



Consolidating Gains, Strengthening Leadership

Forest Stewardship Council®
Annual Report 2012

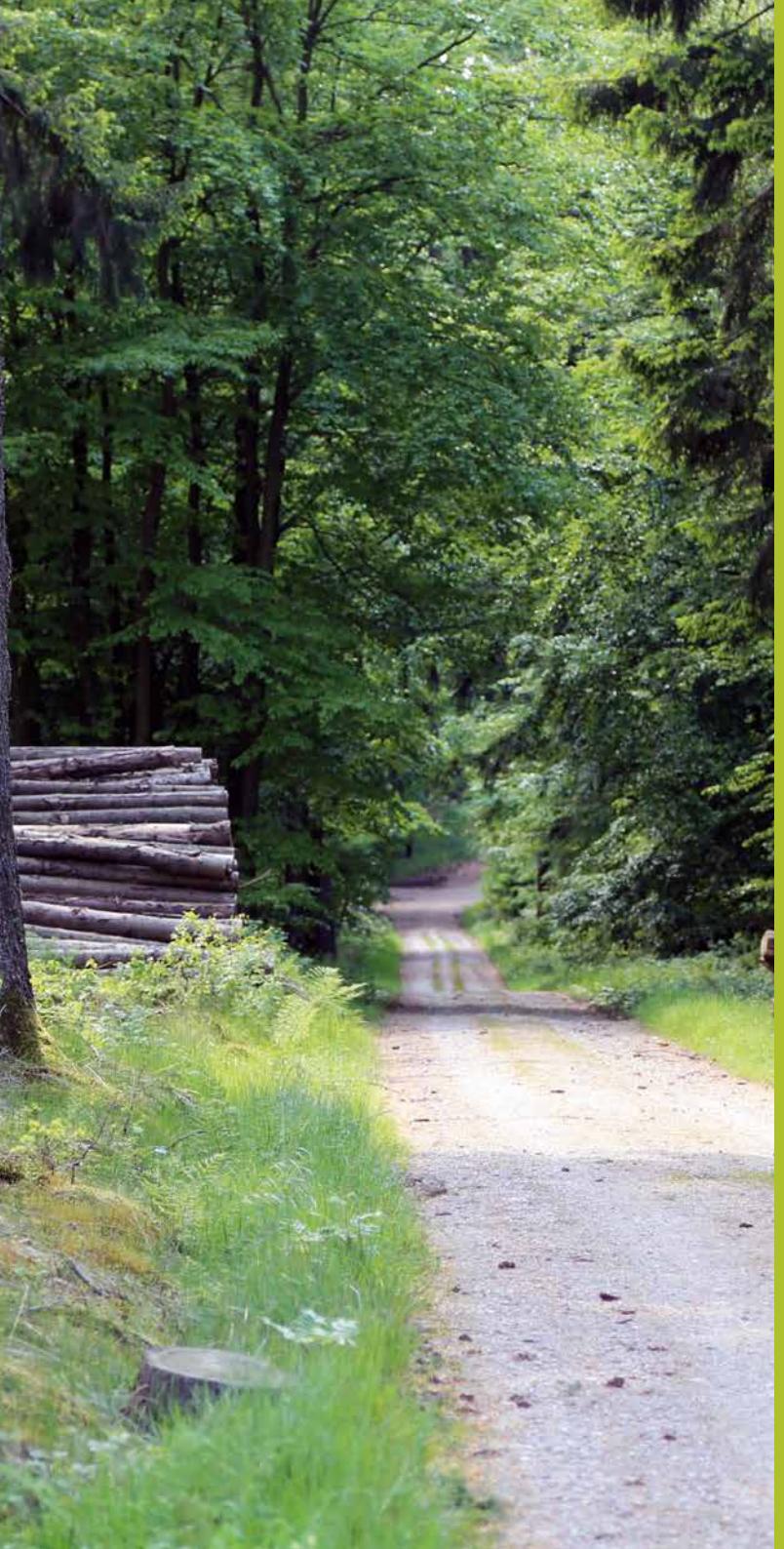
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Our Vision

The world's forests meet the social, ecological and economic rights and needs of the present generation without compromising those of future generations.

Our Mission

The Forest Stewardship Council® (FSC®) promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

Our Governance Structure

FSC is an international membership organization. It is democratically governed by its members, who are both individuals and organizations, and its highest decision-making body is the General Assembly.

The General Assembly is made up of environmental, social and economic chambers, each divided into Northern and Southern sub-chambers. To ensure balanced representation of different interests, every member joins a chamber, and each chamber holds an equal number of votes in the General Assembly, equally divided between North and South.

An Executive Director runs FSC on a day-to-day basis, supported by the staff of the FSC International Center, and by an elected Board of Directors, one from each sub-chamber of the General Assembly.

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Message from the Director General



When a group of visionary people established FSC in 1994, after years of preparation and discussion, I don't think many people outside their immediate circle had much faith in their project. But today, almost 20 years later, it is clear that our founders had in fact created a recipe for unprecedented success: the democratic, multi-stakeholder model they invented was a stroke of genius.

FSC was established as an organization in which decision-making powers were given equally to

members representing social, environmental and economic interests in forest management. Thanks to this unique structure, FSC is supported by leading environmental and social actors all over the world, giving it the credibility to attract important market actors. Today, we have more than 170 million hectares certified under FSC standards, and around 25,000 companies in 120 countries hold FSC certificates.

Given these impressive results, I was both honored and humbled when, in October 2012, I was given the opportunity to serve FSC's members and supporters to achieve our mission.

I took over from Andre de Freitas, who led the organization through a period of unprecedented growth. Without his skillful efforts, together with the professionalism of FSC's international staff and our worldwide network of FSC partners, we wouldn't have the opportunities to achieve significant results for the world's forests that we have today.

A key highlight of 2012 was the approval of the revised Principles and Criteria, which are now being followed up by the International Generic Indicators. We also saw continued market growth both in developed countries and in important emerging economies such as Brazil and China. The world is still very far from achieving sustainable forest management, but FSC is in a better position than ever to play its role. We – together with our hundreds of members and thousands of supporters – must now pull together to make the best possible use of these opportunities.

There are many things we need to work on. We must ensure the quality of FSC certification all over the world through clear and robust national forest management standards; we must act quickly and with determination to resolve disputes and complaints in our system; and

we must get better at documenting the social and environmental impacts of FSC certification.

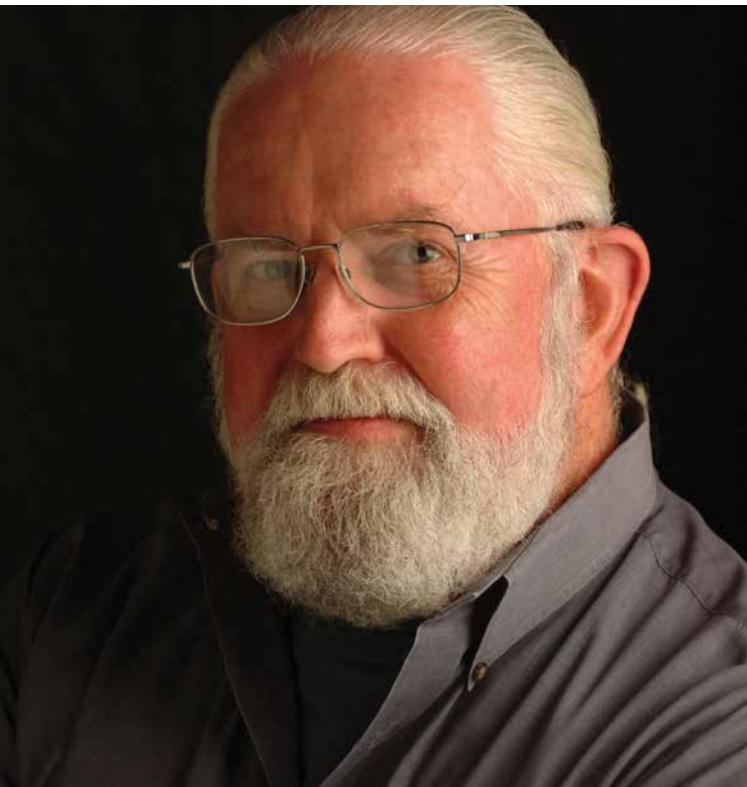
In spite of many good efforts, FSC certification has yet to achieve the level of success we want in natural forests in the Tropics, and we haven't yet reached enough local communities and smallholder forest owners. These are two crucial focus areas for the years to come.

FSC's vision is a world where forests meet the social, ecological and economic rights and needs of the present generation without compromising those of future generations. This will never be possible without the active participation and commitment of all of us who depend on and care about the world's forests. FSC – as a unique platform for dialogue across very different stakeholder groups – is up for this challenge.

A handwritten signature in black ink that reads "Kim Carstensen".

Kim Carstensen
FSC Director General

Message from the Chairman



Since FSC was founded nearly two decades ago, in response to widespread concerns about deforestation and the social consequences of conventional forestry, it has tirelessly promoted more responsible management of the world's forests. By setting standards for responsible social and environmental management practices and by using them as a basis for the certification and labeling of forest products, FSC has created tools for forest owners, other businesses in the forest products industry and consumers

alike to have a positive influence on the future of forests around the globe. As we look towards our twentieth anniversary, our commitment to promoting responsible forestry remains as strong as ever.

One of the high points of 2012 came early in the year. In February, our membership voted by a 75 percent majority to approve major revisions to the Principles and Criteria that are the basis of our certification system. The vote was the culmination of a three-year consultative process that tested and reinforced our key values of participation and transparency. The revised Principles and Criteria clarified and strengthened our key environmental requirements and placed stronger emphasis on the social aspects of certification, including the rights of forest workers and the importance of seeking consent from local people. Following approval by the membership, work on implementation began at once and continued steadily throughout the year.

FSC also worked hard to advocate for responsible forestry in the international policy arena in 2012. We had a significant presence at several high-level international policy processes during the year, with our activities ensuring that the future of forests was kept on the table at the Rio+20 World Conference on Environment and Development and at the 18th UN Climate Change Conference in Doha, Qatar. FSC also engaged in regional and national processes, supporting its members to adapt to changes in timber legality in the European Union (EU) and Australia, and participating in a coalition to defend the Lacey Act in the USA. These examples illustrate a small sample of the extremely diverse range of activities undertaken by FSC staff and partners to further the cause of environmentally appropriate, socially beneficial and economically viable forestry in the course of the year.

The past year also saw an important leadership transition for FSC. After four years as Director General, Andre de Freitas stepped down in October. Under his leadership, FSC grew strongly, more than doubling the number of certificates worldwide, and it stabilized its financial base. I join with the Board and the staff in expressing our appreciation to Andre for his years of excellent service to FSC around the world.

Andre de Freitas announced his decision to depart long enough in advance to ensure a smooth transition and efficient handover to his successor. After an extensive international search, involving more than 70 impressive candidates, the Board selected Kim Carstensen, a distinguished senior leader in the social and environmental development field, to succeed him. I look forward to continuing to work towards meeting our goals under Kim Carstensen's leadership in the years to come.

A handwritten signature in black ink, appearing to read "Michael Conroy".

Michael Conroy
FSC Chairman

Introduction: A year of expansion and consolidation

Since it was founded in 1993, FSC has grown to become the world's most respected and widespread forest certification system. Maintaining and consolidating this leading position means working to update, promote and grow the FSC system.

FSC also demands constant awareness of cutting edge issues in a context of rapid economic and environmental change, and the capacity to extend existing partnerships and alliances and build new ones.



Every day, FSC promotes responsible forest management and encourages people to make it real. It sets standards for responsible forest management, creates business value for products from FSC certified forests, and advances the cause of responsible forest management in situations as diverse as global policy arenas, national government offices, shopping centers and schools. FSC's dynamic and committed staff, supporters, members and business partners in many parts of the world make these activities happen. FSC's core values of democracy, equity and transparency ensure that their participation drives FSC forward.

