

Words into Action

Summary Report May 2006



The TFT translates business aspirations to source wood responsibly, into practical action to conserve tropical forests



Message from the Chairman and Executive Director

Tropical forests are disappearing and have been doing so for a long time – it's nothing new. We know it's a bad thing, but as a society we manage our collective anxiety by thinking that there is always more forest over the next hill – that somehow, somewhere, there's a big patch of land the chainsaws can't reach. It's a big planet.

No more. In so many countries we've reached the last hill and there's nothing more beyond. The end game for tropical forests as a functional, landscape level ecosystem is not just a nasty idea proffered by green groups. It is a real and very possible future scenario and in many countries it is living history.

The TFT's mission is to change this. We seek to keep tropical forests where they are, a vital resource underpinning indigenous peoples' livelihoods, biodiversity conservation and sustainable economic development. Otherwise the risk is that they will just be remembered as the resource we once had, squandered through our own stupidity. We believe that the best way to do this is to give them sustainable economic value. Designating as many of them as possible as National Parks and other protected areas is critical but too often, because these forests don't generate revenue, they fall prey to illegal loggers, agricultural clearance, fire and other depredations. The global economy demands tropical hardwood and it's naïve to think that we could save our tropical forests merely by putting a fence around them and saying 'Keep Out'.

Giving tropical forests value means helping forest owners and managers to make money from them as fully functional forest ecosystems. Since our inception we have made important achievements in promoting good forest management by delivering expert assistance in sustainable forest management to commercial and community owned forests, and by linking them to environmentally and socially sensitive markets. We support the Forest Stewardship Council (FSC) as the best global measure of good forest management and we link businesses to forests that are FSC certified or working to become certified with our help.

Tragically, forest destruction continues on a vast scale, and the economic drivers of this destruction are as powerful as ever. Yet success stories are increasing as alliances of businesses, environmental groups, grant giving foundations and philanthropic individuals, forest communities, government departments and many others, recognise their mutual interest in sustaining tropical forests – whether for habitat, livelihoods or a sustained supply of quality timber.

The TFT has succeeded in converting that shared will into effective action. The next 12 months will see our programme expand in Asia, Central Africa and South America. It will also see the opening of a TFT office in China, the country to which over 50 percent of all internationally traded tropical timber is destined. We and our partners are building on the achievements of the last seven years to expand our practical approach, to marginalise trade in illegal timber, and to drive sustainable forest management. We are confident that eventually the tide will turn in favour of protecting and conserving the world's remaining tropical forests. It's an exciting challenge and one we can't afford to lose.



Brent Wilkinson, Chairman



Scott Poynton, Executive Director

Words into Action

In 1999, six companies trading in garden furniture founded the Tropical Forest Trust (TFT) to help them secure wood from legal, well-managed forests. It was a very small organisation, with a difficult but limited task to perform.

To solve those companies' wood sourcing problems, we innovated effective ways to link businesses to well managed tropical forests and introduced systems to verify that illegal wood was excluded from their supply chains. The TFT became a pioneering model for expanding good forest management in the tropics, with potential to reach many more companies and forests.

Previously, businesses had aspired to source tropical hardwood products responsibly – our new model showed how that aspiration can be achieved through meaningful action.

Since then, and especially over the last three years, the TFT has expanded greatly. A growing number of people and organisations are becoming aware of us without necessarily knowing exactly who we are, what we seek to achieve, or how we set about doing it.

Words into Action is designed to help you understand the TFT and our Forest Projects, Client Services, Communications and Co-funding programmes.

A more comprehensive Annual Report will be produced later this year.



The Forest Projects Programme

The Forests Projects Programme is at the heart of what the TFT does – it's how we help to conserve tropical forests and it marks us out from other organisations in the field. The Forest Projects Team of more than 30 qualified foresters and wood products experts drives our forest projects towards FSC certification, and works closely with factories to link them to the forest projects, and to help them to prove the origin of the wood that goes into TFT Members' products.



