



FSC®
ANNUAL
REPORT
2017

This document is a summary of the complete FSC annual report 2017
which can be accessed on our website www.ic.fsc.org



**FSC®
ANNUAL
REPORT
2017**

DELIVERING ON COMMITMENTS

In 2015, we spent almost a year talking with members, staff and other stakeholders crucial to FSC's success. We used that information as a basis for our international Board of Directors to draft a strategy to take FSC successfully to 2020 and beyond. The strategy was built on the desire and willingness to look at our work of the previous 20 years, celebrate our successes, acknowledge our weaknesses, and take bold steps to improve and innovate our system.

This report provides an overview of what we achieved, and what we learned, in 2017.



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WORDS OF WELCOME



RULITA WIJYANINGDYAH

CHAIR, FSC INTERNATIONAL BOARD OF DIRECTORS

On behalf of the FSC International Board of Directors, I welcome you FSC International's 2017 Annual Report. This report is a collection of the highlights, and one or two lowlights, of what we have delivered and implemented from the FSC Global Strategic Plan 2015 to 2020.

2017 saw the Board of Directors fine-tuning the implementation of the Global Strategic Plan, which was launched in 2015. We look forward to seeing a continued delivery of the Global Strategic Plan's actions in the coming years, 2018 to 2020. The Board has been happy to see some achievements already, including the development of the controlled wood strategy, a strategy for smallholders and group community certifications, new standards for chain of custody and controlled wood, and the adoption of generic ILO conventions into the FSC standards, which were endorsed in 2017.

There were some areas where we did not achieve what we wanted. These included the governance review, which has now entered a second phase; the revision of the Policy of Association; and the development of guidelines for free, prior and informed consent. These processes have continued.

In the next few years, towards 2020, the Board would like to see more work on streamlining and simplifying the normative framework, with the expectation that we have the transfer of international generic indicators into the national standards in a speedy manner. This will require substantial effort from the FSC policy and standards committee, and the national standard development groups. In addition, we look forward to growth in two other areas: New Approaches to Smallholder and Community Certification; and member engagement.

We hope that with this annual report, our members, stakeholders, and supporters are informed of our work, and give us the feedback on what we can do better: for our certification system, for the members we represent, and for the organizations we engage with. Please enjoy!



KIM CARSTENSEN
MANAGING DIRECTOR, FSC

Looking back at 2017 gives me the opportunity to reflect on our achievements, and to recognize how we've taken certain areas of conflict and amended our way of addressing these or working on them.

One of our major achievements in 2017 was the engagement of our members in between general assemblies. We had the regional members meetings, and it was fantastic to be with the members, to see them discuss issues that were specifically relevant for the region across chambers. We will certainly do this again.

Another memorable element was at the general assembly - which in itself is a spectacular event - where we launched the Vancouver Declaration. This was the first time we, as an organization, came together and demonstrated how we are relevant to a United Nations agenda.

In 2017, we had a lot of discussions—and some discontent—around how we're dealing with Indigenous Peoples' issues. There was a feeling in the membership that we didn't adequately inform about what's happening in the Permanent Indigenous Peoples Committee (PIPC). We are now in the process of developing new terms of reference for the PIPC. And we have an Indigenous foundation on its way in Panama, which will secure better communication and a stronger secretariat function by FSC for Indigenous Peoples' issues.

One of the main issues that we discussed was our own governance. Phase one of the governance review process led to some results at the general assembly, but we all realized that we needed to take it a step further. We're now in the phase two process, which will address some of those issues. As we've moved into 2018, we will continue work on becoming more relevant for smallholders and communities who want to become part of certification. Through our programme 'New Approaches to Smallholder and Community certification', we're testing many new ideas this year, and I really believe that we can make a difference during 2018, which will be felt by smallholders and communities all over the world from 2019 onwards.

I look forward to engaging with all of you as we move forward.





FRANK HARNISCHFEGER

CHIEF OPERATING OFFICER, FSC

2017 brought both successes and learnings for FSC. We celebrated our wins, from the general assembly to our brand recognition statistics. At the same time, we learned from our challenges and have put in place a few 'quick wins' to address these, and are committed to finding long term solutions. When I think of 2017, I think of the general assembly in Vancouver. It was a fantastic experience to see people from around the world coming together to think about the future for us and how we can influence and change that future. We also learned that our global brand recognition is more than 50% around the world in the advanced economies, which is a commendable feat considering that we're a small organization with small marketing budgets and staff capacities.

In the past, we've sometimes struggled with getting things done on time, mostly because we've over-committed ourselves to do what's asked of us. We've now tried to put mechanisms in place where people can deliver faster, because we've allowed - in some areas - more freedom. And in other areas, we've set ourselves higher targets. Overall, this is showing some success in getting things done quicker.

We will have to increase our growth rate in the next few years. In the last two or three years, we've continued to grow, but at a much slower pace than before. This presents us with the challenge of balancing the need for new policies, systems, and approaches, with the need for us to work differently in the secretariat in terms of speed, focus, and collaboration.

Looking forward to 2018 and beyond, I call on all stakeholders that work with us to trust in the system and to collaborate with us. At the same time, I ask you to be critical. Call us out if we're doing things in a way that they shouldn't be done. With our brand recognition, with our network around the world, we have the foundation to achieve great things for the forests of the world.



GLOBAL STRATEGY OVERVIEW

M

Mission

FSC will promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

**20
50**

Beacon

A new forest paradigm realized.
The true value of forests is recognized and fully integrated into society worldwide.

4

Commitments

- Increased focus on outcomes
- Empowerment of people
- Mission advancement through alliances
- User orientation

3

Strategies

S1 Strengthen the FSC framework & governance

S2 Increase market value of FSC

S3 Transform the way we work

S1

STRATEGY 1

**Strengthening our
Framework and Governance**



S1

Streamlining our policies and standards

Increase quality and consistency in practice

Advance governance and engagement

Deploy new solutions



This strategy sets the stage for all our work: it deals with the streamlining of our standards and increasing consistency across our work, while we work towards improving our governance and developing new forest solutions. These are all high benchmarks to reach, and we're proud that we set ourselves on the right path in 2017.

LEADING THE RACE FOR THE SURVIVAL OF THE CHEETAH

Harvesting native bush to produce an FSC-certified fuel log called Bushblok is a crucial leg in the race to save Namibia's wild cheetah from extinction.

Bushblok is an innovation of the Cheetah Conservation Fund (CCF), a non-profit trust working to ensure the survival of the cheetah and its ecosystems in central Namibia.

The cheetah is under grave threat. Worldwide, numbers have plummeted from 100,000 in 1900 to less than 7,500; a third live in Namibia, mostly on livestock farms. In the 1980s alone Namibia's cheetah population halved: farmers saw them as a threat to livestock during a severe drought.

BUSH ENCROACHMENT

A huge problem, though, is "bush encroachment", the thickening of bush and trees. Cheetahs once thrived in the mixed woodland savannah of central Namibia. But human disturbance – overgrazing, fire suppression and removal of browsers like elephants and rhinos – tilted the balance of grassland and trees. Thornbush choked the landscape, making it impossible for cheetahs to run or hunt.

Encroachment affects about 26 million hectares of Namibia's total 82 million. It threatens the survival of other wildlife and livelihoods of communities that rely on farming, which supports almost three-quarters of Namibians in one way or another.

HABITAT RESTORATION

"We wanted to come up with a process that shows we can utilize the bush while restoring the ecosystem, and decided that a wood fuel brick was the most economical product to get into," CCF General Manager Dr Bruce Brewer says.

Charcoal producers often harvest mature trees and leave small bushes, which does not open up the savannah. "We positioned ourselves as whole tree processors. But we were careful not to encourage clear-cutting," Brewer adds.

FSC CERTIFICATION

FSC certification of Bushblok, obtained in 2006, was a logical step. "Its criteria and oversight cause us to pay attention to the detail of what we are doing," Brewer says.

"We are trying to lead by example with a win-win that combines biodiversity conservation with

improving livelihoods by restoring a productive savannah. We are linking economics, biodiversity and social aspects – and saving a species," CCF Senior Ecologist and Forest Steward Matti Tweshingilwa Nghikembua points out.

He adds that FSC certification provides a platform for promotion of best practice. "We're addressing consumer awareness of FSC ... We think that, through people like us, FSC can reach the grassroots."

SPREADING IT OUT

Then there is the additional benefit of job creation in a region where unemployment is high. Bushblok employs 30 people, and as the industry grows, so will jobs. Harvesting alone could provide hundreds of jobs.

CCF also evaluates other forms of renewable energy technologies, such as solar. And part of their plans includes working out how to get small power grids going in rural areas.

