



Leading Our World Toward Responsible Forest Stewardship:

A Progress Report

December, 2005



FOREST STEWARDSHIP COUNCIL



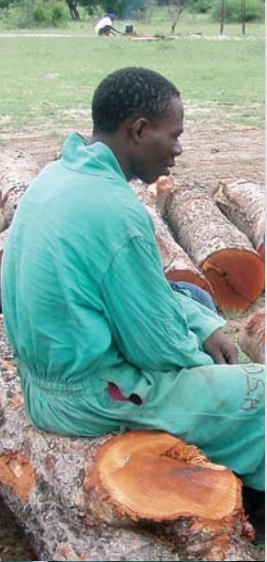


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ounded in 1993, and first established in Oaxaca, Mexico, FSC has transformed a simple-yet-brilliant idea for using market forces to help conserve the world's forests into a world-renowned model for environmentally appropriate, socially beneficial, and economically viable forest stewardship.

FSC has been successful in bringing together social groups, indigenous peoples, workers, environmental organizations, forest managers and industry to build, for the first time, a global consensus on performance standards for responsible management of our forests.

Today, with an International Center in Bonn, Germany, FSC is a fiscally sound organization with on-the-ground operations in 36 countries and certificates in 77 countries on five continents. At the time of writing, more than 67 million hectares – nearly 10 percent of commercial forests worldwide – have been certified as being “well-managed” according to rigorous FSC standards. Twenty-four consensus-based national and regional forest-management standards are in place with seven others pending final accreditation. Some 750 forest management certificates have been awarded and more than 4,200 chain-of-custody certificates have been issued to manufacturers, traders, and retailers who can guarantee to customers that their wood and paper products came from well-managed forests and promote responsible forest management.

FSC AT-A-GLANCE

<i>AREA UNDER FSC CERTIFICATION</i>	<i>67,159,664 ha</i>
<i>FOREST MANAGEMENT CERTIFICATES</i>	<i>747</i>
<i>COUNTRIES WITH FM & FM/COC CERTIFICATES</i>	<i>65</i>
<i>CHAIN-OF-CUSTODY CERTIFICATES</i>	<i>4,246</i>
<i>COUNTRIES WITH COC CERTIFICATES</i>	<i>73</i>
<i>ACCREDITED CERTIFICATION BODIES</i>	<i>15</i>
<i>APPLICANT CERTIFICATION BODIES</i>	<i>7</i>
<i>ACCREDITED WORKING GROUPS</i>	<i>21</i>
<i>WORKING GROUPS PENDING ACCREDITATION</i>	<i>3</i>
<i>ACCREDITED CONTACT PERSONS</i>	<i>15</i>
<i>CONTACT PERSONS PENDING ACCREDITATION</i>	<i>3</i>
<i>ACCREDITED STANDARDS</i>	<i>24</i>
<i>STANDARDS PENDING ACCREDITATION</i>	<i>7</i>

Information accurate as of October, 2005



In excess of US\$5 billion of raw, semi-finished, and finished wood and paper products originating in FSC-certified forests, and bearing the FSC trademarks, are bought and sold around the world every year. This represents a 67% increase in only 3 years. Forest ecosystem services, such as the watershed and erosion protection provided by forest management to FSC standards are increasingly valued in local, regional, and global markets.

International investment firms and financial institutions are now using FSC certification as a credible assurance of the environmental performance of potential forest and timber-processing investments. And, the enormous recognition and endorsement received by FSC from environmental groups, social stakeholders, and industries is proof of the impact of FSC on the global forestry debate.

“The greatest advantage of the FSC certification process is knowing that we are doing things the right way. We are so convinced that this is the way to go, that we will continue until we achieve a ‘certified country’.”

– Cristobal Roda, President, Roda Industrial Group, Bolivia

The FSC platform provides four types of solutions that, taken in concert, have the power to transform the world’s approach to forest management:

- International standards, based on agreed principles of responsible forest management, that are widely recognized, globally accepted and compatible with international norms;
- Accreditation and certification systems to monitor compliance with FSC international standards;
- A powerful brand and product-labeling systems that differentiate and reward responsible forest stewardship in the marketplace; and
- Market places that recognize, appreciate, and demand FSC-certified products.

