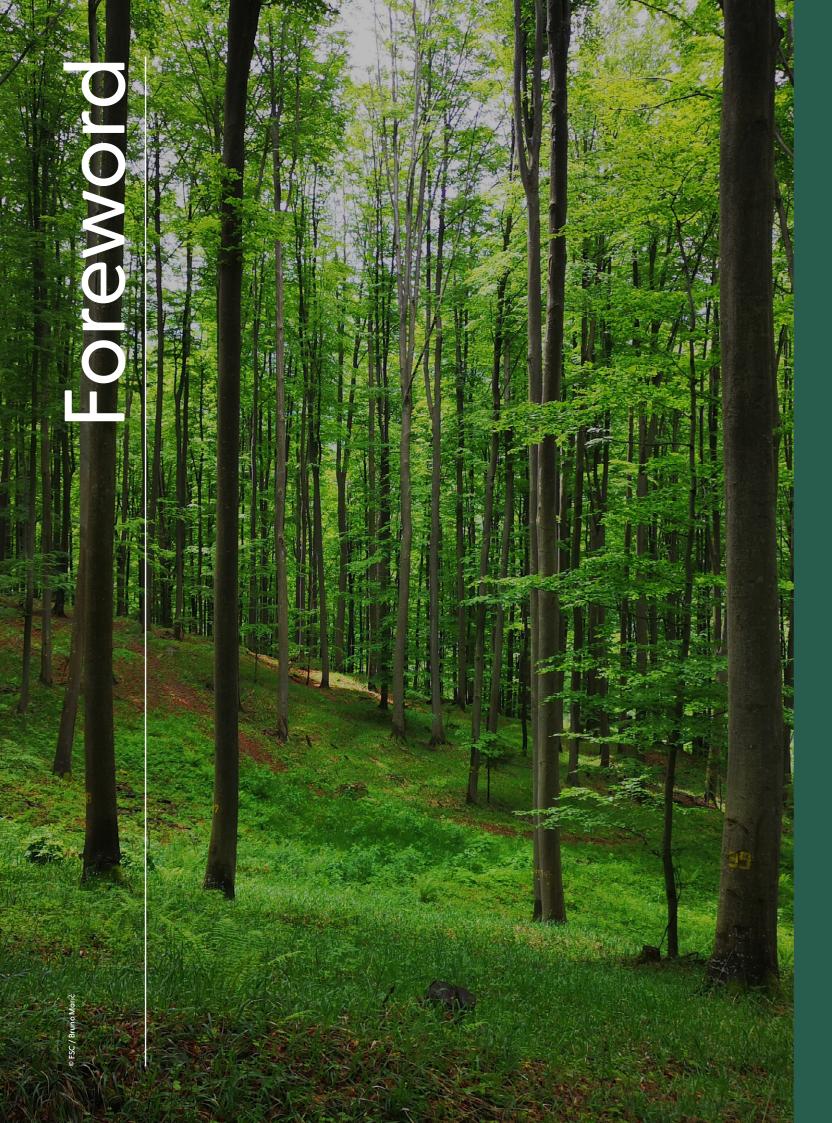


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Special thanks





Zandra Martinez

Chairperson of the International Board of Directors for the Forest Stewardship Council

Message from our Chairperson

A focus on dialogue and engagement with our stakeholders defined 2022. This was true in the context of the General Assembly (GA) and in the face of many challenges. For example, Russia's invasion of Ukraine, which demanded a thorough analysis of maintaining our integrity and credibility.

The Board of Directors focused on strengthening internal lines of communication to achieve the best outcomes during the GA. As a result, we experienced an excellent integration at all levels, with diverse voices flagging various concerns. This really strengthened the work that came out of the GA and proved that agreements between members of different chambers could be reached quickly and responsibly, even when opinions differ, if all voices are equally heard.

The approval of the continuous improvement procedure and Ecosystem Services Procedure was crucial. The first procedure, for example, provides guidance to communities and smallholders for taking the first small steps in forest stewardship, making responsible forestry more attainable for these groups. On the other hand, the Ecosystem Services Procedure is a tool that helps people who are not directly carrying out forest management, but would like to contribute to it and benefit from healthy forest ecosystems. Meanwhile, the Strategic Framework on Diversity and Gender highlighted FSC's work in closing the gaps in social inequities, signalling the importance and relevance of these two issues for a better future.

FSC also showed it is a vanguard in the space of restoration and remediation concerning forestry. I believe the FSC Remedy Framework is a tool for justice, as it forces companies involved in destructive activities to commit to remediation before certification. This remediation is not only in the environmental sense, but also around the social aspect for communities reliant on the health of these forests.

Climate change is another significant challenge of our time and an issue that FSC focuses much of its efforts on. With a decision-making platform like FSC, in a balance of power where all elements must be considered in every decision-making process, I think it's fundamental to call for open dialogue on building a sustainable future and creating opportunities from our differences.

A shared mission unites FSC's community with global relevance. This is why open dialogue is crucial: we all have a stake in the future of our forests, no matter where we're based.

The work shared in this report clearly shows how FSC embraces opportunities to evolve and stay relevant.

5



Kim CarstensenDirector General of the
Forest Stewardship Council

Message from our Director General

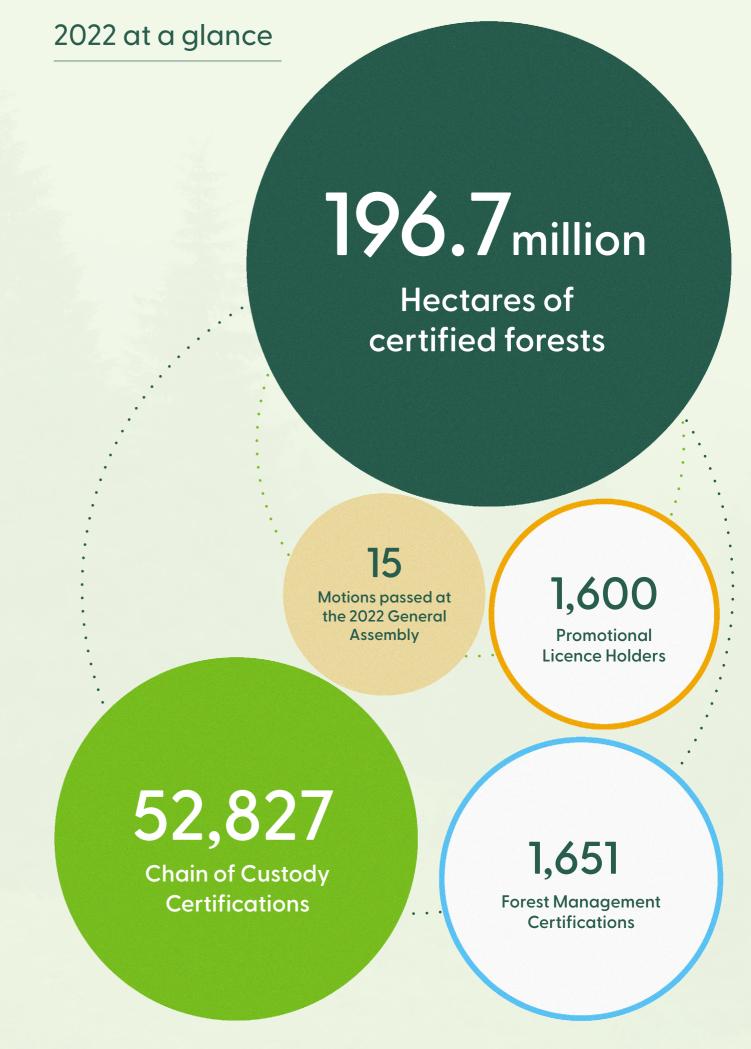
It was a year of milestone moments, including, at long last, being able to hold our General Assembly (GA) face-to-face in Bali. The GA's importance cannot be overstated. Here, our members voted in favour of several game-changing motions that will collectively enable FSC to extend its relevance in new settings and in new ways as we move forward.

It hasn't all been smooth sailing. Following the Russian invasion of Ukraine, we immediately suspended trade of FSC-certified material into and out of Russia. On a more hopeful note, we were pleased to see that, despite incredibly trying circumstances, certification in Ukraine remains strong. I hope this trend will continue in Ukraine and that FSC can come back to Russia in a normal world as soon as possible, because forests and the people who depend on them in Russia – like in any other country – deserve that.

The war is an example of many global disruptions, such as climate change or gender inequality. I believe these disruptions are rooted in the fact that people are unable to come together around a common resolution, and this is why I found the GA so heartening. It was a moment where we were unified in purpose. A moment of understanding that, even though we may disagree on some issues, we can still find a consensus that works for us all. My hope is that FSC's model serves as an example of the power of solidarity far beyond forest management.

