



# GREEN PAPER

Conversion and the Forest Stewardship Council (FSC)  
1994 Cut-Off Date & Beyond

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## METHODOLOGY

At the request of the FSC AC (Asociacion Civil) Director General, the author was tasked to develop a Green Paper on the topics of conversion, deforestation and related key issues within the FSC system. The work included:

- Examination of the history and key issues from FSC system efforts on conversion-related topics since 2008;
- Interviews with FSC staff and outside experts, plus FSC members around the globe focusing on members who have participated most actively on the related topics since 2008 (see Appendix A for list of individuals consulted); and,
- Examination of other initiatives (certification systems, etc.) attempting to address conversion globally; and,
- Identification of options building on ongoing FSC efforts for next steps.

Key issues that the author was asked to examine or dissect were:

1. Relationship to existing 2016-2020 FSC Global Strategic Plan (GSP) and the new 2021-2026 FSC Global Strategy (GS) which is in process, and relationship to “Forests for All Forever”;
2. Status and Relationship to the FSC Policy for Association (PFA);
3. Ownership loophole;
4. Relationship with other social harm related to the converted area – social harm not coming from the conversion per se, but from other things such as land grabbing, logging, clearance of farmlands without consent and associated human rights abuses, etc.;
5. Question of Scope (existing FSC language, sideboards, thresholds, etc.);
6. Links (or not) between forest conversion and commercial supply drivers;
7. Implications and options for the FSC Challenge;
8. Building off ongoing actions; and,
9. Possible next steps.

### **FSC Experience with Green Papers or other Policy Analyses**

Prior to starting the process of drafting this Green Paper, the author examined FSC’s previous history on conversion and policy analyses. Some of the most relevant examples are (and references in this Green Paper):

- Tim Synnott review of FSC plantation policies in 2002;
- Matthew Wenban Smith analysis and proposal related to Plantation Policy Working Group for FSC board meeting 34 in 2004;
- Various Plantation Review documents that were produced circa 2006-2008;
- RECON paper which was presented and the subject of an open workshop with FSC members and observers in 2014 at the Sevilla General Assembly;
- Analysis of conversion issues distributed by the Motion 12 WG for the 2017 Vancouver GA<sup>1</sup>; and,
- FSC controlled wood strategy process discussion paper of May 2017.

None of these were labeled as a “green” paper (FSC’s Performance and Standards Unit, or PSU, has copies of all these documents). The idea of calling a policy analysis a “green paper” was originally brought up earlier in 2020 by various members of the FSC Environmental Chamber, and both the current

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<sup>1</sup> Full disclosure - The author was a co-author of the RECON paper (along with Anders Lindhe, Berty van Hensbergen, Eric Palola, Fran Price, Grant Rosoman, Margareta Renstrom and Tim Rayden). The separate Motion 12 WG paper – produced later - was done by the chamber balanced WG. The author was a technical advisor to that WG (a reviewer, but not a co-author of the WG paper).

FSC Director General and the author agreed to identify this analysis as such. As always for FSC, “green” in this context implies a balancing of social, environmental and economic values.

### **Methodology for this Green Paper**

The author examined documents and emails related to the topic and interviewed over 60 individuals over an eight week period who have been most active on the topic of conversion and deforestation, restoration and social, economic and environmental implications thereof in the FSC system. An explicit intent was to avoid repeating work currently being done by members of various FSC staff and Working Groups and Technical Committees (see below for history and status of related FSC efforts). This Green Paper is intended to complement their work by providing background and reference material for wider discussions among FSC members and stakeholders. The author relied on documentation available online, interviews with FSC staff, FSC members and outside specialists at various national and international organizations and the author’s personal experience. For interviews, each interviewee was given a draft Green Paper Table of Contents (produced by the author) and a statement on privacy developed by FSC with the author’s input.

This Green Paper is **not** official FSC policy. No comments are attributed to specific individuals. The author is not providing recommendations. Reflections provided at the end of the analysis are the sole responsibility of the author, as are any errors. Any confidential information received during the analysis from either FSC or other individuals will remain confidential. Appendix 1 provides non-confidential references. Appendix 2 provides a list of individuals (and their current affiliations) communicated with during the analysis.

### **A Critical Message**

**The FSC has very important ongoing consultation related to the work of the Conversion Policy. It is extremely important that FSC members of all chambers and sub-chambers actively respond, including those in favor, neutral or negative about ideas proposed. Multiple individuals interacted with during the Green Paper, in all chambers, emphasized that often the comments received during consultation periods from FSC members are too few in number and not representative of the true breadth of FSC member perspectives (perhaps one reason why motions and the FSC General Assembly are so important – however challenging they may be, they do facilitate the full input and representation of FSC perspectives). There is an old saying – “decisions are made by those who show up” – PLEASE participate.**

### **FSC ANTECEDENTS RELATED TO CONVERSION**

Below is a brief timeline of conversion-related events in the FSC system. These events are discussed later in this Green Paper.

1993	Approval of the original FSC Principles & Criteria at FSC Founding Assembly
1994	FSC’s first official Board of Directors sign off on FSC P&C (with amendments)
1996	Principle 10 on Plantations approved & FSC plantation accreditation begins
1997-98	FSC adds High Conservation Value Forest (HCVF) Principle 9
1999	Amendments FSC P&C occur, including adding 1994 conversion criterion to Principle 10
2000	FSC Policy on Percentage Based Claims approved, introducing “controversial sources” language
2002	Amendments to FSC P&C occur FSC Plantations Policy discussion paper produced
2004	CW standards introduced, incorporating conversion as a risk category

2006-2009	FSC Plantation Review, including reports from Expert Teams A, B & C
2007	FSC Board of Directors mandates Policy for Association (PfA) development
2009	PfA (Part I) Policy Elements approved
2011	Kota Kinabalu General Assembly; Policy Motion 37 “FSC Certification of Plantations” passes PfA (Part II) Policy Implementation approved
2012	Amendments to FSC P&C occur; P10 changes to “Implementation of Management Activities” & Plantation requirements distributed across principles
2014	Sevilla General Assembly, RECON paper & discussions, Motion 12 “Fast tracking Motion 18 from 2011...” passes
2015	Amendments to FSC P&C occur IGIs approved by FSC Board of Directors
2016	FSC Global Strategic Plan starts (period 2015-2020)
2017	Vancouver General Assembly, Motion 7 “About the 1994 rule...” passes Amendments to FSC P&C occur, P9 becomes HCVs (versus HCVF) FSC develops “Strategy for FSC Mix Products & Controlled Wood”
2019-2022	Ongoing work by FSC Conversion Policy & Technical WGs Ongoing work for revising FSC PfA policy & processing complaints system <sup>2</sup>
2020	Work being started on Strategy for Mix Products & CW and revision of Controlled Wood Forest Management (STD-30-010)
2021	Bali General Assembly & new Global Strategy to start (period 2021-2026)

### Evolution of the Principles & Criteria

The original FSC Principles and Criteria (P&C) approved at the FSC Founding Assembly (November 1993) by Founding Members were signed off formally by FSC’s first official Board of Directors in June 1994. In the version approved by the members, P&C and glossary definitions relevant to the topic of conversion included:

- Criterion 1.5 stated “*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*”. Note: It was and still is today common that land use conversions may be legal but are considered an unacceptable conversion in the FSC system and thus not meet FSC FM certification requirements.
- Criterion 6.3 stated “*Ecological function and values shall be maintained, 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.*”
- Principle 9 was entitled “*Maintenance of Natural Forests*” and further stated “*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.*”
- Criterion 9.1 stated “*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.*”
- Criterion 9.2 stated “*The use of replanting as a technique for regenerating stands of certain natural forest types may be appropriate under certain circumstances. Guidelines on acceptable intensity and spatial extent of tree planting will be addressed in national and regional forest management standards to be approved by the FSC. In the absence of such national or regional standards, guidelines developed by the certifier and approved by the FSC will prevail.*”

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<sup>2</sup> The work of both the Technical and Policy Conversion Working Groups, and the PfA policy & processing complaints system, are due to be completed Quarter 1 of 2022.

- Principle 10 was entitled “*Plantations*” and further stated “*Plantations shall complement, not replace, natural forests. Plantations should reduce pressures on natural forests.*”
- Criterion 10.1 stated “*Plantations should promote the protection and conservation of natural forests in the landscape, both in terms of their layout and management. Natural corridors and a mosaic of different aged stands shall be used in the siting of plantations.*”
- Criterion 10.4 stated “*Degraded ecosystems should be restored with significant proportions of native species, according to the scale and intensity of forest management.*”
- Plantation was defined as “*forest areas lacking most of the principal characteristics and key elements of native ecosystems as defined by FSC-approved national and regional standards of forest management, which result from the human activities of either planting, sowing or intensive silvicultural treatments*”.

In the original P&C the terms conversion and deforestation are not used.

After approval of the P&C at the Founding Assembly in 1993, the first formal FSC board (an Interim Board existed before that) formalized approval of the P&C in June 1994. After the 1993 original Principles 1-9 were ratified by the FSC Founding Members at the Founding Assembly and subsequently by the FSC’s first Board of Directors in 1994. These same organs added and ratified Principle 10 (the plantation P&C) in 1996. In 1997-98 the High Conservation Value Forest (or HCVF) concept and approach was created by FSC. The HCVF concept has since spread to numerous other certification systems (e.g. the Roundtable on Sustainable Palm Oil or RSPO and the Roundtable for Responsible Soy or RTRS) and other initiatives, supported by the global High Conservation Value Resource Network or HCVRN.

In 2002 the FSC published a later version of the P&C – noted as “approved 1993 – Amended 1996, 1999, 2002” – which for the sake of brevity that version is referred to here because of the multiple changes incorporated. This version included Principle 9 (at that time newly entitled “Maintenance of High Conservation Value Forests”) and Criteria 6.10 and 10.9 which were ratified in January 1999. New Criteria added included:

- Criterion 6.10 stated “*Forest conversion to plantations or non-forest land uses shall not occur, except in circumstances where conversion:*
  - *Entails a very limited portion of the forest management unit; and*
  - *Does not occur on high conservation value forest areas; and*
  - *Will enable clear, substantial, additional, secure long term conservation benefits across the forest management unit.*
- Criterion 10.9 stated “*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*”.

In 2012, other changes were approved including renaming and re-organization of some P&C, adding a new Principle 10 entitled “Implementation of Management Activities” (which replaced the previous Principle 10 related to Plantations – special plantation requirements were distributed across the other 9 principles). The 2012 changes were able to capitalize on the results of the Plantation Review (see below). Finally, in 2015, Version 5.2 of the P&C was approved by FSC members. At the same time the International Generic Indicators (IGIs) to be used as the basis for forest stewardship standards (FSS) globally were approved by the FSC AC Board of Directors. As part of this process FSC’s approach to High Conservation Values (or HCVs) was modified – the term HCVF was dropped and the focus moved to HCVs in general.

The current key requirements and terms related to conversion are embodied largely in the 2018 “International Generic Indicators, FSC-STD-60-004, V2-0”. That said, there are also numerous separate FSC “advice” or “guidance” notes. The 2009 Expert Team C report for the Plantations Review noted that some FSC advice or guidance notes were unclear or inconsistent – so the key going forward seems to be that across FSC’s complete normative framework (not just the IGIs, but the PfA, etc.) there should be relative consistency. Below are the conversion related Criteria and IGIs in the current global FSC standards.

**Criterion 6.9** *The Organization shall not convert natural forest to plantations, nor natural forests or plantations on sites directly converted from natural forest to non-forest land use, except when the conversion:*

- a) *Affects a very limited portion of the MU, and*
- b) *Will produce clear, substantial, additional, secure long-term conservation benefits in the MU, and,*
- c) *Does not damage or threaten HCVs nor any sites or resources necessary to maintain or enhance those HCVs.*

**6.9.1** *There is no conversion of natural forest to plantations, nor conversion of natural forests to non-forest land use, nor conversion of plantations on sites directly converted from natural forest to non-forest land use, except when the conversion:*

- 1) *Affects a very limited portion of the MU, and*
- 2) *The conversion will produce clear, substantial, additional, secure, long-term conservation benefits in the MU, and*
- 3) *Does not damage or threaten HCVs nor any sites or resources necessary to maintain or enhance those HCVs.*

**Criterion 6.10** *MUs containing plantations that were established on areas converted from natural forest after November 1994 shall not qualify for certification, except where:*

- a) *Clear and sufficient evidence is provided that The Organization was not directly or indirectly responsible for the conversion, or*
- b) *The conversion affected a very limited portion of the area of the MU and is producing clear, substantial, additional, secure long-term conservation benefits in the MU.*

**6.10.1** *Based on Best Available Information, accurate data is compiled on all conversions since 1994.*

**6.10.2** *Areas converted from natural forest to plantation since November 1994 are not certified, except where:*

- 1) *The Organization provides clear and sufficient evidence that it was not directly or indirectly responsible for the conversion; or*
- 2) *The conversion is producing clear, substantial, additional, secure, long-term conservation benefits in the MU, and*
- 3) *The total area of plantation on sites converted from natural forest since November 1994 is less than 5% of the total area of the MU.*

### **General Assembly (GA) Motions**

Multiple FSC motions have been debated and voted on at various General Assemblies, including some early motions relating to plantations and some more explicitly focused on the November 1994 cut-off date and conversion. Motions at three GA’s explicitly requested action on the topic of conversion (Kota Kinabalu 2011, Sevilla 2014 and Vancouver 2017). The following motions were approved by FSC members by a large plurality, requiring re-examination of the 1994 cutoff date and changes to address perceived shortcomings. Though only FSC members have the ability to vote on and approve motions and



must approve all changes to the FSC P&C, it has been quite common for motion discussions to involve parties outside the FSC membership from all sectors (NGOs, scientists, business and government).

### **Plantation Review**

In 2002 former FSC Executive Director (Timothy J. Synnott) produced a revised “FSC Plantations Policy: An FSC Discussion Paper, FSC-DIS31-001”, which was based on an initial round of consultation on draft plantation policy. The revised version was provided to FSC members for consultation, with the intent that: “From mid-July 2002, the Head of the FSC Policy and Standards Unit will take over responsibility for developing these interpretations and incorporating the results into FSC Standards and Guidelines.” The document went on to say, “Any items agreed for future work will be added to the programme of the Standards and Policy Unit”<sup>3</sup>. Closure was not reached, and in October 2002, at the FSC GA in Oaxaca, FSC members approved the following motion:

***GA Policy Motion 37: Motion regarding FSC plantations policy: The current Version of the FSC Plantation Policy Draft (30 May 2002) is not clear enough and needs improvement. After a broad consultation with the membership within 18 months the revised Plantation Policy should give concrete guidance on the interpretation of P10.***

The motion passed and FSC began comprehensive review of its work on plantations, including coverage of issues around the conservation and management of “natural and semi-natural forests”, including conversion. A Plantation Policy Working Group was established in 2004, which was then to be followed by a Standards Technical Working Group. A plantations discussion was held in Bonn (approximately 100 people participated) and outreach to both FSC members and outside interests occurred. In 2004 Matthew Wenban Smith produced a proposed rationale and process for conducting this review, which was approved by the board at board meeting 34 (BM34). The often-called “Plantation Review” included 4 pieces:

- Expert Team A examined “Raising the Bar on Social Responsibility” and produced a Handbook of Social Responsibility that influenced subsequent discussions related to revisions to the FSC P&C but was not formally adopted;
- Expert Team B examined “Maintaining Ecosystem Integrity” and produced a Guide to Ecosystem Integrity that similarly affected later discussions on the P&C, including Principle 6 revisions;
- Expert Team C examined “Integrated Pest Management” or IPM, and produced a draft of what would subsequently be published in 2009 as an “FSC Guide to integrated pest, disease and weed management in FSC certified forests and plantations”;
- Expert Team D was “specifically charged to study the cut-off date of November 1994, after which the FSC would normally not certify areas of forest management units which have been converted from natural forest to plantations” and further “to make recommendations for conversion of non-forest natural ecosystems and for revised Criteria for the P&C in respect of those issues”, which would impact drafts for plantation-related policy made by FSC IC senior staff (Synnott and Wenban-Smith).