The organizational growth and global impact of FSC during recent years has been nothing short of remarkable. On the following pages, we present a small sample of FSC’s many accomplishments. We hope that these “snapshots of progress” will convey the prowess, power, and potential that can be realized when a simple-yet-brilliant idea is brought to life by committed, competent people from all over the world.



Our Organizational Milestones

Ensuring FSC's Credibility

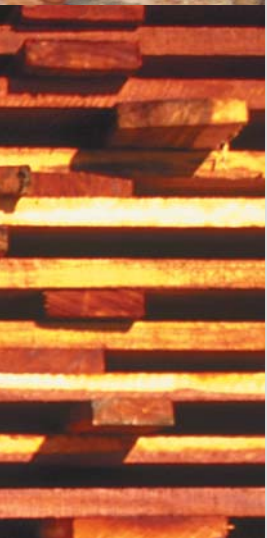
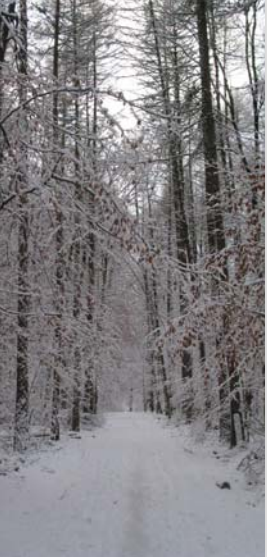
The FSC Accreditation Program has undergone rapid and profound growth during the past three years, further enhancing the credibility of FSC in the international arena. In 2002, the Accreditation Program was spun-off as an independent unit to ensure separation of standard-setting and auditing functions within the organization, and to preclude conflict-of-interest challenges. A separate, for-profit legal entity, ASI – Accreditation Systems International will begin operating the FSC Accreditation Program in 2006.

Responding to the call at the 2002 General Assembly to improve the quality and consistency of the certification process, FSC carried out a complete review and revision of its accreditation requirements. The new requirements replace the old "Accreditation Manual" with a set of international standards that are fully consistent with the international requirements of relevant ISO/IEC guides and standards. FSC accredited certification bodies, presently numbering 15 with seven additional applicants, now operate under the revised accreditation standards.

In 2004, the ISEAL Alliance conducted a comprehensive internal audit and peer review of the FSC Accreditation Program's procedures and documents against ISO/IEC Guide 17011. The review concluded that stakeholders can have confidence in FSC's accreditation practices and in FSC's accredited certification.

During 2005, Accreditation Program staff auditors became certified as QMS 2000 Lead Auditors by the International Register of Certificated Auditors (IRCA), in recognition of their competence in managing audits and leading the FSC Accreditation Program.

This growth enabled the Accreditation Program to increase the number of audits of Certification Bodies during 2005 to 53. The level of non-compliance with FSC requirements was found to have decreased by 50% at each surveillance audit. This indicates that the increased rigor of FSC's accreditation program is resulting in more consistent performance by Certification Bodies, and an overall improvement in system credibility.



Strengthening FSC's Integrity and Accessibility

Following a comprehensive three-year review, FSC introduced a new approach to Chain of Custody control, designed to bring even greater integrity to the FSC system. The new Chain of Custody standards, approved by the FSC Board of Directors in late 2004, improve the tracking and labeling of certified wood in finished products; put greater controls on the mixing of certified products with wood from non-certified sources; and establish the world's first international system for the identification and verification of recycled content.

One of FSC's most significant achievements during the past three years has been the launch of the new Controlled Wood Standards. These standards are designed to enable FSC-certified manufacturers to avoid the use of timber and wood fiber from "unacceptable" or "controversial" sources – even when they cannot yet source 100 percent of their raw material from FSC-certified or recycled sources. The standards provide a practical tool in the worldwide fight against the trade in illegal timber, and will make a major contribution to the international Forest Law Enforcement and Governance (FLEG) process.

