



Forest Stewardship Council



# FSC Markets

Growing opportunities for the forest industry



**FSC is...**



an

independent,  
non-governmental,  
not for profit,  
multi-stakeholder

organization.



## FSC was established to...



promote

environmentally appropriate,  
socially beneficial and  
economically viable

management of the world's  
forests.



## FSC does so through...



- **Setting standards** that reflect agreed principles for responsible forest management,
- An **accreditation/certification system** that monitors adherence to FSC standards
- A **product labelling system** that rewards responsible forest managers

*A market driven mechanism to improve forest management worldwide*



## A short History...



Founded in 1993

in the wake of the UN Conference on Sustainable Development in 1992

by concerned

business representatives,  
social groups and  
environmental organizations.



**Strengthening Forest Conservation,  
Communities and Markets**

The Global Strategy of The Forest Stewardship Council



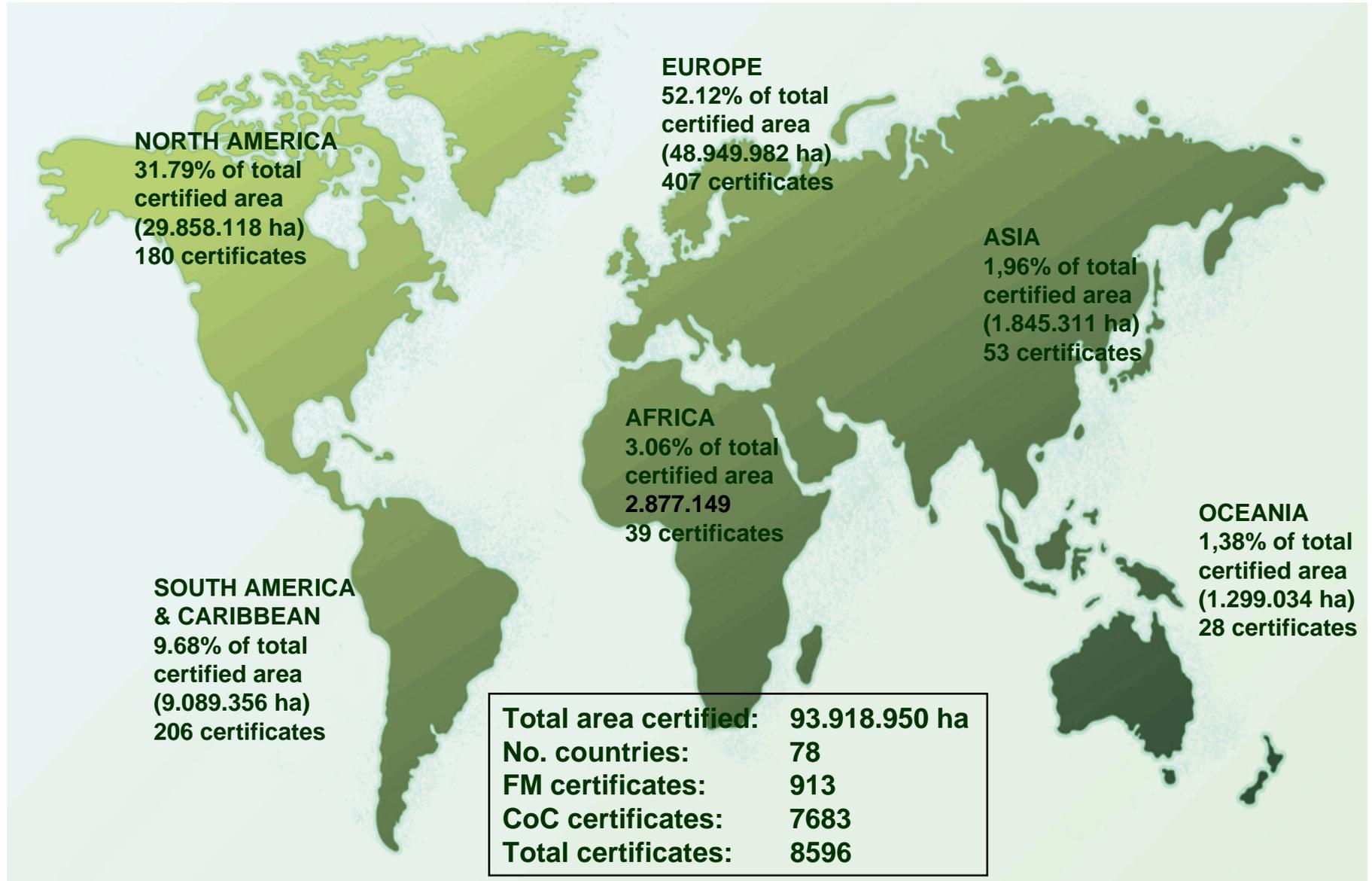


# The FSC Global Strategy

- GOAL 1: FSC will provide leadership in advancing globally responsible forest management
