



WWF

GLOBAL
FOREST
& TRADE
NETWORK

Annual Report

2010

The GFTN is WWF’s initiative to eliminate illegal logging and transform the global marketplace into a force for saving the world’s valuable and threatened forests. By facilitating trade links between companies committed to achieving and supporting responsible forestry, the GFTN creates market conditions that help conserve forests while providing economic and social benefits for the businesses and people that depend on them. The GFTN considers independent, multi-stakeholder-based forest certification a vital tool in this progression and helps infuse the principles of responsible forest management and trade practices throughout the supply chain.

The GFTN Report 2010 has been produced to reflect upon the considerable achievements in responsible forestry and trade that were achieved during this business year (July 2009 - June 2010).



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REFLECTING BACK LOOKING FORWARD

MESSAGE FROM GFTN HEAD, GEORGE WHITE

A true measure of commitment is how you perform when times are tough and the chips are down.



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This has been one of the worst trading years on record for the forest products industry. Even when times are good it can be a challenge to maintain a commitment to certification or to shift product sources in a search for certified material. In what has been, for many, woeful trading conditions, it is a testament to the vast majority of the companies working with Global Forest & Trade Network (GFTN) that have remained unyielding in their commitment to achieve and support responsible forestry and trade.

Resisting temptations to cut corners or make false economies typifies the resolve of the committed companies that participate in the GFTN, and this report includes many examples of the extraordinary efforts our participants have made this year. The strength of GFTN's network, comprised of more than 285 companies from across the global supply chain, is proof of this level of commitment from vanguards of the forest products industry. This year, we have seen robust and rigorous commitments from global leaders like Kimberly-Clark, Hewlett-Packard, ITC Limited, SIG Combibloc and Faber Castell in a time when other companies are looking to cut their costs.

We want the forest products industry to be a lasting force of positive change by embedding sustainability in their business throughout the value chain. By sending clear market signals for credibly certified products, these committed companies are driving improvements in forest management in the regions of the world where it matters most—like the Congo Basin, Amazon and Borneo.

We continue our work to transform the forest products market into a force for conserving the world's valuable and threatened forests. But we recognize that we cannot do it alone. Our approach is founded on the cornerstone of collaborating across all levels—from communities to industry to government—to achieve lasting and positive change for people and the planet. As we all face an uncertain future, we recognize the enduring need to go forward together, responding to the new challenges facing the industry and those that seek to work with.

As we move in to GFTN's 20th year, it is only right we pause to reflect on where we have come and where we are going. Clearly we have a model that achieves gains for both conservation and the bottom line. The pressures, challenges and opportunities that face the global forest products industry continue to multiply in number and complexity. GFTN will continue to evolve and seek new ways to engage the industry as we pull out of the current recession and to build upon solid foundations to transform the market and conserve one of our most vital resources—our forests.

George White

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GROWING STRATEGICALLY

Through its global-to-local, on-the-ground presence throughout Africa, Asia, Europe, Oceania and the Americas, GFTN is continuing to have a profound impact across the entire forest products supply chain, from titans of industry to community forests.

This year, GFTN continued to extend the reach of responsible forestry and trade, securing strategic commitments from a number of globally significant companies from the technology, pulp and paper, cork and flooring sectors.

In November, the GFTN expanded its network to include a new presence in Laos, partnering with The Forest Trust (TFT) to form the Lao Forest and Trade Platform. This collaboration combines the strengths of the GFTN's global reach with TFT's hands-on support on the ground, providing an opportunity to transform the Lao forestry sector into a leader in supplying responsible forest products to the global marketplace.

Argos
UK's largest furniture retailer commits to responsible forestry and trade, sending strong market signals to promote responsible sourcing in the sector

Faber-Castell
Internationally renowned pencil producer commits to responsibly sourcing the raw materials used in the two billion pencils they produce each year

Papyrus
Second largest German paper wholesaler vows to significantly increase the proportion of FSC-certified papers in its overall volume

SIG Combibloc
Leading system suppliers of carton packaging for beverages and food pledges to increasingly source wood fibre from credibly certified forests

Dunhua Forest Bureau
Increasing domestic supply for FSC-certified wood, this state owned forest company is ensuring that the Amur-Heilong's forests are well-managed

Langfang Dongsheng Wood Industry
Plywood manufacturer pledges to responsibly source timber, influencing trading partners in China and the US to achieve and support responsible forestry

Wuxi Jackson Timber
Flooring manufacturer works to increase transparency in their supply, committing to responsible sourcing from regions throughout China and Central Africa

Jilin Forest Industry Flooring Group
Connecting sustainable demand with responsibly harvested timber, flooring manufacturer undertakes chain of custody certification to deliver certified flooring to key European and US retailers

Dasso Industrial Group
Building capacity in responsible procurement in China, flooring manufacturer embeds sustainability throughout their supply chain through their responsible purchasing policy

ADIS PTE Ltd
Singapore based furniture retailer joins GFTN, formalizing commitment to responsible sourcing and promoting responsible forest management

Lao Furniture Industry Company
Premier manufacturer and exporter of Lao hardwood furniture commits to responsible procurement, help to drive improvements in the management of the country's forests

ITC Ltd
Market leader in paper and paper-boards sales in India commits to sourcing credibly certified fibre and offering customers paper produced from responsibly managed forests

Ayum Forest Products Ltd
Ghana's second largest forest reserve concession holder commits forests to responsible forest management by pursuing credible certification

Corticeira Amorim
World's largest producer and provider of cork stoppers commits to FSC certification, securing a future for Portugal's cork oak habitats

Granorte
Leading cork manufacturer commits to responsible sourcing, bringing 30 per cent of the US\$2.2 billion global cork market under GFTN's stepwise approach

Hewlett-Packard
Leading supplier of imaging and printing equipment and one of the world's largest IT companies pledges commitment to advance legal and responsible forestry

Kimberly-Clark
One of the world's largest producers of tissue products commits to increase its use of wood fibre from responsible sources to help protect the world's forests

Tetra Pak
Leading manufacturer of food processing and packaging systems expands its global commitment to responsible fibre sourcing by focusing on internal procurement for operations in North America

Orsa Florestal
Owner of largest FSC certified natural forest management area for timber production in Brazil commits to promoting responsible forestry and trade throughout the sector

 GFTN's Global Presence

FY10: YEAR AT A GLANCE



JULY 2009

ITC Limited becomes first company to join GFTN-India, committing to supporting responsible forestry.



AUGUST 2009

Three-quarters of timber used by Bovis Lend Lease, a UK-based construction and project management company is FSC-certified



Community based forest enterprises from Latin America, Africa and Asia come together to share lessons learned.



SEPTEMBER 2009

Domtar Corporation marks a significant milestone with the sale of its millionth ton of FSC-certified paper.



B&Q secures biggest volume of tropical FSC-certified plywood in the world—a global first as it was difficult to acquire certified volume of this size



WWF study reveals importance of certification in survival of great apes, finding that FSC-certified forests preserve adequate living conditions



The Bolivian municipality of Santa Cruz adopts a responsible public procurement policy for wood products, commemorated by a certified forest walkway in the center of Santa Cruz



OCTOBER 2009

Industry leaders, including HP, Kimberly-Clark (pictured) and Tetra Pak pledge to protect world's forests by joining GFTN-North America



At the XIII World Forestry Congress, GFTN addresses forest companies' critical role in providing solutions to climate change through responsible management of forests



NOVEMBER 2009

GFTN and TFT launch the Lao Forest and Trade Platform, a collaborative partnership to deliver responsible forest products to international markets, while conserving forests in the Mekong.



JANUARY 2010

With assistance from the GFTN, Panama's Emberá-Wounaan signs 10 year contract with a Franco-Panamanian group that will market wood from these communities.



Coca-Cola Spain unveils a new green headquarters in Madrid, with FSC-certified wood used in both the construction and office furniture



Sainsbury's pledges that all cork used in its own-label drinks will be sourced from FSC-certified forests with the help of fellow GFTN participant Corticiera Amorim



MARCH 2010

GFTN builds local capacity in the Congo Basin on conflict management and prevention, ensuring that the rights and concerns of all stakeholders are recognized



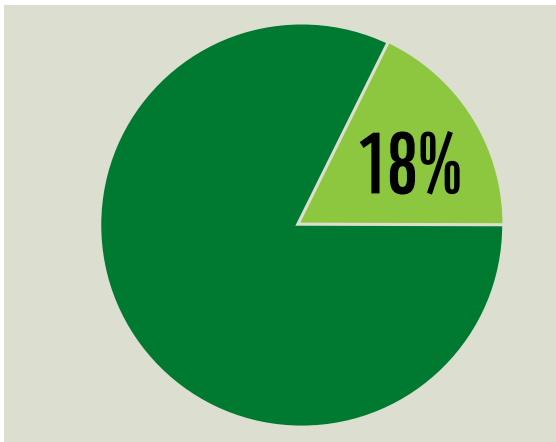
APRIL 2010

Walmart hosts supplier training in China, engaging its top suppliers of wood products on the company's timber sourcing policy and commitment to responsible procurement.



MAY 2010

SIG-Combibloc launches China's first FSC-certified carton packs, raising the profile of responsible forestry in this powerful and globally significant economy



JUNE 2010

Trading by GFTN participants increases with annual sales of US\$64 billion, representing 18% of globally traded forest products.