FSC also has adopted standards for the evaluation of small and low-intensity managed forests (SLIMFs) seeking FSC certification. Designed to make FSC certification more responsive and accessible to smaller forest operations, the SLIMF program streamlines the technical requirements for certification assessment, without compromising rigor. Features of the SLIMF policy include sampling at levels that better reflect the size and management activities of the operation and greater emphasis on local (rather than national) stakeholder consultation.

Strengthening the Brand, Improving our Outreach

Increasing the value of the FSC brand and trademarks has been a central focus for the marketing and communication program. Over the past three years, significant strides have been made to enhance the communications value, user-friendliness, and integrity of the FSC trademarks. A new standardized set of labels has been introduced, and FSC has increased its activities to protect against misuse of its trademark through a formal Trademark Integrity Program.

As part of its work to enhance brand value, FSC has provided valuable assistance in the marketing of FSC products and services, and has improved its stakeholder communication.





Our Work Around the World

To raise our visibility, build awareness of our platform, and increase participation in our processes, FSC formally established Regional Offices in Africa and in Latin America during the past three years.

FSC Africa

FSC Africa, based in Kumasi, Ghana, became a legal entity in June, 2005. The staff now includes the Regional Director, an Administrative and Finance Officer, a Secretary, and a Social Officer who is based in Yaoundé, Cameroon to help increase the visibility of FSC in the Congo Basin. FSC Africa has supported the development of the National Initiative in Cameroon and the National Working Group in Ghana. In addition, a National Contact Person for Zambia has been endorsed by FSC's Board of Directors.



FSC Africa has organized training and stakeholders' workshops in Ghana, Cameroon, Kenya, and Republic of Congo, and is in the process of translating many core FSC documents into French.

FSC Latin America

The Latin America Regional Office relocated from Oaxaca, Mexico to new offices in The City of Knowledge Foundation in Panama City, Panama. Recognized by the Panamanian government as an international mission, the foundation office puts FSC in close proximity to other non-governmental organizations and strategic partners, including The Nature Conservancy, Ramsar Convention, and United Nations regional agencies.

Latin America continues to be a hotbed of growth, both in terms of area under FSC certification and stakeholder participation. At this writing, the region hosts 7.5 million hectares of certified forest in 17 countries and 311 Chain of Custody certified operations. Local partners in 13 countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, and Perú) are engaged in developing standards and/or promoting FSC. Projects on Small and Low Intensity Managed Forests (SLIMFs), plantations, non-timber forest products, and high conservation value forests are all contributing to growing stakeholder involvement with FSC.





Bolivia

In October, 2005, the President of the Republic of Bolivia joined in a formal celebration noting the milestone of two million hectares of natural tropical forest under FSC certification in that country.

Russia

The area of FSC-certified forests in Russia increased to more than 6.5 million hectares, including three forests totalling 550,000 hectares in Archangelsk Oblast in the northwestern section of the country that became certified in 2005. These forests supply the Archangelsk Pulp and Paper Mill which produces more than 800,000 tons of pulp and more than 500,000 tons of paper annually.



Spain

Two forests totalling some 1,100 hectares became the first FSC certified forestlands in Spain during 2004. The Gran Canaria town council was awarded an FSC group certificate for 700 hectares of canario pine that is held by 21 owners. The forest is used as a barrier to stop erosion in the upper regions of the territory. FSC certificates were also awarded to properties owned by Bosques Naturales in Girona and Caceres. Bosques Naturales produces fast-growing species such as cherry, walnut, and pear. Forty percent of its certified holdings is reserved as a conservation area.

Perú

An area of nearly 27,000 hectares of chestnut trees in the Madre de Dios region became Perú's first FSC certified forest in 2004. The FSC certification was awarded after negotiations that lasted nearly eight years. The certification effort was supported by the Conservation Association for the Amazon Basin and the Chestnut Seller Association of the Tambopata National Reserve and Bahuaja Sonnene National Park.