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<sup>3</sup> A thorough analysis on the plantation sector globally will not be provided here. A 2015 review of global data by Tim Payn et. al. (see References) provided the following brief overview on the continuing contribution of plantations as part of global wood supply. The upcoming full FAO Global Resource Assessment may provide updates on this information. “While total forest area decreased from 4.28 billion hectares to 3.99 billion hectares from 1990 to 2015, with percent global forest cover dropping from 31.85% to 30.85%, the area of planted forests increased from 167.5 to 277.9 million hectares or 4.06% to 6.95% of total forest area. Increase was most rapid in the temperate zone, and regionally in East Asia, followed by Europe, North America, and Southern and Southeast Asia. However the annualised rate of increase in area of planted forests slowed in the 2010–2015 period to 1.2%, below the 2.4% rate suggested is needed to supply all of the world’s timber and fibre needs.”

The Expert Team D final product, a comprehensive 71-page report (final version August 29, 2009) also describes related events and FSC actions related to plantations and conversion since the founding of FSC. Their report lists 14 key issues that the team saw as critical for FSC in addressing conversion – some of which are still challenges for FSC (e.g. ownership loophole) - and they also identified 5 reasons why conversion was at that time a problem for the FSC, which are instructive:

- *“Failure to clearly define what is meant by technical terms and to provide practical and meaningful explanations. As an example, for a long time there was no acceptable definition of Forest Management Unit.*
- *Failure to consistently adhere to FSC’s glossary of definitions (or to create new formal definitions for insertion into the glossary).*
- *Failure to review past arguments that had already been debated and, on which a consensus or general agreement had been reached, perhaps because past records were not readily accessible or well-compiled.*
- *Failure to disaggregate problems into soluble pieces.*
- *Failure to present motions to FSC GAs in words that explain the “nature of the philosophical argument, for example, FSC as a social engineer”.*”

They also suggested a potential new approach for FSC on conversion, though it was not embraced later by FSC. They suggested the FSC should reward or incentivize “positive conversion” (a la restoration to natural forest) and, vice versa, systems or disincentives that would penalize or discourage “negative conversion” (e.g. from natural forest to other land uses or large-scale exotic tree plantations), ideas on how to put these in place depending on the time and scale of when the negative conversion happened. Along the way, the team also made numerous recommendations to improve the consistency and clarity of FSC systems, and they also made an observation that seems relevant even today:

- *“One conclusion is clear: the issues that remain the most intractable are policy-related or are related to rather fundamental beliefs. They require a detailed analysis of the underlying situation and forces at work but – even more importantly – they need FSC to derive from this analysis a clear and unequivocal policy decision that is then transmitted to the members and enshrined in the P&C.”*

### **Motions Regarding 1994 Cut-Off Date & Conversion**

Due to the lack of closure on a number of important issues after the Plantation Review, FSC’s membership came together and reiterated the importance of trying to get plantation and conversion issues to a better place. At the FSC GA in Kota Kinabalu, Malaysia in 2011, FSC members approved:

***GA 2011 Policy Motion 18: FSC Certification of Plantations** – The FSC Plantations Review was not fully completed in 2009. The Motion calls for FSC to revisit and complete the Plantations Review and to create a chamber-balanced working group to look into stakeholder concerns relating to plantation certification.*

Observing that the FSC was still struggling with the topic of plantations and conversion and the follow-up to Policy Motion 18, and not engaged on restoration at all, in 2013 and early 2014 a group of members drafted an analysis linking what they saw as a potential opportunity - conversion and restoration. “The FSC – Conversion and Restoration Situation Analysis – from RECON group” was distributed to FSC members in August 2014. After a workshop and many related discussions at the FSC GA in Sevilla, FSC members approved the following motion to energize meeting the expectations of the 2011 GA Policy Motion 18:

**GA 2014 Policy Motion 12:** *FSC shall fast-track the implementation of motion 18 from GA 2011 to create a chamber balanced process to consider challenges and opportunities related to restoration and conversion. This will include:*

- a) how to address the “ownership loophole” in Criterion 6.10;*
- b) what does an organization that has converted post 1994 need to do to be able to be certified; and,*
- c) how to deal with subsistence conversion by communities.*

*The motion also asks FSC to allow for a possible amendment of the P&C outside the defined 5-year revision schedule and request an electronic ballot by the membership to allow for changes in the P&C to be approved before the next GA.*

After passage of this motion, a chamber balanced WG was formed<sup>4</sup>. The WG produced an analysis of the issues entitled “Motion 12 Working Group – first draft for public consultation, March 21, 2016”. The WG held three physical meetings and at least 9 online calls. In addition, a webinar with the Consultative Forum was implemented. A first draft WG Proposal was in public consultation from 11 May – 11 July 2016. A first draft of impact assessment was circulated and discussed with the WG in parallel with the Public Consultation. Unfortunately, the WG was not able to arrive at a firm proposal for FSC members to vote on at the Vancouver GA (despite having drafted and sought feedback on a draft Statutory Motion). Instead, working with other FSC members, they ended up proposing Motion 7 (see below) as a fallback. At the FSC GA in Vancouver, October 2017, FSC members approved:

**GA 2017 Motion 7:** *About the 1994 rule– addressing past conversions through restoration and conservation as a requirement for certification of plantations that have converted natural forests post 1994.*

*The membership recognizes the strategic importance of addressing the issues around conversion of natural forest-related ecosystems to plantations and the need for alignment of the diverse ways in which conversion is treated in different parts of the FSC normative framework. The membership requests that FSC puts in place a mechanism, building upon previous work, which will develop a holistic policy and appropriate treatment at Principle, Criterion and Indicator levels with guidance to national Standards Development Groups, considering compensation for past conversion, in terms of:*

- restoration and/or conservation for environmental values; and*
- restitution for socio-economic values.*

As a result of Motion 7, in 2018 and 2019, FSC organized 2 Working Groups (WGs). First FSC organized a chamber balanced WG to develop the “FSC Policy on Conversion” – will be referred to here as the “Policy WG”. Second FSC formed a WG composed of 4 technical experts to develop the “operationalization mechanism” for the Policy, what will be referred to here at the “Technical WG”. The tasks of the Policy WG included identification of: “3c) Alignment needs for the FSC normative framework, including FSC Principles & Criteria, International Generic Indicators, National Forest Stewardship Standards, Policy for Association and Controlled Wood”, which is included in the Conversion Policy draft 3-0 which is currently under consultation. The Technical WG is expected to develop the FSC Conversion Remedy Procedure and criteria, indicators and thresholds for conversion across the normative framework (the full ToR for the Motion 7 Policy is available through FSC webpage [here](#) and Technical WGs is available [here](#)).

### **Controlled Wood (CW)**

CW has been discussed as early as 2000 (as part of percentage-based claims policy FSC-POL-40-001), but conversion was not a category of CW until 2004. The CW approach aims to avoid the use of raw

<sup>4</sup> Full disclosure - The author was a technical advisor to the Motion 12 WG.

materials from “unacceptable sources” in FSC-labeled products. Unacceptable sources include wood from conversions, per the relevant FSC policies and guidance. CW standards exist for both the FM and COC certification systems (STD 30-010 and STD 40-005, respectively). CW “unacceptable source” categories have also been influential in the development of the PfA (see below).

Of particular importance is that the definitions for CW in COC and FM are different. Conversion is currently referred to as unacceptable in the CW COC-related standard as Category 4<sup>5</sup>, which states:

- *“Wood from forests being converted to plantations or non-forest use”.*

In that same document, the following definition and explanation are provided:

- *“Forest conversion: Removal of natural forest by human activity, without subsequent regeneration.”*
- Followed by the related *“NOTE: Conversion may occur due to changing land use (e.g. establishment of plantations, agriculture, pasture, urban settlements, industry or mining), or where forest has been cleared by forest management practices and not regenerated. The maximum time period between clearing and establishment of regeneration should be determined based on existing legislation, codes of best practices, etc., relevant for the area under assessment. (Source: FSC-PRO-60-002a FSC National Risk Assessment Framework)”.*

Note that the CW/COC definition is different than the CW/FM standard (STD-30-010) definition, which states:

*“No conversion of natural and semi-natural forests and other wooded ecosystems such as woodlands and savannahs to plantations or non-forest uses take place, except as permitted by section 6.3 below...”.*

In 2017, after deliberations on CW at various GAs, the FSC organized a series of activities to develop a CW strategy. A “Strategy for FSC Mix Products and Controlled Wood” was developed and approved by the FSC Board in April 2019. FSC is now in the process of considering changes to the FSC system related to Mix Products and CW per that Strategy<sup>6</sup>. FSC is organizing a WG to review and revise the existing standard for CW forest management (FSC-STD-30-010) and a Technical WG on the Mix Label and CW statements has recently completed its work.

### **Policy for Association (PfA)**

As a tool to ensure alignment between FSC values and organizations or individuals who wished to be associated with the FSC - potential FSC members or certified operations – the FSC developed the PfA approach (as far as the author is aware, the first policy of its kind for a major sustainability-oriented certification program). In March 2007 the FSC Board mandated development of the PfA. The PfA has 2 parts: Part I Policy Elements was approved in July 2009 and Part II Policy Implementation in 2011. In the words of FSC:

- *“Through this policy FSC expects to be able to identify organizations not committed to the basic fundamentals of responsible forest management and prevent them from misusing their association with FSC.”<sup>7</sup>*

The policy applies to FSC FM, COC and CW certifications, membership, accreditation, granting of trademark licenses, cooperation agreements or partnerships. It is critical to note that the policy applies to

<sup>5</sup> FSC IC, FSC-STD-40-004, V3-1, Requirements for Sourcing FSC Controlled Wood, published December 18, 2015.

<sup>6</sup> FSC IC, Strategy for FSC Mix Products and Controlled Wood, April 29, 2019.

<sup>7</sup> From FSC IC, Policy for the Association of Organizations with FSC, FSC-POL-01-004, Version 2-0 EN, 2011.

legal entities broadly, so if X entity has operations that are not FSC-certified or meeting FSC requirements, the PfA allows FSC to “disassociate” from that entity if other business operations are not in compliance with the PfA requirements. The first version of the PfA that could be considered complete (Version 1 did not cover complaints of non-conformance) was Version 2-0, 2011 and it articulated 6 unacceptable activities (built significantly on the FSC CW approach), including 1 specifically related to Forest Conversion. The PfA defines Forest Conversion as follows:

- *“Rapid or gradual removal of natural forest, semi-natural forest or other wooded ecosystems such as woodlands and savannahs to meet other land needs, such as plantations (e.g. pulp wood, oil palm or coffee), agriculture, pasture, urban settlements, industry or mining. This process is usually irreversible.”*

It further describes “Significant conversion” as:

- *“Conversion is considered significant in any case of:
 
  - Conversion of High Conservation Value Forests;
  - Conversion of more than 10% of the forest areas under the organization's responsibility in the past 5 years;
  - Conversion of more than 10,000 ha of forests under the organization's responsibility in the past 5 years; and adds to 2 following qualifier notes:
  - *NOTE: Failure of the 10,000 ha [hectare] threshold does not lead to disassociation per se, but will lead to a case by case investigation by an independent Complaints Panel. In judging the case, the Panel will take into account the local circumstances, the scale of the operation and plans for continued conversion.*
  - *NOTE: For the purposes of this policy, the establishment of ancillary infrastructure necessary to implement the objectives of responsible forest management (forest roads, skid trails, log landings, etc.) is not considered conversion.**

The PfA also includes definitions of “direct” and “indirect” involvement that have become critical in the Conversion debate and in particular the ownership loophole. They are defined as follows in the PfA:

- **“Direct involvement:** *Situations in which the associated organization or individual is first-hand responsible for the unacceptable activities.*
- **“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 unacceptable activities. Indirect involvement also includes activities performed by subcontractors when acting on behalf of the associated organization or individual.”*

Two other key elements are that “any stakeholder, including FSC [itself]” can file a formal PfA complaint and that the ultimate decisions related to the PfA are taken only by the board of FSC International.

Fast forward to today and the FSC is in the midst of a long process of revisions to the fifth revision of the PfA policy and related implementation procedure. For some members the PfA finalization has taken too long; for others they don’t want the PfA rushed and don’t see how it can be finalized without clarity on the Conversion Policy and related FSC definitions and requirements. Specifically, at the time of this report’s drafting, Draft 5 of the document “Processing FSC Policy for Association complaints, FSC-PRO-01-009, V4-0 EN” (and a Spanish version as well) was out for consultation. This document relies on the actual current PfA policy – “FSC-POL-01-004 Policy for Association of Organizations with FSC” for key terms and definitions and “FSC-POL-01-008 Processing Complaints in the FSC Certification Scheme” for processing complaints.

### **Relationship to Existing 2015-2020 FSC Global Strategic Plan (GSP), the 2021-2026 Global Strategy (GS) in Process & “Forests for All Forever”**

The FSC has an existing 2015-2020 GSP and is now working on a draft of the 2021-2025 GS, which is scheduled to be finalized by the end of 2020). A first consultation on a draft 2021-2025 GS took place in late 2019-early 2020 and revisions to that draft are currently underway for subsequent consideration by FSC members. Key elements of the existing GSP are:

- *A Core Challenge that forest governance and economic systems in many parts of the world provide greater incentives for deforestation, degradation and related social inequities than they do for responsible forest management.*
- *A 2050 Beacon—a new forest paradigm is realized where the true value of forests is realized and fully incorporated into society.*
- *2020 Aspiration—to “Turn the Tide” by shifting the global forest trend towards sustainable use, conservation, restoration and respect for all, including a vision and high-level mechanisms to achieve it by 2035.*
- *An Objective of “20 by 2020” meaning that the FSC share of global trade of forest products is 20% by 2020.*
- *Four Commitments: 1) increased focus on outcomes, 2) empowerment of people, 3) mission advancement through alliances, 4) user orientation.*
- *Three Strategies: 1) strengthen the FSC framework and governance, 2) increase market value of FSC, 3) transform the way that FSC works.*

The GSP recognizes that there are greater disincentives for deforestation, degradation and related social inequities than there are incentives against them, and also explicitly mentions restoration as an aspiration for the FSC system. The GSP also highlights that these issues are particularly true for the tropics, and face special challenges in terms of smallholders, communities and indigenous peoples. To address these challenges, the GSP expects FSC be a “unique convener...to find solutions...”, for which addressing the topic of conversion is an opportunity, in the near term. It is expected that FSC IC will report on relative progress on the 2015-2020 GSP, including Success Criteria 1.4.3, in the lead up to the 2021 GA.