GFTN's *Keep it Legal* manual in Portuguese, *Seja Legal*, was used to help train São Paulo State's Environmental Police to combat illegal logging.

ADVANCING CREDIBLE CERTIFICATION

DRIVING CHANGE IN THE AMAZON

By demanding FSC-certified wood, GFTN participants are helping to safeguard the world's forests and the livelihoods that rely on them.

© B&Q



“We all have a part to play and as one of the largest DIY retailers, we have a responsibility to ensure that our products are being sourced responsibly.”

Julia Griffin

Journeying through the Amazon forest frontier, Julia Griffin, B&Q's Social Responsibility Timber Advisor, experienced firsthand the impacts of advancing responsible forestry on the rich biodiversity and communities of the world's largest rainforest. For the first time ever, the UK's largest home improvement retailer gathered its entire plywood supply chain together in Acre, Brazil's westernmost state, demonstrating the influence that responsible sourcing has from the forest floor to the retail store.

“We all have a part to play and as one of the largest DIY retailers, we have a responsibility to ensure that our products are being sourced responsibly,” said Griffin. “Having just returned from the Brazilian Amazon, I am acutely aware of the influence that a commitment of this nature can have on safeguarding the world's forests and the livelihoods that depend on them.”

In September 2009, B&Q became the first retailer to gain FSC certification for its entire supply of tropical plywood, which is sourced from forests in Acre. By certifying this chain of custody, B&Q ensures that those buying plywood, such as the building industry, can be certain that their purchase is not unwittingly contributing to the destruction of forests, habitats and the communities where the wood is harvested. This pedigree also allows B&Q to establish traceability throughout the entire supply chain.

Julia Griffin recently celebrated B&Q's achievement—a global first as historically it has been difficult to secure FSC certification for this volume—by traveling to Acre with their timber supplier to meet the individuals responsible for producing the company's plywood.

Producing Tangible Results

B&Q's milestone achievement is rooted in Acre's local community, where the local government has been integral in demonstrating to the nation and the rest of the world that legal and responsible forestry produces tangible and lasting results.

WWF, together with the Acre government, has been working with private landowners and local communities to responsibly operate and manage state-owned land. Acre is a story of success, proving that sustainably managed forests are not only environmentally and socially beneficial, but also economically advantageous.

“What we're struggling with increasingly here in the Amazon is the forest being cleared for cattle ranching in addition to illegal logging,” says Estevão Prado do Braga, GFTN-Brazil Manager. “This means huge swaths of the forest are cut down to provide grazing land, as cattle production is seen as profitable.”

“Of course once that forest has been cut down, even if that land is left to regrow, it never fully recovers. To discourage mass clearing you need to demonstrate the commercial viability of the forest through its sustainable management, which is what we're trying to do in Acre,” explains Braga.

1 ACRE/MINUTE



With each passing minute, an acre of the Amazonian rainforest is deforested, generally lost to conversion for agriculture.



“Timber, rubber latex and Brazil nut sales have substantially improved the living of the entire community.”

Valciclei da Silva

Generating Value

With direct support from WWF, local communities in Acre formed Cooperfloresta, a forest cooperative designed to organize local production and establish market relations to sell the community’s timber. By helping these communities achieve FSC certification, WWF was able to demonstrate that it is possible to not only unite these communities behind a common goal, but also generate income from responsibly managed forests, providing a long-term alternative to cattle ranching. Historically, families in these forest communities received an income of roughly US\$1,000. By responsibly managing the surrounding forest, they have tripled their income—making in excess of US\$3,000 a year—demonstrating that this a model that benefits both people and the planet.

For instance, twenty-year old Valciclei da Silva, who lives in a small forest community in Xapuri, a town in Acre state, proudly shows off his newest acquisition—a brand new motorcycle, which he bought in October 2009. What once seemed like a distant dream has now become a reality thanks to the income obtained from forest management.

“Timber, rubber latex and Brazil nut sales have substantially improved the living of the entire community. People are now buying motorcycles, electronics, clothing, household items and improving their houses,” said Valciclei da Silva, a member of a small forest community in Xapuri, Acre. Many of the things we take for granted to make our lives easier are now accessible to people in Acre thanks to responsible forest management.

While communities like Valciclei’s are just beginning their journey towards sustainability—recognizing the value of the standing forests and protecting them from over-exploitation through responsible forest management practices—others are well on their way. The Cachoeira Settlement, a member of Cooperfloresta, has committed to managing their forests to FSC’s rigorous social and environmental standards, achieving and maintaining certification for the last eight years with WWF’s support.

Impact of Responsible Enterprises

Among the chief buyers of sustainably produced timber from communities like Cachoeira is Laminados Triunfo. Following through on a commitment to responsible sourcing, Jandir Santin, the owner of Triunfo is working to drive positive change in Acre’s forest communities.

In addition to having his own private forest, São Jorge, Santin also runs a mill that turns logs into plywood that eventually ends up on the shelves of B&Q. By sourcing from São Jorge and FSC-certified community forests, Triunfo enables B&Q to offer its entire supply of plywood under the mark of responsible forestry.

According to Santin, community-managed timber, besides contributing to forest conservation and the increase of family income in Acre, also provides excellent business opportunities.

“Triunfo is growing, even though tropical timber sector in Brazil is cooling off. In 2010, we will double production and will go from 400 to 700 employees in our Acre unit,” said Jandir Santin, owner of Laminados Triunfo, GFTN-Brazil participant.

He believes that the Triunfo’s ability to offer certified timber and partner with communities, government and NGOs has substantially contributed to the company’s growth during a time of global economic crisis. Similarly, by providing training and guidance to Acre’s first community-run forest, not far from his own, called Antimary, Santin is also ensuring that these benefits extend far beyond the walls of his operations and pour into the surrounding community.



Over 1,200 new species were discovered in the Amazon between 1999 and 2009, highlighting the need to protect the amazingly diverse forest ecosystems through responsible management



Committed companies like Jandir Santin’s Triunfo are helping to drive lasting change through responsible sourcing.

ONLINE BONUS

gftn.panda.org/fy10

Join B&Q’s Julia Griffin on a journey through the supply chain by exploring her photo travelogue.

Building Capacity

In Santin’s own private forest, São Jorge, there are 22 families residing there that previously had no other source of income. These families are now employed in the responsible management of this FSC-certified forest. Legally, within Brazil, Santin could harvest 30 cubic metres (6 to 8 trees) per hectare, but in his responsibly managed operation no more than 3-4 trees per hectare are cut. That means for every three football fields, only six trees will be cut down.

In exchange for a concession of 1,000 hectares of forest to supplement the FSC-certified logs coming from his own forest, enabling the expansion of his operations, Santin is helping to train the 55 families living within Antimary how to responsibly manage the forest. Generating an income for the first time this year, these activities are helping to create a sustainable livelihood for this forest-dependent community.

According to Santin, the approach being developed in Acre is the only way for the forests within Brazil to prosper, and he underscores the importance of commitments from responsibly-minded companies like B&Q to encourage growth of the sector.

“Creating a sustainable forest with an economic value that keeps it standing is the only way the forest sector can survive,” says Santin. “Just 20 years ago, there were 800 plywood mills within Brazil, whereas today there are only three or four. Their near extinction reflects the changing landscape as the surrounding forests are destroyed to make way for cattle ranging or soy plantations.”

Securing a Future

Santin emphasized the value of relationships with committed companies like B&Q and the importance of customers understanding the history of the supply chain when they buy a product made from wood and what it means not only for the forest, but also for the people that depend on it for their survival.

And it seems Santin has an ally in B&Q.

“We’re committed to helping suppliers, like Triunfo, on their journey as they progress towards certification,” remarks Griffin. “Our time spent in Acre has only served to strengthen this commitment and our resolve to replicate this model.”

“Visiting Acre has helped us understand the real differences that can be made when a supply chain shares the same vision. This vision is helping to secure the future of forests and the livelihoods of the community within Brazil by generating an income through its responsible management, and that is something we’re very keen to see replicated elsewhere.”

ENGAGING GOVERNMENTS AS CHAMPIONS FOR THE WORLD'S FORESTS

As leading consumers of timber and fibre, the GFTN believes governments are key to driving improvements in forest management.

**US\$2.45
MILLION**
IS SPENT EACH
YEAR BY LOCAL
GOVERNMENTS IN
SPAIN ON FOREST
PRODUCTS

ONLINE BONUS

gftn.panda.org/fy10

Read more about the GFTN's efforts to curb illegal logging by partnering with local government.

Despite conservation efforts, the world's forests continue to be lost at an alarming rate of 13 million hectares per year or 36 football fields a minute. Driven by the world's demand for cheap timber and paper products, unsustainable and often illegal logging occurs in vast areas of forest worldwide.

WWF's GFTN is working to curb illegal logging and its devastating effects on the world's biodiversity, people, economy and climate by advancing responsible forestry and trade—with a new focus on promoting responsible public procurement. Recognizing that government has a key role to play in promoting sustainable consumption and production, the GFTN has been working with local governments to develop and implement responsible public procurement policies.

In Spain, GFTN was instrumental in launching the campaign, *Ciudades por los Bosques* or Cities for the Forest, to evaluate the measures that local municipalities and other institutions are taking to avoid buying products coming from illegal timber and promote responsible forest management by indicating a preference for FSC-certified products in their purchasing policies.

