

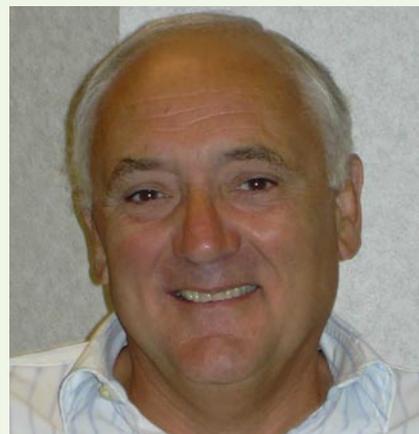
CHAIRMAN'S ANNUAL REPORT

The Year under Review

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Since last summer PEFC UK has experienced encouraging growth across several areas, as the Chairman's Annual Report reveals. This growth includes a rise in membership from 25 to 85, logo license holders up from 40 to over 100 companies and Chain of Custody certificates from less than 100 to well over 250.



There are no signs of this trend slowing down, especially as the paper and print sector is now becoming actively interested in chain of custody certification. Another company has achieved UKAS accreditation to offer chain of custody and currently two or possibly three others are in the process of going through the assessment process. Also of great importance, one company is now well into the review stages of achieving forest management certification against the UK Woodland Assurance Standard and when they achieve accreditation, this will assist in opening the market for growers to consider PEFC forest management certification.

This growth in the business is also assisting in enabling the company to become self supporting, although much still has to be done for PEFC in the UK to meet all its obligations and assist with the promotion of the brand. A new National Secretary's office has been established in Cheshire and improved documentation and accounting controls introduced.

INTERNATIONAL PROFILE

Internationally, PEFC has had a very successful year with the Canadian CSA and United States SFI Schemes achieving endorsement by PEFC Council. The result of this growth now means that the area of certified forest world

wide under PEFC has topped 190 million hectares and the number of chain of custody certificates is numbered in thousands.

BOARD ACTIVITIES

At the inaugural meeting of the reinvigorated PEFC UK Board in December 2005, it was agreed that the Board would form two separate working groups. One, chaired by the PEFC National Secretary, would concentrate on technical issues such as standards development, chain of custody certification and use of the PEFC logo whilst the other, which I chair, focuses on communications and market access. The objective of the second group is to increase acceptance of

and demand for the PEFC programme within the UK market. The Board and its working groups have met regularly and have been active in several project areas including promotional work, representational activities and supporting PEFC Council on the major issue of government timber procurement policy work.

PEFC UK CERTIFICATION SCHEME FOR SUSTAINABLE FOREST MANAGEMENT

The drafting of the revision of the Scheme has now been completed and following a planned discussion period with relevant stakeholders, it is intended to submit the Scheme to PEFC Council for re-endorsement.

PEFC UK COMMUNICATIONS – A HIGHER PROFILE BRINGS RESULTS

In November 2005, Penside Ltd was appointed to oversee PEFC's UK communications. Penside are currently responsible for all external communications on behalf of PEFC within the UK. Penside bring extensive knowledge in the field of certification systems and have worked with PEFC in the development of its Building Bridges communications strategy. The project manager, Hilary Khawam (below), is responsible for implementing the strategy, reporting directly to the board of PEFC UK Ltd.



This dedicated resource has enabled PEFC to improve its visibility in the UK market and to facilitate better communications with our UK partners. In January, the first issue of PEFC UK News was published. The newsletter was developed in response to increasing demand for information from those participating in the PEFC programme in the UK. The quarterly newsletter goes out to over 400 recipients.

Regular press releases are issued and this has led to greatly increased coverage for the PEFC programme in the timber and trade press as well as requests for articles and interviews in a broad range of publications.

December saw the launch of a completely revamped PEFC-UK web site. Awareness of the site is increasingly rapidly and the number of hits continues to grow month on month. This is now the organisation's prime communications vehicle.

2005 also saw DEFRA launch its Shopper's Guide to Green Labels. This wallet size guide is designed to help consumers understand environmental labels on products on sale in the UK market. The PEFC logo is one of only two timber schemes listed.