A specific “Success Criterion” (1.4.3) in the GS is perhaps the one most related to the topic of conversion and restoration. It states:

- *“To conserve critical forest landscapes, new tools will prioritize improved forest management in the tropics, restoration of degraded forestlands, maintenance of intact forest landscapes and climate change mitigation.”*

This criterion seems critical in that it suggests FSC values are important in terms of restoration and maintaining intact forest landscapes, and one would assume preventing the conversion of HCVs and forests in general. Other organizations have not so clearly stated a clear position on what credible restoration might look like – a challenge that FSC (and its membership) seems uniquely positioned to do. Perhaps a key question is what role FSC wants to play in advocating for restoration. The FSC has long had in place policies attempting to stop conversion, maintain intact forest landscapes and improve forest management, but the restoration need has been largely ignored (as mentioned elsewhere, at least one restoration motion proposed but not passed). How will it balance penalties for conversion with incentives to implement restoration? If penalties are heavy and require remedy for harms conducted many years ago, will that disincentivize or discourage organizations from engaging in restoration investments that align with FSC values, or might be deemed acceptable if FSC begins to actually certify credible forest ecosystem restorations, as a number of FSC members advocate.

Finally, aligning as much as possible and appropriate the various ongoing and related policies and procedures at FSC seems critical, including in particular:

- *FSC-STD-01-001 FSC Principles and Criteria*);
- *FSC-STD-01-002 FSC Glossary of Terms*;
- *FSC-STD-60-004 Policy for the Association of Organizations with FSC*;
- *FSC-STD-40-005 Requirements for Sourcing FSC Controlled Wood*; and,
- *FSC-STD-30-010 FSC Controlled Wood standard for forest management enterprises*.

## **KEY FSC CONVERSION ISSUES**

The following are key issues identified through discussions with various contacts during this analysis, observed during consultations and General Assemblies, and, according to FSC Working Group (WG) members (per feedback they provided on earlier drafts of this document), being considered by the ongoing two FSC WGs (Policy and Technical).

### **Key Issue #1 – Ownership or Control Loophole(s)**

Various loophole scenarios have been mentioned over the years during FSC deliberations on the topic. Two relatively longstanding loopholes were mentioned during Green Paper interviews, and two more potential ones added.

Historically, what the author will call Scenario 1 – the traditional FSC “ownership loophole” - has been that X company would purposefully seek out or purchase a converted<sup>8</sup> piece of land and put in place a new tree plantation. Since X company did not actually own or control the land at the time of the conversion, the land would immediately become eligible for FSC certification upon ownership transfer to X company from the previous owner. This approach has been in place with FSC since approval of plantation certification in 1996. This Scenario has also been the main loophole concern of some FSC members. As part of this scenario, a related concern is that X company may have purposefully directly or indirectly contributed to the conversion done by another actor, prior to X company purchasing the property. The current challenge for Scenario 1, and as of September 2020 being actively deliberated on by the Policy WG, is whether a legal change in ownership forecloses on the need for remedy, or whether the downward “conversion debt” goes along with the land and the new owner needs to “remedy” it before FSC certification is possible. Furthermore, how far back should FSC be looking for the conversion debt – 5 years, 10 years, or more? These and other options are linked to ownership loophole proposals that will be part of the 3<sup>rd</sup> consultation on the Conversion Policy ideas. Significantly also, if the conversion debt is to be part of remedy, what should be the relationship between what the area under consideration looked like before conversion happened and the level of (financial or otherwise) of remedy required for. The latter being a task that most remote sensing colleagues consulted with believe that the identification and assessment of conversion gets easier every year for newer conversions and is particularly challenging to be definitive and consistent on going back any more than 5 years. The exception to this being when conversion cases are relatively black and white (e.g. forest to soybeans or large-scale plantations, or sudden versus gradual conversion) and there is remote sensing data imagery or aerial photography to provide back up.

A somewhat different ownership loophole is Scenario 2 – the “shell” company loophole. This happens when X company creates a “shell” company (with near or distant family members or other business collaborators as owners) under a different name or distinct legal ownership, and thus X company is not

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<sup>8</sup> FSC Plantation Review Expert Team D proposed consideration of two types of conversion – downward and upward conversion. Downward conversion usually happens from forest to agriculture, wherein existing/remaining natural forest is downgraded to conditions more unlike a forest. Upward conversion is when cleared or heavily degraded land (from a forest perspective) is restored upwards to a better quality of natural forest. FSC’s often unspoken bias is to favor natural forests. In general, in this Green Paper discussion, when conversion is mentioned it is typically referring to downward conversion that is negative in terms of conserving natural forest.

held responsible for the conversion actions of the shell company, either for the purposes of converting and putting in place a tree plantation or other commodities/land uses, or procuring wood from said conversion or plantation. Some observers (members and non-members) feel that it is crucial that both scenarios be clearly addressed through the ongoing processes related to the PfA and FM or COC certification, so that FSC has or develops a consistent approach related to conversion for all three.

The RECON and FSC Motion 18, 12 and Motion 7 efforts have all searched for data related to Scenarios 1 and 2. To date the most obvious example has been allegations/reports related to APP in Indonesia and Korindo. Other than these reports, finding data on these Scenarios has been challenging for the FSC Policy and Technical WGs, FSC staff and the author. This may change in the future as remote sensing and forest cover analysis tools keep improving or because a number of organizations are currently conducting forensic auditing or similar work to uncover or untangling corporate ownership structures that could facilitate assigning responsibility for environmental and social harm. Organizations that have such a focus or tools include: <https://chainreactionresearch.com/commodities> and <https://trase.finance>, plus there is the work that some NGOs are implementing (e.g. Earthsight, Greenpeace, Mighty Earth, etc.). Such due diligence would also be helped if governments collaborated more effectively, as all too often they have been complicit in fostering conversion, particularly to other commercial land uses.

A third, relatively new loophole scenario identified by some FSC members is what I will call the Scenario 3 Smallholder Loophole Scenario. Here the concern is what happens when groups of smallholders are collectively creating conversion, but because of their scale (individual properties under 100 hectares – a global default value that can be changed – higher or lower - per country conditions as part of FSS deliberations) under current (or future) FSC rules, they are not held responsible for their individual or collective conversions. There have been situations associated with oil palm, rubber or other tree crops (for fuel or fiber) where smallholders do individually and collectively convert natural forest downwards to other land uses. Making it more difficult is the reality that often such conversion is “rolling”, or quite gradual, and there are complicated issues around small landowners “right” to economic and social development. In some cases, particularly for oil palm development and alleged as a potential issue for pulp and paper plantations, governments and companies have been accused of “subsidizing” (directly or indirectly) conversion by smallholders to expand supply. Most certification systems do not require a conversion remedy by smallholders, but initiatives like the GPSNR for rubber (over 80% of the world’s natural rubber supply comes from smallholders) and RSPO are experimenting with approaches to address the smallholder challenge, as are both the FSC Policy and Technical WGs. In general, FSC members understand that gaining smallholder engagement in FSC has been very challenging and some are concerned about adding rigorous requirements around smallholder conversion and group FM certification to the FSC system would be a further disincentive to their engagement. That said, where smallholder-related conversion is an issue in a particular country or region, perhaps the idea of reduced liability (or dispensation) for smallholders’ “special cases” could be considered during NFSS processes, including using FM group approach rather than individual landowners.

The final loophole might be considered the “inconsistent policy” loophole, given the differing requirements around conversion under FM, CW/FM, CW/COC and PfA policies and procedures. Some of the differences may be defensible or logical, and most observers suggest their lack of alignment was not intentional but because the focus of X standard/procedure (or intended outcome) is different from another. For example, CW/FM and CW/COC were not meant to be equivalent to full FM, and thus have provided more flexibility on the topic of conversion, as part of an effort to engage more broadly or enhance sourcing options for certified operations. These standards and procedures are all under review at this time. A solution might be that all of the standards or requirements for these procedures are in complete alignment or that, if there are differences, such differences are acknowledged and fully



explained, and part of a larger strategy that will benefit the FSC system and its mission. Currently the proposal is that the Motion 7 TWG address these consistency challenges.

**Key Issue #2 - Social Harm in or around the Converted Area**

The linked challenges of identifying social harm and the corresponding need for remedy are quite different from biophysical assessments of conversion. Whereas biophysical assessments may be able to count on remote sensing and ground truthing (for recent conversions), social assessments are more challenging. They become even more challenging when the social harm assessment is extended to beyond the area of conversion per se to other things such as land grabbing, logging, clearance of farmlands without consent and associated human rights abuses, etc., and expectations that harm will be assessed and addressed going back 25 years or more. Particularly challenging is that in some cases conversion may have created positive value or benefits for local communities, something the FSC community largely dismisses or at a minimum criticizes. Either way, documenting either benefits or harm going back long periods is challenging.

Globally there are a whole host of organizations working this space, from Forest Peoples Programme to the Interlaken Initiative of the Rights and Resources Initiative, the Accountability Framework initiative (AFi, see below) and the World Bank and International Finance Corporation (IFC) remedy policies and processes<sup>9</sup>. As mentioned above, the RSPO remediation and compensation procedure (RaCP) is currently under implementation review and may be instructive for FSC as it is covering both environmental and social harm assessment and remedy. Both the Motion 7 Policy and Technical WGs are well-placed to examine this and other experience as they include people with exposure to the RaCP at RSPO and in other forums, in addition to the fact that the FSC consulted with FSC members on a new FSC guideline document for Free, Prior and Informed Consent (FPIC) which includes content on social remedy that is highly relevant to the Conversion remedy procedure discussions and is currently in the finalization process.

The above said, the fundamental challenge is how far FSC needs to go in terms of assessing social harm and prescribing remedy requirements. Some have argued that FSC’s efforts should clearly <sup>10</sup>include restitution, which implies not just covering the monetary or material costs of restoration but possibly

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<sup>9</sup> During Green Paper interactions, it was noted that though there are a variety of organizations (Forest Peoples Programme, Rights and Resources Initiative and many more) and initiatives (e.g. Afi) very engaged on related social issues, perhaps FSC should consider collaborating with other organizations to establish a “global center of excellence” or “recommended global practice” on social-related tools (e.g. FPIC, etc.), like what currently exists for HCVs or HCS. Such a center would focus on being a resource for best practice, science, human resources (e.g. a registry of social advisors or assessors) to foster improvement in global practices. It should also be noted that documented examples of social restitution are easy to find and may be an area for further research going forward by FSC and/or other collaborators.

<sup>10</sup> According to the UN 2011 Guiding Principles on Business and Human Rights, “remedy” is defined as “to correct or return something as near as possible to its original state or condition. For environmental harms this includes actions taken to remedy deforestation, conversion\*, degradation\*, or other harms to natural forest\* and High Conservation Value\* areas. Environmental remedy\* actions may include but are not limited to: conservation\* of standing forests, habitats, ecosystems and species; restoration\* and protection of degraded ecosystems. For social harms\* this includes providing redress for identified social harms\* through an FPIC-based process for agreeing redress for all social harms\*, and facilitating a transition to the position before such harms occurred; or developing alternative measures to ameliorate harms by providing gains recognized by the affected stakeholders\* as equivalent\* to the harms. Remedy\* may be achieved through a combination of restitution\*, rehabilitation, compensation, satisfaction and guarantees of non-repetition.” Restitution is defined as “Measures agreed through an FPIC-based process to restore lands, properties or damaged natural resources to their original owners in their original condition. Where such lands, properties or natural resources cannot be returned or restored, measures are agreed to provide alternatives of equivalent\* quality and extent.”

indemnification beyond compensation for such costs (per [www.dictionary.com](http://www.dictionary.com) on restitution). The above said, there is an emerging consensus that “rights holders” be considered different from the more generic “stakeholders”. Previously in FSC system, rights holders were considered a subset of stakeholders. Interestingly, Draft 3-0 of the Conversion Policy actually proposes that remedy shall be provided to “affected stakeholders and rights holders”. A number of FSC members also stress that remedy must at a minimum be negotiated directly with rights holders who have suffered harm, though it can be challenging to determine which individuals or organizations are best to be the ones to negotiate with. Currently, CBs, ASI and other auditors are required to address UNDRIP-specified indigenous peoples or similarly clear rights holders (who all seem “directly affected”). Assessing “indirectly affected”, without clearer definition continues has proven very challenging for auditors in the FSC system, and leaving terms more broad, such as “affected stakeholders”, remains challenging.

### **Key Issue #3 - Commercial Supply Drivers of Conversion**

Globally the data from the literature implies that permanent land use conversion caused by forestry or forest products is being reduced – the main driver is demand for farmland and agricultural expansion in the tropics. The overall percentage of forest products produced commercially by tree plantations (according to FSC in 2012 it was 33% of global roundwood production and as a percentage appears to be growing, according to other observers)<sup>11</sup>. The percentage of tree cover devoted to tree plantations is growing, though that area remains small as a global percentage of tree cover (less than 5%). The demand for forest products continues to grow, particularly for consumer goods (diapers, toilet paper, etc.), as the world’s population is now for the first time more than 50% urban and there is growing population and purchasing power for consumer goods by the middle class in a number of countries. According to BBC<sup>12</sup>, the FAO now predicts the world’s population could reach 70% urban by 2050. Though globally urbanization per se is not as significant a contributor to tree cover loss as had been expected by some observers, there are countries where urban and peri-urban development is having significant impacts (e.g. USA). Perhaps the greatest impact of urbanization (and particularly where income growth occurs) may be increased demand for wood-based consumer products. The concern is that such demand, plus growth in industrial wood energy for pellets or renewable clothing fibers and other consumption trends will further incentivize the growth of demand in general and specifically the need for plantations, which hectare for hectare produced annually more wood fiber, as compared to natural forests. The approach of some organizations monitoring these developments is increasingly to focus on critical landscapes, i.e. landscapes where growing demand and increased plantation development are putting forests at risk. They suggest that though global monitoring continues to be important, more landscape- or jurisdiction-specific focused efforts are appropriate (or should be prioritized) in order to get the most accurate and timely information on forest changes (e.g. “Eyes on the Forest” effort in Indonesia or regional monitoring in the Congo Basin) and the demand drivers that are affecting change on the ground.

### **Key Issue #4 – Scope – In Time, Space, People, Companies & FSC Normative Framework**

Key questions in the Conversion deliberations relate to scope, in multiple dimensions.

First there is the time question of the 1994 cut-off date, the period between now and then, and what happens after 2020 (the current proposed approval date of the Conversion Policy<sup>13</sup>). Also, given data

<sup>11</sup> C. Jurgensen et. al., Assessment of Industrial Roundwood Production from Planted Forests, Planted Forests and Trees Working Paper Series, Working Paper FP/48/E, FAO, Rome Italy, 2014.

<sup>12</sup> BBC News, Climate Change: What is being done around the world to plant trees? September 24, 2019.

<sup>13</sup> Per information from FSC IC, the Final Policy on Conversion draft in December 2020 goes to the FSC Policy and Standards Group (PSG, made up of FSC Network staff around the globe) and Policy & Standards Committee (PSC, a chamber balanced committee made up of members appointed by the FSC International Board) for

uncertainties, if FSC requires remedy for conversions between 1994 and 2020, how far back can FSC (and candidate operations) be expected to have robust information for clarifying environmental and social harm. Some are suggesting that operations cannot apply for FSC FM certification without proving they haven't converted over the five years prior to application<sup>14</sup>.