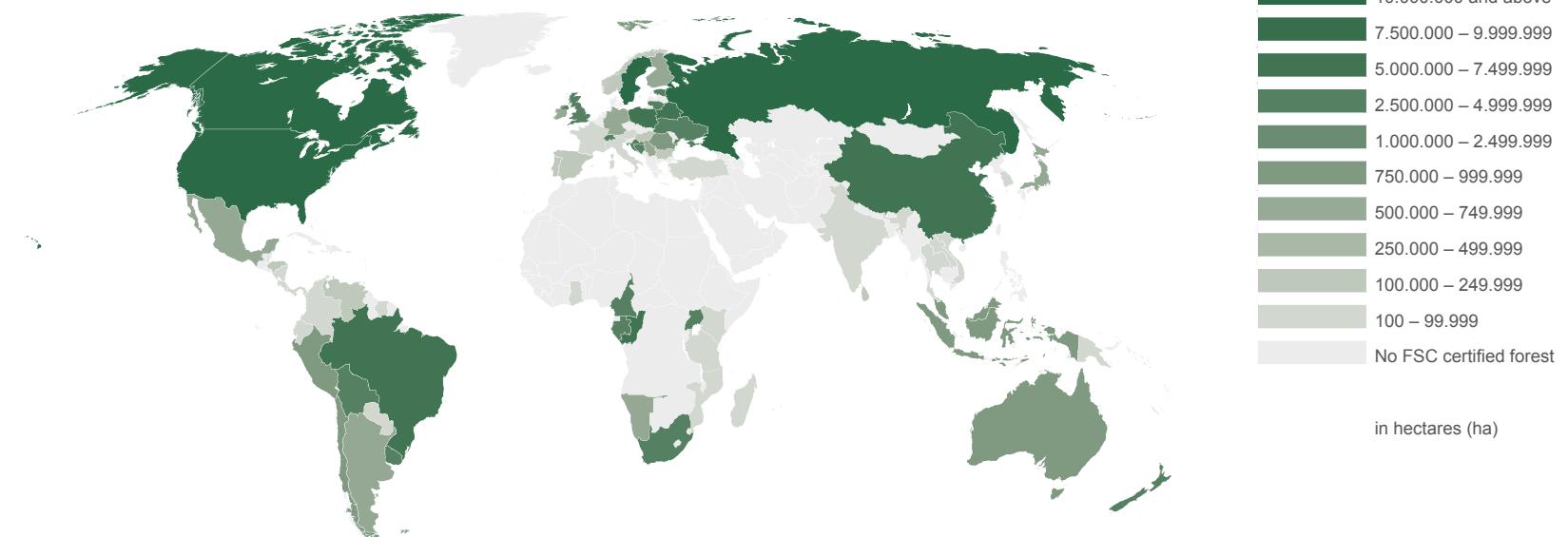
2012 has been a year of growth and consolidation for FSC, and this Annual Report highlights many notable achievements. It begins by looking at how standards and certification have been strengthened, supported by the further development of the decentralized and democratic structure of the organization itself. It presents encouraging figures on the worldwide growth in certified forests and businesses, also discussing the impact of certification in different countries. It reports on developing markets for FSC certified products, before turning finally to discuss some of the many outreach activities which raise public and professional awareness of responsible forestry.

Moving Forward in 2012

- FSC has consolidated and strengthened its position as the leading global organization for responsible forestry.
- It has responded to internal and external change by adapting its key standards and innovating at the cutting edge of certification.
- The organization has continued to build and refine its structure in line with the values of democracy, equity and transparency, established when it was founded.
- FSC Forest Management, Chain of Custody and Controlled Wood certification have continued to grow steadily, leading to a wide range of positive impacts in different countries.
- Markets for FSC certified products have been developed through diverse activities and partnerships, with positive results in several key sectors.
- FSC has raised awareness of responsible forestry among policymakers, international organizations, national governments and the general public.

2012: The Year in Numbers

→ FSC certified area worldwide





Five Regional Offices,
30 National Offices,
seven National Focal Points and
five National Representatives.



853 members, comprising
427 individuals and
426 organizations.



438 members from the North,
415 members from the South,
a well balanced organization.



Nearly **quarter of a million** small and community producers are included in FSC group certificates, making FSC the world's leading certification system for this type of producer.



Small and community producers manage **24 percent** of all FSC forest management certificates, equivalent to **seven percent** of the total area of FSC certified forests.



Thirteen new FSC National Standards were approved in 2012, more than in any other year since FSC was founded in 1993.

North America	Europe	Asia
40.74% of total certified areas	43.04% of total certified areas	3.29% of total certified areas
68,975,670 ha	72,871,999 ha	5,576,250 ha
4,535 CoC / 223 FM certificates	12,725 CoC / 471 FM certificates	5,652 CoC / 148 FM certificates
South America & Caribbean	Africa	Oceania
7.23% of total certified areas	4.26% of total certified areas	1.44% of total certified areas
12,240,329 ha	7,215,563 ha	2,444,246 ha
1,270 CoC / 248 FM certificates	153 CoC / 46 FM certificates	450 CoC / 36 FM certificates

171,877,149 ha
certified area worldwide

80
countries

25,957
certificates

Note: All numbers reflect the status quo as of February 2013. CoC: Chain of Custody certificates. FM: Forest Management certificates.



Upgrading FSC standards through adaptation and innovation

Developing and improving standards to allow the certification of different aspects of responsible forest management is at the heart of FSC's activities. In order to carry out this work in a fast-changing world, FSC must constantly adapt and innovate. On the one hand, as a democratic organization, it must respond to internal drivers of change, such as motions passed by the General Assembly and defined cycles for reviewing and revising standards. On the other, it must react to external developments such as changes in timber legislation and the growing urgency of climate change mitigation.

Staying at the forefront of certification: Revised FSC Principles and Criteria approved

The Principles and Criteria (P&C) form FSC's core standard for forest management certification. They describe the essential elements of environmentally appropriate, socially beneficial and economically viable forest management. In 2012, after a thorough consultation, the FSC membership approved a revised version of the P&C.

These processes, together with online opportunities for stakeholder input, produced thousands of pages of comments, which were distilled and integrated into successive drafts by the P&C Working Group.

The final draft of the revised P&C was put to a membership vote in January 2012. There was 70 percent turnout in all chambers, and a 75 percent vote of approval. This positive result reflected the commitment, energy and engagement of many stakeholders worldwide.

The P&C revision process, the most consultative in the history of FSC, began in 2009 and included:

- Five indigenous peoples' meetings, in Europe, North and South America, Asia and Africa.
- Two social chamber meetings, in Germany and Peru.
- A meeting of smallholders, in Brazil.
- A meeting of FSC Network Partners, in Colombia.
- A workshop with participants from Certification Bodies, FSC Network Partners and all six FSC sub-chambers, in Germany.
- A workshop with FSC members from all six sub-chambers, in Malaysia.



After the approval of the revised P&C, FSC began working on the complex process of putting them into practice. The first stage of this was the development of the International Generic Indicators (IGIs). These will serve to ensure consistent application of the revised P&C, enable more efficient development of standards at the national and regional levels, and make the FSC system even more robust.

Driven by its core values of democracy and transparency, in June 2012 FSC established an IGI Group, made up of a Working Group and a Technical Expert Group. The Working Group comprises six FSC members, one from each sub-chamber. The Technical Expert Group comprises a representative from each of FSC's six global regions and two Certification Body representatives.

In addition to the technical expertise they bring to this process, IGI Group members serve as liaisons to their sub-chambers, FSC Network Partners and Certification Bodies, allowing for direct participation by all stakeholder groups in the development of the IGIs.

The IGI Group met twice in 2012, establishing a methodology for developing the IGIs and producing a consultation draft of the IGIs. In November 2012, FSC also established the IGI website as an information hub to facilitate wider participation in the IGI development process.



What do the revised P&C look like?

- The wording is clearer, to help avoid varying interpretations in implementation.
- Most of the Principles have been restructured, so that the Criteria are more rationally sequenced, from identification through assessment, precautions, activities, monitoring and feedback.
- Those Criteria that used to address multiple issues have been split into single themes.
- The 'Glossary of Terms' that accompanies the P&C includes a greater number of definitions.
- The former Principle 10, which only referred to plantation management, has now been integrated so that the P&C relate to all kinds of forest management.
- The social aspects of certification have been strengthened, with a stronger emphasis on workers' rights, community issues and the importance of gaining consent from local people before certification.

Putting the P&C into action: Providing guidance on free, prior and informed consent

Obtaining the free, prior and informed consent (FPIC) of indigenous people and local communities before undertaking forestry operations is an important requirement in the revised P&C. FPIC is a key principle of international human rights law, but there are not many documented examples of putting it into practice. FSC is leading the field in providing guidance in this area.

In November 2012, FSC's Social Policy Program published a set of guidelines to explain the way that FPIC should be implemented in certified forests and plantations. They provide a detailed methodology to assist all parties in safeguarding the rights of forest-dependent indigenous people and local communities.





Indigenous people representatives from 11 Central and Latin American countries met in Lima, Peru to elect their regional representatives and approve the role of the PIPC.

Establishing a Permanent Indigenous People's Committee

Indigenous people often face considerable challenges in participating in processes that define the use of their lands, and many also live in areas where forest laws and authorities are ineffective. FSC is striving to support this marginalized group to participate fully in responsible forest management.

In 2011, the FSC General Assembly approved a motion calling for the establishment of a Permanent Indigenous People's Committee (PIPC) to provide advice and support to FSC on indigenous people and certification. To assist in establishing the PIPC, national and regional offices have identified indigenous FSC members and non-member indigenous people involved in forestry or certification.

A series of regional indigenous peoples' meetings are planned as an opportunity to consult with stakeholders on the process. The first two of these were held in 2012. In June, North American indigenous people met in Canada and approved the terms of reference for the PIPC. In August, indigenous people from Central and Latin America met in Peru, where they approved the proposed role of the PIPC and elected regional representatives.



Strengthening the Controlled Wood system with National Risk Assessments

In June 2011, the FSC General Assembly unanimously passed a motion to strengthen the Controlled Wood system, which comprises two main standards. Driven by this mandate from its members, in 2012 FSC began to develop National Risk Assessments (NRAs) under the Company Evaluation of FSC Controlled Wood standard.

The FSC Controlled Wood standards aim to avoid the mixing of wood from 'unacceptable' sources with FSC certified material during the production of FSC Mix products.

The standard for Company Evaluation of FSC Controlled Wood includes a definition of these sources, requirements for evaluating the risk of unacceptable sources entering supply chains and requirements for verifying how the sources are controlled.

A Controlled Wood Working Group was established in 2012, and began developing a revised framework for conducting NRAs to replace company-developed assessments. They also used information collected through a public consultation to refine the list of applicable laws in the Controlled Wood standards.

By the end of 2012, NRAs had been approved in 10 countries, with four more receiving approval in January 2013. In Poland, for example, the NRA was needed to boost supply to overcome shortages resulting from high demand for certified and controlled timber.

An online resource, the Global Forest Registry, has also been made available to provide guidance on risk designations for the five Controlled Wood categories in over 150 countries.



Reviewing the Chain of Custody standard

All FSC policies and standards follow defined cycles of review and revision. In 2012, FSC initiated a review process for the Chain of Custody (CoC) standard, which applies to companies that manufacture, process or trade timber and non-timber forest products. Through this review, FSC will continue to be a credible guarantee to consumers that products sold with a specific FSC certificate code are originating from responsible forests.

The review process is also implementing activities in response to five motions approved at the 2011 General Assembly, which concerned evaluating the risks and benefits of pre-consumer material, communicating transparently about FSC Mix products, improving access to CoC certification for small enterprises, enhancing FSC - retailer collaboration and clarification of the Credit System.

A Technical Working Group was formed in 2012, and met in June and November. The revised standard is being drafted based on products sold with a specific FSC certificate originate from responsible forests.

Preparing for a new Quality Assurance Unit

Setting high standards for quality and ensuring that they are met transparently is central to delivering FSC's mission. Therefore, a new Quality Assurance Unit (QAU) began work in March 2013.

The QAU is intended to improve the quality of the service of FSC certification, ensuring a high standard of service delivery to stakeholders and beneficiaries. One of its focal areas is the definition of new quality measures for core service providers such as Accreditation Services International and FSC Network Partners.

Upholding trademark standards

The FSC trademarks are centrally important to FSC's mission and integrity, guaranteeing to consumers that the products they buy come from responsible sources. Supporting certification bodies, certificate holders and non-certificate holders to use trademarks correctly has been an important focus in 2012, with several significant achievements in information-sharing and training.

Following a review of trademark use, a 'Trademark Quick Guide for Certificate Holders' and a set of Frequently Asked Questions were published. In

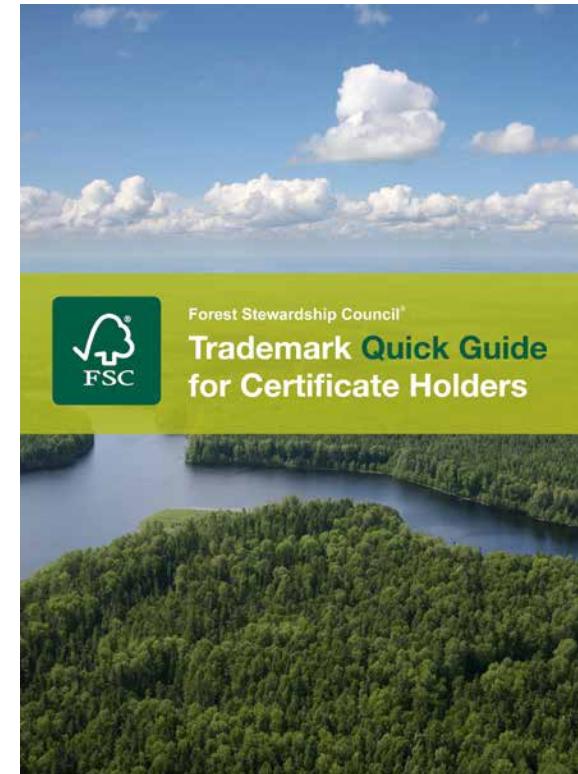
response to requests from around the world, they are now being translated into nine languages.

