



SFI Inc. Policies and Procedures

Sustainable Forestry Initiative Inc. Records Retention Policy

IRS Form 990 question states “does the organization have a written document retention and destruction policy?”

SFI Inc’s policy is to keep documents as long as necessary to complete a business activity or to comply with laws and regulations. Accomplishing this through regular periodic review and disposal is good practice and maximizes the limited storage space we have available. Additionally, from time to time we may be required to search our files in response to a subpoena or other document request. Those searches are unnecessarily time consuming when old files, which have lost their value as records, have been retained.

Documents should be retained for a period specified in the attached Record Retention Schedule (Appendix A) or shorter if they are not needed. However, if a government requirement specifies a longer period, those documents should be kept accordingly. When using the Schedule, if a document falls into duplicate categories, use the category with the longer retention period.

In the event of a governmental, or any type of legal investigation or proceeding, or even the suggestion of one, disposal of documents pertinent to the matter of inquiry should be suspended immediately and the Chief Operating Officer consulted. Document disposal in such circumstances could constitute a crime. Refer to SFI Inc. Document Preservation Policy (Appendix B).

The rule for electronic or computer records fundamentally is no different than for paper documents kept in file cabinets.

Exceptions: Requests for exceptions should be made to the Chief Operating Officer.

Appendix A. SFI Inc.’s RECORD RETENTION SCHEDULE

I. CORPORATE DOCUMENTS

Items such as Articles of Incorporation, Bylaws, Annual Reports, audit reports, financial statements, tax returns, should be kept permanently. Items used to prepare corporate documents such as information for tax returns should be kept for six years from the date of filing of the document.

II. LEGAL DOCUMENTS & REPORTS TO GOVERNMENT ENTITIES

Items such as legal filings, and reports to government agencies, should be kept for six years after their expiration. Generally, contracts should be kept for ten years after their expiration. However, government contracts need to be kept for only four years. Any such items retained for format only, may be kept indefinitely. Leases are to be kept six years after expiration of the lease.

III. LITIGATION FILES

Litigation files may be retained for six years after settlement, dismissal or final disposition. After six years, however, only court-filed documents and privileged documents may be retained.

IV. CORRESPONDENCE & CALENDARS

Copies of all correspondence, both incoming and outgoing, should be disposed of no later than two calendar years following the current year. They may be disposed of earlier than this if such correspondence has exhausted its business purpose. All notes and drafts used in preparation of such correspondence should be disposed of immediately upon issuance of the final document. Calendars, appointment books, and phone message logs should be disposed of no later than two calendar years following the current year.

V. MINUTES OF MEETINGS

A single copy of final minutes of each SFI Inc. meeting or other meeting attended should be maintained permanently by the individual department. All notes and drafts used in the preparation of such minutes should be disposed of upon issuance of the completed minutes.

VI. SFI STANDARDS AND GUIDELINES DOCUMENTS

All final documents used in research and development of standards, specifications, or guidelines (including revisions and reaffirmations) shall be retained for a minimum of one standards development cycle. Records for standards that are withdrawn shall be kept for a minimum of five years from the date of withdrawal.

These include background information, ballots, meeting books of standards committees, letters of interpretations, and documentation of standards provisions. Notes and drafts of any of these items should be disposed of after conversion to a final document. Such documents may be disposed of in as short a time frame as appropriate.

VII. ACCOUNTING & PERSONNEL RECORDS

The Accounting and Human Resources & Development Departments have their own specialized retention schedules. Accounting and Personnel documents outside these departments should not be retained beyond two years.

VIII. STATISTICAL REPORTS

Data older than 5 years will be aggregated at a level of detail permissible for published reports, but without program participant identifiers. Detailed program participant data will be retained for 1 full year, plus the current year, at the level that it is collected. Data that is not currently published, but that may be valuable for trend analysis, data quality control, future use, or support of policy work, may be retained after legal review and approval on a case by case basis.

IX. MEETING BOOKS

Two copies of bound meeting books may be kept. However, any such meeting books retained must be free of any handwritten notes or unbound paper.

X. PUBLICATIONS

Those items actually published by SFI Inc. and distributed may be retained for as long as deemed necessary. Directories, journals, magazines, and trade publications may be kept as long as they are needed, but must be free of any handwritten notes and unbound paper.

XI. ALL OTHERS

Unless a longer retention period is identified, all documents are to be retained only two years after the year they were created. For example, a February 2004 document must be destroyed no later than January 1, 2006.

