



SUSTAINABLE FORESTRY INITIATIVE

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SFI-00001

Sustainable Forestry Initiative Inc. Board of Directors Conference Call AGENDA

Thursday, December 8, 2016

1:00 p.m. to 3:00 p.m. (Eastern Time)

ACCESS (Dial-In) NUMBERS:

Call-in toll-free number (US/Canada): 866-740-1260

Call-in toll number (US/Canada): 303-248-0285

Attendee access code: 5963458#

| | <i>Administrative</i> | Page |
|---|--|--------------------|
| 1:00 p.m. – 1:05 p.m. | I. Welcome, Roll Call, Confidentiality and Antitrust Reminder, Approve Minutes (Craig Blair) <i>Action: Approve minutes from September 27, 2016 meeting.</i> | 3 – 13 |
| 1:05 p.m. – 1:10 p.m. | II. Board Nominations (Nadine Block) <i>Action: Approve election of Karla Guyn, DUC CEO, to SFI Board.</i> | 14 – 15 |
| 1:10 p.m. – 1:25 p.m. | III. 2017 Workplan (Kathy Abusow) <i>Objective: Review final 2017 workplan.</i> | 16 – 35 |
| 1:25 p.m. – 1:45 p.m. | IV. 2017 Budget (Nadine Block) <i>Action: Review and approve 2017 proposed budget.</i> | 36 – 38 |
| 1:45 p.m. – 2:05 p.m. | V. SFI Fee Structure (Craig Blair) <i>Action: Review and approve proposal for revised fee structure for 2018 and beyond.</i> | 39 – 42 |
| 2:05 p.m. – 2:20 p.m. | VI. Conservation and Community Partnership Grants Proposals (Tat Smith) <i>Action: Review and approve slate of recommended conservation and community partnership grants.</i> | 43 – 46 |
| 2:20 p.m. – 2:40 p.m. | VII. Project Learning Tree Update (Craig Blair) <i>Objective: Discuss Task Group's recommendations on PLT.</i> | 47 – 49 |
| 2:40 p.m. – 2:50 p.m. | VIII. PEFC Update (Jimmy Bullock/Brian Kernohan) <i>Action: Approve the SFI Label that recognizes global content and review other PEFC developments</i> | 50 |
| 2:50 p.m. – 3:00 p.m. | IX. Other Business, Written Updates and Roundtable <i>Objective: Discuss any additional questions from meeting participants, as well as discuss the proposed 2017 meeting dates.</i> <u>Written Updates:</u> <ul style="list-style-type: none"> • LEED Update • Annual Commitment to Confidentiality and Conflict of Interest Disclosure | 51 – 53 54 – 55 |
| 3:00 p.m. | Adjourn | |
| 2017 Board and Resources Committee Meetings and Conference Calls | SFI Board of Directors Meeting/Conference Call Dates & Locations <ul style="list-style-type: none"> • April 20 – face to face (Location: Washington, DC – actual meeting location to be confirmed); 9:00 a.m. to 4:00 p.m. eastern • June 15 – conference call; 1:00 p.m. to 3:00 p.m. eastern • September 27 – face to face, in conjunction with SFI Annual Conference (Location: | |

Confidentiality. Each Director shall maintain the confidentiality of all discussions and deliberations of the SFI Board of Directors, including agendas, minutes and materials presented at or distributed for meetings of the Board. Such information may be disclosed only as authorized by the Board, or by the President.

| | |
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| | <p>Westin Ottawa, Ottawa, ON); 8:00 a.m. to 1:00 p.m. eastern, lunch included</p> <ul style="list-style-type: none">• December 7 – conference call; 1:00 p.m. to 3:00 p.m. eastern <p>SFI Resources Committee Meeting/Conference Call Dates & Locations</p> <ul style="list-style-type: none">• February 28 – conference call; 2:00 p.m. to 3:30 p.m. eastern• May 3 – conference call; 2:00 p.m. to 3:30 p.m. eastern• August 3 – conference call; 2:00 p.m. to 3:30 p.m. eastern• November 7 – face to face (Location: Hancock Headquarters, Boston, MA to align with GreenBuild in Boston); 9:00 a.m. to 4:00 p.m. eastern |
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Antitrust and Confidentiality Reminder for SFI Inc. Board of Directors Meetings

The SFI Board of Directors includes 18 members representing environmental, social and economic interests equally, including representatives of companies that may compete with each other and with other SFI Program Participants. Many SFI Program Participants may compete with other SFI Program Participants. Therefore, the antitrust laws apply to SFI board 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 or 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.

Confidentiality. Each Director shall maintain the confidentiality of all discussions and deliberations of the SFI Board of Directors, including agendas, minutes and materials presented at or distributed for meetings of the Board. Such information may be disclosed only as authorized by the Board, or by the President.

Privileged and Confidential
Attorney-Client Communication
11/28/07



SUSTAINABLE FORESTRY INITIATIVE

MINUTES OF THE

Sustainable Forestry Initiative Inc. Board of Directors Meeting

September 26-27, 2016

Submitted to Counsel 10/2/2016; Approved by Counsel 10/6/2016
Submitted to SFI Board of Directors 10/6/2016; Approved by Board of Directors XX/XX/2016

This document will serve as the record of the proceedings of the September 26-27, 2016 meeting of the Sustainable Forestry Initiative, Inc. (SFI Inc.) Board of Directors.

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| ACTION # | Action Item Description | Responsible | Deliver by: |
|-----------------|---|-------------------------------|--------------------|
| #01-SEP-16-BOD | Board Membership. SFI will convene a call of the Nominations Committee this fall to discuss status of Nature Conservancy Canada interest and DUC and NatureServe CEO appointments, to determine candidates to be brought forward for Board consideration during the December Board call. | Kathy Abusow and Nadine Block | December 8, 2016 |
| #02-SEP-16-BOD | Project Learning Tree: A task group consisting of Bettina Ring, Tat Smith, Jon Haufler, and Gail Wallin will explore further the idea of a PLT transfer, in terms of the content of the program. SFI will share materials with the task group that were provided from AFF last spring and will arrange for a conversation with those involved in the delivery of PLT. The task group will report back to the full Board during the December conference call, and once the content is understood and deemed in tight alignment with SFI's strategic direction, then the discussion can then go to the financial aspects of a potential transaction. | Kathy Abusow and Nadine Block | December 8, 2016 |
| #03-SEP-16-BOD | 2017 Workplan: SFI will prepare additional detail on the "Grow" ideas and present them during the December call, when the 2017 budget is proposed. | Kathy Abusow and Nadine Block | December 8, 2016 |
| #04-SEP-16-BOD | Fee Structure: A task group consisting of Craig Blair, Dan Christensen, Jim Hannan, and Tat Smith will further discuss the tiered net sales approach. The task group will provide the Board in December with either a recommendation to be voted on at that time or a status update for further discussion and subsequent April decision. | Kathy Abusow and Nadine Block | December 8, 2016 |

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PARTICIPANTS

| | <i>Board Members</i> | <i>Organization</i> | | <i>Resources Committee Members</i> | <i>Organization</i> |
|-----|----------------------|--|-----|------------------------------------|--|
| 1. | Craig Blair (Chair) | President & CEO, Resource Management Service LLC | 15. | Jimmy Bullock | Senior Vice President, Forest Sustainability, Resource Management Service, LLC |
| 2. | Robert Abernethy | President, The Longleaf Alliance | 16. | Brian Kernohan | Director of Policy and Environmental Advocacy, Hancock Natural Resource Group |
| 3. | Dan Christensen | CEO, Hancock Natural Resource Group | 17. | Chris Smith | Head, Boreal Conservation Programs, Ducks Unlimited Canada |
| 4. | Jonathan Haufler | President, The Wildlife Society | | | |
| 5. | John Hagan | President, Manomet | | <i>SFI Inc. Staff</i> | <i>Title</i> |
| 6. | Tat Smith | Former Dean and Professor, Faculty of Forestry, University of Toronto | 18. | Kathy Abusow | President & CEO |
| 7. | Gail Wallin | Co-chair, Canadian Council on Invasive Species and Executive Director, Invasive Species Council of British Columbia | 19. | Nadine Block | COO and SVP Public Affairs |
| 8. | Guy Gleysteen | Senior Vice President, Production Time Inc. | 20. | Elizabeth Woodworth | Vice President, Communications and Community Engagement |
| 9. | Chief David Walkem | Chief, Cooks Ferry Indian Band President, Stuwix Resources Joint Venture | 21. | Jason Metnick | Senior Vice President, Customer Affairs |
| 10. | Skeet Burris | Family Forest Landowner | 22. | Paul Trianosky | Chief Conservation Officer |
| 11. | Jim Hannan | CEO and President, Georgia-Pacific LLC | 23. | Andrew de Vries | Vice President, Conservation and Indigenous Relations |
| 12. | Steve Bullard | Provost and Vice President of Academic Affairs and Henry M. Rockwell Chair of Forestry, Stephen F. Austin State University | 24. | Amy Doty | Manager, Community Outreach |
| 13. | Bettina Ring | Virginia State Forester | 25. | Mickey Raup (by phone) | SFI Inc. Counsel, Polsinelli PC |
| 14. | Bob Matters | Chair, United Steelworkers Union of Canada Wood Council | | | |

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| AGENDA ITEM | DISCUSSION | ACTION ITEM |
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| <p>Introductions, Confidentiality and Antitrust Reminder</p> | <p>Chairman Craig Blair called the meeting to order at 2:00 PM on September 26 and welcomed participants. Participants did self-introductions. Mickey Raup provided an antitrust reminder.</p> <p>Board Decision: The minutes from the June 16, 2016 meeting were approved without objection.</p> | |
| <p>SFI Administration</p> | <p><i>Board Membership</i></p> <p>John Hagan, on behalf of the Nominations Committee (consisting of himself, Dan Christensen, and Tat Smith), noted that three Board members – Jim Hannan (economic chamber), Jon Haufler (environmental chamber), and Bob Matters (social chamber) – were eligible for re-election to second three-year terms, and that all three have expressed interest in serving a second term if re-elected.</p> <p>Board Decision: Jim Hannan, Jon Haufler, and Bob Matters were each approved for a second three-year term.</p> <p>Kathy Abusow highlighted the Nominations Committee discussion on filling the two Board vacancies created by the departures of Mary Klein and Greg Siekaniec from their respective organizations, including the key criteria that should be considered. The Nominations Committee’s top choices for new Board members were Inger Anderson from IUCN and John Lounds from Nature Conservancy Canada (NCC). Abusow reported that she spoke to each to determine interest if elected. Anderson expressed interest in working with SFI more closely but declined a Board position on the basis of IUCN policy for staff not to serve on boards of IUCN member organizations. Lounds indicated that he would need to give the invitation more thought, and asked whether NCC Board members were eligible.</p> <p>Abusow further noted that both NatureServe and Ducks Unlimited Canada (DUC) should be naming new CEOs within a few months, so if Lounds declines, the Board might want to consider holding off on further consideration of candidates until those positions are named. The Board agreed with that plan.</p> <p>Action: SFI will convene a call of the Nominations Committee this fall to discuss status of Nature Conservancy Canada interest and DUC and NatureServe CEO appointments, to determine candidates to be brought forward for Board consideration during the December Board call.</p> <p>Craig Blair noted the need to elect a new Vice Chair and offered the Nominations Committee recommendation of Mark Rodgers from the social chamber.</p> <p>Board Decision: Mark Rodgers was approved as Vice-Chair.</p> | <p>#01-SEP-16-BOD</p> |

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| AGENDA ITEM | DISCUSSION | ACTION ITEM |
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| | <p>Abusow provided a subsequent Resources Committee recommendation. Prior to Greg Siekaniec's departure from the Board, Chris Smith of Ducks Unlimited Canada had been serving as Vice Chair of the Resources Committee. With Greg's departure, Chris has been serving on the Resources Committee utilizing Robert Abernethy's seat. In addition, as of this summer, Mark Rodgers' seat has been utilized by a new Resources Committee member, Richard Schwab, a logger with MA Rigoni Inc. With Mark Rodgers having just been elected as Vice-Chairman, it is recommended that these Resources Committee affiliations be swapped – therefore, Chris Smith would utilize Mark Rodgers' seat and Richard Schwab would utilize Robert Abernethy's seat, and Chris Smith would serve as Vice-Chairman of the Resources Committee to complement Mark Rodgers' role as Vice-Chairman of the Board. The Board agreed with this recommendation.</p> <p><u>IRS Tax Status</u></p> <p>Nadine Block reminded the Board that the IRS closed its audit of SFI in September 2015, concluding a clean audit. Furthermore, the IRS reaffirmed SFI's status as a 501(c)(3) organization, with specific 509(a)(1) designation – a change from the prior 509(a)(2) designation. SFI subsequently enlisted the advice and guidance of our accountant, Ned Marini, and legal counsel, Lisa Hix with Venable LLP, to review the implications of this change. Both agreed that, given the nature of SFI's programs and associated income, SFI should revert back to a 509(a)(2) classification, which is a straightforward application process. Block noted the Audit and Compensation Committee agreed with the recommendation. As such, SFI will plan to move forward with this recommendation in an application to the IRS, following the submission this fall of our 2015 990 return.</p> <p>Block also noted that Board members were recently notified about the opportunity to review SFI's draft 2015 federal tax return (Form 990), and no concerns were raised. SFI will file its 2015 tax return this week.</p> | |
| SFI Accomplishments and Challenges | <p>Kathy Abusow provided a presentation highlighting recent SFI achievements and challenges, touching on activities related to conservation leadership, community engagement, market access, government developments, and communications. A copy of the PowerPoint is available upon request.</p> | |
| Small Lands Update | <p>Jason Metnick provided an update on work to increase certification on small lands in the U.S. and Canada. In the U.S., multiple companies from different sectors were approached to pilot test the "Sustainable Forests and Fiber" program with AFF that was approved by the SFI Board last April, and one company (Enviva) has agreed to a pilot test. AFF plans to finalize the development of its landscape component this fall and Enviva plans an audit in late 2017. SFI will also consult with an auditor to review the program for auditability. The pilot testing will help identify value and efficiencies, so SFI does not expect to formally market the program until early 2018.</p> <p>In Canada, SFI is working with a consultant to develop a SFI Woodlot Certification Module, incorporating input received through a survey. SFI expects to have a draft Module for Resources Committee review in early 2017.</p> | |