During 2012, 109 new students passed an online training course in trademark use provided by FSC for the staff of certification bodies, increasing the total number of successful students to 520.

Trademark support for certificate holders also includes the Certificate Holder Portal. This easy-to-use service gives access to trademark requirements, support documents and the Label Generator service, which allows the production of ready-to-use artwork in 45 languages, with Hindi, Afrikaans, Vietnamese and New Norwegian being added in 2012.

As well as assisting certificate holders, FSC network partners also offer a comprehensive, international service for non-certificate holders who want to use FSC trademarks for promotion. By the end of 2012, eight new providers had joined this network of Trademark Service Providers (TSPs), so that it now covers 24 countries in the Asia Pacific, European and American regions. The Trademark Taskforce, an advisory body for FSC consisting of representatives of TSPs, was also re-elected for its next two-year term.

**FSC labels in 45 languages,
109 new students trained in trademark
use and eight new providers joined the
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covering 24 countries around the world.**





Boosting certification: Exploring options for contractor certification

Small, private forest owners often face financial and technical challenges accessing certification. Growing market demand for certified timber has led FSC to seek out new options to support this group, in order to facilitate improvements in supply. These include considering the possibility of contractor certification, which would allow small private forest owners to delegate some forest management tasks to contractors.

During 2012, FSC participated in a project which aimed to define and test procedures that would allow the certification of forest contractors. At the center of the project, implemented in Bulgaria, Denmark, Portugal, Spain and Sweden, was the development of guidelines and tools for sharing certification tasks between forest owners and contractors. Under the procedures tested by the project, forestry contractors would assume more responsibility for demonstrating compliance with standards related to forestry operations.

The project generated checklists which can be used to develop a standard for contractors, and a list of tasks that forest owners can delegate to contractors. It also developed a set of recommendations for future improvements to certification standards for small forest holders.

At the end of the project, FSC produced a discussion paper exploring several options for accommodating contractor certification in the FSC system. The results of the consultation are now being considered and a decision will be taken later in 2013.

Managing forests for carbon sequestration: A strategic partnership with the Gold Standard

Forests have a unique role to play in mitigating climate change because of the capacity of trees and woodland soils to store carbon from the atmosphere. Carbon finance, where companies or individuals offset their greenhouse gas emissions by purchasing carbon allowances, is likely to become an increasingly important source of funding for responsible forest management. FSC is building a strategic new partnership with carbon accounting experts The Gold Standard to explore opportunities for collaboration, paving the way for FSC certified forestry operations to be among the first to seek carbon finance.

The partnership, formed in September 2012, allows The Gold Standard to build on FSC's P&C for responsible forest management, at the same time as enabling FSC to use The Gold Standard's robust approach to carbon accounting and benefit-sharing.

For the next year, the two organizations will analyze the challenges and opportunities of an aligned approach to certifying forest carbon projects, as well as looking at the how the two certification schemes fit in with the broader field of ecosystem services marketing.

Sharpening our efforts to support smallholders

When FSC laid out its Social Strategy in 2002, the stage was set for a decade of growth and innovation in support for small, community and indigenous forest producers. In 2012, through its Smallholder Support and Social Policy Programs, FSC continued to build on the experiences and lessons learned during the previous ten years. Both programs strive to increase the many benefits of certification for smallholders, at the same time as increasing supply from these producers.

One of the main tenets of the 2002 Social Strategy was to promote socially beneficial forest management by understanding and responding to the needs of smallholders in the FSC system. In 2004, policies for Small and Low-Intensity Managed Forests (SLIMFs) were defined, highlighting smallholders as a distinct client for FSC certification. Smallholders, especially in groups, have benefited from streamlined audit procedures ever since.

These years of consistent effort created a foundation of support to smallholders. Building on this, the 2011 General Assembly passed Motion 28, which asked for incentives for obtaining and certification for communities and SLIMF operations, fueling an exciting period of activity and innovation in smallholder support. This fueled an exciting year of activity and innovation in smallholder support.





Some of the highlights include:

- The Asian Rural Institute in Japan became the first client to install FSC and Fairtrade labeled flooring, part of its efforts to rebuild after the earthquake of 2011. The flooring was produced by SSC Wood Technologies and manufactured and distributed by Kährs, a Swedish flooring manufacturer. This was the culmination of two years of work on the Dual-labeling Pilot Project, and provided a price premium to small forest owners in the Curacautin region of Chile.
- The launch of the Regional Portfolios Project, which created a step-by-step guide to certification for smallholders, delivered predominantly through illustrations and available in six languages. The project also supports the adaptation, translation and distribution of the guide at the local level.
- FSC designed a strategy to distinguish smallholders in the marketplace by using their stories to drive demand and better market access for small and community producers. As well as introducing the Small and Community Labeling Option, which indicates that products are from 'the well-managed forests of small and community producers,' the strategy includes an online marketing toolkit that helps retailers tell smallholders' stories when promoting the products in-store and online.
- The Train the Trainers Program was launched to deliver training on business planning, certification and value chain analysis to smallholders through the FSC network. The first training was held in the Solomon Islands in October 2012. As well as smallholders, it included local forest managers, government officials and supply chain actors. Not only did it help the communities to achieve Forest Management and Chain of Custody certification the following month, it also led to greater government awareness of the benefits of FSC certification.

Supporting compliance with laws against use of illegally harvested timber

Compliance with national laws is the first step towards responsible forest management, and is one of the fundamental principles of FSC's certification system. But in many countries, enforcement of laws banning the use of illegally harvested timber is very weak. So FSC has welcomed recent timber legality laws in the USA, EU and Australia as a way to help enforce existing legislation in timber-producing countries. While this legislation does not guarantee environmentally and socially responsible forest management practices, its enforcement will certainly be a step forward.

Preparing for the EU Timber Regulation (EUTR), scheduled to come into force in March 2013, was a particularly important focus 2012. The EUTR includes specific requirements that companies have to fulfill. Any 'operator' putting timber or timber products onto the EU market must ensure that these have been legally produced. Operators are obliged to use a Due Diligence System (DDS) consisting of three elements – information, risk assessment and risk mitigation – to minimize the risk of putting illegal products on the market.

Although holding an FSC certificate is not yet recognized as an automatic guarantee of compliance with the EUTR, the requirements of our certification scheme can provide key contributions to the risk assessment and risk mitigation requirements of the DDS. Furthermore, FSC has supported certificate holders by adapting specific requirements to help them comply with the EUTR; compliance with the US and Australian Acts were complementary objectives.

This adaptation process started in 2012 and was carried out cooperatively and in consultation with key partners and experts. The changes made give responsible foresters, producers and traders an attractive alternative to simply complying with legality requirements, and an incentive for shifting to FSC certified production and products.

Work on clarifying compliance with the EUTR will also assist Australian certificate holders. The Australian Illegal Logging Prohibition Act, which came into force on 30 November 2012, does not yet have clearly defined due diligence systems, which will emerge only after the Australian government has undertaken stakeholder consultation. FSC is optimistic that the Australian authorities will view the FSC certification system as providing sufficient evidence of legality.



Key activities in this area include:

- Advisory work in different regions to clarify the relationship between FSC certification systems and timber regulations for certificate holders and other stakeholders committed to responsible forestry (for example, the FSC Poland Conference discussed on p. 53).
- Production of Fact Sheets and Frequently Asked Questions and Answers to clarify the EUTR.
- Publication of Advice Notes to assist in compliance with timber legality legislation. One focused on cooperation between Certificate Holders to collect upstream information needed as a basis for a DDS, and two others aimed at preventing the existence of components of unknown origin in FSC certified materials where this is necessary to comply with timber legality legislation.
- Consultation to collect stakeholder feedback on all three Advice Notes in order to develop a clear and consistent list of all applicable legislation for forest management and controlled wood certification.



Linking commitment with the FSC Network

As well as having a democratic governance structure, FSC also has a network of associated national and regional partners around the world. This creates opportunities for stakeholder engagement throughout the organization, and for local voices to help shape the national and regional strategies and standards that promote responsible forestry.



Members of the FSC National Network which includes Regional Directors and National Partners met in Bonn, Germany to align their strategies and working plans.

Regional Offices go from strength to strength

FSC's regional presence has been strengthened over the last few years with the establishment of Regional Offices which are increasingly forming a vital link in the organizational chain. By representing FSC and ensuring that National Offices are adequately supported, Regional Offices reinforce effective partnerships between stakeholders and encourage FSC's engagement in countries which do not yet have a Network Partner.

The Asia Pacific Office in Hong Kong is now well-established, and in 2012 it continued its work supporting engagement with key stakeholders in the private sector, government and civil society to create demand for the products of responsible forest management. In June, for example, it supported the Jakarta Business Encounter, organized by the Borneo Initiative, which brought together more than 200 people representing local timber producers, national processing industries and overseas buyers. Raising FSC's profile in Indonesia is particularly important as it is a place where products from deforestation and illegal logging continue to enter global supply chains. By the end of 2012, over 1.5 million hectares of forest had been certified in Indonesia, and the groundwork had been laid for the development of a national standard in 2013.

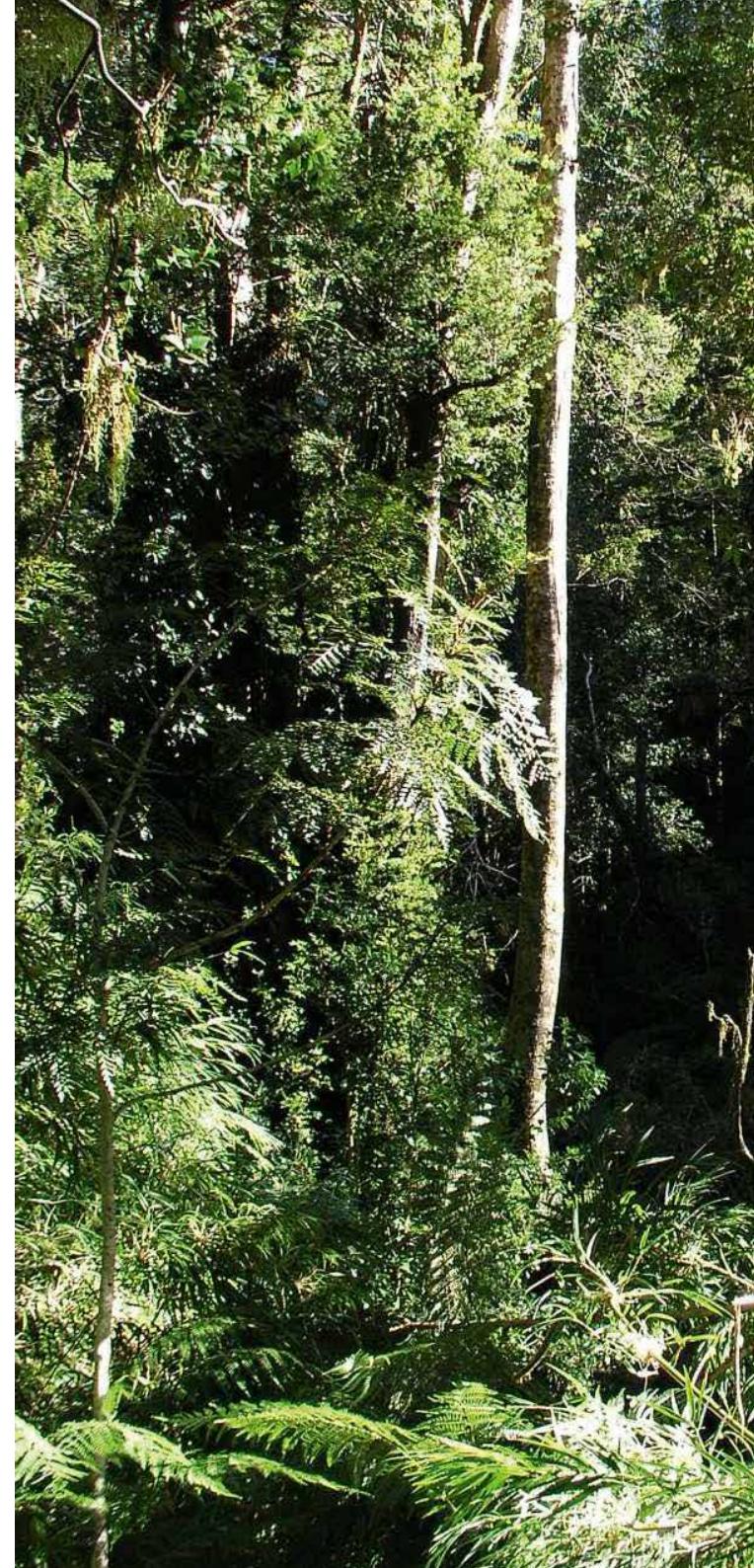
The Latin American Office in Peru focused its 2012 activities on developing a coherent regional strategy based on a series of consultations with the 11 national representatives in the region. The resulting strategy concentrates on improving relationships with market stakeholders and increasing the visibility of the FSC logo, particularly in the green building and printing sectors. It also supports the potential of developing community forestry in Central America.

