APPROVED Minutes of the 63rd meeting of the FSC Board of Directors in Moscow, Russia from 18th – 21st June 2013

Date: 21st June 2013
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Status: Public

Attendees FSC BoD:
1. Michael Conroy, Chairman (MEC)
2. Margareta Renström, Vice-Chairperson (MR)
3. Ana Young, Vice-Chairperson (ARY)
4. Hans Djurberg, Treasurer (HD)
5. Jaime Levy (JL)
6. Pedro Gonzalez (PG)
7. Jamie Lawrence (JML)
8. Larry Joseph (LJ)
With apologies: Xiaoping Wang (XW)

FSC Network:
1. Uwe Sayer, Network Representative to the BoD (US)
2. Andrei Ptichnikov, FSC Russia (18th + 20th June)

FSC Staff:
1. Kim Carstensen, Director General (KC)
2. Hans-Joachim Droste, Policy & Standards Director (AD)
3. Gemma Boetekees, Global Network Director (GB)
4. Marcelle Peuckert, Business Development Director (MP)
5. Annette Becker, Central Services Director (AB)
6. Stefan Salvador, Quality Assurance Director (SS)
7. Guillermina Garza, Head of Director’s Office (GG)
8. Angela Rott, Executive Assistant (AR)

Partly present:
1. Geoff Lane, PwC on Tuesday, 19th June 2013
2. John Ramsay, Facilitator, 18th + 19th June 2013
3. John Hontelez, Chief Advocacy Officer, 20th June 2013
Agenda item: BM63.01 - Agenda BM63 & COI declaration
Presenter: Michael Conroy

Agenda:
The chairman welcomed the members of the FSC BoD, the Network Representative to the BoD, and the FSC Senior Management Team to the 63rd Board Meeting and noted a participation of 7 out of 9 Board members for Tuesday, 18th June and 8 out of 9 members for the following two days; with apologies from Wang Xiaoping for the whole meeting and Ana Young for the first day.

The agenda was approved as presented with the following changes:
- Andrei Ptchnikov to give a brief update on FSC forestry in Russia and a debriefing on the field trip in Karelia on Tuesday

Conflict of Interest declaration:
- MEC retained by group in US to write report on impact of funders’ network support to FSC

Agenda item: BM63.02 - Update on strategic priorities
Presenter: Kim Carstensen

Discussion:
KC updated the BoD on strategic priorities and the BoD discussed in detail: Organizational Model: Some members had raised concerns that the new Statutes would mean a significant shift in power away from the General Assembly to the Board. This concern is unfounded, and the board had responded in a letter to the membership. The BoD wished to see an effort to ensure quorum in the vote. The voting period can be extended up to two times if quorum is not reached. After this the vote may be decided by the number of votes for or against, irrespective of quorum, but this would be very unfortunate in such an important matter.

Government Engagement: In the context of public procurement Motion 53 will be worked on especially in a Latin-American context via the Regional Director.

FSC Supply: FSC now has a draft smallholder strategy and will invite BoD members to a conference call to present this strategy and to ask for comments/feedback. FSC has received already some applications for the smallholder fund which will be assessed soon. The intention is that the fund will be continued in 2014, and beyond with a percentage of the AAF every year as income. The BoD will receive a report on the FSC/Fairtrade dual label pilot project in due course.

Service Delivery: Due to newly appointed CW manager the project is regaining momentum.

Human Resources: The Africa Regional Director has been recruited.