Strong statements that came out of the GA include our renewed stance around conversion and remedy off the back of Motion 37, which was passed. Protecting Workers' Rights is something we continue to prioritize throughout the year, with two related motions approved at the GA. Another important callout is our work in the European Union (EU) policy space supporting the development of the crucial EU Deforestation Regulation (EUDR). The EUDR signals a progressive step change, showing that policymakers see the true value of our world's forests.

I'm confident that our Global Strategy 2021–2026 framework and decisions from the GA are steering us towards our envisioned future forest paradigm. This report serves as a transparent record of the steps taken to reach this vision of a world where forests are held in high regard.



About this repor

The main objective of our Global Strategy 2021–2026 is growing FSC's reach by demonstrating the value and benefits of forest stewardship; this report reflects on how we fared in 2022.

The year was not without its challenges. In light of the armed invasion of Ukraine, a <u>decision was taken in March</u> to halt the trade of FSC-certified material or controlled wood from Russia and Belarus. However, we also saw many positives in the period, such as the total certified area of small and low-intensity managed forests growing by 587,127 hectares.

Why have we placed such emphasis on expanding our reach? Because this will create momentum to inch us closer to our 2050 vision of a new forest paradigm. Healthy and resilient forests sustain life on earth, and their true value must be recognized and fully incorporated into society in this new paradigm.



® FSC / Igor Shpilenok

How we track progress

The overarching **Global Strategy 2021–2026** is divided into **three working strategies**, each with a vision of Goals we would like to achieve, complemented by a roadmap of Actions to get us there. We were guided by 12 Goals and 48 Actions on this transformational journey in 2022.

This report shares progress against the Actions, with presented content collected between January and December 2022. While most of the Actions have a longer time frame for completion and will continue to be addressed in 2023, the reported outputs refer specifically to the 2022 period. For a more holistic overview of progress in context, please refer to the <u>Global Strategy 2021–2026 Report.</u>



2026 Objective 2050 Vision **Global Strategy** 3 Working 2021-2026 **Strategies Expand FSC Reach New Forest Paradiam** Framework for For delivering the First step for achieving Global Strategy's 12 reaching 2026 2050 vision Goals through 48 Actions objective

Co-create and implement forest solutions Strategy

Strategy 1 focuses on expanding FSC's relevance while addressing global challenges. We have four Goals we would like to achieve and a roadmap of 18 Actions to help us get there. Through these Actions, we plan to reinvigorate FSC certification to make it more attractive, user-friendly, and viable; leverage technology to demonstrate FSC's impact and protect our credibility; and continue collaborating with members and partners to co-create sustainable solutions to forest-related challenges.

Goal 1

Engage members and stakeholders to co-create solutions

Action 1 Action 2

Membership Engagement

Membership Enhancement

Action 3

Action 4

Action 5

Indigenous Peoples' Engagement

Information Technology

Co-Creation Initiatives

Goal 2

Develop outcome-oriented policies and standards

Action 6

Requirements Accessibility

Action 7

Core Procedure Revision

Action 8

Outcome Orientation

Action 9

Risk-Based Approaches

Goal 3

Enhance verification and integrity

Action 10

Supply Chain Verification

Action 12



Quality Data

Action 13

GIS Technology

System Integrity

Goal 4

Expand FSC's relevance for tackling climate and biodiversity crises

Action 14 📋

Expand Ecosystem Services

Climate-Related Indicators

Action 16 🗟

Action 15 😚



Restoration Toolbox

Action 17 😩



Focus Forests

Sustainable Intensification

Goal 1:

Engage members and stakeholders to co-create solutions

We want to empower a larger, more agile, and inspired community to help FSC shape the next wave of forest stewardship solutions. Opportunities to connect, convene, and create with our members, network partners, staff, certificate holders, and external stakeholders are constantly sought and nurtured, as highlighted in our first five Actions.



Actions









The priority for Membership Engagement (Action 1) was strengthening stakeholder dialogue at the 2022 FSC General Assembly (GA). At least two motion-discussion groups developed consensus proposals for membership decisions at the GA. The social-chamber membership was increased for better engagement, with a social-chamber agenda and priorities presented to FSC's Board.

In preparation for the GA, the Membership Engagement team:

- · held hybrid regional membership meetings in five regions;
- established six motion-discussion groups, including Membership Rules, Conversion, Policy for Association and Remedy Framework, Sustainable Intensification, Intact Forest Landscapes, and Workers' Rights;
- hosted an induction session for new members;
- held several chamber and cross-chamber meetings.

Chamber attendance at the GA

While the economic chamber had the greatest each chamber's votes on motions are given equal weight at the GA







Membership Enhancement (Action 2) focused on ensuring robust and equal representation of members across FSC's regions, groups, and three governance chambers – environmental, social, and economic. In 2022, FSC hosted 145 online and in-person events that 3,942 members attended, showing a shared commitment to co-create sustainable solutions. Of the attending members, 46 per cent were from the economic chamber, 29 per cent from the environmental chamber, and 25 per cent from the social chamber. Pandemic-bruised membership figures climbed during the year, with 154 new members joining our ranks – 42 in the environmental chamber and 27 in the social chamber, both focus areas for continued recruitment.

Co-Creation Initiatives (Action 3) saw a focus on strengthening FSC's position on climate, biodiversity, and restoration. This focus reaffirms the necessity of FSC solutions and the need for collaborative efforts between FSC, our members, and network partners to incubate sustainable stewardship solutions quickly and effectively. Great strides were made in 2022 around this Action. FSC launched a <u>Climate Coalition</u> at the UN's Climate Change Conference (COP 27) to convene voices from different sectors. The first major topic to be put before the coalition in 2023 will be the interplay between certification and the growing carbon market. This will give an important opportunity for Indigenous Peoples, smallholders, and other forest stewards to benefit from discussion participation. During the period, the completed biodiversity action paper was approved by the FSC Board of Directors and <u>published</u> ahead of the <u>UN's Biodiversity Conference (COP 15)</u>. At COP 15, another important initiative was launched to fast-track biodiversity assessments of FSC-certified forests. For this initiative, FSC will work with various technology partners, different private-sector partners such as IKEA and Tetra Pak, and organizations such as WWF International. This will help to better understand the data needs around biodiversity tracking to help FSC shape a framework for guidance on future biodiversity claims related to FSC products.





Actions





It's crucial to strengthen and expand Indigenous Peoples' Engagement (Action 4) in the FSC system, and this was done in various ways. At the 2022 GA, Motion 53 was approved, which will see FSC incorporating cultural services and practices in its ecosystem services. Additionally, FSC hosted or co-hosted 11 related events at COP 27 to amplify the messages and essential work of the FSC Indigenous Foundation and relevant FSC partners. Under these events, discussions tackled several themes, including financing for Indigenous-led solutions for climate action, and fostering capacity development for Indigenous Peoples' participation in projects for meeting nationally determined contributions goals.

Our focus on Information Technology (Action 5) is about enabling and strengthening stakeholder engagement through technology. FSC leveraged reputable, innovative, and secure technologies to do this, modernizing our stakeholder-facing IT platforms. With voting apps, digitized registration and payment solutions, and hybrid-participation technologies introduced for members to use at the 2022 GA, great strides have been made. In the same period, we developed and released the FSC Public Search BETA platform for user testing, hosting it on a dedicated microsite and on our FSC Connect digital portal. In 2022, the portal was re-launched, with institutional content from the FSC website also migrated to FSC Connect.

Action Impact

Defining event: the General Assembly

In October 2022, for the first time ever, FSC's 9th General Assembly (GA) was hosted as a hybrid event that enabled people to join either online or in person.

Over 750 change-making stakeholders, including FSC members and leaders from Indigenous Peoples' organizations, trade unions, environmental groups, and companies, gathered in Bali, Indonesia. Here, they discussed defining and pivotal FSC policies and solutions, proposing and voting on key changes that will help FSC shape a responsible future in which the true value of forests is respected.

Grappling with climate change, unprecedented biodiversity loss, and widening social inequities, attendees explored revised approaches to local and global forest stewardship to maintain FSC's relevance and bolster its impact.





Zandra Martinez, Chairperson of the FSC Board, described the GA as "the most important event of the year, because members came together after five years of waiting and recognized, together, the fragility of the ecosystems we live in and the consequences of altering them".

Kim Carstensen, FSC Director General, commented: "It was so great to be back in a GA setting, meet the members, and feel the energy of the three chambers debating critical topics.

That energy is so important for us as an organization."