Africa remains a region of enormous potential for forest certification. To reflect this, FSC is in the process of installing not only a regional office in South Africa, but two sub-regional offices in the Congo Basin and East Africa. The year saw two key stakeholder meetings. The first, held in South Africa in June, was attended by 90 stakeholders from different parts of the forest value chain. It gave participants the opportunity to interact directly with international representatives of FSC, and gave FSC the opportunity to learn about how to build stronger awareness in the region. The second, held in Uganda in September, saw FSC staff and directors meeting with African stakeholders and members of the Standards Development Group (SDG). It culminated with the award of a grant to the SDG to implement the revised P&C.

The European Regional Office was officially established in October in Brussels. FSC has had a long and successful history in the region, where 39 percent of total land area is forested. It has issued certificates in 35 of Europe's 41 countries and certified an area of 33 million hectares, equivalent

to 17 percent of the region's forest area. As well as identifying strategic future activities in collaboration with several National Offices, the Regional Office has already begun developing smallholder certification, a major priority given that 59 percent of Europe's forests are owned by small private landowners.

In contrast with the European region, all forests in the Commonwealth of Independent States (CIS) are government property. The work of the CIS Regional Office has therefore focused on engaging with governments about acceptance of forest certification and harmonization of national forest regulations and FSC requirements. The EUTR and export of forest products to the EU were also high on the agenda. Significant attention was given to the development of FSC forest management certification in Russia, Ukraine and Belarus, resulting in significant increases in the area of certified forests. Rates of CoC certification also grew rapidly in these three countries, increasing by 30 percent, and the first CoC certificate was issued in Kazakhstan. The Regional Office also worked closely with FSC business partners Tetra Pak, Mondi and IKEA on planning a region-wide FSC marketing campaign to take advantage of the growing trend of 'green' markets.





Approving Regional and National Standards

Thirteen FSC National Standards were approved in 2012, in Cameroon, Central African Republic, Republic of Congo, Gabon, Democratic Republic of Congo, Portugal, Germany, Ghana, Ireland, Kosovo, Russia, Spain and the UK. This outstanding annual total is higher than ever before.

National Standards, developed through consultative and representative processes, are based on the international P&C and adapted to national conditions by adding country-specific indicators and guidance.

National Standards Development Groups (NSDGs) draw their members equally from all three chambers. They develop nationally-appropriate standards which are field tested and voted on by national FSC members before being passed to FSC International Center (IC) for approval. Achieving consensus can sometimes lead to lengthy and difficult negotiations, but carrying these through to their conclusion demonstrates FSC's strong commitment to including the views of stakeholders at all levels.

Sometimes, the development of a Regional Standard precedes and shapes the development of a National Standard. This was the case in the Congo Basin, which contains the largest continuous humid tropical forest in the world outside the Amazon. The Regional Standard aimed to improve consistency and transparency in certification decisions between different Certification Bodies in the region and to enhance the credibility of the FSC certification scheme. It has subsequently been adapted at the national level for the Basin's different countries.

All National and Regional Standards approved in 2012 will be reviewed and transferred into the revised P&C.

FSC standards in practice: The growth and impact of certification

Forest Management and Chain of Custody certification are helping to save the world's forests and improve the conditions of people whose lives and livelihoods depend on them.

For nearly 20 years, FSC decision-makers, governments, non-governmental organizations (NGOs), private-sector leaders, think-tanks and individuals have seen FSC as a game changer, through which they can join the effort to improve the world's forests.

For example, data shows an encouraging pattern in the growth of certification between 2008 and 2012: from biodiversity conservation in the US, through improved access to forest management financing in Guatemala, to a revival in the traditional furniture industry in Italy.

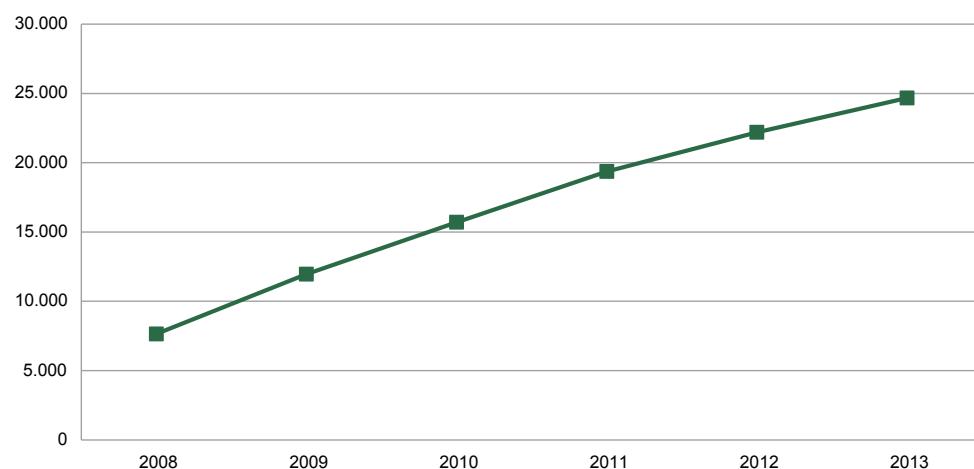
Asia Pacific region drives global growth of FSC supply chain

The area of FSC certified forest in the Asia Pacific region grew by 30 percent in 2012, and the number of Chain of Custody certificates grew by 20 percent. This impressive expansion in supply of FSC certified materials, closely connected to growing demand in the North American market, makes the region a principal driver in the global growth of the FSC supply chain.

The Asia Pacific region contains diverse forest types, including some of the world's most endangered forests. By the end of 2012, over nine million hectares of forest were certified in 16 different countries. As the market for certified products continues to grow, FSC is leading the way towards positive changes in forestry practices.

China has the largest FSC market share in Asia Pacific, and FSC has dedicated staff based in Beijing. Throughout 2012, an average of two new certificates were issued in China every day, and the country had more than 2,400 Chain of Custody certificates by the end of the year. Chinese demand for FSC certified materials continues to grow, both for export and for an increasingly important domestic market, and major Chinese brands are beginning to use FSC labels on the end products they sell to consumers.

→ Growth of FSC Chain of Custody Certification from 2008-2013



Protecting a unique cornerstone of American biodiversity in the Southeastern US

More than 40 percent of FSC certified forests in the world are in North America, which is also home to some of the largest FSC certified companies in the world. With so much of the FSC marketplace tied to the continent, it is heartening to report that FSC saw excellent growth across the whole region in 2012. Nowhere was this growth more significant than in the rich and varied forests of the Southeastern US, which are among the most biologically diverse in the North American region and the most economically productive in the world.

Forest ecosystems in the Southeastern US range from hardwood forests in the highlands through the vast southern pine belt to coastal and wetland forests. They are home to more than 3,000 species of plants, 504 birds, 158 mammals and 187 reptiles, making them a cornerstone of regional biodiversity.

Southeastern forests face challenges that include deforestation and conversion to short-rotation pine plantations. A unique combination of high conservation values, forest productivity and largely private ownership means FSC certification has high potential rewards. But until recently, many landowners had not engaged with FSC.

2012 was the year this began to change, starting when nearly 200,000 hectares owned by the Westervelt Company gained FSC certification. Westervelt is a long-established company and a visible leader for responsible forest management.

“ Seeking internationally recognized certification for our forests and wood products validates our commitment to best management practices as we seek to fulfill our land stewardship mission.”

Jim King, Vice President of Natural Resources at Westervelt Company.

Change also began to reach family forest owners, with 16 group forest management certificates created in 2012, covering 281,000 hectares. In late 2012, paper company Domtar announced a new group certificate with 55 landowners to supply fiber to its Ashdown Mill in Arkansas – the result of two years of work. This new group is part of Domtar's broader long-term strategy to procure all of its fiber from FSC certified sources.

Thanks to these and other successes, FSC certification is increasingly seen to reward landowners for keeping the Southeast's forests as forests, and managing them for a broad suite of environmental and social values.



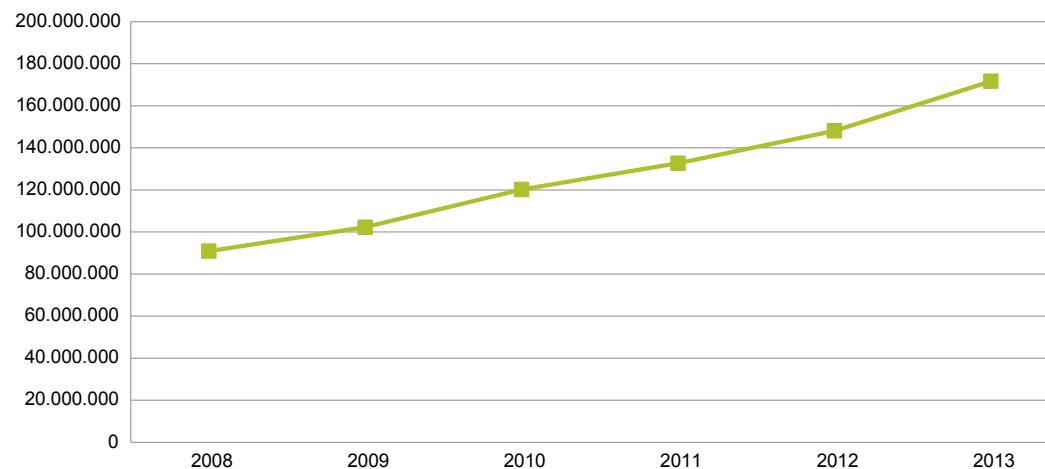


Area of certified forests in Canada passes 50 million hectares

In September 2012, FSC Canada was delighted to report that over 50 million hectares of Canada's forests had achieved FSC certification. Certified forest area grew by more than 13 percent in 2012, to more than 50 million hectares – an area the size of Spain. This expansion has made a major contribution to consolidating FSC's position as the fastest-growing certification system in the world.

The rapid growth, which represents an increase of 175 percent in the past five years, is anticipated to continue, with an additional 12 million hectares in the process of becoming certified. The core driver of this growth is a shared commitment among landowners, manufacturers, retailers and consumers to conserve forest ecosystems and safeguard the rights of first nations and local communities.

→ Growth of FSC certified area from 2008-2013



Government backing for certification of state-owned forests in Germany

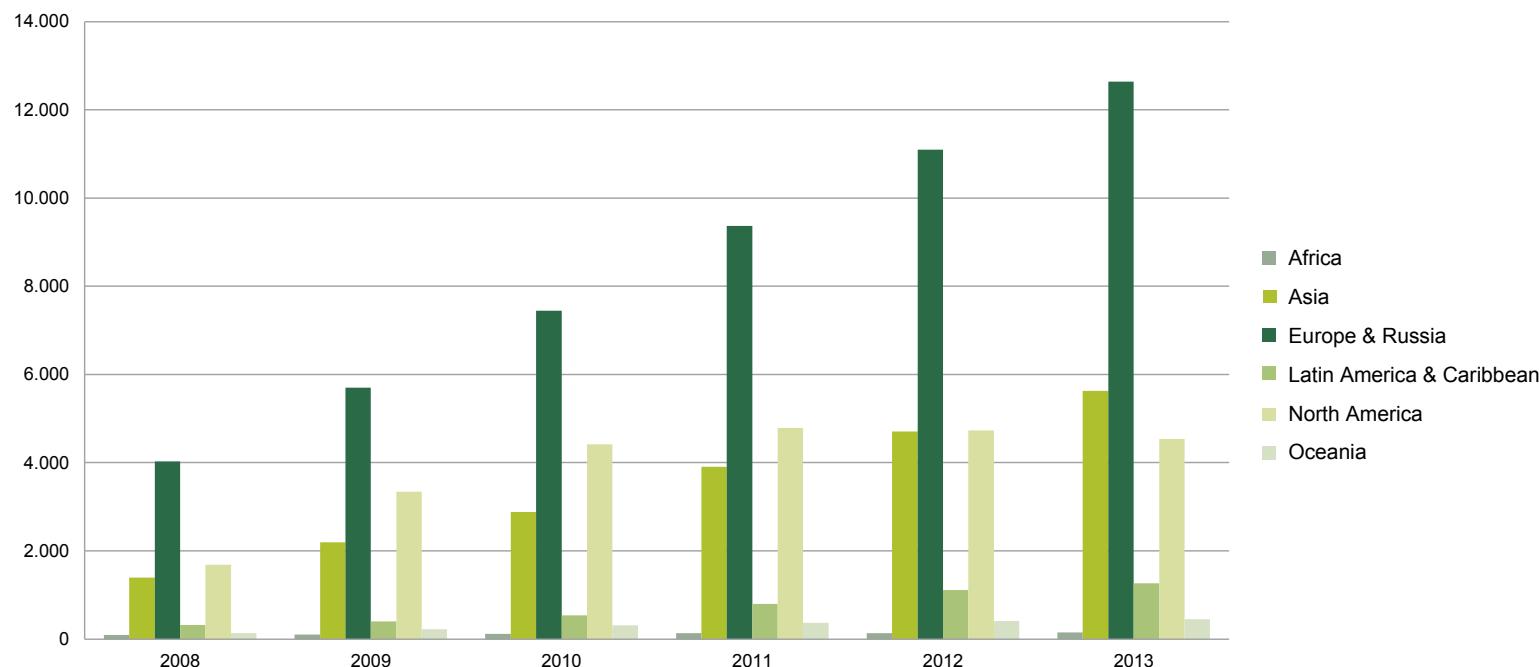
Changes in the German political landscape during 2011 showed again how governments can be a powerful force for responsible forest management. The electoral success of the Green Party in two states, Baden-Württemberg and Rhineland-Palatinate, triggered a decision to seek FSC certification for state-owned Federal forests in those areas.

