

# SFI Inc. Strategic Direction

## September 16, 2014

This is a confidential document, being provided to you as a member of the SFI Inc. Board of Directors.

You must not distribute it to others in your organization or outside of your organization.

## INTRODUCTION

The Sustainable Forestry Initiative® Inc. (SFI) and the SFI® Board of Directors have developed a strategic direction document. Our goal was to develop a three-year strategy that will strengthen SFI's position in the marketplace, build upon core strengths and assets, positively influence competitive forces, and create long-term value for SFI's community.

SFI has evolved since its inception in 1995. Today, SFI is well-positioned to play a leading role in forging the future of our forests. SFI has over a quarter billion acres under certification, a diverse Board of Directors representing economic, social and environmental interests, and a network of 34 grassroots implementation committees across North America.

SFI's mandate is to promote responsibly managed forests that provide economic, social and environmental benefits to public and private interests in perpetuity. To succeed, SFI must engage and be relevant to a highly diverse set of interests, unite them behind a sense of shared purpose, and be an efficient source of insight, resources and essential services to both existing and potential stakeholders.

**The SFI community unites those ready to engage today to implement a thriving future for our forests. This community lies at the heart of SFI's value proposition. We believe that elevating SFI's impact and performance requires that we make this fact explicit. SFI is a community, not just a standard. Together, that community stands for Future Forests.**

Regardless of the efficacy and success of SFI's forest certification standard among landowners, land managers and forest product companies, SFI recognizes that playing a leading role in shaping the forests of tomorrow will involve active engagement and collaboration with a broad range of constituencies.

SFI will bring landowners and brand owners from across the supply chain together with conservationists and other key interests to tackle the issues that define forests today and that will shape their future tomorrow.

## SFI STRATEGIC VISION

*The future of our forests depends on strengthening the connections between sustainable forests, thriving communities, and responsible purchasing.*

**The SFI community** unites those ready to engage today to implement a thriving future for our forests.

**Our collective achievement**, of over a quarter billion acres of land certified to the SFI Standard, is only the beginning. These lands, owned and managed by public, private, conservation, indigenous and academic interests, collectively embody a scale of significance to examine and understand changes in working forests and their relationship to larger landscapes. They constitute a living ‘reality lab’ to explore Future Forests.

**Our reach** goes even beyond those quarter billion acres to the small landowners we engage **through our fiber sourcing standard** to broaden the practice of responsible forest management.

**Our standards** will be the proof-point for responsible forest management, enabling forests to continue to support robust economies that provide an economic incentive for communities and private landowners to keep forests as forests.

**Our grassroots infrastructure** of 34 SFI Implementation Committees across North America fosters community engagement for Future Forests, from educating the next generation through to community building.

**Our voice**, unique amongst our competitors, will speak to a perspective in which responsibly managed productive forests are a mainstay of society’s sustainable infrastructure, complementing landscapes managed for conservation; providing clean air, fresh water and habitat; and supporting sustainable forest-resource-based communities.

**Our research and grant-making** will help our community explore the innovations that will shape the future of our forests and the communities they support. To date that community has invested over \$1.5 billion in research through SFI’s standards requirement.

SFI will provide insight, thought leadership, research, essential services, and a big tent that will enable this community to envision and achieve this future. We will continue to speak the language of business sustainability, providing brand owners with the assurance, information, tools and examples they need to manage risk while demonstrating that their supply chains generate economic, social and environmental benefits.

**SFI is a community, not just a standard. Together, that community stands for Future Forests.**

## IMPLEMENTING OUR STRATEGIC DIRECTION

The remainder of this document provides a more detailed analysis of the opportunities and challenges facing SFI today and our initial thinking on how to practically address them. Evolving the organization into this refined strategic position will take time and effort. Our Strategic Vision presents the goal posts for that evolution, and we have now begun the process of framing concrete implementation steps that will direct and align all of our efforts towards that vision. “Priority Action Areas” are highlighted below and described in detail on the following pages.

**Strengthen the Value, Relevance and Credibility of SFI** — Leverage existing partnerships and develop new collaboratives to build SFI’s brand from landowner to brand owner. *Note: This is a theme that permeates all priority action areas and therefore does not have its own distinct implementation steps.*

**Elevate Conservation Value** — Increase awareness of the contribution of the SFI program to conservation objectives.

**Foster Community Engagement** — Create more strategic partnerships and incubate new ideas to foster sustainable communities.

**Position SFI as the Proof Point** — Use the launch of the *SFI 2015–2019 Standards and Rules* to rebrand SFI in the conservation and brandowner communities as the proof point of responsible forestry.

**Grow Certified Supply** — Increase certified supply throughout the supply chain to strengthen SFI’s reach.

**Strengthen Market Access and Global Relevance** — Remove barriers to market access and grow global recognition of the SFI brand, fiber sourcing, and labels.

# ROADMAP OF PRIORITY ACTIONS

## Strengthen the Value, Relevance, and Credibility of SFI

Leverage existing partnerships and develop new collaboratives to build SFI's brand from landowner to brandowner.