Conclusions:
- The BoD asked the FSC Secretariat to set up a description of how the BoD should and should not interact with the membership during voting processes to be discussed at BM64.
- The FSC Secretariat is asked to remind FSC members to submit their votes on the revised FSC Statutes.
- The BoD is asked to provide input to the FSC Secretariat on the newly started ISO process for developing international COC certification rules for forest products.
- The BoD is asked to suggest stakeholder groups with whom the FSC Secretariat should develop regular contact.
- The BoD requested the FSC Secretariat to capture the lessons learned from the process related to ILO issues in the Self-Declaration.
- The BoD suggested that PSU works with the Communications Unit to turn technical communications into more user friendly communications.
- The BoD recommended that the FSC Secretariat think about a structure to engage board members who bring more value on specific topics to the organization than just being on the board of FSC.
Agenda item: BM63.03 - FSC Financial Update – revised budget  
Presenter: Annette Becker

Discussion:
HD updated the BoD about his involvement in the Finance Committee and explained his role as a treasurer. AB reported back from requests the BoD asked in past board meetings, e.g. FSC has changed to an auditor working on a more international level. The audit process for 2012 is done and the result is positive but FSC had not received the final statements by the time of BM63. The auditors will issue an opinion letter. An in-person meeting will be organized with the auditors and FSC.

Conclusions:
The BoD expressed its appreciation of the improved presentation of financial information provided by AB. At the same time, the BoD expressed its wish to have a better understanding how budget decisions impact the reserves. In order to make informed and solid budget decisions, the BoD needs a certain level of details, e.g. unit budgets. For future analysis the “other costs” will be split into the large projects and units. The BoD also recommends listing the BoD expenses separately in budgets and accounting.

The BoD requested the FSC Secretariat
- to provide the finance committee with a budget up-to-date at the end of each quarter, copied to the BoD
- to produce a document by end of July that contains:
  - The original budget for 2013 as presented at BM61 but in a format that gives appropriate detail
  - The new, revised budget for 2013 as of June in the same format, showing clearly the changes
  - The final decision about the revised budget 2013 will be taken via email or in a phone call.

The BoD approved to do a pilot project on FPIC in Canada. The costs for this would be 150.000€. The BoD mandated the FSC Secretariat to guarantee the funding, but wanted the secretariat to fundraise for it.

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Agenda item: FSC & Forestry in Russia  
Presenter: Andrei Ptichnikov

Discussion:
FSC Russia’s director, Andrei Ptichnikov informed the BoD about the situation of FSC and forestry in Russia. With regards to FM certified area, Russia ranks second in the world. Most of forest area is owned by the government who rent out the land to forest companies.

There are some conflicts related to FSC certification in Russia. Last year the Swedwood case from Karelia gained international media attention and there are also significant disputes regarding forest certification in other parts of Russia. FSC Russia wants to increase its mandate and capacity to do mediation work among conflicting parties and to create a broader understanding of what FSC certification can and cannot do. The green building market in Russia is growing significantly due to engagement of key accounts and to the Olympic Games in Sochi in 2014 and football world cup in 2018.

FSC Russia’s main areas of work are the improvement of FSC’s credibility by harmonizing government regulations with FSC forest stewardship standards on the one hand and to promote FSC and make it more visible for customers on the other hand.

The field trip participants reported back that there is improvement concerning communication between authorities and companies and a great interest in FSC certification witnessed by the fact that the Forest Minister of Karelia came to meet the FSC delegation. There are still issues to be addressed, however, related for instance to the management of high conservation values.
Agenda item: BM63.04 - Report from the Network Representative

Presenter: Uwe Sayer

Discussion:

The network representative informed the board about the mood of the network with regards to FSC's work and explained that there is generally a very positive perception among the network partners. They appreciate that FSC is working to solve issues raised in past meetings and therefore there was no need for raising red flags on specific or additional issues.

The network is generally in favor of the report of the M8SG, although some NPs were concerned that countries with large areas of certified forests may not be considered sufficiently. The suggested revision of the AAF is accepted and the network also is in favor of the approach to divide the AAF income not by number of certificates but according to their dollar value. The network has expressed uncertainty about the level of services that will be expected when the new model is put into place. It welcomes the different possibilities of engagement with FSC and supports to explore the other income streams.

