Fiscal 2008 was truly a banner year for FSC in Canada. As you will see in this report, everything is up – forest management and chain-of-custody certifications, paper and wood offerings, and most important of all, procurement policies and practices favouring FSC. The list of companies buying and specifying FSC-labelled products is more impressive than ever. For all of the foregoing, I want to extend my thanks to our funders, to our clients, to our supporters, to our staff and to my fellow board members. And I want to extend a special thanks to the forest-based communities, the First Nations, the workers, the environmentalists, the sociologists, the corporate leaders and their teams, and all the other folks who show that they care by being in the thick of the process. You show up at public consultations. You send us e-mails and letters. You demand more (and the best!) both of us and of all the players around the FSC table.

The market-leading position that FSC enjoys in Canada would not be possible other than through your efforts, your time and your knowledge and your willingness to find a way forward that all stakeholders can support.

All this success is not without its challenges, not the least of which are the heights to which FSC, both internationally and domestically must rise to meet this surge of recognition and investment. FSC is no longer a fledgling organization with questionable staying power. While FSC in Canada is already a force to be reckoned with, it is also still needs to work hard to develop the maturity that is already expected of it in the marketplace. We know only too well that there are stakeholders who are experiencing frustrations associated with the rapid growth of FSC. Be assured that we are all working flat out to meet your expectations. And if you are experiencing challenges, please tell us what they are and how we can meet your needs better. We can only fix the problems that we know of so please, don’t be shy. Our strength is in our commitments to joint solutions, so we invite you to work with us through this exciting phase of expansion and refinement. Canadians involved with FSC at all levels should be proud of what we have achieved and what we represent and the fact is that we couldn’t do it without you. We know that our role is to show the world that Canadians care about their forests and can demonstrate leadership at the community, corporate and civil society levels. The challenges of severe natural disturbances, growing ecological stresses on the forest and the current economic slowdown make the job of certifying forests even tougher, but never has it been more important to have a structure like FSC to help us shape solutions that will advance the principles of sustainability throughout our society, landscape and economy.

We look forward to working with you in 2009 to build on our successes and to consolidate the very substantial progress we have made together. Our collective work will keep FSC on the leading edge of certification and keep the forest healthy for all, forever.

Sincerely,

Alan Young
Chair, FSC Canada
President’s Report

The past year has been one of many supply-side firsts, not the least of which has been all the new certifications that are described in this report and some significant new applications for certification. And not surprisingly, all this supply-side interest is driven by demand.

Among the new large-scale certificate-holders and applicants on the forestry side are AbitibiBowater, Chantiers Chibougamau, Kruger, Meadow Lake Tribal Council and Coastal Forest Conservation Initiative (CFCI), the West Coast consortium that is exploring FSC-certification in the Great Bear Rainforest. The CFCI, which is comprised of BC Timber Sales, Canfor, Catalyst Paper, Interfor and Western Forest Products, after long and searching discussions with First Nations, local communities, environmental and conservation groups and other stakeholders, is now working with SmartWood to assess the readiness of the Mid Coast Timber Supply Area for FSC-certification. If they are successful, and no one involved overlooks or underestimates the challenges that the project presents, it will be the first coastal rainforest FSC-certification of any significant size in Canada.

When one adds in new-to-FSC names like Aeroplan, Bell Canada, Canada Pension Plan, CIBC, Canpar, the Edmonton Eskimos, GM Canada, Holt Renfrew, Lotto Québec, Mattel Canada, Placer Dome, Omicron, RBC, Sick Kids Foundation, Sun Life Financial, Toyota Canada, University of Alberta and Winners, along with literally dozens and dozens of printers, wood distributors and other FSC Chain-of-Custody certificate-holders, then there can be no doubt that FSC has become mainstream and the first choice in forest certification.

One might think that we could take a little time to rest on our laurels but like sustainable development itself, FSC is a journey and not a destination. Five-year reviews of standards, like the National Boreal Standard; implementation of new standards, like Controlled Wood and the revised Chain-of-Custody Standard; Board elections and the Annual General Meeting of Members; consultation with counter-parts in other countries; dealing with Interpretation Requests and Complaints; responding to requests for information and guidance from all manner of stakeholders; making promotional appearances across the country; and a myriad of other tasks, not the least of which is reporting to funders and seeking new funding, keep us more than busy.

That there is this much work is a sure sign of a robust and rapidly growing movement of which we can all be proud. While there are numerous justifications for such pride, the one that I like best is called democracy. FSC is one of the first, and definitely one of the most successful, examples of voluntary and democratic self-regulation. FSC is civil society and its economic partners acting in concert in an open market place, independent of government, in the best interests of unborn generations of biodiversity in all its forms, human included.

