



Forest
Stewardship
Council®
Canada

**ANNUAL
REPORT
2011-2012**

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Reflections from the CO-CHAIRS

On the heels of the Annual General Meeting in October 2011, the FSC Canada board recognized the need to move purposefully to meet the expectations of members, certified companies and partners. Many shared the observation that while the success of the FSC brand in the marketplace was evident and impressive, there was not an equivalent financial capacity or stability to nurture and grow the organization in Canada. Staff, consultants and the board set to work to address this challenge.

Under the initial leadership of Lorne Johnson President/CEO (interim) and continued by new President/CEO Francois Dufresne, FSC Canada tackled the objective of diversifying its revenue sources. Accessing funding from FSC Canada partners and competing aggressively for a fair share of FSC International Centre (FSC IC) funding were two strategic goals. We are pleased to be able to report significant accomplishments in the transition towards revenue self-sufficiency and capacity growth. Through two competitive processes undertaken over several months, we were awarded the largest amount granted to a FSC National Office in 2012. We take this outcome as a tangible indication by FSC IC of the leadership role that FSC Canada can play and in the global FSC context going forward.

This funding over the next 12 to 18 months provides the opportunity for FSC Canada to address significant challenges head-on. Key program areas include the planning and implementation of a Forest Management Standard revision process at a national scale, Canadian Controlled Wood risk assessment, development of a strategic partner program and overseeing an efficient and successful FSC certificate transfer process in Quebec. Receiving specific funding to strengthen our Aboriginal programming with First Nation and Métis communities and organizations is an exciting development, as we firmly believe that FSC Canada has a leadership role to play on a global network scale.



On the second objective of engaging our strategic partners directly, we are grateful for the financial support of The Richard Ivey Foundation and many forest product companies across Canada. These contributions are invaluable to our organization as we plan for an expanded service footprint across Canada to meet our member and partner needs.

What about forests? Of course our organization has at its core the mission of increasing the abundance of well-managed forests through the application of FSC standards on forests large and small, private, public and First Nation across Canada. While addressing the financial future of the organization is an important first step, engaging our members and partners in how FSC can grow in impact and effectiveness, is the next. There is a lot to discuss.

We look forward to the conversation,

Chris McDonnell
Co-Chair, FSC Canada

Valerie Courtois
Co-Chair, FSC Canada

A Message from the **PRESIDENT**

This past year has been characterized by major changes for FSC Canada. Our focus is to rebuild the organization's capacity and structure beginning with the hiring of a new President as well as opening a new office located in Montreal, Quebec. As the newly appointed President of FSC Canada, I am proud to be from the province of Quebec. In order to rebuild, FSC Canada has updated its five year strategic plan focusing on transitioning to a business model that supports core service delivery. This includes an increased presence in Eastern and Western Canada, increase demand for FSC-certified solid wood products and engage First Nations support for FSC.

Globally, FSC passed some exciting milestones as FSC members approved the revised Principles and Criteria and the development of the new international Generic Indicators which will serve as the basis for all FSC Standards, including Canada's Forest Management Standards.

These milestones mark the beginning of an important next phase in FSC's work. In parallel to the revision, FSC Canada will engage stakeholders in revising and aligning the Forest Management Standards with the new Principles & Criteria and has also embarked in developing a National Controlled Wood Risk Assessment.

These two initiatives will require significant resources from FSC Canada over the course of the next two years as they are scheduled to be completed by December 2014.

As a consequence of a new Forest Tenure law in Quebec, all FSC Forest Management certificates in the province are in the process to be transferred from the industry to the Provincial Government. Since there are some 21 million hectares of FSC-certified forest in Quebec, FSC Canada is deploying significant resources to ensure its success.



FSC Canada is uniquely valued within the global FSC supply chain resulting in a growing supply of visible FSC products in the marketplace. We are proud to report that, as of September 2012, there are over 50 million hectares of FSC-certified forest lands in Canada, which represents one third of all FSC-certified forests globally.

As we bring FSC Canada to a new level, I would like to thank all our Members and stakeholders for their support. We look forward with renewed enthusiasm to the year to come, and with gratitude to all those who made this past year so successful.

Sincerely,

A handwritten signature in black ink, appearing to read 'François Dufresne'. The signature is fluid and cursive, written over a light grey horizontal line.

François Dufresne
President, FSC Canada

A Year at a Glance

2011-2012

September 2011: Resolute Forest Products, formerly AbitibiBowater, certifies largest FSC forest in Ontario which covers over 2.4 million hectares of forestlands.