NICHE PRODUCT

The Bushblok factory, situated in Otjiwarongo, produces around 500 tons each year.

Consumers fall into the middle- to upper-income group, and they use the product for barbecuing and for heating in fireplaces.

THE RESULTS

Since harvesting began, Nghikembua says that CCF has seen animals and grass species coming back. He is also convinced that the savannah restoration has contributed to improved tourism income: open areas are better for tourists who want to see animals. Around 10,000 visitors come through the CCF centre each year.

Springs have not been active in this arid landscape as bush thickened and high tree densities sucked up moisture. "We are working with a university, looking at soil moisture. We should have results soon to tell us what is happening," Nghikembua says.

And the cheetah? Numbers in Namibia have stabilized, and CCF says this is due to the "joint efforts of the Namibian government and communities in support of CCF's work". As CCF Director Laurie Marker says, to save the cheetah, we must save the world by considering those that share its habitat, humans included.





STREAMLINING OUR POLICIES AND STANDARDS

We've learned a lot in our 24-year history. One of our learnings is that we need to be more cost-effective and outcome-oriented to be of value to our certificate holders. So, we're working to simplify and streamline our system, while maintaining integrity and transparency.

ASSESSING RISK AND TURNING WHAT WE'VE LEARNED INTO ACTION

Internally, we call it a "risk-based approach to the FSC normative framework". It sounds complicated, but what we want to achieve is simple: we are working to make sure that our standards and policies are easy to understand and follow; and that these produce tangible results in a cost-effective manner.

During 2017, two concept papers were drafted and discussed at our general assembly to inform the development of innovative solutions. Work continues with these concepts, and a new procedure has been approved by the Board for how to use risk-based approaches in national FSC standards.

WILDLIFE RETURNS TO FORESTS

By Dr Jenny MacPherson, Manager at Vincent Wildlife Trust, first published in FSC UK's magazine Forest Matters (March 2017 issue).

In Wales, an extremely rare, nocturnal member of the weasel family has bounced back from the brink of extinction thanks to translocations to FSC-certified woodlands managed by Natural Resources Wales.

The pine marten is the second rarest carnivore in Britain and viewed as a priority species for conservation efforts in Wales and Scotland. This small population is now on the road to recovery: at least four of the translocated female pine martens had given birth by the spring of 2016, marking a victory for conservationists.

The Vincent Wildlife Trust, a charity working on British and Irish mammal conservation, conducted research and surveys on pine martens for thirty years and determined that action was urgently needed to prevent the complete extinction of the pine marten. So, in the autumn of 2015, twenty pine martens were translocated from stronger populations in Scotland to a large, FSC-certified expanse of woodland in central Wales. A further nineteen were released into the same area the following year. All of the animals have been radio-tracked and monitored after release.

Martens are slow breeders: they do not usually mate until they are two or three years old and then

have only one litter per year, of usually one or two offspring. The fact that these animals bred in their first year in Wales shows that they have found enough resources to support them in their newly established territories.

This could also be good news for the declining population of native red squirrels, a species which has suffered due to the presence of invasive grey squirrels. Recent research has shown that pine martens are likely to feast on grey squirrels when they are present. In parts of Ireland, where martens are spreading, there has been a decline in grey squirrels and the native red squirrel has begun to recover. There have also been reports of a similar effect observed in Scotland.

Extensive and diverse woodland that is suitable for pine martens is likely to benefit a wide range of other species and prove more resilient to changing environmental conditions. Fortunately, many forest management plans, including those that meet the requirements of FSC, now aim to increase species diversity to promote the sustainability of forest ecosystems. These developments in forestry should be beneficial for pine martens in terms of habitat, increased food availability and breeding locations.



INCREASE QUALITY AND CONSISTENCY IN PRACTICE

Improving the quality and consistency of our standards is an important step in strengthening our certification scheme. Improving the application of these standards is just as important.

RETHINKING CONTROLLED WOOD

Controlled wood was introduced into the FSC system in 1997 to meet the demand for FSC material in the marketplace, while continuing to avoid material from unacceptable sources. Since then the FSC system has grown significantly. Now it is time for our membership to provide clear guidance on the future of controlled wood, in the form of a strategy.

A process of consultations and workshops started in 2017, and Motion 56 (2017) of the general assembly provided further guidance on the design of a controlled wood strategy process. The strategy is due to be released in the final quarter of 2018.

In addition to the work on developing the strategy, by the end of 2017, FSC risk assessments for 15 countries were approved and will be used for sourcing controlled wood.

CONTINUED EDUCATION

In 2017, almost 1,500 people completed official FSC training programmes. A highlight of the training agenda was the inclusion of FSC forest management training into the official Belarus Ministry of Forestry training programme, created for all forest management staff.



MAINTAINING OUR QUALITY STANDARDS

One of the ways we protect the integrity of our system is through our quality assurance programme. This initiative works with Accreditation Services International (ASI) to maintain the high bar against which our certification bodies are measured; and works to ensure FSC meets the high standards set by various bodies and authorities across the globe.

TAKING ACTION

The integrity of our system is our core consideration in everything we do. Without it, we cannot operate. This means we will take action against certificate holders - whether a small forest owner or a multi-national business – should they not manage their forests in accordance with our rules.

2017 was no exception to this rule.



WELCOME BACK DALHOFF LARSEN AND HORNEMANN

Dalhoff Larsen and Hornemann (DLH) was welcomed back to the FSC family after its previous disassociation was lifted in 2017. DLH's disassociation ended when it had built two schools and a maternity waiting building in villages in Liberia. These facilities had been requested by affected communities as compensation.

All the buildings were equipped with water facilities, and community members were trained to upkeep the buildings and water facilities.

ADVANCE GOVERNANCE AND ENGAGEMENT

Our decision makers are our members, each representing either social, environmental or economic interests. Everyone has a voice of equal importance and of equal decision-making power. This gives our members the power to shape the future of FSC, and has led to continuous improvement in our certification scheme and governance of the organization.

I AM AN FSC MEMBER BECAUSE....



“I’ve been a member since the beginning, when I went to the founding assembly in Toronto, Canada. And I only knew one person in the whole assembly, but it spoke to me. It was my values, personified, and I just knew it was an organization I had to be part of and help form.”

-Robert Hrubes, Economic North

“I truly believe that forests around the world need to be managed in a sustainable way, and I believe that the balance between the environmental and economic chambers is fundamental to achieve the sustainability of forests.”

-Cecilia Alcoreza-Lora, Environmental North

“First, I was a user of the FSC standards for forest management and chain of custody and I noticed that there were some things that I would like to change, that can be improved ... unfortunately just being a user does not allow me to do opinions and present some changes, and that’s why I chose to become an FSC member.”

- Pablo Ignacio Dominguez, Economic South

GROWTH MAKES US STRONGER

As our membership grows, so does the strength of our democratic system. We were pleased to welcome 193 new members during 2017, and look forward to engaging with them in the coming years.



	Individual	Organization	Subtotal
CHAMBER Environmental	39	07	46
Economic	50	48	98
Social	23	26	49

REVIEWING THE WAY WE'RE GOVERNED

To meet the needs of a growing organization, our members called for a review of the way we're governed. A governance review working group worked on a number of proposals for governance reform in preparation for the FSC General Assembly in 2017. Several motions were passed, including one that requested the continuation of a governance review focus in the coming years. The efforts of the working group are supplemented by ongoing member engagement.

The ins and outs of good governance

Ben Cashore, Professor of Environmental Governance & Political Science at the Yale School of Forestry and Environmental Studies, describes the impacts, benefits and challenges of the FSC governance structure as follows:

“FSC was the first global organization to embrace the complex concept of legitimate governance using the tripartite structure. The impact of this decision went beyond forestry, it created a new form of global governance around supply chains which impacted other industries such as fisheries, coffee and even climate. FSC’s tripartite membership system remains unique, and shows the extent to which FSC has embraced democracy at its core. Tough issues are addressed through respectful deliberations and members understand that even if their position is not ultimately adopted, they are part of a global governance system. The primary challenge is competing in a world where there are less democratic systems in place, which allows other actors to make faster decisions in the marketplace.”

2017 FSC GENERAL ASSEMBLY

In October, the 2017 FSC General Assembly drew attendees from across the globe and resulted in the passing of 15 motions. Complementing the Global Strategic Plan, these motions direct the way forward for important issues such as smallholder certification and the integrity of certification assessments.