Sincerely,

Antony Marcil
President and C.E.O.
FSC Canada
Implementing FSC Standards in Canada

Expansion of FSC-certified forest area

This past year has seen Canada’s FSC-certified forest area expand by 22% and now includes every province outside of Newfoundland and Labrador. For the first time, forests in Saskatchewan and Manitoba became FSC-certified and the total area of certified forests grew to 25.8 million ha, or 15% of the country’s commercial forest area. FSC-certified forests certified or re-certified in the past twelve months are listed in the adjacent box.

In addition to the certifications listed here, commitments to certify approximately 10 million ha have been made. Currently undergoing certification is the Coast Forest Conservation Initiative Society (CFCI) in British Columbia, which is made up of International Forest Products (Interfor), Western Forest Products (WFP), BC Timber Sales (BCTS), Catalyst Paper and Canadian Forest Products (Canfor). In August 2008 Kruger announced intentions to seek certification for its Quebec-based forest licenses (2.3 million ha), and in September 2008 AbitibiBowater announced intentions to certify three forest units in Ontario, Quebec and Nova Scotia, an area totalling 3.2 million hectares. For more information visit www.fsccanada.org/FSCcertifiedforests.htm

Accreditation of the 5-Year Revisions of the Maritimes Standard

In January 2008, FSC International confirmed the accreditation of the Revised Maritimes Standards. These standards represent a comprehensive revision of the previous standard (originally accredited in 1999 for a five-year period, with one section revised in 2003), in order to bring the standard up-to-date with FSC International’s policies and standards, as well as to benefit from the experience gained in implementing FSC standards in the Maritimes and across Canada. The revisions work was carried out by the Maritimes Regional Steering Committee, and was approved by the FSC Canada Board in November 2007. Following the lead taken in B.C. we’re now pleased to have two separate documents – one that applies to Small and Low Intensity Forests (SLIMFs) and another that applies to everyone else. Further information at www.fsccanada.org/maritimes.htm.
Implementing FSC Standards in Canada (cont’d)

Great Lakes/St. Lawrence Standard

After a great deal of work, the Great Lakes/St. Lawrence Standard Development Committee has achieved consensus on all but two indicators, 6.4.5 and 6.4.6. Those two indicators pertain to candidate protected areas that on large licence areas are not nearly as difficult to satisfy as when they are applied to small woodlots or to Group Certifications of members whose individual holdings are relatively small. In effect, the indicators as drafted may constrain one or more members of a Group Certification from any harvest activities at all. Work is needed to revisit the usefulness of 6.4.5 and 6.4.6 in highly fragmented, secondary or tertiary forests, especially when small landholdings are involved. For the time being, the draft standard has square brackets around those two indicators with the notation that the committee has not yet come to agreement on their wording. Further information at www.fsccanada.org/glsl.htm

Revision of the National Boreal Standard (NBS)

FSC International mandates that accredited forest management standards be revised every five years to ensure they are in line with current ecological, economic and social realities. Following lengthy consultations and consensus-building work right across Canada, the National Boreal Standard was accredited in August 2004 and the majority of FSC-certified forests in Canada fall under that standard. A work plan for the 5-Year revisions of the NBS has been approved by the Board of Directors and is currently being reviewed by FSC IC staff in Bonn before full implementation proceeds. In the meantime, funded by the Ivey Foundation, analysis of conditions attached to all the Boreal Forest certifications that have occurred over the last five years is under way to provide indications of areas of the standard that may need revision. Further information at www.fsccanada.org/nationalboreal.htm

Interpretation of the NBS Criterion 6.2

In response to an Interpretation request submitted by SmartWood, an Ad-Hoc Interpretation Committee was formed by FSC Canada, comments were invited from interested parties, and a formal response was released in March 2008. The Interpretation request sought to identify whether Indicator 6.2.1 requires forest managers to include species that may be at risk even though they might not appear on the regulated provincial/federal lists. Further information on the results of the Ad-Hoc Interpretations Committee at www.fsccanada.org/nationalboreal.htm.

Implementation of the Controlled Wood Standards

In 2004, the FSC International Board of Directors approved the “FSC Standard for Company Evaluation of FSC Controlled Wood” (FSC-STD-40-005 V2), and the “FSC Standard for Forest Management Enterprises Supplying non-Certified Controlled Wood (FSC-STD-30-010 V1). As of January 1st, 2008 both of these standards are in effect for forests managers, primary manufacturers and secondary manufacturers looking to supply FSC Controlled Wood, as well as for Chain of Custody certificate holders that plan to mix FSC-certified fibre with non-certified fibre. In order to assist companies in implementing these standards, FSC Canada has developed a Controlled Wood Information Matrix, downloadable at www.fsccanada.org. Companies supplying FSC Controlled Wood are now listed on the FSC International database at www.fsc-info.org.