The network representative also commented on how the network sees the IGI process. The network has strong concerns about the timelines for the transfer of the IGIs into national standards, and believes that longer timelines are needed. It is also worried about the baseline and has asked for clarification.

The network furthermore agreed to only have one evaluation report on the situation within the network (traffic light system) per year.

Agenda item: FSC's Theory of Change and 2-year objectives for the FSC International Secretariat

Presenter: Stefan Salvador/Kim Carstensen

Discussion:

KC gave a short introduction outlining that the main purpose of this session is to create a basis for defining strategic objectives (and also sort out unnecessary things) and to enable FSC to start measuring its impacts. John Ramsay was invited to facilitate the discussion.

Theory of Change (ToC):

Following this SS updated the BoD on the ToC.

The ToC is a tool to show what FSC’s “role in the world” is and is required by ISEAL. It defines the intended long term changes on the ground (impacts) and maps the lines of actions (causal pathways) to reach those intended impacts. This model is shown in the form of a flow chart showing the actions and the causal pathways. Next critical step is now to spell out exactly what the social, environmental and economic net-benefits are on the ground and define impact indicators on that basis. The BoD acknowledged the ToC framework and agreed that it reflects what FSC is currently working on.

Conclusions:

The following action points were agreed:

- The BoD is asked to provide feedback/comments to SS.
- The FSC Secretariat is to revise the existing ToC outline in terms of trying to highlight the dialogue facilitating in a different way, and include a specific emphasis of the role and place of FSC forest management CHs.
- The FSC Secretariat is to develop impact indicators that focus on net-benefits on the ground.
- The updated version of the ToC will be shared with the BoD for comments by middle of July.
- The ToC will will be shared with the membership & staff together with the 2-year strategic priorities in order to allow those interested a chance to look at it and provide comments.
FSC’s strategic objectives for 2014-16

KC informed the BoD that as a result of SMT discussions the following 5 strategic areas have been identified as the organizing categories for FSC’s main focus for the next two years and asked for comments and feedback on these areas.

1. Quality of the system (rules, standards etc.)
2. New challenges, innovations & strategic investments
3. Quality of operations (implementation)
4. Market share (scaling up)
5. Governance of the organization & management

The BoD discussed these areas and FSC’s strategic direction in general and found the proposals useful. However, at the same time the BoD wanted to take a strategic role of thinking beyond the proposals of the secretariat and the things FSC is already doing.

Another point the BoD stressed very much was the lack of a comprehensive and strategic approach to communication by FSC which creates many problems. The BoD discussed and agreed that the Communications Unit needs to be strengthened significantly and that resources need to be invested on this.

Conclusions:
The BoD confirmed that it is comfortable with the 5 priority areas laid out by KC and that they should become the new reporting basis to the BoD. It was requested that tropical forests should be made explicit as a strategic priority.

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**Agenda item:** Report of the Motion 8 Steering Group (M8SG)  
**Presenter:** Gemma Boetekees

The meeting was opened by the facilitator of the meeting, John Ramsay. He welcomed the participants and introduced them to the agenda of the day and GB then started the meeting by presenting process and content of the final M8SG report as outlined in BM63_07 and BM63_15 to the BoD. The BoD was presented with final recommendations from the Motion 8 Steering Group. These include a growth of income for FSC by revising the AAF on the one hand and by exploring other income sources on the other hand. The report also includes recommendations for distribution of global income, on strategic development of the FSC network, on governance, including the establishment of a Motion 8 Implementation Team to advise the DG on implementation of these recommendations. The big improvement for the network is seen as the transparency of the new system and the far higher degrees of predictability concerning income for the Network Partners.

The BoD discussed these topics extensively and looked at them from different perspectives. The BoD agreed with the overall principles proposed by the M8SG, and agreed that the new model should be started already in 2014. However no final decisions were made on the details of the new system, due to the lack of specific numbers and financial models.

