



Forest
Stewardship
Council®
Canada

**ANNUAL
REPORT
2012-2013**

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REFLECTIONS FROM THE CO-CHAIRS



Chris McDonnell &
Valerie Courtois
Co-Chairs,
FSC Canada

This past year we have been able to make some real and much needed progress towards our long term goal of organizational stability. Through continued support from organizations as diverse as the Richard Ivey Foundation, the Government of Quebec, forest companies, members and FSC International the FSC Canada funding base grew significantly in 2012-2013. This capacity supported the hiring of two new employees and led to the opening of an Eastern Canada office in Quebec City, to help us serve more members and increase our reach across Canada.

FSC Canada's board and staff focused on priorities at the both the international and national levels. At the International level, projects include: the mandate to build one global FSC organization (Motion 8), participation in the Permanent Indigenous Peoples Committee (PIPC) and actively meeting with members, certification bodies and certified operations prior to providing input into draft 1 of International Generic Indicators (IGIs).

On the home front, FSC Canada was focused on projects including the launch of our Forest Management Standards Revision Process, developing a National Controlled Wood Risk Assessment and working on the Quebec Tenure Transfer Process.

With new projects and new frontiers FSC continues to grow. This past year has seen encouraging developments in growth of FSC Forest Management certification, particularly in Ontario and Quebec. While FSC Canada contributes over 30 percent of the area of FSC certified forests internationally, much work remains. Increasing the accessibility, uptake and benefits of FSC for small & community forests and solid wood suppliers are current critical areas of focus.

2014 will mark FSC's 20th anniversary and with it FSC Canada looks toward a strengthened funding platform through an enhanced revenue sharing approach with FSC International. Engagement on review of Draft 2 and 3 of the International Generic Indicators, creation of a National Controlled Wood Risk Assessment and opening a new office in Western Canada are key priorities for 2013-2014.

Thank you for your support and engagement in FSC Canada activity. We look forward to working with you in 2014, to build on our successes and continuing to keep our forests healthy for future generations.

A MESSAGE FROM THE PRESIDENT



Francois Dufresne
President,
FSC Canada

This past last year was focussed primarily on rebuilding and increasing FSC Canada's capacity, which will remain a priority for the rest of 2013. We were able to make some real progress in our long term organizational stability, by adding two new staff members and opening an Eastern Canada office located in Quebec City. This was made possible by negotiating a new funding agreement with FSC International and developing partnerships with FSC supporters.

With increasing capacity, FSC Canada was able to embark on a comprehensive Forest Management Standard revision and development process. This process, taking us into 2014, will include aligning FSC Canada's Forest Management standards with the new Principles & Criteria and incorporating the International Generic Indicators to ensure consistent global application.

This work will become increasingly important with the increasing amount of FSC-certified forests in Canada. Just this year we saw a significant increase in Quebec where an addition 18 million hectares certified to FSC's standards.

While Canada contributes over 30% of the area of FSC-certified forests internationally, much work remains. Increasing the accessibility, uptake and benefits for FSC for small woodlot owners, aboriginal tenure holders, community forests, forest companies throughout the supply chain, and the Boreal forest are critical areas of focus.

In the upcoming year, we look forward to working with members, stakeholders and supports to accomplish FSC Canada's goals.

I would like to thank our board members, supporters, working groups, certificate-holders and all those who encourage forest product producers and purchasers to support responsible forestry.

BOARD OF DIRECTORS 2012-2013

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WADE CACHAGEE

Individual
Chamber:
Aboriginal Peoples
Location:
Ontario



HENRY SAUVAGNAT

Cascades
Chamber:
Economic
Location:
Quebec



CHRIS HENSCHEL

Canadian Parks and
Wilderness Society
Chamber:
Environmental
Location:
Ontario



ORRIN QUINN

Ecotrust Canada
Chamber:
Social
Location:
British Columbia



BRAD YOUNG

National Aboriginal
Forestry Association
Chamber:
Aboriginal Peoples
Location:
Ontario