<p><b>ELEVATE CONSERVATION VALUE</b></p>	<p>Increase awareness of the contribution of the SFI program to conservation objectives.</p>	<p>Initiate research to establish conservation value of SFI-certified forests and lands subject to SFI's Fiber Sourcing requirements.</p>	<p>Rebrand and reposition the Grant Program for strategic growth and increased revenue, focus, influence and effect.</p>	<p>Launch thematic conservation collaboratives (community water supply and habitat of wide-ranging species).</p>	<p>Launch or participate in geographic collaboratives (Longleaf Alliance/ Canadian Boreal).</p>
<p><b>FOSTER COMMUNITY ENGAGEMENT</b></p>	<p>Create more strategic partnerships and incubate new ideas to foster sustainable communities.</p>	<p>Empower and equip SICs to promote sustainable communities and have greater impact and visibility.</p>	<p>Activate partnerships and memoranda in support of Sustainable Communities (H4H, CCAB, BSA, Scouts Canada).</p>	<p>Rebrand and reposition the Community Grant Program for increased community impact.</p>	<p>Incubate new ideas to foster community engagement (urban projects, underserved landowners).</p>
<p><b>POSITION SFI AS PROOF POINT</b></p>	<p>Use the launch of the SFI 2015–2019 Standards and Rules to rebrand SFI in the conservation and brandowner communities as the proof point of responsible forestry.</p>	<p>Elevate transparency and multi-stakeholder revision of SFI 2015-2019 program requirements.</p>	<p>Engage brandowners post-launch of the SFI 2015-2019 Standards and highlight positive impacts of existing/new requirements</p>	<p>Identify data needs within SFI fiber supply chains.</p>	<p>Make it easier for the supply chain to source SFI products.</p>
<p><b>GROW CERTIFIED SUPPLY</b></p>	<p>Increase certified supply throughout the supply chain to strengthen SFI's reach.</p>	<p>Deliver on SFI Forest Partners Program.</p>	<p>Explore small lands certification approaches</p>	<p>Grow certification of First Nations and Tribal Lands.</p>	<p>Grow state land certification and explore federal land certification</p>
<p><b>STRENGTHEN MARKET ACCESS AND GLOBAL RELEVANCE</b></p>	<p>Remove barriers to market access and grow global recognition of the SFI brand, fiber sourcing and labels.</p>	<p>Pursue endorsement of SFI COC and SFI fiber sourcing by PEFC.</p>	<p>Build demand for SFI products through consortia.</p>	<p>Explore SFI global label</p>	<p>Strengthen SFI's direct presence in Europe and elevate fiber sourcing.</p>

## **STRENGTHEN THE VALUE, RELEVANCE, AND CREDIBILITY OF SFI**

**SFI's new brand promise enables the organization to be more relevant to a broader community interested in forests, yet the organization must provide its new set of constituents with a reason to be part of the SFI community. For example, there are many brandowners that are only distantly connected to forests; for many, the primary objective is a secure supply of low-risk fiber or forest products, commonly referred to as "sustainable supply chains." To be successful, SFI must engage its diverse community with a common strategic context, purpose, and challenge – one that is just as relevant to forest ecologists as it is to brandowners, regardless of their varied organizational objectives or self-interests.**

Irrespective of why people care about the future of forests – be it economic, social or environmental interests – we face global and potentially disruptive megatrends that will affect their future and the ability of forest landscapes to sustain the diversity of values they contain and provide. Wildfire, pest, insect, disease, wind, floods, and other natural disasters are stressing our forest ecosystems. Be it a lack of management and/or a changing climate, the reality is our forests, our livelihoods, our wildlife, our traditional values, in short, our environment, our economy and our society are negatively affected by forest loss and degradation. Likewise our environment, our economy and our society are positively affected by thriving and healthy forests. This common strategic context provides SFI's broad community with a common threat to future forests, and thus a reason to collaborate, innovate, adapt to and mitigate the potential effects of these forces – whether that be in pursuit of sustainable forests for their intrinsic values or to ensure sustainable supply chains, or mitigate business risks.

Additionally, by positioning SFI as an organization seeking solutions to mitigate the effects of these forces on forest ecosystems, communities and economies, SFI will more likely be accepted as the independent non-profit organization that it is, and better positioned to avoid direct attacks by activists.

The brand and market position presented in our vision is significantly different than the brand and market position of FSC, which is increasingly viewed by some North American interests as an unpredictable monopolist captured by activists. That said, while SFI's new brand and market position will be a benefit to SFI in the long-term, some interests will view SFI's new brand and market position as being significantly different than what they have perceived it to be in the past, representing a potential implementation risk as SFI repositions its brand. To help mitigate this risk, our journey will build upon the Organization's existing foundation and strengths.

Dynamic contexts, such as significant change in an organization's corporate or competitive strategy or the development of new product or service offerings – both of which we propose – make it necessary to stretch or adapt brands and put additional strain on their ability to fulfill their intended functions. Thus, the organization will have to actively and consciously manage the transition to ensure that SFI's new brand and market position emerges in a manner that is credible to both internal and external constituents.

## Stakeholder Collaboratives

One tool that SFI will use to reinforce SFI's brand and market position and develop closer relationships among SFI and its community is *stakeholder collaboratives*.

**With more than 250 million acres of production lands certified to the SFI standard, widespread use of SFI Fiber Sourcing, and relationships with government agencies and respected conservation science organizations, SFI is uniquely positioned to convene collaborative efforts to collectively contribute to sustaining the diversity of economic, social and environmental values associated with forest ecosystems in the face of common threats of uncommon scale and scope. "SFI Collaboratives"<sup>1</sup> will support many of the themes discussed in this paper and be tailored to participant and market needs.**

Collaborative engagement of the SFI community will enable SFI to develop additional sources of value for its diverse constituents, foster new and stronger relationships, grow revenue and provide the Organization with a path to build internal and external credibility and alignment with its emerging brand position. Building credibility and alignment will be particularly important as the organization transitions from being known as a certification tool of industry to that of a multi-faceted community with a brand promise of Future Forests.

The formation of stakeholder collaboratives by SFI is both a competitive response and a market solution to unmet and emerging stakeholder needs. SFI faces both existing and emerging competitive pressures from some ENGOs and many activist organizations, while others are catering to institutional investor interest in environmental supply chain risks, generating a demand for information on forest-based supply chains. We envision a variety of collaboratives, each tailored to addressing the long-term needs of SFI's community and fulfillment of SFI's mandate. Throughout this document, different collaboratives are explored, including responsible sourcing collaboratives; supply chain information and reporting collaboratives; and geographically and thematically based conservation collaboratives.

