

FOREST ETHICS INSTRUCTION MANUAL

2010 ANNUAL REPORT



*How To
Save The World**

* 65 MILLION ACRES AT A TIME

Instructions

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Hear from our fearless leader.

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Protect forests, fight climate change,
and transform corporations.

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Learn more about the operation.

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On Saving the World



LETTER FROM THE EXECUTIVE DIRECTOR

Jodd Paglia

Fearless Leader.

BACK IN 1999 WHEN I STARTED WORKING AT FORESTETHICS, I KNEW that forests mattered, but I didn't realize exactly how much. I wasn't a scientist – I was a lawyer. Right and wrong was more where I came from than data, science, and conservation mapping.

Over the years, I've learned that forests are one of the most powerful engines out there for keeping us healthy and well. Forests clean our air and water, help regulate our climate, and provide the core ingredients in medicines that literally save our lives.

My first job at ForestEthics was to launch our campaign to get office supply giant, Staples, to stop selling paper from endangered forests. It wasn't easy: I don't know of any company that had a sustainability department back then, or even a sense of where their products came from. Staples certainly didn't. And they were big – they brought in more money from one store in one week than our entire annual budget.

That was a little intimidating.

We couldn't just start a fight with them – we had to talk to them. Maybe they would do the right thing. So I wrote letters and called Staples, sent them faxes back when that was pretty high tech, but nobody got back to me. Eventually Mark Buckley, a mid-level manager, was put on the file.

While Mark was curious about where Staples' products came from, there wasn't any obvious market value in finding out. Customers didn't seem to care, and therefore neither did the executives.

We were getting nowhere.

However, taking “No” for an answer was never my strong suit. I knew if we could get their attention, we would be able to get somewhere. We had to.

Paper had become the largest industrial use of forests worldwide and the environmental impact was simply not part of the conversation. Little by little we began organizing, educating people about paper and forests, and Staples' impacts. Those conversations gained momentum until, on a single day, we staged 100 protests at Staples stores across the country. Suddenly, Staples' environmental practices were in the news. It turns out that the media attention did matter to people at Staples other than Mark, because it was threatening the company's public image.

Despite warnings from colleagues that 'you can't talk with environmentalists, they're not reasonable,' Mark flew from Boston to Seattle to meet with me. It was the first of many meetings, most of them in a window-less boardroom in a cramped budget hotel near Staples' headquarters outside of Boston. Mark was troubled to learn that Staples was selling products sourced from endangered caribou habitat in North America's Boreal forest. But one employee's concern is a long way from a company-wide commitment to change.

While our talks gained momentum so did the campaign: hundreds of protests happened in dozens of cities, an exposé was published in *The Wall Street Journal*, and we even carried out a crazy publicity stunt involving a plane flying a banner over Fenway Park during a Red Sox game. ("Go Sox – Staples Stop Destroying Forests," read the airborne banner.)

After two long years, Staples adopted an industry-leading paper policy and agreed to work with us on a phase-out of products from endangered forests. We celebrated with a full-page ad in *USA Today* applauding the company, an ad that still hangs in the cafeteria of their headquarters and inspires a whole new generation of employees.

But it wasn't until the flashbulbs subsided and the phones stopped ringing that Mark and I really got down to business. See, while the flashy stunts and protests are what capture people's hearts and minds, it's the behind-the-scenes stuff that often yields the most change.

In the case of Staples, its new environmental policies sent a shock wave not only through the office supply industry, but also through the entire paper industry. In short order, Staples' biggest competitors were trying to meet or beat its environmental policy, recycled paper production stopped losing ground, and recycled mills were operating at more than 90% capacity for the first time in many years, a fact directly attributed to our work with Staples.

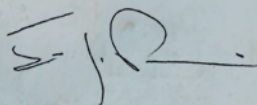
Flash forward a decade and our work with Staples is far from over. In fact, our Staples' campaign exposed the needless destruction of North America's Boreal Forest, one of our greatest natural treasures, to make things like copy paper, catalogs and magazines.

So, we launched a campaign to protect the Boreal, and not only did Mark Buckley and Staples lend their support and substantial buying power, so did Office Depot, Victoria's Secret and dozens of other US companies. While the Boreal logging companies might be able to ignore environmentalists and other critics, they couldn't ignore their largest customers.