**Conclusions:**
The BoD recognized the good work done by the M8SG, the consultants and FSC. It agreed on the overall concept. It mandated the Secretariat to come up with a detailed financial model for the AAF revision and budgeting in order to take an informed decision before the next board meeting. Furthermore the following topics were agreed upon:

1. Increase of AAF
   The BoD generally supported the revision of the AAF and asked to see a final proposal, including a clear financial model for approval. The BoD also requested FSC to provide a communication plan around this (how & when). The BoD will then decide upon the AAF revision before BM64 by email.

2. Budgeting under 5 categories
   The BoD agreed with the 5 categories, but requested KC to make it clear in discussions in the M8IT not to view the 5 categories in chronological order of importance but to view them as a holistic group of elements to be considered in a network wide collaborative approach to budgeting. Growth is needed in all parts of the FSC system, and the BoD will not agree to a system, where the balance is skewed inappropriately between the network and the FSC secretariat.
3. Additional income sources
The BoD requested the FSC Secretariat to work on all presented income streams and to include membership as an area of focus as well. The BoD mandated the FSC Secretariat to explore the idea of an impact investment fund together with PwC, but requested that this issue needs to go back to the BoD for decision before FSC would start investing in it.

4. Diversity of FSC structures around the world
The BoD was in favor of opening up the possibility of a diversity of organizational structures taking into account the core values of FSC and in compliance with the statutes.

5. Motion 8 Implementation Team
The BoD advised KC to set up the M8IT as a time-limited body with a clear mandate related to M8. If the M8IT works out, the BoD is willing to consider more permanent structures, e.g. a global network management team, but this is not decided yet. Members of the M8IT will include regional representatives of the NPs, a CB and members of the SMT and a Regional Director. Team members will have to fulfill certain requirements, e.g. experience and familiarity with budgeting processes seniority etc. which will be outlined in Terms of Reference.

The BoD gave the FSC Secretariat the task to undertake a risk analysis, to provide a communication plan for this new model and suggested to further explore funding possibilities for parts of the project, e.g. the governance part.

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**Agenda item:** Updates around Policy & Standards  
**Presenter:** Achim Droste

**Conclusions:**
The BoD went through the applications of the candidates for the PSC and unanimously elected the following candidates based on criteria related to general experience in FSC and specific experience with standards and with FSC Working Groups or Committees:

- Economic North: Keith Moore, Canada (Individual)
- Economic South: Ivone Namikawa, Brazil (Klabin)
- Environmental South: Lincoln Quevedo, Bolivia (Individual)
- Environmental North: Grant Rosoman, New Zealand (Greenpeace)
- Social South: Janette Bulkan, Guyana (Individual)

The BoD also took into consideration the need to get a mix of PSC experience and new members and the risk of over-burdening some individuals already very active in the FSC system.

For future elections the BoD asked that training experience, on-the-ground auditing experience, geographical scope, gender and experience with development of national/regional standards be included in the requirements for PSC candidates and proposed that a chamber balanced committee of Board members will support PSU in pre-assessing the candidates before the BoD carries through the election.

The BoD asked the FSC Secretariat to prepare for BM64 a document to discuss the functioning of the working groups and their financial implications. Based on this the BoD will then by the next GA send out a communication about the outcome to the membership.
Agenda item: Cross-site credit pilot test results & recommendations  Presenter: Achim Droste

Discussion:

AD summarized the outcomes of an independent study on the FSC Cross site credit pilot, which the BoD had requested at its last meeting as a basis for taking an informed decision. The BoD appreciated the quality of the report and noted that it also covered issues related to small scale, community and smallholder forests, and that the consultants reached out to the Environmental chamber members.

The BoD also discussed the letters received from a number of active Environmental Chamber members.