A second scope question relates to space and ecosystem requirements for remedy. Will the FSC Policy on Conversion (and related FM or remedy requirements) be confined to the applicant operation's MU(s)<sup>15</sup>, or reach beyond the boundaries to adjacent areas, or a jurisdiction or a regional ecological landscape? Will FSC focus only on forest elements of an ecosystem or include other natural ecosystems such as grasslands or wetlands within, adjacent or in the same ecosystem/landscape as the MU from a remedy (including restoration) perspective? Should such remedy be 1 hectare for 1 hectare, "like for like" in terms of what was lost (and perhaps more than 1:1 if HCVs have been lost, since they can be, in the near-term, impossible to recover or restore), and should both monetary and physical remedy be required?

A third scope question relates to people and the differences between rights holders, particularly Indigenous Groups, and other stakeholders. There seems to be fairly broad acceptance amongst FSC members that FSC should primarily focus remedy on communities and workers within or immediately adjacent to a candidate FMU and legitimate rights holders per the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP, adopted in 2007) or national legislation. But how much influence should stakeholders beyond those circles have on the assessments of social and environmental harm and related conversion remedy decisions being made for X operation? Interviews undertaken during this analysis suggest priority be placed on directly affected individuals/families and rights holders, versus indirectly affected stakeholders, though there may be global or regional implications that resulting from local decisions on forests.

A fourth scope question relates to companies – how far does FSC's reach on harm or conversion liability extend? It is clear it covers, at least, the geographic scope of the FM under scrutiny (i.e. the forest management unit or FMU). But what about company subsidiaries, or companies owned by relatives, or companies where such involvement is on a minority share basis? During consultations on FSC's work on generic roadmaps for "disassociated companies" through the PfA, drafts have required remedy for harm caused by conversion in a company's supply chains, and during the second round of public consultation for the Conversion Policy, some in the Environmental North sub-chamber raised the possibility of including companies' supply chains in the policy.

Lastly there is the fifth question of scope and priority within the FSC normative framework – from the PfA to FM or COC certification to on-product labels or off-product trademarks or other representations. Members observe that the PfA is the "gate" to engagement with the FSC system and that policy and procedure needs clarity on conversion there first, though oftentimes engagement with FSC starts with an application for FM or COC certification. The current approach is to seek to solve these dilemmas in simultaneous fashion coordinated between FSC and the 2 WGs (Policy and Technical).

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recommendation to the Board for conditional approval. As it is likely that the Policy changes would represent a change to the existing criterion 6.10 of the FSC Principles and Criteria (FSC-STD-01-001 V5-2), the FSC membership will need to agree on these changes to be implementable, with the most appropriate place being at the General Assembly in 2021. In line with these requirements, the Policy WG is planning to develop a Motion for presentation at the GA in 2021.

<sup>14</sup> Current CW FM certification only requires that no ongoing conversion be proven at the time of application to be CW FM certified. No transition from CW FM to full FM is possible if large-scale conversion (per FSC requirements) happened after 1994.

<sup>15</sup> Management Unit (MU) is the term now used by the FSC system. Prior to Version 5 of the P&C, the term Forest Management Unit (FMU) had been used.

**Key Issue #5 – The Many Moving Parts & the Challenge of Meeting FSC Member Expectations on Conversion and Remedy and the Year 2020 is Upon Us**

The FSC mission is “to promote environmentally sound, socially beneficial and economically viable management of the world's forests”. As part of this the updated FSC vision is “The true value of forests is recognized and fully incorporated into society worldwide. FSC is the leading catalyst and defining force for improved forest management and market transformation, shifting the global forest trend toward sustainable use, conservation, restoration, and respect for all”. To achieve this mission and vision, the FSC is currently juggling the development of a new 5-year global strategy and both policies and procedures related not just to Conversion and FM or COC certifications, but also related revisions to the PfA, the content and future approach for Controlled Wood (both FM and COC) and certifying Mix Products, and related complaint or appeal procedures. This can all be quite dizzying. The need for change or continuous improvement on all of them is logical, though it is quite easy for FSC members (or others) to question the order of the various steps, WGs and related deliberations. What is clear is that many members expect the Conversion Policy and procedures dialectic to influence all of the above and that, “when the dust settles” the FSC leadership has a challenge on its hands to ensure consistency - of language, rigor of implementation, and external communications – throughout the system. To some extent this means that they see the Conversion Policy and procedures process at the center of changes to all the related FSC systems, rather than as just one more piece of the puzzle, implying it needs to be resolved before the others can be. The Motion 7 Policy and Technical WGs are deliberating now on the need for clearer and potentially more expansive remedy requirements across the board for all normative FSC requirements.

Finally, it is clear that the issues are urgent and impatience for FSC action exists, particularly given that so many initiatives and commitments (see below) have put in year 2020 as a major milestone for change – for supply chains, action on climate issues, stopping deforestation and moving ahead on restoration.

**ONGOING INITIATIVES THAT RELATE TO FSC & CONVERSION**

In addition to the dynamics inside FSC, there are numerous attempts to address issues around deforestation and conversion, both inside and outside of sustainability certification systems, plus very significant global momentum on the topic of restoration. There is considerable evolution taking place. The dialectic on all three – conversion, deforestation and restoration – is constantly changing. As FSC takes decisions it seems important for FSC members to be aware of other initiatives. Following are brief observations on some of the relevant initiatives (discussed in alphabetical order). There is always more that could be included – those mentioned below represent at least some useful starting points.

**Accountability Framework Initiative (AFi)**

In 2017, AFi was created in order to provide common guidance related to deforestation-related claims across the participating NGOs, addressing a concern that different NGOs were providing different or disparate guidance on how to best address deforestation issues, AFi is a coalition of eight NGOs who are collaborating to provide guidance to companies and other organizations that are eliminating deforestation and related ills from their supply chains<sup>16</sup>. The AFi “backbone team” (a kind of secretariat composed of staff from Rainforest Alliance and Meridian) has worked closely to implement AFi with collaborating NGOs through a Steering Group that includes NWF, Proforest, ResourceTrust, Social Accountability International, TNC, Verité, WRI, WWF and independent experts. “Supporting partners” are currently being added. Other organizations that have played a role in the past on AFi include Forest Peoples Programme, Greenpeace and Imafloa. AFi receives funding only from foundations and governments.

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<sup>16</sup> Full disclosure - the author developed the original concept for AFi when he was a staff member of Rainforest Alliance (from April 1992 to June 2019).

AFi guidance is divided between Core Principles and Operational Guidance documents. The Core Principles provide “a high-level framework for setting, implementing, and monitoring effective supply chain commitments”. The Principles and Operational Guidance documents most directly relevant to FSC issues around conversion include:

- Principles:
  - Protection of forests and other natural ecosystems,
  - Respect for human rights,
  - Access to remedy and environmental restoration, and
  - Monitoring and verification.
- Operation Guidance documents:
  - Applying the Definitions Related to Deforestation, Conversion, and Protection of Ecosystems,
  - Cutoff Dates,
  - Environmental Restoration and Compensation,
  - Remediation and Access to Remedy, and,
  - Respecting the Rights of Indigenous Peoples and Local Communities.

AFi defines deforestation as the loss of natural forest as a result of three types of events: a) Conversion to agriculture or other non-forest land use, b) Conversion to a tree plantation, or c) Severe and sustained degradation, with more guidance defining these in a specific Operational Guidance document.<sup>17</sup> A key issue for FSC, the “ownership loophole”, is addressed under AFi Core Principles document (Section 9.4) that states “Companies purchasing or acquiring interests in commodity-producing properties assume responsibility to remediate past harms, unless this responsibility is explicitly and legally transferred to or retained by another party”.

AFi guidance on deforestation and conversion has recently been adopted the Textile Exchange. Some members have observed that AFi and FSC should consider more proactively working together on improving procedures for addressing conversion, deforestation, social harm and restoration. This could include perhaps approaching other due diligence or certification systems to develop common approaches to the issues, in hopes that a consistent multi-organization message might have more impact across multiple ecosystems, commodities and on supply chains. Such FSC collaboration is already happening on landscape approach initiatives with various organizations and can be built upon.

### **Climate Focus – Assessments of 2014 New York Declaration on Forests & the Global Restoration Observatory**

As stated in 2019 evaluation reports done by the “assessment partners” of Climate Focus on the 2014 New York Declaration:

- *“NYDF Goal 5 endorses and builds on the Bonn Challenge, a global initiative launched in 2011 with the goal of bringing 150 million hectares (Mha) of the world’s deforested and degraded land into restoration by 2020. In 2014, the NYDF adopted the 150 Mha goal and extended the ambition to restore an additional 200 Mha by 2030. Together, these initiatives represent a ‘goal continuum’ of 350 Mha by 2030”.*

In the 2014 NYDF Goal 5 it specifically creates a global target:

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<sup>17</sup> See AFi Operational Guidance on “Applying the Definitions Related to Deforestation, Conversion and Protection of Ecosystems”.

- *“Restore 150 million hectares of degraded landscapes and forestlands by 2020 and significantly increase the rate of global restoration thereafter, which would restore at least an additional 200 million hectares by 2030”.*

Starting a few years back, Climate Focus and partner organizations began to conduct annual evaluations of Progress with the NY Declaration. In 2019 the evaluation placed a focus on Goal 5 and restoration. Now Climate Focus has organized, with WRI and other collaborators, a new Global Restoration Observatory to bring more focus on monitoring results of restoration efforts based on NY Declaration commitments. It is notable that the 2019 report found that “only 18 percent of the 2020 goal (26.7 Mha of forests) are documented to have undergone restoration since 2000”, which may be an approximate indicator of what gaps may be for various restoration initiatives. Significantly, so far these initiatives have not specifically defined what constitutes credible restoration – which may be a value that the FSC system could bring to the table.

**Declarations & Commitments on Deforestation & Restoration – AFR100, Amsterdam Declarations, Bonn Challenge, Consumer Goods Forum, Initiative 20X20, New York Declaration on Forests 2014, TFA 2020 & UN Decade on Ecosystem Restoration**

There are multiple global and regional initiatives which have fostered commitments or action on deforestation, almost always with time- and/or area-based commitments to restoration.

The Amsterdam Declarations “are non-legally binding political commitments that aim to support the implementation of private sector commitments on deforestation and sustainable palm oil. By expanding market demand for sustainable commodities in the signatory European countries, the Declarations aim to incentivize sustainable production in producer countries”. According to Partnership for Forests (see <http://partnershipsforforests.com>), the Declarations—one focused on stopping deforestation and the other on sustainable palm oil—were launched on December 7th, 2015 with the intention of achieving fully sustainable and deforestation-free agro-commodity supply chains in Europe by 2020. The governments of Denmark, Germany, Netherlands, Norway, the United Kingdom, Italy and France have signed. The Declarations are focused on agricultural commodities (such as palm oil, soy and cocoa) for which Europe has a significant market share. The declarations were signed on to by eight national food and feed industry alliances and three European federations (Caobisco, FEDIOL and IMACE) to support, in theory, attaining 100% sustainable palm oil for Europe by 2020. The Declarations are significant because they have a 2020 commitment date and many of the commodities involved are produced in regions or countries where FSC certification faces some of the same deforestation challenges (Argentina, Brazil, Congo Basin, Indonesia and other parts of Southeast Asia, Paraguay and West Africa).

The Bonn Challenge is a longstanding initiative of governments to commit to implementing restoration, with targets of 150 million hectares by 2020 and 350 million by 2030. The EU Biodiversity Strategy proposes planting 3 billion trees by 2030. The Tropical Forest Alliance (TFA) 2020 was created in 2015 at the time of the Rio UNCED+20 conference and initiated by the US government and other governments and companies to try and end large scale deforestation by 2020, with restoration as an additional desire. The New York Declaration on Forests 2014 committed governments, companies and NGOs to stopping deforestation and supporting restoration, with a restoration goal of 350 million hectares by 2030. The United Nations has announced that in 2021 it will start the UN Decade on Ecosystem Restoration, to last until 2030. Partly as a result of the Bonn Challenge, but also separate dynamics or other declarations, a series of large scale, multi-country regional restoration initiatives have been organized, often with leadership and coordination by the World Resources Institute (WRI) Global Restoration Initiative, including Initiative 20X20 (20 million hectares by 2020) in Latin America and the Caribbean and AFR100 for Africa Forest Landscape Restoration Initiative (100 million hectares by 2030 with 28 countries committed) and related tools. In February 2020 WRI began exploring a “TerraMatch” initiative

to link field-level restoration practitioners with potential financial or other supporters and it was official launched in June 2020. Finally, the World Economic Forum (see [www.wef.org](http://www.wef.org)) is proposing that governments, companies and NGOs support the planting of a trillion trees by 2030.

There have been various efforts to support accountability for attaining these forest-related supply chain commitments. The Consumer Goods Forum (CGF) is building a “restoration pillar” aligning with other work the CGF coalition has done around sustainability in the pulp and paper space and climate, again with 2020 as a guiding timeline/target.

Separately, IUCN (World Conservation Union) has led in the creation of the “Bonn Barometer Challenge” to develop and publicize the barometer which is “profiling leadership and quantifiable progress on implementation of the Bonn Challenge and forest landscape restoration and equip pledgers and partners with information to accelerate action and address implementation bottlenecks”. It provides an annual progress report, though as of this writing the 2019 report is not yet available. The barometer has a website tracking progress, with 12 governments participating as of June 2020, but “20+” countries on board in theory by the end of the year (see <https://infoflr.org/bonn-challenge-barometer>).

Though the above do include indicators for progress assessment, they are not as specific as the SER restoration standards or the current NEPCon forest ecosystem restoration verification protocol in terms of clarifying what “credible” restoration actually could look like on the ground (as might be expected by FSC members). Perhaps it is obvious, but most of the above initiatives have identified 2020 as a key year for stopping deforestation and taking steps towards restoration.

It is timely that the FSC engage in this broadening and deepening restoration sector. Fortunately, through the FSC Ecosystem Services initiative, the FSC system has already been engaging on restoration, both on restoration in general and also in terms of restoration’s potential positive role in ameliorating climate change. For some the FSC is looked to as a potential mechanism for establishing standards for what credible restoration might look like – FSC is recognized as field-based, rigorous and multi-stakeholder. For others, the FSC is seen as a potential collaborator, but there is concern that overly strict or rigorous FSC requirements may somehow dampen or slow restoration initiatives.