This decision will expand the area of FSC certified forest in Germany by about 590,000 hectares, which is likely to rise to 1 million hectares, or ten percent of German forests, by 2014. The Baden-Württemberg forest agency is already under certification and held its first stakeholder meeting in July 2012. In Rhineland-Palatinate, the first 12 of a total of 45 forestry districts

achieved group certification in December 2012, and the remaining districts will follow over the next two years.

These changes are a welcome reflection that the focus of political decision-makers is broadening to include ecological and social issues alongside conventional economic concerns.

→ Regional increase of CoC certificate holders 2008–2013





FSC certification helps revitalize traditional Italian wood industry

The Italian Chair District (ICD) is a productive cluster in the Friuli Venezia Giulia region, and has been a center of furniture manufacture for more than 100 years. Foreign competition and industrial furniture production have led to a decline in the traditional production of wooden chairs. But in 2012, 33 companies gained a multi-site FSC certification, signaling a positive change in the fortunes of this wood processing and manufacturing district by opening a potential new niche market for its products.

As well as gaining FSC certification, the ICD companies demonstrated their strong commitment to the responsible use of wood by joining the [Green District Project](#), which aims to develop more responsible production in the furniture supply chain.

To further strengthen support for responsible forest management and cement the relationship between FSC and the ICD, the legal company behind the ICD, ASDI Sedia, became a member of FSC International in 2012.



FSC certification in Sweden contributes to positive social and environmental outcomes

A recent study has shown that biodiversity conservation and improved dialogue between forest owners and indigenous people are two of the positive outcomes of managing forests to FSC standards in Sweden.

The study, carried out by FSC Sweden, compared forests managed according to the FSC National Standard and areas managed under Swedish national forestry laws. It focused on the impact of voluntary set-asides, tree retention after harvest, and restoration measures such as prescribed burning and created high stumps. These measures all have a positive impact on different aspects of biodiversity, particularly for insects whose life cycles rely on fire or sun-exposed dead wood, and for species of fungi and insects preferring late-succession forest.

The social aspects of the FSC National Standard have also contributed to a more comfortable coexistence between forestry and reindeer herding, an important livelihood strategy for the indigenous Sami people of northern Sweden.

Although there is still a long way to go, reindeer herders appreciated improved consultation about winter grazing areas and the inclusion of fertilization and soil scarification practices in their dialogue with forest owners.

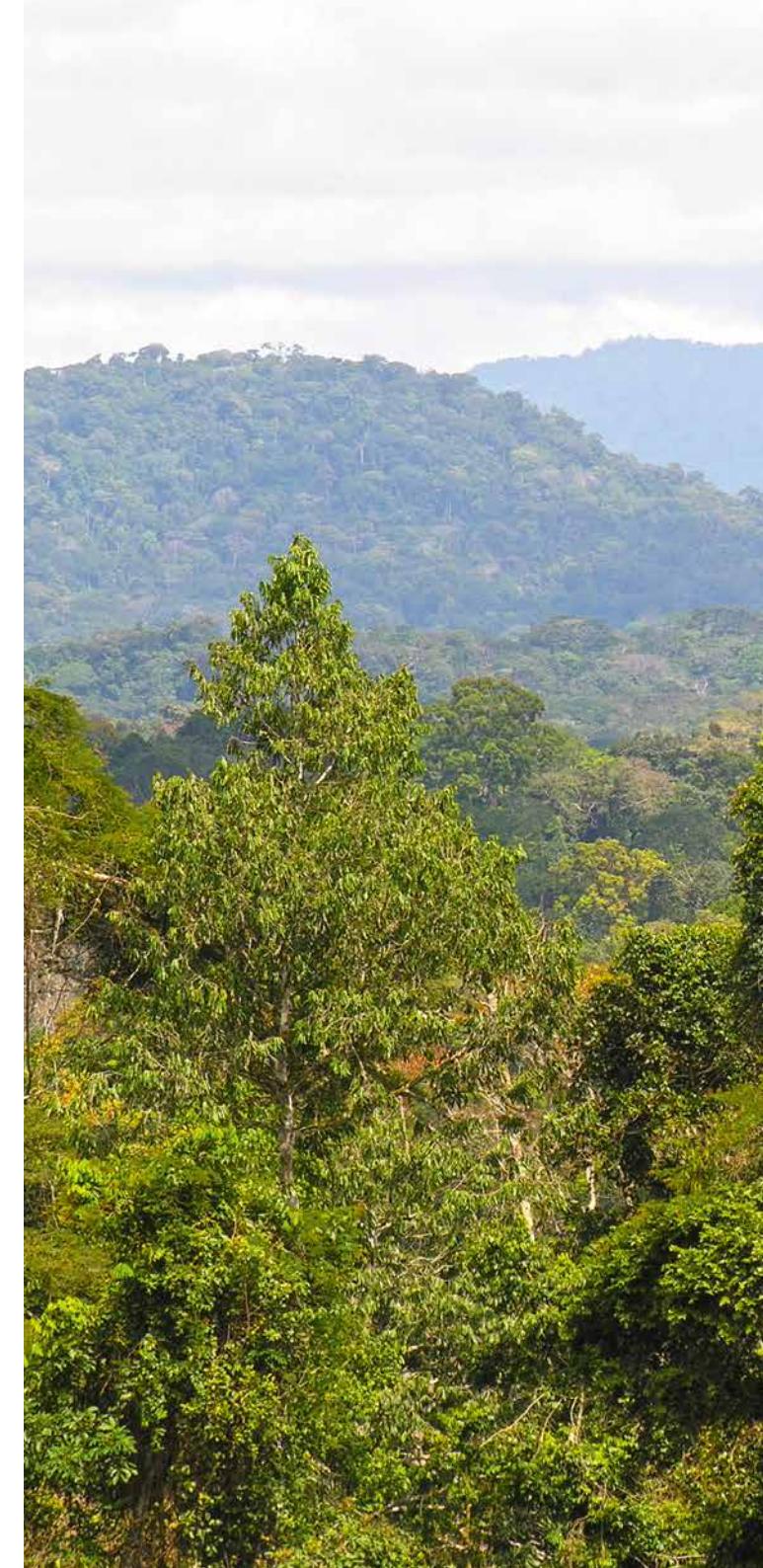
Responsible forestry financed by credit from private bank in Guatemala

Responsible forest management is rarely financed by private banks. But in 2012, Guatemala's Banco de Occidente granted a loan to five FSC certified community concessions in the Maya Biosphere Reserve (MBR). Certification was one of the key factors in the successful negotiation of this important new source of finance.

During 2012, five forest concessionaries, including one community association, sought and were granted a loan of USD 800,000 from the Banco de Occidente. The credibility conferred by FSC certification was an important aspect of this success. The finance will be invested in forest management activities and will improve market access for forest products.

Later in the year, the Banco de Occidente was recognized for its commitment to innovation and sustainability with a Planet Banking Award from the Inter-American Development Bank.

The MBR was created by the government of Guatemala in 1990 to preserve forest resources for future generations. In some areas of the reserve, concessions are granted for sustainable, low-impact extraction of forest resources. The government requires new forest concessions to become FSC certified within three years.





The first FSC certified community concession in the MBR was granted in 1998, and since then concessions have played an important role in improving responsible management practices for natural forests. The Rainforest Alliance's Training, Extension, Enterprises and Sourcing Program is currently working to build links between FSC certified operations in the MBR and buyers of FSC certified timber¹.

¹ Hughell, D. and Butterfield, R. (2008) Impact of FSC Certification on Deforestation and Incidence of Wildfires in the Maya Biosphere Reserve, New York: Rainforest Alliance. Also available at http://www.rainforest-alliance.org/forestry/documents/peten_study.pdf

Catalyzing markets: Driving demand for FSC certified products

FSC has led the trend in changing the way people do business.
More than 26,000 Chain of Custody certificates are helping
businesses to access environmentally and socially aware markets.

A greater variety of FSC certified products is reaching the marketplace than ever before, and the recognition of the FSC label and logo among consumers has been rising steadily. FSC's market development has been strengthened by campaigns, events, research and competitions as well as building new alliances and corporate partnerships. FSC strives to contribute to the economic success of companies and key partners.



Recognition of FSC logo grows in many countries

Consumer awareness is a critical success factor for FSC. When consumers recognize and express a preference for FSC, it is an important pull factor for companies to adopt certification. Surveys on public recognition of the FSC logo were carried out during 2012 in various countries, with several showing encouraging findings.

- In the UK, **33 percent** of those surveyed had knowingly bought FSC certified products.
- In the Netherlands, **24 percent** of respondents named FSC without prompting when asked if they knew a trademark related to wood.
- In Hong Kong, **29 percent** of respondents recognized the FSC label, compared to 11 percent in 2008 and 16 percent in 2010.
- In Denmark, **35 percent** of respondents recognized the FSC label, compared to 12 percent in 2008 and 28 percent in 2009.

“

FSC is a fantastic logo. It says we are doing a good job and it's supported by a comprehensive public FSC audit summary document for those who want to know more. FSC is well-recognized all over the world and has strong endorsement by many environmental groups. Our customers know what it means and consumers are increasingly becoming aware, so we don't have to explain it.”

Brett Gilmore, Environmental and Technical Advisor of Pan Pac Forest Products Limited, New Zealand



Learning from certificate holders: A promising outlook for the future

Listening to its stakeholders helps FSC improve its systems and better understand future trends. In 2012, for the third consecutive year, FSC contacted all its certificate holders to ask them their opinions and thoughts about their own activities, the markets they operate in and FSC itself.

The 2012 Global Market Survey² found that 98 percent of respondents were planning to renew or keep their certification.

In total, 18.5 percent of all FSC certificate holders responded to the survey, the majority of whom hold CoC certificates. Respondents were based in 94 different countries, and more than a third of them came from the global South.

The findings indicate a generally positive picture of both supply of and demand for FSC certified material. The majority of respondents found that supply of certified material had either increased or remained stable since 2010; only one in ten of them reported difficulties in finding adequate supply. They also reported that demand has increased in the global South over the past three years.

Companies that had recently decided to get FSC certification named economic advantages and better prices, as well as improved market access and client demands, as their main rationale. Maintaining and increasing their client base and commitment

to responsible forestry were the most important reasons given for continuing certification.

There is also evidence of a trend of increased environmental and social consciousness among corporations, who see FSC certification as an important tool for ensuring that supply chains comply with their sustainability policies. Furthermore, ethical consumption has proven to be resilient in the face of the economic downturn, and more and more companies are looking to certification to add value to their products or indicate the success of their sustainability strategies.

Building up the construction sector

The construction sector is a major user of FSC certified timber. Across the world in 2012, FSC was involved in diverse activities to promote certified products in the construction sector and build on the momentum of previous years. Examples from the USA, Brazil and Denmark illustrate the range of FSC's work in this sector.

Green building is booming in the USA. The US Green Building Council's Leadership in Energy and Environmental Design (LEED) program is a major initiative in certifying environmentally-friendly construction practices. FSC certified wood was the most frequently required building product among 60,000 of LEED's projects, and the program has triggered the certification of more than 40 million hectares of forests in the USA and Canada. LEED was under revision in 2012, and FSC US kept up pressure to maintain a strong preference for FSC certified products in the new program.