COMMERCIAL OUTREACH

As part of our commercial outreach programme, we have been stepping up our presence at industry events. In November, Hilary Khawam and PEFC's Secretary General, Ben Gunneberg, attended the Annual Institute of Wood Science Dinner and Conference. In February, PEFC's UK National Secretary, William Walker, spoke at a seminar on sustainable forest management, Forestry Certification – Legal and Sustainable Procurement at the EcoBuild show in Earls Court. In April, PEFC UK exhibited at its first trade show, Interbuild at the NEC, Birmingham. In addition, Andy Roby of the Timber Trade Federation, presented a PEFC-sponsored seminar on sustainable forest management and certification, as did BM Trada, so this helped drive traffic to the PEFC stand. There was strong agreement amongst those who spent time on the stand that it was a worthwhile exercise and a good use of funding in terms of meeting our objectives for the show.

PUBLIC AFFAIRS ACTIVITIES

Continued acceptance of PEFC in the CPET process is clearly crucial to maintaining and improving market access in the UK. In March, PEFC was advised that DEFRA did not consider that the random checks conducted on PEFC national member schemes earlier in the year, demonstrated to their satisfaction, that all PEFC member schemes were in full compliance with PEFC's requirements. PEFC therefore remains "on probation" until the audit of all schemes, which is currently

underway, is completed. However, PEFC UK continues to engage positively with the CPET process and PEFC remains endorsed by CPET as providing assurances of legal and sustainable timber.

PEFC submitted evidence to the House of Commons Environmental Audit Committee – Inquiry on Sustainable Timber in November 2005. Despite PEFC providing written evidence, appearing in front of the Committee to give oral evidence and then submitting additional evidence at their request to provide further clarification, it is clear that the Committee had not fully understood the fundamental differences between the PEFC and FSC schemes. We were therefore disappointed with the committee's final report and PEFC's detailed response was sent to each individual committee member of the Environmental Audit Committee.

CONCLUSION

In summary, the UK Communications project appears to be making an impact on the UK market. Registrations of UK companies with chain of custody certificates continue to rise and interest in using the PEFC logo and membership is also growing steadily.

The forthcoming year offers some new and exciting prospects for continued growth and consolidation. PEFC UK will continue to play its part both with the UK forest and timber using sectors and in the international arena, as a member country of PEFC.

Last year, Len Yull, who was so instrumental in the establishment and subsequent development of PEFC in this country, stood down as Chairman and, on behalf of the board and the membership, I would like to formally acknowledge and thank him for his enormous contribution to the promotion of forest and chain of custody certification within the PEFC family.

Michael Clark
Chairman, PEFC UK Ltd

RESPONSIBLE PROCUREMENT

In June, PEFC UK held its first chain of custody seminar in London. The event was made possible by the generous sponsorship of PEFC Council, UPM Kymmene, Crown Timber plc and James Latham plc.

The seminar aimed to provide UK companies with an opportunity to explore the potential of producing and marketing PEFC certified timber-based products and to enable participants to gain a better understanding of the vital role chain of custody plays in ensuring that the timber used in a range of wood-based products originates from sources which are both legal and sustainably managed.

Representatives from leading UK timber companies James Latham and Crown Timber who had chosen the PEFC certification route were on hand to talk about their experiences of participating in the scheme and a PEFC team were also on hand to provide an overview of the programme, explain what chain of custody audits entailed and advise on what they considered the key drivers for certification in the UK market.

Over seventy delegates from a range of industry sectors attended the session which concluded with a lively panel discussion on the PEFC certification process in general and chain of custody certification in particular. The feedback received from delegates was overwhelmingly positive and we are therefore planning to hold another seminar aimed at the paper and publishing sector in the autumn.



PEFC Debut at Interbuild 2006

PEFC exhibited at Interbuild for the first time in April. Interbuild, the national building and construction industry exhibition was held at the NEC, Birmingham.



The decision to exhibit was taken in response to increasing demand for PEFC certified timber. PEFC is now the world's largest international forest certification scheme, endorsing national forest certification schemes in 22 countries on four continents. With over 190 million hectares under certification, the PEFC endorsement scheme has greatly increased availability of certified timber to companies committed to responsible sourcing of raw materials. More than 250 UK companies now have chain of custody certification and are therefore able to supply certified product.