### **High Carbon Stocks Approach (HCSA)**

The HCSA has been in place for a couple of years and was originally designed for use in the tropics (see <http://highcarbonstock.org/>). HCSA is managed by the HCS Steering Group. The use of the HCSA happens through HCS assessments which are formally completed, peer reviewed and approved, with HCSA office support where requested. HCSA methodologies for assessing the state of an HCS forest are already being used heavily in the palm oil field and being considered for use in other commodities such as soy, biofuels, etc. The HCSA is used to identify each forest in a continuum - high density forest > medium density forest > low density forest > young regeneration forest > scrub forest > cleared or open land – and feeds into decision-making for acceptable plantation development. HCSA could be used as a method to ensure no conversion is taking place, in conjunction with good monitoring, using access to (HCSA required) “shape files” that digitally map or outline the plantation area (something RSPO now requires for all certified palm plantations and FSC has only been able to access on a voluntary basis). Other key elements of the approach that align with FSC are HCV assessments and FPIC. Because HCS assessment could also be considered as a risk mitigation tool to avoid conversion of forests that are HCS, it has been suggested HCS be a tool to help address the conversion issues in Controlled Wood for the tropics [CW risk assessment would be step one, if used; step two would be monitoring to ensure these CW suppliers aren’t converting and that they are maintaining the forest conservation areas or HCVs identified through the HCS assessments]. HCS could also be a tool used as part of remedy procedures by candidate operations. HCSA is already working with the Global Platform for Sustainable Natural Rubber

(GPSNR) on rubber, since GPSNR was faced with the 'jungle rubber' reality (a mix of planted rubber and natural forest regeneration) and smallholder realities, like FSC (which is active in the natural rubber sector and participating in GPSNR). The initial decision made so far has been to use a threshold of 50% for deciding whether an area was considered a crop or HCS forest i.e. if it is more than 50% crop/rubber by basal area, it is classified as rubber, if less than, then it is an HCS forest. A smallholder HCSA approach is currently being tested in Indonesia in the palm oil sector, which could help instruct FSC on how to deal with conversion issues with smallholders.

## **ISEAL**

ISEAL (International Social & Environmental Accreditation & Labelling Alliance) was established in 2000 and is engaged with (as of June 2020) a wide range of certification systems, including 23 full members and 3 associate members. Associate members undergo an evaluation against the baseline criteria of the ISEAL Codes of Good Practice. After one year of being an associate member and demonstrating full compliance with the ISEAL Standard-setting Code, organizations can become ISEAL full members. This includes a commitment to demonstrate full compliance with the ISEAL Assurance Code within 2 years, full compliance with the ISEAL Impacts Code within 3 years, and regular review of their systems on a 5-year basis. ISEAL Members produce and annually update a public report on their standard-setting, assurance, and monitoring and evaluation systems. FSC is a longstanding ISEAL full member.

In terms of conversion, ISEAL has no specific guidance or instructions, other than procedural requirements which, in essence, say that “your” system has to demonstrate not only how it is “assuring” implementation of certification requirements, but also seek to assess impact of putting those requirements in place over time. ISEAL is very focused on examining and reporting impacts. RSPO seems to be the only full member to have implemented a conversion remedy procedure based on land use changes inflicted on the land, and related social impacts. Some ISEAL members have cutoff dates on deforestation and some (a minority) have included metrics to conserve or maintain natural forests in their system, though the FSC system is the most robust by far. In theory, if ISEAL chose too, because of the large number of certification systems involved, it could be a convener on the topics of conversion, restoration and remedy in general, given the importance of forests globally in the climate challenge we all face. To date ISEAL has not taken this up.

## **NEPCon Forest Ecosystem Restoration Verification Protocol**

Since 2018, NEPCon (Nature, Economy & People Connected) has been working on a draft global protocol for field monitoring of forest ecosystem restoration projects<sup>18</sup>. FSC, Climate Focus, WRI and a number of other organizations are currently engaged with NEPCon to see how this work might be useful to them. Public Version 1.0 is to be distributed for public consultation in September 2020. It has already gone through a technical desk review by approximately 50 scientists and practitioner organizations globally. Round one of public consultation will be for at least 60 days and there will be a second round (following ISEAL-recommended procedures for standards review and consultation). Simultaneous to this consultation, NEPCon has reached out to FSC and other organizations involved in restoration who might form part of a broader coalition to move forward with the protocol, to contribute to improving the draft protocol through review and consultation, field testing, and disseminating it for wider use internationally. The protocol does not cover remedy (social, environmental or economic) per se – it is focused on field evaluation of restoration projects. It contains subject areas, critical indicators and continuous

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<sup>18</sup> Full disclosure – the author developed the original restoration verification protocol concept. After discussions with several organizations, NEPCon took over further development of the protocol for the time being, but with a commitment to an “open source” approach and collaboration with a broad range of organizations for further development, field testing and implementation.



improvement indicators. It also does not contain principles or criteria, in an effort to make it easily “mergeable” with existing accountability standards or systems. NEPCon’s clear intent was that the protocol not be used to create a new certification system but to be used as an “open source” tool available to everyone for 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> party verification. As part of their approach NEPCon also agrees that once a restoration standard is in place, it would also be useable by other certification and auditing organizations (e.g. other FSC-accredited CBs). The thinking was also that perhaps, either in whole or part, it could be incorporated into existing certification systems to address restoration performance. The protocol was designed to be consistent with FSC values – NEPCon has been part of FSC for over 20 years. The protocol could be useful depending on how the FSC system engages directly in the monitoring, verification or certification of restoration. The FSC Ecosystem Services platform is currently exploring options for engagement or coordination, in coordination with FSC IC.

### **Rainforest Alliance Sustainable Agriculture Standard Certification (SAS) and Some Other Certification Systems**

Issues around conversion, deforestation and restoration are extremely live in multiple certification systems (see RSPO’s more specific efforts below). Though the depth of their treatment of these issues varies, Rainforest Alliance SAS system, ISCC Plus, Roundtable for Responsible Soy (RTRS), Textile Exchange and some other ISEAL-affiliated systems have been going “deep” on these topics recently whilst others have not. As described above, the AFi initiative (and its definitions) appears to be of increasing value for some certification system systems addressing the related topics – cut-off dates, restoration, remedy, conversion, etc. There is increasing momentum around cut-off dates from 2015 to 2020, but also an emerging consensus that 2020 should be almost a cut-off going forward for large-scale ecosystem conversion whether in forests, grasslands or wetlands. A number of observers mentioned during Green Paper interviews, including FSC members, that FSC itself works with the other leading certification systems towards coherence and commonality on all the relevant elements – that some kind of common approach shared, for example by RSPO and FSC could have value<sup>19</sup>. Based on research it appears that the RSPO system is the most advanced in terms of remedy (whilst continually undergoing scrutiny and now an implementation review).

Overall, the conversion and remedy (particularly restoration) space is quite dynamic right now, given the very strong commitments (sometimes with insufficient action) around 2020 as a cut-off date at organizations or alliances such as the Consumer Goods Forum, TFA 2020, World Economic Forum, Climate and Land Use Alliance (CLUA), World Business Council for Sustainable Development (WBCSD), etc. Along with cut-off dates, it will be critical for such discussions to address and perhaps resolve what are acceptable options for remedy, balancing North-South concerns and values. Again, there is the question of balance between North and South, socioeconomic and environmental priorities, and issues of fairness – issues multiple certification systems are wrestling with.

### **Roundtable Sustainable Palm Oil Certification (RSPO)**

More specifically, the RSPO certification system has the most developed approach for addressing conversion, remediation and compensation. Initially launched in 2015, at the urging of RSPO members, that system is soon to undergo an “implementation review” of its approach to date (apparently occurring or at least starting in 2020). The approach is broadly entitled the Remediation and Compensation Procedure (RaCP). Members of the FSC Conversion Policy and Technical WGs and FSC IC staff have examined the RSPO approach (some FSC WG members have been very involved in RSPO or the RaCP), which though now being implemented, could still be considered to be being tested.

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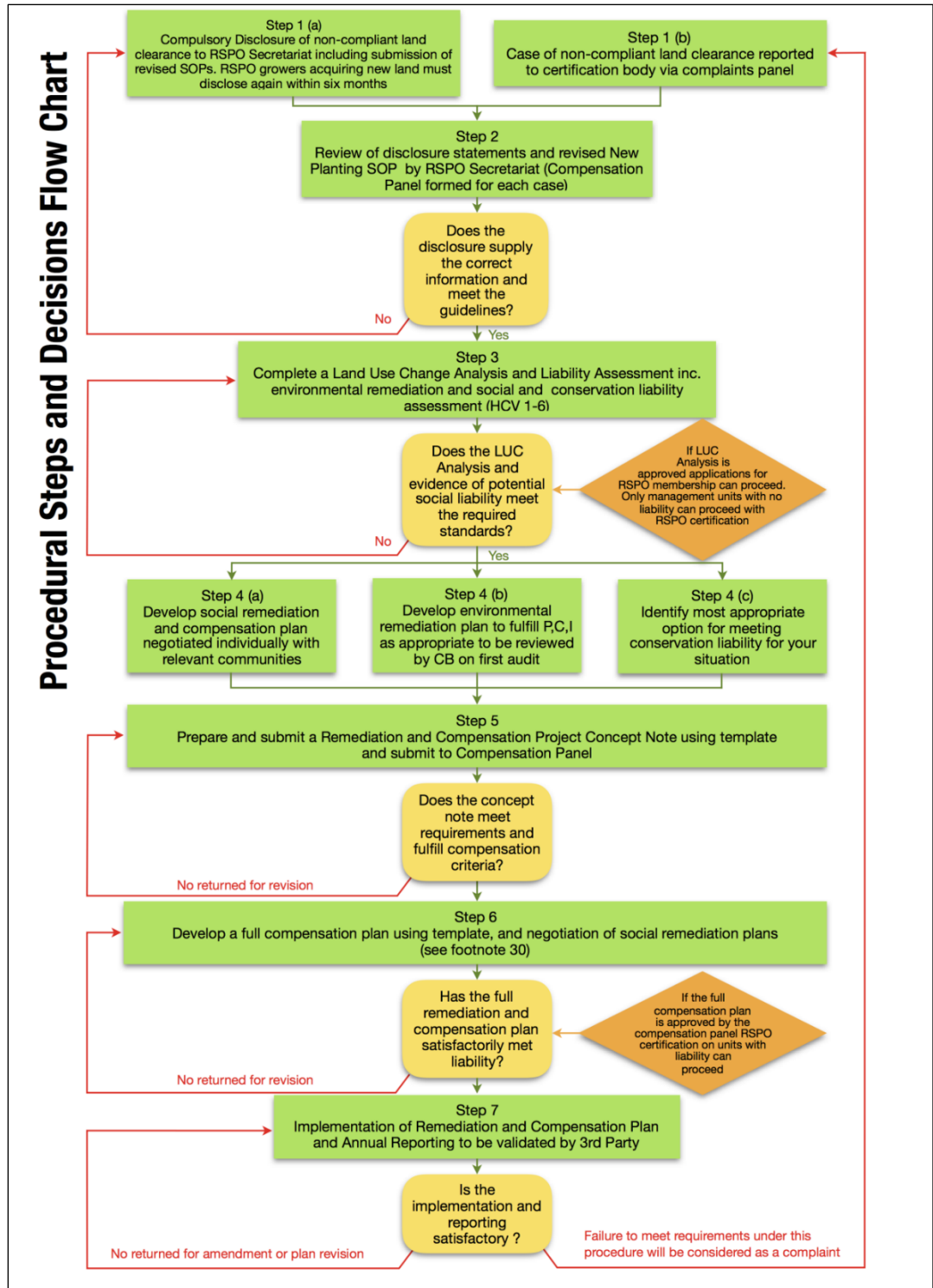
<sup>19</sup> Full disclosure – the author, when on staff at Rainforest Alliance, supported this idea, but what was interesting during this Green Paper development is that this suggestion came unsolicited from a variety of different individuals.

Changes/improvements are expected based on the implementation review, both to improve coverage of environmental and social issues and to streamline implementation.

As part of the initial RaCP approach, RSPO reached out to all RSPO-certified palm operations and asked them to what degree those operations believe they have had a legacy of either environmental or social harm, including but not limited to land clearance. They divided this analysis between operations that implemented the RSPO “New Planting Procedure” or operations that got RSPO certifications prior to existence of that procedure. There were 2,500 disclosures, 880 cases of non-compliant practices, and 200 cases with “Final Compensation Liability” (or FCL) concepts submitted. There are 20 cases where final FCL has been reached and plans approved for implementation. Exact numbers on implementation (e.g. area affected, areas restored, etc.) were not available at this time, but could be requested in the future pending FSC consulting further with RSPO on its efforts, given that FSC expects further dialogue and discussion on the topic later in 2020 and early in 2021 prior to the October 2021 General Assembly in Bali.

Below is a graphic explaining the current steps of the RaCP approach (from support documents on RSPO website for RaCP). Key elements of the RaCP approach include:

1. *Land use change analysis (LUCA) & HCV assessment for categories 1-3, plus separate coverage of HCVs 4-6 and social harm assessment (conducted by the operation itself, typically with outside advisors or technical specialists; social harm assessment methodology still evolving);*
2. *3<sup>rd</sup> party technical peer review of the above assessments,*
3. *Development and approval of a remediation/compensation concept by each company for each conversion case (concepts are typically brief; less than 10 pages; one company may have multiple plantations or cases);*
4. *3<sup>rd</sup> party peer review of the concept produced by the applicant and approval by an RSPO-appointed RaCP panel composed of 4 members of the RSPO biodiversity and HCV Working Group;*
5. *Development of a full remediation/compensation detailed plan by each applicant (the plan can range between 50-75 pages), and approved by a separate 4 person RaCP compensation panel with 2 “grower/processor” members and 2 NGO members of RSPO;*
6. *Review and decision-making (approval/disapproval) of the full remediation/conversion plan requires commitment to support and monitor plan implementation for 25 years;*
7. *When approved, monitoring of the plan implementation is done by CBs, including communication with RSPO authorities, and RSPO reports annually on all remediations.*



All parties consulted with indicated both openness to and the importance of more potential interaction between FSC and RSPO on these issues.

### Society for Ecological Restoration (SER) Restoration Standards

Led by the SER Australasia branch, SER has developed both regional and global standards to help restoration practitioners, scientists and other parties understand what they believe sound restoration is.

Their standards have gone through multiple iterations and the latest global version was produced in 2019. These standards mention social or economic issues, but their primary focus and strongest attributes are on ecological aspects. FSC staff and the WGs are considering SER inputs as they propose how to address ensuring that when restoration is done, it is done in a way that is built on strong science and reflecting FSC values. NEPCon has attempted to do the same in developing the restoration verification protocol described above.

## **STATE OF FORESTS – TENURE, DEGRADATION, DEFORESTATION, CONVERSION & MARKETS**

FSC and its members are hungry for data – on impact, on what is driving change in the FSC FM and CoC portfolio, and of course on conversion. Becoming a more “data driven” initiative is part of the FSC Global Strategy Plan now and likely in the future. It is logical that trying to capture at least some of the data that may impact the FSC and conversion policy and procedures is necessary.

In response the FSC now has a Data Analytics, Evaluation and Learning team under technology and information unit that is ramping up data gathering, and analysis oriented towards key issues and documenting impacts and challenges. The 2 Conversion Policy and Technical WGs have made significant requests for information from this new unit – some of which the new unit could respond to and others that have been frustrated, either due to actual gaps in information, resources available or unfortunate timing – some requests happened just when COVID-19 struck in early 2020 and resources have been reduced for responding.

Forests, tenure, the dynamics of deforestation, degradation and conversion, and markets are all changing. Though markets have fundamental impact, so does government policy and the desires for change amongst civil society. The above said, below are some of the current data, or data collection/analysis, initiatives related to tracking forest degradation, deforestation, conversion and related market dynamics. It should be said that data is confounding when it comes to detailed causal analysis on some of the FSC’s key issues, such as the ownership loophole, degradation versus conversion versus deforestation versus tree cover loss, and market dynamics (see below).