October 2011: Lorne Johnson joins FSC Canada as Interim Executive Director.

October 2011: FSC Canada attends the International Greenbuild Conference & Tradeshow and the FSC US 'Design & Build with FSC' Awards in Toronto, ON. Over 25,000 participants from across North America were in attendance during the first week of October in Toronto, making this the first time the event has been held outside the United States.

October 2011: Mattel Inc. launches new sustainable sourcing principles stating their preference for FSC-certified products for the paper and wood fiber used in their packaging products.

October 2011: Rainforest Alliance study finds that World Heritage Sites and other protected areas benefit when neighboring forests achieve FSC certification.

November 2011: FSC-certified printers come out on top at Canadian Printing Awards. Of the 63 awards presented, 50 of the awards were presented to FSC-certified printers and paper manufacturers.

November 2011: Resolute Forest Products commits to "increase Forest Stewardship certification of managed woodlands from 18% in 2010 to 80% by 2015" in its 2010 Sustainability Report.

January 2012: FSC Members approve Revised Principles and Criteria.

January 2012: Levi Strauss & Co. launches new Sustainable Forest Products Procurement Policy stating their preference for FSC-certified products for all of their product packaging, hangtags, corrugate, construction and decoration materials and furniture.

February 2012: FSC Canada welcomes Vivian Peachey as Standards and Policy Advisor.

March 2012: FSC Canada launches the development of a National Controlled Wood Risk Assessment.

May 2012: FSC Canada, FSC International, and FSC US co-host the 2012 FSC Forum to discuss and address key topics and issues in the FSC system during the week of the Global Forest Products Leadership Summit and International Pulp week in Vancouver, BC.

May 2012: FSC Canada Board of Directors welcomes Francois Dufresne as FSC Canada's new President.

May 2012: International Paper Announces new FSC-certified 100% Recycled Paper

June 2012: Tembec plants 300th million tree in FSC-certified Northern Ontario Gordon Cousens Forest located near Kapuskasing, Ontario.

June 2012: CIBC announces their continued commitment to Canada's forests through its purchase of FSC-certified paper, increasing CIBC's total FSC-certified stock to 94 per cent.

June 2012: Resolute Forest Products becomes the largest manager of FSC-certified forests in the world with over 10.3 million hectares.

September 2012: People around the world celebrate our forests on FSC Friday. FSC asks Canadians to participate by posting about FSC using social media platforms (e.g. Facebook and Twitter).

September 2012: Canada reaches the milestone of over 50 million hectares of FSC-certified forests— an area the size of Spain!

September 2012: Groupe Lignum becomes the first FSC Chain of Custody Group Certificate in Quebec.

September 2012: Corner Brook Pulp and Paper (QMI-FM/COC-001506), a subsidiary of Kruger Forest Products receives the first FSC forest Management certification for the province of Newfoundland and Labrador.

LEADERS IN FOREST CERTIFICATION

Canada reached over 50 million hectares of FSC-certified forests. Making Canada a world leader in FSC forest certification with over 30% of the world's FSC-certified forests.

This past year has seen Canada's FSC-certified forest area expand by 13% to over 50 million ha.

Even more remarkable is the fact that over the past five years, the area of forests in Canada that meet FSC's rigorous environmental and social standards has increased by **178%**.

This rapid growth in supply of FSC-certified fibre is anticipated to continue as an additional 10 million ha of forests are in the process of becoming certified.

Achievements in Forest Certification

In November 2011, Taan Forest, owned by Haida Enterprise Corporation of Haida Gwaii, in British Columbia, achieved FSC certification, becoming the first forest in British Columbia to meet FSC Standards since 2009.

In June 2012, Resolute Forest Products became the largest manager of FSC-certified forests in the world with over 10.3 million hectares.

Also in June 2012: Tembec planted its 300th million tree in FSC-certified Northern Ontario Gordon Cousens Forest located near Kapuskasing, Ontario.

In September 2012, Corner Brook Pulp and Paper (QMI-FM/COC-001506), a subsidiary of Kruger Forest Products received the first FSC forest Management certification for the province of Newfoundland and Labrador.