A total of <u>15 motions were passed</u>, including Motion 45 to enhance and improve the conversion and remedy package to protect FSC's credibility, and Motion 49 for using the Ecosystem Services Procedure as a mitigation mechanism for Net-Zero attainment.

The Global Strategy 2021–2026 will still be in effect at the next GA, scheduled for 2025.

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Actions

Goal 2:

Develop outcome-oriented policies and standards

Our standards are the organization's north star: without them, FSC couldn't carry out its work with any level of credibility or integrity. However, we need to allow outcomes to shine and, to do this, we must ensure our policies and standards are data-driven, clear, consistent, easily accessible, and user-friendly.

FSC's standards are globally consistent but nationally adapted, which aligns with public demand. Some 41 per cent of recently surveyed people feel brands should tackle local issues, with only 5 per cent favouring global over local, and 44 per cent wanting both prioritized.

> Requirements Accessibility (Action 6) looks at improving access to and use of FSC's normative framework (NF), which is a system comprising over 200 documents on FSC such as policies, standards, procedures. For organizations qualifying as small, lowintensity or community forests, an easier stepwise approach to forest-management certification was offered in the new continuous improvement procedure published in May. In addition, the first draft of the revised Controlled Wood Standard, which proposes that controlled wood be included as a step to full forest management certification, was shared with stakeholders for consultation in 2022.

Actions









Prospective members, current certificate holders, and certification bodies must conform to the NF. To enhance the appeal of certification, improve stakeholder engagement, and establish an outcome-oriented focus, the rules for standard-setting processes must be more agile while still upholding the need for transparency and integrity. This is the balancing act for the Core Procedure Revision (Action 7), which was approved in December 2022 and has since been published. The revision champions engagement much earlier on, with stakeholders encouraged to give input on a process even before working groups are established or drafting is initiated. Such changes to FSC standards demonstrate the value we place in stakeholder feedback.

Digital forest management (FM) reporting, now mandatory for FSC's certification bodies, started in September 2022. In this period, FSC received 50 digital FM audit reports. Exemplifying how we've been able to use such data is the digital Facts & Figures Dashboard that provides a way to visualize growth in certified forest areas and the certified supply chain. FSC's decision to digitally transform its monitoring and evaluation system into platforms such as interactive dashboards is part of Outcome Orientation (Action 8): a task undertaken to better demonstrate the impact of FSC FM certification.

Further steps have been taken to make certification more efficient, cost-effective, and credible. In 2022, a revised Forest Management Evaluation Standard that incorporates Risk-Based Approaches (Action 9) was approved, as was the complementary procedure for developing risk assessments (FSC-PRO-60-010). This standard was revised to allow for innovation through risk-based approaches and effective application when dealing with future forest management evaluations in a way that better accounts for risks.



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Goal 3:

Enhance verification and integrity

Accurate data is one of the cornerstones of verification, allowing FSC to maintain its integrity as a sustainable forestry solution. Technology is the tool to harness this data. Equally crucial is a strengthened set of rules that ensure integrity is always prioritized.

Actions











FSC's goal in pursuing Supply Chain Verification (Action 10). Establishing developer teams was a focus in 2022, with work set to begin next year. Once complete, the resulting IT platform will securely track FSC-certified materials and products from forest sources to consumers' hands in targeted supply chains with real-time visibility and adherence to privacy standards.

Blockchain technology can add a level of traceability into supply chains, which is

Collecting and standardizing Quality Data (Action 11) from the newly introduced digital FM audit reports has been extremely valuable. Under this action, work was extended to create objective and robust digital resources to help members understand and adhere to FSC requirements. One such digital resource was launched in 2022: the Risk Assessment Platform, which gives users a simplified, easy-to-navigate overview of the contents of all FSC risk assessments when applying FSC-STD-40-005 Requirements for Sourcing FSC Controlled Wood.

Being able to publish maps of certified forests to increase transparency and integrity is one of the benefits of FSC's focus on Geospatial Information Systems (GIS) Technology (Action 12). There are plans to improve geospatial analysis and publication once full data sets have been collected. This brings us to FSC's Forest Health from Space project, which entails conducting a vegetation analysis for mapped certified forests so we can better assess their health, and bolster our monitoring and evaluation efforts. The collection of voluntarily submitted forest vegetation analysis was completed in 2022, with work ongoing to collect all forest map boundary data for a more extensive set of information for comparison.

In 2022, FSC took its **System Integrity (Action 13)** to new heights, with several achievements reached for improved identification and remediation of past harms done by organizations associated with or looking to associate with FSC. One example is the Disclosure Requirements for Association with FSC Procedure (FSC-PRO-10-004), which was approved in August and published in October. It clearly outlines requirements for information disclosure by organizations wishing to associate with FSC and was a proactive initiative to protect FSC's integrity. The initiative also laid the foundation for a new tool, FSC Check, which will be developed to implement the procedure.

74 per cent of people surveyed put great importance in brands being transparent. It's something FSC prioritizes and encourages through action such as supply chain verification.

Wood ID technology is another avenue to help FSC strengthen the integrity of the certification system. It enables the verification of the provenance of timber in high-risk supply chains. To this end, in 2022 FSC and World Forest ID began piloting the development of an archive of isotope profiles of some of the world's most endangered and high-risk species. In addition to other applications, the aim is for FSC to use this wood ID technology starting in 2023 as a supplementary tool alongside other tools such as transaction verification (TV) loops. Regarding TV loops, the following progress was made during the year: two new loops into teak and bamboo were launched; the first stage of the loop was completed for Paulownia and Aucoumea; loops were completed for Manaifera, Dalbergia, Asia wood pellets, and charcoal. Overseeing integrity investigations to ensure that action is promptly taken against integrity violators is a priority for FSC, with lessons drawn, communicated, and applied globally following the blocking of 12 companies in violation last year.

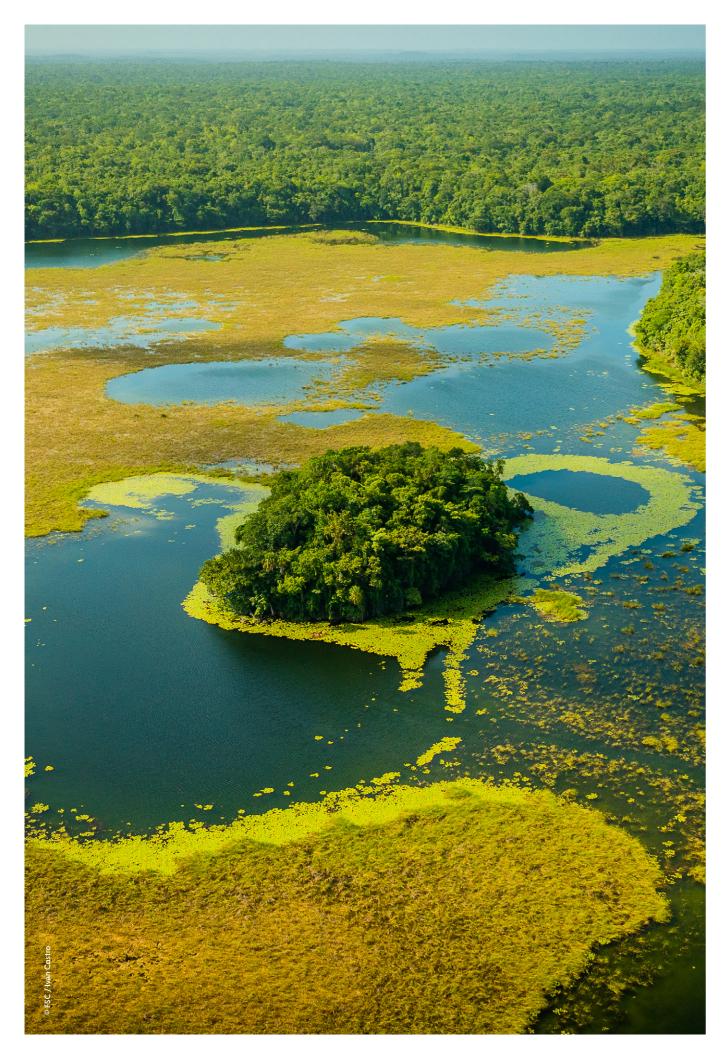
Scientific techniques such as wood ID technology are being explored to help FSC pinpoint where a specific piece of wood originates from, helping to root out illegal logging.