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| | <p>Board members discussed the demand for the U.S. program, suggesting that demand seems to be low as evidenced by the minimal interest in piloting the program. It was noted that there's value in SFI having a program in place prior to the demand in the marketplace.</p> | |
| <p>Project Learning Tree</p> | <p>Craig Blair provided an overview of discussions to date between SFI and AFF leadership regarding the potential for transferring the PLT program from AFF to SFI. He encouraged the Board to first determine if the idea has value, then to consider the financial aspects.</p> <p>In terms of understanding AFF's motivation to transfer the program, AFF is more focused on landowner engagement these days. Also, the program currently operates at a deficit but AFF felt the program might be better positioned under SFI, with support from corporations interested in supporting youth education related to sustainability. Kathy Abusow outlined the alignment of PLT to SFI's strategic focus on youth education.</p> <p>There was support among some Board members for what the PLT program could bring to SFI, in terms of strategic alignment, partnership building at the state level, and the potential to help demonstrate SFI is more than a standard. Others, however, felt they are not familiar enough with the PLT program to evaluate the value and whether this program is the right fit to advance our strategic direction. Several felt the financial considerations were significant (a large percentage of the SFI budget) and want to ensure any transfer would not create risks for current SFI programs. The Board agreed that more information would be needed to inform this decision.</p> <p>Action: A task group consisting of Bettina Ring, Tat Smith, Jon Haufler, and Gail Wallin will explore further the idea of a PLT transfer, in terms of the content of the program. SFI will share materials with the task group that were provided from AFF last spring and will arrange for a conversation with those involved in the delivery of PLT. The task group will report back to the full Board during the December conference call, and once the content is understood and deemed in tight alignment with SFI's strategic direction, then the discussion can then go to the financial aspects of a potential transaction.</p> | <p>#02-SEP-16-BOD</p> |
| <p>2017 Workplan</p> | <p>Kathy Abusow provided an overview of SFI's proposed 2017 workplan. She noted the Board discussion at the April meeting and the request for SFI to think about how it might grow its program. Because of constrained revenues in 2016, there are some activities that SFI has not yet been able to move forward on, and those are noted as "Sustain" ideas. The 2017 workplan addresses the three core areas of sustainability - conservation, community, and economic (marketplace) – with plans to ensure we are demonstrating the connections between those core areas. Abusow also presented the "Grow" ideas.</p> <p>Board members provided input on the proposed workplan and the Sustain items. It was noted that the work to leverage LEED's recognition is critical, as the loss of that recognition would be devastating. In response to questions regarding costs, Abusow noted which ideas involve staff hires and which involve use of consultants or</p> | |

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| | <p>other costs. Hiring costs are all inclusive of benefits and office space. There was general support from the Board for the Sustain items.</p> <p>In terms of the “Grow” ideas, there was support for the ideas of an outreach/branding campaign and investing in SICs, as both address clear current needs. The SIC investment is a logical extension of our need to leverage the SICs. SFI staff noted that these ideas could be initiated in 2017 if funding were available.</p> <p>There was a question about the North American Forest Partnership and its communication functions. Brian Kernohan and Jimmy Bullock, who are playing a leadership role in the partnership, explained that it is a platform designed to help stakeholders tell its story.</p> <p>Board members discussed SFI’s role in indigenous housing and African-American land retention. It was suggested that in both cases, initial efforts should involve better defining SFI’s role, how we can add value, and identifying milestones that would determine if we move forward with these ideas. There was also a suggestion that costs for these two ideas be adjustable until it is known whether we can achieve success. SFI noted that these ideas might attract funding from foundations and government agencies.</p> <p>SFI staff also clarified the specific focus on community engagement in many of the “Grow” ideas, noting that there has been under-investment in that area over the last few years, relative to conservation activities. The Board suggested that SFI identify growth priorities in the conservation area, and also consider how small lands certification fits into the growth strategy.</p> <p>There was also a request for more specificity around top priorities with additional revenue vs. secondary priorities.</p> <p>Action: SFI will prepare additional detail on the “Grow” ideas and present them during the December call, when the 2017 budget is proposed.</p> | <p>#03-SEP-16-BOD</p> |
| <p>Canadian Charitable Status Update</p> | <p>Garth Steele from Welch LLP (accounting firm) joined by conference call for this topic to answer questions. Kathy Abusow reminded the Board of the reasons SFI is interested in creating a charity in Canada, and noted staff consultations with Board members and accounting/legal experts since the April meeting to understand potential path forward. SFI recommended the creation of a Canadian charity that performs activities which are a subset of SFI’s current activities, specifically our conservation and community work in Canada.</p> <p>SFI staff and Garth Steele addressed questions from the Board regarding how such a charity can spend money, explaining that the charity can spend money on its own activities and can give funds to other registered charities, and also questions about up-front and annual costs, and governance/structure considerations. It was stressed that the Board can be identical to SFI Inc.’s Board, but there would be delineation of financial matters and decisions at Board meetings.</p> | |

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| AGENDA ITEM | DISCUSSION | ACTION ITEM |
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| | <p>Board Decision: SFI is approved to move forward with establishing a Canadian charity as outlined in the briefing materials.</p> <p>The Board discussed the name of this new charity that would be established, with broad agreement that SFI's name should be in the new charity's name as that would help further demonstrate SFI as more than a standard. It was suggested that SFI identify several possible names, in case a certain choice is already taken or too close to a current registered charity.</p> | |
| <p>SFI Fee Structure</p> | <p>Craig Blair opened the fee structure discussion with the suggestion that it should be separate from the workplan and budget discussion, as the chosen fee structure can be designed to fit any desired revenue target. Kathy Abusow provided background on the current fee structure that was put in place when SFI spun off from AF&PA in 2007. The structure includes a discount for AF&PA member companies that, Board members agreed, is no longer appropriate and is a threat to SFI's integrity. SFI suggested that the discount cease at the end of 2016, but allow companies a phase in of their increased dues (50% in 2017, the remaining 50% in 2018). If companies asked for a longer phase-in period, SFI has the discretion to phase in the increase over 3 years.</p> <p>Board Decision: The Board approved the removal of the AF&PA discount as of December 31, 2016, and approved SFI staff discretion in the phasing in of the increase up to three years if companies request it.</p> <p>The Board discussed the other ideas presented to the Board regarding revising the fee structure beyond the removal of the AF&PA discount. Blair suggested five key criteria should be considered in a fee structure:</p> <ol style="list-style-type: none"> 1. Equitable (across types of program participants) 2. Scalable (can be adjusted up or down to fit a desired revenue target) 3. Practical 4. Dependable 5. Sellable <p>Nadine Block described the various approaches outlined in the briefing note, including several options that are tiered based on net sales categories. The tiered net sales approach was designed to have a reasonable number of tiers for the net sales range, and to have the increases be relatively proportional.</p> <p>During the Board member discussion, it was noted that there are differences in how companies report net sales in different parts of the country, but it was suggested this could be handled by directing companies to use a common factor (such as stumpage sales). There was also a suggestion of having a curve approach as opposed to fixed tiers, and a suggestion of considering future timing of fee structure reviews. There was interest in exploring the tiered net sales idea further through a subgroup of the Board.</p> | |

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| | <p>Action: A task group consisting of Craig Blair, Dan Christensen, Jim Hannan, and Tat Smith will further discuss the tiered net sales approach. The task group will provide the Board in December with either a recommendation to be voted on at that time or a status update for further discussion and subsequent April decision.</p> <p>Any further fee structure changes would take effect no earlier than January 1, 2018. It will be made clear to AF&PA member companies that any further changes to the fee structure would not increase their fees beyond what will already take place by removing the AF&PA discount.</p> | #04-SEP-16-BOD |
| PEFC Update | <p>Brian Kernohan, as a PEFC Board member, provided an update on several developments between SFI and PEFC. He applauded SFI's re-endorsement of its forest management standard by PEFC, and noted the value in SFI staff bringing the assessor in person to DC. Kernohan noted the recent branding task force meeting, which was attended by Jason Metnick. Kernohan also highlighted developments related to SFI's interest in creating an SFI label that recognizes global PEFC standards, expressing hope that there would be more clarity from PEFC after the October PEFC Board meeting. Finally, he noted that SFI's dues to PEFC will be increasing in 2017, with three-year certainty on the cap, and that SFI has expressed willingness to contribute to PEFC Canada's fees provided a few terms were met that are still being negotiated.</p> <p>Jimmy Bullock reported on the PEFC standard revision process, which is being handled through several work groups. Bullock noted his participation in the forest management work group and highlighted issues that are under discussion. SFI is also represented on several other work groups.</p> | |
| LEED Update | <p>Kathy Abusow provided an update on LEED during her presentations on Achievements, noting the planned activities outlined in the briefing note.</p> | |
| Guest Visit with Glenn Mason | <p>Craig Blair and Kathy Abusow welcomed Glenn Mason, Assistant Deputy Minister of Natural Resources Canada (NRCAN), to have a brief discussion with the Board.</p> <p>Mason noted that NRCAN has been careful not to take sides with forest certification standards, but that SFI is more than a certification standard and has offered NRCAN a different way to engage. Specifically, he pointed to positive dialogue regarding collaboration on science, and noted that they can collaborate with SFI in a way that does not compromise their public sector neutrality. In particular, he expressed appreciation for the collaboration on conservation impact related to carbon management, but suggested they have only scratched the surface on possible collaboration. Abusow noted the potential opportunity afforded in 2017 with Canada's 150th anniversary, and that CFS has committed to being a Platinum sponsor of the SFI conference and will work with us on programing.</p> | |
| ERP Update | <p>Lena Tucker, chair of the External Review Panel, presented the annual ERP report to the SFI Board. She reminded the Board of the ERP role, and highlighted recent efforts, including a white paper on water quantity. She also noted</p> | |

Prepared by SFI Inc. for the Board of Directors

11/28/2016

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| | <p>they had considered whether there was a conflict of interest in ERP members being recipients of SFI grants, and determined there is no conflict since ERP does not have decision making authority.</p> <p>Looking ahead, the ERP wants to help ensure success for SICs and will examine the annual surveys to identify ideas. They also noted their interest in SFI's conservation work, large lands engagement, and small lands certification work.</p> | |
| <p>Other Business, Written Updates and Roundtable</p> | <p>Craig Blair thanked members for their participation in the meeting. Blair called attention to the remaining 2016 conference call (December 8), and noted proposed dates for 2017 will be forthcoming.</p> <p>Meeting adjourned at 12:00 p.m.</p> | |



Briefing Note: Board Nomination

Board Candidate

Two Environmental sector seats on the Board became vacant in 2016. SFI Inc. is actively pursuing potential candidates to fill these vacant seats. Below is a recommendation, approved by the Nominations Committee, for filling one of those vacant seats, previously held by Greg Siekaniec, CEO, Ducks Unlimited Canada. SFI Inc. reached out to this candidate regarding her interest in serving on the Board and she confirmed interest.

Environmental Sector

Dr. Karla Guyn, CEO, Ducks Unlimited Canada

With more than 20 years of experience, Karla Guyn is a respected international conservation leader with a PhD in biology. Her love for wetlands and waterfowl first brought her to DUC in 1994 as a summer student. Over the years she's advanced through the organization, working on a variety of national and regional conservation programs. Dr. Guyn was named CEO of DUC on October 3, 2016.

A full biography is attached for your reference.

Recommended Action by Board:

- Elect Karla Guyn to the Environmental Sector of the Board for a three-year term.

Prepared by: Nadine Block, COO and SVP, SFI Inc.



Dr. Karla Guyn

Karla Guyn was raised in Calgary, Alberta but credits her love for the outdoors to the time spent in SW Alberta on her grandparents' cattle ranch. Karla obtained a technical diploma in Wildlife from Lethbridge College, a B.Sc. in Wildlife Biology from the University of Montana, and her M.Sc. and Ph.D. degrees in Biology from the University of Saskatchewan. Her Ph.D. work focused on northern pintail breeding ecology where she studied pintails on Ducks Unlimited Canada's Kitsim Project near Brooks, Alberta.

Prior to joining Ducks Unlimited Canada, Karla worked as a wildlife technician in Edson and Grande Prairie, Alberta where she conducted aerial surveys for caribou and elk, and as a research assistant at Delta Marsh, Manitoba where she worked on research projects focusing on marsh ecology and the breeding ecology of canvasbacks.

Karla has worked for Ducks Unlimited Canada since 1998 focusing on the incorporation of science into conservation planning. Karla has held both national and regional positions with Ducks Unlimited Canada and has worked on the development of conservation vision documents, setting policy and operational guidelines for conservation managers, developing the first decision support system (DSS), the completion of several strategic and business plans, adaptive management, and major gift fundraising. In her past roles with Ducks Unlimited Canada, she has overseen the national engineering group, Geographic Information Systems (GIS) staff and the Institute for Wetland and Waterfowl Research (IWWR). During this time, Karla has worked closely with the Prairie Habitat Joint Venture, colleagues within Ducks Unlimited Inc. and the board of directors.

Karla lives on an old farmstead north of Winnipeg with her husband and energetic yellow Labrador retriever, and spends her free time showing quarter horses, hiking, hunting, canoeing and learning the art of fly fishing.



Briefing Note: 2017 Workplan

In the meeting materials for the September Board meeting, SFI presented its draft 2017 workplan, along with ideas for projects that “sustain” the strategic direction developed in 2014 and projects that could “grow” the SFI program into the future.

The Sustain items included the following:

- Leverage the LEED recognition of SFI
- Empower and equip SFI SICs and Program Participants to have greater impact
- Position SFI to demonstrate leadership in community engagement.
- Gain better visibility for SFI to extract value from our successes
- Utilize the new information and data that SFI has collected to link our successes to the supply chain

The “Grow” items included the following:

- Launch an SFI outreach campaign
- Bring Project Learning Tree into the SFI Program
- Step up investments in SICs through grants and direct funding.
- Demonstrate leadership by identifying business-oriented solutions to the indigenous housing crisis in Canada
- Support African-American land retention in the US South (Note: this has now been recast more broadly as Engaging Minority Landowners in the US South)

The Board offered the following suggestions for refinement:

- There was general support from the Board for the Sustain items. In particular, it was noted that the work to leverage LEED’s recognition is critical, as the loss of that recognition would be devastating.
- In terms of the “Grow” ideas, there was support for the ideas of an outreach/branding campaign and investing in SICs, as both address clear current needs.
- In regards to the “Grow” projects related to indigenous housing and African-American land retention, it was suggested that initial efforts should involve better defining SFI’s role and how we can add value, and identifying milestones that would determine if we move forward with these ideas. There was also a suggestion that costs for these two ideas be adjustable until it is known whether we can achieve success.
- It was suggested that SFI identify growth priorities in the conservation area, and also consider how small lands certification fits into the growth strategy.
- There was a request for more specificity around top priorities with additional revenue vs. secondary priorities.

