

## Communication on Engagement to the UN Global Compact and its Principles

### Part 1. Statement of Continued Support by the Chief Executive

30 November 2018

I am pleased to reaffirm the support of the Forest Stewardship Council (FSC) to the United Nations Global Compact and its Ten Principles in the areas of Human Rights, Labour, Environment, and Anti-Corruption.

FSC's mission is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. Our vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations. In practice, our values are:

- **Environmentally appropriate** forest management ensures that the harvest of timber and non-timber products maintains the forest's biodiversity, productivity, and ecological processes.
- **Socially beneficial** forest management helps both local people and society at large to enjoy long term benefits and also provides strong incentives to local people to sustain the forest resources and adhere to long-term management plans.
- **Economically viable** forest management means that forest operations are structured and managed so as to be sufficiently profitable, without generating financial profit at the expense of the forest resource, the ecosystem, or affected communities. The tension between the need to generate adequate financial returns and the principles of responsible forest operations can be reduced through efforts to market the full range of forest products and services for their best value.

All ten UN Global Compact Principles are reflected in the FSC's standards, procedures and practices, so much of what we report in Part 2 is repetition of our first report in 2016. However, we combine this with reporting on specific activities and achievements in the past two years that reinforce our commitment in practice.

Sincerely yours,

Kim Carstensen  
FSC Director General

## **Part II. Description of FSC's systemic commitment and relevant actions in 2017 and 2018**

Halting deforestation and forest degradation and practicing sustainable forest management are important for limiting climate change and its impacts, protecting biodiversity and freshwater supplies, providing raw materials for a 'low ecological footprint' economy, and protecting the livelihoods of hundreds of millions of people.

FSC is an independent, nongovernmental membership organization that promotes the environmentally sound, socially beneficial, and economically prosperous management of the world's forests. FSC was initiated in 1990 and formalized in 1994 to help consumers and businesses identify products from well managed forests. The entire organization comprises an international umbrella with almost 1100 members (organizations and individuals) and, currently, 46 national organizations and five regional offices.

FSC sets standards for forest management, which include legal, environmental, social, economic, and monitoring requirements. Foresters who comply with these requirements can become certified and use this status in their communications and trade. The granting of certificates and the regular verification of performance is carried out by independent certification bodies, which are overseen by a specialized organization, Accreditation Services International.

To ensure that wood harvested in FSC-certified forests ends up in FSC-labelled products in a reliable manner, FSC has developed standards and procedures for companies active in the supply chain. The labelling of products as FSC certified is allowed only when all supplying companies in such a chain are FSC certified. As FSC recognizes the environmental advantage of recycled inputs, it has also developed a special standard for users to provide evidence of a product's recycled origins.

The UN Global Compact can be a major driver in efforts to halt deforestation and forest degradation worldwide, and to strengthen the positive contributions that forests play in the future of sustainable development. That is why the Forest Stewardship Council (FSC) actively supports the UN Global Compact Principles that will help businesses focus their actions.

The FSC system is a model in which the use of wood as an environmentally and socially sound resource actively contributes to sustainable economic development. FSC's ten principles require the forest owner or manager to follow an agreed set of rules for responsible forest management. These align well with the UN Global Compact and guide our work globally. To that end, FSC participated in Global Compact Events over the past two years, including a webinar presentation in October 2014 that provided an overview of FSC's global activities and alignment with the UN Global Compact, as well as the Business Forums during the UN High Level Political Forums in 2017 and 2018 and the special event during the UNFCCC COP23 in Bonn in December 2017.

From our side, FSC is keen on seeing more attention in the UN Global Compact activities for sustainable natural resource management and the role credible voluntary standards, working with third-party verification, can play. Currently we find this under-represented in the UN Global Compact's work.

The below outlines FSC's systemic contributions and practical actions to implement the Global Compact Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

### ***Human Rights***

FSC is committed to upholding human rights globally and is aligned with the UN Global Compact to support and respect the protection of internationally proclaimed human rights (UNGC Principle 1) and to make sure its work is not complicit in human rights abuses (UNGC Principle 2). With our forest management standards we promote gender equity and the rights of Indigenous Peoples and local forest-dependent communities. For example, the right of Indigenous Peoples to give or withhold consent has been recognized in the FSC system since its original Principles and Criteria were published in 1994 and consecutive standards have continuously broadened. Based on these standards and comprehensive guidelines, FSC has been a strong promoter of Free Prior and Informed Consent (FPIC) in forest management worldwide. In addition, women from poor, forest-dependent communities play a key role in the management of forests, yet they are frequently marginalized from decision-making in communities.

FSC enhances inclusiveness in the decision-making process by building expert teams of Indigenous Peoples from forest dwelling communities, with a strong preference for young participants and gender balanced participants. We convene participants through awareness raising and other capacity building activities to ensure gender sensitivity in the development of appropriate methodologies and mechanisms.