² FSC Global Market Survey 2012, available at www.fsc.org



FSC US is also committed to providing quality education and service to the green building community. It had a high-profile presence at Greenbuild 2012, running a popular booth on the Expo floor and hosting the 8th Annual Design and Build Awards reception. The winners, chosen to illustrate diverse options for and benefits from using wood from responsibly managed forests, ranged from the first heavy timber commercial building built in Seattle since the 1920s to wood tables manufactured for telecommunications products.

Similar motivations were behind the launch of **FSC Denmark's 'Building with FSC' campaign**. Using real-life examples of building projects that relied on certified materials, the campaign aimed to demonstrate to Danish contractors that building with certified materials is feasible and that supply is adequate for substantial construction initiatives. Photos of each project were embellished with information about the amounts and species of wood used, statements from project coordinators, advice for buyers and contractors, and contact details for FSC suppliers.

Research on supply of and demand for FSC certified wood has enabled **FSC Brazil** to plan more effective interventions to strengthen the entire value chain. Findings include a gap between supply and demand due to lack of dialogue between different market participants, lack of awareness of certified wood, misunderstandings about the higher cost of certified wood, and skepticism about public policies towards forest management.

In order to overcome these challenges, FSC Brazil has developed a marketing strategy to promote certified wood in the civil construction industry. The strategy will be implemented in partnership with numerous organizations united by a common mission to encourage the use of responsibly produced wood.

Growing success in the pulp, paper and printing sectors

FSC is a leading player in the paper sector. According to the 2012 FSC Market Survey, paper is the most frequently bought and sold FSC certified product, traded mainly by companies in Europe and Asia. Pulp and paper producers, paper merchants and printers are key actors in the supply chains of many certified products. 2012 saw FSC maintain its strikingly high visibility in this sector.

The fifth **FSC Global Paper Forum**, 'Writing the Future' was held in **Düsseldorf, Germany** in May, as part of the Drupa 2012 trade fair. Presentations at the Forum emphasized the importance of credible wood sourcing and the value of global forests for both the paper and pulp sector and consumers worldwide. A representative of the National Union of Swedish Sami People gave delegates a fascinating insight into the opportunities that FSC certification brings for this indigenous group, and challenges for the future. The keynote speech by a representative of the International Social and Environmental Accreditation and Labelling Alliance emphasized the increasing role played by certification standards in the development of sustainable practices.

Also in May, FSC International, FSC Canada and FSC US co-hosted a forum at **International Pulp Week** in **Vancouver, Canada**. Attended by businesses, certification bodies and other stakeholders, the forum held discussions on such topics as the IGI process and NRAs for controlled wood. FSC delegates presented on strategic directions, and case studies of smallholder engagement stimulated discussion on how supplies from this source could be increased.

FSC's growing reputation in the paper sector was reflected when the Hongkong and Shanghai Hotels Group, parent company of the Peninsula Hotel chain in Asia and North America, introduced a new policy prescribing FSC as its preferred paper procurement standard, with the goal that all paper products will come from certified sources by 2017.

In another high-profile commitment, the Walt Disney Company's new Paper Sourcing and Use Policy is maximizing "fiber sourced from FSC-certified operations." This policy will ultimately extend to 25,000 independent Disney licensees.

" At HP we have a long history of commitment to environmental stewardship. We give preference to certification programs that provide the most robust ecological and social criteria and integrate Controlled Wood standards within Chain of Custody certification, or otherwise provide assurance of the protection of High Conservation Value forests. We strongly encourage our paper suppliers to pursue FSC certification and are on track to meet our goal of having 50 percent of HP-branded paper FSC certified and/or containing at least 30 percent post-consumer waste by the end of 2015, an increase from less than three percent in 2008."

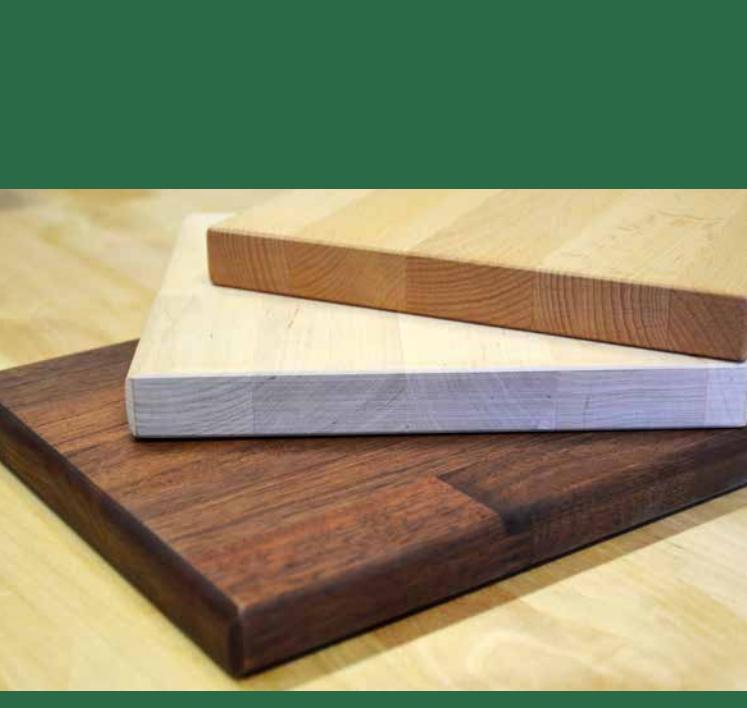
Ellen Chappel, Program Manager,
Hewlett-Packard

Getting closer to consumers: Engaging the retail sector

The retail sector, the part of the supply chain most visible to consumers, is an important target for FSC activities. As consumers seek, select and purchase FSC certified products, they create the incentive that businesses need to gain certification and support responsible forest management. Examples from the Netherlands, Russia and USA illustrate how FSC national offices worked to build new partnerships to raise FSC's profile in the retail sector in 2012. A number of new FSC certified products now available in different countries illustrate the global spread of the brand in the retail sector.

FSC Netherlands, in collaboration with the Worldwide Fund for Nature (WWF), has signed agreements with several major companies in the DIY and garden center sector to phase out procurement of uncertified timber and timber products. A ground-breaking element of this agreement is regular and detailed monitoring of actual procurement, with retailers' reports of their procurement of timber and timber products being audited by PricewaterhouseCoopers. To build on this agreement, FSC Netherlands is planning a consumer campaign with partner retailers for the start of the gardening season in 2013. Similar agreements have been signed with timber traders and building companies.





FSC Russia has focused on timber products in flooring and furniture stores. It carried out a survey to identify products manufactured from rare tree species and find out whether stores check the legality of materials or ask their suppliers for forest management certificates. The survey revealed that 38 percent of respondents were aware of the problem of illegal logging, but that there was a lack of information about the species of wood being sold.

FSC US formed an exciting partnership with the Green Sports Alliance, a new organization working to make professional sports more environmentally-friendly. With stadiums and sports teams across the USA and Canada participating, the new partnership offers huge potential to reach millions of people and drive awareness of and demand for FSC certified products.

A number of large companies have increased the proportion of FSC labeled materials they use. Major beverage carton companies TetraPak, Elopak and SIG Combibloc purchased 85 percent of their wood fiber from certified or Controlled Wood sources in 2012, an increase on the 2010 figure of 78 percent. In the USA, key corporate partners Kimberly-Clark, Domtar and Office Depot made significant commitments to increase the quantity of FSC-certified wood and fiber they use.



New products and packaging carrying the FSC label introduced onto the retail market in 2012 include:

- Pillows and mattresses manufactured from natural latex foam by Pica de Hule Natural SA in Guatemala.
- Fruit juice packaging made with FSC certified material introduced by TetraPak in Peru.
- 550 million cardboard boxes for packaging dairy products used by FrieslandCampina in the Netherlands.
- Face mask products including cellulose fiber made from FSC certified wood by Kose Cosmeport in Japan.

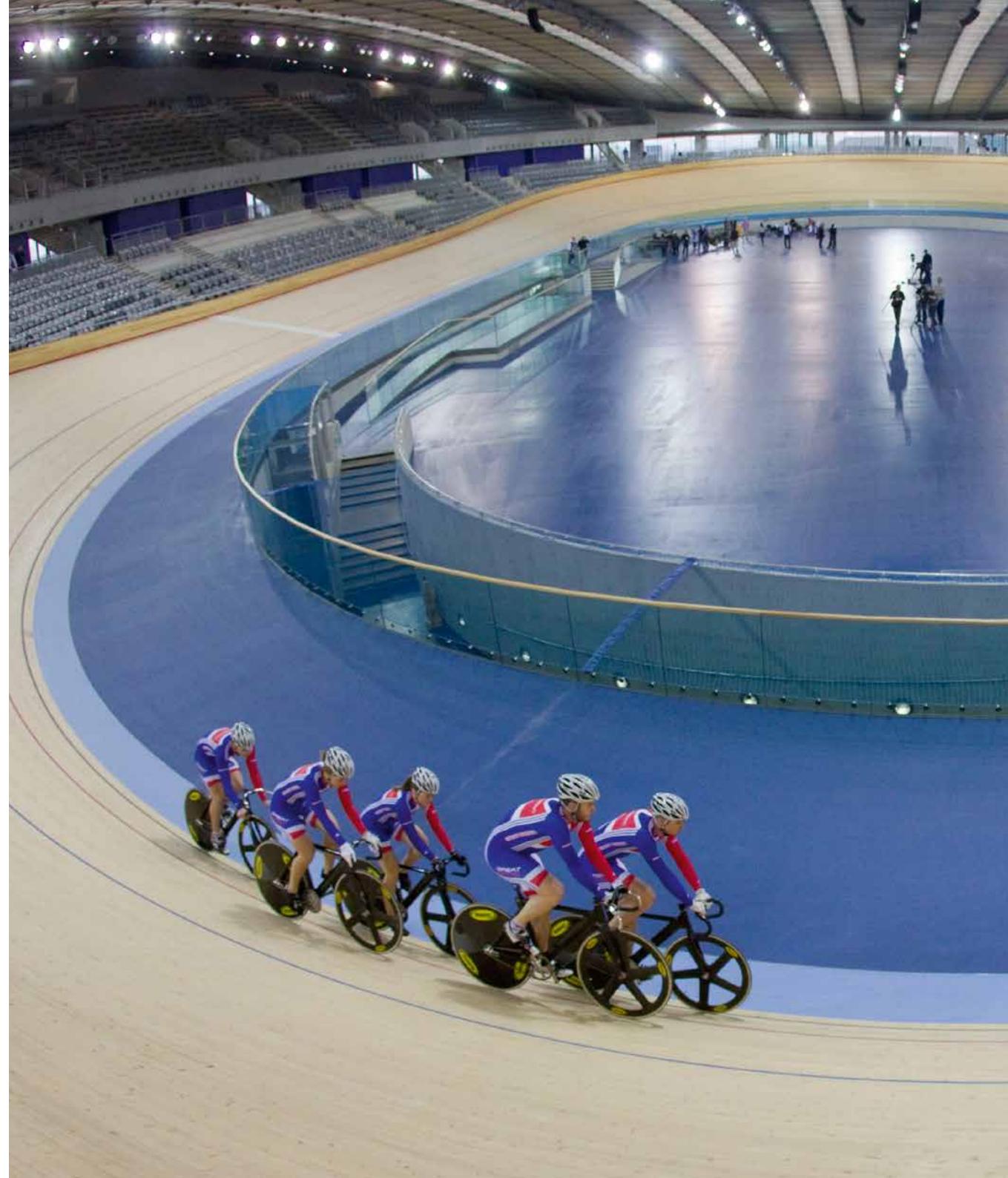
FSC success at the London Olympics

FSC can claim many notable successes over the past two decades. High amongst these ranks the achievement of certifying two-thirds of the timber used in the London 2012 Olympic Park. FSC certified material provided the roof of the Aquatic Centre and the track in the Velodrome, while the FSC logo appeared on all the Park's programs and tickets.

The organizers of London 2012 made a public commitment to sustainability, including a political drive to ensure that all materials should conform to the highest sustainability codes. This set favorable conditions for the use of certified timber.

From the design stage, FSC promoted the maximum use of timber in the London Park, lobbying successfully against arguments that timber was more risky than other materials, and that there was not enough timber to meet the needs of such a vast project. Once reassured on both these counts, architects designed using timber as freely as other materials, and 12,500 m³ of certified timber was eventually commissioned.

A rigorous procurement system was operated from the start. Following a comprehensive assessment process, just a handful of companies who committed to provide only certified timber were allowed to become suppliers. The paperwork for all materials was checked as they passed through the high-security perimeter of the Park, with their destinations and use noted on a database.



Even though construction on the Park was proceeding apace, FSC decided to endorse an audit of all timber management systems, right back to the approved suppliers. It successfully convinced the UK Government of the value of such an audit in publicity terms.

