

Forest Stewardship Council UK Working Group
Annual Report 2005 – 2006



Legal and Administrative Information

Steering Group Members (and Trustees of the Charity*)

Hubert Kwisthout (Chair)*
Hannah Scrase (Vice Chair)*
Mark Barthel (appointed June 2005)*
Ben Earl (appointed September 2005)*
Gillian Orrell (Treasurer, appointed September 2005)*
Gordon Pfetscher (appointed February 2006)*
Alan Marshall (Technical Advisor)
John Palmer (Technical Advisor)
Andrew Craven (resigned July 2005)*
Rachel Hembery (resigned July 2005)*
Alan Knight (resigned March 2005)*
Hilary Thompson*

UK Working Group Personnel

Annette Allsopp (Book Keeper)
Nick Cliffe (Marketing Communications Manager,
Interim Director from August 2005)
Anna Jenkins (Director, resigned August 2005)
Amy Mulkern (Advisory Service Manager)
Joanna Nicholson (Finance Manager)
Richard Robertson (Forest Standards Manager)
Beck Woodrow (Construction Industry Advisor)

Independent Auditors

Whittingham Riddell
Severn House, Severn Square, Newtown SY16 2AG

Bankers

The Co-operative Bank
P.O. Box 101, 1 Balloon Street, Manchester M60 4EP

CAFCASH Ltd
King's Hill, West Malling, Kent ME19 4TA

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FSC UK Working Group

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The FSC UK Working Group is a registered charity
(Charity No. 1060072)

UK Based Members to February 2005

Social Chamber

National Trust
Forest Management Foundation

Environmental Chamber

Fauna and Flora International
FERN Foundation
Friends of the Earth – England, Wales and Northern Ireland
Friends of the Earth – Scotland
Greenpeace UK
Anna Jenkins (individual)
Soil Association
Matthew Wenban-Smith (individual)
The Woodland Trust
WWF UK

Economic Chamber

B&Q plc
Blueline Office Furniture
Boots the Chemist
Charles Bentley & Son
Chindwell Co Ltd
EcoSylva Ltd
Ecotimber Ltd
Habitat UK
Home and Leisure International Ltd
Dr. Alan Knight (individual)
Lister Lutyens Company Ltd.
Premium Timber Products
Stanley Decorating Products
David Ogg (individual)
Paul Ollendorf (individual)
Tropical Forest Trust

Director's Overview

From August 2005 I acted as interim Director for FSC UK and an interesting year it has proved to be. We have continued to see strong growth in both the range and scope of FSC certification in the UK and around the world. The market size, and perhaps more importantly the market understanding of FSC, has also increased. Chain of Custody holders are seeing their commitment to the system really beginning to make a return on their investment and ever more timber and pulp users are specifying FSC.

During the year the FSC General Assembly was held in Manaus in the heart of the Amazon rainforest. It was a privilege to represent UK-based members at this event and meet some of the people who created and shaped the FSC system. A key focus at the assembly was the future development of the FSC network around the world, driven in no small part by the work undertaken this year by the European National Initiatives.

Here in the UK we have striven to provide the level of service required by the trade and end-users. We've further developed our subscription and training programs, reviewed our engagement process for policy and standard development and worked hard to promote the FSC system. We've revised the UK national forest management standard via UKWAS and collated stakeholder input into FSC policy and standard development. All thanks to the dedication and incredible hard work of the FSC UK team.

This year has also seen timber certification in the UK move into the mainstream. FSC participated in the on-going development of the government CPET initiative, which aims to ensure that all public sector timber procurement is from legal and sustainable sources, and were a member of the Sustainable Procurement Taskforce. We attended as many sector and industry events as we could and spoke to a wide variety of audiences, representing and promoting the FSC system and FSC-certified products.

It is clear from the time I have spent out and about in the timber sector that there are challenges ahead, not just for the industry, but for timber certification in general and the FSC. On my travels I've encountered diverse opinions, ranging from strong support to (mostly) polite hostility from both companies and NGOs alike. But then FSC was always intended to bring together diverse opinions. FSC is the meeting place for social, environmental and economic interests and the FSC system is the balance between the three.

