



Forest Stewardship Council®



FSC Policy on Conversion

FSC-POL-01-007 V 1-0

Title:	FSC Policy on Conversion
Document reference code:	FSC-POL-01-007
Approval body:	
Effective date:	This policy will become effective together with Compensation Procedure once these documents become approved by the Board of Directors
Contact for comments:	FSC International Center Performance and Standards Unit Adenaueralle 134 53113 Bonn Germany  +49-(0)228-36766-0  +49-(0)228-36766-30  psu@fsc.org
© 2019 Forest Stewardship Council, A.C. All rights reserved. FSC® F000100 No part of this work covered by the publisher's copyright may be reproduced or copied in any form or by any means (graphic, electronic or mechanical, including photocopying, recording, recording taping, or information retrieval systems) without the written permission of the publisher. Printed copies are uncontrolled and for reference only. Please refer to the electronic copy on the FSC website (ic.fsc.org) to ensure you are referring to the latest version.	

DRAFT 2-0

The Forest Stewardship Council® (FSC) is an independent, not for profit, non-government organization established to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

Content

INTRODUCTION.....	4
A Objective	5
B Scope	5
C Effective and validity dates	5
D References	6
E Terms and Definitions.....	6
F Version History	8
Policy Principles	9

DRAFT

Introduction

This Policy formalizes FSC position on conversion, the fundamental principles on which this is based and in turn influences. Since its founding, FSC has been opposed to conversion of forests and has restricted such conversion through its various standards and procedures. As FSC has evolved, however, inconsistencies between the different documents as well as undefined key terms, such as conversion and degradation, have impeded FSC original intention to stem conversion through responsible management of the world's forests.

FSC and its standards were first established in 1994. Since then the world has changed both in terms of the increased pressure on global ecosystems posed by conversion, and increased awareness of the urgency to act to promote restoration, abate and adapt to climate change and biodiversity loss.

After assessing the strengths and weaknesses of FSC historical restrictions on conversion, this policy:

- a) Clarifies FSC current position on conversion;
- b) Strengthens FSC capacity to support global conversion-free commitments;
- c) Provides a pathway for forest areas converted after 1994 to enter the FSC system through a compensation procedure that delivers restoration and restitution; and
- d) Accelerates further conservation, ecological restoration and social restitution.

A Objective

The Policy on Conversion provides FSC general position and fundamental principles on conversion of *natural forests** and *High Conservation Value** areas, including the 1994 cut-off date, principles for delivering restoration and social restitution, and the concept of accepted conversion.

The purpose of this policy is to:

- 1) Provide a framework for FSC to develop or join **partnerships and alliances** towards the goal of halting deforestation and conversion and promoting conservation, restoration and restitution;
- 2) Further elevate FSC as **the preferred tool** for responsible forest management to deliver economic, social and environmental viability;
- 3) Inspire FSC membership, certificate holders, associates and supporters to **reaffirm commitment** and efforts to end deforestation and foster conservation and restoration;
- 4) Ensure **consistent application** of the definition and interpretation of conversion throughout the FSC system;
- 5) Establish a permanent, equitable and effective **compensation procedure** for remediation of social and ecological impacts of conversion;
- 6) Continually affirm **FSC credible position** in the global debates on climate change, conservation and restoration;
- 7) Present clearly **FSC position on conversion** of *natural forests** and *High Conservation Value** areas.

B Scope

This document defines a holistic FSC Policy on Conversion. FSC will monitor the impacts of this policy.

Other FSC Policies and Standards relevant to conversion will be amended and aligned with this Policy including FSC-STD-01-001 *FSC Principles and Criteria of Forest Stewardship* and the associated national or regional Forest Stewardship Standards; FSC-POL-01-004 *Policy for the Association of Organizations with FSC*; FSC-STD-30-010 *Forest management requirements for FSC Controlled Wood certification* and FSC-STD-40-005 *Requirements for sourcing FSC Controlled Wood*.

Note: Changes to FSC-STD-01-001 *FSC Principles and Criteria of Forest Stewardship* requires approval by FSC membership.

