



WWF Guidelines for Investment in Operations that Impact Forests

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These guidelines form part of a set of background materials prepared by WWF¹ for the Forest Investment Forum to be held at the World Bank headquarters in Washington DC from 22-23 October 2003. The Forum is co-organised by the World Bank, WWF, World Business Council for Sustainable Development (WBCSD), and Forest Trends.

The objectives of the Forum are to bring together, and foster dialogue between, forest companies and international financial institutions including: commercial banks, export credit agencies (ECAs), investment funds, development banks, global environmental funds, and non-governmental organisations (NGOs) to:

- (i) explore how the safeguard and incentive policies of the World Bank, and those of its partner agencies and other key actors can be used in constructive ways to foster socially, environmentally and economically responsible forest management, and
- (ii) seek commitment from participating companies and financial institutions to adopt safeguard and incentive policies, and to foster partnerships that will accelerate progress towards sustainable management of forest resources, maximise benefits to rural and urban poor, and protect environmental services of both local and global importance.

These guidelines draw on the experiences of WWF, Friends of the Earth, Forest Stewardship Council, World Bank, International Finance Corporation, Transparency International, International Labour Organisation, United Nations, Profundo, ProForest, IUCN-The World Conservation Union, and the Global Reporting Initiative. WWF looks forward to working with financial institutions, governments, NGOs, and others to promote, disseminate, and implement these investment policies. This is a living document and WWF welcomes your suggestions and comments. Please send comments to Duncan Pollard, Head, European Forest Programme, WWF International, Gland, Switzerland email: dpollard@wwfint.org.

This document consists of five parts:

- **Part One** introduces the objectives, audience, and conditions to which these suggested guidelines apply,
- **Part Two** contains the actual guidelines covering legality, forest management and conservation, conversion, and community based forest operations; environmental management; local communities and indigenous peoples; and labour codes and standards,
- **Part Three** contains recommendations for bank operating procedures,
- **Part Four** provides recommendations for bank governance procedures, and
- **Part Five** contains several annexes with extensive supporting documents, information and further references.

¹ WWF – World Wide Fund for Nature

Note, in this document “the Bank” refers to the financial institution adopting these guidelines, and “the Client” refers to all companies or organisations that receive financial services from the Bank. The guidelines are written in such a way as to be readily incorporated into bank policies and procedures, while allowing for internal organisational practices.

Introduction

Despite its value to humanity, over 50 percent of the world’s original forest cover has disappeared and forests continue to be lost at a rate of 9-16 million ha/year². At the same time, the quality of much of the remaining forest is declining rapidly. Without significant changes in policy and practice, the process of forest conversion and degradation will continue at this alarming rate and pose a major threat particularly to High Conservation Value Forests (HCVF)³. This has serious socio-economic consequences for the lives of forest dependant peoples, and threatens numerous animal and plant species. In addition, forest loss not only causes job losses and reduced GDP, it disrupts water balances, causes soil degradation, and impacts at a global scale, through climate change (causing increased flooding as well as droughts), loss of potential medicinal products, and loss of options for future generations.

By financing projects such as pulp and paper mills, palm oil plantations, mines or dams that impact forests, financial institutions can have a significant impact on forest conversion, degradation and destruction. In recognition of such risks, and society’s increasing social and environmental expectations of the financial sector, leading players have started to screen potential projects according to environmental and social criteria. By doing so, the financial sector is beginning to contribute towards sustainable business models by promoting environmental stewardship and socially responsible development.

NGOs have also increased the pressure on financial institutions to play a more positive role in advancing environmental and social sustainability, and in January 2003 a coalition of NGOs launched the “Collevocchio Declaration on Financial Institutions and Sustainability”⁴. The Declaration calls for commitment to six key principles: sustainability, ‘do no harm’, responsibility, accountability, transparency and sustainable markets, and governance.

In response, the Equator Principles (EP)⁵, a collaboration between commercial banks and the International Finance Corporation (IFC) of the World Bank Group, was launched in June 2003. Initial EP signatories included: ABN Amro, Citigroup, Barclays, West LB, Royal Bank of Scotland, Credit Lyonnais, Credit Suisse First Boston, Westpac, Rabobank and HVB⁶. The EP is one of the first industry-wide attempts to encourage environmentally and socially responsible lending. The principles require the banks to adhere to the IFC’s guidelines and policies for sustainable development, which include safeguards on issues ranging from environmental impact assessment, natural habitats, involuntary resettlement, indigenous peoples

² Source: (2002, FAO) Forest Resources Assessment, United Nations Food and Agriculture Organisation (FAO), Rome, Italy.

³ High Conservation Value Forests (HCVFs) are defined as forests that need special protection because:

- they contain globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- they contain globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- they contain rare, threatened or endangered ecosystems.
- they provide basic services of nature in critical situations (e.g. watershed protection, erosion control).
- they are fundamental to meeting basic needs of local communities (e.g. subsistence, health).
- they are critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

⁴ See www.foe.org/camps/intl/declaration.html for full text of the Collevocchio Declaration and list of participating NGOs

⁵ See Annex 6 for full text of Equator Principles

⁶ As of 25 September 2003, 16 banks had signed the Equator Principles. For further updates see www.equator-principles.com

and child labour. In 2002, the 10 original signatory institutions alone underwrote some \$14.5 billion in project loans (equal to about 30% of world syndication) and therefore have the potential to make a significant contribution to improved environmental stewardship and socially responsible development. While NGOs welcome the efforts of these leading banks, they continue to press EP signatories on several issues including: using a precautionary approach rather than one based on mitigation; disclosure of their environmental management systems i.e., explaining how they implement and monitor the EPs; and the lack of accountability mechanisms.

The launch of the Collevocchio Declaration, combined with the recent announcement by the European Commission of its Action Plan for improved forest law enforcement, governance and trade serve as important warning bells to financial institutions. The EC's Action Plan calls for banks to exercise more caution in project financing where the legal source of the timber cannot be established, as well as tackling bribery and money laundering issues.

Thus, increasing NGO pressure on international financial institutions to implement investment safeguards is beginning to show some tangible results, especially when it is combined with a strong business case for comprehensive environmental and social due diligence procedures. Banks that are spending more and more of their energy, time, and assets in managing both financial and reputational risks are missing opportunities.

While the Equator Principles begin to address the broader 'Corporate Social Responsibility' (CSR) agenda, this WWF document provides investment policies that address sector specific investments that impact the forest industry. These WWF guidelines are intended to provide guidance for the forest policy of financial institutions starting with development banks, and will shortly be followed up by work with commercial banks, investment banks, trust banks, (re) insurance companies, export credit agencies, and others. The guidelines provide information for financial institutions on how to manage their responsibilities in safeguarding the environmental and social qualities of forests impacting projects.

PART ONE

1.1 Overall Objective

As a responsible institution, the Bank is committed to sustainable development in all its activities. The Bank aims to promote sustainable practices for both the Bank and its Clients. These practices are intended to minimise negative environmental and social impacts of the financial services provided by the Bank. This commitment is based on the conviction that more sustainable policies enhance the long-term viability of the Bank and its Clients. Moreover, having effective forest investment policies in place will also lead to better management of financial and reputational risks.

Within the framework of this overall objective, this document therefore applies to any sector with activities that directly or indirectly affect the environmental and social qualities of forests. These guidelines are consistent with the Bank's business principles and other Bank policies such as:

- Compliance policy
- Environmental policy
- Risk assessment policy
- Human rights policy
- Reputation management policy
- Governance policy

1.2 Specific Objectives

In order to safeguard environmental and social qualities of forests, Bank policies should meet the following suggested objectives:

- Respect national laws and international conventions concerning forest management and conservation;
- Contribute to responsible management and protection of forests, in particular maintain and enhancement of High Conservation Value Forests
- Ensure adequate and appropriate development and implementation of environmental management systems and environmental plans
- Respect the rights of local communities and indigenous peoples who depend on forest ecosystems;
- Respect the human rights, labour codes and standards of workers
- Ensure accountability towards stakeholders, transparency and independent auditing practices.

The Bank will achieve these objectives by avoiding the provision of financial services to Clients who refuse to adhere to these objectives.

1.3 Types of Financial Services

Types of financial services to which these guidelines apply:

- commercial banking
- investment banking
- trade finance
- project finance

Note: Structural Adjustment Lending (SAL), represents the single largest segment of the World Bank's lending portfolio – about 50% of all its active loans. SAL, used to reform Bank client-countries' debt, monetary, tax, and trade policies, can have significant impacts on forests. As critically important as SAL is, it is beyond the present scope of these guidelines. However, this issue is currently being addressed (with input from WWF) in the review of the existing World Bank Adjustment Operational Directive 8.6. (The original World Bank directive was first adopted in 1992, and intended to provide guidance from World Bank management to staff regarding structural adjustment loans.)

1.4 Operations to which these guidelines apply:

The conditions of the forest guidelines apply to Clients' operations irrespective of company division or geographical location.

1.5 Activities and sectors to which these guidelines apply:

The conditions of the guidelines apply to any Clients of the Bank whose operations have a *direct impact* on the environmental and social qualities of forests. Those operations with direct impacts include the following sectors:

- forestry, logging, and timber
- pulp and paper
- timber plantations
- saw milling and wood-based panel production.

Those operations that have *indirect* impacts on environmental and social qualities of forests include the following sectors:

- agricultural plantations, (e.g., oil palm plantations, soy)
- large-scale livestock grazing
- aqua-culture farming (e.g., shrimp)
- energy generation
- mining
- oil & gas
- real estate development
- infrastructure (e.g., roads, dams, railways, ports)
- tourism and leisure.

1.6 These guidelines apply to these Clients if:

- the Client is capable of influencing the policies of its supplier, and makes verifiable effort to do so, and
- the Client has alternatives and more responsible supply sources.

1.7 Types of contracts to which the forest investment guidelines applies:

- (a) all new proposals submitted to the Bank for approval (at the time of approval),
- (b) existing contracts (at the time of the next semi-annual and/or annual review).

1.8 Conditions for financing

In pursuit of the objectives formulated above, the Bank will only provide financial services to Clients if the following safeguard conditions are met.

PART 2.0 WWF INTERNATIONAL GUIDELINES FOR INVESTMENT POLICIES THAT IMPACT THE FOREST INDUSTRY

2.1 LEGALITY - RESPECT OF NATIONAL LAWS AND INTERNATIONAL CONVENTIONS

Legality: The Client abides by all local, state and national laws and international conventions (including but not limited to Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), World Heritage Convention (WHC), and the Convention on Biological Diversity (CBD) as well as moratoria on logging, declarations of protected areas, forestry laws, environmental protection legislation, as well as labour and social laws.

Illegal logging: The Client is not involved in, colludes with or purchases timber from illegal logging operations⁷. Where the Client owns the land, the Client must provide full legal and verifiable title to the land and has all relevant and current permits and approvals. Where the Client does not own the land on which forest operations are to take place, forest products are extracted with full authorisation of those holding rights to the land or forest resources, and with the required authorisation, permits and approvals from all relevant governments agencies.

2.2 FOREST MANAGEMENT, CONSERVATION, CONVERSION, AND COMMUNITY BASED OPERATIONS

FOREST MANAGEMENT

- **Responsible Forest Management:** The Client adopts responsible management practices for its forest-related operations, so as to minimise negative environmental impact of its operations, such as biodiversity loss. The Client is certified by FSC or equivalent scheme⁸ for forests under its management and/or sources its wood from such certified forests. Where FSC or equivalent certification is not in place, the Client is committed to making stepwise progress towards FSC or equivalent certification by developing a time-bound certification action plan with independent third-party verification by an internationally recognised body. (See Annex 2)
- **Wood Sourcing and Tracking:** The Client puts in place transparent processes for the systematic tracking of all wood (referred to as Chain of Custody 'CoC') to provide evidence that the ultimate origin of commodities they are trading and / or processing is known, is continuously being monitored and can be independently verified. Where a Chain of Custody system is not in place, the Client is

⁷ See Annex 1 for WWF definition of legal logging.

⁸ Forest Stewardship Council (FSC). Use is made of national FSC standards or standards similar to FSC, if regional FSC standards are not available, or best professional judgement based on the generic FSC principles and criteria.

committed to making stepwise progress towards Chain of Custody system by developing a time-bound action plan.

- **Global Forest and Trade Network:** Clients, investors and other project partners are encouraged to support and join a Forest and Trade Network (FTN). For further information see Annex 2.
- **Community Based Forest Management** Where the project is designed to support community-based forest management and development, the Client ensures that, as appropriate, the project's design takes the following into account:
 - (a) the extent to which the livelihoods of local communities depend on and use the forest resources in the project and adjacent areas,
 - (b) the institutional, policy, and conflict management issues involved in improving the participation of indigenous people and poor people in the management of the trees and forests included in the project area; and
 - (c) forest product and forest service issues relevant to indigenous people and poor people living in or near forests in the project area, as well as opportunities for promoting the involvement of women.

FOREST CONSERVATION

- **Maintain and Enhance HCVFs:** The Client should not finance any activity that damages, degrades or negatively impacts High Conservation Value Forests (See Annex 2)
- **Protected Areas** – The Client does not carry out operations that negatively impact forests in proposed or legally designated protected areas or designated protected area buffer zones. (See Annex 2)
- **CITES Listed Species** – The Client should avoid all activities and trade in CITES Appendix I listed species. For CITES Appendix II and III listed species a degree of caution must be exercised. If harvesting and trade in CITES II and III is undertaken, the Client ensures that all legal obligations and permits on the part of all exporters, importers and traders in these species are fully respected. It is strongly suggested that with regard to CITES species it is best to explore alternative species except where credibly certified (and suitably documented) sources exist. (See Annex 2).
- **Forest Restoration** - If the project involves forest restoration or plantation development, the Client ensures that, as appropriate, the project design addresses the following issues: the potential of forest restoration to improve biodiversity and ecosystem functions; the potential to establish plantations on non-forest lands that do not contain HCVFs; the need to avoid conversion or degradation of natural habitats; and the capacities of the government, NGOs, and other private entities to cooperate in the forest restoration and plantation development.

CONVERSION - FOREST USE LEADING TO CLEARANCE OR CONVERSION

- **Forest Conversion:** The Client is not involved in conversion of HCVFs or projects on land converted after 1994, unless proven to be non-HCVF⁹, and respects local land claims, dispute resolution procedures and adheres to the principles of “informed consent”. (See Annex 2)
- **Method of Clearing:** The Client adopts forest clearing practices that avoid negative impacts on the immediate environment such as forest clearing on steep slopes, river banks, and water catchments. The client avoids all uncontrolled and illegal use of forest fires for clearing.

⁹ The 1994 deadline ensures consistency with the Forest Stewardship Council (FSC) standard

- **Plantations:** The Client does not invest in plantations that involve any conversion or degradation of HCVPs, including adjacent or downstream critical natural habitats. Where the Client invests in plantations, preference is given to siting such projects on unforested sites or lands already converted (excluding any lands that have been converted in anticipation of the project). The Client provides a development and management plan for the plantation. The Client adopts good management practices that minimise environmental impacts such as air and water pollution, forest fires, soil erosion, pest invasion, and biodiversity loss. The Client implements water conservation measures in plantation management practices. In view of the potential for plantation projects to introduce exotic species and threaten biodiversity, such projects must be designed to prevent and mitigate these potential threats to natural habitats. Exotic species, and should be used only when their performance is greater than that of native species, should be carefully monitored to detect unusual mortality, disease, or insect outbreaks and adverse ecological impacts.

Genetically Modified Organisms (GMOs): The Client agrees not to engage in the cultivation or planting of genetically modified tree species or to procure timber from sources engaging in the planting of such species.

The Client further agrees:

- to support moratorium on use or release of GMOs (e.g., soy) into the general environment until ecological interactions are fully researched and policies are put in place
- to carry out transparent, comprehensive environmental impact assessment of planned releases into the environment, to include consideration of the impacts of changing crop management practices, as well as the invasion of natural and semi-natural habitats or competitive displacement of native species by transgenic plants and animals;;
- to avoid additional impacts through genetic modifications which:
 - facilitate or stimulate greater use of chemicals;
 - harm insects that provide pest control and other benefits to crops, and
 - not to use artificially constructed genes (whose effects are harder to predict and control),
- to recognise the role of traditional knowledge in crop breeding and appropriate benefit sharing.

3.0 ENVIRONMENTAL MANAGEMENT

3.1 Environmental Impact Assessment (EIA)

The Client is encouraged to establish an environmental and social Assessment Team that would consult widely with key stakeholders to identify forest issues likely to arise during the project.

The Client is responsible for commissioning an independent review according to EIA planning, processes, and procedures of the World Bank's Pollution Abatement Handbook: Towards Cleaner Production (1998) and the IFC's Guidelines and Safeguard Policies. The EIA process is to include multi-stakeholder consultations and the Client makes publicly available all draft and final EIA reports for at least a 120 day period prior to key Board decision making meeting(s); provides opportunities for appropriate public participation and feedback into the entire EIA process in local language(s). The Client is to conduct an EIA for all investment projects¹⁰ and ensures that the assessment uses an integrated approach in which social, health, environment, and biodiversity issues are fully addressed in light of the the potential impact of the project on forests and/or the rights and welfare of local communities.