This year we also said goodbye to Anna Jenkins, who stood down as Director of FSC UK after six and a half years. Her contribution to FSC in the UK and world-wide was great and she will be sorely missed.

In this Report you will see some of the highlights of the year and some of what we've achieved; I hope you find it both interesting and informative. I hope too that you'll continue to support FSC in its mission to promote responsible management of the world's forests.

Nick Cliffe
Interim Director, FSC UK Working Group

FSC Facts

What is the Forest Stewardship Council?

The FSC is an independent, non-profit, non-governmental organisation (NGO). It has developed a unique system of independent forest certification and product labelling which enables consumers to identify timber and timber products from responsibly managed woodlands around the world.

What is Certification?

Certification is the process of inspecting forests to assess their management according to an agreed set of Principles and Criteria. These include recognition of indigenous people's rights, long term economic viability and protection of biodiversity. A wide range of forests have already been certified from Swedish pine plantations to tropical rain forests in Brazil. Forest certification has also been adapted to meet the needs of smaller woodland owners with options for group certification and special auditing requirements for small and low intensity managed forests.

Certification is carried out by independent organisations which are evaluated, accredited and monitored by the FSC.

What Happens Between Forest and Shop?

A monitoring and tracking system called Chain of Custody tracks timber from certified forests and recycled or controlled sources to end products. A separate numbered certificate covers each individual company in the chain and a code number on the product label identifies the certification body responsible for issuing the certificate as well as the company that applied it to the product. This system ensures that only genuinely FSC-certified material carries an FSC label.

Group Chain of Custody helps smaller enterprises achieve FSC certification by reducing the costs. Certifiers sample members of a group and carry out risk assessment of the group scheme rather than assessing each individual business. It is particularly designed for groups of small enterprises that already have a legal organisation or the support of an external organisation e.g. trade associations or co-operatives.

Who Supports FSC?

The FSC receives endorsement and active commitment from a wide range of NGOs including WWF, Friends of the Earth, Greenpeace, the National Trust and the Woodland Trust, as well as social groups such as trade unions and major companies such as B&Q, HSBC and Sainsbury's.

Review of the Year

Given that we have not increased staff numbers, and the number of hours in the day is the same, it seems a little implausible to record that yet again, we have been busier than ever and dealt with yet more diverse information requests, sent out and collated more stakeholder feedback, met with more people and generally made a small budget stretch even further – but it is true. Companies from major household name publishers to small independent builders' merchants have achieved chain of custody, bringing the total nearer to the 500 mark. FSC's growth in the paper sector from mill to printer has been particularly rapid.

Before leaving, Anna Jenkins completed her work on the National Initiatives Task Force and the report, looking at options for the future of the FSC global network, was published in August 2005.

Thanks to funding from Go Wales and the John Ellerman Foundation, we were able to employ Tracey Greenwood (who used to be FSC UK's press officer) to update our email list of all COC holders. All were sent a Product Update form which gave the option of a basic free listing or a link to their own website for an annual charge of £100. At the end of the year, 28 companies had paid for links and many more had responded with information on their products; the database was ready for transfer to the new website (this was launched just after the beginning of the new financial year).

We moved to new offices in March, on the top floor of the Compton's Yard Trust building, which is a very pleasant working environment.

Representation

FSC UK gave evidence to the parliamentary Environmental Audit Committee and participated in the EU Forest Law, Enforcement, Governance and Trade initiative. FSC provided input to working groups for the Central Point of Expertise in Timber Procurement (CPET) and the Building Research Establishment's (BRE) timber credits.

FSC UK hosted a week long visit of a VIP delegation from China as part of an overall FSC initiative to expand into a rapidly developing Chinese forest and timber sector, encouraging them to adopt the FSC system as a benchmark for responsible forest management. Visits to FSC certified forests and meetings with the Soil Association as an FSC accredited Certification Body and B&Q as a major FSC retailer took place.