---

<sup>1</sup> The name "SFI Collaborative" is a place-holder for internal use until such time as an appropriate sub-brand is developed.

## ELEVATE CONSERVATION VALUE

**Conservation is one of the foundational elements of the SFI program, with key conservation values recognized in our Board composition, the Standard itself, an Annual Conservation award, the Conservation and Community Grants program, and overall in the work of the SICs, Program Participants and many partners.**

Forest conservation will continue to be an important element for SFI. The collaborative engagement with the conservation community is an important contributor to the Organization's mandate and realization of SFI's brand promise, as are the conservation contributions of SFI to Program Participants. To foster improved relationships and collaboration, staff will develop qualitative and quantitative measures of the contribution and value of SFI-certified production forests and fiber sourcing toward conservation objectives, and create opportunities for environmental researchers and ENGOs to collaborate with SFI and Program Participants to achieve their research and conservation objectives. SFI will also highlight the synergistic relationships among landscapes managed for conservation and SFI-certified production forests, and pursue opportunities through SFI Program Participants and certified forests to further the goals of landscapes managed for conservation. The environmental community and conservation lands are a valued constituency and a pre-condition to a future for forests among SFI's community. To this end the organization will communicate the relationships with, and support of, conservation organizations and environmental research to brandowners, with the information packaged such that they may highlight conservation activities that are relevant to their supply chain and to their customers.

### **ACTION ITEM 1 – INITIATE RESEARCH TO ESTABLISH THE CONSERVATION VALUE OF SFI-CERTIFIED FORESTS AND LANDS SUBJECT TO SFI FIBER SOURCING REQUIREMENTS**

- **Resources = High: This will involve significant staff time and likely the use of a consultant**
- **Impact = High: This would allow SFI to have credible measurements and make meaningful contributions to dialogue about conservation values on working forests**

Since 2007, forestlands certified to the SFI Standard have increased by 75%, to a total of 250 million acres (100 million hectares) throughout North America, representing a footprint that approximates the total land area of Germany and France combined. Because of its scale, diversity and quality of management, this land base presents a unique opportunity to render conservation and forest health benefits at an unrivaled scale, while maintaining primary landowner objectives of forest productivity. From the perspective of our value proposition, this unique asset affords SFI the opportunity to enhance our credibility among consumer-facing brandowners, conservation organizations and consumers, if we can successfully quantify and convey its value.

SFI will establish research projects to establish the conservation value of more than 250 million acres of forest certified to the SFI standard and, separately, the conservation contribution of SFI's Fiber Sourcing requirements, beyond the limits of SFI-certified lands. Actions to achieve this may include:

- Convening a subgroup of our Board and/or Resources Committee to identify the highest priority conservation parameters to measure. Considerations include: parameters of greatest significance to the conservation community; greatest potential for accuracy and credibility; ease of acquisition from existing information, etc.
- Reviewing suggested parameters with a limited group of credible scientists and/or organizations to refine an RFP that successfully addresses the question of the "conservation contribution of SFI-certified lands."
- Using the Conservation and Community Partnerships Grants Program as a vehicle to undertake this research. Any such research will build on past work which has identified the conservation values of managed forestland at a large scale (e.g., University of Georgia, 2011).
- For Fiber Sourcing specifically, identifying one or more willing Program Participants to explore the contribution of Fiber Sourcing activities on specific conservation values, through measurable metrics, and work with them to distill these methodologies to inform all of SFI's Fiber Sourcing Programs.

#### **ACTION ITEM 2 – REBRAND AND REPOSITION THE CONSERVATION GRANT PROGRAM**

- **Resources = Medium: This work will involve staff time towards both the programmatic aspects and the communications "rebranding" aspects, as well as expenditures through our PR firm**
- **Impact = High: Our conservation grant program has been a valuable way to further conservation research and allow SFI to connect with new conservation partners. Rebranding and repositioning the program will allow more strategic connections and lead to greater recognition of SFI's contributions.**

The success of the Conservation and Community Partnerships Grant Program provides SFI with a unique opportunity to focus, strengthen and reposition it as a platform for strategic growth, with increased revenue, focus, influence and effect. The rebranded Conservation Grant Program (potential new name to be explored) will be the economic engine supporting the community and conservation work of SFI, while also helping to increase awareness of conservation and sustainable forest resource-based communities in the Organization's brand and contribute to the credibility of SFI's Standards.

Historically, the themes offered as guidance to applicants of the Grant Program were sufficiently broad to allow for a nearly limitless range of projects within the broad objective of advancing conservation objectives. While this has been an effective strategy to attract new partners and explore a multitude of conservation actions, SFI must now focus, refine and grow the program to achieve the desired scale, effect and influence. To this end, Staff will:

- a. Explore and evaluate potential means to expand the funds and leverage the power of the program.

Staff will identify potential foundations, corporate funders and other entities as a potential mechanism to increase giving capacity of the grants program. We will engage candidate entities to identify program areas of interest, potential matching approaches and other means to attract their interest and capture long-term commitment. SFI's relationships with aboriginal peoples and a renewed focus on forest resource-based communities may give rise to new funding opportunities with foundations interested in the intersection of indigenous peoples, conservation and sustainable communities.

- b. Refine and focus the purpose and scope of the grants, to ensure that funds target the most critical conservation issues, provide support to newly developed stakeholder collaboratives, and contribute to the overarching goals of SFI and its brand.