The Client ensures that the EIA includes an assessment of the adequacy of land use allocations for the management, conservation, and sustainable development of forests, including any additional allocations needed to protect HCVP areas. The EIA provides an inventory of such forest areas, and is

¹⁰ With a total project budget of US\$10 million or more

undertaken on a scale that is ecologically, socially, and culturally appropriate for the project. The Client ensures that the EIA involves all affected parties and is subject to independent scientific peer review.

For projects involving forest management, the Client furnishes the Bank with relevant information on the forest sector concerning the borrower's overall policy framework, national legislation, institutional capabilities, and the poverty, social, economic, or environmental issues related to forests. This information is to include national forest programs or other relevant country-driven processes. On the basis of this information and the EIA report findings, the Client, as appropriate, incorporates appropriate measures in the project to strengthen the fiscal, legal, and institutional framework to meet the project's economic, environmental, and social objectives. These measures address, among other issues, the respective roles and legal rights of the government, the private sector, and local people. Preference is given to small-scale, community-level management approaches where they best harness the potential of forests to reduce poverty in a sustainable manner. Projects that use forest resources or provide environmental services include are to include an assessment of the potential to develop new markets and marketing arrangements for non-timber forest products and related forest goods and services, taking into account the full range of goods and environmental services from well-managed forests.

3.2 Environmental Management System (EMS)

The Client adopts an environmental management system such as the International Organisation for Standardisation's Environmental Management System ISO 14001, with procedures to minimise and monitor the safe transport, storage, use and disposal of chemicals, biological control agents, particulate, smoke, liquid, gas and solid organic and inorganic wastes in an environmentally and socially responsible way. The EMS includes procedures to minimise noise pollution.¹¹ The EMS to include environmental emergency protocols, and monitors conversion efficiencies, minimisation of resource inputs, and use of recycled products. (See Annex 3 for detailed guidance and resources on developing: a Solid and Liquid Waste Management System, Energy Management System, and Water Management System.)

3.3 Forest-based carbon sequestration and storage (CS & S)

Where the Client invests in forest-based carbon sequestration and storage projects, the Client pursues the permanent storage of sequestered carbon as the principle objective of the project, with the provision of social and environmental benefits from the appropriate use of other products and services being encouraged as an important second order objective. (See Annex 3 for full text of WWF's Principles and Criteria for Engaging in Forest-based Carbon Sequestration and Storage Projects.)

4.0 RESPECT FOR LOCAL COMMUNITIES AND INDIGENOUS PEOPLES' RIGHTS

4.1 Human Rights

The Client shall respect and uphold the United Nations Universal Declaration of Human Rights. (See Annex 4)

4.2 Respect for Local Communities and Indigenous Peoples' Rights

The Client is encouraged to comply with ILO Convention 169 Indigenous and Tribal Peoples. In addition, the Client shall ensure that the project:

¹¹ See Annex 3 for examples of policies and procedures to reduce the level of wastes.

- (a) does not infringe the legal and customary rights of local peoples¹² to own, use and manage their lands and resources. Where customary rights are contested, the Client develops a time bound action plan to document and assess claims based on Social Impact Assessment methodologies
- (b) includes measures to strengthen and diversify the local economy,
- (c) provides local peoples with opportunities for employment, and
- (d) does not include activities that damage the health or well-being of local inhabitants.

4.3 Social Impact Assessment (SIA)

The Client commissions a Social Impact Assessment to identify the full range of social impacts and responses to the project by people and institutions. The Client ensures the preparation of the Social Impact Assessment is done in parallel with the preparation of the EIA and the main investment. The Client recognises that in many cases, proper protection of the rights of indigenous people will require the implementation of special project components that may lie outside the primary objectives of the original project. These components can include activities related to health and nutrition, productive infrastructure, linguistic and cultural preservation, entitlement to natural resources, and education.

4.4 Stakeholder Involvement

The Client adopts and implements procedures for regular consultation of local stakeholders and encourages their participation in project decision-making where such decisions affect their livelihoods, and are based on the principle of 'prior informed consent'.

4.5 Involuntary Resettlement

The Client explores all options to avoid involuntary resettlement of local communities and indigenous peoples. In certain cases where resettlement has to occur, the Client consults widely with the local community and indigenous peoples to reach a consensus agreement on appropriate timing, compensation, housing, and other relevant issues.

5.0 LABOUR CODES AND STANDARDS

5.1 Labour Codes and Standards

The Client ensures that responsible labour policies and practices are implemented, monitored and regularly evaluated. The Client provides a written Human Resources Policy clearly stating all labour practices and agreements, and makes this document available to workers in local language(s). At a minimum, the following guidelines are suggested:

- *Child Labour* – The Client does not employ or otherwise engage workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception.
- *Forced Labour* – The client does not use forced labour, including prison or debt bondage labour; or use lodging of deposits or identity papers by employers or outside recruiters
- *Health and Safety* – The Client provides a safe and healthy work environment; takes steps to prevent injuries; provides regular health and safety worker training; implements systems to detect threats to health and safety; and provides access to toilets and potable water. The Client complies fully with ILO Code of Practice on Safety and Health in Forest Work (See Annex 5).
- *Freedom of Association and Right to Collective Bargaining* – The Client respects the rights of employees to form and join trade unions and bargain collectively; and where local law prohibits these freedoms, the Client facilitates parallel means of association and bargaining.
- *Discrimination* – The Client does not discriminate on the basis of race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age. The Client develops policies and procedures to prevent sexual harassment.

¹² The term "local peoples" describes the broad group of people living in or near a forest or plantation, with some significant level of dependence on it. The term includes forest dwellers, indigenous forest-adjacent populations and recent immigrants.

- *Discipline* – The Client does not allow corporal punishment, mental or physical coercion or verbal abuse of workers.
- *Job security*: Workers shall be offered long term job security, and unless otherwise agreed they should be employed on a permanent basis in accordance with ILO Convention 95 The Protection of Wages Convention.
- *Contract Workers*: Wherever possible, conditions of contract workers and regular employees shall be standardised so that they have equal terms and conditions. The Client does not allow contractors to be used to avoid or deny legal rights or obligations.
- *Maternity Leave*: The client complies fully with ILO The Maternity Protection Convention 103 which provides workers with twelve weeks maternity leave from work during which time women are entitled to financial benefits and medical care and cannot be dismissed.
- *Working Hours* –The Client complies with the applicable law but, in any event, limits working hours to no more than 48 hours per week with at least one day off for every seven day period; pays voluntary overtime at a premium rate (not to exceed 12 hours per week on a regular basis); overtime may be mandatory if part of a collective bargaining agreement.
- *Compensation* – The wages paid by the Client for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; there should be no disciplinary deductions, and pay levels should be in accordance with ILO Convention 131 The Minimum Wage Fixing Convention.

6.0 Undemocratic and un-elected governments

6.1 The Client is urged to avoid investing in countries which are extremely controversial or morally out of step with generally accepted international conventions (e.g., Burma/Myanmar). Guidance can be sought by consulting Transparency International's Annual Global Corruption report. (See Annex 1)

Disclaimer – The information contained in this Document is not intended to represent investment advice. The Document does not purport to be a complete description of the organisations, companies, markets or developments to which it refers. The information in the Document has been obtained from sources WWF believes to be reliable, but WWF has not independently verified the information and does not accept responsibility for its accuracy or completeness.

PART THREE - RECOMMENDED BANK OPERATING PROCEDURES

To ensure that the above suggested guidelines are applied correctly to all relevant activities of the Bank, the following procedures are recommended:

- Before offering any new financial services to a Client, the responsible Bank officer will check if this policy is applicable to the Client's request. In case of pre-existing relationships this check has to be performed during the semi-annual or annual review.
- If the responsible officer concludes that this policy is applicable, a social and environmental due diligence procedure is executed, to check whether the above-mentioned conditions for financing are met.
- The Client is to provide all necessary information that allows the Bank to assess whether the conditions of the guidelines are met. When any of the conditions are not met, or if any doubt remains concerning the reliability of the information provided by the Client, the responsible officer shall undertake a Bank approved independent audit of the performance of the Client with respect to environmental and social issues.
- To complement the information provided by the Client, the responsible officer or the Bank approved independent auditor consults with government authorities, local peoples, NGOs and other relevant stakeholders.
- The Bank develops and implements clear procedures on how, during the due diligence procedure, to deal with ambiguity concerning the impacts on the environmental and social qualities of forests as outlined in these guidelines, and when and how to refer the decision to the Bank's risk management committee in case of any doubts.
- Loan documentation should include the conditions set out in these guidelines with an understanding that false declarations of compliance or failure to adhere to the conditions are considered events of default. To ensure the continued compliance of the Client with the Bank's policies, the Bank may request that certain conditions be met in order to approve a financial service. In such cases, these conditions will be included in the written "understandings with the Client". Documented non-compliance and failure to adhere to these conditions or consistent unwillingness by the Client to acknowledge outstanding issues would require significant action to be taken on the part of the Bank to avoid defaulting on the loan.
- In the case of existing relationships which contravene the Bank's policies, the Bank will:
 - request the Client to comply with the Bank's policies and ensure full compliance or measurable progress such as a time-bound action plan to move towards full compliance in the next semi-annual or annual review of the relationship.

PART FOUR - RECOMMENDED BANK GOVERNANCE PROCEDURES

- **Commitment**

The Board of Directors of the Bank will be committed to ensure that compliance with these guidelines is achieved by the entire organisation of the Bank. All exceptions to the guidelines should be approved by Environmental and Social Risk Assessment and a member of the Board of Directors.

- **Accountability**

The accountability for the implementation and monitoring of these guidelines will be the responsibility of a designated member of the Board of Directors of the Bank.

- **Transparency**

The Bank will report to its stakeholders on the implementation of these forest guidelines in such a way that the full scope of progress is represented. Exceptions can be made on specific components, if this is clearly in violation with the need for the Bank to respect the confidentiality of the relationships with its Clients. As part of this reporting, the Bank will elucidate what has been done and will be done with the conclusions and recommendations of the external audits of this policy. The Bank will ask written permission from its Clients to disclose and discuss matters directly relevant to this policy with its stakeholders.

- **Capacity Building**

Recruitment Programme: The Bank will undertake a programme to recruit staff with the specialist skills required to implement, monitor and evaluate these environmental and social guidelines.

Training Programmes: The Bank undertakes training programmes of all personnel involved in the approval processes for financial services to ensure an adequate level of understanding of the guidelines and the ability to apply them appropriately.

Centre of Competence: The Bank will assign one of its units as a 'Centre of Competence' as the responsible officers (e.g. Environmental Risk Assessment Unit) that reports directly to the Board member responsible for oversight of the guidelines.

- **Internal Audits**

The Bank will introduce independent third party audits to verify internal compliance with the guidelines no later than two years after its adoption.

- **Annual Audits**

Annual audits of the Client will be undertaken by an independent third party or by the Bank, to assess compliance with the conditions of these suggested guidelines. The summary results of these audits will be made public. Should the Client be found to be in default of the conditions of its loan facility, this would be considered an event of default.

- **External Audits**

To execute external audits of Clients, the Bank will work out and propose an indicator framework that allows verification of each of the conditions that are part of this policy (and can be used to assess whether the policy objectives are met). Indicators should be specific, measurable, appropriate and realistic. The Bank may seek external advice to elaborate this indicator framework such as WWF Global Forest and Trade Network (GFTN) National Co-ordinators¹³. It is planned that the next version of this document will provide a useful indicator framework.

¹³ A list of GFTN National Coordinators can be found by searching www.panda.org

PART FIVE - TABLE OF ANNEXES

These annexes represent the most current thinking from a range of organisations from around the world on key elements covering: forest management, conservation, environmental management, local communities and indigenous peoples' rights, labour codes, and governance. These appendices are a resource tool and are included as a minimum starting point for financial institutions to use to develop safeguard policies and implement investment screens in their operations.

ANNEX 1 - LEGAL ISSUES

- 1.1** Responsible trade in legal forest products – Draft Guidance Notes (2003, WWF)
- 1.2** Legal logging definition (2003, WWF)
- 1.3** Illegal logging and Forest Crime – Forest Position Paper (2002, WWF)
- 1.4** Business Principles for Countering Bribery (2003, Transparency International and Social Accountability International)
- 1.5** Bribe Payers Index (2003, Transparency International)

ANNEX 2 - FOREST MANAGEMENT AND CONSERVATION

- 2.1** Forest Certification - FSC Principles and Criteria (2002, FSC)
- 2.2** Forest Certification – Forest Position Paper (2002, WWF)
- 2.3** Questionnaire for Assessing the Comprehensiveness of Certification Systems (QACC) (2003, WWF) (Document in development)
- 2.4** Forest Plantations – Forest Position Paper (2002, WWF)
- 2.5** High Conservation Value Forests – Forest Position Paper (2002, WWF)
- 2.6** High Conservation Value Forests – Excerpt from Draft 6.1 WWF Responsible Forest Products Purchasing (2003, WWF)
- 2.7** Forest Protected Areas - Forest Position Paper (2002, WWF)
- 2.8** CITES listed species – Excerpt from Draft 6.1 WWF Responsible Forest Products Purchasing (2003, WWF)
- 2.9** Forest Conversion - Forest Position Paper (2002, WWF)
- 2.10** Genetically Modified Organisms - WWF Position Paper (1999, WWF)
- 2.11** Forest Restoration – WWF Forest Position Paper (2002, WWF)
- 2.12** Responsible Forest Products Purchasing: Practical Guidance for Organisations wishing to follow Best Practice in the procurement of forest products Draft 6.1 (2003, WWF).
- 2.13** Producer Forest and Trade Networks and Producer Groups (2003, WWF)

ANNEX 3 – ENVIRONMENTAL MANAGEMENT

- 3.1** Environmental Impact Assessment (EIA) (2003, Becker and Vanclay) (1998, World Bank)
- 3.2** Environmental Management System (EMS) ISO 14001 Standard (2003, ISO)
- 3.3** Solid and Liquid Waste Management Policy (2001, ABN Amro)
- 3.4** Water Management GRI Pilot Version 1.0 Water Protocol (2003, GRI)
- 3.5** Energy Management GRI Pilot Version Energy Protocol (2002, GRI)
- 3.6** Principles and Criteria engaging in Forest-based Carbon Sequestration and Storage Projects (2003, WWF US)

ANNEX 4 – RESPECT FOR LOCAL COMMUNITIES AND INDIGENOUS PEOPLES

- 4.1** Universal Declaration of Human Rights (1948, United Nations)
- 4.2** Social Impact Analysis (SIA) Framework Assessment (2002, World Bank)
- 4.3** Financial Services Sector Supplement: Social Performance Pilot Version 1.0 (2002, GRI)

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- 5.1** Social Standards for Forest Workers in Forest Certification Application of International Labour Organisation (ILO) Conventions (1999, ILO)
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ANNEX 6 – CORPORATE GOVERNANCE

6.1 OECD Guidelines for Multinational Enterprises (2000, OECD)

6.2 The Equator Principles (2003)

ANNEX 1 - LEGAL ISSUES

- 1.1 Responsible trade in legal forest products – Draft Guidance Notes (2003, WWF)*
- 1.2 Legal logging – Definition (2003, WWF)*
- 1.3 Illegal logging and Forest Crime – Forest Position Paper (2002, WWF)*
- 1.4 Business Principles for Countering Bribery (2003, Transparency International and Social Accountability International)*
- 1.5 Bribe Payers Index (2003, Transparency International)*

▪ 1.1 Responsible trade in legal forest products

Legal compliance with relevant laws and regulations is a key element and basic requirement of responsible forestry operations. Those engaged in forest management must be able to demonstrate that they comply with such laws and regulations relating to land tenure, taxes, Convention on International Trade in Wild Fauna and Flora (CITES), World Heritage Convention (WHC), Convention on Biological Diversity (CBD), and other applicable international agreements.

Those engaged in forest operations must recognise that the illegal trade in forest products undermines all activities to improve forest management standards and therefore are obliged to ensure that all forest products purchased are obtained from legal sources.

Illegal forest acts are substantial and have serious negative economic, environmental, and social impacts. They are common in both developing and industrialized nations, and in all major forest types – boreal, temperate, and tropical. In addition to illegal logging, they include the entire chain of custody from illegal transport, industrial processing, to trade operations, all the way down the line to markets and consumers.

Although the full scale of the problem is not known or quantifiable, it is conservatively estimated that governments, mainly in developing countries, may be losing as much as \$5 billion annually in uncollected revenues from forest concessions, and an additional \$10 billion from illegal logging practices.

1.2 WWF Definition of Legal Logging

▪ Legal Source

Tenure: - the logging contractor/operator is authorised to be there by the proprietor (lease, concession agreements etc are in place)

- property and/or customary rights are respected
- there is no dispute on property/customary rights

All Government required approvals are in place

- harvesting permits/cutting licences
- annual allowable cut permits

Operations meet the requirements and stipulations of the permits

All national and local legislative and administrative processes for tendering, concession and lease processing have been followed.

There are no credible allegations of corruption in the tendering/concession/lease process

▪ Revenue Payments

Stumpage fees and other required revenue payments are paid

Timber extracted corresponds to volumes authorised in the licence/contract (eg no duplicate felling licences).