And our hard work paid off. In May 2010, I stood on a stage in Toronto, side by side with some of the biggest names in the environmental and logging industries, to announce the largest conservation initiative in history, the Canadian Boreal Forest Agreement. It isn't close to complete and accomplishing its goals will not be simple – but if it works, tens of millions of acres of Boreal Forest will be permanently protected.

This kind of progress takes vision, strategy, a heaping dose of audacity, and a whole lot of help from supporters like you.

Helping to create the biggest conservation initiative in history isn't the only thing that we were up to in 2010. There's more, a lot more, and you can read about it in the pages that follow. But don't worry – all this success isn't going to our heads. You won't see us riding around in rechargeable limos toasting each other with organic champagne. We're just going to keep doing what we do best: investing every dollar you donate into, you guessed it, saving forests for the people and wildlife that depend on them.



Todd Paglia
Executive Director
ForestEthics

PROGRAMS

Forests clean our air and water, provide life-saving medicine, and regulate our climate.

They're also teeming with animals, insects, and plants. If you want to save the world, forests are a great place to start. And if you want to find one of the best organizations for the job, you're in the right place. Our strategies are always a step ahead, and our results speak for themselves: we've secured protection agreements for 65 million acres of forests and helped move billions of dollars of corporate buying towards sustainable market solutions.

Boreal Forest.

In 2010, we made history with the world's largest conservation initiative: the Canadian Boreal Forest Agreement. Signed by nine environmental groups and 21 forest companies, this landmark agreement is the culmination of more than a decade of markets campaigns run by ForestEthics and our allies. The Canadian Boreal Forest Agreement's key components include:



PHOTO: BRIAN EVANS

Woodland Caribou in the Boreal Forest.

- A three-year moratorium on logging across more than 70 million acres (29 million hectares) – an area the size of New Zealand – while negotiations for permanent protection are underway.
- An intensive planning process to create a more sustainable future for an area of the Boreal Forest the size of Texas – a future that will help ensure the survival of woodland caribou and will become a global model for green forestry practices.

In the years ahead, ForestEthics will work to turn this historic promise of protection for the world's largest intact forest into an on-the-ground reality.



PHOTO: BARBY KIDMAN

The Spirit Bear of the Great Bear Rainforest.

British Columbia's Forests.

In the report, "A New Climate for Conservation," senior ecologist Dr. Jim Pojar concluded that our work with allies to protect the Great Bear Rainforest is a significant milestone in a larger strategy to conserve nearly half of British Columbia's wilderness for climate and for species.

Our efforts have increased formal protection of British Columbia's land base to 14.8 %. In the coming years, we are pulling together the best available science and some of the most innovative conservation organizations to protect more of British Columbia's ecologically-important wild places.

PROGRAMS

Paper.

Last Fall, ForestEthics and Dogwood Alliance released the 4th Annual Green Grades Report Card, which ranks the paper practices and policies of large corporate buyers of products that affect forests. While there will always be room for improvement, many of the companies we've worked with the longest, such as FedEx, Office Depot and Staples – received A's and B's.

In early 2010, the city of Seattle, WA, took a strong stand against junk mail. Thanks to the work of ForestEthics supporters, the Seattle City Council passed a resolution calling for a Do Not Mail registry in the state of Washington.



ForestEthics supporters outside San Francisco's City Hall.



The SFI Greenwash Label.

Sustainable Forestry Initiative Greenwash.

Consumers count on eco-labels such as 'organic' and 'energy-star' to guide their purchases. Unfortunately, there are labels out there that take advantage of environmental concerns and reap profits while meeting few to no environmental standards. The Sustainable Forestry Initiative (SFI) is one such deceptive eco-label, but ForestEthics is on the case! Last fall, we released our report, "SFI: Certified Greenwash," at Greenbuild, the world's largest greenbuilding conference. In the report, we expose SFI as an industry-sponsored scam that threatens our forests, communities, fresh water and wildlife.



FORESTETHICS GOES PRIMETIME: "HARMONY" ON NBC

Last November, NBC's "Harmony" film gave millions of Americans their first glimpse of our groundbreaking work to protect the Great Bear Rainforest. Hundreds of supporters across the US and Canada organized parties to watch and celebrate.



NBC's film "Harmony."

Today, we're looking at how we can apply this model of conservation to forests across North America, as well as support our colleagues as they protect critical wild places around the world.

PROGRAMS

Sacred Headwaters.