Staff will establish new guidelines for conservation giving. The conservation grants will be linked to advancing critical work within SFI, applied conservation research or demonstration projects that specifically dovetails with SFI's overarching goals, such as establishing the conservation values associated with the 250 million acre footprint. Projects outside of SFI stakeholder collaboratives may be considered "incubator funding", with the notion that such projects are critical to explore new ideas, and give rise to potential new collaboratives. Additionally, the grant program is likely to include some specifically solicited projects in support of key issues or conservation partnerships deemed of high importance. Staff will also enhance the grant guidelines, tightening requirements for matching and leverage to ensure greater and more consistent investment from external sources and to increase the accuracy of reporting.

- c. Rebrand the program to support and integrate the "landowner to brandowner" concept central to SFI.

SFI will rebrand the grants program to strengthen SFI's overall brand, attract external funding and relevance to SFI's brand promise and community. The rebranding and subsequent communications strategy will include marketing, earned media and direct outreach to external sources of funds, brandowners, Program Participants, forest resource-based communities and NGOs to ensure that these various communities develop a shared and mutually supportive perception of the Fund.

### **ACTION ITEM 3: LAUNCH THEMATICALLY-BASED CONSERVATION COLLABORATIVES**

- **Resources = High: This will involve staff time in building on some existing coordination activities, particularly related to our work in support of bird habitat. This will also involve resources for facilitated/coordinated meetings with conservation groups.**
- **Impact = High: This work would help position SFI as a conservation leader.**

Thematically-based collaboratives engage economic, social and environmental interests on thematic issues of importance to this community and of importance to SFI's mandate, such as the contribution of production forests to community water supply, or the habitat of wide-ranging species. Relevant examples abound within the bird conservation community (e.g. Partners in Flight, North American Waterfowl Plan) and around

the subject of watershed conservation (e.g. Mississippi River conservation efforts, Canadian Watershed Research Consortium). The advantage of SFI's engagement will be our ability to bring SFI certified forest managers to the table to represent our quarter billion acre footprint, with all the geographic diversity and potential range of impact that represents. SFI's fiber sourcing requirements could also be brought to bear as a positive contributor to thematic conservation objectives.

These collaboratives will demonstrate the linkage between SFI-certified lands and the people that depend on forests, while motivating credible advancements in the conservation and social realms. Both the conservation and community components of the revised grants program will serve to support these collaboratives.

#### **ACTION ITEM 4: LAUNCH GEOGRAPHICALLY-BASED CONSERVATION COLLABORATIVES**

- **Resources = High: This will involve staff time in increased participation in existing collaboratives or launching new collaboratives. This will also involve resources for facilitated/coordinated meetings with conservation groups.**
- **Impact = High: This work would help position SFI as a conservation leader.**

Geographically-based collaboratives engage economic, social and environmental interests on geographically-specific issues of importance to this community and relevant to SFI's mandate, such as the ability of production forests to contribute to the habitat of a species at risk within a region. Landscape projects abound throughout North America, ranging from Landscape Conservation Cooperatives (an effort sponsored by the US Fish and Wildlife Service), to America's Great Outdoors (a joint effort of the US Departments of Agriculture and Interior), to landscape-scale efforts of all sizes and descriptions, sponsored or motivated by NGOs or state or federal agencies within landscapes of critical ecological significance (e.g., America's Longleaf Alliance, Greater Yellowstone Initiative, Canadian Boreal Initiative, etc.). These efforts typically exist within the realm of NGOs and state, provincial and federal agencies, but often lack the perspective and potential contribution of managed forestlands. SFI's participation leverages this existing construct within the conservation community by bringing forward production forests as a positive, contributory component of conservation objectives at an unprecedented scale, to include both the certified footprint, and the impact of fiber sourcing across large geographies.

Both the *thematically-based* and *geographically-based* conservation collaboratives will allow SFI to examine the relationship between conservation landscapes and certified forests.

## FOSTER COMMUNITY ENGAGEMENT

One of SFI's key strengths, and what distinguishes it from other forest certification programs, is its connection to community. SFI actively engages in local communities to make a difference on the ground for our forests and the people who depend on them. SFI is committed to the intersection between sustainable forests and sustainable communities. The cores of this commitment are in the SFI Implementation Committees (SICs), relationships with indigenous communities, and partnerships with community organizations such as Habitat for Humanity International, Boy Scouts of America, and Scouts Canada. A mechanism to support SFI's community engagement is the Community Grants Program, through which SFI has provided 23 community grants to date.

SFI's continued and renewed emphasis on community engagement, including with forest resource-based communities, is appealing to a multitude of parties, including brandowners and government agencies. Because we have shared objectives, SFI believes elevating the profile of our work with communities will provide new opportunities for brandowners and government agencies to directly engage with SFI.

### **ACTION ITEM 1 – EMPOWER AND EQUIP SICs TO PROMOTE SUSTAINABLE COMMUNITIES**

- **Resources = Medium:** This will involve staff time, PR firm time, and expenditures for social media development.
- **Impact = Medium:** This will heighten the visibility of the great SIC work and thereby strengthen SFI's community ties.

The SICs have been the backbone of SFI's community engagement, responding to local needs and issues across North America. Their diverse and active presence on the ground has resulted in significant contributions to individual communities, through activities such as training loggers, sponsoring outreach to landowners, taking youth out into the forest, and building homes in underserved communities using SFI-certified products.

SFI will examine opportunities to empower the SICs to engage even more meaningfully and impactfully in their communities, by sharing best practices, broadening and deepening their reach, and more successfully showcasing the efforts undertaken. SFI will also work with its new PR firm to explore *new ways to use social media* to elevate the profile of existing community programs.

### **ACTION ITEM 2 – ACTIVATE PARTNERSHIPS AND MEMORANDA IN SUPPORT OF SUSTAINABLE COMMUNITIES**

- **Resources = Medium:** This will involve a moderate amount of staff time in stepping up the implementation of existing partnerships and memoranda.
- **Impact = Medium:** This will help position SFI as a community leader.

