFI Annual Conference – November 25, 2008

### Update:

The 13th annual SFI Inc. conference – “SFI - From Forest to Store Shelf” – explored issues such as illegal logging, carbon markets and bioenergy, and looked at the role of SFI certification in meeting and encouraging market demand throughout the supply chain, from certified forests to labeled products, and everything in between.

The more than 170 delegates included customers throughout the print, packaging and solid wood supply chain as well as SFI Implementation Committees, SFI-certified organizations, certification bodies, consulting foresters, the independent SFI External Review Panel, state and provincial agencies, professional loggers, academics, researchers and conservation groups.

Delegates heard that over the next year, SFI Inc. will:

- Move to a simpler on-product labeling system that provides more detailed information – this will begin immediately and the transition will be completed within a year.
- Complete an open review that will result in a revised SFI 2010-2014 Standard, with opportunities for public comments and regional workshops across North America.
- Continue to work with conservation partners to improve forestry practices locally, regionally, and globally.
- Continue to show the world that SFI certification it is a sound environmental choice for producers of paper, packaging and wood products.

President and CEO Kathy Abusow presented awards to organizations and individuals involved with the SFI program to recognize their conservation or promotional activities. Winners included Forest Capital Partners LLC, Harden Furniture Inc., JELD-WEN Windows and Doors, the Minnesota SFI Implementation Committee, National Envelope, Rayonier Inc., Sierra Pacific Industries and Smead Manufacturing Company.

Abusow ended the conference by pointing out SFI Inc. is in a truly enviable position to meet corporate and consumer demands for environmentally responsible forest products. “Market research shows the only thing stronger than the demand for eco-friendly products is concern about unsubstantiated claims,” she said. “The SFI program addresses both, with a comprehensive standard grounded in science and backed by third-party audits, and on-product labels that tell you what you are buying.”

### Next Steps:

SFI Inc. is currently in contract negotiations with a venue. Upon finalization, SFI Inc. will communicate location to all interested parties.

Prepared by: SFI Inc. Staff



## Briefing Note: PEFC Update Related to 2008 General Assembly – November 25, 2008

### **Background:**

PEFC recently held their 2008 General Assembly and October Board meeting October 30-31, 2008. Some motions that were approved of interest to SFI stakeholders are summarized below. For the full set of documents and details related to these and other motions, view the document entitled "PEFC 12<sup>th</sup> General Assembly Documents – October 31 2008" by going to the Member's Only area of our website ([www.sfiprogram.org](http://www.sfiprogram.org)), and log in to the Board and Resources Committee section. (UserName: boardresources Password: sfi7301)

### **Update:**

- 1. Establishment of the PEFC Stakeholder Forum with 1/3 of the PEFC votes.** The new PEFC Procedures Document establishes the Stakeholder Forum as a new PEFC membership category with membership fee criteria. Revisions to the PEFC Statutes include language on the new membership category which will allow interested parties, whether economic, social or environmental to participate in PEFC decision-making on a fee-based basis. "Collectively the Stakeholder Forum is entitled to the equivalent of 50% of the total number of votes of the NGB [national governing body] members, i.e. a maximum of one third of the total General Assembly votes.". In other words, as much as 1/3 of the votes can go to the Stakeholder forum and 2/3<sup>rd</sup> of the votes to the national governing body members. A legitimate concern was the need for PEFC to get conservation groups involved in the stakeholder forum so as to ensure it isn't populated solely by industry interests.
- 2. Adoption of changes to PEFC Annex 4 (PEFC Chain of Custody standard)**  
PEFC Annex 4 has been under revision since early 2008. The new requirement approved by the General Assembly was that when using the volume credit method, credits can be distributed to output products in a specific percentage. For example previously if you had 54 tonnes of certified content in a 100 tonne production, then 54 tonnes of output would be sold as fully (100%) certified. Now a company with 54 tonnes of certified content in a 100 tonne production, has the option to sell 77 tonnes of output as 70% certified...and thereby make a 70% claim, as opposed to a 100% certified claim.
- 3. Adoption of changes to PEFC Logo Usage Rules (PEFC Annex 5)**  
PEFC logo use changes essentially give companies the option to use the specific certification percentage on the label, while still needing to meet the 70% minimum certified content, which can always be met through volume-credit approaches. Another significant change is the ability to label 100% certified on the product even when using the volume-based approaches, which is not accepted under any other certification program currently in existence and in the opinion of SFI Inc could be poorly accepted in the marketplace by consumer advocates. There will be a one year transition period from PEFC Annex 5 for logo users after approval of the new document; PEFC ST 2001:2008. Jason Metnick can provide further detail on PEFC logo use changes.
- 4. Budget and membership fees for 2009**  
The PEFC 2009 budget was approved, however the Board's 5 year financial projections and strategy implementation fund figures were not recognized. Instead it was approved that the PEFC Ad hoc committee (chaired by Bill Street, and Kathy Abusow representing SFI Inc.) is tasked with developing a new funding mechanism to be voted upon no later than the 2009 General Assembly. It was agreed that if the PEFC Ad hoc committee recommendations are not acceptable to its members, then based on the principle of fee stabilization the members fee rates