There is accurate measurement, reporting and declaration of values and volumes extracted/transported

▪ Forest Operations

There is no commercial logging in Protected Areas (IUCN 1-IV)

There is no logging:

- in prohibited zones (e.g. steep slopes, riverbanks and water catchments)
- of protected species
- outside concession boundaries
- of undersized trees

There is no girdling or ring-barking, to kill trees so that they can be legally logged

▪ **Related Forest Crime**

Area logged is secure from other forms of forest damage such as poaching or illegal mining

There is no credible suspicion of transfer pricing irregularities such as:

- inaccurate declaration of purchase prices for inputs such as equipment or services from related companies
- manipulation of debt cash flows to transfer money to subsidiary or parent company, for example by inflating debt repayment to avoid taxes on profits

▪ **Log Transportation**

All timber transported has official documentation

Illegally harvested timber has official authorisation for its transportation

This definition has been prepared based on internationally accepted FAO definitions and input of WWF staff.

1.3 Illegal Logging and Forest Crime – WWF Forest Position Paper

Introduction

The global trade in illegally extracted timber is a multi-million dollar industry. Illegal logging: *occurs when timber is harvested, transported, processed, bought or sold in violation or circumvention of national or sub-national laws.* Although generally portrayed as a problem in tropical forests, illegality also occurs in developed countries and economies in transition. Even those countries that pride themselves on good domestic management are not exempt. Illegal activities have a particularly devastating impact on biodiversity because they often deliberately target remaining pristine forests, including protected areas, which contain the highly valuable hardwood species that have been logged out elsewhere. Forest crime also affects human communities through loss of natural forest resources and sometimes through intimidation and violence. The hundreds of millions of dollars of tax revenues lost around the world as a result of forest crime also has a wider social impact.

WWF believes that illegal logging and other forms of forest crime are part of a larger problem that includes issues of forest governance and corruption. They extend far beyond some individuals violating resource-management laws. WWF uses the term “illegal logging and forest crime” to include both large and small-scale timber theft and a variety of issues such as transfer pricing, breaching tax rules, any illegal aspects of timber sourcing and circumvention of concession agreements through bribery or deception. Poor governance and forest management can also lead to increased access to, and unsustainable utilisation of forests and an increase in activities such as illegal mining, bushmeat hunting and settlement. There is also a whole range of corrupt activities, which has the cumulative effect of reducing effectiveness of governance even if the precise letter of the law is not breached. Up to 65 per cent of WWF’s Global 200 forested ecoregions are threatened by illegal logging. WWF believes that illegal logging and forest crime are best stopped using a combination of existing tools and the development of new policies:

WWF will work with partners, international organisations and governments to:

- Promote improved transparency and enforcement of existing laws. Where necessary encourage amendment or drafting of new legislation and strengthening of implementation
- Promote independent monitoring and auditing schemes such as that provided by the Forest Stewardship Council for forest management and tracking wood products from the forest to the end user
- Encourage consumer countries to provide aid and technical assistance to producer countries to address the root causes of forest crime (including poverty alleviation)

- Support Global Forest and Trade Networks linking buyers and consumers of certified forest products
- Work to build human resource and institutional capacity to plan and manage the forest estate (protected areas, production forests and community-managed forests)
- Assist the implementation of systems for the verification of legal compliance, especially in countries where certification will take some time to develop
- Promote and encourage the use of government public procurement to specify timber and wood products from legal and sustainably managed forests
- Support the adoption of voluntary bilateral trade agreements that ensure the supply of legal timber as a first step in applying responsible procurement policies
- Raise awareness of the social and economic impacts of illegal logging and forest crimes amongst key audiences: governments, business, industry and consumers
- Increase the use of CITES as a tool against timber-related crime
- Engage with financial institutions to ensure adequate forest policy safeguards are in place so that investments do not facilitate illegal logging and forest crime

Source: (2002, WWF)

1.4 Business Principles for Countering Bribery

The Business Principles aim to provide a practical tool to which companies can look for a comprehensive reference to good practice to counter bribery. The NGO Transparency International that developed the principles, hopes that they will become an essential tool and for companies to consider using them as a starting point for developing their own anti-bribery systems or as a benchmark.

Further information: see Transparency International website www.transparency.org

Source: (2003, Transparency International and Social Accountability International)

1.5 Bribe Payers Index

For index and guidance notes see Transparency International's website www.transparency.org

Source: (2003, Transparency International)

ANNEX 2 - FOREST MANAGEMENT AND CONSERVATION

- 2.1 Forest Certification – Forest Stewardship Council (FSC) Principles and Criteria (2002, FSC)*
- 2.2 Forest Certification – Forest Position Paper (2002, WWF)*
- 2.3 Questionnaire for Assessing the Comprehensiveness of Certification Systems (QACC) (2003, WWF)*
- 2.4 Forest Plantations – Forest Position Paper (2002, WWF)*
- 2.5 High Conservation Value Forests – Forest Position Paper (2002, WWF)*
- 2.6 High Conservation Value Forests – Excerpt from Draft 6.1 WWF Responsible Forest Products (2003, WWF)*
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- 2.12 Responsible Forest Products Purchasing: Practical Guidance for Organisations wishing to follow Best Practice in the procurement of forest products Draft 6.1 (2003, WWF)*
- 2.13 Producer Forest and Trade Networks – (2003, WWF)*

2.1 Forest Certification – Forest Stewardship Council (FSC) Principles and Criteria

The FSC's Principles and Criteria (P&C) apply to all tropical, temperate and boreal forests, as addressed in Principle #9 and the accompanying glossary. Many of these P&C apply also to plantations and partially replanted forests. More detailed standards for these and other vegetation types may be prepared at national and local levels. The P&C are to be incorporated into the evaluation systems and standards of all certification organizations seeking accreditation by FSC. While the P&C are mainly designed for forests managed for the production of wood products, they are also relevant, to varying degrees, to forests managed for non-timber products and other services. The P&C are a complete package to be considered as a whole, and their sequence does not represent an ordering of priority. This document shall be used in conjunction with the FSC's Statutes, Procedures for Accreditation and Guidelines for Certifiers.

FSC and FSC-accredited certification organizations will not insist on perfection in satisfying the P&C. However, major failures in any individual Principles will normally disqualify a candidate from certification, or will lead to decertification. These decisions will be taken by individual certifiers, and guided by the extent to which each Criterion is satisfied, and by the importance and consequences of failures. Some flexibility will be allowed to cope with local circumstances.

The scale and intensity of forest management operations, the uniqueness of the affected resources, and the relative ecological fragility of the forest will be considered in all certification assessments. Differences and difficulties of interpretation of the P&C will be addressed in national and local forest stewardship standards. These standards are to be developed in each country or region involved, and will be evaluated for purposes of certification, by certifiers and other involved and affected parties on a case by case basis. If necessary, FSC dispute resolution mechanisms may also be called upon during the course of assessment. More information and guidance about the certification and accreditation process is included in the FSC Statutes, Accreditation Procedures, and Guidelines for Certifiers.

The FSC P&C should be used in conjunction with national and international laws and regulations. FSC intends to complement, not supplant, other initiatives that support responsible forest management worldwide.

The FSC will conduct educational activities to increase public awareness of the importance of the following:

- *improving forest management;
- *incorporating the full costs of management and production into the price of forest products;
- * promoting the highest and best use of forest resources;

*reducing damage and waste; and

*avoiding over-consumption and over-harvesting.

FSC will also provide guidance to policy makers on these issues, including improving forest management legislation and policies.

PRINCIPLE 1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory, and comply with all FSC Principles and Criteria.

1.1 Forest management shall respect all national and local laws and administrative requirements.

1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.

1.3 In signatory countries, the provisions of all binding international agreements such as CITES, ILO Conventions, ITTA, and Convention on Biological Diversity, shall be respected.

1.4 Conflicts between laws, regulations and the FSC Principles and Criteria shall be evaluated for the purposes of certification, on a case by case basis, by the certifiers and the involved or affected parties.

1.5 Forest management areas should be protected from illegal harvesting, settlement and other unauthorized activities.

1.6 Forest managers shall demonstrate a long-term commitment to adhere to the FSC Principles and Criteria.

PRINCIPLE 2: TENURE AND USE RIGHTS AND RESPONSIBILITIES

Long-term tenure and use rights to the land and forest resources shall be clearly defined, documented and legally established.

2.1 Clear evidence of long-term forest use rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.

2.2 Local communities with legal or customary tenure or use rights shall maintain control, to the extent necessary to protect their rights or resources, over forest operations unless they delegate control with free and informed consent to other agencies.

2.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights. The circumstances and status of any outstanding disputes will be explicitly considered in the certification evaluation. Disputes of substantial magnitude involving a significant number of interests will normally disqualify an operation from being certified.

PRINCIPLE 3: INDIGENOUS PEOPLES' RIGHTS

The legal and customary rights of indigenous peoples to own, use and manage their lands, territories, and resources shall be recognized and respected.

3.1 Indigenous peoples shall control forest management on their lands and territories unless they delegate control with free and informed consent to other agencies.

3.2 Forest management shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of indigenous peoples.

3.3 Sites of special cultural, ecological, economic or religious significance to indigenous peoples shall be clearly identified in cooperation with such peoples, and recognized and protected by forest managers.

3.4 Indigenous peoples shall be compensated for the application of their traditional knowledge regarding the use of forest species or management systems in forest operations. This compensation shall be formally agreed upon with their free and informed consent before forest operations commence.

PRINCIPLE 4: COMMUNITY RELATIONS AND WORKER'S RIGHTS

Forest management operations shall maintain or enhance the long-term social and economic well-being of forest workers and local communities.

4.1 The communities within, or adjacent to, the forest management area should be given opportunities for employment, training, and other services.

4.2 Forest management should meet or exceed all applicable laws and/or regulations covering health and safety of employees and their families.

4.3 The rights of workers to organize and voluntarily negotiate with their employers shall be guaranteed as outlined in Conventions 87 and 98 of the International Labour Organisation (ILO).

4.4 Management planning and operations shall incorporate the results of evaluations of social impact. Consultations shall be maintained with people and groups directly affected by management operations.

4.5 Appropriate mechanisms shall be employed for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples. Measures shall be taken to avoid such loss or damage.

PRINCIPLE 5: BENEFITS FROM THE FOREST

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

5.1 Forest management should strive toward economic viability, while taking into account the full environmental, social, and operational costs of production, and ensuring the investments necessary to maintain the ecological productivity of the forest.

5.2 Forest management and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.

5.3 Forest management should minimize waste associated with harvesting and on-site processing operations and avoid damage to other forest resources.

5.4 Forest management should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.

5.5 Forest management operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.

5.6 The rate of harvest of forest products shall not exceed levels which can be permanently sustained.

PRINCIPLE 6: ENVIRONMENTAL IMPACT

Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.

6.1 Assessment of environmental impacts shall be completed -- appropriate to the scale, intensity of forest management and the uniqueness of the affected resources -- and adequately integrated into management systems. Assessments shall include landscape level considerations as well as the impacts of on-site processing facilities. Environmental impacts shall be assessed prior to commencement of site-disturbing operations.

6.2 Safeguards shall exist which protect rare, threatened and endangered species and their habitats (e.g., nesting and feeding areas). Conservation zones and protection areas shall be established, appropriate to the scale and intensity of forest management and the uniqueness of the affected resources. Inappropriate hunting, fishing, trapping and collecting shall be controlled.

6.3 Ecological functions and values shall be maintained intact, enhanced, or restored, including:

- a) Forest regeneration and succession.
- b) Genetic, species, and ecosystem diversity.
- c) Natural cycles that affect the productivity of the forest ecosystem.

6.4 Representative samples of existing ecosystems within the landscape shall be protected in their natural state and recorded on maps, appropriate to the scale and intensity of operations and the uniqueness of the affected resources.

6.5 Written guidelines shall be prepared and implemented to: control erosion; minimize forest damage during harvesting, road construction, and all other mechanical disturbances; and protect water resources.

6.6 Management systems shall promote the development and adoption of environmentally friendly non-chemical methods of pest management and strive to avoid the use of chemical pesticides. World Health Organization Type 1A and 1B and chlorinated hydrocarbon pesticides; pesticides that are persistent, toxic or whose derivatives remain biologically active and accumulate in the food chain beyond their intended use; as well as any pesticides banned by international agreement, shall be prohibited. If chemicals are used, proper equipment and training shall be provided to minimize health and environmental risks.

6.7 Chemicals, containers, liquid and solid non-organic wastes including fuel and oil shall be disposed of in an environmentally appropriate manner at off-site locations.

6.8 Use of biological control agents shall be documented, minimized, monitored and strictly controlled in accordance with national laws and internationally accepted scientific protocols. Use of genetically modified organisms shall be prohibited.

6.9 The use of exotic species shall be carefully controlled and actively monitored to avoid adverse ecological impacts.

6.10 Forest conversion to plantations or non-forest land uses shall not occur, except in circumstances where conversion:

- a) entails a very limited portion of the forest management unit; and
- b) does not occur on High Conservation Value Forests; and
- c) will enable clear, substantial, additional, secure, long term conservation benefits across the forest management unit.

PRINCIPLE 7: MANAGEMENT PLAN

A management plan -- appropriate to the scale and intensity of the operations -- shall be written, implemented, and kept up to date. The long term objectives of management, and the means of achieving them, shall be clearly stated.

7.1 The management plan and supporting documents shall provide:

- a) Management objectives.
- b) Description of the forest resources to be managed, environmental limitations, land use and ownership status, socio-economic conditions, and a profile of adjacent lands.
- c) Description of silvicultural and/or other management system, based on the ecology of the forest in question and information gathered through resource inventories.
- d) Rationale for rate of annual harvest and species selection.
- e) Provisions for monitoring of forest growth and dynamics.
- f) Environmental safeguards based on environmental assessments.
- g) Plans for the identification and protection of rare, threatened and endangered species.
- h) Maps describing the forest resource base including protected areas, planned management activities and land ownership.
- i) Description and justification of harvesting techniques and equipment to be used.

7.2 The management plan shall be periodically revised to incorporate the results of monitoring or new scientific and technical information, as well as to respond to changing environmental, social and economic circumstances.

7.3 Forest workers shall receive adequate training and supervision to ensure proper implementation of the management plan.

7.4 While respecting the confidentiality of information, forest managers shall make publicly available a summary of the primary elements of the management plan, including those listed in Criterion 7.1.

PRINCIPLE 8: MONITORING AND ASSESSMENT

Monitoring shall be conducted -- appropriate to the scale and intensity of forest management -- to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

8.1 The frequency and intensity of monitoring should be determined by the scale and intensity of forest management operations as well as the relative complexity and fragility of the affected environment. Monitoring procedures should be consistent and replicable over time to allow comparison of results and assessment of change.

8.2 Forest management should include the research and data collection needed to monitor, at a minimum, the following indicators:

- a) Yield of all forest products harvested.
- b) Growth rates, regeneration and condition of the forest.
- c) Composition and observed changes in the flora and fauna.
- d) Environmental and social impacts of harvesting and other operations.
- e) Costs, productivity, and efficiency of forest management.

8.3 Documentation shall be provided by the forest manager to enable monitoring and certifying organizations to trace each forest product from its origin, a process known as the "chain of custody."

8.4 The results of monitoring shall be incorporated into the implementation and revision of the management plan.

8.5 While respecting the confidentiality of information, forest managers shall make publicly available a summary of the results of monitoring indicators, including those listed in Criterion 8.2.

PRINCIPLE 9: MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS

Management activities in High Conservation Value Forests shall maintain or enhance the attributes which define such forests. Decisions regarding High Conservation Value Forests shall always be considered in the context of a precautionary approach.

9.1 Assessment to determine the presence of the attributes consistent with High Conservation Value Forests will be completed, appropriate to scale and intensity of forest management.

9.2 The consultative portion of the certification process must place emphasis on the identified conservation attributes, and options for the maintenance thereof.

9.3 The management plan shall include and implement specific measures that ensure the maintenance and/or enhancement of the applicable conservation attributes consistent with the precautionary approach. These measures shall be specifically included in the publicly available management plan summary.

9.4 Annual monitoring shall be conducted to assess the effectiveness of the measures employed to maintain or enhance the applicable conservation attributes.

PRINCIPLE 10: PLANTATIONS

Plantations shall be planned and managed in accordance with Principles and Criteria 1 - 9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits, and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

10.1 The management objectives of the plantation, including natural forest conservation and restoration objectives, shall be explicitly stated in the management plan, and clearly demonstrated in the implementation of the plan.

10.2 The design and layout of plantations should promote the protection, restoration and conservation of natural forests, and not increase pressures on natural forests. Wildlife corridors, streamside zones and a mosaic of stands of different ages and rotation periods, shall be used in the layout of the plantation, consistent with the scale of the operation. The scale and layout of plantation blocks shall be consistent with the patterns of forest stands found within the natural landscape.

10.3 Diversity in the composition of plantations is preferred, so as to enhance economic, ecological and social stability. Such diversity may include the size and spatial distribution of management units within the landscape, number and genetic composition of species, age classes and structures.