Conclusions:

The BoD agreed on the following steps to be done:

- The FSC Secretariat will close the cross site pilot project and will consider the issue as part of the on-going review of the credit system in general. Participating companies will be allowed to finish all open contracts, but not to enter new ones.
- The FSC Secretariat will incorporate the results of the pilot into the already established CoC Working Group for further deliberation.
- The outcome of the work on the credit system by the CoC Working Group, including cross site credits, will be sent out in consultation among the membership (as part of the wider CoC consultation).
- The FSC Secretariat will allocate specific resources to this work and clarify timelines to make sure it is not “lost” within the CoC WG.
- The FSC Secretariat will encourage negotiations among stakeholders with polarized opinions and will make the independent study (BM63_08) publicly available.
- The BoD will decide whether FSC should allow cross site credits systems by end of the CoC Standard revision which is scheduled for BM65.
- The FSC Secretariat will draft a communication on this decision which will go out to the membership and to participants in the cross site pilot test within the next three weeks.

Additionally the BoD requested the FSC Secretariat to implement motion 47.

Agenda item: IGI update  Presenter: Achim Droste

Discussion:

AD updated the BoD on the International Generic Indicators process with additional input from Jamie Lawrence (board liaison person for the IGI) and from the Network representative, Uwe Sayer.

Conclusions:

The BoD approved the recommendations from PSU in the context of developing and transferring national standards to the new P&C. Regarding the baseline the BoD decided that:

- The starting point for analysis is the indicators and not the intent & elements.
- The options are: adopt, adapt, drop or develop new indicators. There needs to be justification for choosing adapt, drop or develop new. Justifications can be brief and can be grouped across more than one indicator.
- Additionally, the BoD recognised the work and extraordinary workload of the IGI Working Group and Technical Advisors, requested extra efforts on communications and outreach around the IGI’s, asked the SMT to work with national offices concerned with the transfer process and related burdens, and indicated that a response to the CB letter may be appropriate.

FSC-STD-60-002 (FSC standard for national standards development) shall be revised to incorporate this decision.
The BoD agreed to extend the timeline for the general transfer of national standards to the new P&C:

- Extension of the general deadline for transfer from December 2014 to December 2015 while exceptions are still possible for certain special situations.

### Agenda item: FSC Strategy towards Bioenergy
**Presenter:** Stefan Salvador

**Discussion:**

SS provided the BoD with a brief introduction into the Bioenergy debate by summarizing regulatory frameworks, the market situation and relevant sustainability concerns. He further outlined the challenges and implications for FSC as they arise from new sustainability frameworks with relevance for the forest sector. Finally, he suggested some broader strategic objectives that FSC could pursue that would provide guidance to the Secretariat for an engagement in relevant initiatives and research.

The board was requested to discuss the position FSC is taking on this.

**Conclusions:**

The BoD agreed that this was a relevant discussion, but did not see it as a short-term top priority for FSC to engage heavily in Bioenergy (considering other work load and priorities within the organization). The BoD recommended that the Secretariat should monitor relevant trends and developments and determine where proactive engagement or strategic positioning may be needed. It would be up to the FSC Secretariat to decide how to perform the monitoring work and what resources to allocate for it.

### Agenda item: ToR for Board Complaint Resolution Committee
**Presenter:** Kim Carstensen

**Conclusions:**

Due to time constraints the chairman suggested to not discuss this topic at BM63 in person but that he rather will send a note shortly after the board meeting to the BoD asking for comments and a subsequent decision via email.

### Agenda item: Revised Guidelines for Complaints Panel (PfA)
**Presenter:** Stefan Salvador

**Conclusions:**

The Board noted that the Guidelines are approved by the DG and already operational. SS informed the Board that most of the changes were going back to lessons learnt from the evaluation and disassociation process of the Greenpeace-Danzer complaint.

### Agenda item: Update on the FSC General Assembly 2014
**Presenter:** Guille Garza

**Discussion:**

GG presented the proposed outline of the FSC General Assembly and the 20th Anniversary in 2014. KC asked the BoD how the membership could be involved at the GA in discussions about the future strategic direction of FSC.