Approval and Implementation of a NEW Chain of Custody Standard

In November 2007, the FSC International Board of Directors approved a new “FSC Standard for Chain of Custody Certification” (FSC-STD-40-004 Version 2), which specifies the management and production requirements for Chain of Custody control with respect to sourcing, labeling (where applicable) and sale of products as FSC-certified. The standard replaces the previous documents for Chain of Custody certification and came into effective for all new certifications from January 1, 2008 onwards, and will be in effect for existing certificate holders from 2009 onwards. Further information at www.fsccanada.org/chainofcustody.htm.
Growth in Key Markets

The continuing growth in demand for FSC-certified products has translated into a wider availability of certified products, and greater awareness and recognition of the FSC label.

FSC Paper and Printing

FSC-certified paper is now broadly recognized as the highest standard for responsible paper purchasing in Canada as indicated by the many major purchasers, both private and government, that have implemented paper procurement policies requiring FSC certification.

Of note are such policies as the announcement by the Government of Ontario that it will purchase only certified paper and that at least 30% must be FSC-certified. In addition, the Government will work with print suppliers so that they are all FSC-certified by 2012. The financial sector has also continued to make great strides in responsible paper sourcing with CIBC, RBC and Scotiabank announcing that they will be joining National Bank and the Bank of Montreal in switching their office paper and envelopes to FSC-certified paper stocks. TD Canada Trust is also well along in producing a wide array of collateral materials such as wall posters, informational brochures and calendars on FSC-certified paper. Other sectors that have also increased their use of FSC-certified paper include telecommunications and publishing. Companies such as Bell Enterprises, Rogers, Primus, Telus, Toronto Hydro and Hydro-Québec, all use FSC-certified papers, and major publishing houses such as Penguin, Random House, Scholastic and Simon & Schuster have committed to use FSC-certified papers. Random House has gone a step further in certifying all of its U.K. operations. Magazines such as Explore, Cottage Life, EcoOptions, Green Living and others have joined the ever growing list of FSC-certified periodicals.

The recognition of FSC-certification as the environmental standard for paper products has resulting in not only an increase in the number of FSC-certified papers available but in an expansion of the range of products available. In November 2007, Davis and Henderson (SW-COC-002742) became the first manufacturer of cheques to become FSC-certified, Sallart Studies (SW-COC-003229) the first manufacturer of FSC-certified greeting cards, and Supremex (SGS-COC-002963) has continued to expand its line of FSC-certified envelopes to include a biodegradable and FSC-certified bubble mailer. FSC-certified papers have also become more easily accessible to the public and smaller businesses, with Grand and Toy now joining Staples in offering FSC-certified paper. The only FSC-certified office supplies company remains Dye & Durham (SW-COC-002302).

FSC Canada has engaged in outreach to graphic designers, paper buyers and marketing and communication professionals through a number of initiatives. One of these, a professional membership program and promotional swatch book, won two awards from the International Association of Business Communicators (IABC) Toronto Chapter, as well as the RGD Ontario’s Design at Work Green Award. The program was also instrumental in Antony Marcil, FSC Canada President and C.E.O. receiving PrintAction’s 2008 ‘Environmental Innovator’ Award, and in his People’s Choice selection to the Top Ten most influential personalities in the graphic communications field in Canada.

FSC Wood and Green Building

Demand for FSC-certified wood products continues to grow as a result of interest in green building, and recognition of the FSC label has grown within the building sector as a result of the greater visibility of the FSC label on paper products.

The growth in demand for FSC-certified wood products across the country has grown significantly. Most noteworthy is the increase in the number of wholesalers and distributors (58% since January 2008) that are FSC-certified, as this has always been a weak link in the FSC supply chain. The range and availability of FSC
Growth in Key Markets cont’d

-certified products has grown in response to this increasing demand. Some of the new products to come onto the Canadian market are FSC-certified cabinets and kitchens, bamboo plywood, trusses, tradeshow exhibits, Medium Density Fibreboard (MDF) and urea-formaldehyde free particle board.

Future demand for FSC-certified wood products is anticipated to increase in response to the official launch of the Leadership in Energy and Environmental Design (LEED®) for Homes green building standard in Spring 2009, and the Canadian Green Building Council (CaGBC) goal of having one million homes built to this standard by 2015.