10.4 The selection of species for planting shall be based on their overall suitability for the site and their appropriateness to the management objectives. In order to enhance the conservation of biological diversity, native species are preferred over exotic species in the establishment of plantations and the restoration of degraded ecosystems. Exotic species, which shall be used only when their performance is greater than that of native species, shall be carefully monitored to detect unusual mortality, disease, or insect outbreaks and adverse ecological impacts.

10.5 A proportion of the overall forest management area, appropriate to the scale of the plantation and to be determined in regional standards, shall be managed so as to restore the site to a natural forest cover.

10.6 Measures shall be taken to maintain or improve soil structure, fertility, and biological activity. The techniques and rate of harvesting, road and trail construction and maintenance, and the choice of species shall not result in long term soil degradation or adverse impacts on water quality, quantity or substantial deviation from stream course drainage patterns.

10.7 Measures shall be taken to prevent and minimize outbreaks of pests, diseases, fire and invasive plant introductions. Integrated pest management shall form an essential part of the management plan, with primary reliance on prevention and biological control methods rather than chemical pesticides and fertilizers. Plantation management should make every effort to move away from chemical pesticides and fertilizers, including their use in nurseries. The use of chemicals is also covered in Criteria 6.6 and 6.7.

10.8 Appropriate to the scale and diversity of the operation, monitoring of plantations shall include regular assessment of potential on-site and off-site ecological and social impacts, (e.g. natural regeneration, effects on water resources and soil fertility, and impacts on local welfare and social well-being), in addition to those elements addressed in principles 8, 6 and 4. No species should be planted on a large scale until local trials and/or experience have shown that they are ecologically well-adapted to the site, are not invasive, and do not have significant negative ecological impacts on other ecosystems. Special attention will be paid to social issues of land acquisition for plantations, especially the protection of local rights of ownership, use or access.

10.9 Plantations established in areas converted from natural forests after November 1994 normally shall not qualify for certification. Certification may be allowed in circumstances where sufficient evidence is submitted to the certification body that the manager/owner is not responsible directly or indirectly of such conversion.

ANNEX 2

2.2 Forest Certification – Forest Position Paper (2002, WWF)

Forest Certification

Forest certification is a system of forest monitoring, tracing and labelling timber, wood and pulp products and non timber forest products, where the quality of management from environmental, social, and economic perspectives is judged against a series of agreed standards. The key to forest certification is the development of a system that combines auditing forest practices with tracing forest products. Discussions about certification began in the early 1990s. To avoid confusion, and provide an overall system for monitoring and assessing certification systems, the Forest Stewardship Council was established in 1993. The FSC agreed a general set of *Principles and Criteria* in June 1994. Forest certification is thus finishing its first decade of existence. Its proven benefits range from environmental protection to socio-economic improvements.

WWF believes that forest certification is a tool to promote:

- Good forest management that gives weight to social values, environmental conservation and economic benefits

- Conservation of biological diversity in managed forests including High Conservation Value Forests (see separate position paper)
- Mechanisms to ascertain the ownership or use rights for local communities and indigenous people
- Frameworks for resolution of social conflict over utilisation of forest resources
- Transparency of both forest management and the forest products trade
- Provision of a credible guarantee of legal and responsible forest management to forest industries, timber trade, consumers of forest products and other stakeholders (which also has the potential to be instrumental in helping to curb illegal logging)

To date, certification has been carried out mainly in industrial production forests. This has helped to establish recognition of certification processes with a range of stakeholders, whilst providing market benefits to those participating companies.

WWF thinks that it is both desirable and feasible to extend the benefits of certification significantly beyond these industrial production forests, working particularly with community managed forests and those under the control of indigenous peoples.

WWF will work with responsible members of the timber trade and other stakeholders to further advance certification, by:

Striving to widen and strengthen the array of incentives for certification outside direct market benefits (e.g. reinforcement of the rights and values of indigenous peoples)

Promoting the development and implementation of mechanisms to help local and indigenous communities and small forest owners access certification

Supporting the FSC as the only credible system currently available

Carrying out periodic objective evaluations of the FSC and other schemes, thus helping them to maintain and increase their quality and efficiency

Encouraging periodic objective comparisons of all schemes, extracting key messages and communicating them to different audiences

Working at national and regional levels on the development of standards and delivery mechanisms to encourage greater stakeholder participation in discussions on forest management standards

Developing forest certification among a diversity of global regions, forest types and land tenure regimes, including developing countries and economies in transition

* Specific policy papers regarding mutual recognition, the Forest Stewardship Council and PEFC have been prepared.

ANNEX 2

2.3 Questionnaire for Assessing the Comprehensiveness of Certification Systems (QACC)

When completed, documents will be available on the WWF (www.panda.org) and World Bank WWF Alliance websites (www.forest-alliance.org).

ANNEX 2

2.4 Forest Plantations – WWF Forest Position Paper

According to the Food and Agricultural Organisation of the UN (FAO), in 2000 there were 187 million ha of forest plantations in the world, a third in the tropics and two thirds in temperate and boreal zones. The area has increased 17 per cent in the last decade, half from the conversion of natural forests to plantations and half from afforestation or reforestation on previously non-forested lands.

Well-managed and appropriately located plantations can play an important role in healthy, diverse and multi-functional forest landscapes. The plantation industry generates valuable foreign exchange earnings and employment opportunities for producer countries. However timber plantations have often imposed significant environmental and social costs, particularly when they are established through the conversion of natural forests. Indiscriminate forest clearing, uncontrolled burning and disregard for the rights and interests of local communities have been associated with plantation establishment. Unless there are significant changes in policies and practices, in many regions the expansion of plantations will continue to threaten High Conservation Value Forests, freshwater ecosystems, forest dependant peoples and habitats of endangered species.

WWF calls upon the private sector, regulators, financiers and other stakeholders to work collectively to develop and promote adoption of environmentally appropriate, socially beneficial and economically viable practices in the forest plantation industry.

WWF believes that key elements of sustainability within the plantation forest industry are:

- **Maintenance of High Conservation Value Forests:** plantations should not replace High Conservation Value Forests (see WWF separate position paper). This will normally require well-informed negotiations among a wide range of stakeholders to achieve optimal integration of plantations with the mosaic of other land-uses in a landscape.
- **Multi-functional forest landscapes:** Plantations should enhance environmental values by providing corridors between, and buffer zones around natural forest areas.
- **Sound environmental management practices:** the industry should adopt management practices that minimise environmental impacts such as air and water pollution, forest fires, soil erosion, pest invasion and biodiversity loss.
- **Respect for rights of local communities and indigenous peoples:** the industry should recognise legal and customary rights of local and indigenous communities to own, use and manage their lands, territories, and resources. Plantation development should not proceed in areas over which there are unresolved tenure disputes.
- **Positive social impacts:** The industry should maintain or enhance social and economic wellbeing of plantation workers and communities, including strengthening and diversification of the local economy to avoid dependence on plantation products.
- **Proficient regulatory frameworks:** Regulatory frameworks should encourage practices that achieve the desired outcomes. At a minimum, industry participants shall respect all laws of the country in which their plantations and mills are sited. However, responsible behaviour will often require standards of performance that exceed the requirements of local and national laws, especially where regulatory frameworks are underdeveloped or governance is weak. WWF believes that third party certification of good management, to the standards of the Forest Stewardship Council or equivalent, should be a prerequisite of plantation management.
- **Transparency:** the industry should adopt and make public policies, practices and implementation plans pertaining to their social and environmental performance. They should encourage independent, publicly available performance monitoring, involving local stakeholders in both development of standards and performance monitoring.

WWF will work with governments, private companies, financial institutions and civil society organisations to improve plantations by:

- Advocating effective targeting of public funds towards the restoration of multi-functional forest landscapes and away from commercial production-based activities
- Lobbying against socially or environmentally damaging plantations
- Promoting the landscape approach (see separate position paper) to balance trade-offs between intensive wood production and other forest goods and services.
- Identifying a common vision for the future of plantations via the establishment of an independent, multi-stakeholder plantations commission

ANNEX 2

2.5 HIGH CONSERVATION VALUE FORESTS – WWF FOREST POSITION PAPER

High Conservation Value Forests (HCVFs) are defined by the Forest Stewardship Council as forests of outstanding and critical importance due to their high environmental, socio-economic, biodiversity or landscape values. WWF is developing and extending the HCVF concept in its wider protect-manage-restore programme. HCVFs comprise the crucial forest areas and values that need to be maintained or enhanced in a landscape. HCVFs are found across broad forest biomes (tropical to boreal), within a wide range of forest conditions (largely intact to largely fragmented), and in ecoregions with complete or under-represented protected area networks. HCVFs could be old-growth forests in Siberia, habitats of threatened orangutans in Southeast Asia or the sacred burial grounds of a North American First Nations people. Although originally designed as a tool to help certification, the HCVF concept is being extended to more general conservation planning including the design of representative networks of protected areas and buffer zones.

The identification of HCVFs requires a multi-scale approach. First a rapid assessment and mapping of *potential* HCVF areas is made at a global or continental scale, based on indicators of biologically or environmentally important forest values that can be mapped at this broad scale. Next, these areas are further refined within ecoregions and a more detailed investigation within a given landscape delineates *actual* HCVFs, including local stakeholder consultation to identify forests that meet community needs and maintain cultural identity, and scientific research to identify biologically important forest stands and those critical for maintaining ecosystem functions and populations of endangered species.

WWF believes the first priority is to ensure that HCVFs are adequately represented in protected area systems. In practice, many HCVFs will continue to be managed outside protected areas and here approaches will vary – e.g. enhanced management or long-term "no-cut" reserves – but should always aim to maintain HCVF values. In regions where the forest is largely degraded, HCVF management should be consistent with a forest landscape restoration strategy (see separate WWF position paper) that addresses ecological, social and economic objectives. Two principles are paramount: (1) HCVFs are managed to *maintain the attributes that are of high conservation value*, and (2) management employs the *precautionary principle*, which requires that where the effects of extraction and other management are unknown, values are insured through a cautious approach.

WWF calls on producers, retailers and investors in the forestry, agricultural, mining and petroleum sectors and governments to ensure that their business activities do not promote the clearing or degradation of HCVFs.

WWF will work with partners to identify and protect HCVFs by:

- Developing tools for identification of HCVFs that are applicable around the world, particularly through pilot projects and dissemination of the lessons learned
- Developing tools and activities for the adequate protection of HCVFs that are applicable around the world
- Working with the Forest Stewardship Council in developing detailed guidance on the application of FSC's Principle 9 that covers HCVF

- Co-ordinating with other organisations, so that a HCVF approach can integrate conservation agendas
- Working to ensure, where appropriate, that development of the HCVF concept is coordinated between interested organisations
- Further developing the concept of HCVFs as a useful guide for fulfilling ecologically friendly procurement policies for forest products
- Promoting and helping to apply the HCVF concept with forest managers and forest management certifiers in selected ecoregions

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2.6 High Conservation Value Forests

All forests contain certain environmental and social values, such as wildlife habitat, watershed protection or an archaeological site. Where these values are considered to be of outstanding significance or critical importance, the forest can be defined as a High Conservation Value Forest (HCVF).

A HCVF may be a small part of a larger forest, for example a riparian zone protecting a stream that is the sole source of supply of drinking water to a community or a small patch of a rare ecosystem. In other cases, the HCVF may be the whole of a forest management unit, for example, where a forest contains several threatened or endangered species that range throughout the forest.

Any forest type – boreal, temperate or tropical, natural or plantation can potentially be a HCVF, because HCVF designation relies solely on the presence of High Conservation values within the forest.

HCVFs are those that possess one or more of the following attributes:

- Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution or abundance.
- Forest areas that are in or contain rare, threatened or endangered ecosystems.
- Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).
- Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).
- Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

There is no single, authoritative list of High Conservation Value Forests available for global reference. In some countries and regions the process of assessment and identification is advanced, in other countries it may take a decade to reach this level. Responsible purchasers need to be aware of the issue and to be prepared to act responsibly through a flexible approach to the issue.

Armed with a transparency in the supply chains, a responsible purchaser should be able to identify potential areas of concern through research or dialogue with stakeholders. When potential or commonly accepted High Conservation Value Forests are identified in the supply chain, there are a number of options:

- 1) Re-source the material from a less controversial source
- 2) Begin a dialogue with the forest management to seek forest certification (ideally encouraging the forest manager to join a WWF Producer FTN if one exists in the region).

A practical way of beginning to assess whether forests may or may not be of high conservation value is to use the **Protected Areas** categories developed by IUCN (The World Conservation Union). Whilst not exclusively developed for forest assessment, the key headings indicate the type of conditions likely to qualify as HCVF and therefore worthy of further investigation. If the category headings below describe your forest sources, you may be sourcing from an HCVF.

Source: (2003, WWF)

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2.7 Protected Areas

IUCN defines a protected area as an area of land and/or sea especially dedicated to the protection and maintenance of biological diversity, and of natural and associated cultural resources, and managed through legal or other effective means. Under the IUCN definitions, the objective of protection must be the maintenance of biodiversity and natural resources, and there must be an explicit legal or social basis for protection activities. Multiple-use sites that combine attraction, recreation, and nature conservation can qualify, but 75% or more of the area included must be managed primarily for conservation purposes. Non-consumptive and low-intensity uses are compatible with some categories within the IUCN scheme (e.g. Category V and VI designations), but sites such as forest plantations managed primarily for timber production would not qualify. IUCN has defined a series of protected area management categories based on management objective.

Full definitions and the full text is available from: <http://www.iucn.org/themes/forests/6/notitle.html>

Protected Area Categories:

CATEGORY Ia: Strict Nature Reserve: protected area managed mainly for science.

CATEGORY Ib: Wilderness Area: protected area managed mainly for wilderness protection

Category I sites are typically remote and inaccessible, and are characterised by being 'undisturbed' by human activity. They are often seen as benchmark, or reference sites, and access is generally restricted or prohibited altogether. They range in size from vast areas to very small units (typically a 'core' of a larger protected area). Selection should be on the basis of quality and significance.

CATEGORY II: National Park: protected area managed mainly for ecosystem protection and recreation.

Category II covers National Parks and equivalent reserves. Category II sites are characterized by the experience of 'naturalness'. While managed to protect ecological integrity, Category II sites tend to serve to facilitate appreciation of the features protected, and typically include provisions for human visitors. Selection should be on the basis of representativeness and/or special significance, and sites should be large enough to contain one or more (relatively intact) ecosystems.

CATEGORY III: Natural Monument: protected area managed mainly for conservation of specific natural features.

Category III covers areas that are typically not of the scale of Category II sites, but can be important as protected components within a broader managed landscape for the protection of particular forest communities or species. Selection should be on the basis of the significance of the features, and should be of a scale that protects the integrity of that feature and its immediately related surroundings.

CATEGORY IV: Habitat/Species Management Area: protected area managed mainly for conservation through management intervention.

Category IV covers areas managed mainly for conservation through management intervention; habitats and other features may be manipulated to enhance the presence of species or

communities of species, through, for example, artificial wetlands or the cultivation of preferred food crops. Category IV sites do not include production units primarily for exploitation, such as forest plantations. Category IV sites should be selected on the basis of importance as habitats to the survival of species of local or national significance, where conservation of the species or habitat may depend upon its manipulation.

CATEGORY V: Protected Landscape/Seascape: protected area managed mainly for landscape/seascape conservation and recreation.

Category V areas are characterized by a long-term socio-ecological interaction commensurate with high biodiversity values. Category V areas should be selected on the basis of diversity of habitats of high scenic quality combined with manifestations of unique or traditional land-use patterns and opportunities for public enjoyment through recreation and tourism.

CATEGORY VI: Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems.

Category VI areas are characterized by predominantly unmodified 'natural systems' that are managed to provide both maintenance of biological diversity and a sustainable flow of natural products and services. The expression 'natural system' can be interpreted many different ways. For purposes of the IUCN categories it can be taken to mean 'ecosystems where since the industrial revolution (1750) human impact (a) has been no greater than that of any other native species, and (b) has not affected the ecosystem's structure. Climate change is excluded from this definition.' For an area to qualify for Category VI designation, not only must the site meet the definition of a protected area, but at least two-thirds of the site should be, and is planned to remain, in a natural condition. Large commercial plantations must not be included, and, as in all categories, a management authority must be in place. Category VI sites should also be large enough to absorb sustainable resource uses without detriment to the sites' overall long-term natural values.

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2.8 Convention On International Trade In Endangered Species Of Wild Fauna and Flora (CITES)

CITES is the global response to concern over the trade of endangered species. CITES was enacted in 1975 and currently 160 countries have ratified this treaty. CITES regulates trade in live animals, animal parts, ornamental plants, medicinal plant parts, and timber species. CITES seeks to identify threatened species and create increasingly strong legal barriers to their harvest and trade depending on their conservation status.

What Timber Species are Endangered or Threatened?

CITES lists threatened or endangered wood species under three classifications (known as Appendices). The stringency of these appendices varies depending on the extent to which the species is threatened with extinction. The CITES listing includes species that are traded for wood products, traded for medicinal purposes, and are rare, but not commercially traded. The species listed below are those that are traded most often in the international wood products market.

CITES Appendix I: Species in this list face an imminent threat of extinction and are banned from all international commercial trade. Trade is permitted for artificially grown species, products that were created before the species was added to the list, and for scientific purposes. However, permits are required from both the exporting and importing countries to verify that the species was obtained legally.