496 members
attended
the GA

61 motions proposed  **35** motions voted on **15** motions passed  **3** statutory
12 policy

MOTIONS PASSED IN 2017

MOTION 06: Conduct of the organization shall be guided by the principles of good governance

MOTION 07: Addressing past conversion through restoration and conservation as a requirement for certification of plantations that have converted to natural forest areas post 1994

MOTION 16: Harnessing audit data to improve assurance integrity, M&E, and the value proposition for FSC

MOTION 21: The climate motion

MOTION 34: Regional assessments of the impacts of the implementation of motion 65/2014

MOTION 40: New IGI to clarify that FPIC is to be achieved over time through a mutually agreed process

MOTION 46: FSC New Approaches Programme as a high-level priority for advancing a smallholder and community certification

MOTION 48: Fast-track non-timber forest products (NTFP) in the implementation plan 2017-2020

MOTION 56: Ensuring that the controlled wood system is functional and credible until a strategy is in place

MOTION 61: Certification assessment integrity and credibility

MOTION 62: Statutory motion to review and revise membership criteria for chamber allocation and development of a protocol

MOTION 63: Make sure that strategic decisions on the FSC network are directed and evaluated by FSC Board of Directors

MOTION 67: Establish an internal audit system

MOTION 69: Governance review phase II

MOTION 71: FSC supports Indigenous cultural landscapes





24





25



OUR BOARD IS OUR DRIVING FORCE

The 12 members of the FSC International Board of Directors represent the interests of all FSC members. Four elected representatives from each sub-chamber serve on the board for four years each, with a chance of re-election, once.

During the 2017 election cycle, members selected their representatives from 13 candidates. The candidates were from Switzerland, Malaysia, USA, the Netherlands, Cameroon, the UK, Senegal, Canada and Brazil.



Rulita Wijayaningdyah
FSC chairperson
Social South
Individual
Indonesia



Fran Raymond Price
Vice-chair
Environmental North
The Nature Conservancy
USA



Hans Djurberg
Vice-chair
Economic North
SCA
Sweden



Estevão do Prado
Braga
Treasurer
Economic South
Suzano
Brazil



Anthony Conrad
Sebastian
Environmental South
Individual
Malaysia



Mauro Jose Capossoli
Armelin
Environmental South
Amigos da Terra
Brazil



Barbara Bramble
Environmental North
Individual
USA



Martha Núñez
Social South
Individual
Ecuador



Leendert van
der Vlist
Social North
Netherlands Centre for
Indigenous Peoples
The Netherlands



Alan Smith
Social North
Individual
Germany




Alan Thorne
Economic North
Tembec
Canada



Ralph Schmidt-Liermann
Economic South
Eufores
Uruguay

Board meetings 2017

 **BM74** Yogyakarta, Indonesia, 7-10 February

 **BM75** São Paulo, Brazil, 2-5 May

 **BM76** Bonn, Germany, 5-8 December

The minutes of the Board meetings are available for members in the governance section of the members' portal at ic.fsc.org

DEPLOY NEW SOLUTIONS

To continue to be pioneering in our approach to new solutions, and to stay ahead of the changing needs of the forestry and certification industries, we are committed to further engaging Indigenous Peoples in our work, looking for and implementing new ways to take care of forests, and providing a platform for dialogue to ensure our work includes the voices of all our stakeholders.

VIETNAMESE FORESTS COULD HELP END DEFORESTATION

This article adapted and shortened from an article authored and first published by WWF International.

In Central Vietnam hundreds of smallholders are joining forces to produce FSC-certified acacia used in outdoor furniture around the world.

Ho Da The and two fellow acacia farmers, Ho Duc Luc and Ho Duc Ngu, make their way through The's acacia trees on a muggy afternoon.

The is from Hoa Loc village. A smallholder with 4.91 hectares of acacia plantation, he heads up the village smallholder group. Together with Luc and Ngu, he's lived here all his life, but working formally as a group is relatively new and is the result of involvement in WWF's regional Sustainable Bamboo Acacia & Rattan Project. The project is a collaboration between WWF and IKEA, and promotes FSC certification as a way to drive sustainable production and draw smallholders into the international market.

"We realized that small forest owners could help shape a sustainable forest sector – but only if they could supply the international market", said Vu Nguyen, Sustainable Acacia Manager, WWF Vietnam. "That means helping them improve the quality of their product."

Working together has delivered a lot. Better business planning and longer harvest cycles produce more valuable timber, and commitment from buyers like IKEA mean a better price. Seven to eight-year-old acacia for furniture commands more than twice what a five-year-old harvest used as woodchip for pulp and paper can.

"Before, acacia production was just a way for people to survive – now it's becoming a professional commodity that's market-driven", says WWF's Vu Nguyen. "And smallholder incomes and social standing are improving."



The, Luc and Ngu now make over VND 30 million (\$1,250) profit per hectare per year from FSC-certified acacia timber – about twice as much as what they would earn from non-certified acacia for woodchip. It's enabled them to carry out house repairs, renew equipment, and invest in the next business cycle.

Vietnam's forests are in critical need of help. They have been degraded or destroyed by logging and agricultural land clearance to the point where there is almost no untouched primary forest left. And the wider Greater Mekong region is predicted to be one of the world's hottest 'deforestation fronts' over the next 15 years if nothing is done.

Reforestation degraded areas with natural species and enriching plantations with natural 'buffer zones' is part of the solution and can provide vital corridors for wildlife.

Reducing dependence on foreign imports that drive deforestation is also critical. Ultimately, tackling deforestation relies on making the business case for sustainability – especially for Vietnam's 1.5 million smallholders who own most of its plantations.

ENSURING INDIGENOUS VOICES ARE HEARD

Protecting the rights of those that live in and around FSC certified forests, and engaging them in our work is as important to us as taking care of the environmental aspects of forests.

As an example, we turn to our Australian colleagues: FSC Australia launched its Reconciliation Action Plan to commit to engaging and respecting Indigenous rights in the practice of responsible forest management. This was done in recognition of the fact that as the nation's original stewards of the land, Aboriginal and Torres Strait Islander peoples had historically maintained the health of Australia's forests; and continued to perform this role through their unique knowledge of and continuing connection to lands, waters and communities.

TAIWAN'S BUNAN TRIBE ACHIEVES FSC CERTIFICATION

Authored and first published by Rainforest Alliance. By Laura Terrall, Director, Certification, Rainforest Alliance. This is an excerpt of a complete article. The full article can be found on fsc.ic.org in our newsroom.

"Forest and mountain are our home, it is where our ancestors and we live, where we hunt and will teach our children how to hunt. There is no reason for our Bunun people not to protect the mountains and forests."

With these remarks, the assessment conducted by Rainforest Alliance, an FSC-accredited certification body, was opened in January 2017 by Pai Kwang Sheng, Pastor of the Bunun Tribe in southern Taiwan. The positive audit outcome was the first-ever achievement of FSC Certification by an Indigenous community in Taiwan and the greater China region – an important milestone for the Bunun tribe, for the country, and for sustainable forestry.

As with many tribal and community enterprises, the Bunun have been seeking ways to manage their natural resources and provide sustainable livelihoods for their people while marketing products derived from their forest. Achievement of FSC certification is an important step in their vision to protect their beautiful mountain environment and preserve their local culture while creating economic opportunities for their community.

FSC certification provides international recognition of tribal management of a renewable resource and provides a market niche for the first certified bamboo in Taiwan. The bamboo is harvested and manufactured by the community into many products such as: bamboo vinegar (extract) used in soaps and other products, bamboo charcoal used for fuel and filtering water, crafts and souvenirs, textiles, and construction materials.

The Bunun sought FSC certification to demonstrate to the government and other stakeholders that the tribe has the means and expertise to manage their forest and enterprise. The certification process evaluates many areas across environmental and social criteria, and addresses the economic viability of the operation to ensure there are long-term management plans. A local advocate for Indigenous Peoples, Professor Liu, helped to facilitate the certification process for Bunun as part of his work to advocate for Taiwan Indigenous communities. He feels strongly that FSC certification will bring this recognition for the Bunun tribe, and this can be promoted and expanded to other tribes to demonstrate the forests can be successfully managed to achieve sustainability and a better economy for the people.