Forest Management

Every forest project is unique, with its own challenges and opportunities. What they all have in common are environmental and social values that are worth conserving, and the potential to produce commercial quantities of timber sustainably. The Forest Projects Team finds candidate projects and identifies the improvements to current practices that are needed to achieve FSC certification. It works in partnership with the forest owner and other stakeholders to implement a Certification Action Plan – raising environmental, social and technical practices to the required levels. And the support continues after FSC certification.

Supply Chain Management

At the other end of the supply chain, consumers need to be sure that their wood product, such as garden furniture, flooring or plywood, is not made of destructively or illegally cut logs. It must be traceable to an FSC certified or TFT project forest. Specialist TFT staff work intensively in our members' factories to design and monitor robust Wood Control Systems. These allow wood products to be traced back to individual tree stumps, excluding other, potentially illegal, wood from entering the supply chain at any point.

Progress

The top priorities during our first 18 months were to exclude potentially illegal wood and to link member companies with existing FSC certified plantations. By May 2000, we had only one forest project, covering just less than 10,000 hectares. Six years later the Forest Projects Programme has expanded to 2.7 million hectares and has made ground-breaking achievements in forest conservation on the way:

- 31 forest projects, in Indonesia, Malaysia, Vietnam, Laos, Cambodia and The Republic of Congo under improving management or that are already FSC certified – 2.7 million hectares in total.
- Four FSC certified forest projects including the first anywhere in Indochina, and the first natural forest on mainland South East Asia.
- Three forests in Indonesia and the Republic of Congo currently in the FSC audit process.
- Intensive support and monitoring of the Wood Control Systems of over 40 TFT member companies and their supplying factories.
- Transformation of the European trade in hardwood garden furniture, which is now based predominantly on FSC certified Eucalyptus.
- The Soil Association, an FSC accredited certifying body, audits progress at TFT forest projects, and the functioning of Wood Control Systems.
- Assistance to FSC certified Bolivian producers to reach European markets.



Case studies

CIB's forest concessions, Republic of Congo

CIB's (Congoise Industrielle des Bois) concessions cover 1.3million hectares of ancient forest and wetlands. The forest has important populations of endangered large mammals, including gorillas, chimpanzees, forest elephant and the bongo antelope. They are the ancestral home of over 9,000 Pygmy and other semi-nomadic indigenous forest peoples. The local towns, Pokola and Kabo, are growing rapidly, putting pressure on the forests for timber and bush meat.

In short, all the key tropical forest conservation issues are at stake here. In the Congo Basin it is not unusual for such concerns to be swept aside by unrestrained logging. CIB seeks to operate responsibly on the basis of sustainable timber production and in March 2004 they decided to go for FSC certification with TFT support, at a time when no forest in the region was FSC certified.

CIB has set aside 30 percent of its forest land from all operations. Other ecologically significant sites are protected, and production areas are harvested sustainably. Indigenous communities now have an effective voice in forest management decisions that affect their rights and interests. CIB works with social and environmental groups and seeks to communicate its programme transparently, for example inviting Greenpeace to study its operations.

At the time of writing (April 2006) the first of CIB's five sub-concessions – Kabo (267,000 hectares) – has received a full FSC audit, and a positive result is hoped for shortly.

Kendari community teak

In May 2005, a TFT forest project near Kendari, south east Sulawesi, achieved FSC certification. The project covers a small area, but this was an important event because it is a community owned initiative. It was, and remains, the only FSC certified teak producing forest in South East Asia.

The TFT helped establish the Koperasi Hutan Jaya Lestari (Cooperative for Sustainable Teak Forests) through which communities collaborate to improve their teak forests' long-term future, distribute benefits equitably, and conserve their forests' wider ecological functions. The Cooperative won its FSC certificate after 18 months working through a TFT Certification Action Plan, funded by an alliance of TFT members and the DOEN Foundation.

Today FSC teak garden furniture from this project is on sale in TFT members' stores, and the villagers are seeing the benefits:

“The TFT Program is very good because it makes villagers start thinking about teak for the future generation... The TFT staff have worked with local people very intensively since the beginning and continue with technical support and motivating local people before they can do this stuff by themselves.”