A significant milestone for System Integrity (Action 13) was the approval, in December, of the FSC Remedy Framework. This <u>framework</u> is aligned with the FSC's Policy to Address Conversion (simultaneously approved in December), and the Policy for Association (PfA), with version three of the PfA approved in August and published in October. Through this framework, FSC is paving a way for organizations to embark on a journey of healing and regeneration, while entrenching its commitment to integrity as it battles deforestation. Prior to the framework's release, the FSC rule to discourage deforestation was that organizations that converted natural forests to plantations after November 1994 could not obtain FSC certification for these plantations. This cut-off date, provided in the FSC Principles and Criteria, was revised to December 2020, after Motion 37 was passed at the GA this year. However, when certification is sought for land that was converted between December 1994 and December 2020, the framework mandates that remedial action must first be taken to address any social and environmental harms arising from the past conversion. The remedial action can also be taken by disassociated organizations looking to re-engage with FSC, ensuring restoration and restitution off the back of any unacceptable activities of the past.





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Actions













Goal 4:

Expand FSC's relevance for tackling climate and biodiversity crises

In the face of global crises such as climate change and biodiversity loss, FSC is developing tools and procedures that recognize the true value of forests and meet policy and market demands. These include solutions for restoration, conservation, and sustainable forest management.

Our ecosystem services (ES) solution in certified forests is helping stewards show the value of their work in protecting biodiversity, fighting climate change and more, beyond the business of producing forest-based products. By quarter 4 of 2022, we had recorded 29 per cent year-on-year growth in the number of ES Impact Certificate Holders, with more than half from newly added countries of Viet Nam, Romania, Namibia, Lithuania, Germany, and Denmark. However, we plan to further Expand Ecosystem Services (Action 14) within the revised ES Procedure deliverable for 2024, with terms of reference and a technical working group for the revision already set up.

Members are increasingly seeking ways to demonstrate the climate benefits of their work, which we wanted to help facilitate through FSC-recommended climate- and carbon-related data, indicators, and methodologies. This entails incorporating Climate-Related Indicators (Action 15) in the FSC system. Work on this is ongoing and scheduled for completion in 2023 including, for example, our contribution to the drafting and piloting of the Greenhouse Gas Protocol's Land Sector Removals Guidance. Outputs produced in 2022 include the ISEAL-funded study on FSC Standards and Carbon Accounting Best Practices and a list of additional tools in the FSC Restoration Toolbox. Despite significant progress in 2022 on updating the Restoration Toolbox (Action 16), testing the completed product in pilot use will likely occur in 2023. This is because integration within the FSC system is more complex than anticipated.

Focus Forests (Action 17) are those with significant social and ecological value, for example, Intact Forest Landscapes. This action concerns securing FSC's role in convening stakeholders for constructive dialogues around certification in these landscapes. In 2022, phase one of the Focus Forests project saw the publication of the FSC Focus Forests Green Paper in English, Spanish, French, Portuguese, and Russian. Based on the collaborative work of various advisory and discussion groups under the Focus Forests project, a new proposal for FSC's approach to Intact Forest Landscapes was widely supported by 95 per cent of FSC members at this year's GA, resulting in an Interim Advice Note on the matter being issued in December 2022. In 2023, a more permanent solution will be developed; however, landscape dialogue in Gabon's Moyabi landscape has already been undertaken as an important first step.

The growing demand for forestry products, despite a shrinking land area to produce them, is a global challenge often addressed through forestry intensification. Identifying best practices for navigating intensification is hugely beneficial to FSC certificate holders, and social and environmental stakeholders in their landscape. FSC's strategy for Sustainable Intensification (Action 18) explores how intensively managed FSC-certified forests can create greater shared value among all stakeholders. In 2022, FSC published a <u>Discussion Paper</u> that clarifies and refines the shared-value concept at ethical and operational levels, examining the relationship between intensified forestry and consumption through the lens of shifting population needs. In 2023, the concept will seek practical applications in field tests conducted as part of plantation projects in South Africa and New Zealand.

Transform markets

For FSC to realize its 2050 vision, there must be a strong market for sustainable-forestry products and services, which Strategy 2 seeks to secure. The picture for achieving market enhancement is framed within four Goals, which we tackled in 17 Actions. Through these Actions, we plan to foster the uptake of FSC certification in strategically important value chains while supporting the shift to bio-based and low-carbon circular economies; accelerate market demand for FSC-certified products and services; and highlight the social, environmental, and economic value and benefits of FSC-certified forests, their products, and services by leveraging data and driving powerful communications.

Goal 5

Advance FSC in strategically important value chains

Action 19



Circular Economy



Fibre Development



Solid Wood Development

Action 23 🖺

Non-Timber Forest Product Development

Alternative Inputs

Goal 6

Increase market uptake of FSC-certified products and services

Action 24 🔚

FSC Sourcing Preference

Action 26 💷

Action 25 💷

Ecosystem Services Markets

Action 27 🏠

E-commerce

Action 28

Tropical Forest Products

Trademark

Goal 7

Harness data to demonstrate positive outcomes

Action 29 🍥



Impact and Performance



Ecosystem Services Impact Shopper Solution

Goal 8

Enhance social benefits for Indigenous Peoples, communities, smallholders, and workers



Action 33 (%)

Community and Family Forest

Indigenous-Based Solutions

Action 34 0



Diversity and Gender

Action 35 🔠



Workers' Rights

Goal 5:

Advance FSC in strategically important value chains

Value chains that could impact social, economic, or environmental outcomes in the world's forested areas must be encouraged to certify their sustainability efforts. This will ensure that the delivery of forest stewardship standards is measured transparently and with integrity. But first, FSC must tackle market barriers to certification in supply chains.





Actions









To support society's move towards a low-carbon circular economy, FSC aims to accelerate the uptake of its Recycled label, which requires verification of genuinely reclaimed or recycled wood and paper used in products. This drive underpins FSC's Circular Economy (Action 19) and includes Alternative Inputs (Action 21) to help reduce demand for virgin forest materials. While work in 2022 included developing a roadmap with action points for the transition to a circular model, the next step for developing standards around this will occur in 2023.

To drive broader adoption of **FSC certification in the textile industry**, FSC focused on Fibre Development (Action 20). This entailed rallying players in the textile value chain and driving awareness around sustainable solutions certified by FSC to spark demand. Following the launch of the Fashion Forever Green Pact in 2021, work this year has centred on adding more signatories to grow the sustainable textile value chain, with an approved action plan established. We're moving in the right direction, considering the growing adoption of FSC certification within the textile sector.

Man-made cellulosic fibres could be a responsible fashion alternative to synthetic materials, but over 50 per cent are sourced from uncertified forests vulnerable to deforestation and illegal logging.



Actions







FSC's plan for Solid Wood Development (Action 22) is yet another way to boost the uptake of FSC certification and promotional licence agreements – this time by key players in the tropical timber and furniture markets in Europe and Asia Pacific. In 2022, ADEO Group hosted a presentation at FSC's APAC Business Forum about their successful sustainable-sourcing journey with FSC. In this period, FSC and WWF US also launched the Responsible Wood Sourcing Group project with key US retailers such as Lowe's, Williams-Sonoma, City Furniture, Costco, and Wayfair. The project focuses on eliminating supply bottlenecks and increasing the supply of certified furniture from Asia Pacific to the United States, Additionally, 2022 saw the continued successful collaboration of FSC with furniture retailers and home improvement solutions such as IKEA, ADEO Group, and JYSK.

Big brands, such as Hunter, help FSC drive demand for sustainable products. Hunter has pledged to exclusively source its rubber from FSC-certified forests by 2025.

> The power of big-name brands to drive demand cannot be understated. In the nontimber forest-product (NTFP) category, FSC certification of products for BMW, Pirelli, and Hunter has spurred certification interest and uptake by other retailers. NTFP Development (Action 23) forms the basis of this work. Over 2021 and 2022, efforts bolstered by the support of the big-name brands resulted in a **five-fold increase** in the demand for FSC-certified natural rubber from the footwear sector. This was off the back of Hunter's public commitment to exclusively source FSC-certified rubber for its footwear, and certification of the iconic footwear, brand Birkenstock in December 2022. In the same period, the number of smallholder cooperatives that FSC certified for rubber/latex production grew from four to 17, showing the economic and social benefits that an increase in demand for sustainable products has.



Action Impact

Celebrating responsible retail

Eight out of ten people expect companies to sell wood and paper products that don't cause deforestation, showing the value to retailers and manufacturers of using sustainably sourced raw forestry materials. What's more, among customers who recognize the FSC label, 80 per cent prefer FSC-certified over non-certified products, according to our 2021 Global Consumer Research. Insights like these underpin FSC's drive to highlight brands that are increasing the supply of certified solid wood furniture – the more who do, the closer we'll get to our zero-deforestation goals. That's why events like the FSC Furniture Awards are important: we're given a chance to celebrate and promote companies leading the way in Europe by offering customers products from responsibly managed forests. As customer demand increases, so will demand for brand certification, which is the goal. 2022's winners were Poland-based <u>Gała Meble</u>, <u>T&S Home & Living</u> in Germany, <u>Kvist Industries</u> and <u>Ilva</u> from Denmark, Stosa in Italy, and French brand Pier Import.