As a result of this input, SFI has modified the presentation of the workplan in the following ways:

- Because there was Board support for the “Sustain” projects as identified, those are no longer called out in a special way within the workplan, but are simply action items (see #9, #28, #30, #40).
- Several of the “Grow” ideas within the 2017 workplan are reframed as initial steps to be taken in 2017. Specifically, efforts related to Indigenous Housing and African-American engagement will focus in 2017 on identifying ways in which SFI can add value (see #11, #12). Assuming SFI is in fact able to identify ways in which we can add value, actual implementation of these ideas will take place in 2018 and beyond.
- Because we identified the “outreach/branding campaign” as the highest priority within the “Grow” projects, we have included it in the 2017 workplan as a discrete action item (see #41), but with implementation contingent on sufficient revenue. The funding anticipated for 2017 would enable us to move forward with key steps, but the launch would likely be late in 2017 and continue well into 2018.

Each of the “Grow” ideas that were presented in September are presented again here as revised briefing notes, with modifications to content and budgets as follows:

1. **Branding and Outreach Campaign:** SFI determined that the greatest near-term priority is a redesign of our website, and that was therefore elevated to “phase 1”. SFI also reconfigured several items to substantially bring down the cost, so the new total for the campaign is \$480K - \$530K (down from an initial proposal of \$800K - \$900K). Note that this is envisioned as a special 18-month project and not an annual amount. NOTE: this document will be reviewed with the communications committee on Nov 29.
2. **Investment in SICs through Grants and Direct Funding:** The funding was reduced to \$150,000 annually (from an initial proposal of \$250,000 annually).
3. **Indigenous Housing:** The description was revised to better illustrate the actions SFI would take in 2017 to identify whether and how SFI could add value to the challenge of addressing the indigenous housing situation. The proposed steps in 2018 and beyond were scaled back (both in terms of scope and cost) to better allow for a ramping up once it was determined how SFI could add value.
4. **Minority Landowner Engagement:** As with the Indigenous Housing idea, this description was revised to better illustrate the actions SFI would take in 2017 to identify whether and how SFI could add value to the challenge of reaching minority landowners. There was also clarification on the important role of SICs, and the idea that moving forward in this space would be contingent on their involvement. Finally, the document was also modified to clarify the goal is not simply minority land retention, but more effective engagement of those landowners in the management of their lands for both financial and conservation benefits.

In addition to those original “Grow” ideas, SFI has examined the potential for growth in our conservation work and our small lands certification work, as follows:

- **Within our conservation work, our greatest need is expanded funding for the Conservation and Community Partnership Grants program.** At a minimum this should be \$200,000 per year additional, but doubling to \$400,000 additional (total of \$800,000 annually) would be ideal. The goal is to be able to move conservation impact forward more aggressively,

and these projects are expensive. The grant program is well positioned to accomplish this work because it has the co-benefits of engaging new partners and generating positive visibility for SFI in the conservation and academic communities. The best and most important conservation impact projects feature a collaborative approach that facilitates engagement of our Program Participants (e.g., projects with NatureServe, ABC).

In order to continue to gain the momentum that we've gained from similar projects, and to build the value proposition for Program Participants and brandowners, SFI would also like to, in the future, **hire a project manager with conservation science expertise** to help navigate and manage conservation impact projects. This person could build the case directly with brandowners, help manage the Sounding Board, and provide critical insights into project design. Bringing in someone at that level would provide latitude for SFI's senior conservation staff to further expand SFI's leadership in critical conservation topic areas, such as the management of rare species.

- SFI identified **growth of certification on small lands** as a strategic priority in 2014. Since that time, SFI has explored various options in both the U.S. and Canada to help achieve that goal. SFI and AFF have been jointly pursuing an option in the U.S. to grow small land certification through the Sustainable Forest and Fiber program. Next steps in 2017 include a joint pilot with an audit, to better understand the efficiencies and opportunities. That information will help to market the program broadly in 2018. SFI in 2017 will also finalize a SFI Woodlot Certification Module in Canada designed for smaller, lower intensity, fee simple or freehold forest lands. To help carry the momentum and achieve successful uptake, SFI will need dedicated resources (consultants, travel, marketing) and time for both projects.

Prepared by: Nadine Block, COO and SVP Public Affairs

2017 Workplan
Final Version for December Board Meeting

In 2014, SFI developed a strategic direction that would build upon SFI's core strengths and assets, enhance SFI's position in the marketplace, positively influence competitive forces, and create long-term value for SFI's community. The vision outlined in the strategic direction is as follows:

SFI STRATEGIC VISION

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

SFI is a solutions-oriented sustainability organization that collaborates on forest-based conservation and community initiatives that demonstrate and enhance our shared quality of life while providing supply chain assurances through standards, data, and authentic stories.

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 – because forests affect us all.

This **2017 Workplan** continues to build on that strategic direction foundation and outlines the concrete implementation steps that will be taken in 2017 to move that strategic direction forward.

The first three Priority Action Areas – Elevate Conservation Value, Foster Community Engagement, and Provide Supply Chain Assurances – are underpinned by a fourth Priority Action Area – Ensure Connections and Relevancy – that is designed to build connections between the different areas of SFI’s program and to demonstrate the relevance to our key conservation and brandowner stakeholders. Tying all of these actions together is the theme of **“SFI is a sustainability organization dedicated to the future of our forests”**, highlighting that SFI represents more than a set of certification standards, as evidenced by our collective set of work and presented through a dedicated outreach campaign.



ELEVATE CONSERVATION VALUE

Increase awareness of the contribution of the SFI program to conservation objectives.

1. Continue work on Conservation Impact project to establish conservation value of forests certified to SFI.
 - a. Provide opportunities for continued engagement of Sounding Board to provide guidance and credibility to the project and engage SFI Program Participants in this process.
 - b. Engage with key influencers in the conservation and brandowner community to ensure external credibility and relevance.
 - c. Ensure relevancy of newly funded conservation grant projects to Conservation Impact goals.
2. Partner with willing Program Participants to develop quantifiable examples that illustrate the contribution of Fiber Sourcing activities to specific conservation objectives, and work with them to identify and share best practices with other Program Participants certified to the SFI Fiber Sourcing Standard.
3. Continue management of existing SFI Conservation Partnerships Grant Program projects and coordinate with grantees on media opportunities to promote conservation accomplishments.
4. Pursue funding from foundations, government agencies, or other new sources to support both the SFI Conservation Grant Program and the Conservation Impact project.

5. Continue to develop opportunities for synergy between conservation landscapes and certified forests.
 - a. Further develop bird-themed collaboratives with specific focus on ABC and BSC.
 - b. Provide leadership on the “Large Ownerships Conservation” effort begun in 2016, and pursue synergies with existing geographic collaboratives, in coordination with the US Forest Service and other partners.
6. Facilitate transfer of conservation knowledge and lessons to scale up local or regional work to have greater impact across the SFI forest land base, including through regularly scheduled webinars that convey results of grant research or Program Participants’ research.
7. Strengthen relationships and improve dialogue with key influencers in the conservation community who are currently unengaged or under-engaged with SFI (e.g., TNC, WRI, EDF, WWF, IUCN, TFT) in support of the SFI Standard and to recognize SFI as a key influencer in advancing sustainable forestry and responsible procurement of forest products, by developing specific targeted strategies for key influencers.
8. Advance the relevancy of SFI in the climate change arena through:
 - a. Monitoring policy and market developments.
 - b. Quantifying contributions of SFI certified lands through conservation impact work.
 - c. Utilizing conservation grants to advance knowledge about connections between climate change and responsible forest management.

Metrics:

- Engagement of at least two credible NGOs (e.g., NatureServe, TNC, WRI) and at least one federal agency from the US and Canada, in the Conservation Impact Sounding Board.
- Evidence of utilization of Conservation Grant or Conservation Impact generated information by one or more brandowners, either in management activities or in external media.
- Invitations by credible conservation partners for SFI staff to participate in symposia, workshops or collaborative discussions related to central topics within the conservation community.
- Leveraging of SFI dollars spent on conservation, through partner spending or receipt of funding from government agencies or private foundations.

FOSTER COMMUNITY ENGAGEMENT

Further establish SFI’s role as a community leader and demonstrate connections between sustainable forests, thriving communities, and responsible purchasing, focused on the following six strategic areas:

- a. *Connect youth to forests;*
 - b. *Train and educate current and future practitioners and professionals including, but not limited to, loggers, resource managers, estate planners, and architects;*
 - c. *Support Aboriginal, Tribal and Heritage values;*
 - d. *Support underserved communities through forestry, with a focus on urban forestry, rural communities and/or minority landowners;*
 - e. *Promote SFI’s best practice standard for certified forest products, including programs such as “Starts at Home” and partnerships with Habitat for Humanity;*
 - f. *Demonstrate the conservation values of SFI-certified forests through community-related projects.*
9. Empower and equip SICs to have greater impact, by providing SICs with networking tools, services, and other support they need to better harness our grassroots network. Ensure the tools developed for SICs are used and adapted for Canadian context. Create opportunities for them to share best practices, showcase efforts undertaken, and broaden their reach.
 - a. Involve the SICs in SFI’s “It Starts at Home” campaign, by getting them to request SFI products within their supply chains and to get Program Participants to label products.
 10. Activate and invest in existing partnerships and memoranda (e.g., Habitat for Humanity, Boy Scouts of America, Scouts Canada, Project Learning Tree, 4-H, NWTF, and Girl Guides) in support of the six community

engagement strategic areas listed above. Prioritize and develop communications plans for each to elevate the project and maximize awareness locally and if applicable, nationally. Lay the framework for broad communications (social and traditional media) and increased earned media on each.

11. Identify ways for SFI to support African-American engagement in the US South, particularly through SICs.
12. Elevate the role of SFI and healthy communities with Aboriginal and Tribal leaders through initiatives with Canadian Council for Aboriginal Business (CCAB), Intertribal Timber Council (ITC), Habitat for Humanity Canada (in support of aboriginal housing), and others. Identify ways for SFI to contribute towards addressing the indigenous housing crisis in Canada.
13. Manage Community Partnerships Grant Program to strengthen SFI's Community Engagement strategy, coordinate with partners on media opportunities, and pursue additional funding sources to deepen our community impact with recreational, educational, and social purpose organizations.
14. Engage universities and high schools in the role SFI plays for the future of our forests, through student participation at annual conference, SIC involvement, guest lectures at forestry schools and architectural/engineering schools, and youth education outreach.
 - a. Encourage universities to certify their forest lands to facilitate their education of students. Encourage SICs (through grants, best practices, etc.) to recruit universities and develop a certification module for university adoption.
15. Leverage our community partnerships to identify social purpose organizations and recreation retailers that might use the SFI label.

Metrics:

- Foundations and corporate brandowners perceive SFI as a community partner and leader and seek partnerships with SFI.
- Through SFI Inc. financial and capacity support, at least two SICs undertake new projects that have measurable community impact.
- Social media platform (e.g., Facebook, Twitter, LinkedIn) is widely viewed and well-populated with community content from SICs and outside partners, and results in increased # of followers or "likes", number of shares, etc. vs. prior year.
- SFI website redesign amplifies third-party voices and accomplishments.
- At least 1 new Tribe or First Nations holds a community or conservation grant, SFI engages in at least 1 indigenous housing build annually, and at least 1 SFI certified forestry company joins CCAB.
- Two more universities seek SFI certification of their forestlands.
- Increased label use among educational, recreational, and social purpose organizations (e.g., Girl Scouts use label for cookie boxes, Habitat for Humanity builds with SFI wood, Bass Pro uses in store and point of purchase SFI signage).

PROVIDE SUPPLY CHAIN ASSURANCES

Position the SFI Standards as proof points for responsible forestry (aka management of risks in supply chains). Identify opportunities for continued growth of certified supply and enhanced sourcing of SFI-certified products.

16. Continue to leverage PEFC endorsement in the global marketplace and participate in PEFC Meta Standard revision process to ensure alignment with SFI standards.
17. Continue to advocate for PEFC endorsement of SFI fiber sourcing or development of a recognition framework.
18. Work with PEFC to develop a framework by which all PEFC endorsed standards are recognized, in order to move forward on a new SFI label that recognizes PEFC global standards.
19. Strengthen SFI's direct presence in Europe, in order to achieve greater recognition of SFI program, including fiber sourcing, across government agencies, customers, and sustainability consortia. Participate in PEFC EU policy group. Ensure that SFI is responsive to changing political climate (e.g., Brexit).

20. Engage with federal, state, and provincial government agencies on policies related to sustainable forest management and procurement of forest products (e.g., EPA guidelines on ecolabels) in order to ensure recognition of SFI program.
21. Track and respond to external comparative assessments (from governments, NGOs, and customer consortia) as warranted to ensure that SFI is appropriately recognized as a proof point for responsible forestry and responsible sourcing.
22. Maintain the integrity of the audit process.
23. Track certified fiber in the supply chain and identify growth barriers.
24. Deliver on SFI Forest Partners® Program to increase certification in the supply chain, including fiber sourcing and forest management, identify new sources of funding through new partners, and begin laying groundwork for program beyond 2017.
25. Continue to pursue opportunities to grow certification on small lands, including with AFF in the U.S. and with key partners in Canada.
26. Grow certification of First Nations and Tribal Lands and explore co-branded marketing opportunities involving SFI label.
27. Maintain U.S. state and county land certification; explore opportunities for U.S. federal land certification, and seize Canadian provincial opportunities in a changing landscape.

Metrics:

- Recognition of the SFI Fiber Sourcing Standard by PEFC or at least one European consortium or government agency, which will help demonstrate credibility of Fiber Sourcing and influence other stakeholders.
- Increased product label use among current SFI program participants (i.e. certified printers) (goal is 5% increase over 2015).
- Meet Forest Partners program metrics in target states and for program overall (# of certified acres, # of CoC and fiber sourcing certificates) – Goal is 10 million acres by end of 2017.
- Additional Tribal/First Nations acres certified to the SFI Standard, demonstrating the alignment of the SFI standard with Tribal/First Nations goals.

ENSURE CONNECTIONS AND RELEVANCY

Build connections between the different action areas of and demonstrate the relevance of the SFI Program to our key conservation and brandowner stakeholders. This is the area where we are truly leveraging the opportunities and helping stakeholders see the rewards associated with working with SFI.