Alerce (*Fitzroya cupressoides*)
Brazilian rosewood (*Dalbergia nigra*)

CITES Appendix II: International trade in these species is allowed as long as the country of origin issues documents ensuring that the listed species' harvest was legal and not detrimental to its survival. These species should be used only when accompanied by a valid chain of custody certificate ensuring that they come from an independently certified well-managed forest. The species listed in Appendix II include:

Afrormosia (*Pericopsis elata*)
Lignum vitae (all species of *Guaiacum*)
Cuban mahogany (*Swietenia mahagoni*)
Bigleaf mahogany (*Swietenia macrophylla*)

CITES Appendix III: A voluntary mechanism that any country may invoke simply by verifying that its exported specimens were legally harvested. Once a species is listed (by any country) on Appendix III, all exporting countries are required to issue a certificate of origin with shipments of that species; export permits are required only if a country has included the species on Appendix III.

Almendra (*Dipteryx panamwensis*)
Spanish Cedar (*Cedrela odorata*)
Ramin (*Gonystylus spp.*)

CITES Appendix I listed species should be avoided, only exceptional circumstances allow trade in these species. For CITES Appendix II and III species a degree of caution must be exercised. Firstly, there is a legal obligation on any importer and trader in these species. The obligation here ensures that all imports and trades are registered with the relevant authorities. Penalties are often large for failing to register imports of Appendix II & III species.

The second question concerns the endangered nature of these species. Whilst trade may be legal, it is important to recognise that in many cases it is trade that has led to these species requiring close monitoring. CITES listed species are subject to being removed from trade (moving to Appendix I or reduction in quotas) so in many cases do not guarantee long term availability.

Best practice with CITES species would be to explore alternative species except where credibly certified (and suitably documented) sources exist.

Source: (2003, WWF) Draft 6.1 Responsible Forest Products Purchasing: Practical Guidance for Organisations wishing to follow Best Practice in the Procurement of Forest Products.

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2.9 Forest Conversion – WWF Forest Position Paper

During the last twenty years of the twentieth century, 300 million hectares of tropical forests were converted to non-forest land-uses worldwide. The conversion of forests to other land uses imposes severe environmental and social costs due to the ecological impacts of clearance, uncontrolled burning, and disregard for the rights and interests of local or indigenous communities. Without significant changes in policy and practice, the process of forest conversion is likely to continue at a rapid rate and pose a major threat to High Conservation Value Forests (HCVF – see WWF separate position paper), freshwater ecosystems, livelihoods of forest dependant peoples and habitats of endangered species such as elephants, rhinos, tigers and great apes. Reduction of wildlife habitat leads to increased human-wildlife interaction and conflict.

WWF defines forest conversion as a continuous process of forest degradation, leading from natural forests over one or several steps to the replacement of forests by other forms of land use, such as plantations, agriculture, pasture, mining and urbanisation. The driving forces behind forest conversion vary and are

often interrelated. Among the most important are: the fact that forests are not valued for the long-term benefits that they provide, and that conversion often costs very little money. This creates incentives to log and sell the valuable timber out of forests and then convert the degraded forest land to more profitable land uses rather than to undertake sustainable forest management. Non-existent or insufficient landscape planning procedures and lack of guarantee of land ownerships and tenure rights often set the ground for uncontrolled and unwanted forest conversion processes.

WWF believes that forests are amongst the most diverse and valuable ecosystems around the globe. They provide a wide range of products and benefits for humans and nature that can rarely be substituted through other means. Therefore in general every effort should be made to prevent any forest, but especially HCV Forests from, being converted. WWF recognizes that under certain conditions planned and targeted conversion can be beneficial or necessary to reach specific goals of public interest without endangering the overall functionality of forests. Where conversion is planned the following conditions shall be fulfilled:

- Identified High Conservation Value Forests should not be affected by any forest conversion
- At a minimum, conversion must not contribute in any way to the extinction of species, or to the loss of significant subpopulations of an endangered species
- The total forest cover within a country or region should not be below an agreed long-term goal described in a National Forest Programme or planning documents developed through a multi-stakeholder process
- There should be proven and agreed public interest and benefits from the new land-use, that surpasses public interest in forest conservation
- There should be a transparent planning process on a landscape level, involving all relevant stakeholders
- Independent environmental and social impact assessments should be conducted and the necessary measures to prevent negative impacts of the conversion implemented

WWF will work together with governments, public and private institutions and other partners towards the elimination of unplanned and damaging forms of conversion to safeguard biodiversity and social values by:

- Calling for transparent planning processes to achieve an optimal distribution of natural forests, plantations, agricultural areas, urban areas and other land-uses in a given landscape. This includes well-informed negotiations among a wide range of stakeholders to balance ecological, social and economic dimensions of natural resource use across the landscape
- Enforcing adequate safeguards that recognize and guarantee the legal and customary rights of indigenous peoples and rural population to own, use and manage their lands, territories, and resources
- Engaging with financial institutions and market actors in forest conservation and lobbying for the elimination of policy incentives that contribute to forest conversion and forest destruction

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2.10 Genetically Modified Organisms – WWF Position Paper (1999, WWF)

WWF's mission is to conserve nature and ecological processes, and to address this in a way which benefits human needs and livelihoods. WWF therefore recognizes the potential value to society arising from the new opportunities provided by the developing science of Genetically Modified Organisms (GMOs), especially for medical application. However, WWF is concerned about the potential dangers involved in releasing GMOs into the general environment through agriculture.

The natural evolution of biodiversity is an ongoing process which has taken place for a few billion years. It has involved natural selection, the interactions between species and the development of the niche of each species leading to communities of different species of plants and animals with interrelated roles and dependencies. Evolution ensures that each species optimizes its "fit" within the broader community of organisms where it occurs. Different species are adapted to different conditions. Some are very sensitive to minor changes in these conditions, or competition from other species. The adaptability of a species depends on genetic diversity. Intensive "breeding", as in GMOs, involves artificial selection of desired traits, which results in a great reduction of genetic diversity.

The introduction of new species, or alien genetic material, can trigger changes in species' adaptability and relationships, altering the natural balance and affecting established ecosystem processes which are essential to a stable environment. Natural systems are losing biodiversity, and hence genetic material, at a higher rate than ever before. The release or escape of GMOs into the general environment further threatens the declining natural resource.

A major cause of biodiversity loss over recent decades has been the intensification and extensification of agricultural production of a few crop species. WWF has addressed this through work with communities and agencies to identify more sustainable production methods. The application of GMO technology to agricultural crops and animal breeding may bring short-term opportunities but is also a threat to sustainable agriculture and biodiversity. Release of GMOs into the general environment takes place through genetically modified crops or release and escape of farm animals, including fish.

The use of genetically modified crops for insect pest or drought tolerance, may bring some benefits in some areas, but it can bring negative impacts on ecological processes and the ecological sustainability of agriculture, and on economic and social factors. For instance, where crops are modified to tolerate herbicides, chemicals are often used more freely; insect resistance in plants can lead to the death of beneficial insects on contact with these crops. Other effects include transfer of resistance to wild species which can then become pests and increase damage to other crops. This can in turn impact on the viability of sustainable subsistence farming through a shrinking genetic base, increased vulnerability, increased dependence on capital-intensive inputs, and concentration of market power and intellectual property rights.

The development of GMOs is much more than a greatly accelerated form of microbial, plant and animal breeding which relies on natural reproductive processes. It can create novel life forms and has the potential to do so at a rate unparalleled in Earth's history, and in a manner not controlled by, or within the reach of, natural selection. Conventional breeding produces new strains of organisms, some of which may affect native wildlife. In contrast, GMO techniques, which involve incorporating new combinations of genes into crops and livestock, can bring greater risk to biodiversity through impact on ecological interdependencies. Associated changes in land use and management can also have an impact. In addition, widespread use of GMOs will increase depletion of natural intraspecific genetic variation – that is, reducing the genetic variability in biodiversity. This in turn may adversely affect species "fitness".

These issues are further spelt out in "Background Paper on the need for a Biosafety Protocol as part of the Convention on Biological Diversity" (WWF International, 1995).

For the present, WWF wishes to see a strong precautionary approach to the use and release (or escape) of GMOs into the wild. The science is still very new and it is apparent that much ecological research needs to be done before this technology moves from the laboratory into standard practice.

WWF seeks:

- a moratorium on use or release of GMOs into the general environment until ecological interactions are fully researched and safeguards put in place;

- transparent, comprehensive environmental impact assessment of planned releases into the environment, to include consideration of the impacts of changing crop management practices, as well as the invasion of natural and semi-natural habitats or competitive displacement of native species by transgenic plants and animals;
- avoidance of additional impacts through genetic modifications which:
 - facilitate or stimulate greater use of chemicals;
 - harm pest controlling and other locally beneficial insects associated with crops;
 - lack safeguards against gene flow into native organisms;
 - use artificially constructed genes (whose effects are harder to predict and control);
- Control of gene technology, including government regulation and the establishment of independent statutory authorities, scientific and community assessment, and effective monitoring of the use and spread of GMOs, including effects on different habitats and species, and on human health and livelihoods;
- Recognition of the role of traditional knowledge in crop breeding and appropriate benefit sharing.

WWF will:

- alert governments, aid agencies, industry and the public to both good and bad practices as it impacts on WWF's mission to protect and enhance the environment and sustainable livelihoods;
- support moratoria on the use and release of GMOs in crops until there is wide consensus that research on ecological impacts has been completed and evaluated, and risks identified to being acceptably low;
- support calls for ecolabelling to promote consumer awareness and informed decision-taking.

Source: (1999, WWF)

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2.11 Forest Restoration – WWF Forest Position Paper

Despite its value to humanity, over 50 per cent of the world's original forest cover has disappeared. From 1990 to 2000 the UN Food and Agriculture Organisation estimated that forests were lost at a net rate of 9.4 million ha/year, with actual deforestation reaching 16 million ha/year. In addition, the quality of much of the remaining forest is declining rapidly.

WWF believes that, with millions of people depending on forest goods and services –food, fuelwood, medicinal plants, fodder and drinking water – these losses pose serious developmental as well as environmental problems. WWF, working with IUCN through the "Forests Reborn" project, has identified the need not only to protect and manage but also to restore forests. As a result WWF has adopted a target on "Forest Landscape Restoration" (FLR). Contrary to some traditional approaches to forest regeneration, FLR aims to do more than simply to increase forest cover.

Forest Landscape Restoration is defined as: "*a planned process that aims to regain ecological integrity and enhance human well-being in deforested or degraded forest landscapes*". It focuses on re-establishing functions and key ecosystem processes across a whole landscape rather than at just planting or restoring individual sites. As such, Forest Landscape Restoration looks at a mosaic of land uses including agricultural lands and forest types ranging from plantations to natural forests. It might for example be used to help buffer a small and isolated protected area by re-establishing trees on surrounding land that, whilst having a range of social or commercial functions, could also help support native biodiversity. The key principles of Forest Landscape Restoration are that it:

- Is implemented at a landscape scale rather than a site
- Has both a socio-economic and ecological dimension

- Implies addressing the root causes of degradation and poor forest quality (such as perverse incentives and inequitable land tenure)
- Opts for a package of solutions, which may include practical techniques – such as agroforestry, enrichment planting and natural regenerations at a landscape scale – but also embraces policy analysis, training and research
- Involves a range of stakeholders in planning and decision-making to achieve a solution that is acceptable and therefore sustainable
- Involves identifying and negotiating trade-offs

WWF has therefore adopted a target to “*undertake at least 20 forest landscape restoration initiatives in the world’s threatened, degraded or deforested regions, to enhance ecological integrity and human well-being by 2005*”. WWF believes that given the scale of Forest Landscape Restoration and the fact that we are trying to re-orientate thinking, planning and financing of afforestation and reforestation activities towards FLR, we need to focus on sharing lessons learned and on mobilising new partners.

WWF will work with governments, international organisations and communities to pursue its work on Forest Landscape Restoration, by:

- Working with IUCN and other international organisations to promote FLR
- Developing case studies that exemplify the goals and methodology of FLR, building on existing projects that may currently satisfy some but not all the principles of FLR
- Documenting, exchanging and disseminating lessons learnt and experiences on FLR
- Addressing Forest Landscape Restoration issues that relate to human well-being
- Building local capacity to undertake Forest Landscape Restoration
- Initiating and facilitating FLR projects within WWF’s Ecoregion Action Programmes and with other Target Driven Programmes (e.g. freshwater and climate change)
- Developing suitable monitoring tools and techniques to measure progress on FLR
- Working with governments to eliminate economic, financial and/or policy incentives that contribute to forest loss or degradation

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2.12 Responsible Forest Products Purchasing: Practical Guidance for Organisations wishing to follow Best Practice in the Procurement of Forest Products.

This guide is being developed by the WWF Global Forest and Trade Network (GFTN) (see following section for explanation of GFTN) for use by organisations wishing to develop or extend a responsible purchasing programme for forest products procurement. The guide will clearly lay out a generic approach for adoption of such a policy and associated procurement programme.

It indicates the various ways in which purchasing organisations can demonstrate compliance with best practice and ultimately with their own procurement policies. It is based on tried and tested mechanisms and experience in developing and realising more responsible forest products procurement.

WWF GFTN advocates a stepwise approach to responsible forest products purchasing recognising that such a commitment takes time to develop to become effective. A number of stepwise approaches have developed by organisations, this document draws together the common themes combined with WWF GFTN’s own insight and experience.

The guide is currently undergoing final revision and when complete will be made available (January 2003) on the WWF International’s website www.panda.org

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2.13 The Global Forest and Trade Network (GFTN) and Producer Groups

The GFTN was initiated by WWF as in response to the growing interest of many corporate leaders who no longer want to risk contributing to the degradation and destruction of the world's forests. Instead, they want to promote sustainable use of these resources. The GFTN promotes partnerships between non-governmental organisations and companies to improve the quality of forest management worldwide. The GFTN views independent, multi-stakeholder-based forest certification as a vital tool in this process.

With certified timber now established in key markets, demand now exceeds the production capacity of certified forests. The GFTN is therefore helping to establish networks specifically for producers. These will employ two complementary principles of action. The first is a step-wise approach to improved forest management and certification. The second involves the design of strategic marketing initiatives between committed producers and buyers. Support will extend to both industrial level operations and small-scale community concerns.

Producer Group Toolkit - Introduction and Overview

The Producer Group Toolkit provides a resource for anyone planning, setting up or running a Producer Group. It aims to be as complete as possible, but must always be used in conjunction with other Global Forest and Trade Network (GFTN) and WWF documentation. This will be particularly important during the first half of 2003 while the review process within the GFTN is finalised and changes and revisions are made to the GFTN global requirements and procedures.

There are three key areas which are covered by the Toolkit:

- The services which Producer Groups provide to Partners and Observers.
- The requirements and systems which must be implemented by groups which wish to become Producer Groups within the GFTN.
- The requirements which must be met by forest organisations or processors wishing to become Producer Group Partners or Observers.

The Toolkit currently contains a range of information and guidance, but it is important to note that, pending the final outcome of the GFTN global review currently underway:

- there are still some areas where requirements or procedures have not yet been clarified or finalised.
- there is no 'rulebook' or definitive set of requirements underpinning the Toolkit at present. As soon as the review process has been finalised, this will need to be developed as a matter of priority, either in the form of a revised GFTN Charter or through development of a similar document.

The Producer Group Toolkit consists of many individual sections. The reason for using this format is twofold:

- Firstly, it is expected that there will be regular changes and updates to various sections as more experience is obtained of running Producer Groups in practice. Each section can be individually updated without affected the rest of the document. For example, it is expected that information on market linkages will be substantially improved during 2003, while the MIV document is expected to be complete by May 2003.
- Secondly, some sections such as the requirements for Partners and Observers may be used regularly in the public domain, whereas other sections which relate to the internal structure of a Producer Group, or provide guidance on setting the group up, will be used mainly by Producer Group managers and other GFTN staff.

It is likely that the Toolkit will need a full review at the end of 2003 or early in 2004 to incorporate all the early practical experience of Producer Groups and to ensure consistency with global GFTN requirements.

The Development of Producer Groups

During the ten years which followed the establishment by WWF of the first forest products 'Buyers Group' (e.g., the WWF 95 Group in 1990), forest certification and its use as a tool for those involved in the trade of wood and paper products grew steadily in importance. By the end of the decade the original Buyers Group had grown into the WWF Global Forest and Trade Network (GFTN), a network of national or regional groups, now called Forest and Trade Networks (FTNs) covering most of western Europe and north America.

The GFTN, through these national groups, had several hundred members, most of them companies increasing the proportion of products they traded coming from certified forests. Despite this success, those running the GFTN were also aware that many problems still existed. One of the most important and challenging of these was the failure of certification to make much progress in the tropics and in some other countries with large remaining forest areas such as Russia. This had two negative consequences:

- **For WWF** the main reason for establishing the GFTN was as a tool for contributing to the WWF target of improving the management and protection of key forest ecosystems throughout the world. The failure to introduce certification as a tool for better forest protection and management in many important regions left these critical forests vulnerable to mismanagement and destruction to feed demand for forest products.
- **For GFTN members**, the lack of availability of certified products from many tropical and boreal countries and regions prevented them from meeting their commitments and targets to increase the proportion of products coming from certified forests. In addition, for many members an important reason for membership of an FTN was to minimise the risk of bad environmental publicity. However, continuing to buy uncertified products from tropical and old-growth boreal forests is very high risk.