SFI has Memoranda of Understanding (MOUs) with numerous organizations, including the Canadian Council for Aboriginal Business, Habitat for Humanity, Boy Scouts of America, and Scouts Canada. These partnerships are designed to:

- Educating youth about forests;
- Build stronger communities and a better understanding of the role of forest products in our lives.

Staff will review and re-position existing partnerships and MOUs within the new Community Strategy to consider how to make these relationships more ***strategic and impactful***.

### **ACTION ITEM 3 – REBRAND AND REPOSITION THE COMMUNITY GRANT PROGRAM**

- **Resources = Medium: This work will involve staff time towards both the programmatic aspects and the communications “rebranding” aspects, as well as expenditures through our PR firm.**
- **Impact = Medium: The impact could be strong in the brandowner community as it would showcase connections between responsible purchasing and sustainable communities.**

Just as SFI’s engagement with the conservation community is an important contributor to the organization’s mandate and realization of SFI’s brand promise, so too is SFI’s engagement with communities. As noted above in the “Elevate Conservation Value” section, the success of the Conservation and Community Partnerships Grant Program provides SFI with a unique opportunity to focus, strengthen and reposition it as a platform for strategic growth, with increased revenue, focus, influence and effect. The rebranded community grant program will help increase awareness of the intersection of sustainable forests and sustainable communities, provide a mechanism to better showcase SFI’s unique strength in community outreach, and create opportunities to pursue new partnerships.

### **ACTION ITEM 4 – INCUBATE NEW IDEAS TO FOSTER COMMUNITY ENGAGEMENT**

- **Resources = Medium: This will involve staff time as well as direct support for projects.**
- **Impact = Medium. This will help position SFI as a community leader.**

SFI will seek opportunities to “incubate” new ideas related to forest communities, such as

- Supporting urban forest community projects, such as the Greening of Detroit grant project;
- Working with underserved landowners in rural communities through organizations like the National Network of Forest Practitioners and the US Endowment for Forests and Communities

## **POSITION SFI AS PROOF POINT OF RESPONSIBLE FORESTRY**

Since its inception, the SFI Standard has been the cornerstone of SFI. This is how the organization has been judged in the market, accepted by program participants and supported financially via licensing fees. SFI is in the process of a multi-stakeholder standard revision, which will conclude at the end of 2014 with the release of the 2015-2019 SFI Standard. The Standard revision process included two public comment periods and nine regional workshops, and has been a collaborative effort of SFI Program Participants, conservation groups, social interests, and other stakeholders.

With the release of the *2015-2019 Standards and Rules*, SFI has an opportunity to reposition and repackage the SFI Standards as *the* proof point for responsible forestry in North America. This rebranding can help with brandowner recognition, as will later initiatives, such as the qualitative and quantitative measures of the role and value of SFI-certified production forests in contributing to conservation objectives and SFI activities promoting sustainable forest communities.

### **ACTION ITEM 1 –ELEVATE TRANSPARENCY AND MULTI-STAKEHOLDER REVISION OF THE SFI 2015-2019 STANDARDS.**

- **Resources =Medium:** This will involve a significant amount of staff time through the first quarter of 2015 as SFI launches the 2015-2019 Standards and Rules.
- **Impact = High:** The Standards are at the core of the SFI program, and is central to our credibility, integrity and transparency. Being able to point to a thorough and impactful process will elevate SFI's contributions to responsible forestry.

The SFI Standard is periodically reviewed through an open and public process that addresses research, responds to emerging issues and ensures continuous performance improvement of SFI program participants. The SFI 2015-2019 Standard review process was launched in June 2013. Invitations to comment on the SFI 2010-2014 SFI Standard were sent to nearly 10,000 individuals and organizations. Their comments were used by the Standards Review task groups to develop the first draft of the SFI 2015-2019 Standards and Rules. The final version of the SFI 2015-2019 Standards and Rules will be reviewed and approved by the SFI Inc. Board of Directors and launched in January 2015.

### **ACTION ITEM 2 – ENGAGE BRANDOWNERS FOLLOWING THE LAUNCH OF THE SFI 2015-2019 STANDARDS AND HIGHLIGHT POSITIVE IMPACTS OF EXISTING/NEW REQUIREMENTS**

- **Resources = High:** This will involve considerable staff time, the use of consultants and PR firms to conduct outreach to customers regarding the new standards, and resources for surveys.
- **Impact = High:** This will help position SFI as a market leader in responsible forestry and responsible sourcing of fiber.

The SFI Standard revision process enables SFI to respond to emerging issues and enhance aspects of the program that have been criticized in the past, such as the conversion of forests to other forest types or non-forested areas, the use of chemicals in forestry, biodiversity, aboriginal considerations, biotechnology requirements, chain of custody, and SFI on-product labels.

These potential enhancements will add rigor to the SFI program. SFI, through its rebranding efforts, can encourage brandowners with preferences for FSC to rethink their procurement policy. This includes major brands like Office Depot and The Home Depot, and other organizations like the USGBC. The marketing aspects will carefully consider how to overcome the threat obstacles that opponents have put in front of certain companies in the past.

### **ACTION ITEM 3 – IDENTIFY DATA NEEDS WITHIN SFI FIBER SUPPLY CHAINS**

- **Resources = High: This will involve staff time, a strategic consultant, and the use of an external data analytics firm.**
- **Impact = High for brandowner impact, as it allows SFI to play a more meaningful role in supply chain data and could offer valuable new information to customers. Impact would be low in terms of direct conservation value.**

We forecast that SFI producers and brand managers will increasingly require unbiased environmental accounting and accurate information on the attributes and risk profile of their forest supply chains. The combination of enhancements to SFI's database and the creation of information services providing information, tools and insights valued by SFI, producers and brand managers will provide valuable opportunities to engage producers and brand managers. Staff will market these enhancements and insights and directly engage key interests to demonstrate the efficacy of the SFI Standards and the value of engagement with the organization.