**Conclusions:**

The BoD accepted the outline and program as proposed and further agreed:

- PIPC should be included in the program for the GA days as a strategic priority.
The BoD expressed interest in organizing pre-chamber meetings separated by sub-chamber.

The FSC Secretariat will send out a time schedule and information about the procedures and rules concerning motions to membership soon.

The Motions Committee will be selected at BM64.

The FSC secretariat will come up with suggestions on how the board members can interact with the FSC membership before the GA, e.g. via social networks etc.

The BoD suggested a strategic issues committee be established to support the FSC Secretariat in facilitating strategic discussions among the members before, at, and after the GA. The members of this committee are: MR, JML, HD and PG

Additionally the FSC Secretariat asked the BoD to send suggestions for speakers and topics for the Forest Conference.

The BoD supported the suggestion to have a Strategic Committee to help prepare the GA - and working together with the Motions Committee - by preparing strategic discussions with the membership before or at FSC’s GA in 2014.

**Agenda item:** FSC’s Advocacy Work and Advocacy Strategy  
**Presenter:** John Hontelez

**Discussion:**

The Chief Advocacy Officer introduced his field of work to the board and spoke about the role advocacy plays for FSC as part of the wider FSC strategy, the advocacy specific strategic objectives for 2014-15 and about the possible consequences for the FSC organization.

FSC’s present focus in this area lies on legality legislation, particularly EUTR, and on public procurement. Also, the CAO is exploring the relevance of FSC engagement in various international forums like FAO, UNFF, ITTO and others.

The main focus of FSC’s advocacy work is on global issues and processes related to Global/regional forestry organizations, climate change, biodiversity, sustainable development etc. There is also some capacity to help train and advise NPs.

**Conclusions:**

The BoD noted the presentation and agreed that it is valid for FSC to engage in advocacy work. It supported an approach for the advocacy team to maximise the resources’ available by outreach to key members and key accounts for assistance on issues that may be of mutual concern/opportunity.

The BoD raised the point that advocacy should not always be aimed at governmental actors, but should also include private actors such as industry associations.

The BoD further acknowledged that the advocacy work accentuates the need for FSC to have a clear set of definitions that show what FSC stands for, what FSC does, want makes FSC important and what makes FSC different from other schemes.

**Agenda item:** Update from the PIPC  
**Presenter:** Larry Joseph

**Discussion:**

LJ, board liaison person to the PIPC, updated the board about various indigenous peoples’ topics including the complex situation in Canada, the next Indigenous People’s Working Group meeting in Bogor, Indonesia, and the first PIPC meeting planned for September this year. He requested furthermore updates on the Mapuche case in Chile and the state-of-the-art of a possible Global Social Chamber meeting.

The situation around forest certification and first nations in Canada is very complex, and importantly the Grand Council of the Cree has submitted a very important complaint against Rainforest Alliance and Resolute Forest Products to ASI. The FSC secretariat is in active dialogue with FSC Canada about the situation. The secretariat will support FSC Canada’s efforts
through the FPIC pilot test that is planned for Quebec, and will engage directly in the situation in Canada as soon as this is requested by FSC Canada.

The preparations for the IPWG Meeting in Bogor, Indonesia are going forward. The Meeting will take place from 16th – 18th July 2013 at the headquarters of CIFOR. One of the objectives of this meeting is to elect PIPC members from the Asia Pacific region. The first meeting of the PIPC is planned to occur in September this year either in Canada or in Bonn.

Regarding the Mapuche study Ana Young reported that one proposal has been received from a well-respected American expert. In order to get more proposals, tenders for the study have also been sent out to Chilean Universities, but no quotes were received until now. ARY will follow up on this with a view to reach a conclusion soon.

**Conclusion:**

The BoD asked LJ to put together after the Asia IPWG meeting, the proposed candidates for the PIPC from the various regional meetings, and to circulate these to the BoD. The BoD will then – after a round of consultation - take the decision on the membership of the PIPC by email.