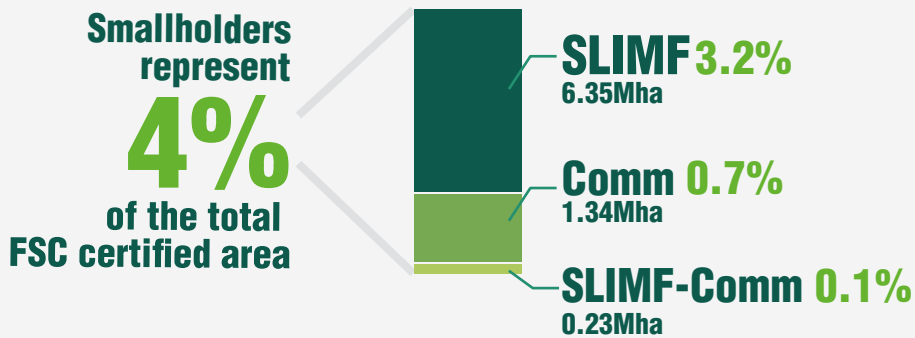
PERMANENT INDIGENOUS PEOPLES' COMMITTEE

The 9th meeting of the committee took place from 13-15 June 2017 in Bonn. Topics discussed included preparations for the FSC General Assembly with a specific focus on the guidelines to ensure free, prior and informed consent in FSC operations; a study on conflicts between the Mapuche people and forest businesses in Chile; and the implementation of a motion that sought to develop a forest certification standard that met the realities of Indigenous Peoples and traditional communities.

NEW SOLUTIONS FOR SMALL FOREST OWNERS AND COMMUNITIES

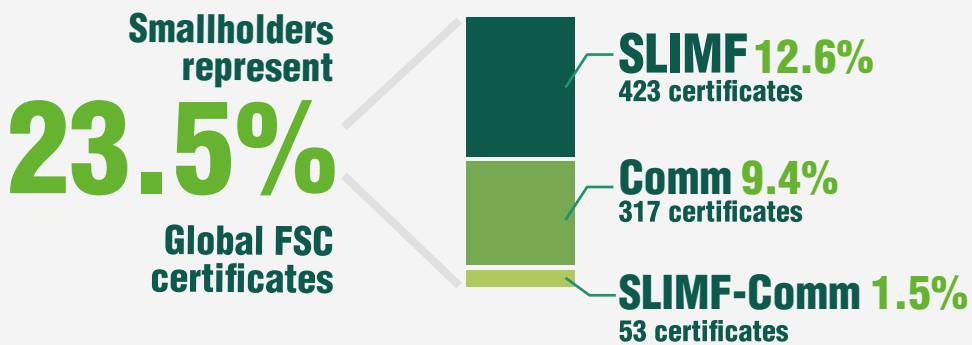
We've engaged small forest owners – or smallholders, as we call them - and forest communities for many years. Through this engagement, we've brought about 170,000 hectares of small forests into the FSC system. At the same time, we've learned a lot: specifically, we've learned that smallholders and communities must be involved in drafting the standards that regulate the certification of their land. And this is how a new programme, New Approaches to Smallholder and Community Certification, was born.

Global FSC certified area controlled by smallholders (Mha and %) in 2017



FSC Certificate Database, January 2018. SLIMF: small and low intensity managed forests. Comm: communities.

Global FSC FM & CoC certificates held by smallholders in 2017



FSC Certificate Database, January 2018. SLIMF: small and low intensity managed forests. Comm: communities.

PROTECTING WORKERS

Workers' rights have always been one of the pillars of our scheme. In 2017, we strengthened our approach even further by introducing stronger rules on abolishing child labour and forced or compulsory labour; eliminating employment discrimination; and recognizing the right of workers to organize, negotiate voluntarily, and bargain collectively.

Although these factors have always been part of FSC certified forest management, their place in FSC was strengthened in August, when the international Board of Directors approved generic criteria and indicators, valid for all parts of FSC certification, based on the principles of the International Labour Organisation's (ILO) Core Conventions and the ILO Declaration on Fundamental Principles and Rights at work (1998).



CONSERVING CRITICAL FOREST LANDSCAPES

At our general assembly in 2014, our members voted in favour of ensuring FSC protects the world's remaining natural forests, or 'intact forest landscapes' (IFLs).

The motion will be implemented through the FSC national standards in countries with IFLs. As a first step, valid from the beginning of 2017, we put in place guidance that outlined ways in which certificate holders could minimize destruction of these precious landscapes. The year ended with the addition of international generic indicators for intact forest landscapes being approved by the international Board of Directors.

FSC Canada, working together with Indigenous communities, environmental NGOs, and government succeeded where most other initiatives have failed. The new caribou indicator in the new FSC Canada national standard will have meaningful impact for the conservation of intact forest landscapes in Canada's boreal forest. This represents a historical breakthrough for responsible forestry in the 21st century.



MAKING GLOBAL STANDARDS RELEVANT LOCALLY

Our international standards need careful and thorough adaptation by country-based national standard development groups to make them locally relevant. In 2017, national forest stewardship standards were approved for 11 countries.

PROTECTING FORESTS FROM PESTS AND HAZARDOUS CHEMICALS

A public consultation was conducted on the first draft of a revised pesticides policy. The draft proposed to phase out the current derogation system. It also incorporated environmental and social risk assessments to reduce the use of chemical pesticides; and prevent, minimize and mitigate related environmental and social impacts.



S2

STRATEGY 2

**Increase market value
of FSC**



S2

Rapidly increased consumer demand

Maintaining system integrity

Expanding our services

Partnerships for change



A strong and growing FSC marketplace ensures that benefits are delivered to forests and the people that depend on them. When FSC certification is fully functional, providing assurance from the forest all the way to the consumer, it improves economies, increases social empowerment, and improves environmental quality in the forest while also satisfying a societal need.

THE WORLD'S FIRST FSC-CERTIFIED RESTAURANT OPENS IN PERU

ÁmaZ is a leading restaurant in Lima, Peru. Opened by world-renowned chef, Pedro Miguel, this is the first restaurant in the world to achieve FSC certification. All the wood used to build the restaurant, and used to equip the restaurant comes from FSC-certified forests.

Pedro Miguel refers to himself as “a cook and Amazon researcher.” He opened his first restaurant, Malabar in 2014, where much of the menu included food from the Amazon. For many years, he has been exploring food sources from the Amazon and Amazonian cuisine, before taking the decision to open Ámaz.

“I had to make a restaurant totally dedicated to studying the Amazonian products, understanding the bases of its kitchen, spreading its culture, transmitting its importance and preserving its life,” explained Miguel.



RAPIDLY INCREASED CONSUMER DEMAND

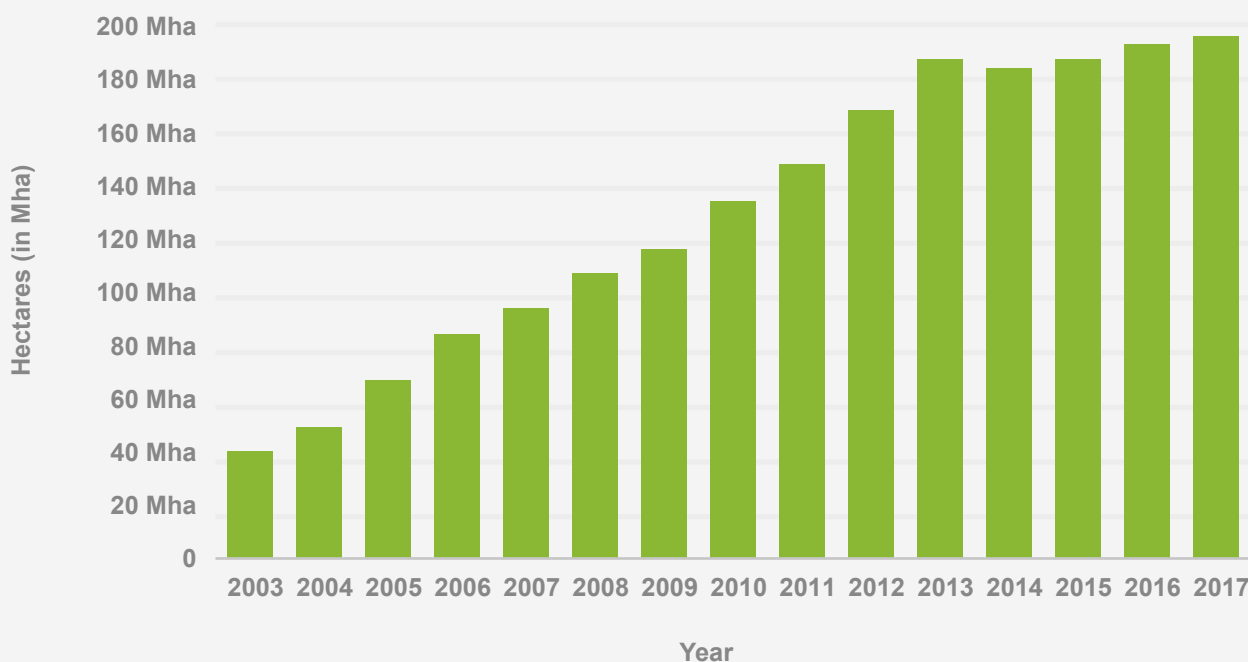
We aim to substantially increase our promotion of FSC as a consumer brand, inspiring collaborations with partners that achieve meaningful empowerment of people and conservation outcomes. At the same time, this will create benefits along the entire product chain from forests to consumers.