CHRIS MCDONELL

Tembec
Chamber:
Economic
Location:
Ontario



JOHN CATHRO

Individual
Chamber:
Environmental
Location:
British Columbia



VALERIE COURTOIS

Individual
Chamber:
Social
Location:
Newfoundland &
Labrador

FSC CANADA STAFF

**FRANCOIS
DUFRESNE**

President
Location:
Montreal, QC

**MONIKA
PATEL**

Director of Programs
Location:
Toronto, ON

**VIVIAN
PEACHEY**

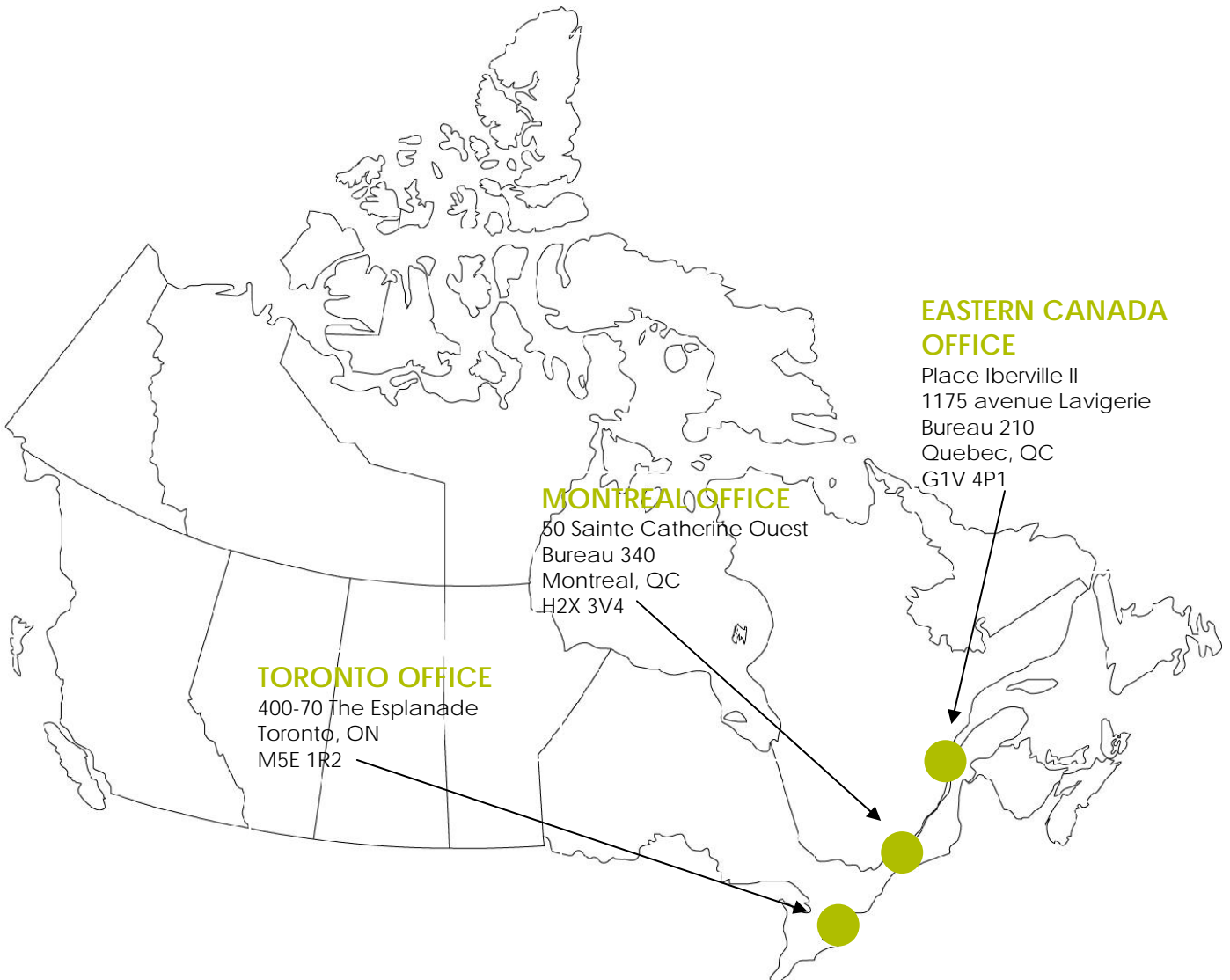
Director of Standards
Location:
Toronto, ON

**ELAINE
MARCHAND**

Regional Manager,
Eastern Canada
Location:
Quebec City, QC

**BRYCE
DENTON**

Financial Manager
Location:
Toronto, ON



A YEAR AT A GLANCE

2012– 2013

Aanischaaunkamikw, the Cree Cultural Institute, a museum, archive, library teaching centre and gathering space for cultural events is built using FSC-certified structural materials.

FSC Canada launches newly designed website .

The Walt Disney Company launches responsible sourcing policy stating their preference to maximize the use of FSC-certified and recycled products for their day-to-day business operations as well as its consumer products and packaging.

FSC extends deadline for development of National Controlled Wood Risk Assessments to 2014.