This Policy does not apply to conversion that took place prior to 1994.

All aspects of this document are considered to be normative, including the scope, effective date, references, terms and definitions, notes, tables and annexes, unless otherwise stated (e.g. examples).

C Effective and validity dates

Approval date	XX
Publication date	XX
Effective date	XX

D References

The following referenced documents are relevant for the application of this document. For undated references, the latest edition of the referenced document (including any amendments) applies.

FSC-STD-01-001 *FSC Principles and Criteria*

FSC-STD-01-002 *FSC Glossary of Terms*

FSC-STD-60-004 *International Generic Indicators (IGI)*

FSC Statutes 2017

FSC Strategic Plan 2015-2020

FSC-POL-01-004 *Policy for the Association of Organizations with FSC*

FSC-STD-40-005 *Requirements for Sourcing FSC Controlled Wood*

FSC-STD-30-010 *FSC Controlled Wood standard for forest management enterprises*

E Terms and Definitions

For the purposes of this Policy, the terms and definitions provided in FSC-STD-01-002 *FSC Glossary of Terms*, FSC-STD-01-001 *FSC Principles and Criteria for Forests Stewardship*, FSC-STD-60-004 *FSC International Generic Indicators*, and the following apply:

Additionality: Additionality outside the *Management Unit**: conservation and/or restoration outcomes over and above those already achieved or planned to be achieved, and that would not have been achieved without the support and/or intervention of The *Organization**.

Projects must either be new (i.e. not already being implemented or planned), amended or extended so that conservation and/or restoration outcomes are enhanced beyond what would have been achieved, or planned or funded to be achieved without The *Organization** planning to compensate for historical conversion.

Additionality inside the *Management Unit**: conservation and/or restoration outcomes above and beyond those required by the FSC Standards.

Compensation: Actions taken to remedy or counterbalance:

- a) deforestation, conversion, degradation, or other harms to *natural forests** and *High Conservation Value** areas;
- b) social impacts and human rights harms.

Compensation actions may include but are not limited to: conservation of standing forests, habitats, ecosystems and species; restoration and protection of degraded ecosystems; as well as social remediation/restitution measures.

Competent Authority: An independent, third party company or organization appointed by FSC to monitor, verify and report on the implementation of the compensation plan.

Conversion: A *lasting change of natural forest cover** or *High Conservation Value** areas, *induced by human activity** and characterized by *significant loss of species diversity**, habitat diversity, structural complexity, ecosystem functionality or livelihoods and cultural values. The definition of *conversion** covers gradual forest degradation as well as rapid forest transformation.

- **Induced by human activity:** In contrast to drastic changes caused by natural calamities like hurricanes or volcanic eruptions. It also applies in cases of naturally ignited fires where human activities (e.g. draining of peatlands) have significantly increased the risk of fire.
- **Lasting change of natural forest cover:** Permanent or *long-term** change of natural forest cover, precluded from reverting back towards pre-conversion conditions. Temporary changes of forest cover or structure (e.g. harvesting followed by regeneration in accordance with the FSC normative framework) is not considered conversion.
- **Significant loss of species diversity:** Loss of species is considered significant where rare, threatened and endangered or other locally important, keystone and/or flagship species are lost, whether in terms of numbers of individuals or in terms of number of species. This refers to both displacement and extinction.

NOTE: For the purposes of this Policy, the establishment of ancillary infrastructure necessary to implement the objectives of responsible forest management (e.g. forest roads, skid trails, log landings, fire protection, etc.) is not considered conversion.

Degradation: Changes within a *natural forest** or *High Conservation Value** area that significantly and negatively affect its species composition, structure and/or function, and reduces the ecosystem's capacity to supply products, support biodiversity and/or deliver ecosystem services.

Direct involvement: Situations in which the associated organization or individual is firsthand responsible for conversion.

Option 1:

Indirect involvement: Involvement of the associated organization or individual, with a minimum ownership or voting power of 51%, as a parent or sister company, subsidiary, shareholder or Board of Directors, to an organization with direct involvement. Indirect involvement also includes *related entities** or involvement of subcontractors when acting on behalf of the associated organization or individual.