Therefore, it was clear that the GFTN needed to address the issue of lack of progress with certification in many regions. The first step in this process was to understand why progress had been so poor. Two issues quickly became apparent.

Firstly, much of the focus of the GFTN had been on driving the demand for certified wood and paper products, with relatively little focus on supporting the production and supply side. As a result, many forest managers had been faced with demands for certification without any additional information or support.

Secondly, in many of the countries where progress was slow, a number of common factors could often be found:

- the gap between current levels of forest management and those required for certification are large making the process of improvement a long, complex and often costly one;
- resources such as trained staff, consultants and information are often scarce making the barriers to improvement greater;
- lack of clear market links means that there is little or no incentive for improvement for forest managers until they reach the point of certification.

In response to these findings, the GFTN began to discuss how to address the problem and the concept of Producer Groups was born. These Groups would serve two purposes:

- Firstly, they would allow the GFTN to focus on developing support and services specifically aimed at supporting primary producers and processors.
- Secondly, they would provide a framework for introducing stepwise or phased approaches to both the implementation of forest management standards, thereby addressing the barriers faced by forest managers, and the verification of improvements made, thereby providing a tool for purchasers seeking to support improvement towards certification.

Early discussions with stakeholders, ranging from buyers in Europe to forest managers in the tropics, as well as NGOs and governments, indicated overwhelming support for the outline concept. Therefore, with support from the WWF-IKEA Partnership project, the concept of Producer Groups was further developed within the GFTN.

Overview of Producer Groups

Producer Groups are Forest and Trade Networks (FTNs) focus specifically on the challenges and needs of producers, both forest managers and primary processors. Producer Groups are a part of the GFTN network and will work within the framework of GFTN goals and requirements, exactly like any other FTN. However, most of the services they offer will be specific to the needs of producers.

Most Producer Groups will have two categories of involvement:

Partners will be the core of the group. They will sign an MoU with the Producer Group which commits them to meeting a series of requirements while also allowing them access to services and providing the right to communicate their involvement with the group publicly.

Observers will be companies which, though interested in improving, are not yet ready to commit to the full set of Producer Group requirements. They will still have access to many Producer Group services, but will not be allowed to make any claims or communications about their involvement.

This ensures that Producer Groups can work with any company interested in improving, but only provides the benefit of public association with the group to those prepared to make significant commitments to improvement.

Requirements to become and remain a Producer Group Partner

The basis of the requirements to become and remain a Producers Group Partner will be to make a commitment to real improvement resulting in full certification within an agreed timeframe.

Forest organisations

The mechanism for ensuring that forest organisations meet the requirement that progress to certification within an agreed timeframe is delivered in practice is shown schematically in Figure 2.1.

Baseline audit or assessment: the process begins with a baseline assessment to provide the forest organisation with accurate information on where it meets the standard, and where there are gaps.

Action Plan: based on the results of the baseline assessment, an Action Plan must be developed showing in detail how the necessary improvements will be made including the resources needed, responsibility, interim targets and the timeframe. In many cases the plans for improvement and the Action Plan will be based on Modular Implementation and Verification (MIV), a tool being developed to support phased approaches to certification.

Independent verification: the adequacy of the Action Plan and the baseline assessment on which it is based must be independently verified by an auditor approved by the GFTN. This will provide independent confirmation that the information forming the basis for becoming a Producer Group Partner is accurate.

Memorandum of Understanding (MoU): Based on the 'Verification Statement' issued by the independent auditor, an MoU can be signed between the Producer Group and the new Partner, valid for 12 months.

Annual audit of progress: prior to the expiry date of the MoU, the Partner must have an audit, carried out by a GFTN-approved independent auditor, to confirm that the progress set out in the Action Plan has been achieved in practice. If progress is adequate, a new Verification Statement is issued.

Renewal of MoU: once a new Verification Statement is submitted, the Producer Group manager can produce a new MoU, again valid for 12 months.

Processors

The mechanism for processors will be similar to that for forest managers, except that instead of phased implementation of the requirements of a forest management standard, the processor Partner will need to achieve a phased increase in the proportion of products traded which are from sources which are legal, Producer Group partners or certified.

The exact requirements for independent verification will be finalised during 2003 to ensure consistency with requirements being formulated for the GFTN globally.

Services

The services offered by a particular Producer Group will vary depending on the type of member and the type of forest management and processing in the region. The main services are summarised below.

Forest manager members

Information and training on certification. One of the most common barriers to implementing standards in practice and obtaining certification is a lack of information on what is required. Information and training is likely to include:

- forest management standards – what do the standards require, how does this relate to what is already being done, how can the requirements for responsible forest management in the standards be implemented.
- certification – what it is, how does it work, how much does it cost, how to get involved in the process

Market linkages and access to markets for certified forest products. As discussed above, a very important function of Producer Groups will be to support the development of incentives for forest managers and processors undergoing a process of improvement. Market linkages will be a critical part of this. At the same time, if forest manager members attain certification, it is critical they find markets for their certified products.

Training and capacity building on implementing Responsible Forest Management (RFM).

Where members' forests are not yet certified, the Producer Group may want to provide active training and support to help them implement RFM and attain certification. This may be done directly by the Producer FTN, or, more frequently, will be provided in collaboration with existing projects or organisations such as donors, NGOs, government or consultants.

Small-scale and community forest enterprises. In many countries, small and community forests and small-scale forest products enterprises are very important both socially and economically, but are often excluded from certification, both in the forest and for chain of custody, because of the complexity involved. Therefore, many Producer Groups may have a special service explicitly designed to meet the needs of these small forest enterprises (group certification, group CoC, co-operative marketing etc) and help lower the overall costs of certification.

Engaging in policy debates. In some countries laws or government policy make RFM and certification difficult, and Producer Groups may wish to engage in the policy debate on behalf of members. A particular subsection of this may be advocacy specifically addressing the needs of small and community forest enterprises.

Processors

Information and training. Primary processors need information on both forest certification and on implementing and achieving chain of custody certification.

Publicity for the Producer Group and members. It is important for members of Producer Groups to have their efforts to move towards responsible forest management recognised both nationally and internationally. Producer Groups will provide publicity materials about the group, explaining what the group and its members represent. It is also essential to ensure that any claims made by members are accurate, verifiable and do not undermine the credibility of the group.

Support in finding/developing supplies of certified raw material. Processor members are required to increase their supply of certified raw material and may need support in delivering on this commitment;

Access to markets for certified forest products. A major service which Producer Groups will need to provide to their members is access to information and contacts with buyers of certified products. This service should aim to produce a number of results:

- to help market certified products from forests and processors who have already achieved certification;
- to demonstrate that markets exist for certified products and facilitate the access to those markets for producers and processors;
- to allow two-way discussions between potential buyers and producers/processors on what is required by the market and what can be offered by producers/processors.

In some cases, Producer Groups may actively work to develop domestic markets for certified products.

Source: WWF IKEA Producer Group Toolkit Section 2 (2003, WWF)

For further information concerning WWF Global Forest and Trade Networks membership, National Coordinators, documents, and Producers Groups contact: Justin Stead, GFTN Global Co-ordinator, email: jwstead@rmpic.co.uk

ANNEX 3 – ENVIRONMENTAL MANAGEMENT

3.1 Environmental Impact Assessment (EIA) (2003, Becker, Vanclay) (1998, World Bank)

3.2 Environmental Management Systems – International Organisation For Standardisation ISO 14001

3.3 Solid And Liquid Waste Management (2001, ABN Amro)

3.4 Water Management GRI Pilot Version Water Protocol (2003, GRI)

3.5 Energy Management GRI Pilot Version Energy Protocol (2002, GRI)

3.6 Principles and Criteria for engaging in Forest-based Carbon Sequestration and Storage Projects (2003, WWF US)

3.1 Environmental Impact Assessment (EIA)

Key references:

- (2003, Becker, H. and Vanclay, F.) The International Handbook of Social Impact Assessment: Conceptual and Methodological Advances, Published by Edward Elgar, Cheltenham UK and Northampton (MA) USA.
- (2002, IFC) Doing Better Business through Effective Public Consultation and Disclosure International Finance Corporation, Washington DC. www.ifc.org
- (1998, World Bank) World Bank Pollution Prevention and Abatement Handbook, World Bank, Washington DC www.worldbank.org

3.2 Environmental Management Systems – International Organisation for Standardisation ISO 14001

- **Key reference:** www.iso.org

3.3 Solid And Liquid Waste Management

Policies and procedures in place to reduce the level of wastes would include:

- For Pulp and Paper Operations:
 - The use of dry debarking processes
 - Prevention and control of spills of black liquor
 - The preference of total chlorine free processes but at a minimum the use of elemental chlorine free bleaching systems
 - Reduction of the use of hazardous bleaching chemicals by extending cooking and oxygen delignification
 - Aim for zero effluent discharge where feasible. Reduce wastewater discharges to the extent feasible.
 - Incinerate liquid effluents from pulping and bleaching process.
 - De-water and properly manage sludge
 - Reduce the odour from reduced sulphur emissions by collection and incineration and by using low-odour recovery boilers fired at over 75% concentration of black liquor
- For Vegetable Oil Operations:
 - The preference of citric acid to phosphoric acid in degumming operations
 - The preference of physical refining over chemical refining
 - Maintenance of hexane levels, if used, below 150 mg / m³.
 - Re-circulate cooling waters
 - Collect wastes for use in by-products (animal feed) or as fuel.
- For Wood Products Operations:

- Do not use pentachlorophenol, lindane, tributyltin, copper chrome arsenate as a preservative given that less toxic alternatives are available for wood treatment
- Use of pressurised treatment processes
- Recycle solvent vapours where feasible or destroy them in a combustible device or a bio-oxidation system
- Manage contaminated soil and sludge as hazardous wastes
- For Plantations:
 - A no burn policy / practice, unless controlled burning mimics natural forest ecosystem dynamics.
 - All hazardous materials, process residues, solvents, oils and sludge from raw water, process wastewater and domestic sewage treatment systems must be disposed of in a manner to prevent the contamination of soil, groundwater and surface waters
 - Transformers or equipment containing polychlorinated biphenyls should not be used
 - Preference for Biological and non-chemical pest control systems (e.g. barn owls for rat control)
- Chemicals, biological control agents and solid non-organic wastes includes among other things:
 - Nitrogen Oxides (NO_x),
 - Volatile Organic Compounds (VOC),
 - Total Reduced Sulphur (TRS),
 - Absorbable Organic Halogens (AOX),
 - Biochemical Oxygen Demand (BOD),
 - Chemical Oxygen Demand (COD),
 - chlorine dioxide and elemental chlorine,
 - polychlorinated biphenyls (PCB),
 - chromated copper arsenate (CCA).

Source: (2001, ABN Amro Forest Policy)

ANNEX 3

3.4 Water Management GRI Pilot Version 1.0

For the most recent and complete text and guidance notes see Global Reporting Initiative's website <http://www.globalreporting.org>

ANNEX 3

3.5 Energy Management GRI Pilot Version 1.0

For the most recent and complete text and guidance notes see Global Reporting Initiative's website <http://www.globalreporting.org>

ANNEX 3

3.6 WWF Principles and Criteria for Engaging in Forest-Based, Carbon Sequestration and Storage Projects.

Preamble

The potential contribution of forests towards the mitigation of climate change remains surrounded by doubt and controversy. This has enabled those intent on "business as usual" to further muddy the waters with unsubstantiated claims and bogus amelioration strategies. In response to this WWF's Climate Change Campaign and Forest for Life Programme are contributing to a detailed examination of the "carbon sinks" issue from various perspectives, i.e. international negotiation, crediting mechanisms, implementation of carbon sequestration and storage CS & S projects.

As part of this process, the following Principles and Criteria have been developed as a basis for testing how forest-based CS & S projects might best be managed. Their existence does not imply that WWF currently endorses carbon offset crediting or that it is committed to doing so in the future. Furthermore, in the event of a satisfactory international response to the IPCC Special Report and the establishment of a technically watertight, and internationally equitable, regulatory mechanism for offset crediting, WWF gives no guarantee that the current Principles and Criteria would be the project-level performance standard that it might eventually advocate.

The testing of these Principles and Criteria will take place on a limited number of field projects within the WWF network. None of the projects will be used for the accumulation of carbon offset credits to meet future national or individual obligations under the Kyoto Protocol. Each project, together with the applicability and efficacy of the Principles and Criteria, will be monitored by the Joint Climate and Forests Task Force.

LEGAL AND SOCIAL CONSIDERATIONS

PRINCIPLE 1: COMPLIANCE WITH LAWS AND CS&S PRINCIPLES.

Projects shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is a signatory and comply with all CS&S principles.

- 1.1 CS&S projects shall respect all national and local laws and administrative requirements.
- 1.2 All applicable and legally prescribed fees, royalties taxes and other charges shall be paid.
- 1.3 In signatory countries, the provision of all binding international agreements such as CITIES, ILO conventions, ITTA and Convention on Biodiversity, shall be respected.
- 1.4 Conflicts between laws, regulations and the CS&S principles and criteria shall be evaluated on a case by case basis by an appropriately mandated third party [during the testing period WWF's Climate and Forest Task Force will assume this role] and the involved affected parties.
- 1.5 CS&S project areas should be protected from illegal harvesting, settlement and other unauthorised activities.
- 1.6 Owners of the project site and project managers shall undertake and demonstrate a long-term commitment to adhere to the CS&S Principles and Criteria.

PRINCIPLE 2: TENURE AND USE RIGHTS AND RESPONSIBILITIES.

Long-term tenure and use rights to the land and its resources shall be clearly defined, documented and legally established.

- 2.1 Clear evidence of long-term use rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.
- 2.2 Local communities with legal or customary tenure or use rights shall maintain control, to the extent necessary to protect their rights or resources, over project operations unless they delegate control with free and informed consent to other agencies.
- 2.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights. Projects will not be implemented on sites where disputes of substantial magnitude involving a significant number of interests are on-going.
- 2.4 [Where legally feasible] The conditions attached to the future transference of land-title of a project site, through sale, inheritance or donation, shall include the obligation to maintain associated carbon storage functions as a first order priority.

PRINCIPLE 3: INDIGENOUS PEOPLES RIGHTS.

The legal and customary rights of indigenous peoples to own, manage and benefit from all their lands, territories, and resources shall be recognised and respected.

- 3.1 Indigenous peoples shall control management on their land and territories unless they delegate control with prior free and informed consent to other agencies.
- 3.2 Projects shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of indigenous peoples.
- 3.3 Sites of special cultural, ecological, economic or religious significance to indigenous peoples shall be clearly identified in co-operation with such peoples, and recognised and afforded special protection by project managers.
- 3.4 Indigenous peoples shall be compensated for their knowledge of, and inputs to, traditional management systems (e.g. fire control) utilised during projects operations. This compensation shall be formally agreed upon with their free and informed consent before project operations commence.

PRINCIPLE 4: COMMUNITY RELATIONS AND WORKER'S RIGHTS

Project operations shall maintain or enhance the long-term social and economic well-being of project workers and local communities.

- 4.1 The communities within, or adjacent to, the project area should be given opportunities for employment, training, and other services.
- 4.2 Projects should meet or exceed all applicable laws and/or regulations covering health and safety of employees and their families.
- 4.3 The rights of workers to organize and voluntarily negotiate with their employers shall be guaranteed as outlined in Conventions 87 and 98 of the International Labour Organisation (ILO).
- 4.4 Management planning and operations shall incorporate the results of evaluations of social impact. Consultations shall be maintained with people and groups directly affected by management operations.
- 4.5 Appropriate mechanisms shall be employed for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples. Measures shall be taken to avoid such loss or damage.

PRINCIPLE 5: PROJECT OBJECTIVES AND ACCOUNTABILITY.

Permanent storage of sequestered carbon shall be pursued as the principle objective of any forest-based CS&S project, with the provision of social and environmental benefits from the appropriate use of other products and services being encouraged as a important second order objective.

- 5.1 The pursuit of lower order objectives must not compromise the attainment of the project's principle objective.
- 5.2 Where the project's second order objectives include the periodic removal of forest biomass, the carbon storage potential of the site will be established as the lowest anticipated value during the flux of biotic carbon that takes place over the productive rotation or felling cycle.
- 5.3 Where the project's second order objectives include commercial timber production, the project must seek Forest Stewardship Council accredited certification.
- 5.4 Projects should demonstrate long-term economic viability, while taking into account the social and operational costs of carbon storage and ensuring the investments necessary to maintain the integrity of the project area.
- 5.5 Projects shall include measures to insure against loss of stored carbon due to fire, storm, agricultural encroachment and unauthorised extraction of forest products.

PRINCIPLE 6: PROJECT ADDITIONALITY

Carbon sequestration and storage shall be additional to that which would have occurred in the absence of the project.

- 6.1 Readily identifiable, documented, specific measures which will lead to additional carbon being sequestered and stored as a result of project activities shall be demonstrated.
- 6.2 CS&S projects shall demonstrate that project funding is not diverted from existing or scheduled development or environmental assistance funds or aid flows. Projects shall demonstrate a direct link between the shift in

practices represented by the project and specific investments or additional dedication of resources brought about by the project.