GFTN-Iberia welcomed the City Councils of Madrid and Murcia and the Provincial Council of Toledo as Cities for the Forest, recognizing their performance in implementing responsible procurement policies that give preference for wood from well-managed forests.

"FSC is the best guarantee for the sustainable origin, considering both social and environmental aspects of the forest products we purchase in Madrid," said Elisa Barahona, Sustainability Deputy Director, City Council of Madrid. "We have decided to join Cities for the Forests because it is a very important tool in supporting sustainable forest management and recognition of our efforts to implement a responsible public procurement policy."

This initiative to promote responsible public procurement will be instrumental in influencing responsible consumption in Spain as local governments represent 18 per cent of Spanish consumption of forest products, spending more than 2 million Euros (US\$ 2.45 million) annually. In 2006, Spanish forest law recognized the importance of public procurement of forest products and asked governments to establish policies giving priority to certified products. However, only 3 per cent of Spanish municipalities have developed and implemented such a policy so far.

With the European Parliament passing a law to ban trade in illegal timber, there is a growing urgency for European governments and businesses alike to ensure that they have the proper systems in place to prevent illegal timber from entering their supply chains. In our continued fight to combat illegal logging, the GFTN believes that unilateral measures such as government procurement policies have a profound impact on trade in illegal forest products. By harnessing the purchasing power of individual consumer country governments and influencing policy reform and enforcement, the GFTN hopes to create enabling conditions that will tip the market towards responsible forestry.

ADVANCING RESPONSIBLE FORESTRY IN CENTRAL AFRICA

Working to increase responsible demand, the GFTN is helping to advance forest certification throughout the Congo Basin.

Deep in the heart of the African continent, the forests of the Congo Basin provide not only an important habitat for elephants and gorillas, but also the indigenous peoples that have lived here for thousands of years. A common thread intertwines the fate of these actors—the continued existence of these valuable and threatened forests. WWF and its partners are reaching out at all levels—from local communities to industry to governments—to introduce practical ways to conserve the Congo Basin's forests while satisfying Central Africa's development needs.

In February 2010, representatives from GFTN and Spain's Ministry of the Environment and Rural and Marine Affairs (MARM) gathered to discuss collaborative efforts on advancing responsible forestry in the Congo Basin. During

this meeting, José Jiménez García-Herrera, the Forestry Policy General Director of the Spanish Ministry of Agriculture and Environment, affirmed his commitment to support forest certification in Central Africa. At the same time, he announced a major emphasis on public procurement, which gives a clear preference for certified forest products.

"Through continued collaboration with the Spanish government and committed Spanish companies, the GFTN continues to drive credible certification in the Congo Basin, which contributes to the conservation of this globally significant region," said Elie Hakizumwami, former Coordinator of GFTN-Central Africa and Regional Director of FSC Africa.

Collaborative efforts such as this commitment shown by the Spanish government to drive certification in Central Africa through preferential purchasing policies are playing a significant role in conserving the rich biodiversity present in these forests. By linking together committed companies in Spain to responsible products in the Congo Basin, the GFTN is helping to advance forest certification in the countries of the Congo Basin while increasing responsible consumption in key markets. To date, the region has achieved FSC certification for 4.7 million hectares of forests in the Congo Basin, a collective area slightly larger than the country of Denmark.



José Jiménez García-Herrera, Director General of Natural Environment and Forest Policy of MARM meets with Elie Hakizumwami to discuss efforts to advance credible certification in Central Africa.

TRANSFORMING MARKETS



TRANSFORMING EMERGING MARKETS

Harnessing the power of international trade flows to safeguard the world's valuable and threatened forests

With imports tripling since the mid-90s, China is the world's second largest consumer of industrial timber, pulp and paper and the largest importer of tropical logs and sawnwood.

With the acceleration of globalization, industrialization and urbanization, China's production and consumption patterns will significantly shape the future of the global economy and the environment. As China's economy continues to grow, more pressure is placed on the planet's resources. Through initiatives like the GFTN, WWF is working in emerging markets like China to ensure that the country's development goes hand-in-hand with long-term sustainability and environmental protection. By working with committed companies like Home Retail Group and Walmart to engage Chinese companies to implement environmentally and socially responsible practices, the GFTN is harnessing the power of international trade flows to reduce industry's ecological footprint on the world's valuable and threatened forests.

Embedding Sustainability Upstream

"Home Retail Group has a responsibility to both our customers and our suppliers to ensure that what we do is sustainable in the long term," said Karen Murray, Quality Assurance Compliance Manager, Home Retail Group. "Our timber policy supports this objective, which is why we insist that our products must be made from legal and sustainable raw materials."

© HOME RETAIL GROUP



"Home Retail Group has a responsibility to both our customers and our suppliers to ensure that what we do is sustainable in the long term."

Karen Murray

As one of the UK's largest retailers of wood products, with sales of US\$9.6 billion, Home Retail Group plays a critical role in advancing responsible forestry and trade in this emerging market. Seeking to help its suppliers understand and comply with the procurement policies of its two distinctive and complementary retail brands, Argos and Homebase, the Home Retail Group joined hands with the GFTN, conducting three seminars on responsible timber sourcing for the company's suppliers last November in Shanghai, Shenzhen and Hong Kong.

With a strong commitment to responsible sourcing, Home Retail Group places stringent requirements on its global timber suppliers to deliver raw materials from verified known and legal sources and to source FSC-certified timber wherever possible. In order to help suppliers meet their timber products sustainability policy, Karen provided specific training to the 70 suppliers from China and other parts of Asia that attended the three seminars.

"These seminars aim to help suppliers better understand Home Retail Group's sourcing policy, and the collaboration with WWF China and the GFTN has been invaluable in making this resource available in the country of origin," she said.

By engaging suppliers on the specifics of Home Retail Group's corporate responsibility agenda, Karen helped them understand how to reach the related requirements of the company's sourcing policies and methods, including how to verify legal wood, avoid risks by establishing traceability and what would be needed to comply with the upcoming EU legislation concerning timber.

Global Leader. Significant Influence.

For a robust and responsible forest products industry, it is crucial that more retailers and manufacturers that source from emerging markets embed sustainability upstream by engaging suppliers on putting procurement policies into practice. Arguably one of the most important companies in influencing the sustainability of



“Engaging suppliers in responsible sourcing throughout our global supply chain is an essential component in improving the traceability and transparency of our wood and paper supply chain and moving towards even more sustainable sourcing.”

Taylor Holley

This year, the GFTN has trained more than 355 Chinese suppliers of leading global forest products manufacturers and retailers such as Argos, Homebase, Kingfisher, Power Dekor and Walmart on responsible sourcing.

global supply chains is Walmart, the world’s largest retailer and a GFTN participant in North America.

“Engaging suppliers in responsible sourcing throughout our global supply chain is an essential component in improving the traceability and transparency of our wood and paper supply chain and moving towards even more sustainable sourcing,” said Taylor Holley, Sustainable Sourcing Manager, Walmart.

In April, Walmart and GFTN co-hosted a training workshop on responsible timber sourcing for the company’s wood suppliers in Shenzhen, China. More than 55 representatives from 42 enterprises attended the training, including Walmart’s top suppliers of wood products to the US market.

“Since China is the world’s leading exporter of wood products and importer of tropical timber, we see the importance of influencing the sustainability of this crucial link in the global timber supply chain by building capacity among Chinese manufacturers,” added Holley.

Through Walmart’s participation in the GFTN, the company is working to gradually increase the percentage of certified products and eliminate unwanted sources from its supply chain.

“Walmart’s vision is to secure a continuous supply of sustainable wood for the wood and paper products sold in our stores, thereby conserving the forest resource base and mitigating climate change over the long term,” said David Cheng, Walmart’s Global Sourcing Director. “We will continuously improve Walmart’s supply chain management and cooperate with our suppliers to deliver on our commitment to sell products that sustain people and the environment.”

Through training seminars like these, Walmart is not only building capacity among its suppliers to implement responsible procurement but also helping them overcome challenges by learning from the GFTN’s experience of advancing responsible forestry and trade in China over the past five years.

Laying Foundations for Responsible Forestry and Trade

“We believe that through training opportunities and further cooperation in the future, that these companies will display stronger competitiveness and become valuable partners for leading global retailers, like Walmart, Argos and Homebase,” said GFTN-China Manager Jin Zhongao.

As a result of these trainings, several enterprises have expressed interest in joining GFTN-China and committing to responsible forestry and trade. As more of China’s influential supply chains make improvements in the traceability of their products and ensure that they are sourcing material from forests managed to credible certification standards, the impact of this emerging market leader on vital forest resources around the world will be reduced.

Through engaging with leading retailers committed to advancing responsible forestry and trade, the GFTN is helping to drive this change in the forest products industry, transforming the force of this crucial link in the global supply chain to safeguard forests worldwide.

RIISING TO THE CHALLENGE

Putting policy into practice,
leading retailer visits suppliers
to communicate commitment
to responsible sourcing



“Overall the guidance and resources offered by the GFTN has given us a great advantage in kick-starting a responsible wood programme for WSI and provided us with valuable insight into how we can expand our wood policy moving forward.”

Christina Nicholson

As the third biggest user of wood products domestically, the US furniture industry has a critical role to play in influencing the sustainability of the forest products supply chain by helping suppliers transition to ethical and environmentally responsible sources of timber. And many leading furniture retailers, such as Williams-Sonoma, Inc. (WSI), a specialty retailer of high quality products for the home in the US and GFTN Participant, are rising to the challenge and taking this responsibility to heart by engaging with their suppliers on their responsible procurement policies for timber.