Territory of the Tahltan First Nation, the Sacred Headwaters is also home to rich populations of grizzly bears, caribou and stone sheep. Yet none of these enduring facts have kept Shell from attempting to transform this rich wilderness into an industrial moonscape of coalbed methane wells and pipelines.

Last fall, we exposed Shell's plans and ratched the pressure up a notch: a photo of a ForestEthics volunteer confronting Shell CEO Peter Voser at the World Energy Congress in Montreal (at right) was published in *CBC News*, our online supporters sent thousands of messages to Shell executives, and we placed the ad below in the *Montreal Gazette* and the *Calgary Herald* with the Skeena Watershed Conservation Coalition.



PHOTO: BRIAN HUNTINGTON

The Sacred Headwaters.



A ForestEthics volunteer with Shell CEO Peter Voser.

A CORPORATE SHIFT TOWARDS A CLEAN ENERGY FUTURE

With the help of ForestEthics, ten large businesses and one US city have publicly announced actions they have taken to reduce the environmental and social impacts that come from fossil-fueled transportation:

- **Walgreens** has decided to eliminate Canada's Tar Sands from its transportation footprint.
- **Whole Foods** has committed to the elimination, where possible, of its use of fuels produced by refineries that use feedstock from Canada's Tar Sands.
- Actions by **Gap Inc.**, **Levi Strauss & Co.**, and **Timberland** are not specifically focused on Canada's Tar Sands, but they are relevant because fuels from Tar Sands are higher in carbon and other environmental and social impacts than conventional fuels. And each of these companies has said, in its own way, that it wants to reduce the environmental and social impacts of transporting products.
- **LUSH Fresh Handmade Cosmetics** has required its transportation providers to avoid fuel from US refineries connected to Canada's Tar Sands.

PROGRAMS

Tar Sands.

Thanks to our work, ten major companies, including brands as different as Walgreens and Whole Foods, publicly announced commitments in 2010 to move away from the most toxic transportation fuels, such as those from Tar Sands refineries. At a time when governments are failing to take action on climate change, ForestEthics' corporate strategy is pressuring industries to do the right thing regardless of which way political winds are blowing.



Beginning to shift the transportation fuel market.

Above the border, a Canadian-based energy corporation, Enbridge, is proposing a pipeline project that would put the pristine coast of northern British Columbia at risk of a catastrophic oil spill and create a permanent gateway for Tar Sands to global markets. ForestEthics staff and supporters spent the year sending thousands of letters to key decision makers, holding dozens of community events, and calling for a ban on oil tanker traffic on British Columbia's North Coast.

Additionally, we released new poll results showing that significantly more British Columbians oppose the Enbridge Northern Gateway pipeline (51 percent), than support it (34 percent).



Rally in Kitimat, BC against Enbridge's proposed Tar Sands pipelines.

MARKET SOLUTIONS

For years we were told that we had to make a choice: we could either work with corporations or against them. We decided to do both—and we've become exponentially more powerful because of it.

Shifting the Marketplace.

When a company is ready to protect forests, wild places and the climate – whether they come to that conclusion on their own or because of our public campaigning – our Market Solutions program helps them develop and implement sound policies. And even after a policy is in place, our work is far from over. We continually encourage and empower companies to improve their policies and practices with strategic tools such as our 2010 Green Grades, which updated our 2009 ratings of the forest- and ecosystem-related policies and practices of twelve major office products and services companies, including FedEx Office, Office Depot, PaperlinX, Staples, Unisource, and United Stationers.

Market Solutions also has the unique and powerful ability to turn corporate leaders into environmental advocates. Corporations have enormous leverage with logging companies, energy producers and government officials—and Market Solutions ensures that when a campaign needs it most, corporate support will be there.

Corporate engagement with suppliers and other supply chain actions have helped lead us to major environmental victories and agreements in endangered forests including Canada's Great Bear Rainforest, Inland Temperate Rainforest, Boreal Forest, and Chile's Native Forests.



Continuing to shift the paper market.

CORPORATE TRANSFORMATION: ALL IN A YEAR'S WORK

2010 was another strong year for Market Solutions. We saw continued corporate shifts away from Endangered Forest products and the timber industry's greenwashing program, towards more ecologically sustainable alternatives. We saw versions of our first-ever 'model corporate low-carbon fuel standard' adopted by a growing number of companies in response to ForestEthics' Tar Sands campaign. And we saw the fruit of some partner companies' assistance—and ForestEthics' Boreal campaign—borne by the conservation promises of the Canadian Boreal Forest Agreement (CBFA).



