



Seeing Things Change

2009-2010 Annual Report



**DOGWOOD
ALLIANCE**

Revolutionizing Forest Protection

Changing the Marketplace to Protect Southern Forests

Talk about fighting for a cause and many people immediately see visions of skirmishing in the ring or battling in a court of law. For the past 14 years, Dogwood Alliance has protected forests in the South by taking a different approach: focusing our messages and attention on the marketplaces and economies that drive corporate and consumer attitudes and behaviors when it comes to forest products. Sure, we've mixed it up often in front of retail outlets and inundated corporate headquarters with consumer postcards and emails — but at the heart of it all, we've taken rational messages about sustainable environmental business practices to some of the country's leading corporate producers and consumers. We've negotiated with them, insistently, as partners and professionals, in order to get them to commit to changes that benefit us all. And guess what?

Our Biggest Accomplishments 2009-2010

- Secured a commitment from Georgia-Pacific that will increase protection for more than 90 million acres
- Secured sustainable packaging commitments from leading companies in the health & beauty and music industries
- Launched a campaign challenging KFC to green its paper packaging
- Launched the Carbon Canopy
- Began to tackle bioenergy threats
- Harnessed the power of youth advocacy

It's Working...

In 2009 and 2010, Dogwood Alliance saw significant changes emerging on several fronts that reaffirm the effectiveness of our marketplace campaign approach, coalition building and education efforts. This annual report highlights some of our most impressive milestones to date, and provides a look at what's next.

Separating the Leaders from the Laggards in the Paper Industry

Paper use is pervasive in our everyday lives, and 20% of the world's paper comes from right here in the Southern US. Ironically, however, our region only holds two percent of the world's forests, including many that are home to species and ecosystems found nowhere

else on earth. That's why we've focused on transforming the paper industry since our inception.

One of our biggest causes for celebration came late in 2010, as Georgia-Pacific (GP), one of the two largest paper producers in the South, announced that it would no longer purchase trees from endangered forests or from future pine plantations established at the expense of natural hardwood forests. This agreement, six years in the making, was catalyzed by large corporate consumers of paper pressuring Southern paper producers to ensure that their paper products do not contribute to the destruction of endangered forests or the loss of natural forests to pine planta-

tions. GP also became the first company ever to map endangered forests in the South. **Overall, GP's new way of doing business will increase protection for over 90 million acres of Southern forests!** We applaud them — and we'll keep monitoring their progress.

With GP now on board, and strides we've made with AbitibiBowater and Domtar over the past several years, we now have three of the South's top paper five paper producers taking important steps to improve the way they do business in our forests. However, there's still one very prominent laggard: International Paper (IP), the South's other leading paper producer. In the past two years we've seen some small

promises of change. IP has received Forest Stewardship Council (FSC) chain-of-custody certification for many of its mills and has become a member of FSC. However, they still hold fast to the paper industry's Sustainable Forestry Initiative (SFI) greenwashing, which certifies destructive forestry practices as "sustainable." IP also encourages its largest customers, including KFC (more about them further on) to promote SFI as well. Dogwood Alliance will keep pushing for more responsible behavior from IP and its major customers, and continue bringing the customer pressure necessary to create meaningful changes in IP's practices.

Although we achieved significant victories in the office supply industry prior to 2009, including groundbreaking commitments from Staples, Office Depot and Office Max, we kept the pressure on through the release of two annual *Green Grades Reports*, both of

which were widely distributed and turned the spotlight on the good, the bad and the ugly among the industry's major players.

The publication of the *Green Grades Report* has created a race to the top among the leading office supply retailers, driving continued progress towards sustainable paper production. For example, Office Depot worked with its southern paper supplier Domtar to create the first-ever post-consumer recycled, FSC-certified copy paper coming from a mill in the Southern US. Staples upped the ante by becoming the first company with a stated goal of ensuring that 50% of the total volume of paper sold is made from recycled fiber and the other 50% certified to the high standards of FSC. To top it off, FedEx Office stopped doing business

with the biggest laggards in the paper industry.