Asman, Rangka Village

The Future

The Forest Projects Programme is set to expand over the next 12 months, and we expect to see:

- Three more forest projects achieve FSC certification.
- New forest projects started in Asia, Africa and potentially Latin America.
- Wood Control Systems operating in more factories, and a TFT Beijing office established in response to the vast shift of tropical wood processing to China.
- Practical supply chain assistance to companies engaged in the part EU funded Timber Trade Action Plan (TTAP) to exclude potentially illegal wood from their supply chains.
- TracElite timber tracking technology, developed by the TFT and Helveta, fully operational in Indonesia and Bolivia.



Client Services

The Client Services office was set up late in 2004 to help TFT members to trade in wood products from legal, well managed forests including the TFT forest projects.

Its role is to:

- Raise awareness among TFT Members of environmental and social issues connected with tropical forestry.
- Help members to develop responsible wood sourcing policies and strategies.
- Map members' supply chains and understand their wood product needs so that the Forest Projects team can link their factories to suitable TFT forest projects and FSC certified forests.
- Report to members on their factories' progress, providing them with the information and advice they need to take control of the wood in their products.
- Monitor members' performance in sourcing TFT and FSC labelled wood products, and excluding all potentially illegal wood.
- Oversee TFT product labelling and communications issues so that members can market their support for good forest management, while protecting the TFT's integrity and brand.
- Support the FSC with strategic inputs.
- Recruit new member companies.

The Client Services team comes from diverse backgrounds, including retailing, NGO and commercial forestry. We work with over 40 member companies in the USA, South East Asia, New Zealand and throughout Europe, ranging from multi-national retail chains to small-scale operators, from timber importers to one of the world's largest banks.

For more information contact: clientservices@tropicalforesttrust.com



Communications

The Communications Programme's key objective is to raise understanding of the environmental and social issues connected with tropical timber, and of the actions businesses and others can take to impact positively on those issues.

It seeks to share the lessons we have learned from the Forest Projects Programme with industry, environmental and social NGOs, the media and policy makers, and to keep them informed of the latest project developments.

Equally, the Communications Programme is there for the TFT to learn what other people and organisations are doing in tropical forests, and to understand their perspectives and approaches.

In the coming months we will:

- Re-launch www.tropicalforesttrust.com with expanded, frequently updated, and accessible information.
- Produce further reports and information sheets giving specialist, practical assistance to companies trying to source wood responsibly, and to others involved in this field.
- Run workshops and other events, and participate in relevant meetings, exhibitions, policy consultations and so on.
- Continue the **Michael Jourdain Scholarship Programme** for foresters from the tropics to study sustainable forest management, and launch the **Joep van Schaik Challenge** for retail executives to spend time in the tropical forests that grow timber for their products.

For more information contact: b.roberts@tropicalforesttrust.com



TFT Jourdain Scholar Bruno Bokoto from the Central African Republic is studying biodiversity monitoring techniques at The Smithsonian Institute.



Co-funding

Funds from grant giving foundations and other donors, combined with TFT member contributions, have allowed us to make a real difference to peoples' lives and to set new standards in forest conservation.

Grants and donations account for over 30 percent of our total forest project expenditure. They allow us to enhance the social and environmental aspects of the forest projects beyond the FSC's requirements. A World Bank award is enabling us to establish a community radio service for indigenous peoples at our Congolese CIB project to improve communications with the forest concession management and with each other. Forest communities have also been trained to map sites of importance to them using GPS technology.

Support from the Paul and Louise Cooke Endowment Ltd meant we were able to train foresters in Vietnam's Central Highlands to reduce the impact of their logging operations and improve biodiversity conservation. These are only two of many such examples.

Co-funding also allows us to run completely new projects, independent of TFT member funding. Last year, together with The MacArthur Foundation and MRDF, we were able to support two village-based projects in Laos to become the first FSC certified forests in Indochina.