- **Related entities:** Related entities include those companies connected to the associated organization or individual through beneficial ownership, minority ownership and the same executive or board management, or minority ownership and exercised control over the company financial or management decisions.

Option 2

Indirect involvement: Situations in which the associated organization or individual, with a minimum ownership or voting power of 51%, is involved as a parent or sister company, subsidiary, shareholder or Board of Directors to an organization directly involved in conversion. Indirect involvement also includes activities performed by subcontractors when acting on behalf of the associated organization or individual.

Please note: The options above are only provided for public consultation. The final Policy will include only one of these options.

Equivalent: For ecological equivalence - The same specific type of *natural forest** or *High Conservation Value** is restored or conserved as was destroyed.

For social restitution, equivalence should be based on an assessment through Free, Prior, Informed Consent (FPIC) of the nature, quality and quantity of all losses as well

as the on-going future benefits these would have provided. Equivalence should entail provision of the best means possible to ensure future community success.

Proportional: A 1:1 ratio: The area to be restored or conserved is the same as the area of *natural forest** and/or *High Conservation Value** destroyed.

Restitution: An FPIC based process of assessing and compensating for all social losses, impacts and human right harm, and facilitating a transition to the position before such losses, impacts and harm occurred; or developing alternative measures to ameliorate harm by providing gains recognized by the *affected stakeholders** as equivalent to the losses.

Restoration (as it relates to compensation after conversion): Ecological restoration is the process of assisting the recovery of an ecosystem, and its associated conservation values, that have been degraded, damaged, or destroyed.

Small-scale smallholder: Any person that is depending on the land for most of their livelihood; and/or employs labor mostly from family or neighboring communities and has land-use rights on a *Management Unit** of less than 50 hectares. Standards Developers may define this to less than 50 hectares.

Very limited portion:

- a) Forest management standards: The affected area *shall** not exceed 5% of the *Management Unit**.
- b) Policy for Association: The affected area *shall** not exceed 5% of the total forest area under direct or indirect involvement of the organization in the past five years.

F Version History

Draft 2-0 was developed to consider changes to draft 1-0 following public consultation feedback.

Verbal forms for the expression of provisions

[Adapted from ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards]

“shall”: indicates requirements strictly to be followed in order to conform to the document.

“should”: indicates that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required.

“may”: indicates a course of action permissible within the limits of the document.

“can”: is used for statements of possibility and capability, whether material, physical or causal.

Policy Principles

1. FSC contributes to shared global commitments to halt conversion and deforestation while advancing the restoration of lost environmental and social values. Establishing partnerships, active participation in global dialogue and leveraging its standards and dynamic membership to influence policy makers, responsible procurement and global supply chains.
2. FSC requires associating organizations to demonstrate that they are not converting *natural forests** and/or *High Conservation Value** areas to *plantations** or other land uses. The associated organizations are expected to demonstrate their conservation and restoration efforts through compliance with requirements in the FSC normative framework.
3. FSC aims to incentivize and advance the restoration and conservation of *natural forest** and *High Conservation Value** areas and restitution of social harm caused by conversion. For that purpose:
 - a) Organizations that were *directly or indirectly involved** in *conversion** on the *Management Unit** after November 1994 and before October 2020 are eligible for FSC forest management certification¹ of that *Management Unit** upon demonstrated compliance with the FSC Compensation Procedure.
 - b) Organizations that were *directly or indirectly involved** in *conversion** after November 1994 are eligible to associate² with FSC upon demonstrated compliance with the FSC Compensation Procedure.
4. Organizations that are *directly or indirectly involved** in *conversion** on the *Management Unit** after October 2020 are not eligible for FSC forest management certification¹ of that *Management Unit**.
5. FSC defines what constitutes *natural forest** and the threshold for when degradation constitutes *conversion**. Standard developers may adapt this at the national level, based on guidance and instructions developed by FSC.
6. FSC accepts small scale/minimal conversion that:
 - a) Affects a *very limited portion** of the *Management Unit**, and
 - b) Will produce *long-term* conservation** and where possible social benefits, in the *Management Unit**, and
 - c) Does not threaten *High Conservation Values**, nor any sites or resources necessary to maintain or enhance those *High Conservation Values**.
7. FSC has a Compensation Procedure that delivers conservation and restoration outcomes, and restitution to affected stakeholders and rights-holders. This procedure provides a pathway into FSC for organizations that have been *directly or indirectly involved** in conversion, when implemented.