There may also be more light at the end of the tunnel as new information is forthcoming (July-December 2020), such as new or updated reports on deforestation drivers from WWF, WRI and TFA 2020, a fully updated Global Forest Assessment from FAO (only some Key Findings available at this time; referred to elsewhere here) and potentially new information on demand from the Consumer Goods Forum. As late as June 20, 2020 a new report came out on the role of agriculture and forestry private investment on deforestation in the tropics in 11 countries which describes how private investment (i.e. land deals) appears to have had a significant impact on tropical forest loss in countries such as Cambodia (particularly related to rubber), Indonesia, Liberia, Malaysia, among others (see Kyle Frankel Davis et. al. reference from Nature Geoscience). The “take home” message is that, as FSC continues to deliberate on the conversion and restoration challenges prior to the 2021 GA, FSC itself and its members need to keep an eye out for new information and make continued investments in improved data gathering and analysis. The data provided below are just examples of what FSC can build on.

### **Tenure**

The Rights and Resources Initiative (RRI) has documented a major positive global trend of increasing community and indigenous forest tenure or control globally<sup>20</sup>. RRI found that “*from 2002 to 2017 forest*

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<sup>20</sup> Rights and Resources Initiative, At a Crossroads: Trends in Recognition of Community-Based Forest Tenure from 2002-2017, September 9, 2018.

*areas legally recognized for Indigenous Peoples and local communities in 41 countries with continuous data...has grown from 374 million hectares in 2002 to at least 521 million hectares in 2017*". That said, there remain huge disparities globally, and depending on the country, large differences between political statements, or even laws, and the reality on the ground. These issues are prevalent in a number of the major "plantation" countries, from Brazil to Australia/New Zealand to Southern Africa and Indonesia, and thus rights dynamics are especially visible related to plantation certification. This has increased tensions between companies, governments and indigenous or local communities. There are examples of major and positive change – for example in New Zealand where Maori control of commercial forest resources, including plantations, has undergone a major transition – something FSC can take solace in (and perhaps small amount of credit for). This community and indigenous tenure movement has also gained added support through the establishment of The Tenure Facility<sup>21</sup> in 2019, which provides support to Indigenous Peoples and local organizations as they seek to enhance recognition for their rights to forest and land and build local capacity for managing them. This should (but doesn't always) strengthen the hands of indigenous peoples and local communities to be able to keep natural forests (and the goods and values they contain) from changing to other land uses – a consistent concern stressed by multiple FSC members.

At the same time, on the negative side, land grabbing has been a continuing trend, particularly in places like Southeast Asia and Africa, in some cases for rubber, often for palm oil and other agricultural crops or development, which has fostered (intentionally or not) downward conversion away from natural forests or native ecosystems. This is often supported by national or sub-national governments arguing for rural economic development. The Interlaken Group (an RRI-led, multi-sectoral government, NGO and business initiative) has documented some of the issues and also developed and distributed guidelines<sup>22</sup> for addressing land grabbing issues and gained some corporate support on the issue, though still a thorny problem in many places.

Whether on the positive or negative side, tenure transitions mean that indigenous peoples, local communities, companies and government, depending on the country, will increasingly have to negotiate in ways that were not done before. Laws and rules related to tenure have changed and are changing, and increasingly governments and companies, even local communities, will have to engage in land use planning negotiations that affect when, where and how conversion (or restoration) may happen. This will be important in many places, but particularly in "high forest, low development" countries where desires for expanding agriculture or industrial development often conflict with maintaining forests.

### **Degradation**

As described elsewhere in this report, quantitative assessments of degradation (as distinct from deforestation, tree cover loss or permanent land use conversion) are difficult. Addressing the issue of degradation has also been challenging for the WG and TWG.

From a data analysis perspective, remote sensing tools are not yet at the point where they can consistently distinguish degradation, other than to document road construction or other infrastructure used to access forest areas where logging is taking place. What happens "below the canopy" remains difficult to assess without ground-truthing and field level forest assessments.

Historically the FSC system has used national or regional FSS to establish FM standards that, in theory, reduce or eliminate forest degradation on FSC certified operations. In the tropics, analyses by CIFOR

<sup>21</sup> The Tenure Facility, [www.thetenurefacility.org](http://www.thetenurefacility.org)., June 2020.

<sup>22</sup> Interlaken Group and RRI, *Respecting Land and Forest Rights: Risks, Opportunities and a Guide for Companies*, August 2015.

(Center for International Forestry), CATIE (Tropical Agricultural Research and Higher Education Center (CATIE)), The Nature Conservancy (TNC) indicate that when adopted the FSC FSS can result in improvements working towards SFM and prevent degradation, as long as external forces such as government policies do not subsequently contradict or cause setbacks. In temperate and boreal forests in the USA, Baltics, Russia and Canada, based on discussions with FSC members, it appears that the FSS have been useful to clarify when poor forestry practices reach the point where they constitute conversion. Though not all members agree, many see FSC's ability to identify and stop conversion as a result of degradation as a very important (in fact necessary) value of the FSC system, particularly in temperate and boreal ecosystems (e.g. Canada, USA, northern Europe, Russia). Though some observers believe the FSC system can allow for "forest type" changes that are not conversion, field experience and interactions with staff and auditors in the FSC global network who are implementing FSS believe the FSC can be clear about the distinctions. In their opinion, FSS have been to discern or clarify when degradation has reached a point where "conversion" is happening, at least for FM certification.

A challenge is that here again FSC faces the challenge of alignment across its different normative structures. FSC Network staff around the globe involved in CW and the PfA are worried that the more concise FM certification-related controls around degradation and conversion are not practical either for CW or PfA approaches. Currently for both CW and PfA (as described in FSC-PRO-60-002a FSC National Risk Assessment Framework) the conversion threshold is based on "average net annual forest loss", along the lines of "tree cover gain and loss" work that WRI and others are implementing. Is there a way to balance between this broader approach but somehow also align with the more specific FM certification and FSS delineations referred to above for specific countries and sub-national jurisdictions?

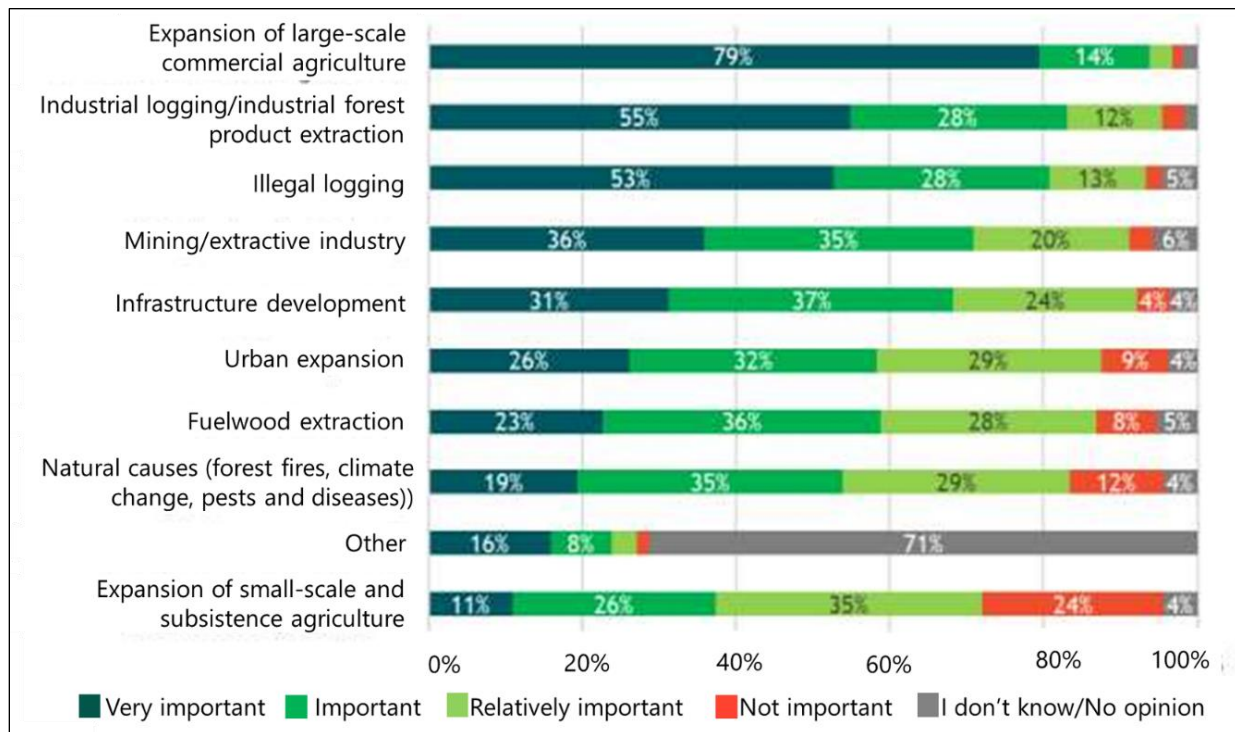
FSC members seem to indicate a continuing clear desire to stop both degradation and conversion across all FSC normative requirements. Many also seem to accept the notion that the national or regional FSS are the clearest way of doing both as related to FM certification. Though there are often lively debates, and sometimes contentious FM certificates, members indicate that FSC's ability to stop both conversion and degradation has to remain, if not get better, as a critical feature of the system. In particular this will require acknowledging the degradation-to-conversion possibility in some countries, and somehow aligning FM, CW and PfA approaches.

### **Deforestation**

WRI and the University of Maryland are monitoring trends in "tree cover" (gain and loss) on an ongoing basis. Though quite valuable, it is important to understand that this monitoring is not yet able to consistently distinguish between permanent loss of forest versus temporary tree cover loss due to the types of forest harvesting that are occurring (e.g. clearcuts or patch cuts in boreal and temperate forest in the USA, Canada, Russia, Baltics, New Zealand, Australia, Scandinavia, etc.). Getting a clearer picture requires more in-depth landscape or country-specific analyses that a number of organizations are now working on, with some predicting they may have better data and analysis processes/algorithms to achieve this by 2030. For example, in the period from 2010 to 2015, deforestation was identified (from Curtis et. al.) as a percentage of total tree cover loss as follows: 1% in North America, South America 56%, Europe none, Africa 4%, Russia/China/South Asia <1%, Southeast Asia 78% and Australia/Oceania 7%. In addition, approximately 27% of all forest disturbance between 2001 and 2015 was associated with commodity-driven deforestation, with a steady deforestation rate of 5 million hectares per year, a geographic shift away from Brazil being the center of deforestation (at the time) towards other forests of concern in Latin America and Southeast Asia.

Separately, according to the 2020 FAO Global Forest Resource Assessment Key Findings<sup>23</sup>, in the period from 2010-2020, there was a net -4.7% conversion of forest to other land uses (i.e. tree cover loss), which is down from the same calculation from -5.2% from 2000-2010 and -7.8% from 1990-2000. FAO documents deforestation has occurred at a rate of 10 million hectares per year from 2015-2020, versus 12 million hectares lost per year from 2010-2015. FAO also says there is 3.75 billion hectares of forest globally, of which 7% or 290 million hectares is planted. However, area planted is distinct from “plantations” according to FAO. They estimate that plantations (“intensively managed forest areas composed of one or two species, even-aged, planted with regular spacing and established for productive purposes) comprise about 3% of the global forest area, 45% of “planted forests” and 131 million hectares. In South America, plantations represent 99% of the “planted forest” area and in Europe plantations only represent 6% of the “planted forest” area. Globally they say 44% of plantation forests are composed mainly of introduced species, with large differences around the world – e.g. in North America and Europe most plantations are native species; in South America they are almost entirely introduced species. A key trend of importance to FSC members is that FAO says primary forest has decreased by 81 million hectares since 1990, but that the rate of loss was halved in the period from 2010-2020.

In 2019 the European Commission (EC) conducted research to gain perspectives on deforestation and degradation<sup>24</sup>. Through consultations with about 1,000 EU citizen, NGOs, businesses and governments, the research sought public opinion on EU citizen’s perceptions of the direct and indirect causes of deforestation. On direct drivers, the research results were as follows:



<sup>23</sup> FAO, Global Forest Resources Assessment 2020 Key Findings, Rome, Italy, 2020. The full report, with analysis and individual reports on 236 countries and territories was to be released in June 2020.

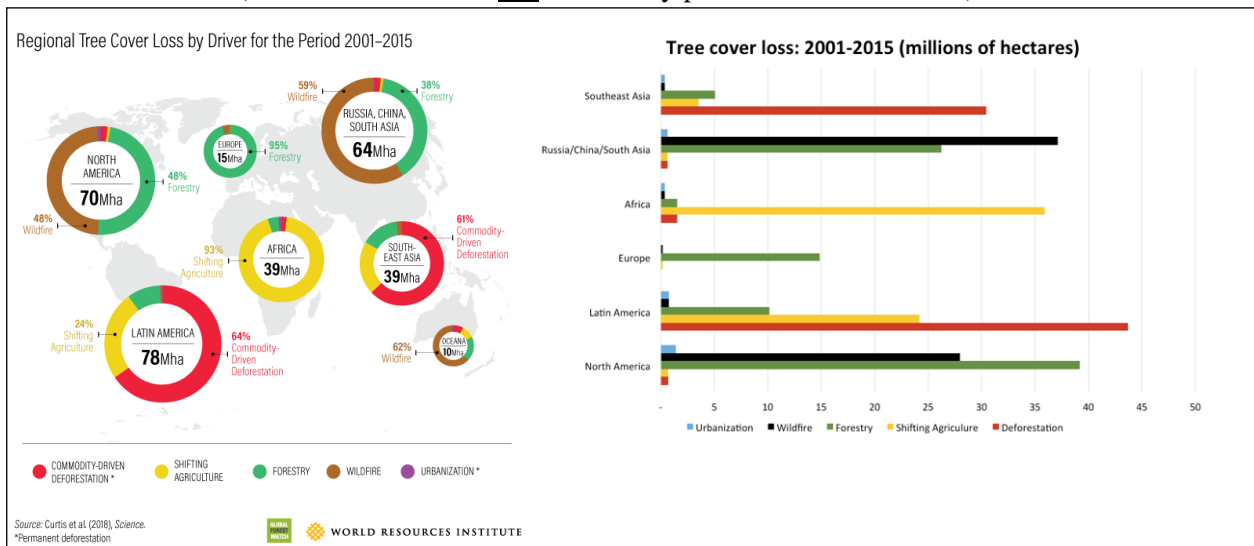
<sup>24</sup> Trinomics in association with Technopolis Group and Wageningen University & Research, Summary report of the results of the Public Consultation, In the context of the Communication on stepping up EU action against deforestation and forest degradation, European Commission, May 3, 2019.

Using this and other data, the EC has developed a roadmap<sup>25</sup> “...initiative [that] aims to present an integrated EU approach to combat deforestation, protect forests and promote sustainable supply chains”, citing various sources of information and outlining actions moving forward. The EC perspective is that the world will have 10 billion people by 2050 and that will have direct consequences on the state of forests. Potential actions include support for afforestation (putting trees on land where trees or forest are no longer present) and more transparent and sustainable supply chains, something that the FSC can play a key role in.