28. Utilize the new information and data that SFI has collected to link our successes to the supply chain. Leverage & improve SFI data reporting to demonstrate positive benefit of SFI certification and to tell impactful stories about SFI certification, in particular to reach the conservation and brandowner community. Utilize the survey data results regarding changes that have occurred as a result of implementing the new SFI 2015-2019 Standards and Rules in order to elevate our findings.
29. Make it easier for the supply chain to be aware of and source SFI products, including through an enhanced database that is used to find SFI products (e.g., make it easier for people to source/print programs and brochures on SFI paper with SFI CoC printers).
30. Leverage the LEED recognition of SFI certified forest products and demonstrate value of that recognition in the building marketplace.
31. Elevate hardwood manufacturers in both CoC and Fiber Sourcing.
32. Engage innovative manufacturers (e.g., CLT) about SFI certification.
33. Engage sustainability initiatives such as GreenBlue, The Sustainability Consortium, The Consumer Goods Forum, Sustainable Purchasing Leadership Council, the World Business Council for Sustainable Development, Sustainable Biomass Partnership, and WWF's Global Forest and Trade Network, Tropical Forest Alliance 2020

public-private partnership, to ensure SFI (or PEFC-endorsed standards like SFI) is recognized in their tools, guides, and policies.

34. Outreach to Grocery Manufacturers Association to increase SFI label use on consumer-facing product packaging.
35. Track procurement policies and conduct outreach to brandowners and key market influencers to ensure SFI is recognized in wood, paper and/or packaging purchasing policies and in their sustainability policies.
36. Engage and support other green building rating systems recognizing SFI in their codes, standards or rating tools, including IgCC, Green Globes, National Green Building Standard, Built Green Canada, and other tools.
37. Track customer and consumer awareness and trust of SFI (e.g., NMI consumer testing, customer testing).
38. Produce a 2017 annual conference that reaches a wide variety of key stakeholders, demonstrates SFI's thought leadership, and leverages Canada's 150th anniversary.
39. Produce a 2017 Progress Report that tells compelling stories about the SFI program and brings our community to life.

Metrics

- At least one brandowner uses the enhanced data and conservation and community stories for their fiber supply chain.
- Program Participants have a dashboard to track annual reporting information in an interactive way, to further their ability to communicate about SFI program benefits.
- Launch of a new tool to facilitate sourcing of SFI products.
- SFI can point to examples of LEED-certified buildings that include SFI-certified products.
- Positive external quotes about SFI from corporations and government leaders, which SFI can utilize in annual progress report, on website, in news releases, etc.
- Increase in overall number of participants at SFI annual conference (goal is 5% increase over 2015) and increased presence of key stakeholders (conservation and community groups, brandowners, government agencies, etc.).

POSITION SFI AS A SUSTAINABILITY ORGANIZATION DEDICATED TO THE FUTURE OF OUR FORESTS

This area is about making sure people understand SFI's value through all of the previous action areas, in order for SFI to extract the value of our successes. This work focuses on demonstrating that SFI represents more than a set of certification standards, as evidenced by our collective set of work, and will be accomplished through a dedicated outreach campaign.

40. Gain better visibility for SFI to extract value from our successes. Develop public communications that promote the value, relevance and credibility of SFI, increase demands for SFI certification and labelling, and drown out/marginalize negative campaigner messages (e.g., continued proactive media outreach, blogs and social media campaign, continued positioning with TreeHugger).
41. Develop and (if sufficient funding exists in 2017) launch an outreach campaign to position SFI as a sustainability organization dedicated to the future of our forests.

GROW IDEA: SFI Branding and Outreach Campaign

Overview

SFI developed and finalized a Strategic Direction in 2014 which was created to (1) strengthen SFI's position in the marketplace, (2) build upon core strengths and assets, (3) positively influence competitive forces, and (4) create long-term value for SFI's community. The core of the strategy was to "be more than a standard" and truly elevate our conservation and community focused work.

While SFI has had great success in many areas, SFI is still known primarily for its certification standards, not for the significant work it does on a much broader level in the conservation and community spheres. Public perception in the marketplace does not match the reality of SFI's breadth of programs. Furthermore, SFI is hampered by the external perception that any discussion of the merits of SFI must also lead to a discussion of FSC.

SFI believes the time is right for a branding and outreach campaign. **The goal of such a campaign is to shift perception so SFI is viewed as a sustainability organization dedicated to the future of our forests.**

If sufficient funding exists, this campaign would ideally be developed in the first half of 2017 and launched in the second half of 2017. It would last approximately 12-18 months (through the middle or end of 2018). Beyond that point, SFI would then move into a sustained long-term communications and marketing program.

Audience

SFI believes there are 3 key audiences for this campaign:

1. SFI's "inner circle": Program Participants (PPs), SFI Implementation Committees (SICs) and the SFI External Review Panel (ERP);
2. Conservation organizations
3. Broad marketplace – Customers/brandowners, State and Provincial Foresters, universities, architects/builders, the public/consumers.

The work outlined below would be tailored to each of these audiences.

Action Items and Resources

Phase 1: Website Redesign

SFI has identified a complete redesign of its website as one of its most pressing needs and therefore has moved this up in order of priority. While much of SFI's recent communications materials (e.g. fact sheets, progress reports, etc.) utilize updated designs and are created in a way that effectively conveys SFI's brand, our current website is antiquated, both in terms of current technology (e.g., viewers increasingly look at websites on their smart phones), and in terms of design and content to portray SFI's broader sustainability work and the important work of our community.

Estimated cost for Phase 1: \$75,000 (web designer)

Timing: Q1-Q2 2017

Phase 2: Conduct analysis, develop outreach campaign strategy and action plan

This will involve examining current opportunities and challenges, including the market landscape, Canadian and US political contexts, and the forest sector in general. This will also entail mapping out a comprehensive **timeline and set of actions**. SFI will identify the key events and opportunities that can help us achieve our strategy, including Canada's 150th anniversary and SFI's annual conference.

Estimated cost for Phase 2: \$25,000 (consultant to help with analysis and shaping of strategy)
Timing: Q1-Q2 2017

Phase 3: Establish baseline and tracking mechanisms

In order to determine success with this campaign, SFI needs to identify a baseline which measures current perceptions of SFI. This would involve surveys and possibly focus groups. Multiple surveys may be necessary, to accommodate the different target audiences.

Estimated cost for Phase 3: \$80,000 (for consultant and surveys)
Timing: Initial survey in Q2 2017; Resurvey in Q3 2018

Phase 4: Launch outreach to all audiences

The rollout of the campaign will be targeted to each of the three key audiences. SFI's PP/SIC liaison (a planned hire, budgeted separately from this campaign) will help implement the outreach to the "inner circle", through personal meetings, webinars, letters, and other means, to help develop their understanding of SFI's new positioning and to solicit their help in reaching the other audiences, specifically customers, conservation and community groups, and others within the broad marketplace.

SFI will also utilize professional services (possibly including a boutique PR firm) to directly engage the broad marketplace audience. This will involve hosting forums, participating in strategic forest and sustainability sector events, getting paid media in key publications, achieving unpaid media coverage, and other actions. SFI will build on its current work in reaching the conservation sector through its conservation impact and large landscapes conservation work, and will ensure consistency in messaging.

SFI will develop and execute strategic advertising to elevate the campaign, using not only traditional print and electronic publicity, but also social media advertising to ensure Search Engine Optimization (SEO). An effective SEO strategy will ensure SFI's website can be found in a search engine's results page (SERP) when searching for words or phrases relevant to the campaign.

Estimated cost of Phase 4: \$300,000 - \$350,000
Timing: Begin in Q4 2017, complete by Q3 2018

Total cost of outreach campaign = \$480,000 - \$530,000

Based on the above schedule, it is estimated that:

- **Approximately \$200,000 would be needed in 2017.**
- **Approximately \$280,000-\$330,000 would be needed in 2018.**

Prepared by: Nadine Block, COO and SVP Public Affairs, and Elizabeth Woodworth, VP of Communications and Community Engagement

GROW IDEA: Step Up Investments in SICs through Grants and Direct Funding

SFI Implementation Committees (SICs) are SFI's strongest asset when it comes to community leadership, providing a backbone that responds to local needs and issues across North America. The SICs are a grassroots network that sets SFI apart from all other certification programs. There are 34 SICs across the United States and Canada, with close to 1,000 volunteers who stand at the intersection of sustainable forests and sustainable communities. SICs collaborate on the training of harvesting professionals and help build sustainable communities by offering SFI volunteers for Habitat for Humanity projects and supporting youth engagement and education initiatives.

In our 2014 Strategic Direction, SFI identified the need to “empower and equip SICs to promote sustainable communities”. Steps have been taken in this direction over the last two years, including:

- Hosting successful regional meetings that provide a forum for SICs to share best practices, identify ways to engage with SFI community grant projects, ensure strong understanding of SFI Inc. strategic priorities, and help coordinate plans for the year ahead;
- Engaging SICs as partners in several community grants, including ones in 2016 with Alabama Forestry Foundation, Clemson Habitat for Humanity project, and Quebec Federation of Woodlot Owners;
- Facilitating the formation of a Southeast US logger training task group, which is examining potential standardization of continuing education across the region;
- Coordinating SIC engagement in outreach to local architects and builders to promote the LEED ACP recognition of SFI.

As noted in our “Sustain and Grow” briefing note, just to sustain our SIC work as envisioned in the strategic direction, SFI feels that additional capacity is needed (through a staff hire or consultant) to focus on strategically working with the SICs and Program Participants in a “boots on the ground” way. This is something we hope to move forward with in 2017.

However, in order for our SICs to have greater impact even beyond what we envision in the “Sustain” category through an additional staff person or consultant, we’d like to step up our investments in SICs through grants and direct funding of projects, in line with SFI strategic direction.

SFI proposes an annual investment in SICs of \$150,000, starting in 2018. Until we expand in this way, we are not leveraging an asset that is unique to SFI.

The SFI Conservation and Community Partnerships Grants program has historically been weighted strongly to the conservation side of the program. During the first five years of the grants program, of the average \$400,000 annual giving, approximately \$350,000 was dedicated to conservation projects and \$50,000 to community projects. There were good reasons for that in its early years, primarily because SFI was keenly focused on building up its conservation knowledge and partnerships and because on-the-ground conservation research can be expensive. However, with SFI in 2015 clarifying its strategic focus areas on the community engagement side, we decided to provide more resources towards community projects in the 2016 awarded grants, increasing the amount for community grants to \$100,000 in 2016.

We feel there is room for further expansion by stepping up our investments in our SICs through grants and direct funding. Doing so would make a significant difference at the state and provincial level in our communities, would elevate SFI's commitment to community objectives, and would make a difference in our strategic areas, including educating youth, training future resource professionals, supporting aboriginal values and needs, etc.

It is important to note that the idea of providing grants to SICs is called out specifically within the Indigenous Housing "Grow" idea and the Minority Landowners "Grow" idea, as these represent specific project needs that can be enhanced through SIC coordination.

Yet we see much greater need for SIC investment beyond those specific projects, and are therefore laying out this idea in a broader way to allow SIC investments in support of all of SFI's strategic objectives, whether it is advancing our National Wild Turkey Federation MOU, our Habitat for Humanity MOU, our Boy Scouts MOU, our logger training initiatives, our youth education projects, or myriad others that advance our work with healthy forests and healthy communities.

Prepared by: Nadine Block, COO and SVP Public Affairs; and Kathy Abusow, President and CEO

GROW IDEA: Developing Solutions to the Canadian Indigenous Housing Crisis

Summary

Canada's indigenous community faces a housing crisis that the Canadian Senate estimates at an \$8.2 billion need in new and renewed housing. The Senate published two reportsⁱ in 2015 that explored the challenges and successes of indigenous housing in detail. There are over 600 indigenous communities that face this need across Canada and approximately 80% of indigenous communities occur in forested areas. To date, the indigenous housing sector has been led by governments, non-profit associations and the communities themselves, and there has been little sustained engagement from the private sector.

According to the Senate reports, many of the challenges related to indigenous housing are related to government financing that are beyond the control of SFI. However, other substantive hurdles include lack of building skills in communities, a lack of knowledge of building codes, and the use of poor quality construction materials. These latter barriers have solutions within the SFI community.

SFI Inc. occupies a unique role in which we connect indigenous communities, forest products companies, community organizations (e.g., Habitat for Humanity Canada) and specialist networks (e.g., *Wood Works!*, architects, research institutes) that can be mobilized to help implement solutions. SFI is uniquely positioned to connect "Top Down" leadership with "Bottom Up" projects on-the-ground. In addition to these specific solutions, our ability to showcase successes with partners can help demonstrate much needed leadership.

SFI's vision for this task is "engaging the SFI community to help develop good quality, well-constructed homes built from sustainably harvested wood to build sustainable indigenous communities".

SFI recognizes that we are still in a learning phase. There are several organizations already engaged on this issue, and it will be important for SFI to identify our unique strengths in this space, to build on what has already been established, and to create opportunities where SFI can add value because of where we intersect. In 2017, we will begin laying the ground work for a potentially broader role in indigenous housing.

While the focus of the work will be in Canada, we expect learnings to translate to indigenous housing in the US, and potentially social housing more broadly.

Relevance for SFI and Our Broader Community

SFI's work on indigenous housing is within our focal area of "Foster Community Engagement" but it broadly supports SFI's work to "Ensure Connections and Relevancy" through connections to green building and positive positioning of SFI certified solid wood products. In addition, we expect improved housing in indigenous communities to contribute to the overall long-term social and environmental health of these communities which supports SFI's Community and Conservation principles. For example, as the quality of housing improves, we expect houses to be better insulated and therefore to put less pressure on local firewood resources.

SFI has a small but powerful track record of addressing social housing needs across North America by partnering with Habitat for Humanity on over 15 builds – three of these builds were done for indigenous families. In 2014, SFI strengthened this commitment by signing an MoU with Habitat for Humanity Canada and committing to three years of engagement on indigenous housing, with financial support totaling \$100,000.

Although the relationship between the Canadian industrial forest sector and indigenous peoples is consistently improving, there remain challenges, some of which are being exacerbated by FSC's highlighting of uncertainties created by Free, Prior and Informed Consent (FPIC). The SFI standards focus on positive engagement with indigenous peoples, and our grassroots community has helped position SFI in this proactive fashion.