We also supplied speakers for a variety of events at the Eden Project, the London Softwood Club, and the Ecobuild exhibition among many others. The Director and Forest Standards manager attended the FSC General Assembly in Manaus, Brazil, to represent the interests of UK members.

FSC Certificates

	March 2005	February 2006	% Increase
Certified forest (UK)	1,488,000ha	1,510,000ha	1
Certified forest (Worldwide)	50,694,000ha	71,911,000ha	39
CoC certificates (UK)	391	487	24
CoC Certificates (Worldwide)	3,033	4,476	47

Defra Environmental Action Fund

FSC made a successful application to the Defra Environmental Action Fund to carry out a three year project Developing the FSC Market in England. The objective of the project is to change consumer behaviour so they actively seek FSC-certified forest products. By stimulating demand for FSC-certified products, and providing advice and guidance to both suppliers and consumers, the project encourages increasing areas of forest around the world to become responsibly managed.

The project has four Workstreams:

1. Raising UK consumer awareness
2. Providing market information
3. Engaging UK paper users
4. Supporting UK construction sector timber procurement

Raising UK consumer awareness

A survey was carried out of the FTSE Top100 companies to find out how they specified and purchased timber in policy and practice. The survey also looked at levels of awareness of the FSC system among these companies. The planned Mori consumer poll on FSC logo recognition has had to be postponed until next year as Mori were fully booked.

Providing Market Information

The FSC UK website was completely re-designed by Fluent Web Design, based in Llanidloes, to enable quick updates and a far greater degree of control. A part of this was the development of a new Product Search facility which will allow us to see which products and services are the most in demand.

The factsheets have been revised, updated and placed on the website to provide all types of consumer with a full overview of how the FSC system operates and is relevant to them.

This funding also covered a Press Cuttings service, showing that on average FSC received over 100 mentions per month in the national, local and trade press.

Engaging UK paper consumers

A paper forum has been formed and met biannually to foster working together to promote FSC-certified paper to the sector.

A paper sector factsheet has been prepared and made available from FSC UK, via the website and to members of the paper forum to distribute to consumers in the UK.

A seminar was hosted for 25 market influencers in London to explain the benefits of the FSC system for responsible paper purchasing. The first 'Designer Event' was a great success with at least one printer receiving chain of custody certification as a direct result and a notable increase in enquiries to the Advisory Service from designers. There will be further events throughout the rest of the project.

Supporting UK construction sector timber procurement

In December the first meeting of the Construction Forum was held. Over 40 subscribers and invitees met at Construction Resources in London. Guest speakers were Andy Roby from the Timber Trades federation and Brian Murphy from National Green Specification.

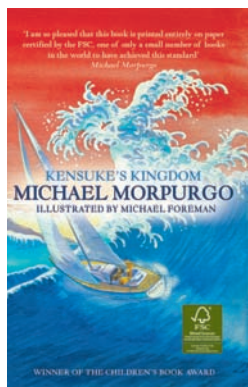
Training sessions, seminars and workshops were held throughout the year for construction companies and architects. The fact sheets for this sector were revised and updated and a new one produced for the public sector; they are available in the Document Centre of the website.

Kensuke's Kingdom raises the standard

In September 2005 Michael Morpurgo's award-winning *Kensuke's Kingdom* was republished by Egmont Books and printed entirely on FSC certified paper.

At the time, Michael Morpurgo said, "It's one of only a small number of books in the world to have achieved this standard. This means you can be sure that the wood used to make it

has come from well managed forests. The people at Egmont are working hard to make sure that all of the paper they use is made of trees that have been harvested without breaking the law and over time they will be printing more and more of their books on FSC paper."