ASSESSING OUR MARKET

In 2017, we released the results of our global market survey, conducted during the previous year. The survey found that:

- 99 per cent of FSC certificate holders who have completed future planning are planning to renew their FSC certification.
- Over 80 per cent of certificate holders were satisfied with FSC.
- More than 90 per cent of participants planned to source a larger or comparable share of their products as FSC certified over the two years following the survey.
- About half the respondents believed that FSC was becoming increasingly relevant in their sector, and only 12 per cent considered it to be diminishing.
- Meeting client demand continued to be the top reason for becoming and staying FSC certified.

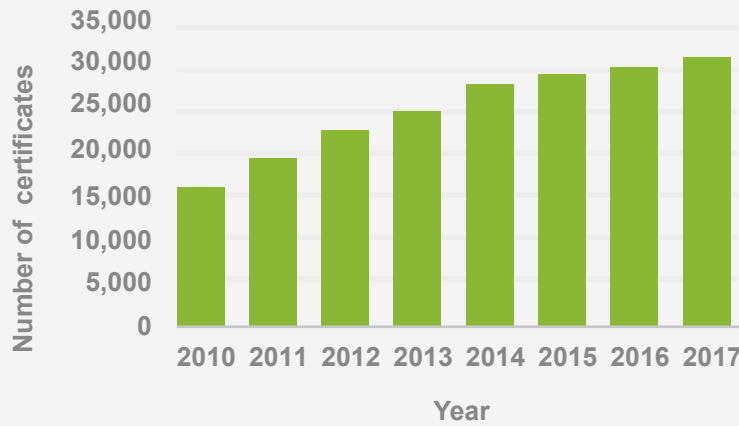
Growth in FSC certified forest area (Mha)



The total area of FSC certified forests has been growing consistently and reached almost 200 million hectares in 2017.

In addition to forest management certification, FSC also certifies forest product supply chain players to ensure that certified materials are verified as they move through the supply chain. These 'chain of custody' certifications are vital to the integrity of the FSC system. The number of chain of custody certificate holders has been growing strongly and consistently, which indicates a healthy trade in FSC-certified materials.

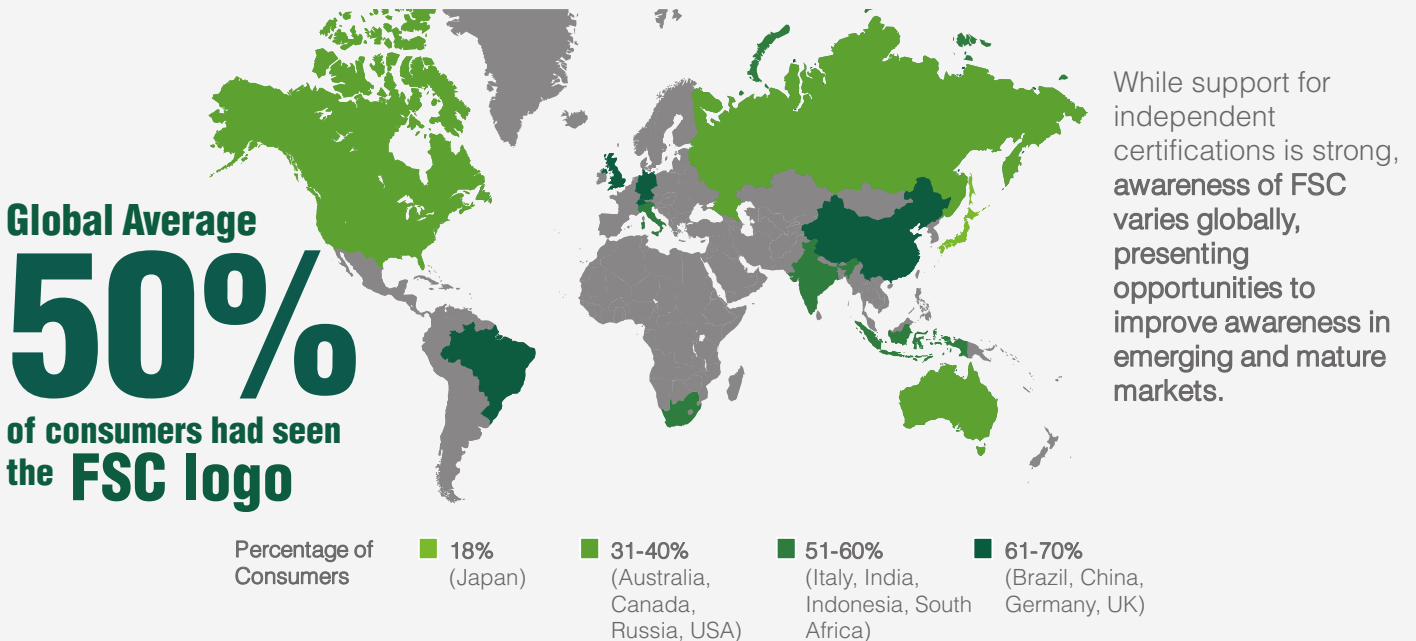
Chain of custody global growth (2010-2017)



TRANSFORMING THE MARKET

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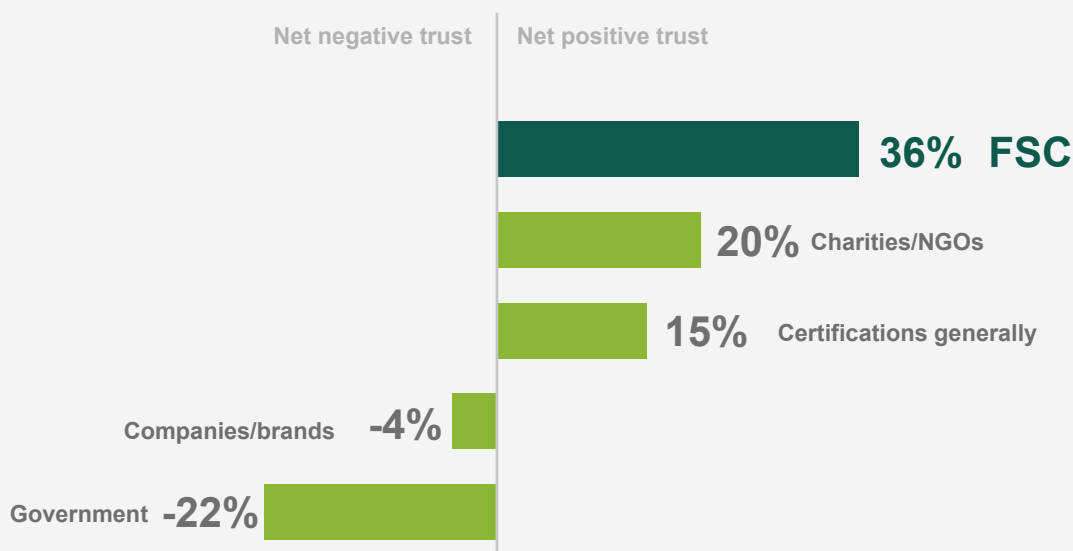
To understand levels of awareness in key markets, we researched consumer perceptions of the FSC brand. Our research was conducted in 13 countries, with over 10,000 consumers.



Q. Have you ever seen the following logos?

Our research found that most consumers believed sustainability claims should be independently certified. The research also confirmed FSC was a well-recognized logo (on average 50% of consumers sampled globally recalled seeing the FSC logo either often or occasionally).

Net trust in FSC and other actors



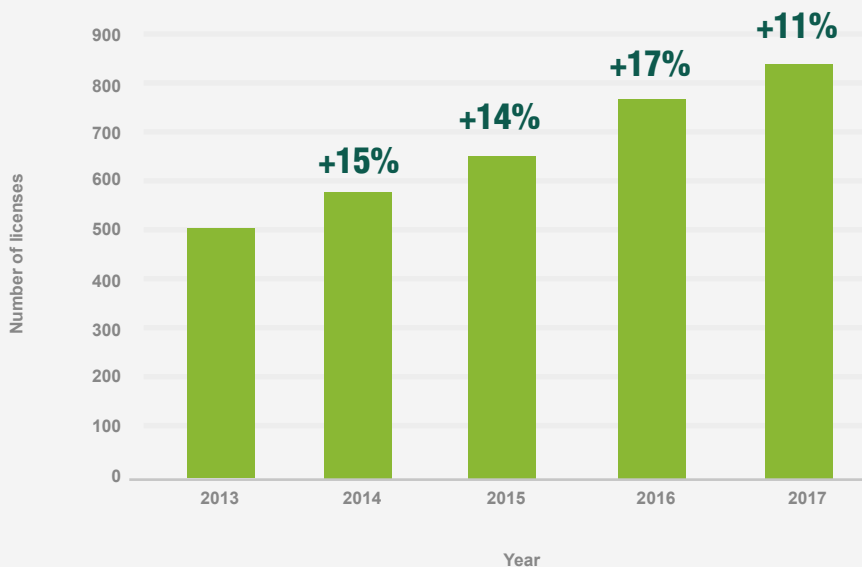
Consumers in our study expressed very high levels of trust in FSC to make improvements towards protecting forests; significantly ahead of other organization types such as companies/brands and government. These findings strongly endorse the role of FSC as a valuable partner for establishing trust with consumers.