Hotel and GEOS Spa Sacacomie is the first to achieve FSC Project Certification in Canada and the second in North America.

Avery Dennison launches FSC-certified price-neutral products made for wine, spirits, dairy and food applications.



FSC announces First Public Consultation on the International Generic Indicators.

FSC Canada Forest Management Standards Revision Strategic Direction Approved by Membership.

Tembec and Resolute Forest Products certifies additional 1.3 million hectares to FSC standards near Senneterre, Quebec.

The Proctor & Gamble Company announces their fiber sourcing goals stating their preference for FSC-certified products for the pulp used in their tissue-towel, baby care ad feminine hygiene products.

FSC Canada launches Forest Management Standard Revision Process.

FSC-Certified Prairie Pulp and Paper Inc. is the first company in Canada to manufacture, Step Forward, FSC-certified straw copy paper. The paper contains 80% leftover straw and 20% FSC-certified wood fibre.

Torstar Corporation launches Environmental Purchasing Principles stating their aim to continuously improve with FSC certification as their target standard.

LEADERS IN FOREST CERTIFICATION

Canada continues to be 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 10% to over 57 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 **111%**.

Achievements in Forest Certification

In November 2012, Tembec and Resolute forest Products certified and addition 1.3 million hectares to FSC Standards near Senneterre, Quebec. This brings Tembec to a total of 10.8 million hectares and Resolute Forest Products 13.7 million hectares of FSC-certified forests in Canada .

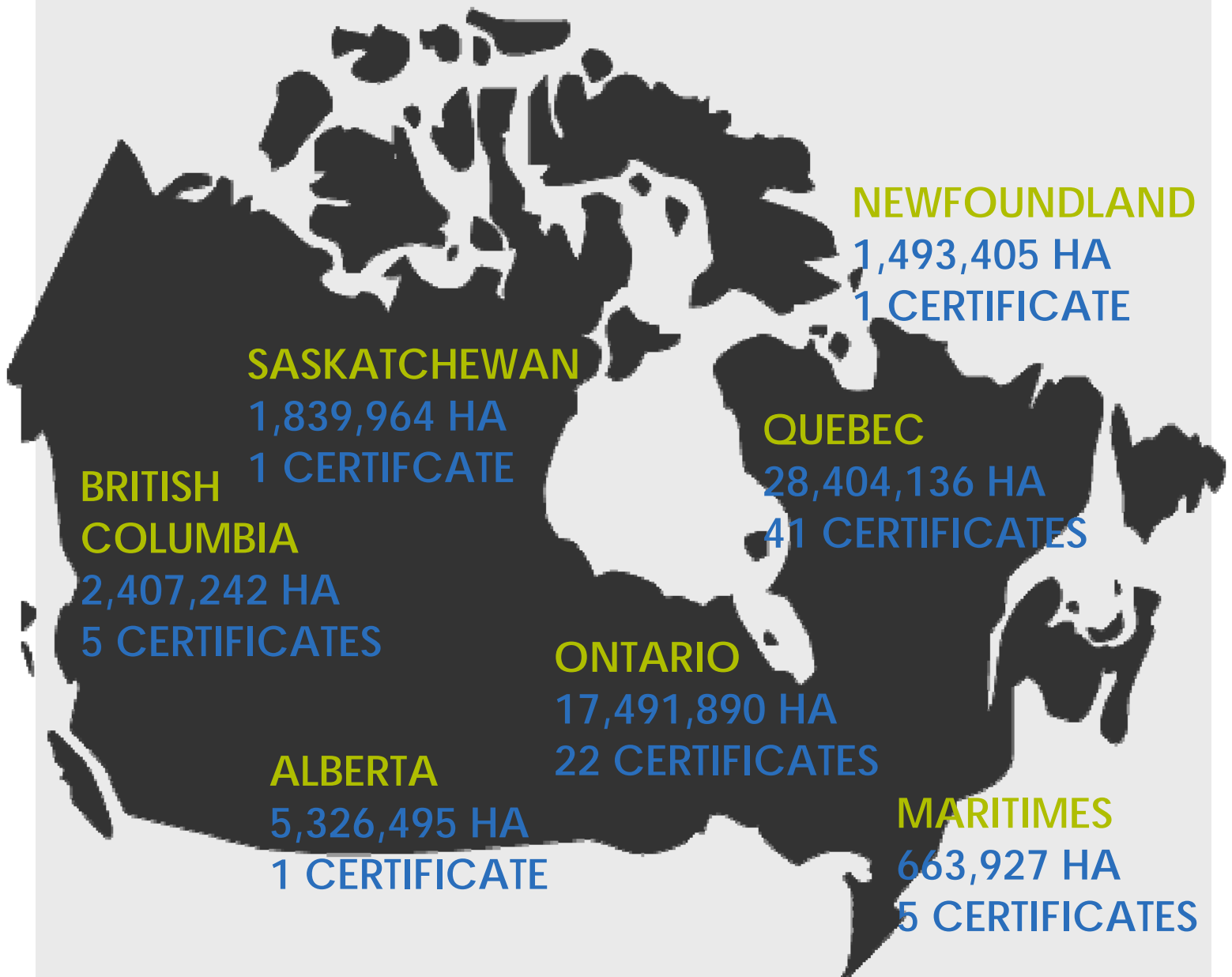
This year we also saw a significant increase in FSC-certified forests in Quebec where there were an additional 7 forests certified, adding an additional 5.6 million hectares.