Michael Morpurgo's Kensuke's Kingdom cover, illustrated by Michael Foreman

This marked a milestone in Egmont Press' innovative Ethical Publishing programme. Egmont had been working hard since 2001 to ensure that no material from destructive or illegal forestry practices ended up in their titles. Initial audits of suppliers led to the introduction of a grading system to exclude unacceptable paper sources and progress towards the use of FSC certified paper.

"With the publication of *Kensuke's Kingdom*, we have for the first time met the strict criteria of the Forest Stewardship Council", commented Production Director Alison Kennedy. "We are particularly pleased that both the cover and the text are printed on papers certified to carry the FSC label."

The move was welcomed by NGOs such as Greenpeace who have been working with authors and publishers to increase the proportion of books that are printed on recycled and FSC certified paper. Belinda Fletcher, Greenpeace Forest Campaigner, said: "Both Egmont's new procurement policy and the printing of Michael Morpurgo's book on FSC-certified paper are very positive steps forward for the UK publishing industry in moving towards environmentally and socially responsible paper sourcing".

More information on Egmont's ethical purchasing practices can be found on their website at: <http://www.egmont.co.uk/ethicalpublishing/>

This year saw many major publishing houses looking into FSC certification and in January 2006, Random House received chain of custody certification enabling them to label books as FSC certified. Others were expected to follow later in 2006 and more book printers and binders around the world have achieved FSC certification in response to the growing interest from authors and publishers to print books on paper from well managed forests.

Building on Success

Boatemah Walk, Lambeth

This timber framed development of 18 flats is the latest stage in the regeneration of Angell Town, Brixton. In line with Lambeth Housing's commitment to using sustainable timber – preferably FSC certified – two companies gained FSC certification to carry out the project: Sandwood Design and Build and Global Timber Frame. This enables Lambeth Housing to use the FSC trademarks to promote the finished project. They were the first local authority to achieve this, with the renovation of Fairfax House, and are still the only one to have made such a commitment and carried it through.

FSC's construction advisor met with Lambeth Housing and the contractors before the site was cleared and has supported them throughout the building. Experience was gained during the project which helped develop the Project Certification standard.

The building used a fantastic 95% of FSC timber products and with many other environmental features, has achieved EcoHomes Excellent rating.



Boatemah Walk with team: Sandwood Design & Build

National Assembly of Wales (Senedd)

The most striking feature of the Assembly building, on the Cardiff waterfront, is the timber ceiling for which Ecotimber supplied FSC Western Red Cedar from Canada. Massaranduba decking for the walkway along the bay also came from Ecotimber, whose sister company Engineered Wood Products machined the timber to specification.



National Assembly of Wales: Ecotimber

Standards Development Work

FSC UK contributes to Policy and Standards development, both through staff membership of Technical Working Groups and as coordinator of stakeholder feedback from the UK. The UK Forest Management Standard revision is led by FSC UK.

UK FSC/UKWAS Forest Management Standard Revision process

In March 2005, following the submission of the revised UK Forest Standard to FSC for accreditation, a set of pre conditions to accreditation were drafted by the Accreditation Business Unit. Initially it appeared that several criteria had been inadequately addressed but in large part these were related to the structure of the standard. This was addressed and several new indicators for specific criteria developed in conjunction with the UK Woodland Assurance Standard (UKWAS) Steering Group and through two meetings and other communication through the year with the FSC ABU. Prior to this revision of the standard the UKWAS version of the standard had been differently worded and structured to the FSC accredited version of the standard. In the new standard the wording is now the same within each version but UKWAS is structured appropriately for application by foresters in the UK and the FSC UK version is structured in the order of the FSC Principles and Criteria making it auditable against our system requirements. This is a major achievement and has taken 3 years to reach agreement.