Besides population change, there are any number of other rapid changes that can occur, which observers point to as being influenced largely by government policies and enforcement, climate change and, at least in the commodity sector, company action. On June 1, 2020 Global Forest Watch released analysis of data from 2019. The indicate that 11.9 million hectares of tree cover were lost in the tropics, with a third of that in humid tropical primary forests<sup>26</sup> and at a rate 2.9% higher than in 2018, with Brazil in the spotlight and responsible for one third of tropical primary forest loss. The same report provides information on positive trends in Cote d’Ivoire, Ghana, Indonesia and Colombia and continued negative trends in Australia (due to fires), Bolivia, and Democratic Republic of Congo.

### Conversion

Below are 2 graphics from Curtis et. al. (2018) on the drivers of Regional Tree Cover loss for the Period from 2001 to 2015 (note: tree cover loss, **not** necessarily permanent loss of forest).



Per above, tree cover loss is not necessarily equivalent to permanent land use conversion, but when combined with other information, particularly on a country or landscape scale, the picture on conversion may become clearer, though the challenges are enormous. For example, according to Seymour and Harris<sup>27</sup>, 10 years ago industrial tree plantations comprised more than 50% of Indonesia’s deforestation but by 2016 it was caused less than 15%. This implies that conversion due to industrial tree plantations is being reduced, whilst large-scale agriculture continued to play a major role in deforestation and

<sup>25</sup> European Commission, Roadmap, Communication on stepping up EU Action against Deforestation and Forest Degradation, December 18, 2018.

<sup>26</sup> Mikaela Weisse and Liz Goldman, We Lost a Football Pitch of Primary Rainforest Every 6 Seconds in 2019, Global Forest Watch blog, WRI, posted June 1, 2020.

<sup>27</sup> Frances Seymour and Nancy Harris, Reducing Tropical Deforestation, Science, Volume 365, Issue 6455, August 23, 2019.



smallholders are a challenge. According to the same authors, from 2014 to 2016, small-scale farming drove more than 25% of all deforestation in Indonesia. This presents both FSC and the government of Indonesia and other actors with the continuing challenge of reducing deforestation in general, but also finding ways to engage with smallholders in a way that benefits them and at the same time reduces their contribution to negative trends (from an FSC perspective) from a land use perspective. This complexity of this challenge is reinforced in Africa (Namibia and South Africa) where smallholder charcoal production has resulted, in many cases, in “bushing or debushing” of grasslands<sup>28</sup>. Bushing (planting of trees) results in trees displacing native grasslands; debushing results in clearings, re-establishing grasslands but reducing forest cover. As on other topics, these complexities reinforce the importance of local context and the NFSS processes as well as potentially reinforce the need for flexibility in FSC global policies to address such country or regional nuances – lack of flexibility may reduce opportunities for restoration and/or smallholder engagement.

### Markets

Per above, Curtis et. al. analysis suggests that at least 27% (plus or minus 5% accuracy) of all deforestation is caused by market-based commodities, and whereas “beyond deforestation” forestry represents 26% of all forest disturbance”. That said, what are current global market trends and implications for the forestry sector?

Historically the FAO has been and probably will continue to be a major source of information on trends, despite concerns about FAO relying too much on government data versus other independent sources or its own directly collected and analyzed data<sup>29</sup>. According to FAO, 2018’s 11% growth globally (as compared to 2017, also a growth year) was one of the fastest annual growth rates ever in terms of both production and consumption of wood products, with the fastest growth in North America, Europe and the Asian-Pacific region. That said it is clear that in 2020 global growth has been tamped down by COVID-19, but is expected to recover, perhaps in 2021. Globally, though still under 10% of tree cover, the area covered by tree plantations continues to grow, as does its percentage of global timber production. Other global trends in 2018 according to FAO<sup>30</sup>:

- Russia passed Canada to become the world’s largest sawn wood exporter.
- Paper production stagnated in Europe and North America, declined in Asia-Pacific and Africa, and grew modestly in Latin America and the Caribbean.
- China was the world’s largest importer of industrial roundwood, sawn wood, pulp and recovered paper (though the latter is unpredictable going forward due to China policy changes).

In terms of tropical timber, at least in Europe, the market for tropical timber has shrunk for approximately 7 billion euros in 2007 to 4.5 billion euros in 2018, though a slight recovery seems to be happening<sup>31</sup>. Reasons for the shrinkage included an economic recession, negative consumer sentiment towards tropical timber, increased demand in other non-European markets (e.g. China), insufficient supply to meet demand, introduction of the EU Timber Regulation and increasing prefabrication. These trends appear to have been reinforced by COVID-19. The European Sustainable Tropical Timber Coalition (STTC) had a

<sup>28</sup> Rosemary N. Shikangalah & Benjamin Mapani, A review on bush encroachment in Namibia: From a problem to an opportunity?, [www.researchgate.net/publication/340887405](http://www.researchgate.net/publication/340887405), March 2020.

<sup>29</sup> Markus Kroger, Global tree plantation expansion: a review, ICAS Review Paper Series No.3, October 2012.

<sup>30</sup> FAO, Global Forest Products Facts and Figures, Rome, Italy, 2018.

<sup>31</sup> George White, Mark van Benthem, Jan Oldenburger & Sander Teeuwen, Unlocking Sustainable Timber Market Growth Through Data, Mapping Europe’s sustainable tropical timber footprint and growing its global impact, IDH – the sustainable trade initiative, November 2019.

goal of 50% certified purchasing by 2020; as of 2018 it appears purchasing reached between 25-32% certified.

Two growing markets that may affect long-term supply and demand trends are industrial wood energy (largely in the form of wood pellets) and cellulosic fiber used for manufacturing clothing. Though both make up together less than 5% of global wood demand at this time, they are both growing, part due to the increasing demand for renewable raw material solutions and as substitutes for fossil fuel-based alternatives.

In terms of wood energy, though controversial in some quarters, the global market for wood pellets grew 11% and market information from the USA, Europe, Korea, Japan and Taiwan indicate continued growth through 2019 and stable demand in 2020 (despite COVID-19)<sup>32</sup>. The Sustainable Biomass Program<sup>33</sup>, an international certification program that recognizes FSC and PEFC FM certifications, has certified at least 60% of the world’s wood pellet supply. The majority of pellets come from a combination of plantations and natural forests in the Baltics, Canada, Korea, Russia and the USA, with expected expansion in Asia (Indonesia, Malaysia, Thailand and Vietnam). Wood energy (including both firewood and charcoal) also remains a key source for domestic energy in parts of Africa, the Americas and Asia.

In terms of cellulosic fiber, which has been around in the form of rayon for many years, there is increasing demand not only for the fiber, but for fiber sourced from either FSC-certified operations or other operations that meet increasingly stringent requirements to avoid sourcing from “Ancient and Endangered Forests”<sup>34</sup>. Canopy Planet describes “ancient” forests as “forests [that are] original, that have never been industrially logged”. The organization also prioritizes conservation of forests that “have been logged and replanted for industrial fiber in areas with high carbon soils [e.g. peat] and/or in endangered species habitat”. Its priority is to “maintain the integrity of Ancient forests and restore priority areas of Endangered forests that have been degraded”, thus sending a message on the need for restoration as well, with a target date for making their vision a reality by 2030. They estimate that of the 6.5 million tons of viscose fiber (for making clothing) produced annually, approximately half is from Ancient and Endangered Forests, “such as the carbon-rich peatlands of Indonesia and old-growth boreal forests of Canada”. Though Canopy Planet suggests replacing the demand for wood pulp with other alternative fibers (agricultural residues or recycled textiles), plus recycling and more efficient processing, it also suggests regenerating “30 million tonnes of wood pulp with virgin wood from new well-managed plantations/forests”, with an emphasis on FSC certification at minimum, but also as “part of a regional landscape level plan that has forest conservation and restoration legislated and implemented”. They also suggest regeneration/restoration efforts be credible and include agroforestry that benefits smallholders.

### **Public Procurement**

Some public procurement approaches align with certification systems like FSC or PEFC, either encouraging or requiring supply from certified forest sources and avoiding areas where the perceived risk from multiple factors, but often including forest conversion, such as national and sub-national jurisdictions in Australia, Japan, USA and many parts of Europe. A comprehensive assessment of public procurement is beyond the scope of this Green Paper, but a couple of cases may be of illustrative value.

For example, in the Netherlands and UK there are clear public procurement restrictions for sourcing the wood from converted natural forests. For example, the Dutch Timber Procurement Assessment Committee (TPAC <https://www.tpac.smk.nl/32/home.html>) assesses timber certification systems and

<sup>32</sup> U.S. Energy Information Agency, Monthly Densified Biomass Fuels Report, various editions, latest July 10, 2020.

<sup>33</sup> Full disclosure – The author is a member of the Standards Committee for the Sustainable Biomass Program.

<sup>34</sup> Canopy Planet, Survival – A Plan for Saving Forests and Climate, a Pulp Thriller, [www.canopyplanet.org](http://www.canopyplanet.org), 2020.

advises the Dutch Ministry of Infrastructure and Water management (I&W) on the outcome. The objective of the Committee is to facilitate the government's commitment to procure 100% sustainable timber. TPAC has developed a set of 'Procurement Criteria for Timber' together with Dutch stakeholders, which state:

- ***C 4.3. Conversion of forests in the FMU to other types of land use, including timber plantations, shall not occur unless in justified exceptional circumstances. Guidance: Exceptional circumstances are for example natural disasters. In addition conversion can take place if the area to be converted is insignificant, if it enables clear long term conservation benefits, or if it is based on undisputed governmental decisions. Guidance: The forest manager of a plantation should aspire to make clear how the plantation helps in relieving pressure from natural forests; for instance when the plantation is established on degraded land instead of by conversion of natural forest.***
- ***C 4.4. In case of plantations native species are preferred and a relevant proportion of the plantation shall be allowed to regenerate to natural forest. Guidance: 5% is considered to be a relevant proportion.***
- ***C 4.5. Plantations shall not be established through the conversion of natural forests after 1997. Guidance: Degraded land and degraded forest may be converted into plantations if this is ecologically and economically beneficial and if the owner or user has no relation to the actors behind the degradation.***

In October, the TPAC stakeholder forum assessed FSC scheme and the results were reported by 2015 (see: <https://www.tpac.smk.nl/Public/TPAC%20Assessments%20results/TPACPublicAssessmentReportFSCMAR2015.pdf>) as follows:

*“Principle 4 - Biodiversity Principles 4 and 5 cover the ecological aspects of sustainable forest management. Principle 4 requires that biodiversity is maintained and where possible enhanced. The principle consists of seven criteria on: species and ecosystems (criteria 4.1 and 4.2), plantations (criteria 4.4 and 4.5), conversion (criterion 4.3), GMOs (criterion 4.7) and non-timber forest products (NTFPs) (criterion 4.6). All criteria are fully addressed except two. Criterion 4.5 is partially addressed because FSC is less strict than TPAS regarding the establishment of plantations on converted forest areas. Criterion 4.6 is partially addressed because FSC does not specifically mention that the knowledge of indigenous peoples must be used in monitoring NTFP's. Overall the principle is awarded a score of 2.”*

Also, in the EU, the FSC (along with Rainforest Alliance, RSPO, ISEAL and Fair Trade) is proposing amendments on important deforestation-related EU deliberations that would allow remedy for past harm caused by conversion instead of shutting the door for all countries and regions. Finally, there is dynamic change occurring around the topic of industrial wood energy and sustainability requirements, including climate implications. Both the EC and national (e.g. Belgium, Netherlands, UK) and subnational governments (e.g. Flanders in Belgium) are requiring not only that wood sourcing for wood energy not only meet forest stewardship standards a la FSC, they are also requiring continued ratcheting up of requirements in reducing the greenhouse gas footprint of such sourcing. These requirements are being examined by governments in Japan, Taiwan and elsewhere for similar sourcing.

### **Summary of Market Observations**

Overall, direct linkages between market expansion and deforestation will likely learn important lessons from very soon, upcoming analysis of deforestation drivers by WWF, WRI and others. COVID-19 dynamics have certainly made projections more challenging, but data and trends suggest that:

- a) population growth will continue as will the growth of the urban percentage thereof (now over 50% of the world's population), which tends to drive up the demand (and thus need for wood

- supply) for consumer goods such as toilet paper, packaging, cellulosic clothing fibers and other wood-derived products;
- b) the percentage of commercial wood volume coming from plantations - versus natural forests – continues to grow, whether for pulp and paper, construction, cellulosic clothing fiber, as nanotechnology for supplanting the use of oil-based plastics, or for industrial wood energy (e.g. pellets);
- c) the amount of tree cover that is made up of plantations will likely continue to grow; and,
- d) tree cover “gain” through restoration or reforestation may occur but so will likely tree cover loss due to permanent land use change (downward conversion from natural forest) or other more temporary factors on an annual basis.

Overall, the balance between tree cover loss and gain is perhaps the most unpredictable globally, though to what extent (or when) plantations become the main source of commercial forest products is also somewhat unpredictable. All of this points to the need for the FSC to continue its efforts to liaise with forest markets-focused research organizations and also to have continuous improvement in its own data collection and analysis related to markets and other trends that affect forests.

## REFLECTIONS

It is clear that the topic of post-1994 conversion, and more recently the opportunity to affect forests globally through restoration, are challenging for FSC and its mission. Over time, a consensus seems to be emerging on some issues, but others remain thorny and almost intractable. The following reflections are based on a review of related documentation, interviews with 60 individuals (see Appendix 2) during a 60-day period in May and June 2020, and 30 years of experience with FSC. These reflections are meant as constructive “food for thought” as the FSC key efforts related to conversion – the policy, how it is implemented, the PfA, FM & COC certification, Controlled Wood and dispute resolution all move forward being addressed.

1. **OUTCOMES - Desired outcomes for FSC?** – In 2017 FSC held a meeting in Lisbon, Portugal to discuss a Controlled Wood Strategy and a discussion paper for that meeting outlined various potential “desired outcomes”. Being clear in the FSC system about such outcomes related to Conversion may also be of value. Are some or all of the following potential **desired outcomes** what members want? What’s missing? What should FSC not worry about?
  - a. FSC consistently supports the maintenance and expansion of natural forest cover globally while at the same time protecting natural forests and HCVs, including native ecosystems, such as grasslands and wetlands.
  - b. The FSC system should provide stability for already certified FM plantation or natural forest management operations that were certified between 1994 and 2020 with no changes that would negatively affect them, beyond normal FSC certification procedures.
  - c. For any conversion on a candidate FMU between 1994 and 2020, there should be credible environmental and socioeconomic remedy.
  - d. Natural forests and HCV areas converted after 2020 should not be eligible for FSC certification.
  - e. Whether caused by forestry or other actors, the FSC should fully engage to support the restoration of natural forests and HCVs in alignment with FSC values.
  - f. FSC should put in place procedures necessary for certifying forest ecosystem restoration in the FM system and that are the basis for transparent and accurate public claims (whether on or off product) reflecting FSC values.
  - g. FSC products are “forest positive” – as free of deforestation, conversion and social and economic conflict as humanly possible and inherently supportive of restoration of both forest ecosystems and community values.