This FSC Compensation Procedure includes the following key elements:

¹ This refers to certification against National Forest Stewardship Standard, Interim National Standard or FSC-STD-30-010 Controlled Wood Standard for FM enterprises

² See the scope of FSC-POL-01-004 Policy for Association

7.1 There shall be a period of at least 5 years where *The Organization** has not been *directly or indirectly involved** in conversion prior to eligibility for FSC Forest Management certification.

7.2 A standardised process to determine overall conservation, restoration and restitution requirements based on:

a) Environmental impacts specific to:

- i) Size of the converted area;
- ii) Quality, including levels of degradation, of the converted area;
- iii) Environmental values lost including in the broader landscape.

For the purposes of determining conservation and restoration requirements, a baseline of 1994 or commencement of direct or indirect involvement within the *Management Unit** where conversion occurred, whichever occurs later, shall be used. The determining of environmental impacts shall be standardised by the Procedure and based on best available information and expert consultation.

b) Social impacts related to:

- i) Social, cultural values and livelihoods lost;
- ii) Eco-system services;
- iii) Human rights.

Restitution requirements shall be based on the recognised social impacts incurred by the affected parties in consultation with them based on FPIC principles.

7.3 To enter the FSC system, organizations shall develop a compensation plan for restoration and restitution that:

- a) Is fair, equitable, and genuine,
- b) Is proportionate and equivalent to the scale and impacts caused by the conversion event,
- c) Demonstrates additionality and longevity of conservation outcomes,
- d) Demonstrates restitution,
- e) Addresses risk of non-permanence and reversal of restoration, conservation and restitution activities,
- f) Is consistent with FSC Mission/Standards/Normative Framework, and
- g) Is developed in consultation with affected stakeholders including rights- holders in accordance with FPIC principles.

The compensation plan shall be:

- a) Peer reviewed by external social and environmental experts;
- b) Approved by an FSC approved *Competent Authority**;
- c) Be made publicly available upon approval.

The plan shall take account of compensation measures previously undertaken by the organization following conversion, if any.

7.4 Prior to certification or upon association/re-association with FSC, organizations shall demonstrate defined initial implementation of this compensation plan.

7.5 Social restitution shall be provided to affected stakeholders, including rights-holders, based on FPIC Guidelines.

- 7.6 Where possible, environmental and social compensation measures should be prioritised either in the *Management Units** where the conversion took place, adjacent land, or in the broader landscape.
- 7.7 In all circumstances, proposed conservation and restoration measures, including the type of activities, their location, and the implementer, shall be chosen and evaluated to ensure maximal conservation outcomes and social benefits relative to other options. The compensation measures must be at least *proportionate** to the scale of the impacts caused.
- 7.8 The ultimate responsibility for the plan, implementation and delivery of conservation outcomes and social benefits shall rest with the organization.
8. Implementation of the Compensation Procedure and the delivery of the conservation and restoration outcomes and social restitution shall be monitored through a standardised auditing process.
9. Where appropriate, the area under the scope of the compensation plan should be certified to FSC Forest Management Standards.
10. FSC defines dispensation criteria for *small-scale smallholders** within the Compensation Procedure in order to incentivize those small operations to become certified.
11. FSC Certificate Holders, including Group Schemes, may apply to aggregate their compensation requirements in order to develop maximum conservation and social outcomes.
12. FSC Dispute Resolution System shall be used to manage complaints associated with this Policy. The Compensation Procedure may be used in resolving disputes regarding conversion of *natural forest** and *High Conservation Value** areas.