In 2017 and 2018, Standard Development Groups worked in 59 countries on new FSC national forest stewardship standards based on a new set of FSC Principles and Criteria (approved in 2012) and International Generic Indicators (approved in 2015). The new standards will be more specific on gender issues and contain clearer requirements regarding Indigenous Peoples.

### ***Labour***

FSC is dedicated to workers' rights and employment conditions, which includes specific criteria and indicators to ensure the application of the International Labour Organization's (ILO) core conventions, gender equality on the work floor, health and safety practices, living wages, training, conflict resolution, workers' engagement, and damage avoidance and compensation. In particular, FSC supports the UN Global Compact to uphold the freedom of association and the effective recognition of the right to collective bargaining (UNGC Principle 3); the elimination of all forms of forced and compulsory labour (UNGC Principle 4); the effective abolition of child labour (UNGC Principle 5); and the elimination of discrimination in respect of employment and occupation (UNGC Principle 6).

FSC defines gender equality as women and men having "equal conditions for realizing their full human rights and for contributing to, and benefiting from, economic, social, cultural, and political development" (FSC, 2015). Since the early versions of the FSC Principle and Criteria, FSC requires adherence with the ILO core conventions, including Convention 111 on discrimination (occupation and employment). In the latest version of

FSC's Principles and Criteria, criterion 2 incorporates, in detail, gender equality and the empowerment of women and girls in forest management requirements:

2.2: The Organization shall promote gender equality in employment practices, training opportunities, awarding of contracts, processes of engagement, and management activities.

FSC requires those who are developing standards to investigate the legal situation related to gender equality and the gaps between that and what FSC requires. These developers then need to set requirements to bridge that gap, such as (additional) training, alternative payment and assignments methods, flexible working hours, paternity leave, day care, etc.

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Because the living wage concept is new in the FSC standards, it is interesting to see how this works out in the individual standards. The first comprehensive review will be done by the auditors of the Certification Bodies, for which FSC produced a guidance document in 2016.

While FSC's focus on ILO compliance traditionally has been on forest management units, it became clear at the 2014 FSC General Assembly that compliance further down the supply chain, in the processing industry, was a hot issue. A broad discussion was initiated with all relevant stakeholders that led to the adoption of international generic indicators to clarify what is required from FSC-certified companies in relation to the core ILO conventions. These indicators are now used in the national forest stewardship standard-setting process. For the chain of custody a process of integration is still ongoing.

### ***Environment***

FSC is a leader in promoting UN Global Compact environment principles through its model, including supporting a precautionary approach to environmental challenges (UNGC Principle 7); undertaking initiatives to promote greater environmental responsibility (UNGC Principle 8); and encourage the development and diffusion of environmentally friendly technologies (UNGC Principle 9).

Forests play an essential role in climate regulation. Together with oceans, forests are the key ecosystem that removes carbon dioxide (CO<sub>2</sub>) – the most damaging greenhouse gas – from the atmosphere. Carbon is stored in both trees and forest soils, and the world's forests contain roughly as much carbon as the atmosphere. The Paris Agreement on climate change of December 2015 highlights the importance of forests in tackling climate change, and calls on all countries to conserve and enhance their carbon reservoirs and sinks in forests.

In terms of carbon in wood products, FSC's certification schemes for forest and ecosystem management, its chain of custody control standards, and its outreach to consumers through its labels and market presence all contribute to mitigating climate change by

promoting sustainable forest management and by promoting the recycling of used wood materials. FSC gives special attention to protecting the function of forests as net removers of CO<sub>2</sub> from the atmosphere. FSC has developed new tools that reward the preservation of valuable ecosystem services, including carbon storage, in responsibly managed forests.

In terms of forest soils, FSC only grants certificates to foresters that manage infrastructure development, transport activities, and silviculture so that water resources and soils are protected (FSC criterion 10.10), i.e. contrary to many agriculture practices, FSC does not accept significant disturbances to forest soils. Application of the precautionary approach to control the erosion of vulnerable soils and slopes as well as protecting water catchments is included in the high conservation value 4 of FSC Principle 9, which covers critical ecosystem services.

In 2017 and 2018, Standard Development Groups worked in 59 countries on new FSC national forest stewardship standards based on a new set of FSC Principles and Criteria (approved in 2012) and International Generic Indicators (approved in 2015). The new standards will be more specific, particularly regarding areas with high conservation values, and will introduce carbon capture and storage as forest ecosystem services to be monitored and protected.

In recent years, discussions at the national level on how to include “intact forest landscapes” in FSC’s national standards became concrete and tough. It is a huge challenge to keep foresters motivated for FSC while they’re being restricted in such landscapes and being monitored closely on their success in preventing that roads meant just for the harvesting period do not become permanent and used for illegal and/or non-sustainable practices.

In addition, FSC officially launched its new Ecosystem Services Procedure in May of 2018, after having completed numerous case studies and activities in pilot sites. This new certification tool will strengthen the business case for responsible forest management and conservation by helping forest owners and communities attract financial rewards for verified positive impacts on ecosystem services including climate mitigation. Businesses will pay for FSC ecosystem services claims that they can use to promote their investments in forests and on products carrying ecosystem services verifications..