FSC ANNUAL REPORT 2022







FSC / Marius Č

Actions







Goal 6:

Increase market uptake of FSC-certified products and services

With the demand for forest-based products growing, the pressure to ensure an equal public desire for sustainable options is critical. To help shape a responsible culture, we relied on targeted marketing and communication initiatives in key sectors with crucial partners.

Having well-known brands publicly communicate their preference for FSC is vital in promoting the value of certified products and materials to boost their demand. Eventually, with enough brands supporting FSC in this way, certification will become an industry norm, which is at the heart of amplifying FSC Sourcing Preference (Action 24). FSC drafted a list of over 50 such brands, and is continually updating it. In 2022, this list was used for targeted marketing activities and collaborations. Eight targeted companies that publicly communicated their preference for FSC included Hallmark, Kimberly-Clark, DS Smith, Procter & Gamble, International Paper, Avery Dennison, Del Fuerte, and Icebug.

FSC is equally excited about the prospect of developing a new range of products and delivery models to serve new segments within our growing **Ecosystem Services**Market (Action 25). In 2022, progress encompassed the development of a messaging framework and marketing tools on ecosystem services and climate impact.

Actions





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Over 50,000 FSC-certified products are available in Amazon's Climate Pledge Friendly range, including products from Amazon Private Brands.

Yet another way to ignite demand is to transform the **consumer connection to sustainable product choices for online shopping.**This is at the root of our **e-commerce (Action 26)** goal. FSC saw several achievements in this area, particularly with Amazon.
By the end of 2022, over 50,000 FSC-certified products had been made available under the <u>Amazon Climate Pledge Friendly</u> range, including products from Amazon Private Brands.

Tropical Forest Products (Action 27) is about building a positive narrative around FSC-certified tropical timber to increase demand. Partnerships have been key to achieving this, focusing on collaboration with European tropical timber importers that have signed the Open Letter to the Brazilian Amazon Forestry Sector. In 2022, such a partnership between FSC Denmark and Keflico looked at driving the uptake of forest management certification in Brazil.

During the year, there was also a continued focus on helping tropical-region forest managers run sustainable, profitable businesses, with a rubber project in Indonesia starting in 2022. What's heartening is that FSC's work has paid off, with 5.1 per cent year-on-year growth of certified tropical forest plantations recorded in Q4, accompanied by a 2.7 per cent increase in the number of certificate holders in these forests.

Actions



Trademark (Action 28) promotion and management aims to further entrench FSC's position as the most recognized and trusted forest certification brand globally – which is how FSC is perceived, based on our <u>Global Consumer Awareness survey</u>. This perception helps drive economic value for retailers using the FSC trademark. Complementing this work is our pricing model for international Promotional Licence Holders (PLHs), which we revised to ensure we deliver a more competitive, value-based offering. The revision contributed to a 72 per cent increase in income generated from PLHs by the end of 2022. During the period, FSC also finalized the revision of the internal PLH guide to increase the user-friendliness of requirements, consistency of trademark use, and relevance for e-commerce.

The revision of our pricing model for Promotional Licence Holders (PLHs) contributed to a 72 per cent increase in income generated from PLHs by the end of 2022.



Action Impact

Praise and opportunity: thoughts from our Certificate Holders

The biennial FSC Global Client Survey had the highest participation rate yet in 2022, with responses from 323 Promotional Licence Holders (PLHs) and 8,975 Forest Management (FM) and Chain of Custody (CoC) Certificate Holders. Their feedback shows we're on the right track in our work to make certification and promotional licensing more appealing.

The overall number of 'very satisfied' respondents has more than doubled since the previous survey, from 18 to 47 per cent for FM Certificate Holders, 22 to 52 per cent for CoC Certificate Holders, and 18 to 38 per cent for PLHs. Intent to renew is a great metric for framing the perceived value of and trust in our brand and services. A healthy number of respondents are looking to renew: 85 per cent of FM and CoC Certificate Holders and 78 per cent of PLHs. Feedback on areas of improvement will be tackled within our Global Strategy, with Certificate Holders recommending lower certification costs and PLHs requesting that we continue to build general awareness of the importance of FSC's mission.





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Goal 7:

Harness data to demonstrate positive outcomes

We know that FSC-certified forests deliver environmental, social, and economic benefits. This kind of impact data must be generated and harnessed to catalyse increased certification, with the aim of this becoming the norm.

Actions



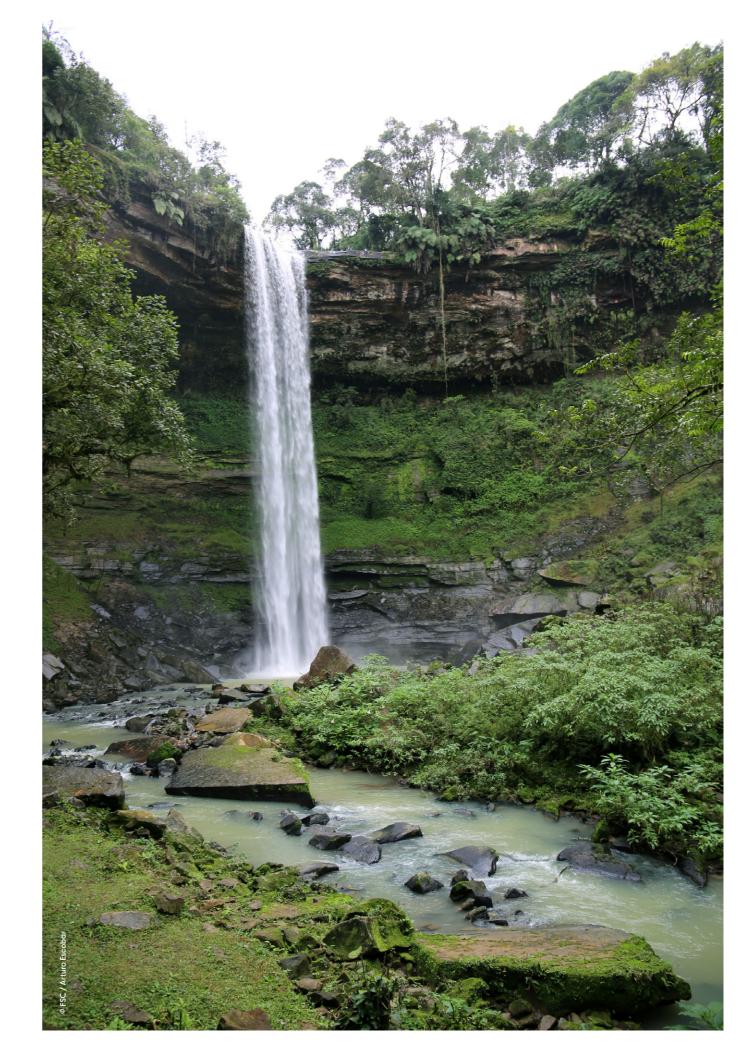




Ongoing work over 2021 and 2022 on Impact and Performance (Action 29) focused on investments in external impact evaluations, science-based measurements of FSC outcomes, and the use of certification reporting to drive data-led assessments of our impact. Outputs over this two-year period include the roadmap to forest certification impacts and the impacts dashboard. Additionally, we've produced data on the biodiversity value of FSC-certified forests in a test of eDNA technology in Gabon.

Similarly, work on Ecosystems Services Impact (Action 30) has been ongoing over the past two years. We aim to leverage technology to quantify the ecosystem services impact of projects, investments, Forest Management Certification, and significant changes to management or land use. A business model for this was developed in 2022.

The Shopper Solution (Action 31) goal seeks to empower consumers to make sustainable product choices. This will be tackled using technology solutions, with the long-term goal of rolling out a Digital ID solution for certified products. In the medium term, we approved a new self-identification model, began a pilot, and completed a successful proof-of-concept for the Product Digital ID in 2022. In the short term, we launched a self-service FSC-certified products portal to help us build the product-level database while testing mid- and long-term solutions. Two updates for the portal were released in the period to provide technical support to the expansion of the Amazon Climate Pledge Friendly programme and other, similar programmes.



Goal 8:

Enhance social benefits for Indigenous Peoples, communities, smallholders, and workers

Forest-based products and services can create direct social and economic well-being for Indigenous Peoples and local communities, as well as for smallholders and forest workers. They can equally drive diversity and gender inclusion across society. The key is to unlock investments in and market access to products and services delivered by Indigenous Peoples, local communities, smallholders, and forest workers.