Province	FSC-Certified Area (ha)	FM Certificates (#)
Alberta	5,624,350	1
British Columbia	2,778,015	6
Manitoba	0	0
Maritimes (NB, NS, PEI)	747,385	5
Ontario	18,013,697	21
Quebec	21,909,606	29
Saskatchewan	1,831,964	1
Total	52,398,422	64

Developing and Maintaining **STANDARDS**

FSC is committed to developing and maintaining high standards for responsible forestry. In the past year, FSC has focused on engaging with its members and stakeholders to ensure that our standards and policies support healthy forests for generations to come.

Revised FSC International Principles and Criteria Approved

In 2008, FSC International initiated the process of revising the FSC Principles & Criteria (P&C). The FSC P&C are the core requirements a forest must meet to achieve FSC certification and provide the social, economic, ecological, cultural and spiritual needs of present and future generations. Since 2008, several drafts of the P&C have been released for public consultation and comment. In January 2012, the revised Principles and Criteria were approved by the FSC Membership.

FSC International Generic Indicators

The newly revised FSC International Principles mark the beginning of an important next phase in FSC's work. FSC International has launched a working group to develop a set of International Generic Indicators (IGI) that will be the basis of all FSC Standards. Their purpose will be to ensure consistent application of the global P&Cs. FSC Canada has selected a representative to sit on the IGI Technical Expert Group and represent Canada.



Forest Management Standard Revision

With the approved revisions to the Principles and Criteria, FSC Canada will begin planning to align National Forest Management Standards with the new Principles & Criteria. The revision of the Forest Management (FM) Standards will take place concurrently and the revision process will strive to build on previous work and agreements while providing opportunities for focused regional and national discussions. The FM Standards Revision Process is expected to take approximately two years beginning in the late fall 2012 and aiming to have the Standards approved by December 31, 2014. In an effort to create a stable and broadly supported process, FSC Canada launched a survey to gather perspectives on the design of the standards revision process in October 2012.

Great Lakes St. Lawrence Standard Development

Following the review and consultation of a draft Great Lakes St. Lawrence Standard in 2010 and 2011, on March 15th, 2011 FSC Canada submitted to FSC International the GLSL Forest Management Standard (Draft 4) for their review and accreditation as per FSC-STD-60-006 v1-2.

On June 22, 2011 FSC International provided FSC Canada with a report highlighting their conditions and recommendations resulting from this review, and which must be met prior to the recommendation of the GLSL standard for accreditation. After reviewing the conditions, recommendations and with the introduction of the newly revised FSC Principles and Criteria FSC Canada's Board of Directors decided to postpone the accreditation of the GLSL Standard.

By postponing the accreditation, FSC Canada will now begin the process to align all of its Forest Management Standards with the new Principles and Criteria and review all Forest Management Standards at the same stage of the revision process.

New

FRONTIERS

National Controlled Wood Risk Assessment

At the 2011 FSC General Assembly, the highest decision making body of the Forest Stewardship Council, the FSC Membership passed Policy Motion 51 to 'Strengthen the Controlled Wood System'. The motion includes a revision of the Controlled Wood Standard (FSC-STD-40-003), an evaluation of existing risk assessments, the phase-out of company developed Risk Assessments and the development of FSC National Controlled Wood Risk Assessments by December 31st, 2014. A National Controlled Wood Working Group is currently in the process of providing strategic direction in the development of the National Controlled Wood Risk Assessment and developing recommendations on risk designations for forest regions across Canada.

Quebec Tenure Transfer Protocol

Commencing April 1st, 2013, the Province of Quebec dictates that public forest management responsibilities will be taken away from forest companies and taken over by the Ministry of Natural Resources and Wildlife (MRNF). It is MRNF's intention to maintain all FSC FM certificates that are in place prior to that time, which (including certified forests and those currently in process of certification) will represent approximately 40 FM certificates and 25 million ha of FSC-certified forests. In order to ensure a smooth and transparent transfer of FM certificates from forest companies to the MRNF, a Protocol for Forest Management Certificate Transfer has been developed and approved by FSC International (September 2012).

Quebec Tenure Transfer & First Nations

At the FSC Canada Annual General Assembly in October 2011, a motion was tabled and passed by the membership pertaining to the Transfer of FSC FM certificates in Quebec. The motion, presented by Wolf Lake First Nation, seconded by National Aboriginal Forestry Association states "FSC Canada shall establish a Quebec regional working group process with participation from FSC Canada, Quebec government, FSC certifiers, FSC certified companies and interested First Nations, as soon as possible, to clarify the obligations and responsibilities of the Quebec government and FSC certified forestry companies to First Nations in order to ensure continued compliance with FSC Principle 3 in the Great Lakes St. Lawrence and Boreal FSC Regional Standards prior to the Quebec Sustainable Forest Development Act taking effect on April 1, 2013."