With a strong desire to put their wood purchasing policy into practice, WSI joined GFTN staff from North America on a sustainable development trip to Indonesia, Vietnam and China to learn about their furniture vendors’ wood procurement activities firsthand and communicate to suppliers their pledge to source socially and environmentally responsible timber.

“Our trip to southeast Asia trip was extremely valuable to move the WSI Responsible Wood Procurement Policy forward and has reaffirmed our commitment to eliminating unwanted and unknown wood from WSI’s supply chain,” said Christina Nicholson, Sustainability Director, Williams-Sonoma, Inc.

Starting in Indonesia, WSI toured six of their suppliers’ factories, two of which are GFTN-Indonesia Participants. Walking through their vendors’ facilities offered WSI staff the opportunity to experience firsthand their suppliers’ level of commitment to sustainability and attention to detail in ensuring that products can be traced back to the forest of origin, especially when dealing with certified raw material.

In meeting with suppliers, WSI had the opportunity to review records maintained by Indonesian vendors of their wood purchases, which even if well-organized can be difficult to authenticate. GFTN-Indonesia helped educate WSI on what to look for when examining harvesting and transport documents to authenticate the origin of the timber used in their products to ensure that the legality of every purchase could be verified.

“Overall the guidance and resources offered by the GFTN has given us a great advantage in kick-starting a responsible wood programme for WSI and provided us with valuable insight into how we can expand our wood policy moving forward,” said Nicholson.

ONLINE BONUS

gftn.panda.org/fy10

Read more about WSI’s experience visiting smallholders and community forest cooperatives in southeast Asia.

PREPARING FOR A MARKET REBOUND

In a time of economic uncertainty, sustainability is helping companies gain a solid footing.

With the mounting pressure to emerge victorious from a global economic downturn, competition and the search for new markets have intensified throughout the world. In this increasingly competitive climate, it is essential to be prepared for the time when markets rebound. GFTN is working across the globe to prepare companies for just that, helping to forge links between companies committed to achieving and supporting responsible forestry and trade.



Coordinator of GFTN-Central Africa meets with the Congolese Minister of Forestry and Environment, Cameroonian Minister of Forestry and Wildlife and Vice-Chairman of the Spanish Association of Wood Importers (AEIM)

In March, GFTN helped facilitate a gathering of timber trade companies gathered in Douala, Cameroon, attending the third annual meeting of RACEWOOD to help foster solid and lasting partnerships between international markets and forest producers from Central Africa. Organized by the InterAfrican Forestry Industry Association (IFIA) with support from partners including WWF's GFTN, this meeting set out to foster solid and lasting partnerships between companies from Europe, Latin America and Asia and forestry producers in Africa.

During the meeting, the Spanish Association of Importers of Wood (AEIM) announced their support for the responsible management of the Central African forests, agreeing to promote trade links between Spain and the countries of the region. As a result, AEIM will continue

to promote consumption of wood from legal origin, indicating a preference for FSC-certified wood from Central Africa.

This collaboration is a direct result of GFTN's work to establish stronger trade links between Spain and Central Africa that work to safeguard the Congo Basin's forests. These forests serve as the world's second largest tropical rainforest expanse and provide not only an important habitat for elephants and gorillas, but also the indigenous peoples that have lived here for thousands of years.

WWF and its partners are reaching out at all levels to introduce practical ways to conserve the Congo River Basin forests while satisfying Central Africa's development needs. Collaborative efforts such as the commitment shown by this industry organization to drive certification in Central Africa through preferential purchasing policies are playing a significant role in conserving these biologically rich forests.

ONLINE BONUS

gftn.panda.org/fy10

Learn more about GFTN's work to drive responsible trade across borders.

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COMBATting ILLEGAL LOGGING

THREATS TO TIGER'S REMAINING RUSSIAN FRONTIER

Working to safeguard wild tigers through responsible forestry and trade.

Less than 100 years ago, tigers roamed across Asia, prowling forests from the Caspian region to the Russian Far East and south to the Indonesian islands of Bali, Java and Sumatra. However in 2010, the Chinese Year of the Tiger, there are as few as 3,200 tigers surviving in the world's forests. Most of them live in isolated

pockets spread across increasingly fragmented forests, as poaching and illegal logging threaten their survival.

According to scientists, the future of wild tigers is at a tipping point, with the tiger facing local extinctions in the wild by the next Year of the Tiger in 2022. In fact, out of the nine subspecies of tigers, three became extinct in the 20th century and scientists believe a fourth is “functionally extinct” as it can no longer be found in the wild.

And history may repeat itself, with the future of the Amur or Siberian tiger, the world's largest cat, found primarily in far-eastern Russia and northern China, hanging in the balance. In the 1940s, the Amur tiger was on the brink of extinction with populations dwindling to no more than 40 tigers in the wild. While numbers have recovered to around 450 today thanks to vigorous anti-poaching and conservation efforts in Russia with support from many partners, including WWF, poaching and habitat destruction once again threaten the long-term survival of this tiger.

WWF is tackling this issue from several angles: lobbying governments to prevent actions that will destroy irreplaceable tiger habitats in the Russian Far East, promoting Forest Stewardship Council (FSC) certification among forest concession holders in the region and working closely with global business and industry through initiatives like WWF's GFTN to ensure that commodities sourced from the region—like wood and pine nuts—do not jeopardize wild tigers' survival.

Fighting Against the Current

Advancing responsible forestry in the Russian Far East is a battle that is not easily won. Enabling conditions that are required for responsible forestry, such as good governance and the political will to enforce laws seem like a long way off according to Denis Smirnov, Head of WWF's Forest Programme in the Russian Far East.

“Taking into account the lack of law enforcement and governance in Russian forestry, it is difficult to expect our government will take a lead in the protection of our forests in the near future,” Smirnov remarked.

Highlighting one of the key challenges WWF is facing in the country, he recounted a recent corruption scandal in the provincial forest agency of the Primorsky province, the forested region of the Russian Far East that is home to the Amur tiger: “The head of forest management in Primorsky was captured on hidden camera for a documentary in May, admitting that he is well aware of corruption in the region and that everybody steals timber.”

Said, Smirnov, “This story had a dramatic effect in Russia because everyone who watched it felt that it was difficult to imagine that such a man could say such things

Graph: Wild tigers are at a tipping point, with their survival threatened by habitat loss and poaching



7%
OF THE WORLD'S
REMAINING FRONTIER
FORESTS—LARGE,
ECOLOGICALLY INTACT
NATURAL FORESTS—
RESIDE IN THE RUSSIAN
FAR EAST

and lead the forestry department of this province. In a situation like this, when corruption is present at all levels, it is difficult to imagine that Russian officials will be able to protect the forest.” He added, “Our hope is that international efforts, like the US Lacey Act, will help to protect Russia's forests.”

He urges committed companies in Europe and the US to start asking more questions of their suppliers, drilling deeper into the traceability of their timber—from the point of purchase all the way back to the forest floor.

“If you are buying products from China that contain oak or ash, you must verify that these species have been legally harvested. Nearly 75% of oak and ash from the Russian Far East is harvested illegally and much of this is exported to China, which has banned most logging in Chinese natural forests. Only an independent FSC audit can demonstrate best practices in forest management and the exclusion of these products from of your supply chain.”

Another species key to tiger survival that companies should avoid is Korean pine. Importantly, in November 2010 the Russian government issued a ban on logging of Korean pine, so any Russian-sourced Korean pine in Chinese wood products is now illegal.

International companies that are willing to demand FSC certification and responsible forest management, especially for those valuable species like ash, oak and pine, can really make a difference for forests in the Russian Far East and for valuable and threatened species like the Amur tiger.

A Budding Hope

Over the last six years, a slow change has started to take place across the Russian Far East, signaling the impact that market forces can have in overcoming a complex and challenging environment for sustainability.

“When I started working here in 2002, it was difficult to imagine that FSC-certified forests would ever be a reality,” said Smirnov. “But since the first concession was certified by Terneyles in 2004, we have continued to see an increase in certified forests in the Russian Far East.”

In the case of Terneyles, the first FSC-certified forest concession in the Russian Far East, market incentive has reinforced the company's decision to pursue certification. Sumitomo Corporation, Japan's third-largest trading company, demanded environmentally responsible timber from Terneyles and made a commitment to invest in the company's processing capacity.

Terneyles allowed WWF staff to conduct an assessment of the “high conservation values” (HCVs) in their forest concession, such as the threatened species ash and oak and the rare and threatened Amur tiger. Smirnov and his staff developed management recommendations to protect these species, such as establishing a moratorium of harvesting trees in areas of high conservation value and implementing reduced impact logging in surrounding areas to create a buffer. The company agreed to some recommendations and resisted others, but WWF remains engaged with the company.

Using the methodology that was developed through three years of consultation with a variety of experts and field testing in Terneyles' concession, WWF provided other companies in the region with a resource that could be used to embed responsible forestry practices into their forest management plans and reduce their ecological impact. One of the companies to benefit from this methodology was Primorsky GOK, a GFTN participant and the second FSC-certified concession in the Russian Far East.

“Our team conducted special field work to verify borders and zoning of these high

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“If you are buying oak or ash or from China, you must verify that these species have been responsibly harvested. Nearly 75% of the total volume of oak and ash from the Russian Far East is harvested illegally. And all Korean pine is illegal for use.”