- GOAL 2: FSC will ensure equitable access to the benefits of FSC systems
- GOAL 3: FSC will ensure integrity, credibility and transparency of the FSC system
- GOAL 4: Products from FSC certified forests will create more business value than products from non-FSC certified forests
- GOAL 5: FSC will strengthen its global network to deliver on goals 1 through 4



# FSC around the world





## FSC's global reach

There are **45** accredited National Initiatives representing FSC all over the world.

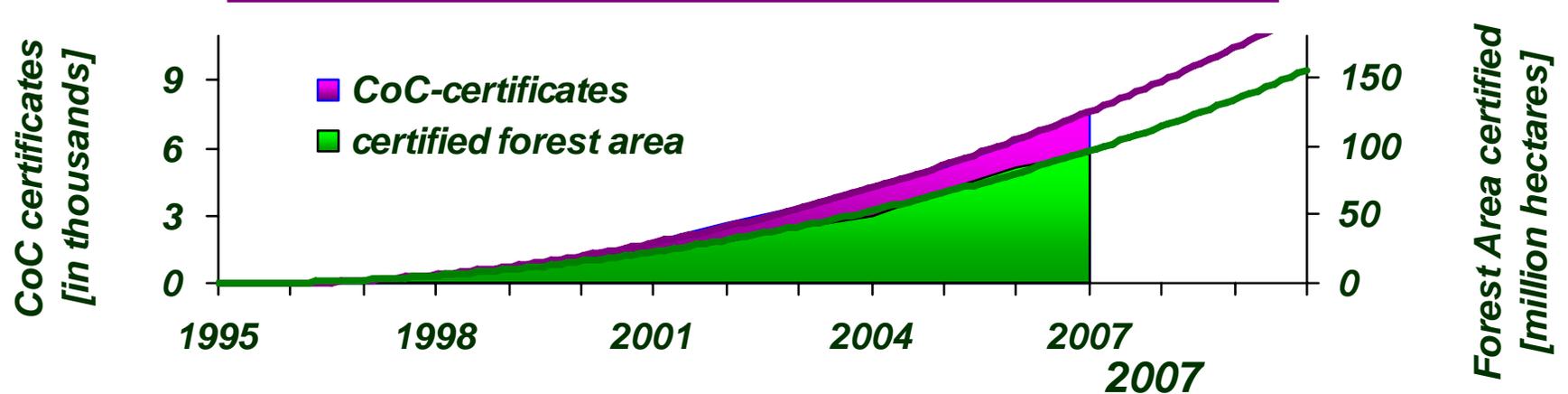
FSC Chain of Custody certificates have been issued in **84** countries.

FSC Forest Management certificates in **78** countries



# FSC's Growth

	2001	2002	2003	2004	2005	2006	2007
<b>Forest area certified</b>	<b>22,980,000</b>	<b>30,900,000</b>	<b>40,422,684</b>	<b>48,020,358</b>	<b>68,125,087</b>	<b>84,291,464</b>	<b>93,918,950</b>
<b>FM certificates</b>	<b>307</b>	<b>433</b>	<b>577</b>	<b>677</b>	<b>799</b>	<b>876</b>	<b>913</b>
<b>CoC certificates</b>	<b>1,288</b>	<b>1,986</b>	<b>2,840</b>	<b>3,561</b>	<b>4,370</b>	<b>5,400</b>	<b>7,683</b>
<b>Total certificates</b>	<b>1,595</b>	<b>2,419</b>	<b>3,417</b>	<b>4,238</b>	<b>5,169</b>	<b>6,276</b>	<b>8,596</b>