THE FSC TRADEMARK

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Trademark licenses are awarded to retailers and other organizations that carry FSC-certified products but do not have an FSC certificate themselves. The number of trademark license holders has been growing strongly in recent years; in 2017, the number of increased by 11 per cent. These figures are encouraging and confirm that an increasing number of organizations are seeing the value of promoting the FSC brand to their customers and consumers.

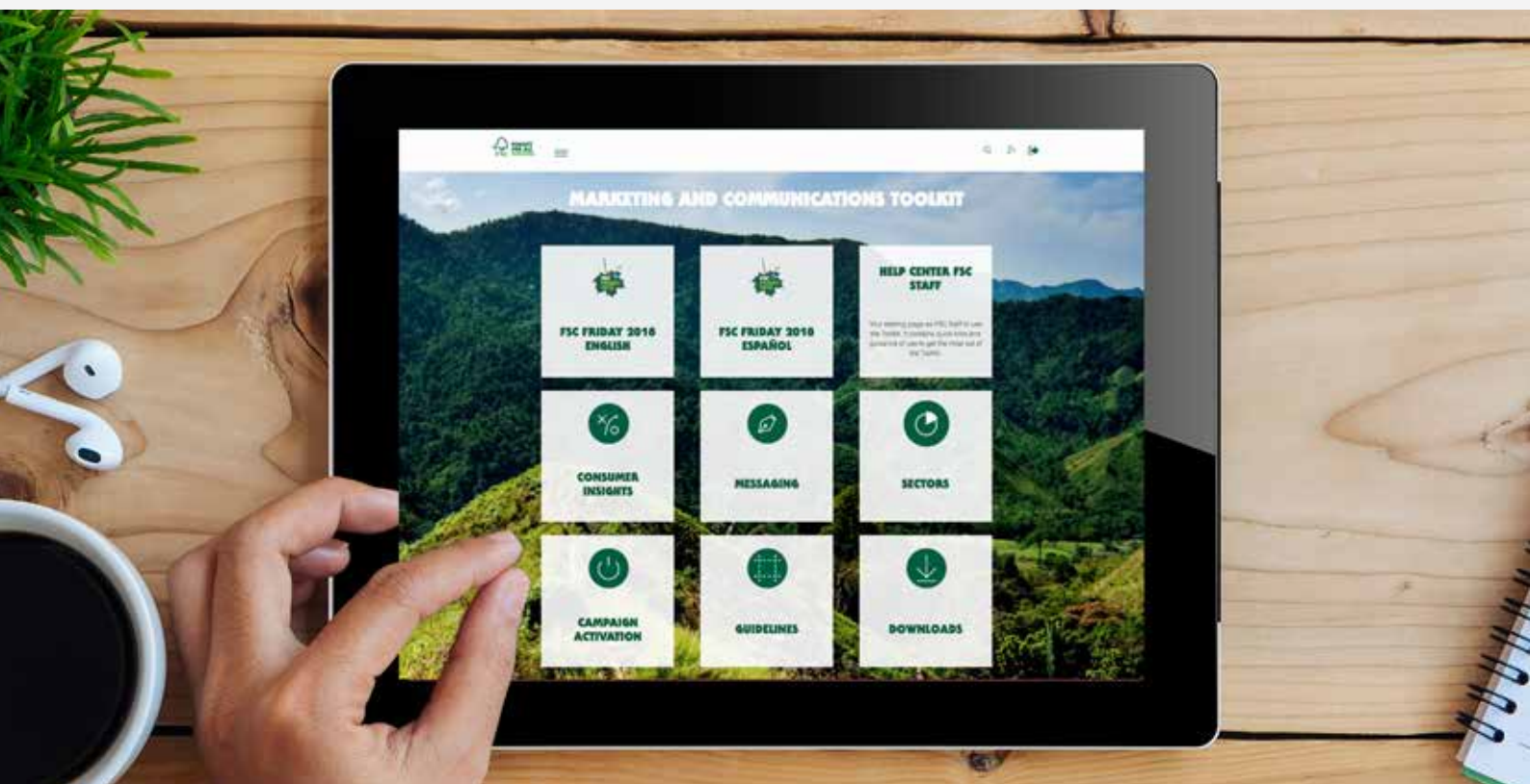
Growth in trademark license holders



The FSC Trademark Portal for certificate holders sees an average of over thirteen thousand labels generated each month. The portal, which already supports labels in 63 languages, had some of its functions translated into Chinese in 2017.

SHARING OUR ASSETS

Building on the success of our ongoing 'Forests for All Forever' campaign, we gathered all our designs, guidelines, impact stories, audiovisual material and the like, and packaged these into an online marketing toolkit. The platform allows certificate holders to download the material and use it in their own internal and external marketing and communications campaigns. The platform also provides



an opportunity for stakeholders to demonstrate how they have embraced FSC campaigns.

INCREASING VISIBILITY OF FSC AT GLOBAL EVENTS

In 2017, FSC coordinated and took part in a number of events.

- In Good Company, our well-known event to address the economic needs of our stakeholders, was held at our general assembly. Here we discussed three important topics: Delivering value from forest to consumer, fashion, and rubber.
- In Lima at the International Tropical Timber Council (ITTO), FSC presented research and proposals for the introduction of fiscal incentives in tropical forest countries to create a level playing field for sustainable forest management and for certified forestry, in particular. The Council then approved a proposal from its Executive Directors to include a project on "Incentives for green-growth value chain investments in tropical forests" in the ITTO work plan.
- In December, FSC hosted the annual meeting of the Global Partnership on Forest and Landscape Restoration.
- On the eve of the Global Landscapes Forum, in Bonn, Germany, FSC launched a publication on FSC's contributions to forest restoration.



MARKET NEWS FROM THE REGIONS

Asia Pacific

FSC reached over 10,000 chain of custody (CoC) certifications in the Asia Pacific region.

The inaugural FSC Asia Pacific Business Forum was held in Hanoi, Viet Nam, attracting more than 100 FSC certificate holders across the region.

McDonald's Taiwan opted for FSC-certified fibre products in more than 50 packaging items, including paper bags, paper cups, paper boxes and napkins. Kirin Group in Japan committed to use FSC-certified paper material only for all of its six-can packaging in 2017 and to sourcing only FSC-certified fibre materials for all of their paper packaging by 2020 for their Japan integrated beverages business.

Commonwealth of Independent States

In Belarus, FSC was added to the Belarusian commodity exchanges e-trading platform so consumers now have the option of choosing certified timber products when shopping.

Europe

In Poland, a campaign by Castorama in its magazine and at sales points reached more than 1.5 million consumers.

In France, a campaign to celebrate 10 years of FSC in the country reached journalists and web influencers with a video that has received over 200 thousand views.

In Germany, FSC brand awareness continues to grow with support from key retailers. In 2017, it is estimated that the FSC label was used at least 6.8 billion times on brochures, catalogues and similar materials in Germany.

FSC Netherlands launched a campaign called 'Choose Wood, Save the Forest' which was delivered in a national campaign.

South and Central America

In Ecuador, FSC hosted the Sacha Prize, an international award for sustainable projects, with 157 participants.

In Mexico, we celebrated a media day, where we introduced FSC to local journalists, with the aim of promoting the FSC label to consumers. This sparked much positive media coverage in the country.

North America

One of the world's largest retailers – Target – announced its Responsible Sourcing Policy for Forest Products that includes a preference for FSC and a commitment to “work with our suppliers to help them achieve full chain of custody and increase the penetration of FSC-certified products available in our stores and online.”

VF Corporation, one of the largest apparel conglomerates, with brands such as The North Face, Vans and Timberland, has released its new 'Forest Derived Materials Policy', with a preference for FSC in its clothing, paper and packaging practices.

Kimberly-Clark and WWF launched a branding partnership that aims to raise awareness of FSC through on-product labelling and marketing about the importance of choosing products from responsibly managed forests.