Denis Smirnov



As one of the key threats globally to wild tigers is habitat loss, the responsible sourcing of commodities like timber, fibre, palm oil and pine nuts can have a positive impact on safeguarding tiger habitats and consequently, the survival of this valuable and threatened species.

conservation values in the company’s forest blocks,” he said. “We suggested the exclusion of areas and infrastructure development, like roads, from logging activities and specified a buffer zone where low impact logging was needed to maintain these values.”

WWF has also helped other companies achieve FSC certification, like Arkaim, who was spurred into action by a customer in Germany demanding FSC-certified wood. Because of the perceived risks in the region, the buyer felt that FSC certification was the only way to mitigate the risk of sourcing illegal wood.

A Catalyst for Change

As the landscape governing trade in timber products continues to change, with more stringent regulations like the US Lacey Act and the EU’s “Due Diligence” Regulation, there is hope that the international marketplace can serve as catalytic force to enact positive change in this difficult environment.

Smirnov says that the progress achieved to date is starting to drive responsible forestry in the region and conserve valuable and threatened species like the endangered Amur tiger. But there is still more work to be done.

“We need companies in North America and Europe that are willing to track their supply chain from the Russian Far East and establish traceability to ensure that they are sourcing timber from legal and responsible sources,” he said. “In the same way, a strong demand for FSC needs to be communicated to suppliers in both China and the Russian Far East, in order to catalyze change in these two important links in the global supply chain.”

The Global Forest & Trade Network is working with committed companies throughout the global forest products supply chain to harness the power of their purchasing decisions to drive improvements in forest management in valuable and threatened forests like the Russian Far East.

As time is running out for valuable and threatened species like the Amur tiger, their fate depends on the continued efforts of change agents like Denis Smirnov and his staff combined with companies committed to putting their responsible sourcing policies into action to advance responsible forestry in the Russian Far East. With a united commitment—reaching across borders and continents—tigers just may stand a fighting chance.

STRONG NEED FOR CONTINUED EFFORTS TO CURB ILLEGAL LOGGING

Anniversary of the US Lacey Act highlights the need for more to be done to advance responsible forestry.

Marking the amended Lacey Act’s two-year anniversary, WWF, together with the Environmental Investigative Agency (EIA), gathered a diverse group of experts from industry, government and the environmental community in June to share early successes, lessons learned and highlight the strong need for continued efforts to curb illegal logging.

The first law of its kind to prohibit the import, sale or trade of illegally-harvested wood and wood products, the Lacey Act has also given a boost to efforts in other countries. Representatives from the Global Forest & Trade Network joined the diverse panel of thought leaders, sharing perspectives on the impact of legislation in tackling this immense and challenging problem.

“As a participant in WWF’s Global Forest & Trade Network, this legislation has been pivotal in helping us deliver on our commitment to eliminate unwanted and unknown wood from WSI’s supply chain, by motivating our suppliers to ensure that the timber used in their products is legally harvested,” said David Williams, Sustainable Development Analyst, Williams-Sonoma, GFTN-North America Participant.

“Causing devastating impacts on the world’s climate, illegal logging also jeopardizes the raw material that the forest products sector depends on and threatens the economic viability of responsible producers,” said George White, Head of the Global Forest & Trade Network. “In many places, we are racing against the clock in our efforts to engage industry as an influential lever in driving improvements in the management of the world’s richest and most vulnerable forests. Increased international legislation, like the US Lacey Act and the ‘Due Diligence’ Regulation in the EU, is a key tool in catalyzing this change.”

The GFTN believes that for these initiatives to truly have teeth, there needs to be proper capacity and resources to enforce them; companies who understand what it takes to demonstrate compliance; and lastly, producing countries that have the assistance needed to enforce their own laws.

Recognizing the immense need to build the capacity of companies to comply with this fast-paced and evolving regulatory environment governing trade in timber and timber products, the GFTN launched a suite of tools and training seminars this year to enable suppliers to help their US-based customers demonstrate due diligence. Unveiling the interactive *Guide to Legal and Responsible Sourcing* and a suite of legality training seminars in Southeast Asia to take place throughout July, August and September, the GFTN is helping suppliers navigate the shifting legal landscape and provide legal exports to influential markets like the US and Europe.

“Legality is but a first step. Most laws don’t address real sustainability in forestry, but without legality as a baseline, there can be no sustainability to work towards,” concluded White. “To really create sustainable forests, the forest products industry needs to send clear and consistent market signals for legal and credibly certified timber.”

The GFTN hopes that these resources will be indispensable in helping companies legally and responsibly source their timber and fibre, helping to transform the global forest products supply chain and consequently, its impact on forest resources around the world.



Only a click away, GFTN’s interactive Guide to Legal and Responsible Sourcing is an indispensable tool for anyone who purchases forest products, including processors, importers, manufacturers, wholesalers and retailers.

gftn.panda.org/sourcing

BUILDING UPON A HISTORY OF SUSTAINABILITY

Strong convictions yield results in moving supply chain towards more responsible sources.

Bunnings—Australia and New Zealand’s leading retailer of home improvement, outdoor living products and building materials and a GFTN-Australia Participant—has made an ongoing commitment to sustainability. As a natural extension of this commitment, the company has placed a consistent focus on responsible timber procurement, which has led to substantial advancements in ensuring that all timber and wood products come from legal and well-managed sources.

After adopting a responsible timber and timber product purchasing policy in 2003, Bunnings set an aspirational goal to source the entirety of their timber supply from credibly certified forests by 2007. The company worked toward this goal with their supply chain, conducting risk assessments and annual surveys to assist suppliers to phase out unwanted or high-risk sources of timber and replace these with timber that could be traced back to forests certified to credible standards.

Bunnings was forced to revise this target in 2006, when it became apparent that their demand for certified timber far exceeded producers’ ability to supply product. Recognizing that an industry wide shift of this nature was bound to take time, the company refocused their efforts with the help of GFTN helping their suppliers’ progress through a stepwise approach to certification, focusing on the first step of legally verifying their timber.

“With a renewed commitment to a stepwise approach to responsible sourcing, we started focusing all of our efforts in the short term on tracing higher risk tropical timber back to the forest of origins and having suppliers provide third party certificates of verified legal origin (VLO), rather than relying on less independent sources which could easily be manipulated or counterfeited,” said Mark Gomm, Business Sustainability Manager, Bunnings.

With this refined, “risk-based” focus, the company set out to certify all timber products as verified legal by the start of 2009. Working with suppliers that needed additional assistance or capacity to comply, Bunnings helped them develop a time-bound action plan to achieve VLO certification. By engaging actively in this process, Bunnings was able to ensure that their producers could actually move towards certification step by step without dropping off.

“Since 2003 when the policy was introduced, we’ve had to slog a really hard road on our own without broader industry or government support. But we have followed through on our strong convictions to engage with suppliers throughout our supply chain to ensure our customers that 100 per cent of tropical timber purchased in our stores has been legally harvested,” said Gomm.

Having now laid the foundation of a legally verified timber supply, Bunnings is advancing to the next step in their commitment to responsible sourcing by engaging with their suppliers to achieve credible certification. Having already achieved FSC-certification for its entire line of outdoor timber furniture in 2007, Bunnings is now moving onto other product categories, implementing their commitment to source all timber products from legal and sustainable forest operations.



© BUNNINGS

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PROTECTING BIODIVERSITY

A CRITICAL COUNTDOWN

Tackling one of the leading threats to biodiversity loss through responsible forest management.

2010

The year in which 34 per cent of Asia-Pacific CEOs and 53 per cent of Latin American CEOs expressed concern about the impacts of biodiversity loss on their business growth prospects, compared to just 18 per cent of Western European CEOs.

PricewaterhouseCoopers

In 2010, the International Year of Biodiversity, the health of the world's ecosystems comes into the spotlight like never before. Whether this recognition comes from the increased focus of this global attention or the mounting problems occurring across the world as a result of the humanity's appetite exceeding the planet's ability to sustain us, there is a growing understanding that something must be done to reverse this dangerous trajectory.

The battle to preserve the magnificent variety of life on Earth, the biodiversity that allows people to live and live well, will be won or lost in the world's forests. The Global Forest & Trade Network is working to tackle one of the five greatest threats to biodiversity loss—habitat loss, alteration or destruction—by engaging with forest managers across the globe to ensure that forests are responsibly managed to the benefit of people, wildlife and our planet.

Impact on the Ground

By working with companies and communities across the world to achieve forest management certified to the standards of the FSC, the GFTN is implementing workable solutions that transform the forest products industry into a champion for sustaining biodiversity for future generations.

In Central Africa, GFTN has witnessed the profound impact of certification on the vital rainforests of the Congo Basin. By engaging seven companies operating in the area—who collectively manage more than three million hectares (ha) of forest, of which about two million ha are FSC-certified—in implementing environmentally and socially responsible forest management practices, the GFTN is helping to conserve ecologically significant habitat for elephants and great apes.

The GFTN is working with participating companies in the Congo Basin to implement reduced-impact logging (RIL) and management of high conservation values (HCVs) within their logging concessions. As a result of these efforts, wildlife inventories have been conducted and wildlife populations are being monitored regularly. These actions will ensure that the best forest practices are used to minimize the impact of logging on forest biodiversity while protecting HCVs, including threatened wildlife.