	<b>by end 2008</b>	<b>by end 2015</b>
<b>Forest certified &amp; in certification</b>	<b>120 mill. [&gt;15%]</b>	<b>350 mill [&gt;35%]</b>
<b>CoC certificates</b>	<b>&gt;9'000</b>	<b>&gt;30'000</b>



## FSC's Growth

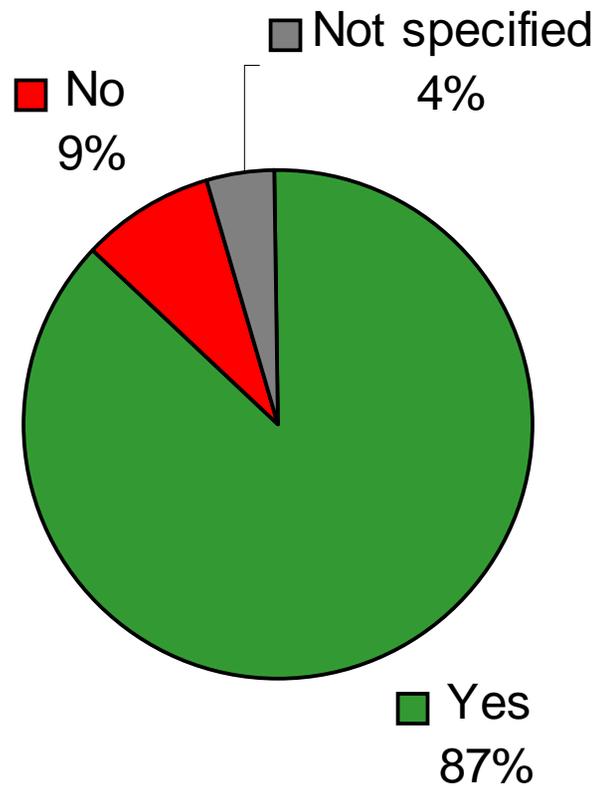
	<b>2006</b>	<b>2007*</b>	<b>Growth</b>
<b><i>Forest Management (ha)</i></b>	<b>84,291,464</b>	<b>93,918,950</b>	<b>11%</b>
<b><i>Chain of Custody (#)</i></b>	<b>5,400</b>	<b>7,683</b>	<b>42%</b>
<b><i>Total certificates (#)</i></b>	<b>6,276</b>	<b>8,596</b>	<b>37%</b>