In recognition of this potential, and to demonstrate to builders and designers that a wide range of FSC-certified wood products are available, FSC Canada has partnered in the launch of the canuhome, an 850 ft² fully furnished travelling home exhibit constructed almost entirely out of FSC-certified wood products. Since its April 2008 launch, over 100,000 individuals have experienced the canuhome (www.canuhome.com). The canuhome was developed in partnership with the Canada Mortgage and Housing Corporation (CMHC), George Brown College’s Institute Without Boundaries (IwB), and TD Canada Trust.

Highlights

**September 27 & 28, 2007:** FSC Canada exhibits at IIDEX NeoCon Exposition and Conference attended by over 15,000 interior designers, architects, engineers, and manufacturers.

**September 28, 2007:** FSC Canada hosts second Winds of Change Award Gala. The 2007 Award is presented by Environment Minister, Laurel Broten to James Lopez, President and CEO, Tembec. Jeff Amos is the recipient of the volunteer award.

**October 2007:** PriceWaterhouseCooper’s 2007 report on the Global Forest, Paper and Packaging Industry confirms FSC certification as the preferred choice of the industry’s top 100 companies.

**October 4, 2007:** EEM Inc., an independent research company finds FSC to be the most effective certification option for forest management.

**October 26, 2007:** Thomas Nelson publishes the first bible printed on FSC-certified paper.

**October 20, 2007:** The Vancouver 2010 Olympics start construction on the Athlete Housing Village using FSC-certified wood and aiming for a LEED® Platinum rating.

**October 29, 2007:** The Eagles’ new CD, Long Road out of Eden, is released using FSC-certified packaging.

**November 2007:** FSC Canada releases the Controlled Wood Information Matrix.

**November 2, 2007:** FSC-US announces that the Aldo Leopold Foundation, is the winner of the third annual Designing & Building with FSC Award for their Aldo Leopold Legacy Center headquarters building.

**November 5, 2007:** Corey B. Brinkema named as President of FSC-US.

**November 7, 2007:** Simon & Schuster, Inc. announce that by 2012 at least 10% percent of its purchased paper will be FSC-certified.

**November 13, 2007:** Willamette Valley Vineyards releases the world’s first wine stopped with FSC-certified cork.

**November 15, 2007:** FSC International Executive Director, Heiko Liedeker steps down.

**November 16, 2007:** Mistik Management Ltd. (KF-FM/COC-001005) receives FSC certification for its 1.8 million ha forest, the first Forest Management certificate in Saskatchewan.

**November 29, 2007:** FSC International Board of Directors approves new Chain of Custody Standard (FSC-STD-40-004 V2).

**December 11, 2007:** Xerox Corporation (SW-COC-002570) receives FSC certification for 77 distribution centres in 17 countries, covering the largest geographic area of any Chain of Custody certification in the world.

**January 1, 2008:** The Controlled Wood Standard (FSC-STD-40-005, FSC-STD-30-010) and the new Chain of Custody Standard (FSC-STD-40-004 v2) come into effect.

**January 10, 2008:** Scholastic Inc. sets five-year goal to increase its purchase of FSC-certified paper to 30%.

**January 17, 2008:** Grand and Toy begins to sell FSC-certified paper from Boise Inc. (SW-COC-002622) and Domtar Inc. (SGS-COC-001718).
Highlights (cont’d)


February 8, 2008: NewPage Port Hawkesbury Ltd. (SW-FM/COC-002964) receives FSC certification for its 630,000 ha forest, and Chain of Custody certification for the Port Hawkesbury Mill in Nova Scotia.

February 25, 2008: Atlantic Newsprint Company (SW-COC-002941) becomes the first FSC-certified 100% recycled newsprint producer in Canada.

February 27, 2008: Antony Marcil, President & CEO, FSC Canada receives the 2008 ‘Environmental Innovator’ award at the PrintAction Environmental Printing Awards.


March 10, 2008: Staples makes FSC-certified paper a standard in all 1,400 copy and print centers across Canada.


April 2008: The Eastern Ontario Model Forest (SW-FM/COC-000232) produces Canada’s first FSC-certified maple syrup.

April 2008: FSC Canada distributes a Work Plan for the revision of the National Boreal Standard for public comment.

April 8, 2008: FSC Canada’s third annual Winds of Change Award winners are announced; Mountain Equipment Co-op (MEC) and Peter Schleifenbaum.

April 11, 2008: Smith & Fong Plyboo (SW-COC-003124) launches canuhome by FSC Canada President & CEO, Antony Marcil.

April 2008: Taylor Label introduces GoGreen Labels, the first FSC-certified labels.