SFI Inc.'s indigenous housing strategy is designed to:

- Leverage the SFI network to bring solutions to an important issue
- Improve relations between indigenous communities and forest companies
- Create skills within the indigenous community
- Create business opportunities for, and promotion of, SFI certified building products
- Promote SFI publically e.g., through promotion of Green building concepts, use of certified forest products, and innovative architecture
- Promote SFI to government, as government has the primary role in this area.

By presenting SFI as a contributor to this national challenge, SFI and its Program Participants can significantly raise its positive public and government profile by leveraging the following opportunities:

- In 2017, Habitat for Humanity Canada (HFHC) will be hosting President Jimmy Carter to bring attention to their Indigenous Housing Program. President Carter is widely recognized across the US and Canada and enhancing our support to HFHC in 2017 will help draw attention to the need as well as to SFI's leadership in this area.
- SFI's Conservation and Community Grant program is becoming recognized across North America and the opportunity exists to enhance the Community program to focus proactively on indigenous housing solutions. SFI staff and partners have exhibited the ability to communicate publically through this platform (e.g., press releases, TreeHugger articles).
- The current Canadian government has made significant commitments, including personal commitments from the Prime Minister, to indigenous peoples and this initiative would strategically place SFI as a solutions provider.

Proposed Work in 2017

SFI staff have started discussions with government officials and non-profit organizations to further leverage work that began with Habitat for Humanity Canada. Early discussions support the notion that SFI's networks can add value to the indigenous housing challenge, but also affirm that this is a complex area.

The table below outlines work for 2017 that is proposed to better understand this area of work.

| Action | Funding |
|--|----------------|
| Host a "Leadership Workshop" to seek ways in which SFI can proactively position itself in this arena and occupy a meaningful niche. The Leadership workshop would draw expertise from SFI certified indigenous organizations, industrial Program Participants, government and non-profits with expertise in indigenous housing (e.g., Conference Board of Canada, Habitat for Humanity Canada). Funds would be spent the host the workshop and for participant travel. | \$15,000 |
| Complete the 2 remaining Habitat for Humanity Canada indigenous builds identified in the existing SFI-HFHC MoU. These funds would be provided directly to H4H Canada. | \$33,000 |
| Use of non-profit, or consultant, to help refine and implement outcomes of Leadership workshop. | \$10,000 |

| | |
|---|-----------------|
| Enhance Community Grant program to specifically deliver on outcomes of Leadership workshop on indigenous housing. | \$12,000 |
| Total | \$70,000 |

Key Outcomes in 2017

- SFI will host a “Leadership Workshop”, with support from non-government agencies (e.g., the Conference Board of Canada, Habitat for Humanity Canada) bringing together thought leaders in indigenous housing with a specific objective to mobilize private sector capacity on this national issue.
- SFI will complete two indigenous Habitat for Humanity Builds through its existing partnership with Habitat for Humanity Canada
- SFI will use the results of its “Leadership Workshop” to direct-award or solicit grants that support the outcomes of the workshop. This could involve, for example, engagement of indigenous architects or builders to showcase innovative work.

We expect that our investment would be matched by governments, non-profits, SICs and Program Participants so that we could leverage our investments two to one.

Proposed Work in 2018 and Beyond:

If we identify key areas for SFI to be active in, and have successes in 2017, SFI proposes to continue to grow its role in this area. These areas of engagement may be as follows:

Leadership Engagement

It is likely that an annual meeting of the Leadership Group would provide a high level of engagement of relevant leaders to help ensure the success of the program, build on early lessons learned and disseminate knowledge gained in a timely fashion. The need for the Leadership Group would be evaluated on an annual basis.

The proposed level of funding is **\$15,000 annually**.

Leveraging Current and New Partners

SFI is engaged with specialists in green building, building codes, architects, and wood design as well as indigenous communities. SFI can enhance its role to bring the expertise of these partners to provide additional value to indigenous communities. For example, it is known that indigenous communities often lack the knowledge of building codes and this leads to the premature decline of housing stock. SFI could bring experts in building codes to workshops with indigenous communities so that the communities’ knowledge of building codes is increased, and codes are properly implemented. An additional example would be to continue engagement with Habitat for Humanity Canada Indigenous Housing Program as these builds are high profile and provide learning opportunities.

The proposed level of funding for this is **\$50,000 annually**.

Enhancing Grants Program

The Conservation and Community Grants program has proven successful in engaging a wide variety of partners and receiving new and innovative proposals. We anticipate that the Grants program would also be a valuable way of participating in highly valuable programs and leveraging outside funding for indigenous housing. As with the existing grants program, this is also a strong method of ensuring Program Participant or SIC engagement. We would refine the annual call for proposals to solicit the most impactful indigenous housing proposals.

The proposed level of funding for this is **\$50,000 annually**.

Barriers to Success and Other Considerations

SFI Inc. consistently presents itself as a solutions-provider and hands-on implementer. In Canada, indigenous relations have been evolving rapidly and we expect this pace to remain quick at federal and provincial levels and within the indigenous communities themselves, as the indigenous population grows and government policies adapt to the recent Truth and Reconciliation report and other government initiatives. Aligning SFI interests in a proactive community role, like indigenous housing, will help position SFI as thought leader on indigenous issues, as well as enhancing our overall community profile. If SFI does not take a leadership stance on indigenous interests, our relationship with the indigenous community, and broader community interests, will diminish as others take a more proactive role.

As noted above, the indigenous housing issue is very large, there are many hurdles to overcome, and there are established players in this area. Many of the hurdles exist in the field of government financing that are beyond the control of SFI. However, other substantive hurdles include lack of building skills in communities, a lack of knowledge of building codes, and use of poor quality construction materials. These latter barriers have solutions within the SFI community.

Even with enhanced funding, SFI Inc. will remain a small player in the overall issue. Our primary risk will be managing expectations of what a small organization can do, even within the larger context of the SFI community.

Some may see our “small contribution” as tokenism, so SFI will focus its efforts in 2017 to identifying the niche that SFI is best positioned to occupy to make a meaningful contribution to addressing this important social issue, to identify and build on our partnerships within the community, and to appropriately and carefully scale up our actions as we chart our path forward.

Prepared by: Andrew de Vries, VP of Conservation and Indigenous Relations

ⁱ The 2015 Canadian Senate Reports are located at:

<http://www.parl.gc.ca/Content/SEN/Committee/412/appa/rms/08feb15/home-e.htm>

GROW IDEA: Engaging Minority Landowners in the US South

Summary

While natural resource professionals have long sought ways to increase landowner engagement, by most measures these efforts have only been modestly successful. The issue is particularly troubling relative to “underserved” landowners, which include minorities, low-income landowners, and indigenous communities. These landowners, particularly African Americans in the U.S. South, have experienced a high rate of intergenerational land loss, coupled with low participation in state and federal programs intended to help landowners secure value and achieve ownership goals.

According to the Black Star News: “In the 50 years following the Emancipation Proclamation, African Americans held over 15 million acres of land. Today, African Americans own less than 7 million acres of land.” The combination of historical distrust of institutional (agency or NGO) assistance programs, and higher poverty rates, result in very low participation in forest management activities, and poor management of intergenerational land assets.

A number of organizations have been working actively to address the engagement of underserved and minority landowners in the US South. Most notably, small non-profits (e.g., Limited Resource Landowner Enrichment and Assistance Network, Center for Heirs Property Preservation, Black Family Land Trust, etc.) have sprung up within these communities, to facilitate networking and assistance from within. Additionally, some federal agencies and larger non-profits have taken notice and developed related programs, most notably the USDA and US Endowment for Forestry and Communities. The most effective of these work from within African American communities to utilize existing social and cultural networks to gain trust, and ensure relevancy.

Unifying themes in this work include helping these landowners, who are traditionally underserved, participate actively in the management of their land, engage more effectively in asset generation and conservation, and retain ownership across generations. Since this space is well occupied by a number of non-profits and agencies, it will be important for SFI's engagement to play on the established strengths of our organization, seek unique opportunities, and to dovetail effectively by filling gaps in existing efforts.

Relevance for SFI and our Broader Community

SFI, as an organization that stands for future forests, has a stewardship responsibility to participate in maintaining the heritage of African American connections to the land in the US South, and elevating the standard of engagement, management and asset value enjoyed by many other southern landowners.

The notion of supporting engagement of underserved landowners connects well with our Community Engagement goals, specifically:

- Train and educate current and future practitioners and professionals (focusing on minorities)
- Support underserved communities through forestry, with a focus on urban forestry, rural communities and/or minority landowners.
- Demonstrate the conservation values of SFI-certified forests through community-related projects.

Through partnership and support of others operating effectively on these issues, and by utilizing the natural strength of SFI Implementation Committees (SICs) and our network of Program Participants, SFI can become a vital piece of the solution to this important issue.

Action Items and Resources

Proposed work in 2017:

SFI will utilize 2017 to lay the groundwork for this effort, to identify whether and how SFI could add value to the challenge of engaging minority landowners. Specifically, SFI will consult with SICs and other partners in the region to determine SFI's potential future focus. Those partners would include small non-profits (e.g., Limited Resource Landowner Enrichment and Assistance Network, Center for Heirs Property Preservation, Black Family Land Trust) and other organizations that have been working in this space (US Endowment).

- SFI will conduct three single-day "listening workshops" with key partners and SICs to determine opportunities for engagement and how to take advantage of SFI's existing strengths through the SICs (logger training, landowner education, etc.)
- These sessions will be conducted in key geographies identified by US Endowment's African American land retention project
- Total estimated costs = \$35,000, as follows:
 - Workshop costs: \$5,000 per workshop (facilities, food)
 - Consultant: \$20,000 (to assist with advance planning, capturing of discussion, and recommendations on next steps).
 - These costs do not include staff (Paul Trianosky) time in planning and facilitating workshops and analyzing outcomes, nor does it include travel.

Proposed work in 2018 and beyond:

Any steps beyond 2017 would be premised on the above work yielding a recommendation that clearly:

- a) identifies a role for SFI that builds on SFI's mission, organizational capacity, and unique positioning of SICs,
- b) has the support and involvement of one or more SICs in the region, and
- c) suggests SFI can make a measurable difference in the African American community.

These activities may include:

- **Engage trusted NGOs in specific geographies, on strategies which utilize the strength of SFI's network (SICs, Program Participants, other partners), based on results of consultation.** Goals could be to accomplish one or more of the following:
 - Help landowners achieve the connections and professional expertise necessary to capture current and future value of their forestland
 - Utilize Fiber Sourcing networks to help connect landowners to appropriate participation in NGO and agency programs to address management and ownership retention.
 - Utilize logger training programs to reach underserved landowners more effectively
 - Participate in community engagement programs that result in greater youth participation in natural resource professions, including logging, forestry, etc.

These actions can be taken using strategic partnerships and targeting funding to SICs, to ensure engagement of established non-profits within these communities. The involvement of the SICs is a critical component. **The proposed level of funding for 2018 is \$100,000 and for 2019 is \$150,000**

- **Seek elevated engagement of minorities in SFI leadership and committee structures, including SICs, Board of Directors, Resources Committee, ERP, etc.**

§ There are no direct costs for this action

Note that these actions will require direct involvement of SFI staff and commitment of Program Participants and SICs, at a level that ensures that SFI becomes a recognized and trusted partner to advance this work.

Though the strength of SFI's existing networks facilitates this work, success will depend on building new alliances within the community of NGOs and local leaders that recognize the value of SFI's role. This will bring us into contact with an entirely new community of potential partners, and elevate the visibility of SFI's community engagement significantly. This could provide avenues for additional funding support flowing to (or through) SFI, to the extent that SFI successfully diversifies both its image (as "more than a standard") and its funding sources.

Barriers to Success

Potential barriers include:

- The fact that SFI is new to engagement in this space, and thus has little established credibility in this arena. It may take time to build trust and understanding.
- The SICs have not previously considered this work to be a priority. We will have to work to build engagement and commitment on this topic. The proposed "listening workshops" are a step toward building this trust and familiarity.
- The unique role of SFI in advancing this work lies along a narrow path, through engaging SICs, utilizing Fiber Sourcing networks, and logger training. It will be important, but difficult, to work with established NGOs to build understanding of the value that these networks may offer.
- SFI could suffer some reputational risk if we enter into this arena and fail to perform well. Success in working collaboratively and deferentially within this new sector will be critical.

Prepared by: Paul Trianosky, Chief Conservation Officer

Briefing Note: 2017 Budget

Summary:

This briefing note:

1. Highlights SFI's 2016 actual revenue and expenses as compared to our planned budget.
2. Presents an overview of SFI's 2017 budget, including the anticipated revenue and expenses

You can view the detailed 2017 budget worksheet at:

<http://www.sfiprogram.org/sfi-members/board-and-resources-committee/>

If you are in need of the username and password, please contact Amy Doty (amy.doty@sfiprogram.org).

2016 Budget

At this time, our most recent available financial statements are through September.

- Our 2016 actual revenue is tracking quite closely to our 2016 estimate. Although we did lose some expected Program Participant program fee revenue due to mergers, this was offset by a few new Program Participants.
- Our 2016 actual expenses are also tracking quite closely to our 2016 estimates, with some variation as follows:
 - Some anticipated costs for the Conservation Impact work are likely to be deferred to 2017 (and are noted below as restricted carryover).
 - The Forest Partners program is estimated to be approximately \$45,000 below the estimated budget, because several audits planned for Q4 2016 have been delayed to Q1 2017.
 - SFI had anticipated to contribute towards PEFC Canada fees in 2016. However, as noted in a separate briefing note, the details are still under negotiation and therefore SFI will not incur that cost in 2016. We do, however, anticipate that cost in 2017.
- Accounting for revenue as expected and costs slightly below projections, SFI anticipates some year-end carryover that can be utilized as a contribution to reserves.

2017 Budget

Revenue

Projections for revenue in 2017 account for the fact that in early November, SFI informed 37 Program Participants of the removal of the AF&PA discount, and that they would therefore be subject to an increase in fees in 2017. Given the fact that many would experience a significant increase and were notified after they had already completed their budgets for the coming year, SFI is charging those companies only 50% of the increase in 2017. A small handful of companies have asked to phase the increase in over three years, which SFI is accommodating.

Without any resulting increases from the AF&PA discount removal, the program fee revenue in 2017 would be \$6.2 million. Our best estimate at this time is that SFI will instead receive program fee revenue of **\$6.7 million** (a \$500,000 increase resulting from the removal of the AF&PA discount, but accounting for attrition and phase in).

As in past years, SFI anticipates additional revenue from PEFC Chain of Custody fee collection, Annual Conference registrations and sponsorships; SFI Forest Partners® contributions; data services SFI provides associated with PEFC North America management; and miscellaneous revenue from publications, retail products, and investments.