New FSC-certified Forests

- Bancroft Minden Forest Company, ON
297, 861 ha
- Mazinaw-Lanark Forest Inc., ON
218, 866 ha
- Boisaco Inc., QC
1, 541, 330 ha
- Gestion Foresitere Lacroix, QC
60, 019 ha
- PF Resolute Canada—Cote Nord, QC
2, 242 ,077 ha
- PF Resolute Canada & Tembec, QC
1, 375, 099 ha
- Scierie Dion et Fils, QC
290,676 ha
- Seminaire de Quebec, QC
159,194 ha
- Terra-Bois cooperative de propriétaires de boisés, QC
27, 003 ha



FSC in Canada

FOREST MANAGEMENT**TOTAL****76 CERTIFICATES****57,619,059 HA**

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.

FSC International Generic Indicators

FSC International launched a working group to develop a set of International Generic Indicators (IGIs) whose purpose will be to ensure consistent application of the global Principles & Criteria. FSC Canada continues to be involved in the IGI Technical Expert Group and participated in reviewing draft 1 of the IGIs, facilitating webinars and is looking forward to providing feedback on further drafts.

Forest Management Standard Revision

With the newly approved Principles and Criteria, approved in 2012, FSC Canada began planning to align all National Forest Management Standards in Canada with the new Principles & Criteria and International Generic Indicators.

In an effort to create a stable and broadly supported process, FSC Canada put together a standards development group, launched a survey to identify key indicators and hosted a series of webinars to gain feedback on development of regional specific indicators including indicators that are considered problematic, ecologically or socially important or indicators that need to be strengthened.

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, 2015.

With over 57 million hectares impacted by our Forest Management Standards, FSC Canada looks forward to working with stakeholders in developing and maintain high standards for responsible forestry.



TENURE TRANSFER IN QUEBEC

In 2011, the Quebec Government introduced the Sustainable Forest Development Act, which intended to take over the responsibility of public lands and transfer forest management certificates to the Ministry of Natural Resources (MRN) by April 1, 2013.

In order to ensure a smooth and transparent transfer of FSC Forest Management certificates, FSC Canada worked to develop a Protocol for Forest Management Certificate Transfer that was approved by FSC International in September 2012.

On March 27, 2013, the MRN reached an agreement with the Quebec Forest Industry Council that allows the MRN to be ultimately responsible for forest management but allows the forest industry to continue maintaining FSC Forest Management certificates. Following this decision, FSC International has withdrawn the Protocol for Forest Management Certificate Transfer.

Quebec Tenure Transfer & First Nations

At the FSC Canada Annual General Assembly in October 2011, a motion was passed by the membership pertaining to the Transfer of FSC Forest Management certificates in Quebec.

The motion, presented by Wolf Lake First Nation, seconded by National Aboriginal Forestry Association stated "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."

To implement the motion, FSC Canada initiated a Quebec Tenure Transfer process and created the FSC Quebec Tenure Transition – Transfer Team (QTT-TT) to provide guidance on the process.



As part of the process, FSC Canada hosted discussions with representatives of the MRN, First Nations and FSC stakeholders regarding the implementation of the motion and to ensure that an orderly, effective, efficient and credible process was implemented. A gap analysis was developed to analyze the gaps and synergies between Quebec's legal regime and the requirements of Principle 3 for Indigenous Peoples Rights and other indicators relating to Aboriginal Peoples in Canada. In addition, a web survey and workshop was hosted to collect recommendation from various stakeholders and First Nations.

With the decision on March 27, 2013 by the Quebec government, the QTT-TT is currently evaluating how to proceed.