### ***Anti-Corruption***

For FSC, the enforcement of relevant laws is the basis of sustainable forest management. It is reflected in FSC Principle 1 and elaborated in specific requirements regarding legal rights to harvest and harvesting activities, environmental and social requirements, and customary rights. With regard to corruption and bribery, FSC requires forest managers to publicize a non-bribery commitment (neither paying nor receiving bribes) and, depending on the situation, take specific measures to ensure their non-involvement in corruption. In this way, FSC contributes in particular to UNGC Principle 10, focused on working against corruption in all its forms, including extortion and bribery.

FSC’s *Policy for the Association of Organizations with FSC* (FSC-POL-01-004) is an expression of the values shared by organizations associated with FSC. It defines six

unacceptable activities that associated organizations (i.e. certificate holders, certification bodies, and members) *and their affiliated groups* commit to avoid in both certified and non-certified operations. One of the unacceptable activities is Illegal logging or the trade in illegal wood or forest products. As corruption often is a component of or root cause for illegal logging and trade, the policy allows FSC to take measures against organizations that are involved. The intention of this policy is to prevent FSC from being associated with organizations that are involved in unacceptable activities in both their certified and non-certified operations.

In 2017 FSC published a briefing presenting all anti-corruption requirements included in the FSC standards. The requirements refer both to certificate holders and certification bodies. This briefing will be updated in early 2019.

### Part III. Measurement of Outcomes

As of November 2018, more than 200 million hectares of forest are certified to FSC standards (almost 17 per cent of the world's production forests) in 86 countries, through 1,603 certificates engaging 194,000 forest owners and managers, and 60,800 companies in 122 countries under 35,500 chain of custody certificates. Since 2014, FSC has seen a 25 per cent increase in the number of certificates: 1,267 in 2014 to 1,605 certificates in 2018. Below are some key indicators representing an estimate of the presence of FSC in global forest-based trade:

#### FSC's presence in global forest area

- FSC's share in total production forest: **16.8%** (200/1.187 million ha)
  - FSC's share in total forest area: **5%** (200/3.999 million ha)
  - FSC's share in the tropics: **2.4%** (36 /1.428 million ha)

#### FSC's presence in global forest products markets

- FSC's share in harvested Industrial Roundwood: **22,6%** (423/1.873 million m3)
  - Share in Roundwood (includes fuel wood): **11,4%** (423\*/ 3.736 million m3)

Many corporations with global reach have committed to further increase their use of FSC-certified materials. In October, 2017 during FSC's General Assembly, 70 large companies signed the Vancouver Declaration, a statement of commitment to the UN Sustainable Development Goals, and to increase sourcing of FSC-certified materials as a contribution to moving to sustainable production and consumption.

Many individual companies have shown exceptional results already. For example, since 2007, Tetra Pak produced more than 430 billion FSC-certified and labeled beverage cartons, including 92 billion in 2017 alone.

Kimberly-Clark announced that by 2025, it “will strive to obtain 90 percent of the fiber for its tissue products from environmentally preferred sources. This includes Forest



Stewardship Council (FSC)-certified wood fiber, recycled fiber and sustainable alternative fibers”.<sup>1</sup>

IKEA is another example: in FY 2018, the company sourced 85% percent of its wood from either FSC-certified or recycled sources and it has committed to reaching 100 percent by 2020 for all its wood, paper, and cardboard.<sup>9</sup> In line with this commitment, their catalogue is printed on FSC-certified paper and, according to IKEA, the more than 200 million copies per year are the largest print run ever to be FSC certified.<sup>2</sup>

McDonald’s also committed that by 2025 100 percent of its “guest packaging will come from renewable, recycled, or certified sources with a preference for Forest Stewardship Council certification. This expands upon McDonald’s existing goal that by 2020, 100% of fiber-based packaging will come from recycled or certified sources where no deforestation occurs.”<sup>3</sup>

#### Part IV. Conclusion

As demonstrated by these contributions to the UNGC Ten Principles, FSC provides a transformational solution to supporting the UN Global Compact. FSC is a relevant partner for all who seek to take action – based on legal and customary rights, and the engagement of all interested parties – to support sustainable natural resource management and the achievement of social and economic objectives.

<sup>1</sup> See: Kimberly-Clark’s website (<http://investor.kimberly-clark.com/releasedetail.cfm?ReleaseID=864263>)

<sup>2</sup> IKEA (2015) *People & Planet Positive: IKEA Group Sustainability Strategy for 2020*. IKEA, Delft. (Also available at [http://www.ikea.com/ms/en\\_US/pdf/reports-downloads/sustainability-strategy-people-and-planetpositive.pdf](http://www.ikea.com/ms/en_US/pdf/reports-downloads/sustainability-strategy-people-and-planetpositive.pdf)).

<sup>3</sup> <https://corporate.mcdonalds.com/corpmcd/scale-for-good/packaging-and-recycling.html>