After Procter & Gamble's launch of FSC-certified Puffs tissue products, Domtar worked to increase the certified land base in the Southeastern US, with more than 200,000 hectares added to the Four States Timber Owners Association group certificate to date.

More major corporate brands reinforced their preference for FSC products. 21st Century Fox announced their use of 70% FSC-certified plywood for set construction on their hit show 'Legion'. Martin Guitars expanded their collection of FSC-certified guitars.

INFLUENCING AND WORKING WITHIN POLICY

FSC was instrumental in the United Nations' decision to include forest certification in the set of indicators to measure progress on the implementation of the UN Sustainable Development Goals. This is an important signal to governments, business and civil society that forest certification is a relevant tool for sustainable management of forests.

The European Ecolabel systematically revises requirements for products, like furniture and paper, which use timber as important resources. It introduced requirements that stated that forest resources must have FSC (amongst others) chain-of-custody claims. Double labelling (FSC and the European Ecolabel) ensures responsible sourcing as well as minimized impacts on the environment in the production phase.

In Denmark, more than 80 per cent of all relevant public tenders included requirements for procuring sustainable timber; and certification was the preferred evidence to be provided. This shows the importance of public authorities in providing leadership on using certification as an efficient and effective way to create positive impacts through procurement.



MAINTAINING SYSTEM INTEGRITY

The integrity of the FSC system is at the core of everything we do, because without it, we would fail in our mission.

To address misleading and false claims in the FSC system, our international Board of Directors approved a new set of actions to complement our chain of custody standard. The actions included a range of procedures – from transaction verification to testing of wood fibres - to ensure the integrity of the FSC system continues to be strengthened as we grow.

USING FORENSICS TO STRENGTHEN SUPPLY CHAINS



FSC is the most trusted forest certification scheme and we take the credibility of our system seriously. Consumers want to be sure that the certified products on retailers' shelves can be traced back to a responsibly managed forest. As part of our plan to address any risks in certified supply chains, we use wood identification technology to help verify tree species and harvest location.

In 2017, FSC completed a pilot test in North America with great success. Wood samples were collected directly from forests to create a reference library which can be used whenever various tests on FSC-certified products are necessary to confirm the origin of the wood in the product. This allows buyers, sellers and traders to feel confident that the products they receive from suppliers are exactly what they claim to be.

We are working with credible partners such as Kew Gardens (UK) and the US Forest Service to create a global open source reference library of wood samples. This means that it will be accessible to anyone, thereby broadening the benefits beyond just FSC and having a greater impact to combat illegal logging worldwide.



ADDRESSING MISLEADING CLAIMS

To address misleading claims, the following activities were put in place:

- Rapid transaction audits by Accreditation Services International (ASI);
- ASI-initiated investigations performed by certification bodies; and
- Randomized, obligatory wood fibre testing of products.

In 2017, investigations were conducted in six value chains, which led to 39 suspensions or terminations of certificates.

TAKING CARE OF TRADEMARK INFRINGEMENTS

2017 saw FSC handling 57 trademark infringements, and closing most of these.

Number of trademark infringement cases received in 2017 per country

Argentina	1
Australia	1
Belgium	1
Brazil	1
Cameroon	1
Canada	2
China	1 3 3
Colombia	1
Cyprus	1
France	2
Germany	3 5
Hong Kong	1
Hungary	1
Ireland	1
Japan	1
Lithuania	1
Malta	1
Netherlands	1 3
Northern Ireland	1
Poland	1
Romania	1
Russia	2
South Africa	2 4
South Korea	2
Switzerland	1
Thailand	1
UAE	1
UK	3
Ukraine	1 1

Cases before court ●
Cases open ●
Cases closed ●

EXPANDING OUR SERVICES

Through engaging with forest owners, producers, retailers and others, we are making connections between new markets and incentives that more accurately reflect the true value of forest ecosystems. This means putting in place new forest tools to reward responsible forest management.

HELPING COMMUNITIES IMPROVE WATER QUALITY



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“Formerly, my family and I used to cut down the forest. Today we are trying to give and hand back to nature. We have planted more than 600 trees, and we continue doing it in the places that forests were cut down. With only native trees, in order to have our forests back. We all need water, and that is why we are working for to improve the quality of water.”

These words from forest owner Patricio Vielle underline the passion with which the people of a small island off the coast of Chile are using to re-establish their forest, with the help of FSC’s ForCES (Forest Certification for ecosystem services) project. Chiloé Island is the largest island of the Chiloé Archipelago in Chilean Patagonia. Vielle lives here as part of the large Mechaico community, who rely on rain water captured in water basins.

Water basins are considered an ecosystem: water enters from many sources. In the case of Chiloé, these

sources include forests, prairies, and peatlands. And then a certain amount of water comes out, with the forests regulating the quality and quantity of water. Adequate management of this natural resource is of paramount importance, and therefore the community, working with forest owners of the region and ForCES consultants developed a water management plan to maintain water quality over time.

To protect the water and newly planted trees, it was necessary to build fences and bridges, and move livestock and cars away. Additionally, there were water supply systems implemented in the livestock paddocks. According to the Forest Owner, Luis Raimilla, the task is manageable.

“It can be done. For the water, always. Because we all want to have good water. If we are taking care of our river, another neighbor can do it too. Water is life.”

ECOSYSTEM SERVICES

FSC has been taking care of the world's forests for over two decades, helping to ensure that forests and their ecosystem services are responsibly managed. Building on existing world-renowned certification, we are developing new tools that will show businesses, investors, and governments that these natural benefits are being preserved, and will reward participating FSC certificate holders for doing so.

2017 saw the completion of the 5-year ForCES (Forest certification for ecosystem services) project. The project, funded by UN Environment with a grant from the Global Environment Facility, aimed to explore how FSC's standards could be adapted to support the emerging markets for ecosystem services.



ES certification document



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Ecosystem services (water, carbon, biodiversity, soil, and recreational services) are the benefits that we obtain from nature. They provide society with a wide range of benefits, from reliable flows of clean water to productive soil and carbon sequestration.



PARTNERSHIPS FOR CHANGE

Certification is just one tool in the box of solutions against forest destruction, and it cannot work alone. We need to tackle forest protection from all angles, working hand in hand with business, governments and other stakeholders.

VANCOUVER DECLARATION

The Vancouver Declaration was launched as a promise made by organizations around the world to work towards meeting UN's Sustainable Development Goals by sustainably sourcing forest products. It also acted as an endorsement of FSC as the supplier of choice for certification of forest products. Supporting the Vancouver Declaration is a clear statement by organizations that they are invested, committed and passionate about the future of our forests and planet.



THE BONN INITIATIVE

To coincide with the 23rd United Nations Conference on Climate Change, held in Bonn, Germany, FSC combined forces with IKEA and SIG Combibloc on a path to demonstrating how FSC-certified forests mitigate global warming and fight climate change. The Bonn Initiative captures the organizations' commitment to develop scientifically rigorous methods to measure the climate-related benefits – such as improved carbon sequestration – of FSC-certified forests.

PARTNERING WITH OUR STAKEHOLDERS

In 2017, FSC and UPM, the Finnish forest-based bio-company, signed a promising global strategic partnership. Together, they intend to develop solutions for advancing the uptake of FSC in the market, while delivering benefits to Finnish forest owners through certification.

In South Africa, FSC entered into a partnership with Woolworths to increase the local market for sustainably sourced products.

S3

STRATEGY 3

**Transform the
way we work**



S3

Our people are our power

Unleash the power of knowledge



To deliver on the Global Strategic Plan 2016-2020, we took a long, hard look at how we worked, both within the international secretariat, and with our affiliated offices around the world.

OUR PEOPLE ARE OUR POWER

We've always endeavoured to attract and retain the best talent in the world to our staffing workforce. In 2017, this changed from an endeavor to a formal, organization-wide strategy when we began the development of our human resources strategy.



46 National Representations
5 Regional Offices



UNLEASH THE POWER OF KNOWLEDGE

We aim to comprehensively report on the economic, social and environmental benefits and impacts of FSC. We strive to be a leading provider of actionable information, giving internal and external users the power to inform insight-driven decision making and communications.

IMPACTS AND OUTCOMES

A number of studies were released in 2017 that showed the value of FSC certification. Among these were:

- A study on how FSC certifications positively impacted livelihoods in Tanzania
- A series of studies on how FSC standards contribute to responsible forest management – above legal requirements - in Baltic countries.
- An account on how FSC certification has influenced the introduction of positive change in management practices and improved social and environmental performance in Cameroon, Indonesia and Peru

In addition, the Value and Impacts Analysis (VIA) pilot – an initiative of various industry and sustainability organizations – produced a collection of evidence-based messages about the effects of FSC on the ground. These claims were finalized and released in 2018.