### **SUPPLY CHAIN INFORMATION AND REPORTING COLLABORATIVES**

In addition to the SFI's certified land base, the information collected by SFI Program Participants on these lands is a tremendous, untapped asset that is difficult to imitate. This type of collaborative will focus on developing the information, tools and insights valued by SFI, producers and brand managers, including the metrics and the sustainability and risk profile characteristics of SFI fiber supply chains, and the economic, social and environmental attributes and contributions of SFI-certified forest lands.

This collaborative could leverage SFI's certified land base and data from SFI's annual reporting forms, and explore additional opportunities to improve information, insights and reporting of participant supply chains, including potential changes to annual reporting forms, improved analytics, data management and ease of use, as well as applied research on production forests as sustainable infrastructure and their economic, social and environmental contributions to society. This collaborative could be as simple as getting more benefit for what SFI achieves through its current certification standards, or it could be much more complex and look at the types of reporting and information brandowners want related to responsible sourcing and elevate SFI's relevancy in the marketplace by providing that core information, or to influence how that information is

provided in an aggregated, influential manner. There are a wide variety of brandowner initiatives aimed at better understanding their fiber sources. SFI could reduce the landowner/land manager through to brandowner/brand manager burden by finding new approaches to aggregate this information.

**ACTION ITEM 4 – MAKE IT EASIER FOR THE SUPPLY CHAIN TO SOURCE SFI PRODUCTS**

- **Resources = High: This will involve staff time and database development.**
- **Impact = High, as it allows SFI to simplify needs of customers and consumers.**

Whether for Program Participants or for those further down the supply chain (brandowners, consumers, etc.), SFI will focus on enhancing the user interface to better meet supply chain needs. This will involve utilizing the information described above in Action Item #3 and identifying new tools or communications channels to reach those who have made a commitment to responsible sourcing of forest products.

## GROW CERTIFIED SUPPLY

One of the major strengths of the SFI program is its scope of application. There are more than 250 million acres (100 million hectares) third-party certified to the SFI standard in North America. In addition to the forest management certification, SFI reaches thousands of other landowners through the organization's fiber sourcing program. Regardless of such a vast area already certified, there are many land owners and land managers that SFI can reach to grow the amount of land certified to the Standard, ensure a steady supply of responsibly managed fiber, and demonstrate contribution of a well-managed forest to economic, social and environmental values.

### RESPONSIBLE SOURCING COLLABORATIVES

This type of collaborative is focused on increasing the supply of, and demand for, fiber from sustainably managed forests. An alternative to the WWF's GFTN, these SFI collaboratives enable brandowners and other economic participants in the value chain to actively contribute to improving the sustainability of fiber supply chains by providing a peer group, framework, and advisory services to help increase amount of fiber sourced from forests that are legal, contribute to forest resource-based communities, follow best management practices, and are independently and credibly certified. SFI's Forest Partners Program is an example of a responsible sourcing collaborative among publishers and landowners, manufacturers, distributors, customers, conservations groups and government agencies in the US South.

Potential accompanying services may include: advisory services, such as sustainable fiber procurement and policy, stakeholder engagement and activist management; fiber testing and analysis; conservation finance and loan programs; and adaptive land management to mitigate the effects of climate change on sustainable fiber supply.

### ACTION ITEM 1 –DELIVER ON SFI FOREST PARTNERS® PROGRAM

- **Resources = High: Significant staff time and significant use of consultants in each of the target states.**
- **Impact = High: This is proving to be a valuable tool to grow certified acres in key states. It also offers a great opportunity to showcase the commitment to SFI by several leading publishers.**

In 2012, four market leaders – Time Inc., the National Geographic Society, Pearson, and Macmillan Publishers – became SFI Founding Forest Partners, investing in the future of our forests by making five-year commitments to increase the amount of certified forest products in their supply chains. The program involves landowners, manufacturers, distributors, customers, conservations groups and government agencies across the supply-chain; their goal is to certify five million acres (two million hectares) of forests to the SFI standard by 2014 and five million more acres by 2017, beginning in the U.S. South. Staff will continue to grow this effort and others like it, linking market leaders directly to SFI Program Participants and a broader community.

## **ACTION ITEM 2 – EXPLORE SMALL LANDS CERTIFICATION APPROACHES**

- **Resources = High: This acreage represents a challenging category of landowners to get certified, so will involve significant staff time, consultants, and resources for pilot projects.**
- **Impact = Medium for both brandowner impact and conservation impact.**

In the United States, approximately 60% of the fiber used by SFI certified program participants is sourced from family forestland owners. Only about 5% of the total commercial forest land in the U.S. is certified under the American Tree Farm System (ATFS); thus, the vast majority of family forestland is not certified. There are a number of potential ways to facilitate the growth of fiber from these sources which could be recognized by the SFI standard. Areas to explore include better understanding the respective roles and synergies between:

- SFI's fiber sourcing requirements
- SFI's partnership with ATFS and respective roles and responsibilities
- The ATFS Independently Managed Group (IMG) system, and the potential for SIC's, companies, or large consulting companies to serve as group managers
- Master Logger Certification programs as a way to increase certified forest content

SFI could enhance the fiber sourcing requirements to allow wood from a SFI procurement system to count as certified forest content. We will explore building on the current fiber sourcing objectives by adding *mandatory* requirements for harvesting and regeneration plans. A pilot may be initiated with a mill, woodlot association, and consultant.