HCV is still a relatively new concept and is evolving. When the assessment is done comprehensively and is reflected in the management plan and procedures, the HCV approach is a powerful tool. An effective assessment is one thing, but much of GFTN's work is focused on ensuring that the companies we work with know what to do next, both in actions that will take them closer to certification and in how they adapt their management plans to incorporate these findings.

Managing Forests to Protect Wildlife

GFTN is working with committed companies to ensure that forest management plans for their concessions include the preservation of habitat conditions for rare and threatened species. For instance, the FSC-certified concession of Danzer's *Industrie Forestière d'Ouessou* (IFO), a GFTN-Central Africa participant in the Republic of Congo, was found to contain high population densities of gorillas, due to its proximity to the Odzala-Kokua National Park. IFO is cooperating with local NGOs and the



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Only 40,000 orangutans are estimated to remain on the island of Borneo, increasingly threatened by habitat loss

Congolese government to prevent poaching and unsustainable hunting through the use of eco-guards.

By employing these eco-guards, IFO is controlling the illegal hunting of rare and endangered mammals such as gorilla, elephant, chimpanzee, bongo and forest buffalo in the forest concession. The company also reduces the demand for bushmeat on the part of their workforce by importing cattle and fish from a nearby village every week. By engaging with companies like this, GFTN aims to ensure that forests are responsibly managed in a way that maintains their high conservation values.

Applying this approach in the field, GFTN collaborated with PT Suka Jaya Makmur (SJM), a forest participating in Indonesia managing 171,340 ha in the Heart of Borneo, to conduct a HCV assessment. The assessment found an estimated population of 500 orangutans of the wurmbii sub-species (*Pongo Pygmaeus wurmbii*), discovering a myriad of their nests inside the canopies of the concession. Most of the orangutans are believed to have come from nearby forest concessions that have been heavily degraded by illegal logging.

The GFTN has provided input into SJM's management plan to ensure that the company manages their forest in a manner that does not negatively impact this relocated population, specifying specific protection for fruiting trees that serve as major food sources for orangutans, a moratorium on logging within high population density areas and enforcing anti-poaching regulations within the concession area. Incorporating the findings of the assessment and prescriptive actions into their forest management plan is a critical step in SJM's action plan and progress towards credible certification.

In the same way, GFTN is building capacity among forest management companies in Latin America to protect biodiversity in the Amazon. Providing support and guidance to participants attempting to achieve FSC certification, GFTN is training companies on measures such as RIL to reduce their environmental impact. A fauna monitoring study by WWF Peru confirmed that these practices are paying off. The study compared large mammal diversity in the certified forest concession of GFTN-Peru participant Aserradero Espinoza with mammal populations along the Madre de Dios River in the Tambopata Natural Reserve, finding that large mammal species, such as jaguars, were equally prevalent in both areas. These findings demonstrate that when forests are responsibly managed they can maintain the species richness that might be expected only in a protected area.

Maintaining Ecosystem Integrity

The GFTN continues to witness examples of certification's ability to transform forest management practices and consequently, their impact on the valuable and threatened species that depend on these forests for their survival. In our work with forestry companies and communities across Africa, Latin America, Asia and Europe, we have seen firsthand the influence of industry in expanding the extent of certified forests, driving improvements in forest management worldwide. Currently, GFTN participants manage more than 27.4 million ha of forests, 20.6 million of which are now credibly certified.

By working with these companies to implement responsible forest management practices, GFTN helps industry to recognize the title and rights of indigenous communities, carefully manage forests with significant concentrations of biodiversity and endemic species and determine harvest limits that maintain ecosystem integrity.

OVER 20 MILLION HECTARES OF CERTIFIED FORESTS ARE MANAGED BY GFTN PARTICIPANTS, WITH AN ADDITIONAL 6.8 MILLION IN PROGRESS TO CERTIFICATION

GFTN PARTICIPANTS RECOGNIZED AS EXEMPLARY CASES OF RESPONSIBLE FORESTRY

Participating companies selected as two of 25 leading examples of responsible forest management in Latin America and the Caribbean by the FAO.

After a rigorous selection and evaluation process, the Latin American office of the Food and Agriculture Organization (FAO) awarded Aserradero Espinoza, a GFTN-Peru Participant, and Orsa Florestal, a GFTN-Brazil Participant, as two of 25 leading examples of sustainable forest management in the region. The companies were selected after a lengthy evaluation process, which included field visits to their forest concessions located in the Madre de Dios and Jari regions of the Amazon.

Responsible management of these forests is vital to preserving the rich biodiversity that reside in the Amazon's valuable and threatened forests. The FAO hopes that through the publication of these case studies, others will learn valuable insights from these companies' socially and environmentally responsible forest management practices.

"We are interested in making cases like this obtain the recognition that they deserve, and to obtain two things: improved working conditions and replication of the methods and techniques that make them an exemplary case regarding their sustainability," said Miguel Segur, International Cooperation Coordinator for CESEFOR, Evaluating Body for FAO.

In 2005, Aserradero Espinoza, with the support of WWF-Peru and USAID, committed to a re-engineering process, leaving behind common harvesting methods and gradually implementing new and improved techniques that reduced the environmental impact of their operations. At the same time, they worked on organizing their production and control processes, which enabled them to achieve FSC Forest Management and Chain of Custody certification in 2007 and earn this recognition from the FAO.

In the same way, the FAO recognized Orsa Florestal's commitment to ensuring responsible forestry is embedded from the forest management planning process to final processing of wood at the sawmill as well as the integration of local communities into this process, strengthening the links between small producers and cooperatives.

"This kind of achievement served to recognize the efforts we are implementing in alliance with the private sector to drive improvements in forest management and also encourages other companies to replicate these exemplary practices, contributing to the conservation of some of the most biologically diverse rainforests on Earth," said Alfredo Rodríguez, GFTN-Peru Manager.



The Amazon basin is the most biologically diverse forest on the planet

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PROTECTING VALUABLE AND THREATENED FORESTS

Leading brand expands commitment to responsible forestry, funding efforts to prevent forest conversion.

As a leading supplier of imaging and printing equipment, Hewlett-Packard (HP), the world's largest IT company and GFTN-North America Participant, recognizes the impact that it has on global paper use and consequently, the world's valuable and threatened forests. With the aim of being the world's most environmentally responsible IT company, HP is examining the sustainability of all aspects of its business and is currently in the midst of a three year plan to implement its Environmentally Preferable Paper Policy with the support of the GFTN, setting a target to source 40 per cent or more of HP Branded paper from FSC-certified forests or post-consumer recycled waste content by the end of 2011.

Out of this commitment to advance legal and responsible forestry, HP has also pledged to support WWF's work to conserve Indonesia's rainforests and endangered species such as wild elephants and Sumatran tigers. HP will contribute directly to the monitoring of High Conservation Value Forests (HCVFs) in the Riau Province in Sumatra, Indonesia, and will fund efforts to help community forests in Southern Java progress towards credible certification.

"Our partnership with WWF's Global Forest & Trade Network provides us with many opportunities to continue to demonstrate our leadership and commitment to responsible forest management and trade," said Gail Fisher, Manager of HP's Global Manufacturing, Engineering, Technology and Environment. "We are pleased to engage with WWF to support responsible forestry and trade in Indonesia, a region important for both conservation and wood and paper procurement."

As a key forest products sourcing region for many companies around the world, responsible management of Indonesia's forests is critical to the sustainability of the global forest products supply chain. However, Indonesia's forests are increasingly under threat. A report by a coalition including the BlueGreen Alliance and Rainforest Action Network found that 40 to 50 per cent of Indonesia's timber is illegally harvested and warned that 98 per cent of the archipelago's lowland forests could be gone by 2022.

This unique partnership between industry and the environmental community will play an important role in protecting Indonesia's HCVFs—forests of outstanding or critical importance due to their environmental, socioeconomic, biodiversity or landscape values. With these funds, WWF will work with local NGO partners to monitor eight blocks of remaining natural forest in Riau that serve as key habitats for wild elephants and Sumatran tigers, in an effort to protect these forests from being converted to other uses.



Numbering fewer than 400 in the wild, the Sumatran tiger is threatened by accelerating deforestation and rampant poaching.

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DEVELOPING SUSTAINABLE LIVELIHOODS

FOSTERING A BETTER FUTURE

Harnessing the power of responsible forestry to create a better future for communities across the world.

Key in determining the future of the world's forests is the local communities that are dependent upon them for their survival. If the battle to stem biodiversity and habitat loss will be won or lost in the world's forests, then poverty alleviation and socio-economic development will be major turning points for a decisive victory.

Forests contribute directly to the livelihoods of 90 per cent of over one billion people living in extreme poverty. If responsible forestry is needed to safeguard the rich biodiversity of the world's valuable and threatened forests, then it must also generate sustainable livelihoods for the people and businesses that depend on them. The GFTN is working to harness the power of responsible forestry in creating a better future for communities across the globe.

Creating a New Way Forward

While illegal logging already creates an unlevel playing field, the inherent complexities of achieving responsible forest management often makes responsible forestry a difficult path to follow for indigenous or forest dependent communities. Requiring significant resources, training and technical understanding, achieving independent forest management certification may seem like an unlikely reality.

However, the GFTN is working to build capacity among local forest communities to enable them to overcome these hurdles and compete in the international marketplace. And this extensive training and support is beginning to pay off, with communities such as Panama's Emberá-Wounaan and Vietnam's Quang Tri smallholders are reaping rewards from their commitments to responsible forestry.