6.3 Conservation of existing forest carbon stores shall only be considered as legitimate CS&S projects where a clear and imminent threat to the forest and the livelihoods of people dependant on the forest can be demonstrated.

6.4 Forest restoration shall only be considered as legitimate CS&S projects where the forest degradation that the project seeks to ameliorate occurred before 1990.

PRINCIPLE 7: PROJECT-DERIVED LEAKAGE.

CS&S projects shall account for and be held responsible for all directly and indirectly attributable carbon emissions that arise due to project activities (leakage).

7.1 Leakage shall be quantified when estimating carbon sequestration and storage. This process shall take place in the context of long-term land use expectations in the area, particularly demand for agricultural land in countries with rising rural populations and demand for commercial timber concessions.

7.2 CS&S project shall demonstrate measures undertaken to predict, avoid, reduce, mitigate, measure and monitor leakage.

7.3 CS&S projects shall consult closely with local populations, identifying the root causes of the pressures that drive land-use change and cause leakage. Projects shall be designed to avoid exacerbating local land-use pressure and, where possible, shall make a tangible contribution to the security of local livelihoods.

PRINCIPLE 8: ENVIRONMENTAL AND LANDSCAPE IMPACT

Projects shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and by so doing, maintain the ecological functions and the integrity of the project area.

8.1 Assessments of environmental impacts shall be completed – appropriate to the scale, intensity of project management and the uniqueness of the affected resources – and adequately integrated into management systems. Assessments shall include landscape level considerations as well as the impacts of any on-site processing facilities. Environmental impacts shall be assessed prior to commencement of site-disturbing operations.

8.2 Safeguards shall exist which protect rare threatened and endangered species and their habitats (e.g. nesting and feeding areas). Conservation zones and protection areas shall be established, appropriate to the scale and intensity of management and the uniqueness of the affected resources. Inappropriate hunting, fishing, trapping and collecting shall be controlled.

8.3 Ecological functions and values shall be maintained intact, enhanced, or restored including:

Forest regeneration and succession.
Genetic, species and ecosystem diversity.

8.4 Representative samples of existing natural ecosystems within the landscape shall be protected in their natural state and recorded on maps appropriate to the scale and intensity of operations and the uniqueness of the affected resources.

8.5 Written guidelines shall be prepared and implemented to: control erosion; minimise forest damage during road construction and other mechanical disturbances; and protect water resources

8.6 Management systems shall promote the development and adoption of environmentally friendly non-chemical methods of pest management and strive to avoid the use of chemical pesticides. World Health Organisation Type 1A and 1B and chlorinated hydrocarbon pesticides; pesticides that are persistent, toxic or whose derivatives remain biologically active and accumulate in the food chain beyond their intended use; as well as any pesticides banned by international agreement, shall be prohibited. If chemicals are used proper equipment and training shall be provided to minimise health and environmental risks.

8.7 Chemical containers, liquids and solid non-organic wastes including fuel and oil shall be disposed of in an environmentally appropriate manner at off-site locations.

8.8 Use of biological control agents shall be documented, minimised, monitored and strictly controlled in accordance with national laws and internationally accepted scientific protocols. Use of genetically modified organisms shall be prohibited.

8.9 The use of exotic species shall be carefully controlled and actively monitored to avoid ecological impacts.

THE IMPLEMENTATION OF CS & S PROJECTS

PRINCIPLE 9: MANAGEMENT PLANS

A management plan – appropriate to the scale and intensity of the operations – shall be written, implemented, and kept up to date. The long term objectives of management, how they are to be prioritised, and the means of achieving them, shall be clearly stated.

9.1 The management plan and the supporting documents shall provide:

- a) Management objectives
- b) Description of the resource base to be managed, environmental limitations, land use and ownership status socio-economic conditions, and a profile of adjacent lands
- c) Description of the silvicultural and/or other management systems, based on the ecology of the project area in question.
- d) Description of risk-management strategies to reduce the likelihood of loss of stored carbon, including that from socio-economically driven leakage.
- e) Description of how the project will be financed, both in the establishment and maintenance phases.
- f) An estimation of, and rationale for, the long-term, additional carbon sequestration and storage flows that the project will deliver, minus deductions for any carbon loss resulting from biomass extraction, non-extractive silvicultural interventions, direct and indirect leakage and non-anthropogenic events.
- g) Provisions for monitoring net carbon sequestration and storage rates and ecosystem dynamics.
- h) Environmental safeguards based on environmental assessments.
- i) Plans for the identification and protection of rare, threatened and endangered species.
- j) Maps describing the project resource base including protected areas, planned management activities and land ownership.
- k) Where the project's second order objectives include commercial timber production, the management plan must be consistent with the additional requirements laid out in FSC criterion 7.1.
- l) Verification procedures and schedules
- m) Reporting procedures and schedules.

9.1 The management plan shall be periodically revised to incorporate the results of monitoring or new scientific and technical information, as well as to respond to changing environmental, social and economic circumstances.

9.2 Project workers shall receive adequate training and supervision to ensure proper implementation of the management plan.

9.3 While respecting the confidentiality of information, project managers shall make publicly available a summary of the primary elements of the management plan, including those listed in criterion 9.1.

9.4 The management plan and any subsequent revisions shall be developed through a process of stakeholder participation, including full local consultation.

PRINCIPLE 10: MONITORING AND ASSESSMENT

Monitoring shall be conducted – appropriate to the scale and intensity of forest management – to assess the net volume of carbon sequestered and stored, the condition of, and threats to, the forest resource, management activities and their social and environmental impacts.

10.1 An initial assessment shall be made before project management operations commence of volume of carbon sequestered, stored and emitted within the project area, including above and below ground, soil carbon and living and dead biomass.

10.2 The frequency and intensity of monitoring should be determined by the scale and intensity of land use operations both within and adjacent to the project area, the anticipated rate of change of the forest's carbon fluxes and the relative complexity and fragility of the affected environment. Monitoring procedures should be consistent and replicable over time to allow comparison of results and assessment of change.

10.3 Assessment of carbon sequestration and storage shall be conservative taking full account of the potential inaccuracies in measurement. All assumptions used in data collection and calculations shall be clearly stated.

10.4 Project management should include research and data collection based on sound science needed to monitor reliably, at a minimum the following indicators:

- a) Volumes of carbon sequestered, stored and lost (including off-site leakage), including above and below ground, soil carbon and living and dead biomass.
- b) The yield of all products harvested or removed.
- c) Growth rates, regeneration and condition of the forest.
- d) Composition and observed changes in the flora and fauna.
- e) Environmental and social impacts of project operations.
- f) Cost and efficiency of project management.

10.5 While respecting the confidentiality of information, the results of periodic monitoring shall be documented, archived and made available to mandated third parties, who for legal, regulatory or contractual reasons may wish to evaluate the project's ability to sequester and store carbon. Project managers shall also make available a summary of the results of monitoring indicators, including those listed in criterion 10.4.

10.6 The results of monitoring shall be incorporated into the implementation and revision of the management plan.

PRINCIPLE 11: MAINTENANCE AND RESTORATION OF NATURAL FORESTS

Primary forests, well-developed secondary forests and sites of major environmental, social or cultural significance shall be conserved. Such areas shall not be replaced by tree plantations or other land uses.

11.1 Trees planted in natural forests may supplement natural regeneration, fill gaps or contribute to the conservation of genetic resources. Such plantings shall not replace or significantly alter the natural ecosystem.

11.2 The use of replanting as a technique for regenerating stands of certain natural forest types is appropriate under certain circumstances. Emphasis shall be placed on:

- a) natural mixes of native species,
- b) mimicking natural ecological processes.

11.3 Attempts shall be made to include local species listed in the World Monitoring Centre Tree Conservation Database in any forest restoration CS&S project.

11.4 Forest restoration CS&S projects on non-forest sites may, under difficult circumstances, consider the use of exotic species for:

- a) rapid site capture and soil improvement,
- b) as a nurse crop.

In such cases, the project must demonstrate a long-term plan to promote the return of natural climax canopy cover and mitigation measures to prevent exotic species becoming permanently established on, or spreading from, the project site.

Source: (2003, WWF US)

ANNEX 4 – RESPECT FOR LOCAL COMMUNITIES AND INDIGENOUS PEOPLES

4.1 Universal Declaration of Human Rights (1948, United Nations)

4.2 Social Impact Analysis (SIA) Framework Assessment (2002, World Bank)

4.3 Financial Services Sector Supplement: Social Performance Pilot Version 1.0 (2002, GRI)

4.1 Universal Declaration of Human Rights

Preamble

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world,

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people,

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law,

Whereas it is essential to promote the development of friendly relations between nations,

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom,

Whereas Member States have pledged themselves to achieve, in cooperation with the United Nations, the promotion of universal respect for and observance of human rights and fundamental freedoms,

Whereas a common understanding of these rights and freedoms is of the greatest importance for the full realization of this pledge,

Now, therefore,

The General Assembly,

Proclaims this Universal Declaration of Human Rights as a common standard of achievement for all peoples and all nations, to the end that every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction.

Article 1

All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Article 2

Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3

Everyone has the right to life, liberty and security of person.

Article 4

No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

Article 5

No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

Article 6

Everyone has the right to recognition everywhere as a person before the law.

Article 7

All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination.

Article 8

Everyone has the right to an effective remedy by the competent national tribunals for acts violating the fundamental rights granted him by the constitution or by law.

Article 9

No one shall be subjected to arbitrary arrest, detention or exile.

Article 10

Everyone is entitled in full equality to a fair and public hearing by an independent and impartial tribunal, in the determination of his rights and obligations and of any criminal charge against him.

Article 11

1. Everyone charged with a penal offence has the right to be presumed innocent until proved guilty according to law in a public trial at which he has had all the guarantees necessary for his defence.
2. No one shall be held guilty of any penal offence on account of any act or omission which did not constitute a penal offence, under national or international law, at the time when it was committed. Nor shall a heavier penalty be imposed than the one that was applicable at the time the penal offence was committed.

Article 12

No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honour and reputation. Everyone has the right to the protection of the law against such interference or attacks.

Article 13

1. Everyone has the right to freedom of movement and residence within the borders of each State.
2. Everyone has the right to leave any country, including his own, and to return to his country.

Article 14

1. Everyone has the right to seek and to enjoy in other countries asylum from persecution.
2. This right may not be invoked in the case of prosecutions genuinely arising from non-political crimes or from acts contrary to the purposes and principles of the United Nations.

Article 15

1. Everyone has the right to a nationality.
2. No one shall be arbitrarily deprived of his nationality nor denied the right to change his nationality.

Article 16

1. Men and women of full age, without any limitation due to race, nationality or religion, have the right to marry and to found a family. They are entitled to equal rights as to marriage, during marriage and at its dissolution.
2. Marriage shall be entered into only with the free and full consent of the intending spouses.

3. The family is the natural and fundamental group unit of society and is entitled to protection by society and the State.

Article 17

1. Everyone has the right to own property alone as well as in association with others.
2. No one shall be arbitrarily deprived of his property.

Article 18

Everyone has the right to freedom of thought, conscience and religion; this right includes freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance.

Article 19

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

Article 20

1. Everyone has the right to freedom of peaceful assembly and association.
2. No one may be compelled to belong to an association.

Article 21

1. Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.
2. Everyone has the right to equal access to public service in his country.
3. The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.

Article 22

Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.

Article 23

1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
2. Everyone, without any discrimination, has the right to equal pay for equal work.
3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
4. Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25

1. Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
2. Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Article 26

1. Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.
2. Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace.
3. Parents have a prior right to choose the kind of education that shall be given to their children.

Article 27

1. Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits.
2. Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.

Article 28

Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized.

Article 29

1. Everyone has duties to the community in which alone the free and full development of his personality is possible.
2. In the exercise of his rights and freedoms, everyone shall be subject only to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and of meeting the just requirements of morality, public order and the general welfare in a democratic society.
3. These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

Article 30

Nothing in this Declaration may be interpreted as implying for any State, group or person any right to engage in any activity or to perform any act aimed at the destruction of any of the rights and freedoms set forth herein.

4.2 Social Impact Analysis (SIA) Framework Assessment

Social Impact Analysis (SIA) - The project component for indigenous peoples development should include the following elements, as needed:

(a) Legal Framework. The Social Impact Analysis should contain an assessment of (i) the legal status of the groups covered by this project, as reflected in the country's constitution, legislation, and subsidiary legislation (regulations, administrative orders, etc.); and (ii) the ability of such groups to obtain access to and effectively use the legal system to defend their rights. Particular attention should be given to the rights of indigenous peoples to use and develop the lands that they occupy, to be protected against illegal intruders, and to have access to natural resources (such as forests, wildlife, and water) vital to their subsistence and reproduction.

(b) Baseline Data. Baseline data should include (i) accurate, up-to-date maps and aerial photographs of the area of project influence and the areas inhabited by indigenous peoples; (ii) analysis of the social structure and income sources of the population; (iii) inventories of the resources that indigenous people use and technical data on their production systems; and (iv) the relationship of indigenous peoples to

other local and national groups. It is particularly important that baseline studies capture the full range of production and marketing activities in which indigenous people are engaged. Site visits by qualified social and technical experts should verify and update secondary sources.

(c) *Land Tenure.* When local legislation needs strengthening, the Bank should offer to advise and assist the borrower in establishing legal recognition of the customary or traditional land tenure systems of indigenous peoples. Where the traditional lands of indigenous peoples have been brought by law into the domain of the State and where it is inappropriate to convert traditional rights into those of legal ownership, alternative arrangements should be implemented to grant long-term, renewable rights of custodianship and use to indigenous peoples. These steps should be taken before the initiation of other planning steps that may be contingent on recognised land titles.

(d) *Strategy for Local Participation.* Mechanisms should be devised and maintained for participation by indigenous people in decision making throughout project planning, implementation, and evaluation. Many of the larger groups of indigenous people have their own representative organizations that provide effective channels for communicating local preferences. Traditional leaders occupy pivotal positions for mobilizing people and should be brought into the planning process, with due concern for ensuring genuine representation of the indigenous population. No foolproof methods exist, however, to guarantee full local-level participation. Sociological and technical advice provided through the Regional environment divisions (REDs) is often needed to develop mechanisms appropriate for the project area.

(e) *Technical Identification of Development or Mitigation Activities.* Technical proposals should proceed from on-site research by qualified professionals acceptable to the Bank. Detailed descriptions should be prepared and appraised for such proposed services as education, training, health, credit, and legal assistance. Technical descriptions should be included for the planned investments in productive infrastructure. Plans that draw upon indigenous knowledge are often more successful than those introducing entirely new principles and institutions. For example, the potential contribution of traditional health providers should be considered in planning delivery systems for health care.

(f) *Institutional Capacity.* The government institutions assigned responsibility for indigenous peoples are often weak. Assessing the track record, capabilities, and needs of those institutions is a fundamental requirement. Organisational issues that need to be addressed through Bank assistance are the (i) availability of funds for investments and field operations; (ii) adequacy of experienced professional staff; (iii) ability of indigenous peoples' own organisations, local administration authorities, and local NGOs to interact with specialised government institutions; (iv) ability of the executing agency to mobilise other agencies involved in the plan's implementation; and (v) adequacy of field presence.

(g) *Implementation Schedule.* Components should include an implementation schedule with benchmarks by which progress can be measured at appropriate intervals. Pilot programs are often needed to provide planning information for phasing the project component for indigenous peoples with the main investment. The plan should pursue the long-term sustainability of project activities subsequent to completion of disbursement.

(h) *Monitoring and Evaluation.* Independent monitoring capacities are usually needed when the institutions responsible for indigenous populations have weak management histories. Monitoring by representatives of indigenous peoples' own organizations can be an efficient way for the project management to absorb the perspectives of indigenous beneficiaries and is encouraged by the Bank. Monitoring units should be staffed by experienced social science professionals, and reporting formats and schedules appropriate to the project's needs should be established. Monitoring and evaluation reports should be reviewed jointly by the senior management of the implementing agency and by the Bank. The evaluation reports should be made available to the public.

(i) *Cost Estimates and Financing Plan.* The plan should include detailed cost estimates for planned

activities and investments. The estimates should be broken down into unit costs by project year and linked to a financing plan. Such programs as revolving credit funds that provide indigenous people with investment pools should indicate their accounting procedures and mechanisms for financial transfer and replenishment. It is usually helpful to have as high a share as possible of direct financial participation by the Bank in project components dealing with indigenous peoples.

Source: (2002, World Bank www.worldbank.org/socialanalysis/sourcebook)

4.3 Financial Services Sector Supplement: Social Performance Pilot Version 1.0 (Global Reporting Initiative)

For the most recent and complete text and guidance notes see Global Reporting Initiative's website <http://www.globalreporting.org>

ANNEX 5 - LABOUR CODES AND STANDARDS

5.1 Social Standards for Forest Workers in Forest Certification Application of International Labour Organisation (ILO) Conventions

5.2 Child Labour, Young Workers, and Hazardous Work - Definitions

5.3 Avoidance of undemocratic or un-elected governments

5.1 Social Standards for Forest Workers in Forest Certification Application of International Labour Organisation (ILO) Conventions

Many forest workers across the world are in poorly paid, unstable, unsafe jobs. Social standards covering workers in forest certification need to ensure there is a stable well trained work force that is employed on a continuous basis in safe and healthy jobs. Forest management operations need to maintain and enhance the economic, social and cultural well-being of workers.