## **ACTION ITEM 3 –GROW CERTIFICATION OF FIRST NATIONS AND TRIBAL LANDS**

- **Resources = Medium: This involves staff time in outreach and participation in relevant venues/workshops, plus use of consultant.**
- **Impact = Medium: There is strong potential for growth on these lands and opportunity for alignment on objectives.**

Over 6.8 million acres (2.75 million hectares) of lands owned by or managed for aboriginal communities are certified to the SFI Standard - more than any other certification standard in North America. Furthermore, in May 2013, SFI signed a [Memorandum of Understanding](#) with the Canadian Council for Aboriginal Business (CCAB) to assist in growing our relationship, engagement and outreach with the aboriginal community by encouraging SFI Program Participants to seek certification under their Progressive Aboriginal Relations (PAR) program and support a dual logo process. SFI has a unique opportunity to grow aboriginal and tribal certification as new collaboratives are formed.

#### **ACTION ITEM 4 – GROW STATE LAND CERTIFICATION AND EXPLORE FEDERAL LAND CERTIFICATION**

- **Resources = Medium: This will involve staff time in outreach and participation in relevant venues/workshops. Due to budget constraints, growth on public lands will be challenging.**
- **Impact = Medium: Federal lands produce a small portion of the U.S. fiber supply, so certification of those lands produces minimal impact on supply chains. Certification of state and federal lands offers a positive impact in terms of public recognition of SFI's credibility.**

There are over 60 million acres of certified forests in the U.S. Of these 60 million acres, 30% are state forests in Indiana, Maine, Maryland, Michigan, Minnesota, New York, Ohio, South Carolina, Washington and Wisconsin. However, there are some state lands, such as those in Pennsylvania and Oregon, that are not SFI certified, yet produce significant amounts of fiber. In addition, the U.S. Forest Service has flirted with forest certification for close to a decade. Indications are they may go through an audit on one or two National Forests to test forest certification in areas of the country where markets exist and the forests are managed well. SFI has an opportunity to grow certified land on state and federal lands, but will need to demonstrate a value proposition. A new working forests collaborative could be formed that shows the value of forest certification from a job creation, access to markets or other added environmental benefits perspective.

## **STRENGTHEN MARKET ACCESS AND GLOBAL RELEVANCE**

**As a North American forestry standard operating in a global market, SFI desires to be viewed as a global leader in responsible forest management and seeks to provide opportunities for Program Participants in the global marketplace. SFI has and will continue to focus on removing barriers to market access and growing global recognition of the SFI brand, fiber sourcing and labels. SFI sees value in collaborating with PEFC to improve market access.**

Staff has identified several potential action items for strengthening market access and global relevance. These action items are not mutually exclusive. Several actions involve working with PEFC – an international non-profit promoting independent third-party forest certification and serving as an umbrella organization by endorsing national forest certification systems – and several actions involve SFI directly extending its presence internationally.

### **ACTION ITEM 1 – PURSUE ENDORSEMENT OF SFI COC AND RECOGNITION OF SFI FIBER SOURCING BY PEFC**

- **Resources = Medium: This will involve ongoing staff engagement with PEFC and pursuit of indirect mechanisms to influence PEFC.**
- **Impact = High for brandowner impact, in terms of simplicity in chain of custody. Medium for regulatory understanding of SFI Fiber Sourcing. Low for conservation impact, as this has little direct impact on forest management.**

The endorsement of SFI's COC by PEFC will provide Program Participants with streamlined market access and value to those selling into Europe and other international markets. With PEFC endorsement, SFI-certified products will be included in corporate or government policies that recognize PEFC. Additionally, North American companies that operate in the global marketplace would no longer be required to obtain PEFC COC certification in addition to SFI COC. SFI, through its 2015 standard review process, has begun to align the SFI COC standard with PEFC's requirements. Thus, endorsement of SFI COC by the PEFC would take effect after completing SFI's standard revision process in 2015.

PEFC recognition of SFI fiber sourcing would enable fiber and forestry products certified to SFI fiber sourcing to have improved access to markets outside of North America. Endorsement would be particularly beneficial to small landholdings and for certain markets, such as the wood pellet market, where a significant amount of fiber is coming from non-certified forests and yet has to meet European sustainability requirements for solid biomass.

PEFC has no mechanism for recognizing SFI fiber sourcing; thus, PEFC endorsement of SFI fiber sourcing will require "cooperation" and a better appreciation of SFI's fiber sourcing program by other PEFC members. One way to influence PEFC on this issue is through its membership, who need to be better informed about SFI's fiber sourcing requirements as a mechanism to positively influence the management of forest lands not owned or controlled by certified program participants by requiring raw material to be sourced from responsibly managed forestland, whether

the forests are certified or not. If PEFC members come to view SFI's fiber sourcing requirements as enhancing the PEFC brand, then they will be supportive. However, this likely requires SFI to demonstrate that the market is recognizing SFI fiber sourcing. This goal may be facilitated via the World Business Council on Sustainable Development's (WBCSD) Forest Solutions Group. Led by 26 of the world's leading companies along the forest products value chain, the WBCSD has established aggressive goals for forest certification, and two members already accept SFI fiber sourcing as meeting their own 2020 certification targets of sourcing 100% "certified" fiber.

Execution of this option will require SFI staff to continue direct discussions with PEFC leadership about PEFC recognition of fiber sourcing, use PEFC members and WBCSD relationships to influence PEFC mechanisms for endorsing SFI fiber sourcing, and encourage select SFI Program Participants to urge PEFC to recognize fiber sourcing.