ACCOUNTING & PERSONNEL

TYPE OF RECORD

RETENTION PERIOD

Accounting

Accounts receivable and payable	3 years
Auditor's reports/work papers	Permanent
Bank deposit slips	3 years
Bank Statements, Reconciliations	7 years
Budgets	5 years
Cancelled checks	7 years
Cash disbursements journal	7 years
Depreciation records & Fixed Asset information	Permanent
Employee expense reports	3 years
Employee payroll records	4 years *
Financial statements (annual)	Permanent
Financial statements (interim/internal)	Permanent
General journal or ledger	Permanent
Insurance Policies	Permanent
Inventory lists	6 years
Invoices	3 years
Payroll journal	4 years
Payroll Tax Returns	4 years
Property Tax Returns	Permanent
Sales and Use Tax Returns	10 years

Personnel

Applications for employment	
Hired	4 years *
Not Hired (all states except CA)	1 year
Not Hired (CA)	2 years
Employee Earnings/Payroll Records	6 years *
Employee Files	6 years *
Employee Pension Records (including service, eligibility, personal information, pensions paid)	6 years *
Employment Actions (including promotion, transfer, selection for training)	1 year
Employment Records for temporary positions	90 days
Pension, Profit-Sharing Plans	Permanent

* after termination of employment

SFI Inc. Document Preservation Policy

In response to a subpoena or other "triggers" in a litigation process, SFI Inc. may have an obligation to suspend document destruction under our Record Retention Policy and actually "preserve" documents, including e-mail. In such situations, the SFI Inc. Chief Operating Officer will issue a "Litigation Hold" on document destruction for certain documents and issue instructions based on this Preservation Policy.

A litigation hold may remain in place for years; until the litigation is completed or settled. In the event SFI Inc. creates a litigation hold for a particular subject area, SFI Inc. staff must preserve all "documents" as set out in the Litigation Hold. Preservation is likely to include: e-mail, electronic documents and records, and paper records.

This approach to preservation of documents is necessary because destruction or “spoliation of evidence” can result in court fines in the millions, affect what evidence can be presented in the lawsuit by the parties, and possible criminal sanctions against the association and the individual.

SFI Inc. Whistleblower Protection Policy

IRS Form 990 question states “does the organization have a written whistleblower policy?”

SFI Inc. employees are encouraged to report possible fraudulent or dishonest conduct¹. This policy is intended to:

- a. Promote ethical practices
- b. Discourage illegal or unethical activities
- c. Protect the anonymity of whistleblowers

I. Fraudulent, Dishonest or Unethical Conduct

SFI Inc. will investigate possible fraudulent or dishonest use or misuse of SFI Inc. resources or property or violations of federal, state or local laws by management, or employees. Anyone found to have engaged in fraudulent or dishonest conduct is subject to disciplinary action up to and including termination and other legal action.

Fraudulent or dishonest conduct involves a deliberate act or failure to act with the intention of obtaining an unauthorized benefit or of bestowing an inappropriate benefit on those who are not otherwise eligible. Examples of such conduct include, but are not limited to:

- a. Accounting and Auditing Matters
- b. Antitrust Activity
- c. Conflict of Interest
- d. Discrimination or Harassment
- e. Embezzlement
- f. Falsification of Contracts, Reports or Records
- g. Improper Lobbying or Political Contribution
- h. Misconduct or Inappropriate Behavior
- i. Retaliation
- j. Sabotage or Vandalism
- k. Sexual Harassment
- l. Substance Abuse
- m. Theft
- n. Time Abuse

II. Reporting

Employees who see or suspect unethical, illegal or unsafe activity are expected to report it immediately utilizing one of the following reporting mechanisms:

- a. Internal reporting process
 - Supervisor

¹ This policy is for reporting alleged misconduct by SFI Inc. staff-it does not apply to alleged misconduct by program participants.

- Chief Operating Officer
 - The President and Chief Executive Officer.
- b. External reporting process (may be done anonymously). In instances where an Employee may not feel comfortable using the existing internal reporting processes, the employee can report the issue to Officers of the Board
- Chairman
 - Vice Chairman
 - Secretary/Treasurer

III. Investigating a Report

The actions taken in response to a reported incident will depend on the nature of the allegation and the information available. Initial inquiries will be made to determine whether an investigation is warranted and the form that any investigation should take. Some concerns may be resolved without the need for investigation.

The amount of contact between the individual reporting the concern and the body investigating the concern depends on the nature of the issue and the quantity and clarity of the information provided. Further information may be sought as needed from the individual reporting the incident and/or other appropriate sources.

Subject to legal constraints, and when appropriate, the whistleblower, if the identity is known, may receive limited information regarding the investigation.

IV. Whistleblower Responsibilities

An employee who reports an activity that is believed to be fraudulent or dishonest, or provides a law enforcement officer or appropriate federal or state authority any truthful information relating to the commission (or possible commission) of any federal or state offense or violation of law, is considered a "whistleblower."

Even if the whistleblower's identity is known, the whistleblower's allegations will be treated as confidential, unless (1) the whistleblower agrees to be identified; (2) "SFI Inc. deems identification as necessary to allow SFI Inc. or law enforcement officials to investigate or respond; (3) identification is required by law; or (4) the person(s) whom the whistleblower accuses of an impropriety are legally entitled to the information.