DIGITAL SOLUTIONS

A number of new digital solutions were released in 2017 to improve our engagement with our stakeholders.

- Consultation platform
- GA app and GA website
- Motions platform
- FSC Netherlands’ “Impactool”

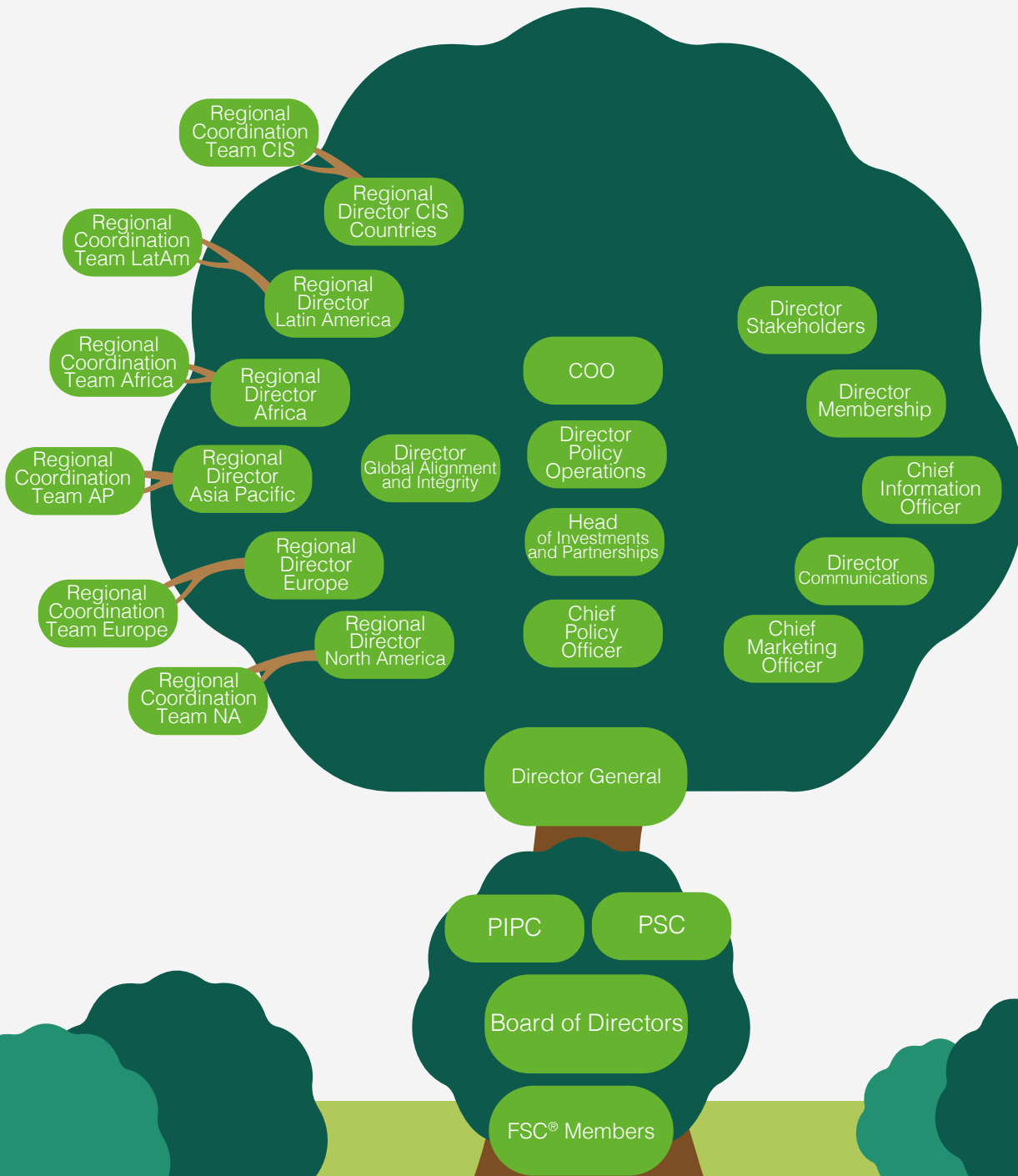
STRENGTHENING OUR LEADERSHIP

At the international secretariat in Bonn, we hired two new leadership positions: Chief Operating Officer, Frank Harnischfeger, and Chief Knowledge Officer, Michael Marus. In addition, we brought in Chief Marketing Officer, Jeremy Harrison to replace Marcelle Peuckert, who left us in 2016.

In addition, Mark Smith joined FSC's Investments & Partnerships as Chief Development Officer and Head of Investments and Partnerships.

Globally, we developed an all-encompassing management structure to ensure we have the required centralized leadership function complemented by voices from each of the world's regions and our national offices.

FSC Global Leadership Structure



FSC Global Organization



SPECIAL THANKS

FSC thanks the following partners for their ongoing support during 2017, and our General Assembly sponsors and supporters. Our work in promoting responsible management of the world's forests would not have been possible without:

Air Canada
Alberta-Pacific Forest Industries Inc.
Arkhangelsk Pulp and Paper Mill, JSC
Associacao Portuguesa de Certificacao (APCER)
BMW Group
Borneo Initiative
Building & Wood Worker's International (BWI)
Bullitt Foundation
Bunnings Warehouse
Celulosa Arauco y Constitucion SA
Empresas CMPC SA
EU FAO FLEGT Programme
European Commission (EuropeAid)
Fibria Celulose SA
FSC Denmark
FSC Australia
FSC Finland
FujiXerox
Google LLC
Greenberg Traurig SC
IDH (Dutch Sustainable Trade Initiative)
IKEA Supply ACG
International Paper
ISEAL Alliance
ISEAL Innovations Fund
Ivey Foundation
Kimberly-Clark Corporation
Kingfisher plc
Klabin S.A.
Kreditanstalt für Wiederaufbau (KfW)
Lenzing AG
M.J. Murdock Charitable Trust

Mercer International Inc
Mondi plc
National Wildlife Federation
North American Partnership for Environmental
Community Action
Peter & Mary Russo Family Foundation, Inc.
Precious Woods Holding Ltd
Programme to Promote Certified Operations in
Forests implemented by Commission of Central
Africa Forests (PPECF-COMIFAC)
Richard Hiner Architects
Sappi North America
SIG International Services GmbH
Sustainable Tropical Timber Coalition
Sveaskog
T-Mobile US Inc
TechSoup Global
Tembec Inc
Tetra Pak International
Tetra Pak Ltda
UPM-Kymmene Corporation
US Forest Service Int'l Programs
VIA Initiative
World Bank (IDA funding)
WWF Cameroon Country Programme Office
WWF Danube
WWF International
WWF Netherlands
WWF US

All anonymous donors

FINANCIAL REPORT

Forest Stewardship Council, A.C. and Subsidiaries
Consolidated Statement of Comprehensive Income

	2017 US\$ '000
Revenue	
Annual Administration Fees	27,772
Donations	1,126
Others	7,010
Total revenue	35,908
Expenses	
Total Staff cost	7,550
Total travel cost	3,359
Total Third Party cost	22,152
Total Back Office Costs	1,430
Total Costs	34,491
Net Exchange rate gains/losses	1,615
EBITDA	-702
Amortisation and depreciation	913
EBIT	-1,897
Tax expense	13
Interest	-971
Total Result	-971

2017 FACTS AND FIGURES

Global FSC certified area | **195,170,660 ha**
84 countries
1526 certificates

Europe
47.7% of total FSC-certified area
93,058,228 ha
696 certificates

Asia
4.5% of total FSC-certified area
8,805,941 ha
238 certificates

North America
35.7% of total FSC-certified area
69,695,913 ha
248 certificates

Africa
3.7% of total FSC-certified area
7,242,988 ha
50 certificates

South America & Caribbean
7% of total FSC-certified area
13,723,907 ha
255 certificates

Oceania
1.4% of total FSC-certified area
2,643,682 ha
39 certificates



Global FSC chain of custody certificates | **121 countries**
35,550 certificates

Europe
52.9% of total FSC CoC certificates
17,741 FSC CoC certificates

South America & Caribbean
4.4% of total FSC CoC Certificates
1,478 FSC CoC certificates

Asia
30.4% of total FSC CoC certificates
10,206 FSC CoC certificates

Oceania
1.2% of total FSC CoC certificates
417 FSC CoC certificates

North America
10.5% of total FSC CoC Certificates
3,509 FSC CoC certificates

Africa
0.6% of total FSC CoC certificates
199 FSC CoC certificates



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