Exhibiting at the UK's premiere building and construction trade show provided an important opportunity for PEFC to raise awareness of its programme among a key target sector; the UK construction industry. The PEFC stand in the Trada-sponsored timber zone was very busy. Over the course of the five-day show, PEFC staff met over 200 visitors and were able to discuss the benefits of certified timber as a construction material, chain of custody certification and respond to queries on the PEFC programme particularly with regard to public sector timber procurement policies such as CPET.

In addition, Andy Roby of the Timber Trade Federation presented at a PEFC-sponsored seminar on sustainable forest management and certification which was well-attended and helped to drive traffic to the PEFC stand.



Demand for PEFC Certified Paper Continues to Grow

In May, PEFC UK Ltd announced that the growth of its programme in the UK had reached another important milestone with the award of its first chain of custody certificate to a UK publishing house.

Redactive Media Group became the first magazine publishing house in the country to gain PEFC chain of custody certification. It now uses PEFC certified paper for one of its leading titles – Supply Management Magazine – the magazine of the Chartered Institute of Purchasing and Supply (CIPS). The company are planning to roll out the use of certified paper for other titles in the future.

Commenting on the award, Gary Smith, Redactive's Production Manager, said "As

redactive

a leading UK publishing house, Redactive is committed to sourcing from sustainably-managed forests. We are proud to demonstrate our support for sustainable forest management by increasing the amount of paper we use which can be traced back to forests certified to a credible certification standard such as PEFC's".

UPM Kymmene's Vice-President, International Forestry, Martin Gale, Redactive's suppliers for the certified paper used on this title, welcomed the decision saying "with increasing volumes of certified paper becoming available, we are confident that there will be a corresponding increase in demand from companies such as Redactive for paper certified as originating from sustainably managed forests".



BRE Update

The BRE EcoHomes Standard 2006 was published in April. In the section on Responsible Sourcing of Materials, EcoHomes defines four tiers of compliance which can be used to gain credits.

Points are allocated according to the rigorousness of the method used. For timber the criteria assessed was legal and sustainable sourcing. As timber demonstrates compliance via certification schemes, all the major certification schemes were assessed for compliance. Sustainable Forest Management certification schemes were assessed against criteria for both environmental and social performance. To be ranked in the top tier, schemes were assessed on how they addressed consultation with the local community during the certification process.

Three schemes (FSC, SFI and CSA) were assessed as meeting the criteria for Tier 1 and could score 3 points towards materials

credits while PEFC was ranked in the second tier and could only score 2. PEFC were surprised and disappointed by this assessment and are currently in discussions with BRE with a view to persuading them to revisit this decision and the basis on which it was reached at the earliest opportunity.

For more information on the 2006 EcoHomes standard visit: www.breem.org/ecohomes.html.



FORTHCOMING EVENTS

J U L Y

Chatham House:

20th-21st July 2006

Eighth International Stakeholder Update on Illegal Logging.

To register email Gemma Green at ggreen@chathamhouse.org.uk

CPET

REVIEW OF SCHEMES

The CPET (Central Point of Expertise on Timber) annual review of all forest certification schemes, to monitor continued compliance with UK Government timber procurement policy is currently underway.

Schemes will be reviewed against the May 2006 version of Criteria for Evaluating Certification Schemes. The review of schemes will be undertaken on the basis of the scheme requirements, as set out in the publicly available documentation for each scheme.

The implementation of these documented scheme requirements may also be checked. CPET's draft assessment will be sent on 5 July 2006 with an invitation to review the findings and, as appropriate, to provide further information or comment on the draft results. CPET will then accept comments until 12 July, which will be considered in finalising its assessment.

In the meantime, PEFC continues to be endorsed by CPET as providing assurances of legal and sustainable timber.

PEFC CONTACTS

WILLIAM WALKER
NATIONAL SECRETARY, PEFC UK
JUPITER HOUSE, HIGH STREET
TATTENHALL, CHESHIRE CH3 9PX
TEL: 01829 770 438
EMAIL: wbw@pefc.co.uk

FOR COMMUNICATIONS
AND MARKETING:
HILARY KHAWAM
PENSIDE COMMUNICATIONS
TEL: 01689 819902
EMAIL: hilary.khawam@pefc.co.uk



WWW.PEFC.CO.UK