A new item in 2017 is revenue from a US Forest Service grant in support of SFI's Large Lands Conservation work. This is a 2-year grant providing \$65K total, so we are budgeting \$35K in revenue in 2017.

SFI has \$339K in restricted carryover associated with the Conservation and Community Partnership Grants program, to support prior-year awarded grant commitments. In addition, \$115K is restricted carryover from 2016 to support uncompleted conservation impact work.

SFI's estimated revenue in 2017 is summarized in the following table:

| Revenue Source | Amount |
|---|-------------|
| Program Participant fees | \$6,700,000 |
| PEFC Chain of Custody fee collection | \$230,000 |
| Annual conference registrations and sponsorships | \$200,000 |
| SFI Forest Partners® contributions | \$66,000 |
| Data services associated with PEFC N. America management | \$66,000 |
| Miscellaneous revenue from publications, retail products, and investments | \$11,000 |
| US Forest Service grant | \$35,000 |
| Restricted carryover – grants | \$339,000 |
| Restricted carryover – conservation impact | \$115,000 |
| Total revenue | \$7,762,000 |

Expenses

Our expenses are laid out in the detailed budget (see link above to Board Members website) according to the action items identified in our workplan, categorized by priority area. For each action item, we estimate costs across a number of expense areas that we use for tracking in Quickbooks, including:

- Meetings
- Travel and meals
- Grants and Partnerships (conservation and community partnerships grants, other projects)
- Outsourced Work (consultants, databases)
- Sponsorships (tradeshows and other events)
- PEFC
- Staff (salaries, benefits, payroll admin fees)
- Office and Administration (rent, legal and accounting fees, etc.)
- Promotion and Marketing (advertising, paid media)
- Furniture and Equipment (tracked separately for purposes of depreciation)

For a listing and description of SFI staff, see <http://www.sfiprogram.org/about-us/contact-us/>.

SFI uses the services of several consultants, to support our work on communications, Forest Partners, brandowner engagement, database services, and other functions.

Comparison of Expenses in 2016 vs. 2017 by Priority Area

It is difficult to compare expenses by priority area between 2016 and 2017 because we reorganized and renamed the priority areas in the 2017 workplan.

- The 2016 priority areas titled “Position Standard as Proof Point” and “Grow Certified Supply” have been roughly combined into a 2017 priority area titled “Provide Supply Chain Assurances”
- The 2016 priority area titled “Strengthen Market Access and Global Relevance” has been roughly split into two 2017 priority areas titled “Ensure Connections and Relevancy” and “Position SFI as a Sustainability Organization”

The following table presents the comparison:

| 2016 Priority Area | 2016 Expenses | 2017 Priority Area | 2017 Expenses |
|---|----------------------|---|----------------------|
| Elevate Conservation Value | \$996,570 | Elevate Conservation Value | \$1,107,000 |
| Foster Community Engagement | \$535,500 | Foster Community Engagement | \$622,000 |
| Position Standard as Proof Point | \$841,000 | Provide Supply Chain Assurances | \$895,000 |
| Grow Certified Supply | \$332,000 | | -- |
| Strengthen Market Access and Global Relevance | \$935,000 | Ensure Connections and Relevancy | \$882,000 |
| | -- | Position SFI as a Sustainability Organization | \$375,000 |
| Core Operations | \$3,627,747 | Core Operations | \$3,781,000 |
| Contribution to Reserves | \$100,000 | Contribution to Reserves | \$100,000 |
| Total | \$7,242,817 | Total | \$7,762,000 |

Recommended Board Action: Approve the proposed 2017 budget.

Prepared by: Nadine Block, COO and SVP Public Affairs

Briefing Note: Fee Structure Proposed Changes

Summary

The SFI Fee Structure Task Group has been in discussion since the September 2016 Board meeting to consider a revised fee structure approach. This briefing note highlights the task group's deliberations and recommendation, provides analysis of the impact resulting to Program Participants, and outlines further considerations.

Background

SFI charges program fees for SFI Program Participants (PPs) seeking to be or currently certified to the SFI Forest Management Standard or SFI Fiber Sourcing Standard. These program fees make up approximately 90% of SFI's revenue. The **current fee structure** is based on a mix of acres owned and net sales, with different multipliers being applied to each of those factors, according to the category the company falls into (landowner only, integrated, manufacturer-only). Organizations that are conservation, government, university, or tribal entities are charged a nominal flat fee of either \$550 or \$1,100.

SFI's fee structure was developed by AF&PA when SFI Inc. split from AF&PA in 2007, with the intent to have a fee structure that avoided radical changes to the fees individual participants had contributed. At that time, it was also decided that there should be a "discount" for AF&PA members, based on the fact that AF&PA members had invested into the development and start-up of the SFI program. The AF&PA arrangement has been in place for ten years, providing the discount to their member companies, in the form of lower multipliers applied to acreage and net sales.

At the September 2016 Board meeting, the Board approved the removal of the AF&PA discount as of December 31, 2016, on the basis that enough time has gone by to recover the initial investment by AF&PA members and that it creates an inequity within industry stakeholders. Because of the relatively short amount of time that SFI would be providing to companies who would be experiencing an increase in fees, the Board also approved SFI staff discretion in the phasing in of the increase up to three years if companies request it. Soon after the September Board meeting, SFI informed AF&PA's CEO, Donna Harman, and then communicated this change by letter to all 37 affected companies.

At the September 2016 meeting, the Board also discussed other ideas regarding revising the fee structure beyond the removal of the AF&PA discount. Because it was determined that further analysis of those ideas was warranted, a task group was formed, consisting of Craig Blair, Dan Christensen, Jim Hannan, Tat Smith, and Craig Armstrong. The task group was charged with further examining the tiered net sales approach, and (if ready) bringing a recommendation to the Board in December.

Fee Structure Task Group Discussions and Results

The task group met by phone three times – October 13, November 9, and November 18. The task group built on the "tiered net sales" concept suggested by SFI staff at the September meeting, agreeing that the fee structure should be based on a single metric that is common to all SFI program participants – net sales. However, they proposed a graduated fee to smooth out disruptive transitions between tiers, where all participants pay the same rate for similar net sales with declining rates for additional incremental sales. It was also determined that there should no longer be an actual "cap" of \$400,000, but that the target fee for the highest tier of net sales should result in companies paying approximately what they currently pay at the cap.

Finally, it was agreed that the structure should achieve revenue in line with what was presented at the September Board meeting as a **target revenue of \$6.7 million that “sustains” SFI** at a level in line with 2014 and 2015 revenue, prior to experiencing reductions in program fees. It was agreed that if the Board approved a budget requiring additional or less revenue, the fee structure would be proportionally increased or decreased by a coefficient equally applied to all tiers.

SFI staff, with the assistance of consultant (and former SFI COO) Rick Cantrell, created the following fee structure approach that achieves these objectives.

The first tier has a flat rate of \$1,100 in fees for SFI program participants with net sales that are \$5 million and less. The fees for each additional tier begin with the maximum fee possible in the previous lower tier plus a percentage (multiplier) of the amount of net sales above the maximum net sales range in the lower tier. The multiplier decreases as net sales increase to ensure an equitable distribution of fees across all sizes of ownerships.

Note: The flat rate category currently includes some participants where net sales figures have not previously been requested (e.g., state agencies, tribes, etc.). Those Program Participants will be moved to the appropriate category once net sales figures are obtained by SFI Inc. It is anticipated that most will remain in the flat rate category or potentially fall into the next highest tier.

The following table presents the recommended structure, showing the percent applied at each given tier of net sales and the resulting total fees in aggregate for each tier.

| Number by Tier | Net Sale Tiers (MM\$) | Tier Fee, % net sales | Highest Potential Fee (\$) | Total Fees (\$) from the Tier |
|----------------|-----------------------|-----------------------|----------------------------|-------------------------------|
| 51 | 0 - 5 | Minimum \$1100 | \$ 1,100.00 | \$60,879.00 |
| 71 | 6 - 50 | 0.017900% | \$ 9,155.00 | \$326,049.91 |
| 48 | 51 - 200 | 0.017400% | \$ 35,255.00 | \$1,052,953.03 |
| 18 | 201 - 500 | 0.015400% | \$ 81,455.00 | \$946,680.55 |
| 11 | 501 - 1,000 | 0.010000% | \$ 131,455.00 | \$1,097,172.40 |
| 6 | 1,001 - 2,000 | 0.006000% | \$ 191,455.00 | \$886,507.74 |
| 2 | 2,001 - 4,000 | 0.003900% | \$ 269,455.00 | \$426,947.90 |
| 4 | 4,001 - 8,000 | 0.002200% | \$ 357,455.00 | \$1,153,851.84 |
| 2 | 8,001- 16,000 | 0.000129% | \$ 420,655.00 | \$795,248.12 |
| 213 | | | | \$6,746,290.49 |

The following is an illustration of how to calculate fees for two hypothetical companies:

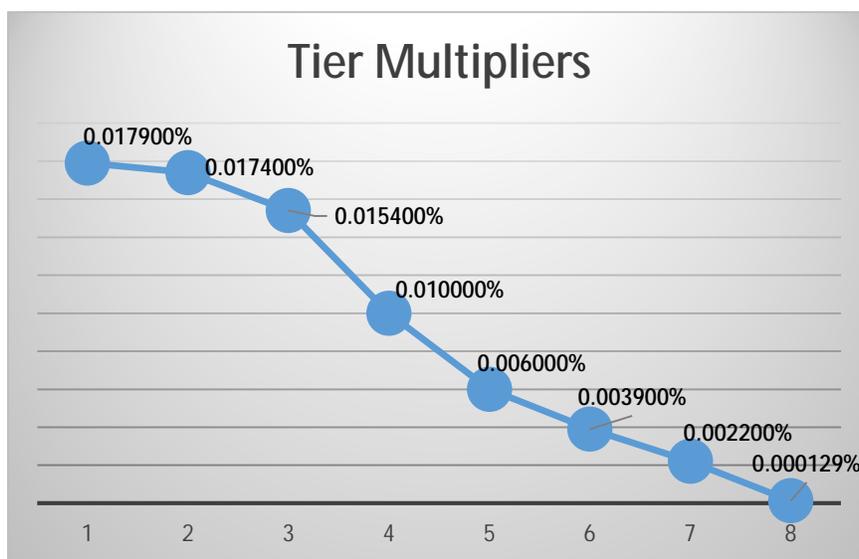
Company #1: Net sales: \$42 million

- This falls in the \$6-50 million tier which has a net sales multiplier of 0.0179%
- The maximum fee possible from the previous tier (\$5 million or less) is \$1100.
- Fees for \$42 million in net sales are calculated as: \$1100 + ((\$42 million-\$5 million) X .0179%).
- The resulting fee = \$7,723

Company #2: Net sales \$510 million

- This falls in the \$501 million to \$1 billion tier which has a net sales multiplier of 0.01%.
- The maximum fee possible from the previous tier (\$201 million to \$500 million) is \$81,455.
- Fees for \$510 million in net sales are calculated as: $\$81,455 + ((\$510 \text{ million} - \$500 \text{ million}) \times 0.01\%)$
- The resulting fee = \$82,455

The following graph illustrates the progression of the multiplier, and demonstrates that this is a fairly smooth declining curve. There is a deliberately variable rate of change across tiers, as we were striving to keep smaller companies (those with lower net sales) from having dramatic increases and those tiers have the greatest numbers of Program Participants.



Impact Analysis

SFI examined the impact that this new fee structure would have on each individual Program Participant. Because 37 of those companies were AF&PA members and therefore were just informed about a change in their fees due to the removal of the AF&PA discount, we separated out the impact for non-AF&PA companies from AF&PA companies. For AF&PA companies, we examined the impact relative to their 2016 fees (which included the AF&PA discount) as well as relative to their fees without the AF&PA discount.

- The analysis of **non-AF&PA** companies, relative to their 2016 fees, shows that:
 - 48 organizations would stay the same (these are organizations at \$1100 flat fee rate),
 - 56 would go down (including 9 more than 50 percent),
 - 49 would go up less than 50% percent,
 - 9 would go up 51-100%, and
 - 4 would go up more than 100%.
- The analysis of **AF&PA member** companies, **relative to their 2016 fees (which included the AF&PA discount)**, shows that:
 - 3 organizations would go down or stay the same,
 - 5 would go up less than 50% percent,
 - 5 would go up 51-100%, and
 - 24 would go up more than 100%.

- The analysis of **AF&PA member** companies, **relative to their fees without the AF&PA discount**, shows that:
 - 28 organizations would go down or stay the same,
 - 6 would go up less than 50% percent,
 - 3 would go up 51-100%.
 - 0 would go up more than 100%.

Adjustments for Revenue Targets

An important element of this fee structure is that it can be fairly adjusted to reach a different desired revenue target. Specifically, a coefficient can be equally applied to each company's resulting fees to scale it up or down towards that target.

For example, if the Board determines the desired revenue target is \$7.2 million (instead of \$6.7 million), then a 7.5% increase (or a 1.075 coefficient) would be applied to each company's fees.

Other Considerations

If this new structure is approved by the Board, SFI would utilize the first few months of 2017 to refine certain details of the structure before this is fully announced to all Program Participants.

This fee structure is premised on Program Participants providing net sales information annually, as they have done in the past. Also as has been done in the past, SFI would use an average of the prior two years of net sales (e.g., 2018 fees would be based on an average of 2016 and 2017 net sales). SFI will review and update the net sales form that would accompany this fee structure. With the movement away from acreage as a factor in calculating fees, SFI will need to ensure that the definition of net sales from timberlands (i.e., stumpage equivalent) is applied consistently by all Program Participants, regardless of their location of their lands within North America.

SFI will also plan to reach out to a representative sample of companies across different geographies and different structures to more fully understand any further considerations related to net sales definitions or other aspects of this structure.

Finally, because fee increases for some SFI Program Participants may be significant, SFI Inc. will have the discretion, if requested by a program participant, to phase in a fee increase over a two-year period for any program participant whose dues are more than \$10,000 and whose increase is more than 20% from the previous year.

Recommended Board Actions:

- Approve the above described fee structure for SFI starting January 1, 2018; and
- Approve SFI Inc. to utilize the first quarter of 2017 to determine the appropriate net sales definitions and finalize any further considerations prior to announcing the new fee structure to all Program Participants. Once those final details have been determined, SFI Inc. will reconvene the Fee Structure Task Group in March to review and approve the final and complete structure, and if needed, brought back to the Board at the April Board meeting for final approval.