\*Data from December 4, 2007



# Plans to renew FSC certification

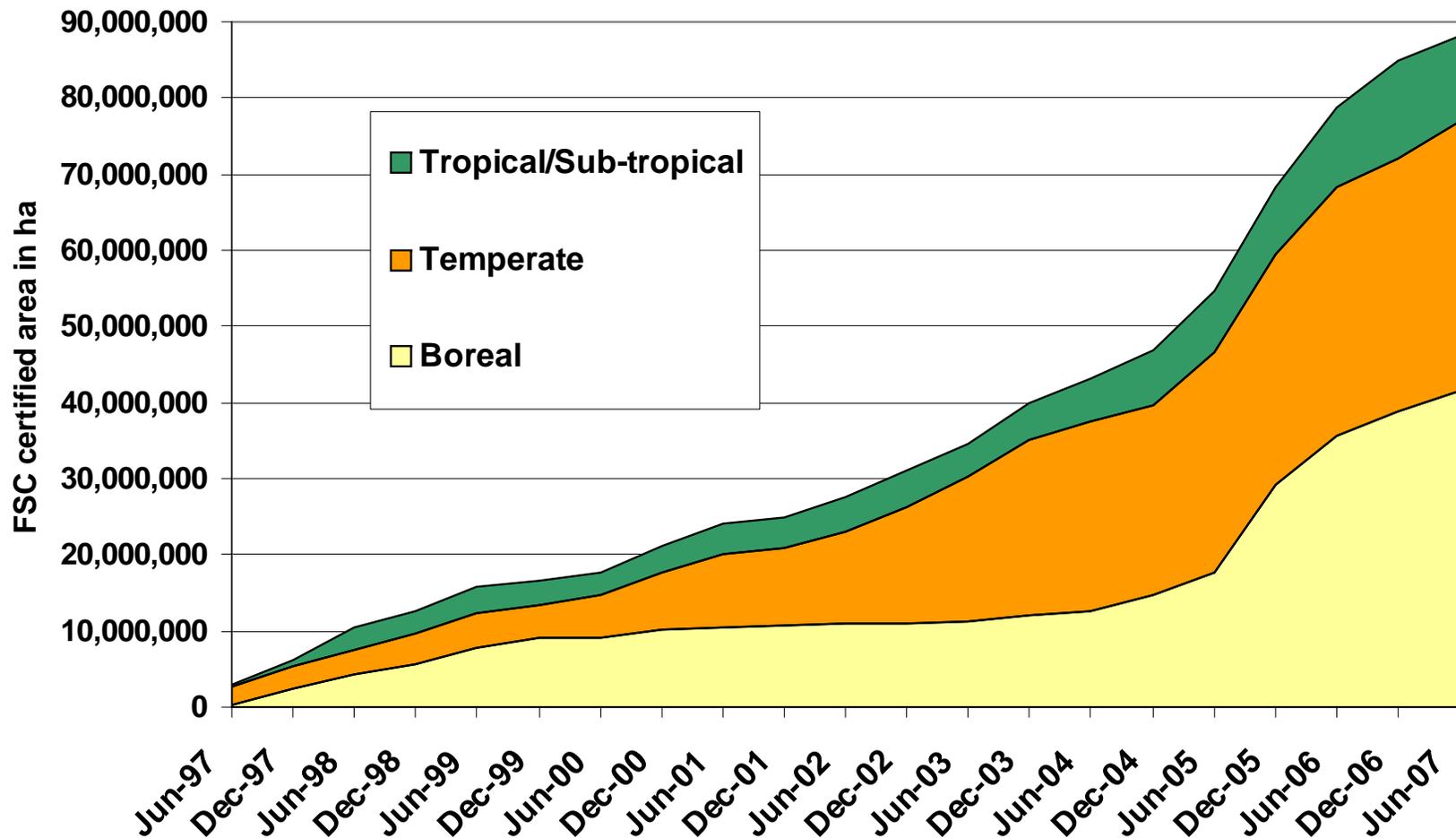
→ 87% of respondents plan to renew their certificate



Source: FSC 2006 certificate holder survey



# Growth in FSC certified area

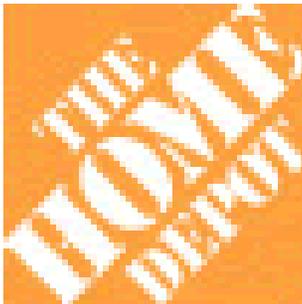




## Corporate buyers

Large wood buyers in the world procure FSC

- Home Depot
- Lowes
- Ikea





## Countries recognizing FSC in public procurement

Country	Product scope
Japan	All timber, Wood products and pulp and paper
UK	All timber, wood products, pulp and paper and recycled sourced material
Netherlands	All timber, wood products and pulp and paper
Denmark	Curently tropical timber only. Future plan to broaden product scope
New Zealand	All timber and timber products: plywood, veneer. Not paper
France	All timber, wood products and pulp and paper
Belgium	Wood only, paper considered separately with no specifics

GM3



## Banks with specific commitments to FSC

- HSBC
- Citibank
- Rabobank
- ABN-AMRO
- JPMorganChase



## Slide 16

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### GM3

Graphic elements that the labels contain. To represent better the message of the standard and give consumers extra information about the product and the standard

Gabriela Mendez; 17.04.2005



# Growing Public Awareness

In 2006, 57% of the Swiss population recognized the FSC label when prompted. Unprompted, i.e. spontaneous recognition reached 18%. The large majority of people (65%) recognized the label from in-store advertising.