Actions







Work with stewards of Community and Family Forests (Action 32) requires FSC to provide tailored policy solutions. Following the 2022 completion of the updated and approved continuous improvement procedure, the Community and Family Forests team supported implementation efforts in Colombia, Mexico, Kenya, and Finland, accelerating social and economic value to these communities.

In 2022, FSC also continued its efforts to promote the uptake of **Indigenous-Based Solutions (Action 33).** Work around the right of Free, Prior, and Informed Consent (FPIC) by the <u>FSC Indigenous Foundation</u> (FSC IF) has been incredibly important for developing plans and processes that place the needs of Indigenous Peoples at the centre of decisions impacting them. In 2022, 15 FPIC processes were successfully completed, and FSC IF was selected as a sub-prime actor to execute the global Inclusive Development Assessment and Design programme spearheaded by the US Agency for International Development (USAID).



Action Impact

Conservation, cohesion, and development in community forests

The forests of Petén in Guatemala were in a perilous position 40 years ago, with timber harvesting and cattle ranching activity causing widespread destruction. In 1990, the government created the Maya Biosphere Reserve to protect more than two million hectares in Petén, granting forest concessions to the community tasked with turning things around with sustainable management. The result? A host of economic and social benefits are generated from the concessions, which span over 350,000 hectares of forest. These concessions are proudly and sustainably managed by nine local communities. One of the economic benefits, the FSC-certified ornamental xate leaf, exported to international markets for floral arrangements, provides work for 80 per cent of the men in the community, with dozens of local women overseeing other logistical processes before its export, mainly to the United States. Aside from the economic value, sustainable forestry has improved life for the area's 15,000 community members: child malnutrition levels are lower, school attendance rates are higher, and fewer people migrate to the cities, pointing to the social benefits of a thriving landscape.





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Actions





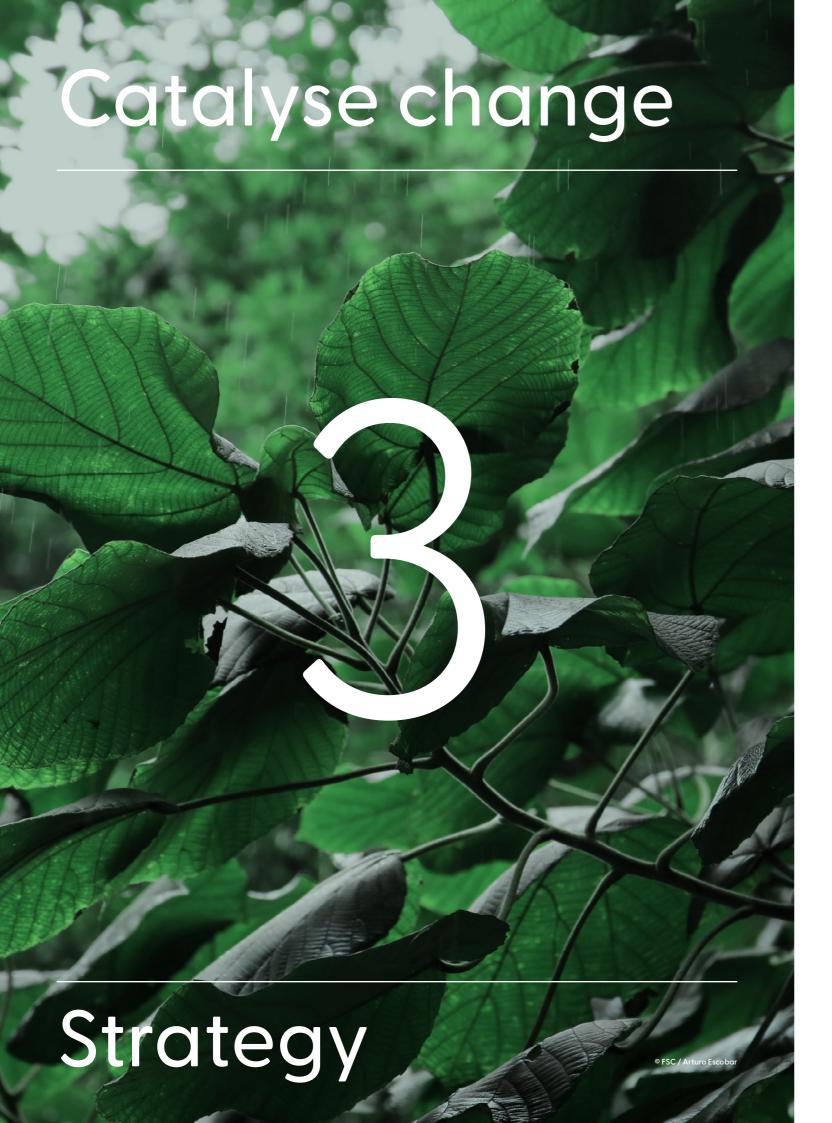


Additionally, with the support of the FSC Secretariat, the FSC Board of Directors advanced efforts around Diversity and Gender (Action 34) inclusion in FSC, both as an organization and within the system. This work culminated in the development of a Strategic Framework on <u>Diversity and Gender</u>. The framework was <u>launched at the GA</u> and approved in August 2022. To amplify this important milestone, a <u>Green Paper</u> that analyses gender issues in forests was shared on International Women's Day in March 2022.

In 2022, the focus on Workers' Rights (Action 35) has been on supporting the successful rollout of FSC's Core Labour Requirements (CLR) by Chain of Custody Certificate Holders. FSC benchmarked FSC-approved verification systems such as SA-8000 against the CLR, commissioning Assurance Services International to conduct the actual evaluation in 2022. To ensure auditors, trade unions, and certificate holders can easily implement the new requirements, FSC provided updated **Q&A** documents in 2022 and published 13 additional self-assessment templates.

Finally, discussions were constructive with representatives of trade unions and employers around Motion 50 (on the right of access to workers) and Motion 51, which guarantees that workers have the right to frequently and freely elect occupational health and safety representatives in all FSC-certified organizations. This adds additional safeguards to the existing requirements in FSC's Chain of Custody Standard. These motions were passed for implementation at the 2022 GA.





FSC is committed to delivering sustainable, socially responsible, and economically viable solutions that benefit our members, forests, and those who depend on them. But we can't do it alone. **Strategy 3** calls for collaboration with key actors to drive FSC's purpose. Through four Goals implemented under 13 Actions, we will nurture alliances that help us increase the recognized value and benefit of forests, seek out partnerships that solidify our position as the most credible forest stewardship body and create coalitions to achieve shared goals of furthering local and global sustainability agendas.

Goal 9

Collaborate to advance our vision Action 36 🔠

Operationalizing Partnerships

Action 37

Global Agendas

Action 38 Å

Landscape Stewardship

Goal 10

Support governments in meeting their goals

Action 39

Government Toolkit

Action 41

Action 40 %

Economic Incentives

Action 42 🕒

Regional and Global Trade

European Union Advocacy

Goal 11

Show investors our worth

Action 43



Sustainable Finance Instruments

Action 44

Sustainable Finance Relations

Action 45 🔁

Project Matchmaking

Goal 12

Boost awareness of forest value

Action 46

Action 47

Action 48

FSC Brand Positioning

Global Storytelling

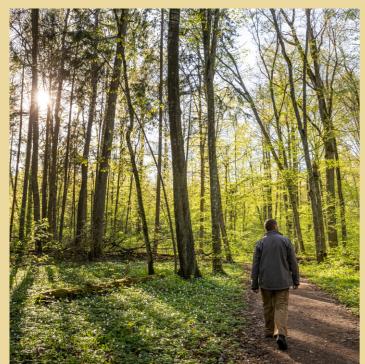
Media Engagement

Goal 9:

Collaborate to advance our vision

FSC recognizes that implementing our Global Strategy is best achieved in partnership, so we prioritize efforts to create strategic collaborations with like-minded actors.







Actions









In late 2021, a new role was created to coordinate our Operationalizing Partnerships (Action 36) work, with progress on mapping non-marked existing partners planned to start in 2023. The number of partnerships with government institutions and NGOs had dropped by Q4 of 2022 in a year-on-year comparison. However, the number of companies we've collaborated with to promote forest certification and solutions has doubled from eight in 2021 to 16 in 2022.

Significant progress has been made around Global Agendas (Action 37), such as promoting Sustainable Wood for a Sustainable World in collaboration with the UN's Food and Agriculture Organization. Another way in which FSC defined its role as a contributor to the global forest agenda is through participation at key global policy events. Examples are the 2022 World Forestry Congress and Phase Two of the 15th Conference of Parties (COP 15) in Canada in December 2022. Our advocacy at COP 15 culminated in the inclusion of FSC certification and the Ecosystem Services Procedure in the Monitoring Framework to deliver on the post-2020 Global Biodiversity Framework.