*Prepared by: Nadine Block, COO and SVP Public Affairs; and Kathy Abusow, President and CEO
Reviewed and Approved by the SFI Board Fee Structure Task Group*

Briefing Note: Conservation and Community Partnerships Grant Program

Background:

The Conservation and Community Partnerships Grant Program Request for Proposals (RFP) opened August 8, 2016 and proposals were accepted through October 10, 2016. SFI received 22 conservation grant applications, and 49 community grant applications, totaling approximately \$1,450,000 and \$910,000 respectively. With partner contributions, these proposals represent nearly \$14.8 million in conservation and community related projects.

Submission requirements for this year's RFP did not change significantly from last year, though we have undertaken some process improvements. Conservation grant submissions were asked to focus on the connection between sustainable supply chains and conservation impact attributes, including water quality, biodiversity, carbon sequestration, and resiliency to climate change. Community grant requirements retained the six focal areas developed last year, reflecting SFI's interest in connecting communities to forests, including youth education, promoting respect for traditional Indigenous values, helping provide sustainable housing for low-income families, and supporting other projects to build understanding of the importance of responsible forestry.

Pursuant to the procedures and responsibilities regarding the Conservation and Community Partnerships Grant Program approved by the Board in December 2013, and the revised RFP timing and approval process approved in April 2014, staff conducted a thorough review of both conservation and community grant applications and offered recommendations to the Grants Management Committee.

On a November 15, 2016, conference call, the Grants Management Committee reviewed the full slate of proposals and staff recommendations, and discussed the merits of numerous projects from both the slate of staff-recommended projects, and other submitted projects. The Grants Management Committee ultimately determined that 5 conservation proposals and 12 community proposals should be submitted to the Board for approval and funding.

Two of the proposed community projects involved the partnership of organizations represented by members of the Grants Management Committee (Fraser Basin proposal – David Walkem of Stuwix Resources and Cooks Ferry Band, and the Black Family Land Trust – Bettina Ring of the Virginia Department of Forestry). These committee members recused themselves and exited the conference call for that portion of the discussion.

SFI staff are grateful to the members of the Grant Management Committee - Tat Smith, Bettina Ring, Chief David Walkem, and Steve Bullard – for their thorough review of the proposals and thoughtful input.

Overview of Grant Submissions in 2016:

Conservation Grants – 22 proposals received:

- Total SFI Request - \$1,450,118
- Additional Leveraged Funds - \$6,691,541
- Total of proposed project budgets - \$8,141,659

Community Grants – 49 proposals received:

- Total SFI Request - \$909,950
- Additional Leveraged Funds - \$5,738,859
- Total of proposed project budgets - \$6,648,809

Total of all Grant Requests in 2016:

- Total SFI Request - \$2,360,068
- Additional Leveraged Funds - \$12,430,400
- Total of proposed project budgets - \$14,790,468

Overview of this year's Conservation and Community Partnership Grants program:

New Conservation & Community Grant funds are \$400,000 for 2017, however, funding available for any given year varies as a consequence of prior multi-year grants. Due to prior commitments, the funding available for new grant obligations in 2017 is approximately \$340,000.

Of the \$340,000 amount, we determined to allocate approximately \$100,000 to new Community Grants in 2017, and \$240,000 to new Conservation Grants in 2017. This was a "target" distribution to aid in grant review.

Attached in your meeting materials are:

- A list of the 5 conservation proposals recommended for funding;
- A list of the 12 community proposals recommended for funding.

To assist the Board with their deliberations, SFI Staff have prepared several additional items and made them available on the Board Members' only section of the SFI website for your review, at <http://www.sfiprogram.org/sfi-members/board-and-resources-committee/>. You will find the documents within the Briefing Materials section titled "Board Meeting Materials". If you need login information, please contact Amy Doty at amy.doty@sfiprogram.org or 202-596-3458. Those items include:

- Conservation Grant Proposal Summaries – a compendium of one page summaries for each proposal recommended for funding;
- A quick reference spreadsheet summarizing conservation proposals
- Community Grant Proposal Summaries – a compendium of one-page summaries for each community proposal recommended for funding;
- A quick reference spreadsheet summarizing community proposals

To review all Conservation and Community grant proposals submitted, if interested, please visit the below links.

- 2016 Conservation Grant Proposals:
<https://www.dropbox.com/sh/txc92e66ydzid1y/AAA4LjLn3xeObkojPr8vt3v5a?dl=0>
- 2016 Community Grant Proposals:
<https://www.dropbox.com/sh/i751vo3t8b1ljhj/AADcBpiSN8d9CN-Esc59YVmTa?dl=0>

Summary of Recommendations

The slate of recommended projects represents the following obligations:

- Conservation: \$237,500 in 2017, and multi-year commitments amounting to \$444,500. Total "leveraged funding" from these projects, including SFI funding, will amount to \$1,316,250.
- Community: \$112,600 in 2017, and multi-year commitments amounting to \$152,600. Total "leveraged funding" from these projects, including SFI funding, amounts to \$2,628,868*.
*This number includes a nearly 21:1 estimate of matching funds from one particular grantee. We will confirm the proposed match amount during contract discussions post-approval, and ensure that the final leverage estimate is reasonable.
- Total 2017 recommended commitments amount to \$350,100, with multi-year commitments amounting to \$597,100.

Board Action Requested: Approve the \$237,500 recommended Conservation Grant projects, and \$112,600 Community Grant projects, totaling \$350,100 in funding for new grant projects in 2017.

Prepared by: Paul Trianosky, Chief Conservation Officer

*Attachments: List of Conservation Grant Proposals Recommended for Funding;
List of Community Grant Proposals Recommended for Funding.*

Conservation Proposals Recommended for Funding = \$237,500 in 2017

Proposal summaries and full proposals are available on Board Website at <http://www.sfiprogram.org/sfi-members/board-and-resources-committee/>. You will find the documents within the Briefing Materials section titled "Board Meeting Materials". If you need login information, please contact Amy Doty at amy.doty@sfiprogram.org or 202-596-3458.

| Lead Organization | Project Name | Length of Project (in months and years) | 2017 Funding Request | Total Funding Request |
|--|---|--|-----------------------------|------------------------------|
| NatureServe | A Metrics-Based Approach to Quantifying the Contribution of SFI-Managed Lands to Conservation | 24 months (2 years) | \$60,000 | \$120,000 |
| Saskatchewan Research Council (SRC) | Carbon Stocks and Stock Changes on SFI-Certified Landscapes in the Prairie Provinces of Canada | 24 months (2 years) | \$85,000 | \$170,000 |
| Department of Renewable Resources, Boreal Avian Modelling Project, University of Alberta | Building partnerships and identifying research needs to enhance conservation value of managed forests | 12 months (1 year) | \$30,000 | \$30,000 |
| GreenBlue Institute | Marketplace Education on Benefits of Responsible Forest Management | 24 months (2 years) | \$32,500 | \$49,500 |
| Manomet | Monitoring and Managing for a Changing Climate | 36 months (3 years) | \$30,000 | \$75,000 |

Community Proposals Recommended for Funding = \$112,600 in 2017

Proposal summaries and full proposals are available on Board Website at <http://www.sfiprogram.org/sfi-members/board-and-resources-committee/>. You will find the documents within the Briefing Materials section titled "Board Meeting Materials". If you need login information, please contact Amy Doty at amy.doty@sfiprogram.org or 202-596-3458.

| Lead Organization | Project Name | Length of Project (in months and years) | 2017 Funding Request | Total Funding Request |
|--|--|--|-----------------------------|------------------------------|
| Black Family Land Trust | Sustainable Forestry African American Land Retention Project/ A Tree Is A Tree | 36 months (3 years) | \$10,000 | \$30,000 |
| Centre for Forest Interdisciplinary Research (C-FIR), University of Winnipeg | Sharing the Boreal | 6 months | \$10,000 | \$10,000 |
| Cree First Nation of Waswanipi | Marten Monitoring Program as an indicator of habitat quality and knowledge transfer to the youth of Waswanipi | 18 months (1.5 years) | \$15,000 | \$15,000 |
| Forests Ontario | Forestry Connects - Boreal Forest | 10 months | \$12,000 | \$12,000 |
| Fraser Basin Council Society | Raising Awareness and Collaborating on Steelhead Values with the forest Industry in the Thompson River Watershed | 9 months | \$10,000 | \$10,000 |
| Maine SFI Implementation Committee | What Will My Timber Harvest Look Like? | 24 months (2 years) | \$5,000 | \$5,000 |
| Scouts Canada | EnvironMentality | 12 months (1 year) | \$10,000 | \$10,000 |
| South Carolina Forestry Foundation | Wood Magic Forest Fair Revision and Expansion | 12 months (1 year) | \$5,600 | \$5,600 |
| South Dakota Project Learning Tree | A Walk in the Forest | 9 months | \$5,000 | \$5,000 |
| The Greening of Detroit | Green Corps Youth Employment Program | 12 months (1 year) | \$10,000 | \$10,000 |
| Trees for Tomorrow | 4-Day Elementary/Middle school Teacher Workshops | 18 months (1.5 years) | \$10,000 | \$10,000 |
| Whitefish School District | Center for Sustainability and Entrepreneurship | 36 months (3 years) | \$10,000 | \$30,000 |

Briefing Note: PLT Task Group Update

Background:

SFI and the American Forest Foundation (AFF) have been in discussions about a possible transfer of the Project Learning Tree (PLT) program from AFF to SFI. PLT is a program to advance environmental education and better understanding of the importance of forest sustainability among K-12 students.

AFF is exploring the idea of finding a new home for PLT as it is no longer seen as central to AFF's mission. SFI has long been a supporter of the PLT program and for many years has provided financial support to PLT directly and through our SICs. Given SFI's strategic commitment to educating the next generation, SFI and AFF have been in discussions with regards to potentially bringing PLT under the SFI umbrella.

This topic was discussed at the September 2016 SFI Board meeting. The Board agreed that more information would be needed to inform a decision regarding a transfer of the program.

A PLT Task Group was formed, consisting of Bettina Ring, Tat Smith, Jon Haufler, Gail Wallin, and Craig Blair. The task group met three times by phone, on November 4, November 10, and November 15. The November 10 task group call included Tom Martin, AFF CEO, and Kathy McGlaufflin, PLT SVP, to provide the task group the opportunity to ask questions about the program's current and future direction, online presence, financial business plan, and other aspects.

This briefing note:

1. Provides a brief description of the PLT program and finances (note: a more thorough overview was included in the September 2016 Board meeting materials),
2. Outlines the task group's discussions, and
3. Offers a recommendation for Board consideration.

PLT Program Description

PLT provides educators and students in grades PreK-12 with comprehensive environmental education curriculum resources that can be integrated into lesson plans for all grades and subject areas. Developed in 1976, PLT has an international network of more than 500,000 trained educators using PLT materials that cover the environment through the lens of a forest. The goals of PLT include:

- Create awareness, appreciation, understanding, skills and commitment to address environmental issues,
- Provide a framework for youth to apply scientific processes and higher order thinking skills to resolve environmental problems,
- Increase appreciation and tolerance of diverse viewpoints on environmental issues by developing attitudes and actions based on analysis and evaluation of the available information,
- Stimulate creativity, originality and flexibility to resolve environmental problems and issues,
- Encourage youth to become responsible, productive and participatory members of society.

Not only has PLT created a series of quality curriculum materials, but also a comprehensive system of delivering these materials to educators that ensures their effective use with students. PLT was one of the first environmental education programs in the U.S. to establish a protocol of professional development as the primary means of being able to obtain the curricula to increase the likelihood that the materials would be used and not just sit on a shelf.

The PLT program consists of three essential elements:

1. High-quality materials
2. Diverse partner network of professional educators and resources specialists
3. Successful delivery system/professional development model

PLT has eight national staff that are 100% focused on delivering the PLT program. This includes the development and upkeep of all PLT curriculum and educational materials, communications and marketing, PLT network/coordinator support, the National Outstanding Educator Program, and planning and implementing other PLT programs.

Oversight of the PLT program has been provided by the Education Operating Committee (EOC), a standing committee established by the AFF Board. The EOC is responsible for providing leadership, direction, and strategy development in connection with PLT and other educational programs of AFF. The committee develops opportunities to further understand natural resource management and complex environmental issues among youth and their families - working with educators, resource management professionals, youth leaders, citizen conservationists, and others in cooperative projects.

Based on information provided by AFF, the total **revenue** for the PLT program in 2015 was \$814,000. The total projected **expenses** to run the PLT program in 2015 was \$2,537,000

In summary:

| | |
|------------------------|---------------------------|
| 2015 Revenue = | \$814,000 |
| 2015 Expenses = | <u>\$2,537,000</u> |
| 2015 Deficit = | \$1,723,000 |

We understand that PLT's deficit is historically on this order, and that AFF has covered this deficit from its endowment.

Task Group Discussions

The discussions during the three task group calls centered on topics including:

- PLT's business model, including its materials and training program;
- PLT's online presence, and plans for making more materials available online (vs. print);
- Market testing that has been conducted, to better understand PLT's position relative to competitors;
- Successes and failures on the fundraising side, and future prospects.

The conclusion of the task group is that PLT is a well-established and well-respected program with excellent professional development and a strong set of materials that are in the process of being upgraded to be more electronic. There is clearly more work to be done, especially on elevating its online presence. There appears to be reasonably strong demand for PLT products as well as reasonably strong support for the program from government agencies at the state and federal level. Bringing the PLT program under SFI's umbrella could enhance SFI's goal in educating youth about sustainability.

However, the task group voiced significant concerns over the financial viability of the program. The program operates under a model in which expenses have historically been three times as great as revenue. The projections for 2017 reduce this gap, due to a recently awarded grant from the EPA. However, cost projections for 2017 (\$2.1 million) would still be more than twice the revenue projections for 2017 (\$1.0 million). And, with the recent election and political uncertainty, there is some doubt over the long-term viability of government grants. PLT is not likely to be self-sufficient through the sale of materials, and clearly struggles to generate sufficient revenue even with the support of government grants and private foundations. AFF relies on its endowment to cover the gap, a luxury that SFI does not have.

The task group discussed the viability of scaling back the PLT program, to a point where costs did not exceed the revenue (or at least not to the degree they currently do). However, it is unclear whether the program could be scaled back while still maintaining its viability, respect, and partnership support.

Ultimately, the task group's greatest concerns are regarding the considerable financial risks. The task group is uncertain whether SFI could sufficiently address the existing revenue gaps, even with its ability to reach corporate sponsors.