#### **ACTION ITEM 2 – BUILD DEMAND FOR SFI PRODUCTS THROUGH CONSORTIA**

- **Resources = Medium: This will involve staff time in direct participation in numerous consortia (meetings, calls, etc.) and possible use of consultants.**
- **Impact = High: Because these consortia bring together major brandowners, the decision to include or exclude SFI has major impact.**

A new trend has emerged with consortia of buyers coming together under a single umbrella to determine acceptable forest certification standards. These groups have formed either through associations, retailers, or other nonprofits. SFI is tracking and trying to influence these global initiatives either directly through SFI staff involvement or indirectly through program participants. These initiatives include groups such as GreenBlue, The Sustainability Consortium (TSC), Consumer Goods Forum (CGF) and the World Business Council on Sustainable Development (WBCSD).

SFI must continue to have a presence among these consortia as they develop or risk these consortia becoming intermediary "standards" that effectively exclude credible, independent standards such as SFI. The outcome is dependent upon the makeup of the consortium, as there must be a champion of SFI to promote SFI's cause.

The SFI Standard revision process enables SFI to respond to emerging issues and enhance aspects of the program that have been criticized in the past, such as the conversion of forests to other forest types or non-forested areas, the use of chemicals in forestry, biodiversity, aboriginal considerations, biotechnology requirements, chain of custody, and SFI on-product labels. These potential enhancements will add rigor to the SFI program and will allow SFI, through its rebranding efforts, to encourage major private sector influencers to take a second look at SFI and therefore build demand for SFI products. For example, this could strengthen SFI's engagement with the US Green Building Council (USGBC) to recognize SFI as a "USGBC endorsed standard."

### ACTION ITEM 3 – EXPLORE SFI GLOBAL LABEL

- **Resources = High:** This will involve staff time in analyzing the logistics and feasibility behind setting this up, and then ongoing staff time in maintenance of such a label and ensuring ongoing credibility.
- **Impact = Medium:** Unclear at this time how widely this would get used.

SFI seeks to create a mechanism for marketing sustainable, internationally-sourced fiber and forestry products in North America under the SFI brand. Doing so has the potential to:

- Mitigate the adoption of FSC by international suppliers marketing product into North America;
- Enable North American manufacturers to market products which contain sustainable, internationally-sourced fiber under the SFI brand;
- Contribute to an increase in the amount of sustainably sourced product in North America with the SFI label; and,
- Create an additional revenue stream from international fiber and forest product suppliers.

There is an increasing supply of, and demand for, sustainable, internationally sourced fiber in North America, much of which is sourced from lands managed in accordance with PEFC-endorsed forest certification standards. Currently, SFI's COC label only accepts fiber from PEFC North American endorsed standards SFI, ATFS and CSA; thus, fiber and forestry products sourced from lands managed in accordance to international, PEFC-endorsed forest certification standards may not be marketed under the SFI brand in North America. Additionally, because the PEFC label is not recognized in North America and the SFI label does not currently accept PEFC fiber in SFI's chain of custody label, many international manufacturers of pulp and lumber are adopting FSC to meet the demand for certified fiber in North America. This proposed new label (see figure 1) will require an evaluation of PEFC endorsed standards for consideration of acceptable standards.

*Figure 1-- Potential SFI "Global Chain of Custody Certified" Label.*



#### **ACTION ITEM 4 – STRENGTHEN SFI’S DIRECT PRESENCE IN EUROPE AND ELEVATE FIBER SOURCING**

- **Resources = High: This would involve staff time and the use of a consultant based in Europe who can represent SFI in an ongoing and visible way.**
- **Impact = High for brandowner impact, especially those that operate in the global marketplace, as this would involve engagement with customers as well as with government representatives who can be major influencers on the marketplace.**

SFI is committed to a constructive relationship with PEFC and staff is working to continue to strengthen this relationship through participating actively on task forces, contributing to PEFC Asia funds, developing PEFC newsletters for N.A. certificate holders, publishing articles in PEFC member publications, and inviting PEFC speakers at our SFI annual conference.

SFI Program Participants repeatedly remind SFI that while PEFC market acceptance is growing, there is still a disconnect with Europe’s understanding of the North American marketplace and market access, given PEFC’s lack of infrastructure to endorse the SFI fiber sourcing program.

Therefore, SFI will explore establishing a direct representative in the European market to ensure the SFI Brand and all aspects of the SFI program and the North American context is better understood in Europe, to further our coordination with PEFC and to ensure SFI brand and fiber sourcing (not recognized by PEFC) is recognized in Europe. This European presence will enable SFI to promote its fiber sourcing programs specifically, while leveraging the increased interest among global buyers and influencers in procurement solutions that demonstrate both legal and sustainable sourcing from low risk, well-managed North American sources of supply.

Given the relatively low risk of North American forest fiber, SFI is likely to have an advantage over certified fiber from other parts of the world. Advantageous to PEFC as well as to SFI, the execution of this option may be achieved via a consultant in the short-term. While relatively straightforward, the option may be costly and therefore further analysis will be needed to weigh cost against impact.

## CONCLUSION

Twenty years ago, forest certification emerged as a tool intended to restore consumer confidence in the sustainable management of forests, simplify buying decisions throughout the value-chain, and offering responsible brandowners a clear advantage in the market place. Few envisioned certification as a panacea, yet fewer still foresaw the impact that certification would have on the largely embattled complex of relationships that then existed.

Today, extremists remain on both sides of the debate, but there can be little doubt that engaging in the hard work of building credible, comprehensive standards for forest certification has changed the nature of the forest sector, changed the conversation, and perhaps most significant of all - highlighted in bold those individuals and organizations ready to roll up their sleeves, wade into the fray, and do the hard work of leading the way forward.

The SFI community unites those ready to engage today to implement a thriving future for our forests. This community lies at the heart of SFI's value proposition. We believe that elevating SFI's impact and performance requires that we make this fact explicit. SFI is a community, not just a standard. Together, that community stands for Future Forests.