Dwelling among the Darien rainforest, Panama's largest forest remnant, these communities have a history that is inextricably intertwined with the natural environment that surrounds them. Extremely valuable to the Emberá-Wounaan because of the abundant resources of flora, fauna and environmental services they contain, these forests allow for their survival and also provide vibrant ancestral and cultural value.

Despite the importance of these forests to the livelihoods of these communities, the rights of the Emberá-Wounaan were not always recognized. Historically, timber was extracted with little regard for the forests integrity or recognition of the value owed to these communities. As a result, the Emberá-Wounaan's livelihoods became as impoverished as the region's remaining forests.

"We never worked with a contract. The price of timber was imposed by the wood traders and those prices were below the real value of wood," said Raúl Majoré, Member of the Marragantí village and manager of the El Bálsamo Community Forest Enterprise.

According to Majoré, this gave traders the greater advantage, by undervaluing the timber and then selling it for much more. "This was totally unfair business for us," he said. "It's like an old saying from our people: having your horse tied up and setting the jaguar loose; it's an unfair fight."

Purchasing standing trees well below their real value, timber merchants earned large profit margins by going after the most valuable wood species that were once abundant in the Darien. But with the help of the GFTN, this stormy past is turning into a brighter future.

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"We never worked with a contract. The price of timber was imposed by the wood traders and those prices were below the real value of wood."

Raúl Majoré

PLANTING SEEDS OF SUSTAINABILITY IN WEST AFRICA

Working to build capacity in local communities to manage forests responsibly.

In order for responsible forestry and trade practices to be mainstreamed in West Africa, it is important for GFTN to share its expertise and provide technical assistance to

key stakeholders in the responsible forest management process. Throughout the year, GFTN has held a series of training courses in Ghana to build capacity among local communities and forest enterprises.

Collaborating with the Working Group on Forest Certification, GFTN organized a number of forest fringed community training and education seminars with the support of the UK Department for International Development. These seminars focused on the Social Responsibility Agreement (SRA), forest certification and community rights and responsibilities in the management and protection of forests in Ghana. By helping local communities understand forest laws and the extent of their rights in the management of surrounding forests, the GFTN is working to ensure that the responsible forestry creates not only benefits for the local environment, but also for society.

Recognizing the significance of communities and the importance of a healthy community engagement in the achievement of forest certification in Ghana, GFTN in collaboration with West Africa Fair Fruits, has initiated a project on sustainable cocoa around the Suhuma Forest Reserve—a concession managed by John Bitar, one of Ghana's leading producer of premium quality wood products and a GFTN-West Africa participant. Given the critical role of cocoa cultivation as a driver of forest degradation in Ghana and a history of conflict between timber companies and farming communities, the GFTN is working to foster strengthened relations through shared understanding and collaboration.

Aiming to promote the synergy between FSC certification and cocoa certification, the GFTN is organizing local community members and farmers into a farming association and training them on the issues of certification, including what is required for responsible forest management and sustainable cocoa cultivation. By training these farmers on the best agricultural practices with the intent to pursue certification, this project aims to promote sustainable development by helping these communities gain access to new markets through sustainable cocoa cultivation.

In the same way, this project will also reduce illegal logging that occurs from cocoa cultivation in protected areas. By helping farmers understand the economic potential of responsible production and the importance of protecting forest reserves, GFTN and John Bitar are striving to create a different history in which timber companies and local communities can work together for the benefit of their local economy and the environment.



© WWF GHANA

As stewards of surrounding forests, it is crucial for local communities to understand their rights and be involved in the forest management process

With support and extensive training from WWF and the GFTN, the Emberá-Wounaan were able to secure a 10 year contract with Green Life Investment Corporation, a Franco-Panamanian group that will market the wood from these communities' responsibly managed forests to international buyers.

This agreement provides the community with a fair price for timber from a dedicated buyer as well access to the international market for both established commercial species and lesser known varieties. Similarly, as Green Life Investment is seeking Chain of Custody certification, it also ensures the responsible management of these forests as the agreement prioritizes forest management within the principles and criteria of FSC certification. To date, the communities and Green Life Investment have sold ten shipping containers of timber. Due to the timing of the agreement and the on-set of Panama's rainy season, the community was only able to harvest about half of the allowable cut and expects to start operations again at the end of 2010, with plans to double the amount of timber.

Collective Reward

Similar to challenges faced by indigenous communities like Panama's Emberá-Wounaan, smallholders face a variety of challenges on the journey towards responsible forest management. Farming forest lands of up to 100 hectares in size, the scale of these owners or managers of small forest lands often makes achieving certification a difficult and daunting task. From surmounting the financial hurdles of the costs associated with certification to possessing the business capacity and scale necessary to access international markets, certification seems unfeasible journey for many smallholders. But a group of 118 farmers in Vietnam's Quang Tri province are showing that it is not an impossible one.

Uniting together across five villages in the two districts of Gio Linh and Vinh Linh, these farmers became the first group of small forest owners in Vietnam achieve FSC certification. Collectively, the Quang Tri Smallholder Forest Certification Group, with support from the GFTN, has achieved certification for 317 hectares of acacia, a species widely used in garden furniture.

"Our incomes will be higher since FSC wood is increasingly preferred in the market," said Le Bien Hoa, team leader from Kim Mon, one of the five villages represented in the Quang Tri Smallholder Forest Certification Group.

By achieving certification as a group, the Quang Tri farmers were able to share costs—such as report-writing, travel costs of auditors and consultation with stakeholders—among all members, effectively reducing the cost per group member than if they had each individually applied for a FSC certificate. And this joint effort is starting to pay off.

The smallholders have already signed a contract with a GFTN-Vietnam Participant, who offered nearly a 25 per cent higher price as compared to the local market for uncertified timber. Combined with direct sales from the farmer to the factory, without intermediate traders, group certification leads to an estimated 50 per cent higher income as compared with sales of uncertified acacia. This increased income is vital to the livelihoods of one of Vietnam's most impoverished regions.

By building capacity among these vital stakeholders in the fate of the world's forests, the GFTN is laying the foundation for a future in which people and the planet can live together in harmony. The success seen in Panama's Darien and Vietnam's Quang Tri province show that this approach to managing forests responsibly works, fighting poverty by developing long-term and sustainable livelihoods.



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"Our incomes will be higher since FSC wood is increasingly preferred in the market"

Le Bien Hoa

BUILDING LOCAL CAPACITY

Equipping local leaders with the tools they need to prevent and mediate conflict.



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By building local capacity for conflict management and prevention, the GFTN is working to ensure that all stakeholders rights and concerns are recognized.

As with any industry dealing with natural resource management, forestry enterprises are not immune from potential conflict with indigenous peoples, local communities or their workers with respect to their operations. However, a difference lies in responsible forestry operations in how this conflict can either be prevented or addressed properly should it arise. As a result, capacity building in conflict management and prevention is an essential and vital tool for these companies' business practices.

In order to build this capacity on the ground, GFTN-Central Africa gathered 25 individuals from the logging industry and civil society in Cameroon, Gabon, the Central African Republic, the Democratic Republic of Congo and the Republic of Congo for in-depth training and analysis on how to identify situations likely to cause conflict and what

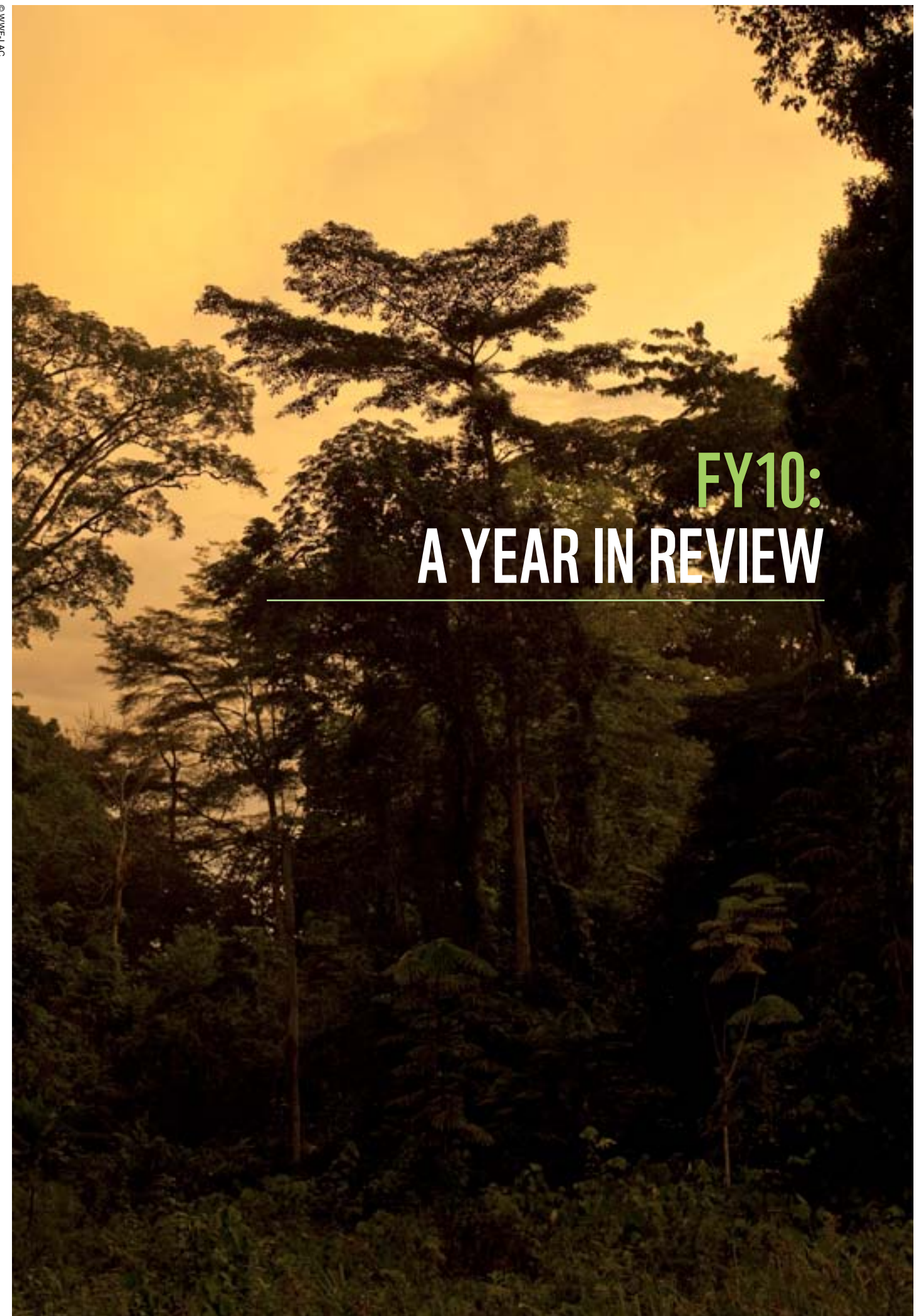
can be done to prevent or mediate these issues.