Recommendation for Board Consideration

Based on the analysis prepared by SFI staff for the September Board meeting discussion, it was estimated that the annual deficit for the PLT program, factoring in expenses that SFI would incur related to administration (office rent, pension, etc.) and a salaried fundraiser, and factoring in revenue from PLT's recent receipt of an EPA grant, was \$1.6 million. SFI further suggested that the time frame needed to ramp up the needed fundraising and develop a strategy to fully incorporate PLT into SFI's current program is 5 years. Based on those estimates, SFI suggested that the transfer of funds that would be appropriate to mitigate the financial risks is **\$1.6 million per year x 5 years, for a total of \$8.0 million**. It should be noted that this figure does not include any additional costs that might be required to bring more of the program online.

The task group recommends moving forward in negotiations with AFF over the transfer of the PLT program to SFI only if the transfer comes with a lump sum payment of at least \$8 million (some suggested \$10 million). SFI will need to be clear that it has the flexibility to adjust the program as needed to ensure a viable long-term business plan while maintaining the core elements and the commitment to the PLT network.

*Prepared by Nadine Block, COO and SVP Public Affairs
Reviewed and approved by the SFI Board PLT Task Group*



PEFC Update

Action Item for Consideration:

1. SFI Label that Recognizes Global PEFC Standards

The SFI label that recognizes PEFC global standards was discussed at both the SFI and PEFC Boards in a joint meeting in October 2015. SFI came away with the SFI understanding that it had PEFC Board approval. Immediately after, PEFC wanted to ensure there weren't any technical issues concerning the PEFC trademark since the acronym PEFC would be used on the proposed SFI label. SFI has followed up and met with PEFC staff several times to move this process forward; however, PEFC International decided it needs to develop principles to guide their approval for use of the PEFC acronym for any national scheme wishing to incorporate PEFC on their own unique on-product label. These proposed trademark principles were brought before PEFC International's Board at their October 2016 meeting, and now they will move to the PEFC Branding Task Group for fine tuning. This process will take a year or potentially longer as it will need to move through various committees and ultimately the PEFC Board of Directors.

Since this global SFI label was first proposed last year, there has been interest by both European and now a few large North American companies for such an option. As such, SFI is seeking Board approval for a SFI label that recognizes other PEFC endorsed standards without the PEFC acronym incorporated on the label. This will avoid SFI from waiting on PEFC to define their own trade mark rules, and ensure SFI is not hinged to the rules they develop.

SFI will continue to work with PEFC on the trademark rules, and once the new rules are approved by the PEFC International Board, then at that time, SFI will discuss these new rules with the SFI Board and make a decision on allowing the PEFC acronym to be used on the global SFI label.

Recommendation for Board Consideration:

1. Approve the **SFI label that recognizes other global certified forest content** without the PEFC acronym incorporated on the SFI label. Staff will then determine the most appropriate time to roll this new label out in the marketplace.
2. SFI will continue to monitor the PEFC discussions, and once the PEFC trademark rules are finalized in 2017, come back to the SFI Board to consider inclusion of the PEFC acronym on the SFI label – in other words, **a transition to an SFI label specifically referencing PEFC global content.**

Other PEFC Updates:

2. PEFC Dues Update

In December 2015, PEFC recommended a dues increase for the large PEFC members, which would impact SFI. As such, SFI was granted a three-year cap to provide certainty with our PEFC membership fees moving forward. We are still working out details on other items such as PEFC's recognition at the General Assembly, since SFI is active in both the US and Canada. Once this recognition is approved, SFI will likely assist in paying some of the fees for PEFC Canada. There is also a dues restructuring Task Force being struck, which Kathy Abusow and Brian Kernohan (PEFC Board member) have indicated an interest in serving on.

3. PEFC Meta Standard and Technical Document Revision Process

PEFC revises their standards every 5 years "to ensure they incorporate latest knowledge, best practices, and evolving stakeholder expectations." In order to complete the work of the revision process, PEFC has established 5 different Work Groups. These Work Groups will operate during 2016-2017 and will consist primarily of conference calls, with in-person meetings as needed. PEFC's goal is to finalize the technical review by the end of 2017. All of the Work Groups except for the COC work group have conducted two face to face meetings. SFI staff is happy to provide more information on any of the issues being discussed in the various groups.

Prepared by: Jason Metnick, SVP Customer Affairs

LEED Update and Next Steps

On April 5, 2016, the U.S. Green Building Council (USGBC) released a pilot Alternative Compliance Path (ACP) for paper and wood products in its Leadership in Energy and Environmental Design (LEED) 2009 and LEED v4 rating systems which enables all certified products to be eligible for LEED credit. Builders and architects can now use paper and wood products certified to SFI, ATFS, CSA, and PEFC standards to achieve a point in the “certified wood” ACP under LEED 2009 and achieve a point in the “sourcing of raw materials” ACP under LEED v4.

Phase I – Promoting the LEED ACP

SFI has been active in promoting the news and answering technical questions regarding what the ACP is and how it works. A targeted launch included press releases, factsheets, blogs, webinars and more. The SFI blog, <http://www.goodforforests.com/>, featured diverse points of view including conservation, labor, government, industry and indigenous. Furthermore, we saw significant coverage and support in the media and from the forest sector in general.

Through consistent, regular communication through diverse channels, SFI was able to garner considerable positive traditional and social media coverage and mitigate the limited criticism. On the flip side, negative media was minimal and limited to a few organizations including FSC which incited a letter writing campaign, Greenpeace encouraging whistle blowers within USGBC, NRDC and BuildingGreen.

Phase II – Getting Architects to use the LEED ACP

SFI has been working on the second phase of our strategy, which is to get architects and building operators to use the ACP. This is a critical step to demonstrate the value to USGBC of this new ACP. Below is a list of the following activities we are undertaking. As of July 25th, 28 projects have been submitted to USGBC for this new ACP (Note: SFI staff have requested updated information from USGBC but have not received it to date).

| SFI Activities and Deliverables | | |
|--|---|---|
| Tools & Activities | Deliverable | Target Audience |
| CEU | <ul style="list-style-type: none"> • SFI produced a Continuing Education Unit (CEU) for architects and LEED accredited professionals in the July issue of Architectural Record. This CEU is accredited for both AIA and LEED continuing educating credits. • SFI promoted the CEU heavily through SFI’s “InBrief” newsletter (distribution 15K), dedicated Eblast to target audiences (e.g. architects, builders, construction, etc.), Social Media, and Website. • As of November 1, 692 people have taken the test and 20,033 individuals have read the article online. | <ul style="list-style-type: none"> • Architects, Builders and Construction community |
| Credit Interpretation Request for Canadian Green Building Council (CaGBC) | <ul style="list-style-type: none"> • Canadian projects pursuing LEED Canada rating tools can only start using the Pilot ACP once it has gone through a Credit Interpretation Request (also known as a CIR). Once someone makes the interpretation, an architect can apply it. • SFI identified a design firm in Canada, Solterre Design, who submitted a CIR for a Provincial Centre of Excellence for Youth in Restigouche, New Brunswick, where certified wood will be used. This will now go through a committee for consideration, and SFI is tracking this to better understand the timeframe. | <ul style="list-style-type: none"> • Architects, Builders and Construction community |
| Conference/Trade Events: | <ul style="list-style-type: none"> • May 19-21: SFI exhibited at the American Institute of Architects convention | <ul style="list-style-type: none"> • Architects, Builders and Construction community |

| | | |
|---|--|---|
| | <ul style="list-style-type: none"> June 6-8: SFI exhibited at the Canadian Green Building Council national conference | <ul style="list-style-type: none"> Architects, Builders and Construction community |
| | <ul style="list-style-type: none"> October 5-7: SFI exhibited at the annual USGBC GreenBuild Conference, plus: <ul style="list-style-type: none"> SFI had a redesigned booth with a larger footprint (20x20) in the exhibit hall. Kathy Abusow, Jason Metnick, and Liz Woodworth all participated. The booth was shared with American Bird Conservancy, which elevated our conservation profile. Kathy was the kickoff speaker at the annual Women in Green Power Breakfast, which SFI sponsored and which was attended by 600 participants SFI featured article/interview in the 2016 Greenbuild Edition of the US Builders Review (distributed at conference to 10K+ attendees). | <ul style="list-style-type: none"> Architects, Builders and Construction community |
| WoodWorks US Collaboration | <ul style="list-style-type: none"> Wood Solutions Fairs: <ul style="list-style-type: none"> September 14 – Houston, TX (Texas SIC exhibited) October 13 – Philadelphia, PA (Jason Metnick spoke during the lunch session) – over 300 architects and engineers. November 2 – Orlando, FL (Jason Metnick spoke during the lunch session) – over 300 architects and engineers. | <ul style="list-style-type: none"> Architects, Builders and Construction community |
| WoodWorks CAN Collaboration | <ul style="list-style-type: none"> Webinar – Understanding LEED ACP – Still setting up a time to do this | <ul style="list-style-type: none"> Architects, Builders and Construction community |
| Leveraging SFI Implementation Committees | <ul style="list-style-type: none"> Webinar: SFI hosted a webinar for SICs on July 11 to guide them on outreach about the LEED ACP and to allow SICs to share best practices from outreach already undertaken. In November 2016 personalized emails were sent to all SICs encouraging them <ul style="list-style-type: none"> speak with local AIA chapters for continuing education credit. exhibit at local architect/builder events and will promote the LEED ACP at these events. SFI will supply them with fact sheets, brochures, and talking points. place ads, provided by SFI, in local architecture/construction magazines. TX SIC hosted 17 architects and engineers in East Texas on May 5 to promote the use of wood products in homes and buildings The Mississippi SIC hosted a 2-day conference September 15th and 16th on wood construction. They were able to talk about the new ACP and the contribution of SFI to the 150 attendees which included architects as well as students. The Virginia SIC hosted a forest tour for members of the Builders Exchange Association of Virginia on October 26th. Nadine Block participated and spoke about the ACP. Packets of information were also given to all attendees with information on SFI and the CEU. Michigan SIC will exhibit at two local trade shows in 2017. | <ul style="list-style-type: none"> SFI Program Participants Architects, Builders and Construction community |
| Program Participants (Wood and Paper) | <ul style="list-style-type: none"> Jason Metnick met with 25 of Sierra Pacific's Windows and Doors architectural sales reps October 25th. Outreach to paper companies and retailers to educate them on how they can now use SFI paper for LEED projects (using the fact sheet that SFI developed for how to count wood and paper products in the new ACP). | <ul style="list-style-type: none"> SFI PP's, Brandowners and Architects |

| | | |
|--|--|---|
| Paper Retailer | <ul style="list-style-type: none"> • Jason met with Office Depot on October 28th to talk about the ACP and a new opportunity for Office Depot. From that, Jason was invited to do a webinar presentation scheduled on January 20th with Office Depot's Sustainable Business Development Team. Their Sustainable Business Development Team consists of 30 sales staff across the country. • Kathy Abusow met with Mark Buckley of Staples at the GreenBuild Expo in LA. A meeting is planned in early 2017. | <ul style="list-style-type: none"> • Paper Retailers Selling into LEED Markets |
| Royal Institute of Architects | <ul style="list-style-type: none"> • SFI to reach out to Royal Institute of Architects (RIA) to see if they have any opportunities to reach out to Canadian architects | <ul style="list-style-type: none"> • Architects, Builders and Construction community |
| Track SFI Uptake | <ul style="list-style-type: none"> • Ask USGBC for quarterly updates on when the ACP is used. Right now we know of 28 projects. | |
| Secure an architect to speak at SFI Annual Conference | <ul style="list-style-type: none"> • Dustin Davis, a LEED Fellow from Polk Stanley Wilcox, presented at the SFI Annual Conference on why his firm is seeking the ACP in an upcoming project in Arkansas | <ul style="list-style-type: none"> • SFI PPs and broader community |
| Individual Architecture Outreach | <ul style="list-style-type: none"> • Sarah Chernis, Practice Leader on Sustainability for Architecture49 Inc. • Linda Smith, Director of LEED for Arkansas, Texas, Louisiana and Oklahoma | <ul style="list-style-type: none"> • Architects, Builders and Construction community |
| Wood Products Manufacturers | <ul style="list-style-type: none"> • Jason has been working with the leadership of the Wood Products Manufacturing Association to develop a group chain of custody for 100 plus of their members. Jason is also working with them to develop a CEU that will be published in FDM+C Magazine which is a publication for professional woodworkers. • Jason and Nadine have a meeting on November 10 with Dana Cole of the Hardwood Federation to explore way to reach hardwood manufacturers. | <ul style="list-style-type: none"> • Architects, Builders and Construction community |

Prepared by: Jason Metnick, SVP Customer Affairs



**Written Update:
Annual Requirement for Confidentiality and Conflicts of Interest Disclosure**

SFI Inc. requires members of the Board of Directors to sign a “Confidentiality and Conflicts of Interest” statement on an annual basis. The statement commits SFI Board members to maintain the confidentiality of all discussions and deliberations of the Board, and disclose any conflicts of interest.

The 2017 statement is included on the following page. Please sign and return to SFI by December 20 by email to Nadine.block@sfiprogram.org or by fax to 202-596-3451.

Prepared by: Nadine Block, COO and SVP, Public Affairs, SFI Inc.

SFI Inc. Board of Directors

Annual Commitment to Confidentiality and Conflicts of Interest Disclosure

Confidentiality. Each Director shall maintain the confidentiality of all discussions and deliberations of the SFI Board of Directors, including agendas, minutes and materials presented at or distributed for meetings of the Board. Such information may be disclosed only as authorized by the Board, or by the President.

Conflicts of Interest. Each Director shall promptly disclose to the Board any circumstance that may constitute a conflict of interest, including but not limited to circumstances in which the Director or an organization with which he or she is affiliated (1) promulgates a forest certification standard; or (2) does business or seeks to do business with SFI (except as a program participant, certificate holder or label user). The Board may require that the Director take steps to resolve the conflict, including but not limited to (1) excusing himself or herself from Board discussion and decision on matters related to the conflict, or (2) terminating the affiliation that creates the conflict.

By signing below, _____ (Name) commits to abiding by SFI Inc.'s Confidentiality and Conflict of Interest Policy for the time period, January 1, 2017, through December 31, 2017

(Signature)

(Date)

Please return to Nadine Block via fax (202.596.3451), e-mail (Nadine.Block@sfiprogram.org) or US mail (SFI Inc., 2121 K Street, NW Suite 750, Washington, DC 20037).