During the year there have been several significant consultations lead by the Forest Standards Manager. The Plantations review has been ongoing as has a review of the FSC Pesticides Policy. Both have generated comments from stakeholders concerned about the impacts of changes in international policy on the UK forest sector. Gathering input and informing stakeholders of these changes has been greatly aided by the formation of the FSC UK Forest Forum which met in October. From this came a paper giving feedback on the Plantations Review from those who attended the Forum and having preceded this meeting with a meeting of the UKWAS Pesticides Working Group an informed response was also given to the Pesticides Review. As a result of the Pesticides Review FSC has produced a list of Highly Hazardous chemicals for which derogations are required for use in a country where there is no viable alternative and strict controls are in place for control of certain pests. Previously FSC UK has applied for derogations for Warfarin to control Grey Squirrels causing damage to trees and Aluminium Phosphide to control rabbit populations in large new plantations where they cannot be practically managed by other non chemical means. Several chemicals currently used in the UK are now added to the list and whether derogations are needed for these is being debated.



FSC certified forest in Sweden: Peter Roberttz, FSC Sweden

Controlled Wood Standards

The Forest Standards Manager has been made a member of the Controlled Wood Technical Working Group. Controlled Wood standards have been developed to avoid timber from controversial sources in FSC products. The Forest Standards Manager was appointed to the CWTWG following concerns about the development of indicators in the UKWAS for High Conservation Value Forest, this being one of the pre conditions issued in March and as HCVF is one of the Controlled Wood categories. Meetings have been attended in Bonn, Washington DC and Miami. This work has led to involvement in a forum addressing the issues of illegal logging at Chatham House and integration of government initiatives to curb illegal logging into the Controlled Wood Standards.

Other Standards Work

Project Certification FSC-STD-40-006

After a meeting at FSC Netherlands in October 2004, a draft standard FSC-STD-40-006 draft 1-0 was drawn up based on input from the Technical Working Group and the original Discussion Paper. It was released in May 2005. It had long been recognized that the complexity of construction and renovation projects was a barrier to the uptake of certification among contractors, resulting either in unsubstantiated claims that FSC timber had been used or in frustration that FSC could not allow use of its trademarks to promote the hard work that had undoubtedly gone into sourcing FSC timber.

Draft 2.0 was circulated in September 2005 and incorporated two major changes. First, that certification could include sub-contractors working on the project, whether off-site or on-site, so long as they were making bespoke items for the project rather than supplying their standard products. Secondly, that there should be options for both full certification, where at least 50% FSC and/or reclaimed timber was used, with the balance being Controlled Wood, and for partial certification, with named elements of the building being FSC but with no requirements for the rest (e.g. 'This building has FSC Doors and Windows') This version was approved for use in pilot testing. Although there had been plenty of interest in the standard uptake was slow; however, two projects in the UK arranged with BM TRADA to pilot the standard for start dates in 2006 – no information was available during the period covered by this report. The Standard is due to be endorsed by the Board in Summer 2006.

Chain of Custody Standard 40-004

As part of FSC's ongoing commitment to monitor the implementation of the standards, a technical working group was convened to look at the issues that had been thrown up during the first year of widespread use of the new chain of custody standard. The working group met in Bonn in autumn 2005 to discuss issues and propose solutions to be incorporated into the final draft of Version 2 of the standards, to be submitted to the FSC Board for approval after a final round of stakeholder consultation.

The chain of custody working group came up with a number of proposals which have been incorporated into Version 2.0 of FSC-STD-40-004. These issues were spelled out in a discussion paper that was circulated at the end of February 2006.

Some key proposals included:

- FSC Recycled label to become a mix of pre and post consumer
- 10% entrance level for labelling under volume credit to be scrapped
- Whether volume credit should apply across multiple sites or national borders
- Whether FSC STD 40 004 should be applicable to timber merchants, harvesting contractors etc. as well as manufacturers

Trademark Standards

The Trademark working group developed a standard for off product use of the trademarks by certificate holders and other registered users. This standard will go through a stakeholder consultation process during 2006 before being submitted for final board approval late 2006 or early 2007. FSC UK staff sit on all three technical working groups to represent the interests of UK stakeholders and provide technical advice.

Sponsors' Details

The paper for this report has been kindly donated by James McNaughton Paper who gained Chain of Custody certification in April 2005.