In addition to office supply, we've also focused since 2007 on improving environmental practices in the paper packaging industry — specifically in the areas of music, health & beauty, and fast food.

As it turned out, the music and health & beauty industries were eager to listen and respond. By 2010, we had secured commitments to improve from industry leaders like Johnson & Johnson, Sony Home Entertainment, Universal Music Group and GlaxoSmithKline.

The fast food industry is another story. On the upside, McDonalds proved

itself to be an industry leader in 2010 by becoming the first fast food company on record to commit to adopting a global forest policy. Kudos!

On the downside, YUM! Brands, which owns Taco Bell, Pizza Hut, Long John Silver's, A&W and industry titan KFC, has stonewalled our attempts to educate and negotiate. So, in April 2010, we launched our latest paper packaging campaign, Kentucky Fried Forests, targeted at KFC. More than 30,000 participated in this campaign during the year.

Since the KFC campaign began, the company has announced that it will introduce reusable containers for its side dishes, but the iconic paper bucket, made from destroyed wetland forests, is still a mainstay. KFC also has bought into SFI.

We'll keep working on that one.



Media Attention?

We've Got it Covered

Between the launch of the Carbon Canopy, the kick-off of the KFC campaign, and the announcement from Georgia-Pacific, Dogwood Alliance has received more national media attention than ever.

The Carbon Canopy launch garnered coverage from a host of national media outlets, including some of the

largest and most reputable, like the *Washington Post*, Reuters and *Huffington Post*.

The KFC campaign was covered on NPR's *Marketplace* as well as in more than 75 print and online media outlets, including some of the most read sustainability blogs in the country. Articles and posts have appeared in *Brandweek*

Magazine, *GreenBiz*, *TreeHugger* and *Huffington Post*, just to name a few.

The Georgia-Pacific announcement was covered in more than 150 online, print, TV and radio outlets, including the *Wall Street Journal*, *Business Week*, ABC News, the *Washington Post*, the *Atlanta-Journal Constitution*, the *Raleigh News & Observer*, the

Charlotte Observer, *Chicago Tribune*, the *San Francisco Examiner*, the *Seattle Times* and *Huffington Post*.

Clearly, our work is gaining the press it deserves — and as a result, more people are becoming aware of Dogwood Alliance and the reasons and ways to protect Southern forests.



Under the Carbon Canopy

In 2009, Dogwood Alliance launched the Carbon Canopy, a partnership between environmental groups, forward-thinking companies like Staples (our former target turned partner) and forest landowners to explore new ways to value forests as a defense against climate change. The long-term goal of Carbon Canopy is to increase the protection, conservation and restoration of 20 million acres of Southern forests over the next 20 years. Our strategy is to bring new economic opportunities for rural communities through the development of markets for things like carbon storage and watershed protection that encourage the long-term sustainable management of forested landscapes. In doing so, we hope to break the long-standing cycle of a Southern forest economy that is dominated by logging for paper production.

Although the Carbon Canopy project is still in its infancy, it is proving to be a useful tool for Dogwood Alliance to engage companies across the board in discussions about better forest management and forest products sourcing, as well as simply raising awareness and interest among a broader

audience, including Southern landowners, who own 85% of the South's forest.

In 2010, The Coca-Cola Company joined the Carbon Canopy, lending the power of its longstanding global brand to our efforts. Also in 2010, Dogwood and its Carbon Canopy partners helped two of the largest corporate landowners in the Southern Appalachians list 145,000 acres with the Climate Action Reserve Carbon Registry, a first step in being able to sell carbon from improved forest management practices.

We worked hard to spread the word about the Carbon Canopy in 2010. Dogwood Alliance sponsored and presented at the Ecosystem Service Markets conference in Raleigh and presented at the Sustainable Packaging Conference. We also hosted a corporate roundtable to introduce the Carbon Canopy to targeted companies, engaging a number of them directly and forging the way for new partnerships with many others. In fact, as a means of expanding our network, winning new allies and revolutionizing the Southern forest industry, the Carbon Canopy is proving to be an exceptional asset.