Except as otherwise provided in this policy or required by law, a whistleblower will be protected against retaliation. A whistleblower who believes that he/she has been retaliated against may file a written complaint with the President/Chief Executive Officer or the Chief Operating Officer, as appropriate, under any applicable federal, state or local law. This protection is not intended to prohibit Managers from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Reasonable care should be taken in dealing with suspected misconduct to avoid:

- a. Premature notice to persons suspected of misconduct
- b. Disclosure of suspected misconduct to others not involved with the investigation
- c. Violation of any person's rights under law.

V. Responsibilities of Vice Presidents

All Vice Presidents are required to report suspected fraudulent or dishonest conduct observed by them or reported to them, to the President and Chief Executive Officer or the Chief Operating Officer. Alternatively, Vice Presidents may use the external reporting process and

report to the Officers of the Board (anonymously) if they do not feel comfortable reporting the issue to the President and Chief Executive Officer.

A Vice President with knowledge of a report of suspected misconduct should:

- a. Not contact the person suspected of misconduct to further investigate or to demand restitution
- b. Not discuss the case with anyone other than the person(s) to whom the Vice President has reported the whistleblower's allegations or authorized law enforcement officers
- c. Direct inquiries from any attorney retained by the suspected individual(s) or inquiries from the media to the Chief Operating Officer.

SFI Inc. Compensation and Audit Committees and Compensation Review Process

IRS Form 990 question states "does the process in place for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision: the organizations CEO, ED, or top mgmt. officials? and other officers or key employees of the organization?"

SFI Inc. Compensation and Audit Committee: The Audit and Compensation Committee shall consist of the Chairman of the Board and the Immediate Past Chairman of the Board.

Compensation Committee

The duties of the compensation committee shall be to: (1) in consultation with the President and CEO, set annual performance goals for the President and CEO, and at the end of the performance period, assess the results; (2) determine the fee or compensation of the President and CEO; and (3) review and approve the annual compensation recommendations for Vice Presidents.

Compensation Review Process

Each year SFI Inc. participates in an executive compensation review which benchmarks compensation, including bonus and benefits. The findings of that review are compiled to identify the specific jobs that represent the SFI Inc. team. The results are presented to the President & CEO and the Compensation Committee. The analysis allows SFI Inc to ensure that the compensation or fees are competitive with the population benchmarked. Ranges are adjusted to comply with the results received from the review.

In addition, the SFI Inc. compensation plan has a bonus program for all staff. This plan sets a criteria for a standard of excellence and the expectation is only those accomplishments that surpass the highest standards will be rewarded. This program does not guarantee bonuses will be paid every year or at all. Bonuses are determined annually based on budgets and performance.

How will bonuses be determined/awarded?

The President & CEO will determine whether to award a bonus to a Vice President, Senior Director, Director, or Manager because of extraordinary accomplishments. Factors to be used in making this determination are:

- importance of the accomplishment(s) to the SFI Inc's mission
- difficulty in attaining the goal(s)
- weighting of the goal(s) compared to other individual goals
- impact on SFI Inc., such as budget savings, efficiencies and economies of scale.

The Compensation Committee shall meet with SFI Inc.'s President & CEO to review the performance and bonus compensation recommendations for SFI Inc employees. The Committee also reviews the annual

goals and objectives established with the President & CEO to determine the fees or compensation of the President and CEO.

Audit Committee

The duties of the audit committee shall be to: (1) in consultation with the President and CEO and Chief Operating Officer, select the independent audit firm; (2) understand operations and programs funded; (3) oversee financial and compliance reporting process (e.g. audited financials and IRS 990 forms); (4) assessing the adequacy of internal controls and risk management systems; and (5) review of audit processes.

SFI Inc. Conflict of Interest Policy

IRS Form 990 question states "does the organization have a written conflict of interest policy? Are officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflict? Does the organization regularly and consistently monitor and enforce compliance with the policy?"

Conflicts Of Interest

Directors, Officers, and senior staff are expected to act in the interest of SFI Inc. and not use information obtained as officers or employees for personal gain or for another organization. Individuals have an affirmative duty to identify potential conflicts of interest and act to avoid the conflict. Where a conflict of interest exists, the individual must actively address the conflict and deal with it in cooperation with SFI Inc. Among the alternatives, depending on the immediacy and seriousness of the conflict are: notification of the President and pledge to be objective, recusal from a specific decision, and possibly even resignation. An Officer or Director employed by an SFI program participant or potential SFI program participant shall not participate in any decisions that affect their employer.