MARKET SOLUTIONS

At ForestEthics we know that often, the fate of a forest is decided by the big corporate buyers of that forest's products. So we spend a lot of time educating those buyers and convincing them to buy better. And smarter. And with a Forest Ethic in mind. Becoming environmentally responsible is good business — both for a company's bottom line today, and for our children's future.

Below is a list of some of the companies that have shown strong leadership on the environmental front.

Office DEPOT

Office Depot shifted its "greentop" paper to a Forest Stewardship Council-certified, 30% post-consumer recycled paper from the US South, agreed to phase-out the Sustainable Forestry Initiative logo from its private brand papers by early 2011, and helped leverage the Canadian Boreal Forest Agreement, including through supply chain actions and supplier communications.

STAPLES

Staples has worked hard to improve its environmental performance. In 2010, the company strengthened its paper policy, including with a commitment to eventually source only paper that is Forest Stewardship Council certified and/or post-consumer recycled fiber. The company's past supplier communications also helped leverage the Canadian Boreal Forest Agreement.



United Stationers strengthened their chain of custody system and supplier survey, and committed to shifting their private brand paper to Forest Stewardship Council-certified sources. The company's supplier communications also helped leverage the Canadian Boreal Forest Agreement.

Other examples of companies that have made environmental progress that was influenced and supported in part by our Market Solutions Department in 2010 include:

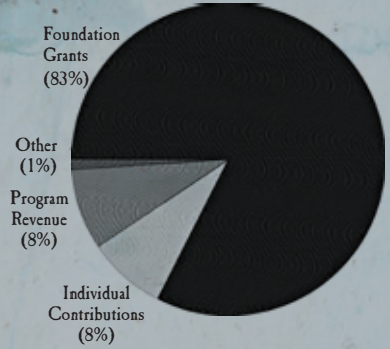
Limited Brands | PaperlinX | REI | Wells Fargo

2010 AUDITED FINANCIALS

Revenue

Foundation Grants	2,471,142
Contributions from Individuals	241,063
Program Revenue (<i>fee for service</i>)	253,694
Other Income	25,544
TOTAL SUPPORT AND REVENUE	\$2,991,443

2010 Revenue Breakdown

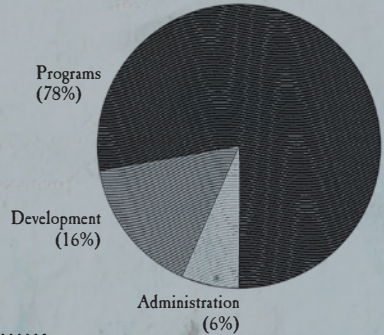


Expenses

PROGRAMS

BC Forests Campaign	263,541
Boreal Forest Campaign	380,946
Market Solutions Program	82,989
Paper Campaign	167,546
Sacred Headwaters Campaign	394,061
Save the Sierra Campaign	5,959
Stop SFI Greenwash Campaign	248,288
Tar Sands Campaign	682,054
TOTAL PROGRAM SERVICES	\$2,225,384

2010 Expense Breakdown



SUPPORT AND SERVICES

Administration	163,738
Development	467,611
TOTAL SUPPORT SERVICES	\$631,349

TOTAL EXPENDITURES	\$2,856,733
INCREASE/DECREASE IN NET ASSETS	\$134,710
NET ASSETS-BEGINNING OF YEAR	\$948,421
NET ASSETS-END OF YEAR	\$1,083,131

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Senior Accountant
- ALEX VANDERWEELE
New Media Manager



Be part of our solution

When you give to ForestEthics, you have the satisfaction of knowing you've made a tangible difference in the struggle to protect Endangered Forests.

There are many ways you can make a donation to ForestEthics:

- Visit www.forestethics.org/donate
- Call us at 1-800-725-0087
- Or, find other ways to give at www.forestethics.org/ways-to-give

FORESTETHICS WOULD LIKE TO THANK THE THOUSANDS OF GRASSROOTS SUPPORTERS, VOLUNTEERS, DONORS, AND CONCERNED CITIZENS IN THE US AND CANADA WHO MAKE OUR WORK POSSIBLE.

FORESTETHICS

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