Source: FSC Switzerland (News and Notes Volume 4, Issue 8)

Prompted recognition in the Netherlands rose from 55% in 2006 to 67% in 2007. Unprompted recognition is at 21%. The FSC trademark is fourth in a ranking of the Netherlands' best-known quality assurance trademarks.

Source: FSC Netherlands

In Denmark, there was a level of 14% unprompted label recognition in 2006.

Source: FSC Denmark (News and Notes Volume 4, Issue 8)

A survey commissioned by FSC UK in 2006 found that one person in five (19%) has seen the Forest Stewardship Council's tick-tree logo. Once the scheme was explained, 54% of those questioned stated that they would probably choose FSC products in the future.

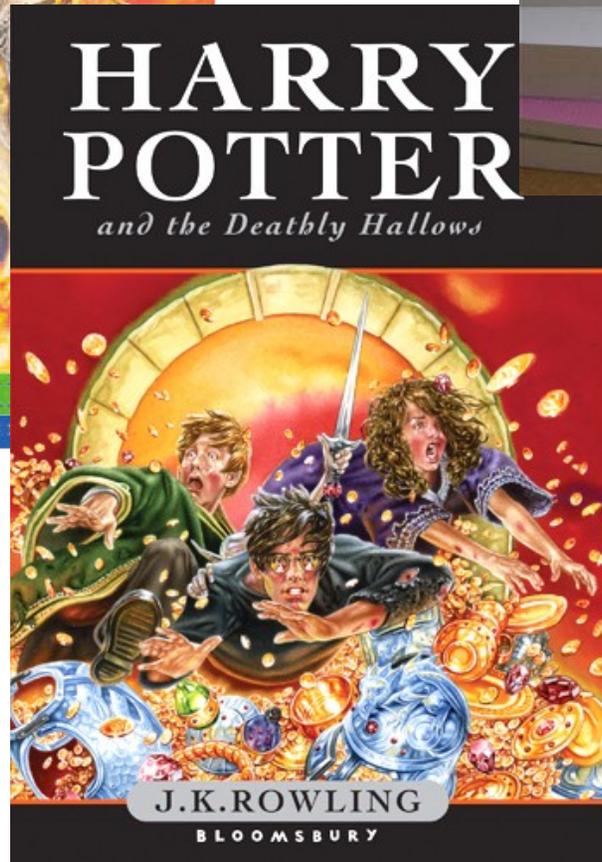
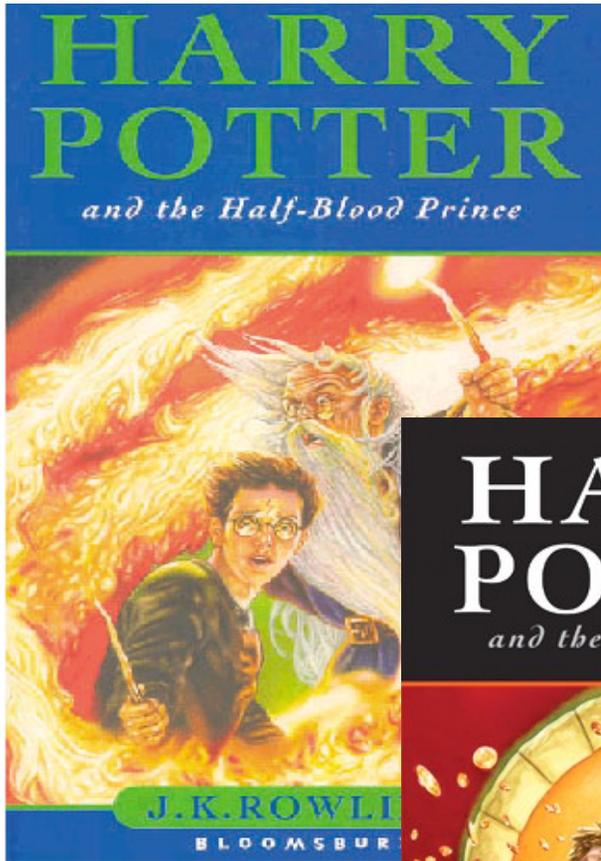
Source: FSC UK (News and Notes Volume 5, Issue 3)



## World's first FSC-certified Tetra Pak packages hit Sainsbury's shelves

LUND, SWEDEN (29 November 2007) – Tetra Pak, one of the world's leading suppliers of processing and packaging solutions to the food industry, and Sainsbury's, the UK food retailer, today announced the launch of the world's first Tetra Pak package with a label of certification by the Forest Stewardship Council (FSC), an international organisation which sets standards for responsible forest management.