Like all global organizations, FSC's collaborative work is at the mercy of the political landscape. It comes as no surprise that the Russia-Ukraine war negatively impacted our work during 2022, notably our operational plans for Landscape Stewardship (Action 38). These plans have since been put on hold in Russia, but continued in Canada, the Congo Basin, and the Amazon.



Action Impact

Credibility: a beacon of hope

Market havoc followed Russia's invasion of Ukraine, with local businesses hard hit. A few entrepreneurs from some of Ukraine's woodworking companies found FSC certification a precious tool for keeping business afloat during this crisis. For Iryna Matsepura, director of VGSM LLC, certification is "crucial for all chains of supply and export of products." She explains that it proves her business "meets all the requirements and can be reliable partners even in such a difficult time." For Victoria Kuchmuk, Manager of Tsunami LLC, "maintaining the certified status of forestry enterprises is critically important so that even with the decrease of internal demand, we can still sell our products abroad... and manage to maintain high standards despite what is going on elsewhere."





Actions











Goal 10:

Support governments in meeting their goals

Governments worldwide are responsible for meeting global sustainability targets in socially and economically responsible ways. Work towards this can be advanced and monitored through forest stewardship on the ground.

The Government Toolkit (Action 39) encourages governments to incorporate FSC solutions to help advance their climate action-related plans and policies. At the 2022 FSC GA in Bali, a government engagement toolkit was launched to outline FSC's value proposition to governments.

To encourage forest conservation, sustainable forestry management, and green global value chains, the World Bank Group released its publication, Designing Fiscal Policies for Sustainable Forests, which FSC contributed to in 2021. In 2022, FSC worked with key actors and interested parties to promote and materialize the publication's ideas under our **Economic Incentives (Action 40)** drive to highlight the value of sustainable forestry.

FSC's work around EU Advocacy (Action 41) calls for collaboration with NGOs, progressive businesses, and other policy-makers in the public and private sectors to ensure that mandatory and voluntary measures help progress the European Union (EU) Green Deal policy objectives. One of the highlights is the inclusion of robust standards, such as FSC, in the landmark EU law to curb deforestation (European Union Deforestation Regulation – EUDR). FSC is ready to make it a success.

An activity of interest to governments' national interests is **Regional and Global** Trade (Action 42), where FSC works to promote responsible forest management for supplying forest material in trade, for example from Africa or the Pacific to China. FSC has increased its capacity with dedicated resources in China and the Congo Basin to work on the Africa-China trade links. It has developed a clear strategy for this work going forward, co-hosting a two-day workshop in September 2022 with WWF and the Chinese Academy of Forestry on this topic. Participation at industry events is essential for engaging various stakeholders, which drove FSC's attendance at the Carrefour International du Bois trade show in France in June 2022.



Action Impact

Contributing to policy changes

Working together with EU policy-makers, scientists, forest owners, Indigenous leaders, and progressive companies, FSC has been a firm advocate for the European Union Deforestation Regulation (EUDR) from its inception. This regulation is proof that cross-collaboration leads to constructive systemic changes. The EUDR is a landmark law because the new rules go beyond legality to cover sustainability. To be placed on or exported from the EU market, wood products must be legal, and deforestation- and degradation-free. FSC welcomes the EUDR and is now ready to work for its effective enforcement on the ground.





Goal 11:

Show investors our worth

FSC's reputation as the most credible sustainable forestry solution is pivotal to strengthening forest restoration and conservation efforts. These activities require investment, highlighting the importance of prioritizing engagement with the sustainable investment community.

Actions











After considered review, **Sustainable Finance Instruments** (Action 43) was merged with Sustainable Finance Relations (Action 44) and Project Matchmaking (Action 45). Sustainable Finance Relations aims to position FSC favourably within the investment community to spur increased investment in forest stewardship, restoration, and ecosystem services.

Visibility at global events such as the UN Climate Change Conference in 2022 (COP 27) put FSC's expertise on show, with media coverage on the Launch of the Land Rights Standard and Innovative Policies for Landscape Restoration. Additionally, we've secured membership and engagement with key global climatefinance platforms such as the Climate Bonds Initiative and Green Bond Principles (GBP) and were selected as one of three non-profit members of the GBP to participate in the 2022/2023 Climate Transition Finance Working Group.

To accelerate progress towards global targets, connecting relevant stakeholders is key. Project Matchmaking (Action 45) was set up for FSC to link its certificate holders to impact investors in specific projects to help scale benefits across social, economic, and environmental sectors.

To raise FSC's profile and amplify our forest stewardship message, visibility at global events such as COP 27 is key.



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Goal 12:

Boost awareness of forest value

When it comes to the true value of forests, the success of FSC's efforts is measured and reflected in the actions of society. As such, it's up to us to share successful and compelling narratives of sustainable forestry and engage with key partners to solidify a culture where forests are appreciated.

Actions



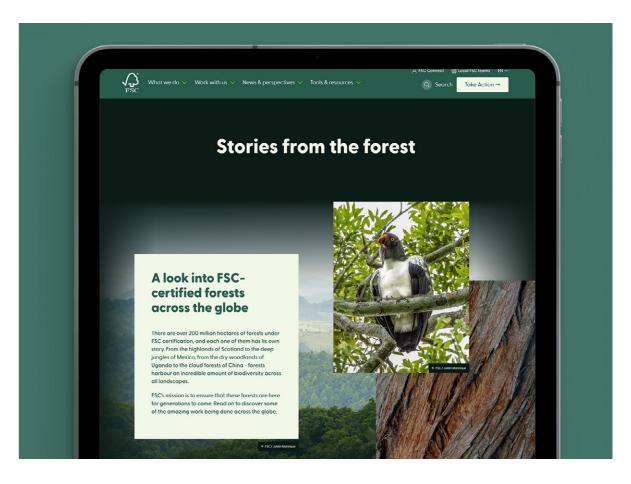


In 2022, over 1,200 organizations took part in FSC Forest Week worldwide, reaching more than 42 million viewers.

In September 2022, following a preview showcase at the GA, the new website was launched and has delivered positive results.

- FSC's average search ranking position jumped 33 positions from 49 to 16 after the launch.
- Surveyed stakeholders cited significant improvements in all aspects of user experience and content, including a 32 per cent increase in brand understanding.
- · Visitors are exploring nearly 50 per cent more content on the revamped website.





Actions







Another successful task, Forest Week 2022, was a prime example of a unified brand campaign platform that easily allowed participants to amplify FSC's message. Over 1,200 organizations participated worldwide, reaching more than 42 million viewers – this was propelled by South Korean pop group BLACKPINK whose single Tweet in support of the campaign in September 2022 garnered 10.2K retweets.

Global Storytelling (Action 47) positions forest stewardship as a vital solution for tackling social, climate, and biodiversity challenges. The stories from FSC's work make it relatable, impactful, and memorable. This was demonstrated in the strong engagement with 2022 social media campaigns for 'Their Home' and COP27. Their Home reached 9 million users with a 24 per cent engagement rate. At the same time, our COP27 campaign had a 3 per cent engagement rate (for further insight: the average engagement rate for Facebook is less than 1 per cent), reaching an audience of 14 million.

We've also found greater success by repacking research findings into simple, easy-to-digest story narratives. This allows us to reach a wider audience than we would in a data-led entry for an academic journal. Examples of narrative storytelling in 2022 include an article on biodiversity and another featuring smallholders.

Media Engagement (Action 48) was a key focus in 2022 to boost brand awareness and drive positive public sentiment. As part of this, we planned a successful media tour of the FSC operations in Mexico, which produced excellent coverage including five written articles and three videos from outlets such as Inter Press Service,

Deutsche Welle, France 24 and El Mundo. The importance of media engagement for getting our message out to the world becomes evident in the context of Q4 2022 data: year-on-year, media mentions were up by 26 per cent, with a potential reach of 634 million.

16

Action Impact

Sustainable forestry creates jobs while restoring biodiversity

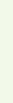
In the 20th century, overexploitation of <u>Uganda's Kikonda Central Forest</u> saw land converted for agriculture and livestock farming, resulting in the rapid disappearance of endemic plants and animals. Simultaneously, Uganda's forestry industry needed to expand to support local demand for timber. But the past degradation could neither sustain such economic activity nor support natural regeneration to restore lost biodiversity. In 1963, the country's forest authorities reacted, creating a reserve to protect commercial timber production while regenerating the forest's ecosystem.