Canada

In 2004, FSC accredited the National Forest Stewardship Standard for the boreal region of Canada. Consensus on the standard within Canada was reached after two years of consultation and input across eight provinces, two territories, and various international venues. More than 2,000 individuals and 175 committee members participated in meetings and exercises contributing to this achievement.





In 2005, FSC also formally accredited the Regional Certification Standards for British Columbia, dramatically increasing the area of forestland covered by FSC-accredited forest management standards.

Tembec became the first company in North America to earn FSC certification of operations in a boreal forest. The 2004 certification of the two-million-hectare Gordon Cosens forest in Northeastern Ontario was widely recognized as a “win” for environmental groups, native peoples, the forest industry, and the Canadian government, which owns the land managed by Tembec. At the time of the certification, the Gordon Cosens forest was the largest single tract of forest certified to FSC standards.

More recently, Alberta-Pacific Forest Industries (Al-Pac) earned certification of 5.5 million hectares of forestland in northeastern Alberta, Canada – the single-largest forest certification in the world to date. Al-Pac pursued FSC certification because of FSC’s credibility in the global marketplace, its track record as a results-oriented independent organization, endorsement of FSC by Aboriginal people, conservation groups, and businesses, and FSC’s emphasis on achieving social and economic benefits from forest management in addition to environmental benefits.

United States

Forty-eight of the 50 U.S. states are now covered by FSC standards, following the accreditation of seven standards during the past three years. There are now a total of eight accredited regional standards in place in the United States.

The “green building” marketplace continues to drive increased demand for FSC certified products in the U.S. The U.S. Green building Council’s “Leadership in Energy and Environmental Design” program (LEED™) is the premier commercial building design guideline and third-party certification tool used in the U.S. FSC is the only certification system accepted by LEED for new wood material. Incentives for companies and property owners to build using the LEED system include: demonstrating leadership in environmental standards; improved building performance; reduced overall cost-of-ownership; and qualifying for incentives under a growing number of local and state government programs.



Lithuania

In a landmark certification process, 14 state forest enterprises in Lithuania attained FSC forest management certification. Awarding of these certificates means that all of the state-owned forestland in Lithuania – some one million hectares – are certified as compliant with FSC standards. These certifications increased the total certified forest area in Lithuania to one million hectares, half of the nation’s total forested area.



China

The first FSC forest-management certificates for state-owned forests in China were awarded during 2004 to two bureaus managing a combined forest area of 420,000 hectares. Baihe Forestry bureau in Jilin Province and Youhao Forestry Bureau in Heilongjiang Province were awarded their certificates following a two-year-long assessment by accredited certification body SGS.

China has emerged as a major timber importer since its 1998 ban on commercial logging on a large portion of its natural forests. China's growing thirst for wood, fueled by the West's increasing demand for inexpensive wood products, has increased harvest pressure on forests throughout Asia and the Russian Far East. The Working Group on Forest Certification in China continues to make progress towards minimizing the negative impacts of China's domestic logging ban by promoting and developing certification standards appropriate to the Chinese context and by certifying China's domestic forests.

Increasing Public Awareness

After three years of campaigning, spontaneous recognition of the FSC logo among the general public increased to 33 percent in the Netherlands, according to a 2004 study conducted by FSC, Stichting DOEN Foundation, WWF Netherlands, and some 30 Do-It-Yourself retailers, timber importers, and processors. The measure of un-prompted awareness reached 42 percent among 18-35 year-olds.

Thirteen percent of the German timber-buying public now recognizes the FSC logo, according to the results of a 2004 study released by the German Federal Ministry for Environment, Nature Conservation, and Nuclear Safety. Respondents recognizing the FSC logo associated it with environmentally friendly and socially responsible timber. In addition, the German study also found that one-third of timber-buying consumers prefer FSC-labeled products.