FSC Canada will continue to host discussions with representatives of the Ministry of Natural Resources and Wildlife - Quebec, First Nations and FSC stakeholders regarding the implementation of the motion. The objective of those discussions is to ensure that an orderly, effective, efficient and credible process is implemented that respects the roles and responsibilities of FSC Canada, FSC International, FSC Certifiers and certificate holders.



A Growing DEMAND

FSC Paper & Packaging

Higher demand for FSC-certified paper products stems from a positive market transformation. Just this past year CIBC announced their continued commitment to Canada's forests through its purchase of FSC-certified paper, increasing CIBC's total FSC-certified stock to 94 per cent. While CIBC has printed its annual report on FSC-certified paper since 2006, they will now transition 203 million sheets of client account statement paper, 116 million statement envelopes and 76 million ABM envelopes to FSC-certified stock on an annual basis.

Mattel Inc. launches new sustainable sourcing principles stating their preference for FSC-certified products for the paper and wood fiber used in their packaging products. Mattel has pledged that, by the end of 2011, 70 percent of its paper packaging will be composed of recycled materials or sustainable fiber. Mattel is aiming to increase this figure to 85 percent by the end of 2015. Mattel has indicated that they will show a preference for fiber certified by FSC and will take steps to encourage its suppliers to pursue chain of custody certification for their own operations.

FSC & Green Building

In September 2011, Remington Development Corporation announced its new head office, Quarry Park West, achieved LEED Gold certification with 64 per cent of wood used in construction procured from FSC certified sources. Quarry Park West is Alberta's first privately developed suburban office project to earn this recognition.

In October 2011, FSC Canada attended the International Greenbuild Conference & Tradeshow and the FSC US 'Design & Build with FSC' Awards in Toronto, ON. Over 25,000 participants from across North America were in attendance during the first week of October in Toronto, making this the first time the event has been held outside the United States.

The LEED green building rating system continues to be a major driver of market demand for FSC-certified wood products. As of September 2012, 32% of LEED Canada projects had achieved the Materials and Resources Credit 7: Certified Wood Credit. Of this total, 53% have gone on to achieve Platinum LEED status and 44% Gold LEED Status. Source: http://www.cagbc.org/AM/PDF/Average_Scorecard_2012_10_15.pdf

FSC Business Value & Growth Global Market Survey 2011

The FSC Global Market Survey helps us answer important questions about our certificate holders such as why they choose to become FSC certified, what certification means for them, and what challenges and opportunities certification will bring in the coming years. Here are some key findings from the 2011 survey:

- Over 48% of companies have a procurement strategy that shows a preference for FSC-certified products.
- Global awareness of the FSC label has increased since 2009, with two-thirds of respondents observing higher awareness about responsible forestry and about FSC.
- More than two-thirds of respondents plan to source more FSC material in order to meet growing demand.
- More than half those polled say that they expect FSC certification to help them gain new clients in the next 12 months.

Report On FINANCIALS

Revenue	FY2012	FY2011
FSC AC grants	\$66,708	\$204,397
Certification fees	\$179,078	\$112,553
Membership fees	\$31,092	\$33,088
Foundation and corporate grants	\$50,000	\$15,222
Conferences, workshops and other income	\$20,450	\$58,534
Donations	\$138,350	\$5,059
Total Revenue	\$ 485,678	\$428,853
Expenses	FY2012	FY2011
Program and operating expenses	\$285,370	\$ 393,218
Deficiency of revenue over expenses	<i>\$200,308</i>	<i>\$35,635</i>

OUR DONORS

FSC Canada wishes to thank the following partners for their financial support during 2011-2012. Without their support, our work in promoting responsible management of the world's forests would not be possible:

Alberta Pacific Forest Industries
Cascades
Domtar Inc.
Eastern Ontario Forest Group
FSC A.C.
Kruger Forest Products
Resolute Forest Products
The Ivey Foundation
Tembec Inc.

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Francois Dufresne,
President (May 2012-present)

Lorne Johnson
Interim Executive Director
(Oct 2011-May 2012)

Maia Becker
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Monika Patel
Director of Programs

Bryce Denton
Financial Manager

Vivian Peachey
Standards & Policy Advisor