April 23, 2008: FSC Canada is keynote presenter at Canada Post ‘Direct Summit’ for retailers.

April 24 & 25, 2008: The Canada Mortgage and Housing Corporation (CMHC), George Brown College’s Institute Without Boundaries, TD Canada Trust and FSC Canada launch the canuhome exhibit, built almost entirely out of FSC-certified wood, at the Green Living Show.

April 25, 2008: Premier Dalton McGuinty is given tour of canuhome by FSC Canada President & CEO, Antony Marcil.

May 1, 2008: CIBC announces office copy, printer, and fax paper will be FSC-certified, approximately 365 million sheets a year.

May 29, 2008: FSC Canada’s pilot professional membership program, and ‘Print Demonstration and Swatch Book’ win two awards from the International Association of Business Communicators (IABC), Toronto Chapter.

June 2008: Canadian Printer Magazine releases list of TOP 100 Printers for 2008; 50% are FSC-certified, up from 35% in 2007.

June 2008: Antony Marcil, FSC Canada’s President & CEO is named one of Canada’s 50 Most Influential People in Graphic Communications and makes the top 10 People’s Choice listing released by PrintAction Magazine.

June 2, 2008: Andre de Freitas announced as the new Executive Director of FSC International.

June 13, 2008: FSC Canada exhibits at the Canadian Green Building Council (CaGBC) national conference, attended by over 1,000 delegates.

June 15, 2008: The canuhome exhibit is on display at Yorkdale Mall (Toronto); over 20,000 consumers walk through exhibit.

July 21, 2008 Scotiabank releases an environmental paper policy that specifies the use of FSC-certified paper for office paper, bond paper, envelopes, business cards, and corporate publications.

August 1, 2008: The Government of Ontario confirms its commitment to purchase only certified paper, at least 30% of which must be FSC-certified. In addition, the government will work with print suppliers so that they are all FSC-certified by 2012.

August 5, 2008: FSC makes RISI list of ‘Top 50 Power List’ of most influential people in the global pulp and paper industry.

August 11, 2008: Marathon Pulp Inc. (SW-FM/COC-003346) receives FSC certification for its 650,000 ha forest in Ontario.

August 28, 2008: Kruger Inc. announces its intention to seek FSC certification for its Quebec-based forest licenses, an area totaling 2.3 million ha.

September 3, 2008: AbitibiBowater Inc. commits to certify 3.2 million hectares of forestland to FSC standards in Ontario, Quebec and Nova Scotia.

September 5, 2008: Xerox Canada (SW-COC-003336) commits to certify all of its managed services customer sites across Canada. This follows the announcement of Xerox Corporation’s (SW-COC-002570) release of two FSC-certified papers, Planet 20 & FSC 4200.

September 16, 2008: AbitibiBowater Inc., Thorold Division (SW-COC-003422) newsprint mill becomes FSC-certified.

September 19, 2008: RBC announces all office paper, including copy, print and fax paper, statement & ATM envelopes to be FSC-certified.

September 19, 2008: FSC Canada’s ‘Print Demonstration and Swatchbook’, designed by Traffic Marketing + Design receives the RGD Ontario ‘Design at Work—Green Award’.

September 19, 2008: Half of the award winners at the 59th Annual Premier Print Awards, and all of the ‘Best of Category’ winners are FSC-certified.

September 25-26, 2008: FSC Canada and the canuhome exhibit featured at the 2008 IDEX NeoCon Exposition and Conference. The canuhome wins the ‘Gold Prize’ for best booth.


October 2, 2008: RONA Inc. announces new eco-responsible program that identifies FSC-certified products in stores.
Status of FSC certification

<table>
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<tr>
<th>PROVINCE</th>
<th>FSC-certified Area (ha)</th>
<th>FM certificates (#)</th>
<th>CoC certificates (#)</th>
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<tr>
<td>Alberta</td>
<td>5,490,000</td>
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<tr>
<td>British Columbia</td>
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<td>Saskatchewan</td>
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**TOTAL** 25,830,626  47  606

* Group Certificate with area in three provinces; only counted in total as one certificate.

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
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Financial Report

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<tr>
<td>Revenue</td>
<td>$ 632,257</td>
<td>$ 778,216</td>
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<td>Expenses</td>
<td>$ 602,964</td>
<td>$ 776,341</td>
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<td>Net</td>
<td>$ 29,293</td>
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**Revenues**

- Foundation Grants 66%
- Corporate Donations 15%
- Workshops and Others 18%
- Corporate Donations 15%

**Expenses**

- Administration 4%
- Communications 54%
- Policy and Governance 13%
- Standards Development 30%