Mr. Kaen Sarnprathoum, chief of Kengpe village, Xebangfai district, Khammouane Province Laos said: "The village vision setting we drew at the start of the project has been realized due to revenues generated by the villages from forest management... we were finally able to improve our village roads, school, temple, agricultural irrigation system, dwelling houses and livelihood, but most importantly we were able to install electricity in our villages."

Many more projects need your support.

To make a donation or find out more about our work call or email the Co-funding department: [+44\(0\)1329 833443](tel:+44(0)1329833443), n.radcliffe@tropicalforesttrust.com

Conclusion

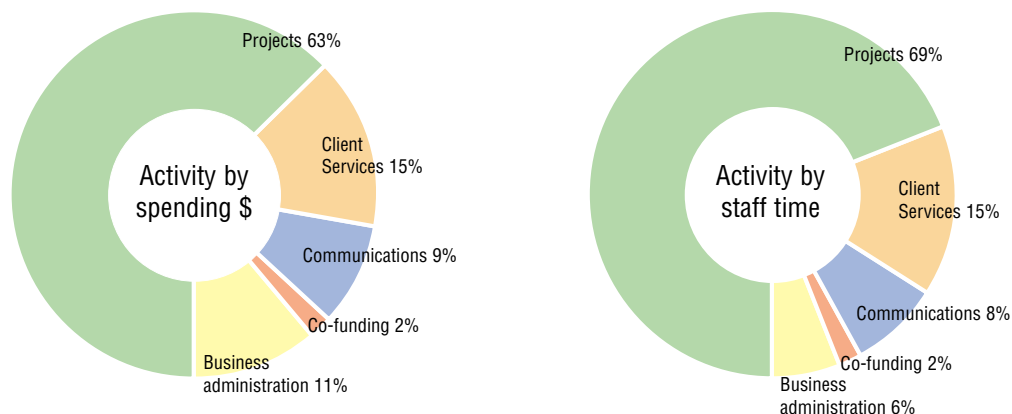
The TFT is growing because people recognise that it delivers meaningful, long-lasting and practical results.

Through the forest projects, indigenous communities have gained an effective voice in how the forests they depend on are managed, conservationists see threatened habitat protected, retailers have FSC and TFT labelled tropical wood products in their stores, land owners, officials and politicians see a long-term profitable future for natural forests, and factory owners win orders in environmentally sensitive markets. Forests that might otherwise be degraded or destroyed remain standing.

The current 2.7 million hectares in TFT projects remains a fraction of the tropical forest that is threatened by destruction in the short to medium term. Yet the projects area is set to expand again through 2006 and in 2007 and, as more people and organisations understand what the TFT has achieved in its short life, there is good reason to think that we will be taking action to conserve much more of the world's remaining tropical forests in the future.

Financial statement

Where the money goes and how we spend our time



Profit and loss account for the year ended 31 December 2005

	Year ended 31 December 2005 \$	15 months ended 31 December 2004 \$
Turnover – continuing operations	2,452,270	2,085,660
Operating costs	(2,447,337)	(2,083,727)
Operating profit – continuing operations	4,933	1,933
Interest receivable and similar income	4,888	44
Profit on ordinary activities before and after taxation	9,821	1,977

The profit and loss account, and balance sheet shown are extracted from our financial statements which have been audited by PricewaterhouseCoopers LLP in Glasgow.

Balance sheet as at 31 December 2005

	2005 \$	2004 \$
Fixed assets		
Tangible assets	37,253	15,436
Current assets		
Debtors	369,482	755,246
Cash at bank and in hand	625,221	24,102
	994,703	779,348
Creditors: amounts falling due within one year	(890,803)	(482,903)
Net current assets	103,900	296,445
Total assets less current liabilities	141,153	311,881
Creditors: amounts falling due after more than one year	(94,751)	(275,300)
Net assets	46,402	36,581
Reserves		
Profit and loss account	46,402	36,581
Total funds	46,402	36,581

The financial statements were approved by the Board of Directors on 5th May 2006.



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