“With a strong commitment to responsible forest management and certification, we view stakeholder consultation as a vital component in ensuring that our forests are well-managed,” said Richard Feteke, Forest Manager, Pallisco, GFTN-Central Africa participant. “This training opportunity strengthened our ability to identify potential sources of conflict and learn how to best address and mediate them to the benefit of all parties when they arise.”

The training encouraged participants to evaluate the forest and social environments, different parties involved and the issues at stake and determine the linkages between different actors. Conflict management was studied from root causes to the different stages of a conflict, considering the possible consequences on the ways of addressing it. Examples included real cases the participants had experienced in their daily professional or social environments, examining how they had been settled before and after the FSC certification process.

“By gathering forest industry leaders from across the region, this opportunity helped instill the practice of effective stakeholder consultation early and often into the process as well as experience sharing among workshop participants,” said Elie Hakizumwai, former GFTN-Central Africa Coordinator. “Similarly, through engaging management of these logging concessions, conflict avoidance and resolution can be embedded in day-to-day business practices, ensuring that decision-making across the board recognizes the rights and concerns of all stakeholders.”

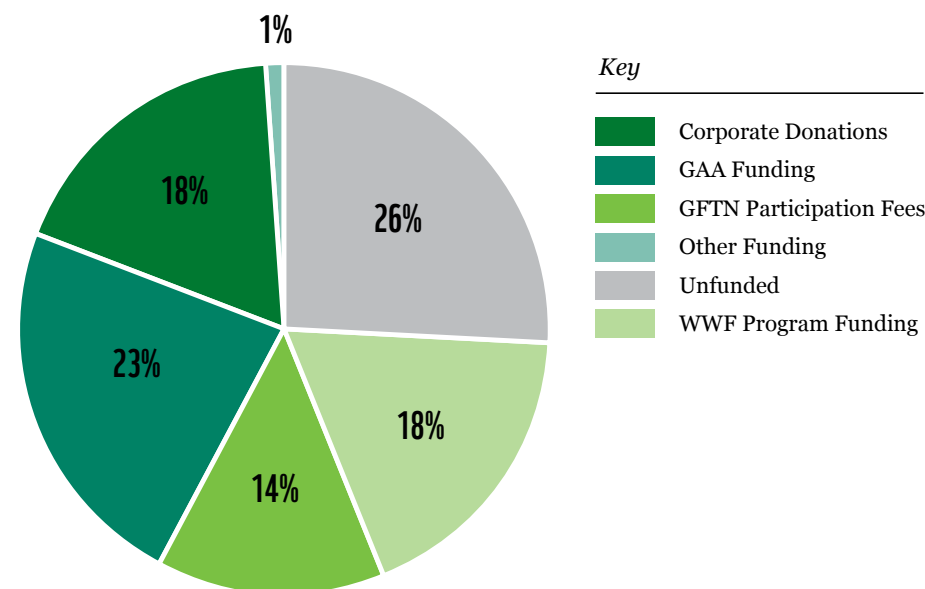
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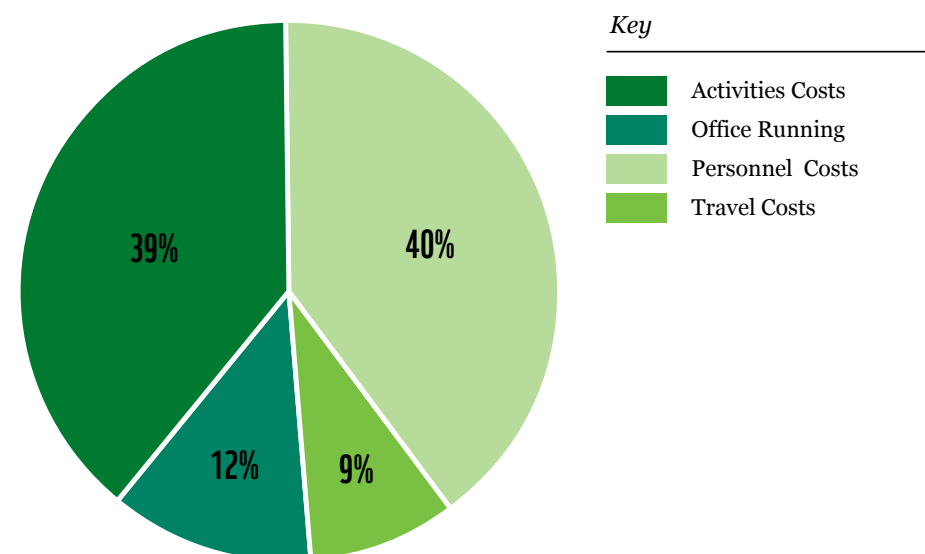
FY10: A YEAR IN REVIEW

FINANCIAL OVERVIEW

Graph 1: FY10 Revenues



Graph 2: FY10 Expenses
Total operating costs were approximately US\$7 million.



ALLIES IN RESPONSIBLE FORESTRY

GFTN wishes to acknowledge the financial assistance of the following organizations.

Since 2005, continuous support from the **Citi Foundation** has enabled the building of responsible forestry and procurement practices through the further development of the Global Forest & Trade Network operating in over 30 countries.

DFID contributions have strengthened the capacity and membership of GFTN-China through the development of action plans for stepwise certification and stepwise progress in responsible procurement of verified legal and sustainable forest products.

European Commission funding has supported the conservation and sustainable management of tropical forests, by assisting 10 developing countries in Asia and Africa with improving the governance of their forest resources, the development of a common legality framework that formed the basis of GFTN's *Guide to Legal and Responsible Sourcing* and efforts to advance responsible forestry and trade among SMEs in Asia through the SWITCH Asia programme.

Tetra Pak contributions have been instrumental in funding the efforts of the GFTN Support Unit to oversee the programme and provide technical expertise across the globe.

United States Agency for International Development (USAID) support of the Sustainable Forest Products Global Alliance has funded the GFTN's global efforts in encouraging responsible forest management by bringing about forest certification on the ground, creating market demand for certified forest products and connecting producers who adopt responsible management practices to the marketplace. Likewise, USAID's support of the Responsible Asia Forestry and Trade project has contributed to the GFTN's efforts to develop practical legal and sustainable sourcing training throughout Southeast Asia.

- ADD
- Banco Real/ Santander Group, Brazil
- Credit Suisse, Switzerland
- Development Commissioner (Handicrafts), Ministry of Textiles, Government of India
- Direction de l'environnement, OECD
- Export Promotion Council for Handicrafts (EPCH), India
- French Cooperation
- Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
- Gobierno de España, Spain
- Hewlett-Packard, United States
- Homebase Ltd (part of the Home Retail Group) UK
- International Finance Corporation
- IKEA, Sweden
- ITC Limited, Australia
- Ministerio de Asuntos Exteriores, Spain
- Ministerio de Medio Ambiente, Spain
- Ministerio Dell'Ambiente e della Tutela del Territorio e del Mare, Italy
- Netherlands Directorate-General for International Cooperation (DGIS)
- Planning Commission, Government of India
- Secretaría de Estado de Cooperación Internacional, Spain
- Swedish International Development Cooperation Agency (SIDA)

GFTN Global Stats

20.6 MILLION

The amount of FSC-certified hectares of forest managed by GFTN participants, with 6.8 million hectares in progress towards credible certification

18%

Trading by GFTN participants represents 18 per cent of every forest product bought or sold internationally every year, with combined annual sales of US\$68 billion

252 M³

The volume of timber and fibre traded by GFTN participants, estimated as 16% of the globally traded volume of forest products

288

GFTN encompasses more than 288 participating companies, employing 2.8 million people.

US\$95 MILLION

The estimated value of the 205 trading deals between GFTN participants



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony and nature.