FSC: A Growing Part of Everyday Life

Deutsche Post AG, the German postal service and one of the world's largest logistic corporations, now prints 100 million of its "Plusbrief" pre-stamped envelopes and postcards on FSC-certified paper. Both the envelopes and postcards carry the FSC logo and a promotional message about FSC. Plusbrief envelopes are considered one of the most important brand-name products for the German postal company, which sells the FSC-certified envelopes at more than 12,000 Deutsche Post offices.



FSC-certified paper is now in use by Germany's Deutsche Bahn AG rail company for the roughly 32 million self-serve tickets it prints annually at station locations. The FSC logo and a message about FSC appears on the back of each self-serve ticket to educate rail patrons about their options in promoting responsible use of forest resources. Deutsche Bahn also has integrated the FSC logo into the screen displays of its 3,500 ticket machines. The rail agency is also using FSC-certified paper for its travel plan documents and payment confirmations.

Purchasing & Procurement

The government of the United Kingdom has accepted FSC certification as meeting its purchasing requirements for sustainability and the legal harvest of wood. A 2004 assessment of FSC and other certification programs conducted by the UK's Central Point of Expertise on Timber (CPET) found that FSC-certified wood products satisfied the government's purchasing requirements.

Retail Sector

HomeBase became the first Do-It-Yourself (DIY) retailer in the United Kingdom to secure network-wide FSC chain-of-custody certification. The certification of HomeBase makes it possible for professional builders who source wood and wood products through the DIY giant to make full FSC claims on their construction projects.

Tembec, one of the largest softwood lumber producers in Canada, and The Home Depot reached an agreement that will put large volumes of Tembec's FSC-certified spruce-pine-fir (SPF) lumber on the shelves of the world's largest home-improvement retailer. The agreement strengthens the business relationship between the two companies, which share a commitment to responsible forest management practices and to FSC certification.

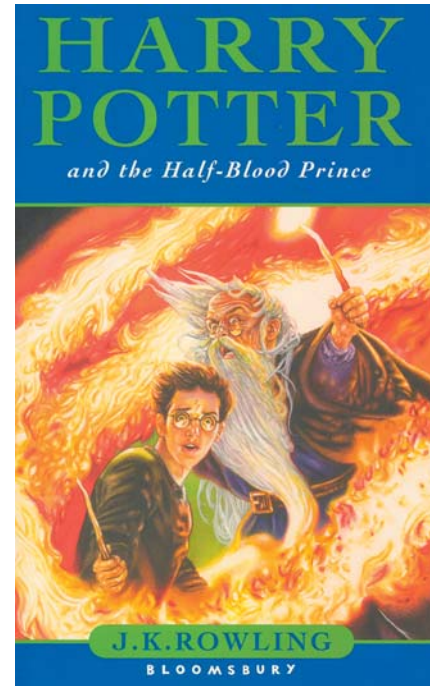




Paper, Printing & Publishing Sectors

European book publishers, including the publisher of J.K. Rowling's sixth Harry Potter saga, are turning in increasing numbers to book paper carrying the FSC certification. "Harry Potter and the Half-Blood Prince" is the first best-selling title in the UK to be published on FSC certified paper. The author noted, "Because the Harry Potter books are printed on ancient forest friendly paper, they are helping to save the forests and creatures from the muggle (human) world."

GGP Media, publisher of the German best-seller, "Der Schwarm," also has picked up the FSC mantle, and released the 16th print-run of the novel on FSC-certified paper. Germany's Random House Group and Carlsen publishers are also releasing works printed on FSC Paper.



"BBC Magazines' commitment to FSC remains as strong as ever and we continue to urge our colleagues throughout the magazine industry to follow our lead."

– Peter Phippenehen, Managing Director, BBC Magazines

BBC Magazines, which made the first move to FSC-certified paper in the 1990s, now prints *BBC Wildlife*, *BBC Music Magazine*, *Radio Times*, *Songs of Praise* and the teen title *It's HOT!* on FSC paper. The combined circulation amounts to roughly one quarter of a million copies.