NEWS |





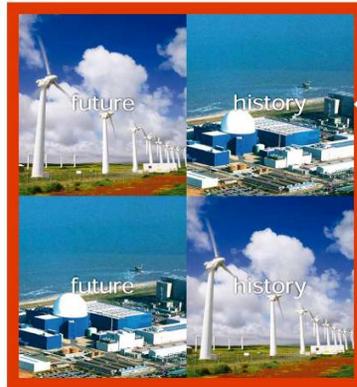
Rabobank Group

Annual Sustainability Report 2005



Rabobank

HSBC Corporate Social Responsibility Report 2005



HSBC  
The world's local bank

Innovest  
STRATEGIC VALUE ADVISORS

Upgrade Alert: (NYSE/TSX: DTC) - Domtar Inc.

**DOMTAR's Commitment to FSC, an Indicator of Enhanced Sustainability, a Value Driver**

New York, Nov. 17, 2003. - Innovest - the New York based leading environmental finance advisory firm - has examined the signing of an historic forest stewardship initiative between DOMTAR Inc. (NYSE/TSX: DTC) and the World Wildlife Fund.

On Friday November 14th, DOMTAR Inc. (the third largest world producer of uncoated free sheet) announced the signing of an agreement with WWF to pursue FSC (Forest Stewardship Council) certification on all of its woodlands and operations in Canada.

This raises the total area on track to FSC certification in Canada to nearly 30 million hectares, about 25% of the country's commercially-allocated forest.

As predicted in Innovest's 2003 Paper & Forest Products Industry Global Report, sector leaders are developing agreements with NGOs and other stakeholders promoting environmentally sound management, demonstrating their commitment to sustainability.

As in the case of Tembec Inc., DOMTAR is raising its profile and the potential to increase revenue from environmentally-focused business developments.

Major global institutional investors increasingly recognize commitments such as DOMTAR's as a differentiating factor, demonstrating the business case for beyond-compliance environmental and social initiatives.

Innovest's ratings have shown that sector leaders are becoming more aware of the link between environmental performance and the bottom line, leveraging this to reduce the cost of capital, risk exposure, and to improve reputation.

Companies receiving top rankings from Innovest in the forestry sector (not necessarily those firms accorded top ranking by Wall Street) have outperformed laggards by 43% over the last 4 years.

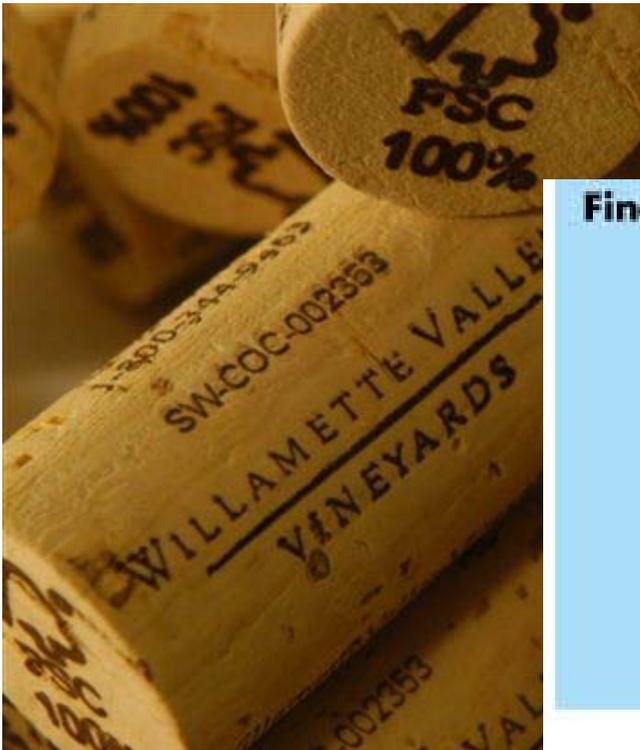
Top performing stocks covered in Innovest's latest report also posted superior results over low scoring companies in various business performance and market valuation ratios:

- Operating Profit Margin, 14.8% versus 5.0%
- Net Profit Margin, 3.7% versus 1.2%
- Return on Equity, 3.2% versus 1.1%
- Return on Assets, 1.5% versus 0.8%
- Price/Earnings Ratio, 24.4 versus (19.8)
- Total Return - 1 Year, (2.1%) versus (16.1%)
- Total Return - 5 Years, 21.5% versus 0.4%

For more information on Innovest's Forestry sector research and products please contact:  
Juan Silva, Analyst (905-707-0876 ext. 310 or [jsilva@innovestgroup.com](mailto:jsilva@innovestgroup.com))

(905-707-0876 ext. 219 or

***“DOMTAR’s commitment to FSC, an indicator of Enhanced Sustainability, is a value driver. With this new development DOMTAR gains a competitive edge and improves its Innovest rating from BBB to A... ” (INNOVEST)***











# The new FSC Chain of Custody framework

## Overview

- What does “Chain of Custody” stand for?
- What are the basic elements of a Chain of Custody management system?
- Who is required to obtain CoC certification?



## Chain of Custody – what it means

- Chain of Custody (CoC) describes an information trail and process of tracing wood or fibre from a certified forest through to a labelled product
- It provides the link between the certified forest and the claim about the forest on the final product





# FSC Chain of Custody

Any **change of ownership** in the supply chain requires:

- the establishment of effective Chain of Custody **management systems** at the level of the respective operation
- their **verification** by independent certification bodies



# What does an FSC CoC certificate stand for?

- “A certificate is a document issued under the rules of a certification system, indicating that adequate confidence is provided that a duly identified product, process or service is in **conformity with a specific standard** or other normative document.”

[ISO/IEC Guide 2:1991 paragraph 14.8 and ISO/CASCO 193 paragraph 4.5]

- An FSC Chain of Custody certificate provides a guarantee that the certificate holder has procedures in place which ensure that materials and products supplied as FSC-certified are authentic and any associated **claims are truthful and correct.**