The International Labour Organisation has developed Conventions and Recommendations concerning labour and social issues. These form a strong basis for protecting workers. The most fundamental human rights of workers are addressed in seven of these Conventions. These standards are amongst the most highly ratified of all the ILO Conventions (almost 100 states have ratified at least five of the seven) indicating the level of international acceptance of these basic human rights.

The seven core ILO Conventions aimed at preventing repression, exploitation and discrimination are Conventions 87 and 98 on the rights to freedom of association and to bargain collectively, Conventions 29 and 105 on the abolition of forced labour, Conventions 111 and 100 on the prevention of discrimination in employment and equal pay for work of equal value, and Convention 138 on the minimum age for employment (child labour). These Conventions form a core set of standards that can be incorporated into forest certification standards and agreements.

The relevance to all workers of the seven core ILO Conventions was stressed in June 1998 when the International Labour Conference adopted the ILO Declaration of Fundamental Principles and Rights at Work. The Declaration is important because it reinforces the principle that Membership of the ILO represents a basic commitment to the Constitution of the ILO, and particularly to the fundamental rights embodied in the core conventions. The Declaration also reaffirms that the ILO has a reciprocal obligation to member states to assist them in attaining these objectives.

For workers, the ILO core conventions offer a minimum level of protection. These are summarised in bold type below. Other ILO conventions also summarised below can be used to provide additional protection.

1. Right to Organise

Employers shall allow workers to have the right to organise and form democratic trade unions, and to engage in collective bargaining.

Convention 87: Freedom of Association and Protection of the Right to Organise, 1948. This provides for the freely exercised right, of workers and employers, without distinction, to organise for furthering and defending their interests.

Convention 98: Right to Organise and Collective Bargaining, 1949

This provides for:

- . protection of workers who are exercising the right to organise
- . non-interference between workers' and employers' organisations
- . promotion of voluntary collective bargaining

2. Job security

Workers shall be offered long term job security, and unless otherwise agreed they should be employed on a permanent basis.

Discussions are occurring within the ILO on the possibility of a convention on contract labour.

3. Remuneration and living and working conditions

Employers shall provide fair compensation and living and working conditions and pursue an active labour market policy designed to promote full, productive and freely chosen employment.

Convention 122 Employment Policy, 1964. This provides for full, productive and freely chosen employment.

Convention 131 The Minimum Wage Fixing Convention, 1970. This protects workers against excessively low wage rates.

Convention 95 The Protection of Wages Convention, 1949 provides for the secure, full and prompt payment of wages in a manner that affords against abuse.

Convention 103 The Maternity Protection (Revised) Convention, 1952. This provides twelve weeks maternity leave from work during which time women are entitled to financial benefits and medical care and cannot be dismissed.

Convention 102 The Social Security (Minimum Standards) Convention, 1952. This provides for the establishment of minimum levels of social security benefit in respect of medical care in the event of sickness, unemployment, old-age pensions, employment injury, family allowances, maternity care, invalidity cover, and survivors' dependence allowance, while maintaining flexibility for diverse national conditions.

4. Health and safety

Employers shall work to eliminate preventable accidents and diseases and ensure safe working conditions. Convention 155 Occupational Safety and Health, 1981.

ILO Code of Practice on Safety and Health in Forest work, 1997. This provides specific detailed guidelines on forest operations.

5. Participation

Employers shall ensure full worker participation in all decision-making that affects workers' working conditions and conditions of employment.

6. Training

Employers shall ensure workers have the required competence in the area of work they are to undertake so that work is carried out safely and effectively and with attention to environmental protection.

Employers should regularly assess skill needs and provide updated training where necessary.

Convention 142 Human Resources Development, 1975

This provides for the development of policies and programmes of vocational guidance and vocational training, closely linked with employment.

7. Equality

Employers shall respect and pursue policies designed to promote equality of opportunity and treatment in employment, eliminating discrimination based on race, colour, sex, religion, age, political opinion, national extraction or social origin. Employers should ensure that work sites are safe environments for women, free from sexual harassment and other forms of discrimination and abuse and they should promote women's access to jobs in forestry and promote affirmative action in skills training, recruitment and career development.

Convention 100 Equal Remuneration, 1951. This provides for equal remuneration for men and women for work of equal value.

Convention 111 Discrimination (employment and occupation) 1958. This promotes equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in respect thereof.

8. Contract workers

Whenever possible, conditions for contract workers and regular employees shall be standardised so that they have equality of terms and conditions. Contractors should not be used to avoid or deny legal rights or obligations.

9. Child labour

Child labour shall be abolished.

Convention 138 Minimum Age, 1973. This convention concerns the abolition of child labour. The minimum age for admission to employment or work shall be not less than the age of completion of compulsory schooling (normally not less than 15 years). Exceptions for developing countries: basic minimum age -14, light work & 12/14.

10. Migrant workers

Locally trained workers, who are living locally, shall be used where possible. Where migrant workers are employed, employers shall protect these migrant workers and their families.

11. Indigenous people

The rights of indigenous peoples shall be respected.

Convention 169 Indigenous and Tribal Peoples, 1989. This convention deals with consultation with indigenous peoples whose land is affected by construction projects, and compensation rights in the event of relocation.

12. Community involvement

Employers shall respect the social fabric of local communities and consult with local communities on decisions which affect the well-being of these communities. Employers shall where possible use locally trained people who are living locally and they should not undercut local wages structures by using cheap imported labour.

13. Forced labour

Forced or compulsory labour should be abolished. **Convention 29 on Forced Labour, 1930.** This provides for the suppression of forced labour. **Convention 105 on Abolition of Forced Labour, 1957** This has 5 prohibitions: to suppress forced labour as a means of

- . political coercion
- . labour discipline
- . punishment for strikes
- . discrimination

and: "as means of mobilising and using labour for purposes of economic development".

~~Source: (1999) International Federation of Building and Wood Workers (IFBWW) More details of these Conventions and supporting Recommendations can be found at the ILO web-site: <http://www.ilo.org/>~~

5.2 Child Labour, Young Workers, and Hazardous Work - Definitions

Global Reporting Initiative (GRI) Child Labour Protocol

Child - the term "child" is defined based on the International Labour Organisation's (ILO) Conventions addressing child labour. This benchmark has been selected because it is generally viewed as the most widely accepted principle governing child labour in the global economy.

The definition to be applied is as follows: A "child" is a person who does not meet the minimum working age, defined through ILO Convention 138.

Consistent with ILO Convention 138, where a financial institution applies a more rigorous definition, either due to applicable legal requirements, organisational policy, or collective bargaining agreement, the more rigorous definition should apply.

Young worker The term “young worker” is relevant to the issue of child labour in that a range of restrictions exist in international agreements, national laws and regulations, company policies, and collective bargaining agreements concerning the nature and volume of work performed by persons over the minimum working age and under a certain age. For example, hazardous work is generally not permitted for minors (see definition of “hazardous work” below) , and in some locations, applicable laws prohibit minors from performing night work or overtime work.

As with the definition of “child” the definition of young worker is primarily derived from ILO Conventions, specifically Convention 138 and Convention 182. The definition to be applied is as follows: A “ young worker” is a person who is above the applicable minimum working age and younger than 18 years of age. As with the definition of “child” care should be taken to consider whether an alternative, higher standard applies in certain locations, or under certain circumstances or agreements. Where a higher standard exist, it should be applied.

Hazardous work The term “hazardous work” is applied in international agreements and national laws and regulations to limit or prevent young workers from performing certain forms of work. The principle of prohibiting the worst forms of child labour was enshrined in ILO Convention 182, adopted in 1999. “Hazardous work” is generally considered to be inappropriate for persons under the age of 18 years.

Source: (May 2002) Global Reporting Initiative (GRI) Child Labour Protocol - Draft for Public Comment)

5.3 Avoid investment in countries where individuals are not allowed to exercise their democratic rights

The Client is urged to avoid investing in countries which are extremely controversial or morally out of step with generally accepted conventions. Investing in the forest sector in such countries or areas becomes of less of a debate regarding forest management practices and more of a moral dilemma concerning support for regimes and practices which have a wider impact on civil society or human rights. In extreme situations, the United Nations will call for trade embargoes on such countries, as will individual national Governments. Individual responsible financial institutions will need to be aware of such issues and be ready to adjust their lending policies accordingly. (See e.g., the CIA website for trade restrictions.)

Examples of other concerns which should be considered for inclusion in an investment screen include:

- Countries identified by the UN as not addressing the systematic violation of the human rights, including civil, political, economic, social and cultural rights
- Extrajudicial killings; rapes and other forms of sexual violence carried out by members of the armed forces
- Torture;
- Political arrests and continuing detentions, including of prisoners whose sentences have expired;
- Forced relocation; destruction of livelihoods; forced labour;
- Denial of freedoms of assembly, association, expression and movement;
- Discrimination on the basis of religious or ethnic background;
- Wide disrespect for the rule of law and lack of independence of the judiciary;
- Deeply unsatisfactory conditions of detention; systematic use of child soldiers;
- Violations of the rights to an adequate standard of living, in particular food and medical care, and to education

This set of indicators can be used to identify specific regimes or countries which if invested in would directly undermine the overall effort to invest responsibly. In addition, investing in such places may undermine the wider integrity of the organisation and increase financial and reputational risk.

It is arguable that responsible investment in forest products can occur in such places. For this option to be credible, it is important for the organisation to stress the benefits of such investment to the people of the country involved whilst ensuring that the investment is not directly supporting the regime under scrutiny. It is extremely important that stakeholders are consulted when adopted this type of approach to investment from highly controversial regimes or countries to ensure that such a policy has the required degree of integrity.

Adapted from: (2003, WWF) Draft 6.1 Responsible forest products Purchasing: Practical Guidance for Organisations wishing to follow Best Practice in the procurement of forest products.

Key Reference:

- UN Anti-corruption Convention
- Transparency International Global Corruption Report 2003

ANNEX 6 CORPORATE GOVERNANCE

6.1 OECD Guidelines for Multinational Enterprises (full text <http://www.oecd.org/document/58>)

The *Guidelines* are recommendations addressed by governments to multinational enterprises operating in or from adhering countries (the OECD members plus Argentina, Brazil and Chile). They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology.

Although many business codes of conduct are now publicly available, the *Guidelines* are the only multilaterally endorsed and comprehensive code that governments are committed to promoting. The *Guidelines'* recommendations express the shared values of governments of countries that are the source of most of the world's direct investment flows and home to most multinational enterprises. They aim to promote the positive contributions multinationals can make to economic, environmental and social progress.

The *Guidelines* have several distinguishing features that helped them gain acceptance and continue to ensure they are supported. First, observance of the *Guidelines* is voluntary. Their non-binding nature, however, does not imply less commitment by Adhering Governments to encourage their observance. The active system under which the *Guidelines* are promoted and implemented attests to the importance Adhering countries give the *Guidelines*.

Also, the *Guidelines'* basic approach is balanced. The assumption is not that enterprises need to be "controlled" but that internationally agreed guidelines can help prevent misunderstandings and build an atmosphere of mutual confidence and predictability between business, labour and governments. A continuing, pragmatic approach has characterized the *Guidelines* process and helped make them work. Although they are addressed to enterprises, the *Guidelines* need the support of the business community, labour representatives and non-governmental organisations in order to be effective. The countries adhering to the *Guidelines* will work with all of these actors and there is every reason to believe that constructive collaboration will develop that helps the business community define and achieve appropriate standards of conduct. In addition, the post-Review period is likely to be one of expanding adherence to the Declaration of which the *Guidelines* is an integral part. Several non-OECD members have already adhered to the *Guidelines* and others that are willing and able to meet the disciplines in the Declaration would be welcome too.

6.2 THE EQUATOR PRINCIPLES

An industry approach for financial institutions in determining, assessing and managing environmental & social risk in project financing.

PREAMBLE

Project financing plays an important role in financing development throughout the world. In providing financing, particularly in emerging markets, project financiers often encounter environmental and social policy issues. We recognize that our role as financiers affords us significant opportunities to promote responsible environmental stewardship and socially responsible development.

In adopting these principles, we seek to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices.

We believe that adoption of and adherence to these principles offers significant benefits to ourselves, our customers and other stakeholders. These principles will foster our ability to document and manage our risk exposures to environmental and social matters associated with the projects we finance, thereby allowing us to engage proactively with our stakeholders on

environmental and social policy issues. Adherence to these principles will allow us to work with our customers in their management of environmental and social policy issues relating to their investments in the emerging markets.

These principles are intended to serve as a common baseline and framework for the implementation of our individual, internal environmental and social procedures and standards for our project financing activities across all industry sectors globally.

In adopting these principles, we undertake to review carefully all proposals for which our customers request project financing. We will not provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and processes.

STATEMENT OF PRINCIPLES

We will only provide loans directly to projects in the following circumstances:

1. We have categorised the risk of a project in accordance with internal guidelines based upon the environmental and social screening criteria of the IFC as described in the attachment to these Principles (Exhibit I).
2. For all Category A and Category B projects, the borrower has completed an Environmental Assessment (EA), the preparation of which is consistent with the outcome of our categorisation process and addresses to our satisfaction key environmental and social issues identified during the categorisation process.
3. In the context of the business of the project, as applicable, the EA report has addressed:
 - a) assessment of the baseline environmental and social conditions
 - b) requirements under host country laws and regulations, applicable international treaties and agreements
 - c) sustainable development and use of renewable natural resources
 - d) protection of human health, cultural properties, and biodiversity, including endangered species and sensitive ecosystems
 - e) use of dangerous substances
 - f) major hazards
 - g) occupational health and safety
 - h) fire prevention and life safety
 - i) socioeconomic impacts
 - j) land acquisition and land use
 - k) involuntary resettlement
 - l) impacts on indigenous peoples and communities
 - m) cumulative impacts of existing projects, the proposed project, and anticipated future projects
 - n) participation of affected parties in the design, review and implementation of the project
 - o) consideration of feasible environmentally and socially preferable alternatives
 - p) efficient production, delivery and use of energy
 - q) pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management

Note: In each case, the EA will have addressed compliance with applicable host country laws, regulations and permits required by the project. Also, reference will have been made to the minimum standards applicable under the World Bank and IFC Pollution Prevention and Abatement Guidelines ([Exhibit III](#)) and, for projects located in [low](#) and [middle income](#) countries as defined by the [World Bank Development Indicators Database](#), the EA will have further taken into account the then applicable IFC Safeguard Policies ([Exhibit II](#)). In each case, the EA will have addressed, to

our satisfaction, the project's overall compliance with (or justified deviations from) the respective above-referenced Guidelines and Safeguard Policies.

4. For all [Category A](#) projects, and as considered appropriate for [Category B](#) projects, the borrower or third party expert has prepared an Environmental Management Plan (EMP) which draws on the conclusions of the EA. The EMP has addressed mitigation, action plans, monitoring, management of risk and schedules.

5. For all [Category A](#) projects and, as considered appropriate for [Category B](#) projects, we are satisfied that the borrower or third party expert has consulted, in a structured and culturally appropriate way, with project affected groups, including indigenous peoples and local NGOs. The EA, or a summary thereof, has been made available to the public for a reasonable minimum period in local language and in a culturally appropriate manner. The EA and the EMP will take account of such consultations, and for [Category A](#) Projects, will be subject to independent expert review.

6. The borrower has covenanted to:

a) comply with the EMP in the construction and operation of the project

b) provide regular reports, prepared by in-house staff or third party experts, on compliance with the EMP and

c) where applicable, decommission the facilities in accordance with an agreed Decommissioning Plan.

7. As necessary, lenders have appointed an independent environmental expert to provide additional monitoring and reporting services.

8. In circumstances where a borrower is not in compliance with its environmental and social covenants, such that any debt financing would be in default, we will engage the borrower in its efforts to seek solutions to bring it back into compliance with its covenants.

9. These principles apply to projects with a total capital cost of \$US50 million or more.

The adopting institutions view these principles as a framework for developing individual, internal practices and policies. As with all internal policies, these principles do not create any rights in, or liability to, any person, public or private. Banks are adopting and implementing these principles voluntarily and independently, without reliance on or recourse to IFC or the World Bank.

Exhibit I: Environmental and Social Screening Process

Exhibit II: IFC Safeguard Policies www.ifc.org

Exhibit III: World Bank and IFC Specific Guidelines www.worldbank.org

Source: www.equator-principles.com

These WWF guidelines draw on the experiences of WWF, Friends of the Earth, Forest Stewardship Council, World Bank, International Finance Corporation, Transparency International, International Labour Organisation, United Nations, Profundo, ProForest, IUCN-The World Conservation Union, and the Global Reporting Initiative. WWF looks forward to working with financial institutions, governments, NGOs, and others to promote, disseminate, and implement these investment policies. This is a living document and WWF welcomes your suggestions and comments. Please send comments to Duncan Pollard, Head, European Forest Programme, WWF International, Gland, Switzerland email: dpollard@wwfint.org.