Although the audit took the best part of a year, its results were accepted by all actors in the project, a particularly creditable result for FSC.



FSC Japan launches marketing support campaign

In September 2012, FSC Japan launched a two-year campaign to support the marketing efforts of the country's 1,200 certificate holders. This was particularly welcome in the wake of the disasters which struck Japan during 2011.

One of the key initiatives of the campaign was the identification of two FSC Ambassadors. Miho Takagi, an actress and farmer, and Sakana-kun, a popular marine biologist and TV presenter, will help increase public recognition of FSC. They attended a press briefing for the launch of the campaign, as well as speaking on the radio and appearing in newspaper columns, and will contribute to FSC events throughout the campaign.

The first major event of the campaign was an FSC Forest Summit held in collaboration with the municipality of Hamamatsu, a city famed for its musical instruments. 1,200 visitors joined certificate holders from all over the region and the FSC Ambassadors in learning about forest management practice. On the final day, the Mayor of Hamamatsu adopted a 'Summit Declaration' which included a commitment to procure as much FSC certified material as possible.

FSC Japan Ambassador, Sakana-kun at the launch of the marketing campaign in September 2012 aiming to increase public recognition of the FSC logo. Sakana-kun is a Tokyo University of Marine Science and Technology Visiting Associate Professor and also a WWF ambassador.
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Connecting stakeholders to develop markets: First Southeast Regional Meeting held in Atlanta, Georgia

The diverse forests of the Southeastern USA comprise 2 percent of the world's total forest area, yet yield 18 percent of global pulpwood and produce more timber than any other entire country in the world. Some of the region's landowners are starting to engage with FSC (see p. 40), and FSC US is working hard to develop markets for the products of this dynamic region.

In 2012 FSC US organized the first annual FSC Southeast Regional Meeting in Atlanta, Georgia, hosted at the world headquarters of The Home Depot. Designed to connect stakeholders around the regional marketplace, the event was interactive and gave people a chance to ask questions and learn how FSC certification can help them achieve economic, environmental and social objectives.

With more than 150 participants, the meeting heard from representatives of companies such as Office Depot, Anderson Hardwood Floors, Hewlett-Packard, Kimberly-Clark and Columbia Forest Products.

'Change our Fiberboards' campaign initiated

FSC launched a new campaign in 2012 to encourage forest owners and fiberboard manufacturers to include more FSC certified fiberboard in their product ranges. 'Change Our Fiberboards' is collecting information on the global demand for certified products which will be presented to forest owners and manufacturers.

Companies interested in purchasing FSC certified fiberboards were invited to commit to a statement and register the quantity, type and price of their fiberboard needs on the 'Change our Fiberboards' website. A list of the total amount of FSC certified products needed on the market will be brought to the attention of forest owners and manufacturers.

Showcasing small producers at Brazil Certificado trade fair

Brazil Certificado, held every two years, is Brazil's leading sustainability certification trade fair. In April 2012, the three-day event brought together 32 exhibitors and 4,000 visitors. It was an excellent marketing opportunity for FSC.

FSC shared a large booth with three other organizations and hosted sessions on financing sustainable forestry, and on business opportunities and partnerships. These sessions allowed in-depth discussion of the role of certification in contributing to an enabling investment environment and in providing a benchmark for high environmental standards in forest management.

FSC also sponsored a booth showcasing the FSC certified products of five Amazonian communities. This was a new departure for Brazil Certificado, which has not in the past focused on community-based small-scale producers. Many buyers were able to meet community members and explore opportunities for sourcing new non-timber forest products.

Industry partnerships to market lesser-known timber species in the Netherlands

Forest managers in the Tropics often find it difficult to sell unfamiliar timber species in European markets. The Lesser Known Timber Species (LKTS) consortium is a project that is working to tackle this problem.

FSC Netherlands and five tropical timber traders are working together to strengthen the economic basis of FSC forest management by broadening the supply of these species on the Dutch and European markets. A three-year project is researching the technical qualities of a selection of species and their potential for different types of construction. A marketing plan will be developed for promoting at least five of these species.

The timber traders in the consortium helped source lesser-known species for the research, successfully locating more than 100 potential species from forestry operations and sawmills in the Amazon, the Congo Basin and Indonesia. Fifteen of these species have been selected for research and promotion. More than half come from forests supported by the IDH Sustainable Trade Initiative.



Sustainable design takes root among future trendsetters in Italy and Denmark

The furniture sector is an important consumer of FSC certified materials. Ensuring recognition of the FSC label amongst furniture designers is an pathway to getting certified materials into furniture supply chains. Competitions for young designers have proved to be an effective and eye-catching method for building awareness of FSC in the furniture sector in several countries.

It is seven years since FSC Denmark launched its Design Award for students of design and architecture. The competition aims to raise awareness of sustainable wooden design amongst a group of future trendsetters. By 2012, FSC Denmark had begun to see the benefits of this strategy, with more and more young designers demanding FSC certified materials for their work and the emergence of several small designer brands that use FSC certified wood.

Over 70 students exhibited their designs in the Danish FSC 2012 Design Award competition. Winners Sanne Kyed and Anne Nørbjerg from Aarhus School of Architecture will go to China in 2013 to visit certified forests and work on a production prototype for the winning design.

The winner of the 2011 award, Mette Vestergaard, travelled to Tanzania in February 2012, visiting certified forests in Kilwa and meeting with local forest groups. In Tanga, Mette visited Sandali Wood, the only FSC certified woodshop in Tanzania, to produce a prototype of her design.

In 2012, FSC Italy followed in Danish footsteps by launching its first ever design competition, the Forest in a Room Award, which aimed to draw the attention



of designers, producers and consumers to the origins of raw wood. Almost 120 projects were in the running for the final prizes, which gave four winners in the student and young professional categories the chance to create a prototype and follow the process of its production by an FSC certified company.

As well as raising awareness, the Forest in a Room Award has provided a focus for collaboration between FSC partners and supporters. In addition to the four companies offering prototype realization as competition prizes, the initiative had the support of NGOs, furniture companies, certification bodies and the Venice University of Industrial Design. The award was sponsored by Coop Adriatica, an important distribution chain; by Consorzio Pannello Ecologico, which promotes an eco-sustainable furniture trademark; and by the ICD, a production area with a long tradition of wood processing and chair manufacture.

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Winner of the Danish Design Award 2011, Mette Vestergaard, travelled to Tanzania to meet with the local producer of her design Sandali Wood and local people.

“

One of the biggest benefits of an FSC forest,” he replied, “is that, unlike other forests, they are stable. With other forests, one never knows whether there will be new rules, or what the government’s agenda will be. But an FSC forest provides stable business – sustainability in supply, I call it. I also want to support local forests, and it is a great added bonus for me that the money goes directly to local people.”

Azim, owner of the only FSC certified woodshop in Tanzania, Sandali Wood.

Outreach: Raising awareness of responsible forestry

Sharing knowledge on forests standards is integral to FSC's mission to promote responsible forestry. Outreach work in a range of arenas includes raising public awareness of forestry issues, participating in international policy processes and lobbying national governments. Engaging different stakeholders in supporting forest certification as a powerful market mechanism is at the heart of all this work.



FSC Friday celebrated in record number of countries

FSC Friday is an annual event which celebrates forests and raises awareness of FSC and responsible forestry. Many inspiring activities take place across the world, involving FSC network partners, stakeholders, schools and community groups.

2012 saw a notable increase in the number of countries taking part in FSC Friday. Most were in Europe, but the celebrations also included Brazil, Peru, USA, Australia and India. Ideas for activities were provided on the FSC website, and pages were developed for each participating country.

FSC national offices in different regions organized special events to promote their activities and educate the public about FSC. Many schools and community groups visited FSC certified forests for woodland activities. Several businesses offered discounts on FSC products to raise staff and customer awareness of FSC.

A group of happy children celebrating FSC Friday in Peru.

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Highlights of FSC Friday included:

- In total, over 200 FSC Friday events took place in the UK with an additional 161 organizations promoting the day. These included Raft Furniture UK, who were awarded a prize for the most innovative event of the year. Their FSC themed installation on a busy London street was a dramatic and effective method of communicating with consumers. Presenting Raft with their award, **FSC UK's** Director Charles Thwaites noted that "FSC relies on what we call demand pull – that's the customer in the street understanding what our principles are, and companies selling products working through those principles. Without companies like Raft, we wouldn't really be anywhere."
- **FSC Estonia** organized an information desk in one of the country's largest shopping malls in Tartu. Working in partnership with Fairtrade Estonia, they created a comfortable environment with FSC certified furniture, displayed a range of certified products, and offered Fairtrade tea and coffee. Fairtrade and FSC missions and principles were discussed, and a short survey was carried out to assess awareness of the FSC logo and feelings towards responsibly produced goods. The event was covered on radio and online news services.
- **FSC Peru** organized forest workshops for children, encouraging them to interact with forest resources. The children made imaginative animal masks using forest materials, and created food and bath salts from forest products.
- **FSC US** focused on social media platforms, inviting all American certificate holders, partners and supporters to share stories about their commitment to responsible forest management. They aimed to create a critical mass of posts on popular social media platforms in order to reach new people and increase understanding of the FSC mission and how it relates to responsible business practices.
- For the second successive year, **FSC France** hosted an 'FSC Village' during the annual *Fête des Jardins* (Garden Celebration) in Paris. The Fête is a popular event organized and advertised by the Paris municipality. The FSC Village targeted families with children and focused on raising public awareness of the FSC label. It was made up of an exhibition stand introducing certified products and FSC partners; an animation stand with a drawing workshop where children could make posters, participate in role plays and do forest quizzes; a workshop where children could recycle paper and learn more about plants; and a stand where TetraPak distributed free juice from cartons made from certified materials. Press releases were sent to 800 media contacts. Staff of FSC France were encouraged to notice that logo recognition was higher than at the same event in 2011.

" *FSC makes a massive difference to our business. The fact that people can understand the logo instantly tells them that an independent organization has verified what we are selling. It makes a massive improvement to our bottom line. The reason it does that is because people know that there is value attached to what we are doing."*

Mick Quinn, co-founder of Raft Furniture UK at the FSC Friday UK.



Promoting responsible forest management in international policy and research arenas

International conferences provide important opportunities for FSC to raise the profile of its work, network with diverse stakeholders, exchange knowledge and present best practices, advocate for the more widespread adoption of responsible forest management, and influence international policy agendas.

Of the international conferences held in 2012, perhaps the most important was **Rio+20**. This ten-day summit, held in June, culminated in a three-day United Nations Conference on Sustainable

Development. Rio+20 aimed to renew political commitment to sustainable development and produce a declaration which would shape the next generation of global environmental policies.

In the run-up to Rio+20, FSC worked tirelessly to get responsible forest management onto the conference agenda. It launched a successful online action to ensure that the importance of sustainable public procurement as a tool for promoting the green economy was included in the 30 civil society key messages that would be delivered to the conference. It also lobbied for the inclusion of stronger language about forests and certification in the final declaration.

FSC's information booth at Rio+20 advocating responsible forest management.



Besides attending Rio+20, FSC:

- Hosted a series of events at the **18th UN Climate Change Conference** aimed at strengthening its role as an advocate for mitigating climate change. FSC had an information booth on Forest Day, a stakeholders' event held annually in association with the Conference.
- Gave presentations explaining how FSC works to the **International Union of Forest Research Organizations Conference**, and hosted an information booth and coffee breaks where staff of FSC International and FSC Portugal explained the benefits of FSC certification.
- Hosted a session on responsible forestry at the **International Conference on Sustainable Business and Consumption**.
- Participated in **The Greenest Event**, a South African platform for discussions on energy, water, waste, climate change and resource use, sponsored by WWF.



↑

In Good Company, Brazil Certified and FSC Friday celebrations took place in Brazil as a unique opportunity to strengthen FSC's relations with key stakeholders and increase public awareness.

“This was the first time ‘In Good Company’ has been held outside Germany. We believe this demonstrates the strong support and significance our industry has when it comes to the commitment and the development of FSC system. We are glad to have supported this event and we hope to keep constantly developing and enhancing our positive relationship with FSC.”

Elizabeth de Carvalhaes, President of Bracelpa.

Exchanging information and ideas: ‘In Good Company’ held in Brazil

FSC's 'In Good Company' event, held in Porto Seguro, Brazil in September 2012, brought together business partners from around the world to discuss, debate and exchange information on responsible forestry and FSC.

Over a hundred participants – including companies from the pulp, paper, packing and retail sectors, banks and investment funds, FSC staff and NGOs – learned about the growing importance of FSC in the market; smallholder and community forestry; strategic opportunities in the green building sector; the relationship between timber legality and FSC

certification; the market potential for FSC's Online Claims Platform; and future supply scenarios.