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the environment...
is in our hands

...we must
handle it with care

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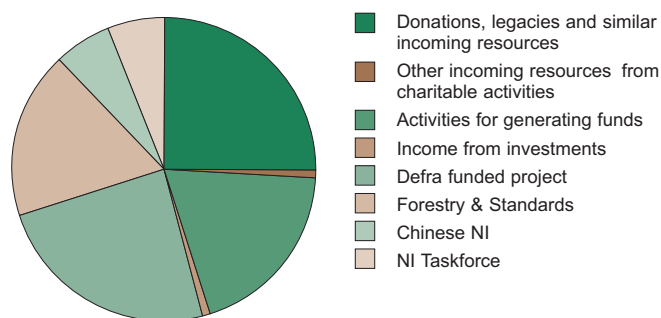
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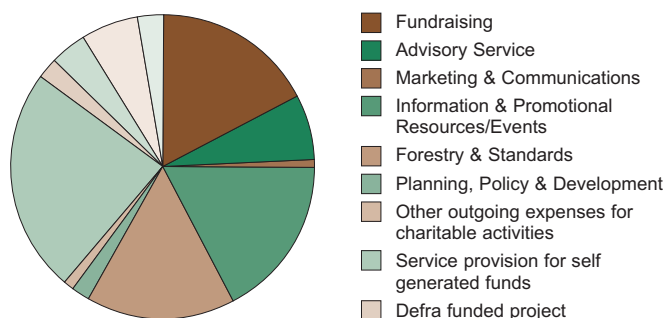
To find out more about Garda's services,
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website www.garda.org.uk

Income and Expenditure

March 1st 2005 to February 28th 2006



Income
Total £275,481



Expenditure
Total £238,374

2005 – 2006 Financial Results

This year has been another challenging year but the funding situation is improving and, in line with our strategic plan, a greater proportion of our income is self-generated. By limiting dependence on trust based and donated income the exposure to risk of growing donor fatigue and increased competition in this area can be limited. The charity, with the aid of sound financial management and the support of its staff, generated a positive financial outcome for the period with a net increase in funds of £37,107.

Principle Funding sources

The largest source of funds for the charity continues to be from donations and grants from a variety of bodies, notably the Rufford Maurice Laing Foundation, the John Ellerman Foundation and WWF. The restricted grant from the Defra Environmental Action Fund and matched funding raised for the project also provided a significant income stream. Self-generated income reached £47,151, around a fifth of the charity's total operating cost. Other significant funding was provided by the Forestry Commission specifically for the Forest Standards Manager post. Two further specific projects received direct funding – the NI Taskforce (funded by the FSC Global Fund) and the Chinese visit (funded by FSC IC). FSC UK is extremely grateful for the support and commitment of our donors and would like to take this opportunity to thank them.

Reserves policy

The Steering Group has examined the charity's requirements for reserves in light of the main risks to the organisation. It has established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets held by the charity should be equivalent to three months of operating expenditure. The reserves are needed to meet the working capital requirements of the charity and the Steering Group are confident that at this level they would be able to continue the current activities of the charity in the event of a significant short-term drop in funding.

Budgeted operating expenditure for 2006/2007 is £263,196 therefore the target is £65,799 in general funds. The present level of unrestricted reserves available to the charity is £5,406. This falls significantly short of the targeted reserves. However, a significant proportion of the restricted reserves of £72,969 are set aside for costs (including salary costs) that are part of FSC UK's normal operating expenditure. Furthermore, the strategy is to continue to build unrestricted reserves through operating surpluses, such that the full reserves target is always available entirely through unrestricted reserves. The Steering Group is aware that it may take a number of years for this target to be reached.

We are grateful to all our Subscribers and Sponsors for their support.

With the support of our auditors Whittingham Riddell, a comprehensive set of accounts has been prepared in compliance with the Statement of Recommended Practice (SORP). Copies are available upon request.

The FSC UK Working Group is a registered charity (Charity No. 1060072).