Bioenergy The Next Battleground

A storm is brewing for Southern forests in the form of burning forests for fuel. Energy companies are claiming that since wood is a “renewable” resource, burning it for fuel is more environmentally friendly than burning fossil fuels to feed our insatiable demand for energy. However, bioenergy threatens to destroy our forestlands at twice the current rate and increase carbon emissions as well as other pollutants.

In 2010, Dogwood Alliance began laying the groundwork for a new campaign to challenge the wood-based bioenergy industry. We are continuing research, outreach and planning in 2011 and anticipate a formal launch of this campaign in 2012.

In the meantime, we're rallying forces, lining up allies and spreading the word about the bioenergy boondoggle. In 2010, we helped create a national network of environmental groups and communities to address the environmental and health threats posed by bio-energy. We also participated in a similar North Carolina-based group. Our interns from Duke University worked tirelessly throughout the summer of 2010 to research the bioenergy industry and help compile a list of all existing and planned bioenergy

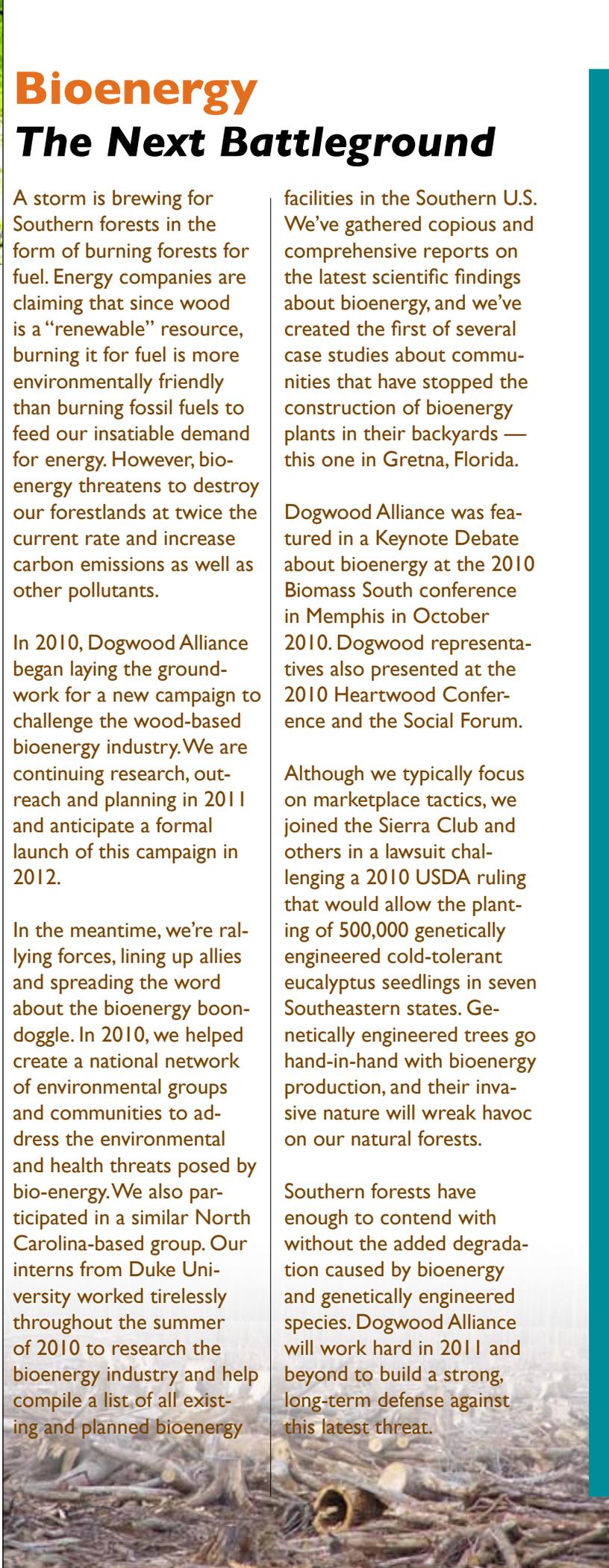
facilities in the Southern U.S. We've gathered copious and comprehensive reports on the latest scientific findings about bioenergy, and we've created the first of several case studies about communities that have stopped the construction of bioenergy plants in their backyards — this one in Gretna, Florida.