will not exceed those in the 2009 budget and no NGB pays a percentage of the total fee greater than 12%. It is also noteworthy that SFI Inc's requested reduction in fees for 2009 was accepted and approved thereby reducing the dues owing by PEFC US Governing Body from approximately 273,000 euros to 168,000 euros in 2009. The 12% cap noted above is consistent with the percentage that the PEFC US Governing Body will pay in membership fees in 2009 based on the approved reduction.

During the budget discussions there was a question as to whether the PEFC Council Chair, Mike Clark, would be paid an honorarium for his services as was recommended by Mike Clark during the 2007 General Assembly (year prior). The answer was there is no honorarium for the Chair, however, the chair will be paid as a consultant for taking on responsibilities beyond his role as Chair. SFI Inc. asked for clarification as to what represents work as a chair and work "beyond the responsibilities of a chair". Bob Simpson replied that there would be 25 days of normal chair duties and beyond that with Board approval the Chair would be given additional responsibilities that he would be reimbursed for – time and services.

**5. Election of 2<sup>nd</sup> Vice-Chairman and 4 Members of the Board**

2<sup>nd</sup> Vice Chairman Robert Simpson and Board Members Kathy Bradley, Pierre Grandadam, Natalie Hufnagl-Jovy and Sebastien Genest were elected.

**6. Nominations Committee Appointments**

Ulf Oesterblom, Geoffrey Gorrie and Clifford F. Schneider were appointed as the PEFC Nominations Committee for 2009

**7. Dates for 2009 PEFC meetings were noted**

Board meetings have been reduced from 5 to 4 per year, as per governance review recommendations. The next PEFC General Assembly is scheduled for November 13<sup>th</sup>, 2009. The meeting was to take place in Geneva where PEFC International is now located however an offer from the PEFC Governing Body in France to hold the session in Paris is also under consideration.

**Successes for PEFC in 2008 include:**

- 5% growth in certified area due to PEFC endorsement of ATFS as well as a 25% increase in CoC certificates worldwide;
- Finalization of the governance review and implementation of several recommendations in the review;
- Appointment of new Staff (Thorsten Arndt, Head of Communications; Claire Blenkinsop, Head of Development; Christian Kaemmer, Technical Officer; and Julie Martie, Office Manager) and relocation to Geneva;
- Document revision, including PEFC logo use rules, CoC standard, and several other guidelines;
- Finalization of the PEFC Communications Strategy, which will serve as the basis for organization communications and advocacy activities; (although details like action plans still to be developed)
- More focus on training programs and seminars for National Secretaries, panel of Experts, assessors, National Governing Bodies, potential members and certification bodies.

**Miscellaneous**

- **PEFC N.A.** -SFI Inc., ATFS, and CSA – as three endorsed standards in use in NA will be working towards harmonization issues where feasible to make PEFC in N.America as streamlined as possible. In addition, ATFS new communication contact connecting with SFI Inc.'s Karen Brandt to discuss opportunities for collaboration moving forward.

Prepared by: Kathy Abusow, PEFC US Governing Body Chair and Rachel Dierolf, PEFC US Secretary.