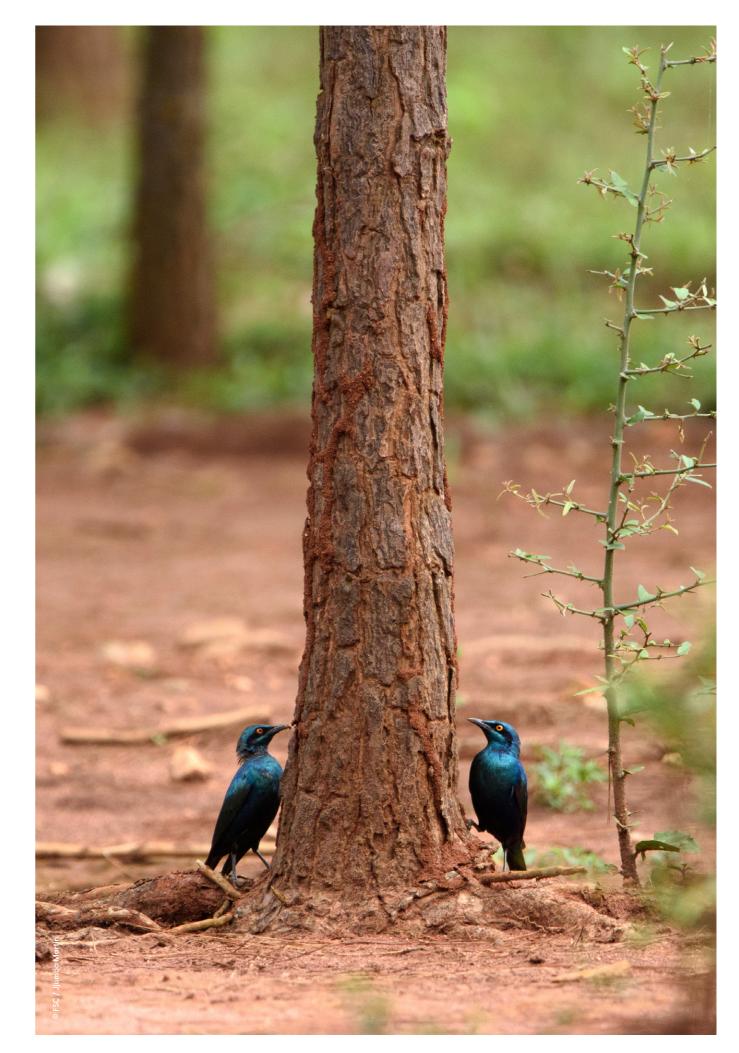
Since 2013, FSC has certified just over 12,000 hectares of newly planted pine and eucalyptus plantations in the reserve, requiring the company overseeing its sustainable stewardship to maintain at least 10 per cent of the area under natural conditions. Incredibly, the company has kept up to 20 per cent rates, while supporting local job creation through the plantations, which employ up to 80 per cent of the area's community members.

With parts of the landscape finally regenerated, animal species are gradually returning, too. In fact, over the last eight years, the total number of mammal species has grown to 30, with the number of bird species also increasing to 296, demonstrating a positive correlation between FSC-certified forest management and increased biodiversity.









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Forest Stewardship Council, A.C. and Subsidiaries

Consolidated Statement of Comprehensive Income

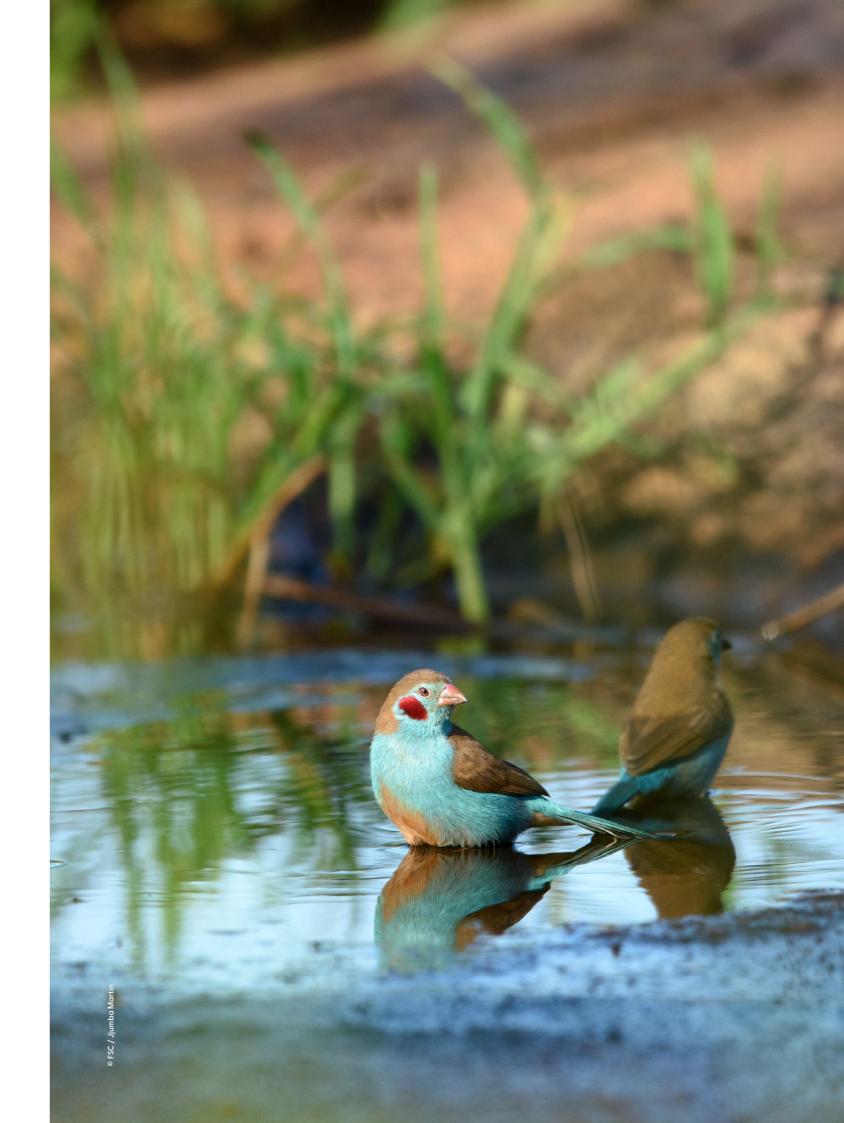
	Note	2022	2021
		US \$'000	US \$'000
REVENUE	10		
Annual administration fees		50,367	37,312
Donations		122	447
ASI generated income		6,417	6,594
Commercial services		1,010	66
Memberships and fees		270	304
Other		299	1,073
Total Revenue		58,485	45,796
EXPENSES			
Staff salaries		11,077	10,644
Staff benefits		2,695	2,253
Staff recruitment and relocation		405	197
Total staff costs		14,177	13,094
Travel staff		1,073	65
Travel non-staff		1.337	812
Total travel costs		2,410	877
Fee principle cooperation and licence agreements		7,919	7,058
Externals		3,061	3,109
Consultants		8,517	5,884
Fee service agreements NO		541	513
Legal and consulting costs		985	1,495
IT & communication		1,732	1,558
External office cost services		2,050	2,142
Costs meetings		2,135	270
Total third party costs		26,940	22,029
Rent		132	12
Basic costs		957	744
Office costs NO		169	22
Financial costs		386	197
Total back office costs		1,644	1,283
Total costs		45,171	37,28
Net exchange rate gains	11	-872	587
EDITOA		12.442	0100

Forest Stewardship Council, A.C. and Subsidiaries

Consolidated Statement of Comprehensive Income (Continued)

	Note	2022	2021
		US \$'000	US \$'000
EBITDA		12,442	9,100
	'	·	
Amortization and depreciation	12		
and loss from disposal of non-current assets		-233	192
Amortization right-of-use assets	12	-310	-236
ЕВІТ		11,899	8,672
Tax Expense	13	-3,950	-2,871
Interest income		49	14
Interest expense on lease liabilities	2	-16	-17
Financial result		33	-3
Profit for the period		7,982	5,798
Other comprehensive income			
Exchange rate losses/gains arising on translation		-107	-155
Total comprehensive income	14	7,875	5,643

The accompanying notes are an integral part of these financial statements.



Special than

Special thanks to our donors who made our 2022 achievements possible:

Aditya Birla Group

Alberta-Pacific Forest Industries Inc.

ATIBT – International Tropical Timber Technical Association

Building and Wood Worker's International

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Central African Forest Commission (COMIFAC)

Centros Comerciales Carrefour S.A.

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