Corporate America is making the move to FSC-certified paper as well. In the United States, major high-end commercial printing houses including Quad Graphics, R.R. Donnelley, Anderson/Cenveo, Sandy Alexander, and Pictorial Offset have obtained FSC chain-of-custody certification, in order to better serve the needs of

Fortune 500 companies and other clients wishing to demonstrate their environmental and social responsibility policies by printing on paper originating from well-managed forests. A growing number of North American paper producers, among them Tembec, Domtar, Mohawk, Neenah, and Finch-Pruyn are competing for a share of the burgeoning market for FSC-certified paper and FSC-certified recycled paper.





Rabobank, the biggest bank in the Netherlands, committed to use only FSC paper for its administrative activities. All of the bank's envelopes, bank account statements, stationery and copy paper will now originate in FSC well-managed forests. Rabobank alone sends out 3.5 million envelopes with bank statements to its customers every week.

"The decision to switch to FSC paper was a logical step for an involved bank that acknowledges the importance of socially responsible enterprise. The FSC quality mark provides certainty regarding the origins of the paper we use. The fact that FSC enjoys broad support from both the business community and social organizations was a decisive factor in our decision-making process."

– Vincent Lokin, Rabobank Nederland

Investment Banking Sector

JPMorgan Chase has expressed its preference for FSC as a robust process to assess the presence of high conservation value forest areas within the portfolios in which it might invest. The financial firm also set a deadline for its clients that procure wood from countries classified as "high risk" with regards to illegal logging to verify the legal origin of their wood. FSC's controlled wood policy was cited as the benchmark for such verification.

Citigroup and HSBC have identified FSC as a preferred system in their comprehensive environmental policies governing financial investments. Citigroup's policy provides a long-term framework to promote higher environmental standards through business practices. HSBC's policy identified FSC as its preferred choice in its new international guidelines for investment in the forest land and forest products sector.

In May 2003, ABN AMRO Bank signed a covenant with FSC Netherlands concerning the use of FSC-certified wood and wood products in the construction and renovation of its buildings. In the covenant, ABN AMRO declares its intention to use only FSC wood in renovations and new building contracts from 2004 forward.



“Our involvement in FSC is about...an international responsibility to support a system that can make a true difference for the world’s forests.”

– Olof Johansson, Director, Sveaskog

Looking Forward

Over the years, FSC has grown substantially in capacity, on-the-ground-impact, and sphere of influence all over the world. In the coming years, FSC will continue to take steps to ensure its position as the leading model for promoting forest stewardship as a responsibility shared by environmental, social, and economic interests alike.

To this end, FSC will draw together the commitment and energy of a large and diverse group of stakeholders that share its vision, and will develop among them a stronger decentralized Global Network of partnerships to carry out its mission.

“I have asked all my publishing houses around the world to launch FSC certified editions of my new book. I believe that this could be a first step to protect ancient forests and stop deforestation. And from now on all new editions of my books will be certified. I think if all authors around the world also decide to support this campaign, it will be a revolution in the way books are made today.”

– José Saramagol, Author & Winner of the Nobel Prize for Literature





Finally, FSC will continue to strengthen its brand, building recognition and reputation globally among key audiences and stakeholder groups. FSC will add brand value by building partnerships and participating in programs that seek to increase market demand for certified products; streamline the flow of certified products to market, and provide linkages between supply and demand.

Implemented over the coming months and years, these measures will help maintain the integrity and credibility of all that comprises the FSC platform – its participatory standard-setting, accreditation, brand value and trademarks. They will promote a level playing field for certified operations and their products in all corners of the world. And they will ensure an FSC that is responsive, adaptable, and able to meet the needs of a growing global constituency that values and depends upon the world's forest resources.

"It is HSBC's preference to deal with customers in this sector that are either operating managed forests that are certified by the Forest Stewardship Council (FSC), or equivalent FSC recognized standard, or trade in products that are FSC certified or equivalent. This includes clients who are not FSC or equivalent certified but are following a credible path towards achieving compliance."

– HSBC Forest Land and Forest Products Sector Guideline



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