A basic principle of ethical business conduct requires each employee of SFI Inc. to support our business activities both on and off the job. One important way we satisfy this responsibility is to ensure that our business dealings are never influenced by -- or even appear to be influenced by -- our own personal interests. A Conflict of Interest occurs when you have used either your *employment* with SFI Inc. or any *confidential information* you have received through your employment with SFI Inc. in a manner which could result in direct or indirect financial or material gain to you personally, to a member of your immediate family, or to a business with which you or a member of your immediate family is connected.

More specifically, and by way of example only, SFI Inc. employees **may not**, directly or indirectly, during your employment with SFI Inc:

1. Work for, be associated with, provide any services or materials to or receive any compensation from any competitor of SFI or SFI program participants or potential SFI program participants;
2. Have any financial interest other than publicly traded stock in any member, potential member, competitor, supplier, vendor, contractor or subcontractor of SFI Inc.;
3. Work for, be associated with or provide any services or materials to any member, potential member, supplier, vendor, contractor or subcontractor of SFI Inc., other than on behalf of SFI in the course of your employment with SFI Inc.;
4. Solicit any gifts, money, services or anything else of value from any competitor, member, potential member, supplier, vendor, contractor or subcontractor of SFI Inc.;
5. Accept any gifts, money, services or anything else of value from any competitor. You

may accept gifts (but not money) from program participants, potential program participants, suppliers, vendors, contractors or subcontractors of SFI Inc. provided the value does not exceed \$100 or your receipt of the gifts has been reported to and authorized by the President of SFI;

6. Engage in any other outside employment or independent consulting which may interfere or conflict with your duties and responsibilities to SFI, regardless of its nature;

7. Use SFI's name for any outside activities, including sponsorship of athletic teams and support for charitable organizations, without obtaining prior written permission from the President of SFI; or

8. Serve as an officer or director of or receive any compensation from an outside organization that is not a professional, social, religious, educational, civic or charitable organization without obtaining prior written permission from the President of SFI.

Under certain narrow circumstances, exceptions to the prohibitions set forth under Points 2, 3, 5, 7 and 8 above may be permitted, but only if disclosed to and approved in advance in writing by the President of SFI Inc.. However, SFI Inc. will not make exceptions to Points 1, 4 and 6.

It is recognized that some employees may have close personal friends or family who represent or work for our program participants, potential program participants, competing organizations, suppliers, vendors, contractors or subcontractors. When business situations require your interaction with such individuals, you must make a special effort to separate the personal from the business aspects of the relationship. Circumstances which even suggest the appearance of impropriety must be carefully avoided, and you must recognize those situations in which you should disqualify yourself from participating in business transactions involving the other individual.

If you have any question as to whether an activity may create a Conflict of Interest and/or interfere with your responsibilities to SFI Inc, you should review the matter with a Vice President or the President and CEO. By checking first, you protect not only SFI but also yourself.

SFI Inc. Dues Policy

SFI Inc. Dues Invoicing Process:

SFI program participants are required to pay dues to SFI Inc on an annual basis. SFI program participation dues are based on acres (or hectares) the company owns or leases and/or a 2 year average of the company's net sales. Invoices are sent out on a quarterly or annual basis and must be paid within 30 days. Program participants who receive annual invoices can be switched to quarterly invoices if requested.

Policy for Termination Due to Failure to Pay SFI Dues:

Participants that are in arrears on dues payments are sent reminders throughout the year. SFI Inc. may, on a case-by-case basis, allow a program participant to delay dues payment until the end of the current calendar year. If payments are not received by the end of the calendar year and the participant has not made arrangements to pay in full by the end of the first quarter of the subsequent year, SFI Inc will terminate the contract with the program participant.

Policy for Program Participants in Bankruptcy Proceedings

Dues for any program participant who enters bankruptcy proceedings shall not increase (due to sales or forestland data) until the calendar year following emergence from bankruptcy. Participants that are in

bankruptcy proceedings may also petition SFI Inc. to delay dues payments if it is required by the bankruptcy proceedings. The participant must clearly express in writing their intent and desire to remain a program participant and a commitment to resume dues payments and resolve outstanding SFI Inc. invoices upon emergence from bankruptcy proceedings.

Policy for Program Participants in Group Marketing Agreements

- Dues for any program participant who is receiving a discounted rate by participating in the SFI program through a group marketing agreement shall not increase until the calendar year following their resignation from the organization that SFI Inc. has the marketing agreement with if the resignation is effective after the end of the first quarter of the current calendar year. Dues will be assessed according to current rates for individual program participants if a resignation is effective before the end of the first quarter of the current calendar year.

Dues Increases and Dues Cap

- SFI, Inc. will phase in fee increases over a two year period, if requested, for any program participant whose dues are more than \$10,000 per year and their dues increase more than 20%. The full rate would be paid in the subsequent years but only half of the increase would be paid the first year.
- The maximum dues assessment for a single program participant would be capped at \$400,000 per year.