Dogwood Alliance was featured in a Keynote Debate about bioenergy at the 2010 Biomass South conference in Memphis in October 2010. Dogwood representatives also presented at the 2010 Heartwood Conference and the Social Forum.

Although we typically focus on marketplace tactics, we joined the Sierra Club and others in a lawsuit challenging a 2010 USDA ruling that would allow the planting of 500,000 genetically engineered cold-tolerant eucalyptus seedlings in seven Southeastern states. Genetically engineered trees go hand-in-hand with bioenergy production, and their invasive nature will wreak havoc on our natural forests.

Southern forests have enough to contend with without the added degradation caused by bioenergy and genetically engineered species. Dogwood Alliance will work hard in 2011 and beyond to build a strong, long-term defense against this latest threat.

Carbon Canopy Partners: Staples, Inc. • Columbia Forest Products • Domtar Corporation • The Forestland Group • Interface, Inc. • The Home Depot • Conservation Forestry, LLC • The Coca-Cola Company • The Pacific Forest Trust • Rainforest Alliance • Green Press Initiative • Forest Stewardship Council • The Keystone Center • Environmental Defense Fund •



Our Hero: Cole Rasenberger

If you ever need a way to understand the vital importance of Dogwood Alliance's work, you need look no farther than Cole Rasenberger. Cole is a 4th grader in Charlotte, North Carolina, who contacted us via email when he was in the 2nd grade to ask how he could help protect forests. It took several exchanges



before we realized that Cole was an elementary student and not in high school — his focus and sense of purpose were impressive.

Cole jumped on the fast food packaging cause, rallying other students in his school to create a postcard campaign targeted at several fast food giants, calling on them to help protect North Carolina's wetland forests. He and his friends also created a play about the importance of sustaining our forests. We shared Cole's story with *Ranger Rick* magazine, which featured Cole in March 2010. He also

received the Gloria Barron Prize for Young Heroes!

Cole organized an ongoing KFC postcard campaign with the goal of getting all seven schools in his school district on board. He and his friends have set a goal of getting 10,000 postcards signed! We expect this youth-driven appeal to KFC to generate broad media coverage and to force a public response from company executives. Stay tuned....

Cole and his friends are looking to us, as adults, to protect and preserve the forests that make his home-



land so special. After seeing his commitment and accomplishments, we can't help but reaffirm our own dedication to our work and redouble our efforts — for Cole and the generations that will follow him.

Because of You...

Dogwood Alliance works because of you.

The past two years have been filled with victories small and large that are highly encouraging as we forge ahead. There is still a great deal of important work to be done, both in our existing campaigns and through new ones we will develop in the coming months and years.

The success of Dogwood Alliance simply would not be possible without the dedication of thousands of people — from all walks of life and of all ages — who care enough to take action with us. Our heartfelt thanks

go out to each of you who made a phone call or sent a postcard or email to a corporate office, to those of you who braved all kinds of weather to participate in a Dogwood Alliance Day of Action, to those of you who gave your time encouraging others or helping out in the Dogwood offices, and to all of you who made a financial contribution to help keep our vital work going.

Dogwood Alliance works because of you, and because of you, we'll keep working to protect our region's most valuable environmental assets: our forests.

Thanks!

Financial Highlights

From Audited 990s from 2009 and 2010

	2009	2010
Total Revenue	550,425	419,037*
Total Expenses	443,195	484,672
Net	107,230	-65,635
Expense by Program	2009	2010
Direct Program	312,393 (70%)	307,117 (63%)
Management & General	72,833 (17%)	100,193 (21%)
Fundraising	57,969 (13%)	77,362 (16%)

*Two grants totaling \$112,500 that were projected to be awarded at the end of 2010 were awarded at the beginning of 2011.