The four plenary sessions and six workshops in the program brought forth debates in great depth, offering new insights into the FSC system. They allowed an open dialogue about upcoming challenges, and progress in terms of new knowledge and partnerships to handle them.

New opportunities for collaboration between FSC, companies and NGOs were debated intensely, including the uptake of group certification for small producers, increasing the marketing benefits for community-based products and improving step-by-step approaches to certification.

Participants also visited certified natural and planted forests in Bahia state which, with more than 400,000 hectares of FSC certified operations, represents a priority area for FSC.

“It was really interesting for Angel Estrada to have been part of ‘In Good Company’, not only for sharing our work with others, but for learning a lot from them too. Caring about resources is essential for our company. Most of our products are used by children, who are the future. We feel a strong commitment to acting with responsibility to ensure a healthy environment for them when they grow up.”

Maria Di Nápoli, Production Manager, Angel Estrada y Cia.



Sharing information on the EU Timber Regulation

In November 2012, FSC Poland organized a conference on the EUTR. The conference was a crucial opportunity for the 120 guests to learn about the problems of illegal timber trading around the world and the requirements of the EUTR in relation to FSC certification. The audience included FSC certificate holders, representatives of the wood and paper industries, NGOs and the press.

Guests were encouraged to participate in dialogue with experts including FSC International staff, representatives from the Polish Ministry of the Environment, and staff of WWF Poland and Certification Bodies.

Defending the Lacey Act

For many years, the USA's Lacey Act stood as the only national legislation in the world banning trade in illegal forest products. But in 2012 it came under threat from proposed new legislation which would weaken its scope. FSC was actively involved in defending it.

As a member of the Forest Legality Alliance and the Lacey Act Coalition, FSC joined forest products companies, workers, NGOs and conservation groups in engaging members of the US Congress to raise questions about the proposed legislation. On 25 July 2012, a Congressional vote on the new legislation was canceled, so the Lacey Act stands unchanged for now.

FSC also worked to clarify the ways that FSC certification can support the 'due care' efforts required by the Lacey Act. While legal precedents are still nascent, there are now established practices that

point to FSC certification as an important part of the due care companies must demonstrate to show that they are avoiding trade in illegal forest products.

Raising awareness of sustainable public procurement in Denmark and the Netherlands

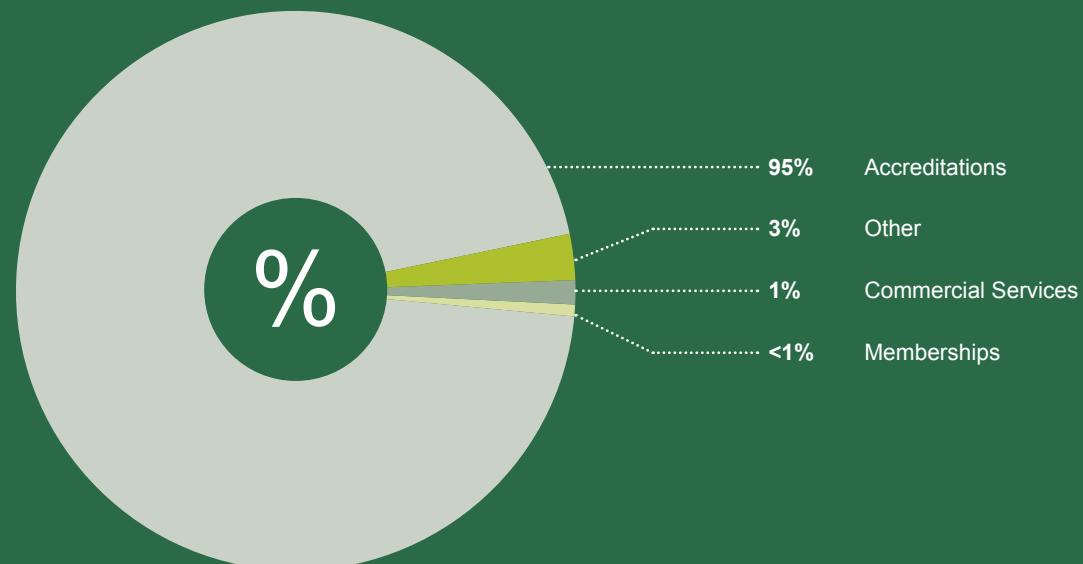
Sustainable public procurement means governments spending public money on responsibly produced materials. It is an area with huge potential for FSC, and national offices in Denmark and the Netherlands have been working on the subject by sharing knowledge and raising awareness of its importance amongst a range of stakeholders.

In April 2012, FSC Denmark convened a debate on the effect of public procurement guidelines, hosted by timber supplier DLH and attended by public and private buyers and NGOs. The participants agreed that existing guidelines are not working and that more legislation is needed. A report of their thoughts and suggestions was delivered to the Ministry of the Environment, and FSC Denmark has been invited to join the Minister for a discussion of public procurement, and to join a new ministerial working group on the subject in 2013.

In the Netherlands, public building projects prescribe FSC certified timber, but fail to follow the implementation of this prescription throughout the project process. In response to this weakness, FSC Netherlands has held training sessions for municipalities, housing corporations and water boards to ensure that certified timber is actually used. By the end of 2012, 63 organizations had participated in training, with more planned for 2013.

Financial Information

→ Incoming resources 2012



FOREST STEWARDSHIP COUNCIL® AND SUBSIDIARIES

Consolidated Statement of Activities in USD for the year ended 31 December 2012

INCOMING RESOURCES	2012		2011	
Donation program	–	–	706,664	4%
Accreditation program	17,760,791	95%	13,445,627	74%
Membership program	127,342	<1%	392,997	2%
Commercial services	259,320	1%	1,227,277	7%
Other	496,280	3%	2,421,087	13%
Total incoming resources	18,643,733	100%	18,193,632	100%
RESOURCES EXPENDED				
Operating expenses	18,080,096	98%	14,409,242	99%
Depreciation on tangible and intangible assets	292,905	2%	162,576	1%
Total resources expended	18,373,001	100%	14,571,818	100%
SURPLUS (loss)	270,732		3,621,814	

all figures in USD

At December 31, 2012 the prevailing exchange rates used to translate the above amounts to US dollars were 1.3218 per Euro, 1.609 per Pound, 0.10211 per Indonesian Rupiah, and 0.0770 per Mexican pesos.

At May 15, 2013, the date of the audit report on these financial statements, the exchange rate was 1.2944 per Euro, 1.5308 per Pound, 0.1064 per Indonesian Rupiah, and 0.0823 per Mexican pesos.



FSC Board of Directors

The FSC Board of Directors represents the interests of FSC's members and meets regularly in different countries to engage with local stakeholders.

Between 27 February and 2 March 2012, it held its 59th Board Meeting (BM 59) in Chile, a country which represents an important market for FSC. BM 60 was held between 2 and 6 July in Sweden. Here, Board Members took the opportunity to listen to key stakeholders and discuss ways to strengthen the system in the country.

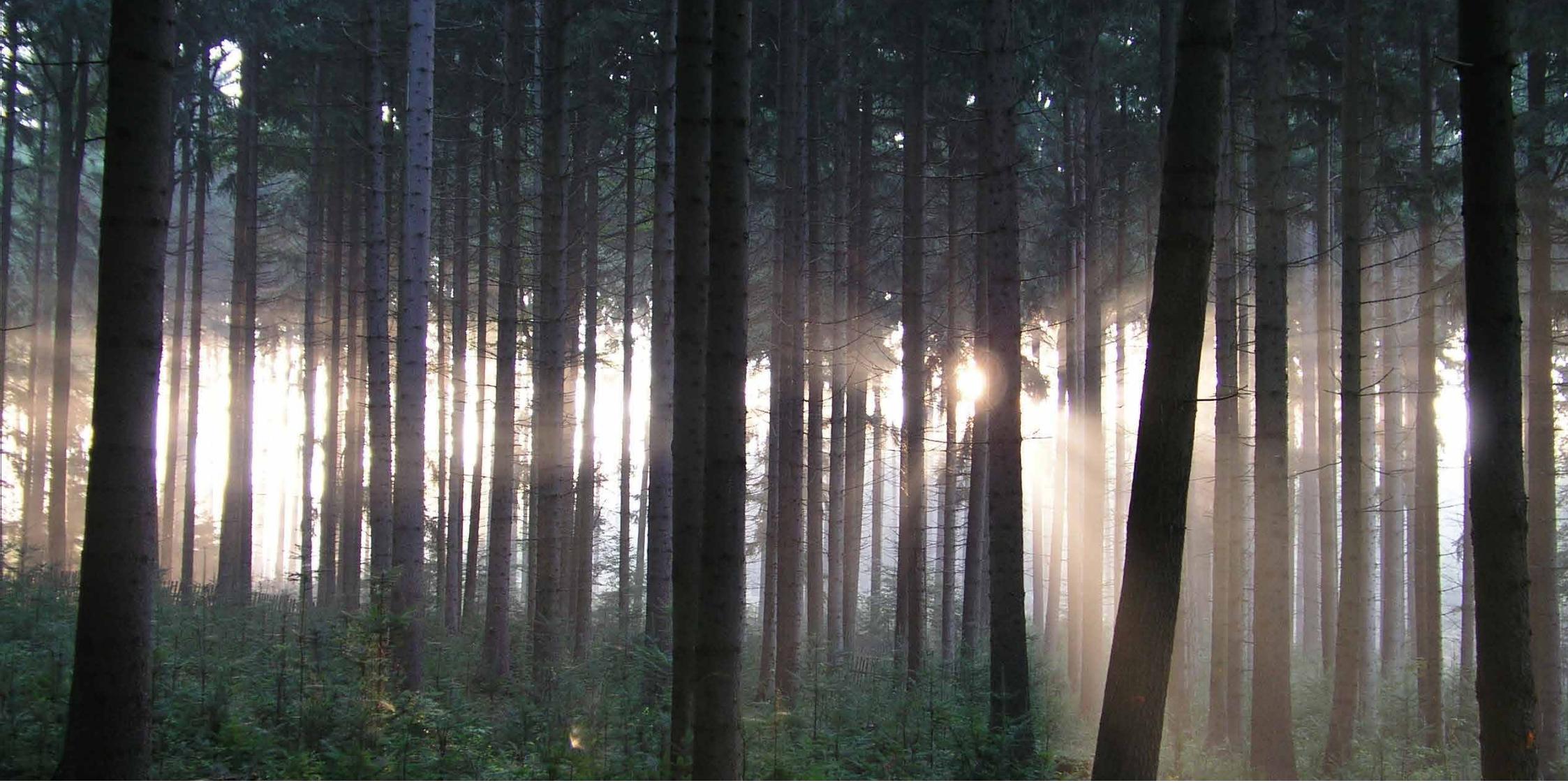
The last meeting of 2012, BM 61, was held in Bonn, Germany, between 12 and 16 November. It offered a unique opportunity for a meeting between the members of the Board of Directors, FSC staff and the newly appointed Director General, Kim Carstensen. BM 61 offered a platform to discuss worldwide strategies, plan the year ahead and consolidate the handover from the previous management team.

Name	Organization	Chamber
Mr Roberto Waack ¹	Amata, Brazil	Economic South
Mr Mario Abreu ¹	Tetrapak International, Sweden	Economic North
Ms Ana Young ²	Individual member, Chile	Economic South
Mr Hans Djurberg ³	Svenska Cellulosa Aktiebolaget (SCA), Sweden	Economic North
Mr Jamie Micah Lawrence ³	Kingfisher plc, UK	Economic North
Mr Jaime Levy	<i>Fundación Alternativas para el Desarrollo Sostenible en el Trópico (ALTROPICO)</i> , Ecuador	Social South
Mr Michael Conroy	Individual member, USA	Social North
Mr Larry Joseph	Individual member, Canada	Social North
Ms Margareta Renström	WWF, Switzerland	Environmental North
Mr Pedro González Chaverri	<i>Fundación para el Desarrollo de la Cordillera Volcánica (FUNDECOR)</i> , Costa Rica	Environmental South
Mr Wang Xiaoping	Beijing Forestry Society, China	Environmental South

1 Stood down in 2012 at end of six-year term

2 Re-elected in October 2012

3 Elected in October 2012



Thank you to our generous donors

FSC wishes to thank the following partners for their financial support during 2012, without which our work in promoting responsible management of the world's forests would not have been possible:

Freshfield Foundation
IKEA Supply AG
Mondi
Potlatch Corporation
ICI Paints

WWF Germany
WWF International
WWF Sweden
UN Environment Programme
AkzoNobel

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Forest Stewardship Council®

FSC International Center • Charles-de-Gaulle-Straße 5 • 53113 Bonn • Deutschland
T +49 (0) 228 367 66 0 • F +49 (0) 228 367 66 30 • fsc@fsc.org • www.fsc.org • FSC license code: FSC® F000100