A GROWING DEMAND FOR PAPER AND PRINT

Increased Commitments to FSC

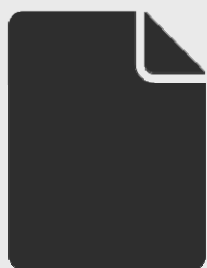
Harlequin Enterprises North America, one of the leading publishers of Romance novels, has increased their commitment to FSC and achieved FSC Chain-of-Custody certification (FSC®-C104934). Harlequin North America currently sources over 18,000 MT of paper annually. They have been able to source 15 percent FSC-certified materials for their paper supply needs so far and have committed to increase their commitment to sourcing 20 percent FSC-certified paper by 2013, and 25 percent by 2014.

The Walt Disney Company launched their new responsible sourcing policy stating their preference to maximize the use of FSC-certified and recycled products for their day-to-day business operations as well as its consumer products and packaging.

The Procter & Gamble Company (P&G) announced their new fiber sourcing goals stating their preference for FSC-certified products for the pulp used in their tissue-towel, baby care and feminine hygiene products. P&G has pledged that, by 2015, at least 40% of the pulp used in tissue-towel products will be FSC-certified. P&G is also aiming to have all of their products and packaging made from 100% sustainably sources or recycled materials.

FSC-Certified Paper & Alternative Fibers

Prairie Pulp & Paper Inc. became the first company in Canada to manufacture, Step Forward, FSC-certified straw copy paper. The paper contains 80% leftover straw and 20% Forest Stewardship Council (FSC) certified wood fibre.



PAPER

Over 800 FSC-certified Papers available in North America



PRINT

Over 750 FSC-Certified print locations in Canada

A GROWING DEMAND FOR WOOD & GREEN BUILDING

FSC & LEED

The LEED green building rating system continues to be a major driver of market demand for FSC-certified wood products. As of March 2013, 37% of LEED Canada new construction projects had achieved the Materials and Resources Credit 7: Certified Wood Credit. Of this total, 61% have gone on to achieve Platinum LEED status and 46% Gold LEED Status. Source: http://www.caqbc.org/AM/PDF/LEED_Canada_NC_v1-Average_Scorecard_2013_03_31_EN.pdf

Using FSC-certified wood in unique structures

In 2012, Aanischaaukamikw, the Cree Cultural Institute, a museum, archive, library teaching centre and gathering space for cultural events was built using FSC-certified structural materials. According to the general contractor, Aecon Group, the curved laminated black pine timber structural elements are FSC-certified and manufactured by FSC-certified Nordic Engineered Wood company. Located in the UN award-winning community of Oujé-Bougoumou, the architecture of Aanischaaukamikw is based on the sabtuan, a traditional Cree community building built in wood and clad in animal skins.

New Frontiers

This past year was also filled with a number of firsts for FSC in Canada beginning with the first FSC Project Certificate issued in Quebec. Hotel and GEOS Spa Sacacomie became the first to achieve FSC Project Certification for a building in Canada (FSC®-P001563) and the second Project Certificate to be issued to a commercial building in North America. The FSC-certified Project uses over 83% of FSC-certified wood products, which represents the highest ratio of FSC-certified products for a project in the accommodation industry in Canada.

We also had the first FSC Group Certificate issued in Quebec this year. FSC's Group Certificate allows for small enterprises to become FSC-certified by joining a single entity that holds an FSC Certificate. By centralizing the collective responsibilities of certification, group members can reduce the costs and administrative requirements of certification. Three wood product operations have been granted FSC certification through the group manager, Group Lignum (RA-COC-005974), demonstrating that Canada's small wood product suppliers are leaders and committed to responsible forestry, too!



REPORT ON FINANCIALS

Revenue	FY2013	FY2012
FSC AC grants	\$309,784	\$66,708
Certification fees	\$248,332	\$179,078
Membership fees	\$29,547	\$31,092
Foundation and corporate grants	\$112,500	\$50,000
Conferences, workshops and other income	\$54,284	\$20,450
Donations	\$109,665	\$138,350
Total Revenue	\$ 864,439	\$483,427
Expenses	FY2013	FY2012
Program and operating expenses	\$686,781	\$ 283,119
Deficiency of revenue over expenses	\$177,658	\$200,308

OUR DONORS

FSC Canada wishes to thank the following partners for their financial support during 2012-2013. Without their support, our work in promoting responsible management of the world's forests would not be possible:

Domtar Inc.
 Canfor
 Fondation EJLB
 FSC International
 Government of Quebec, Ministère de Ressources naturelles
 Kruger Products L.P.
 Quebec Forest Industry Council (CIFQ)
 Resolute Forest Products
 The Ivey Foundation
 Tembec Inc.