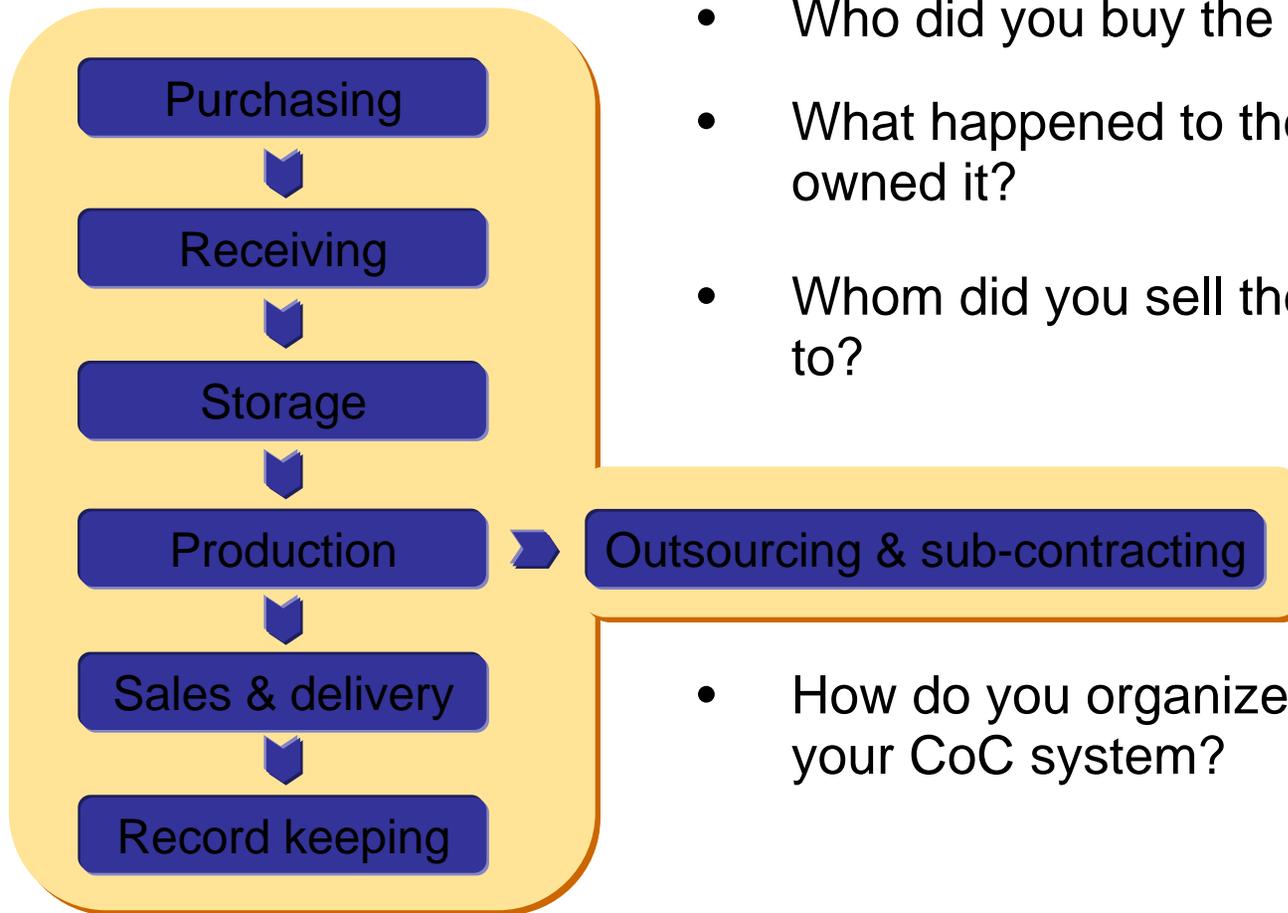
# The two aspects of Chain of Custody

- Formal **interface** **between** CoC operations
  - *standardized information included in sales and delivery documentation*
- Defined **procedures** for material tracking **within** each CoC operation
  - *documented, implemented and monitored routines and responsibilities*



# CoC systems – implementation

A chain of custody system means **demonstrating:**  
**routines &**  
**responsibilities**



- Who did you buy the wood from?
- What happened to the wood when you owned it?
- Whom did you sell the finished product to?

- How do you organize and document your CoC system?



# Who needs COC certification?

CoC certification is **required** for any operation buying (taking legal ownership of) certified products that are:

- used to manufacture another product, which itself will be sold or promoted as certified; *or*
- repackaged, processed or re-labelled; *or*
- sold to a client that wants to promote those products as certified or make a certification claim about their origin.

Operations do **not** need CoC certification if they do not take legal possession of certified products but simply arrange for buyers and sellers

- to make a deal without gaining physical possession
- to transport or interim store the materials or products



# FSC COC Standard

- Scope covers **FSC products** only, not the whole operation.
- **All links** as parts of the forest products supply chain covered: from the first buyer to the final seller (incl. traders, printers)
- Standard shall be applied at the level of a single **operational site** from when the operation takes legal ownership of the wood/fibre until release/sale of the product.





# Structure of FSC COC standard

1  
2  
3

Scope and General

Part I: Universal requirements

Part II: Systems for controlling FSC claims

Section 7: Transfer system

Section 8: Percentage system

Section 9: Credit system

Part III: Labelling requirements

Part IV: Supplementary requirements

Annex I: Comparison of control systems



1  
2  
3



[no labelling]

# FSC Materials

**100%**  
Product group from well managed forests

**FSC Pure**

**Mixed Sources**  
Product group from well managed forests, controlled sources [and recycled wood/fibre]

**FSC Mixed**

**Recycled**  
Supporting responsible use of forest resources

**FSC Recycled**

**FSC Controlled Wood**



Andre de Freitas  
Head of Operations  
FSC International Center  
[a.freitas@fsc.org](mailto:a.freitas@fsc.org)

[www.fsc.org](http://www.fsc.org)

***Thank you***