- h. The FSC system has the data to be able to track and monitor the state of forests on FSC certified FMUs and report accurately on impacts, including conversion trends and dynamics.
2. **TENSIONS - Underlying tensions have made conversion a difficult and longstanding topic for FSC – being transparent about them may be of value for both longstanding or new FSC members** – Though various reports (and consultation recordings or emails) describe or allude to tensions, it has been suggested that FSC should more explicitly acknowledge them. Most of these tensions have existed since the FSC’s founding in 1993. The identification of some of those tensions below should by no means be considered a definitive treatment of the topic or as a palliative implying that merely listing them resolves them.
- a. **Tension 1 - North-South & Beyond**– Actors in regions where large-scale land use conversion happened many years earlier – largely in the Global North - feel that FSC should continue to rigorously enforce the 1994 conversion cut-off date. Some also believe that remedy, perhaps even restitution or indemnification, should be done, based on assessments of harm (social and environmental) going back to 1994. Actors in regions where conversion has more recently happened or is happening now – largely (though not exclusively) in the Global South - feel that the rigid application of the cut-off date is a mean to unintentionally or intentionally “penalize” the global South and that, whilst stopping conversion is important, the “restoration need and opportunity” (with commitments being literally many millions of hectares in size) is enormous and FSC is not having the impact on restoration and forests that it should. Both the Global North and Global South FSC members appear to want to see an end to forest (or for that matter ecosystem) conversion, but beyond that generalization, there is a lot of nuance based on countries, regions and ecosystems, and confounding passionate opinions/tensions. There is also a sense (per the Plantation Review general observation on Page 10 of this document) that these differences relate to at times fundamentally different belief systems between the North and South, different chambers and sub-chambers, and between those who speak up during consultations and those that who for various reasons may remain silent (even they usually exercise their vote at a GA). Though there certainly appears to be a “north-south” dynamic to this tension (many members commented on it), it is not purely north-south, i.e. it can also be regional (e.g. North America vs. South America vs. Africa vs. Asia vs. Europe). The interregional dynamics are particularly strong in the pulp and paper sector, as has played out in numerous GAs, where competitive dynamics can cause large economic players to attempt to foster FSC rules to their advantage.
- b. **Tension 2 - Regionally distinct deforestation and land use conversion trends** – These trends (whether inside or outside the forestry sector) have occurred at different times in Asia, Africa, the Americas and Europe, and the countries within them, and oftentimes for different reasons. As mentioned above, the 1994 cut-off date is seen as prejudicial to continents where conversion has a later history (e.g. Asia and Africa). Though data on conversion and its causes remains confounding and incomplete, we do know that large-scale deforestation and conversion (largely, but not solely, driven by the agriculture sector in the tropics) has not stopped – tree cover loss in the tropics aligns with observations on land use change, particularly in the agriculture sector. But segregating “conversion” from “degradation”, and short-term loss of tree cover from long-term land use change is challenging. Various organizations (e.g. WRI and WWF) are attempting to further analyze and report on trends (e.g. deforestation, degradation or conversion drivers), some of which have been presented above. Any FSC “conversion solutions forum” or similar dialogues should include participation of those organizations (and others) to ensure that the clearest up-to-date data, and data challenges, are presented and discussed. On an ongoing basis, getting the clearest data and causal analysis will depend on the resources devoted to the questions by FSC. Addressing the data challenge on conversion will require human and material technical

- capacity, data, ground-truthing to ensure data accuracy, and high-quality professional analysis – all substantial investments that FSC has only recently decided to ratchet up its investments in, but may also be addressed through increased collaboration with other organizations on both regional and global scales. The desire for more data is constant from FSC members.
- c. **Tension 3 - Tree cover is different than forest cover and the lack of clarity frustrates FSC members** – As described by experts (and known by many FSC members), “tree cover” analysis – the current predominant focus of global forest condition monitoring efforts by WRI, University of Maryland and others – still has not consistently been able to achieve distinguishing between temporary changes in tree cover (e.g. per silvicultural strategies that use “clearcuts” or “patch cuts”) versus longer term more permanent land use change (a la “downward conversion”). Unless well understood, data analysis can actually be misleading. This has led to conflation of perhaps poor silvicultural choices (which can lead to degradation or conversion, depending on severity) with conversion. Regional and national FSS processes have helped clarify this, but questions remain. Even after 20+ years of digital remote sensing-based monitoring and research history on deforestation and conversion, conversations indicate that better tools (and data algorithms) are needed to discern between tree cover loss and more permanent rates of conversion (longer lasting change to another land use, including “conversion” from natural multi-species natural forests to large-scale monocultural tree plantations)<sup>35</sup>. Though there are now examples where actual tree species can be identified (particularly in boreal forests), doing so consistently and globally remains a challenge. Addressing these issues at a national, sub-national or landscape level, separately, through more site-specific data gathering and analysis, and then defining conversion terms in forest stewardship standard development through national or regional FSC standards development groups is critical. In addition, regionally-consistent approaches (including nuanced definitions) are needed so there aren’t counterproductive definitions or requirements within a specific region (e.g. multiple countries) with the same general dynamics – social, economic and environmental - that might lead one country to export deforestation or degradation to another or create inequitable FSC certification requirements. Per discussions with remote sensing and mapping experts, increased data gathering, ground-truthing and analysis in key regions (e.g. Eyes on the Forest work in Sumatra, Indonesia), in collaboration with governments, NGOs and companies, may provide better answers. Direct engagement of experts in this field in FSC conversion discussions and deliberations (e.g. potential FSC Conversion Solutions Forum) prior to or at the FSC 2021 GA may be of value. Case studies for Chile and Indonesia (including data gathering on past conversion and analysis of certification potential) are currently being tendered under an FSC request for proposal process, with completion intended by the end of the first quarter of 2021. In addition, FSC is considering implementation of four conversion dialogues around the globe to engage members in further discussions, which may provide more detailed information on forest trends and dynamics.
- d. **Tension 4 - Conflict between plantations versus natural forest management (NFM) -** There has been and continues to be open conflict between NGOs, governments and companies on whether plantations or NFM should be the forestry development option of choice. This is particularly challenging in the case of forests in Australia, Sweden, USA. This has made FSC certification of either natural forests or plantations volatile in some countries. FSC’s commitment from the early days has been to foster and support the conservation of natural forest. But one could argue there are many ways to accomplish that.

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<sup>35</sup> WWF will be publishing an updated global analysis on deforestation drivers in July (or perhaps August) 2020. WWF Indonesia is also working with others on algorithms that will be more specific in better distinguishing different types of forest cover. Similar initiatives are underway at WRI, University of Maryland and elsewhere.

- The subject divides the FSC membership, globally in chambers and sub chambers and indeed nationally. Perhaps this is oversimplification, but the author's FSC experience is that there are some NGOs that hate or love plantations (or conversely natural forest timber harvesting). The same is true inside the economic sector - with both sectors sometimes divided in the same country. There is also a historical dynamic to this. For example, in some parts of the USA during the 20th century (and earlier in Europe), plantations were seen as the solution after deforestation occurred due to shifting agricultural land use in the northeastern USA, devastating fires across the Midwest and Western USA, or natural disasters like hurricanes. Today many of those plantations (e.g. in the northeastern and Lake States of the USA) have been "upwardly converted" back to natural forests. The same "positive conversion" dynamic has occurred elsewhere. Will the same trend happen in many of the regions where plantations have become so dominant (and controversial) more recently in the tropics? Will the current "development" priorities that foster expansion of the agriculture or tree plantation sector in a number of tropical countries give way in the future to the kinds of tree cover changes described above in the USA or elsewhere? Is it the Global South's right to go through the same transitions, a response to unending and still growing consumer demand that must be satisfied, or is that just an apologia for industrial logging and/or short-term economic gain?
- e. **Tension 5 - Protection versus logging** – There is also a lively FSC member discussion on what FSC's position should be on the primary role of natural forests, if there is one – protection for biodiversity or water, recreation, timber or non-timber forest products, cultural heritage or (particularly at this moment in human history) climate change mitigation? What place should logging or other types of forest uses (recreation, NTFP gathering, etc.) have? The different values can be at war and difficult to reconcile and this affects the discussion around restoration and remedy conversation. Some advocate for restoration as solely or primarily an ecological tool (e.g. rewilding, proforestation, etc.), whilst others argue that restoration of forest cover<sup>36</sup>, to be successful, critically needs the support of local communities to be successful and will only be able to happen if there is ability to harvest products (through logging for wood or gathering for NTFPs) for direct cash market value social and economic value. During Green Paper consultations, it was forcefully argued that a purely monetary remedy (\$/hectare previously converted approach) for conversion is no substitute for re-creating the natural forest upon which forest peoples and communities often depend and which was lost. For the writer, this is not a discussion about whether forests "need to be managed or not" - protection of cultural heritage or old growth or other values is an intentional act – thus even the decision not to strictly protect X value or forest area from harvesting is a "management decision" (and thus constitutes a "management" technique). Rather the debate is often to log or not, absolute versus multiple use protection, maintaining or recovering cultural resources, etc. – something that will likely be a part of the FSC community's debates globally, regionally and nationally for years to come.
- f. **Tension 5 – Degradation versus Conversion** – There remain concern that the FSC Conversion discussion might detour – focus solely on potentially more obvious conversion issues in the tropical South and (negatively) bypass the issues of forest degradation in temperate and boreal forests, e.g. in Russia, various parts of the USA and Canada. Historically, in the FSC system when silvicultural treatments have reduced stand composition and structure to the point that multi-species stands are reduced to a single species, even when that single species is native, it is no longer degradation or "just" a forest type change but reaches a point where it constitutes conversion. This has been obvious in the author's

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<sup>36</sup> Restoration of natural forest cover and natural ecosystem dynamics does not mean that all "restored forests" will be or become late successional or "old growth". Natural change in forests often results in tree falls, fires, disease or other natural events that result in naturally caused "succession", younger forest components present when occurring.

previous work as an auditor in the southeast and Midwest USA, boreal and Maritimes Canada. Globally, distinguishing just poor silviculture from conversion can be challenging to codify. Nationally the FSS efforts in Canada, the USA and elsewhere appears to have the ability to separate poor silviculture from conversion. Here again the FSC Plantation Review idea of FSC seeking to support “upwards conversion” and disincentivizing “downwards conversion” seems potentially applicable. The question is how. If the FSC conversion policy and remedy procedure do not address this kind of conversion challenge, it seems likely the FSC membership will react strongly and negatively.

- g. **Tension 6 - The Role of CBs** – A number of members are concerned with conflating the deliberations on Conversion policy and remedy procedure decisions with the longstanding concern that CBs are paid by candidate operations and Conflict of Interest (COI) – most believe that the latter is an issue for separate deliberations. Wherever FSC ends up on the term “Competent Authorities”<sup>37</sup>, there seems to be relatively consistent input that CBs should not be a) assessing social or environmental harm or b) approving remedy or remedy plans. FSC should have a separate, independent or perhaps neutral body approving remedy decisions for each case, using a consistent written procedure. FSC members are divided on whether direct FSC staff involvement in the approval of remedy plans is required to ensure consistency and the clear support of FSC’s leadership. Though perhaps CBs may not be the only resource for monitoring implementation of approved remedy plans under FSC, monitoring of approved plans and procedures is a core competence of CBs and a potentially acceptable role. There may also be economy of scale for this, as such monitoring can be combined with normal annual FM audits. That said, COI is a longstanding member concern and CBs are a constant focus.

3. **WORKING GROUP DYNAMIC & FSC MEMBER CONSULTATION - Use of the two FSC WGs (Conversion Policy and Technical WGs) has proven constructive. Virtually everyone highlights the need for increased FSC member input globally – all chambers & sub-chambers and full positive/neutral/negative perspectives - as critical** – The two WGs (policy and technical) have work remaining – they have not reached conclusion. Feedback indicates that the strategy of having the separate WGs seems to be working. Though some FSC members question whether the Technical WG should have started work before the Policy is completed and approved, members of the WGs have gained value through interaction between them - the policy and technical implementation processes go “hand in hand” and both WGs have been able to test/discuss options through the interplay. The above said, a significant number of FSC members, particularly from the Global South sub-chambers (all 3), emphasize that FSC needs to figure out how to get stronger and more balanced input. GAs tend to result in more balanced North-South input; deeper consultations and discussions regionally; and address the challenge that online and teleconference consultations consistently trend towards the negative.
4. **WHAT SHOULD REMEDY LOOK LIKE?** – FSC member inputs have been fairly consistent to the author. Overall the expectation is that remedy will have a positive impact on forests and affected communities, and that if a remedy option is provided, on one hand it will be clear that clearing forests in the beginning is a bad option and costly (i.e. there will be significant punitive impact on those that continue to convert forests). That should be balanced with policy and procedure that incentivizes forest-positive actors to act, encouraging restoration and remediation, but ensuring that the costs of FSC engagement do not outweigh the benefits. The first emphasis for environmental remedy appears to be on the forest and lands within candidate FMUs – something that matches with FSC’s historic

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<sup>37</sup> At the time this Green Paper was being written, the Motion 7 WG is considering proposing to FSC members that the term “competent authorities” be changed to “Third Party Verifier”.



primary focus: forests. The first emphasis for social remedy appears to be on communities or workers directly engaged with the FMU and FMU rights holders (such as indigenous groups). The question is how far beyond those limits either environmental or social remedy (some say “restitution”) should go, something both FSC WGs are deliberating on. Members of both FSC WGs comment that establishing restoration/conservation projects for remedy where they can have the most positive impact – preferentially inside candidate FMUs but potentially adjacent or in the same ecosystem when the value inside the candidate FMU would be less. Some would also emphasize that FSC should retain the option to require compensation beyond a 1:1 per hectare requirement (e.g. 1.5, 2 or 3 times what was documented as lost, depending on the documented value (biological, social, etc.) of what was “lost”. The RSPO is testing “like for like” conservation remedy (using an RSPO calculator tool depending on area and type of forest lost), dollar/hectare converted (US\$2,500/hectare) remedy and other social and economic remedy. The ongoing implementation review of the RaCP at RSPO should be instructive. IFC and World Bank remedy procedures may be instructive – observations indicate that if and when the cases that actually get to the point of decision-making (the author did not have the time to explore examples), learning from them may/can be instructive. However, most of those examples come from the mining and water resources development (i.e. dams) sectors – how applicable they are is unclear.

5. **OWNERSHIP LOOPHOLE - The “ownership loophole” is seen as key for some members but as a diversion or detour by others, and consistently difficult to get good data on** – Some FSC members consider this the single most contentious part of the Conversion deliberations. The balancing act to consider is how, through its future Conversion requirements, FSC contributes to efforts to make the cost of forest conversion greater than its’ benefits globally, while at the same time balancing such costs with the needs to incentivize investments by well-meaning companies and FSC supporters to re-establish forests through restoration, agroforestry, tree plantations or other tools that will support sustainable communities. There also remains a data challenge. To date no one has been able to definitively document the prevalence of the various loopholes (the 3 Scenarios described in a previous section above) with credible data, and despite attempts associated with research requested by the Policy WG, there is only very general information on the extent to which the 1994 cut-off date is keeping potentially important hectares of plantations out of the FSC system (for Asia the numbers are probably at least 1 million hectares, for Africa in the hundreds of thousands, and unclear for the Americas as most large scale clearing for tree plantations happened prior to 1994, particularly in southern Cone countries (Brazil, Argentina, Uruguay, Chile)<sup>38</sup> – in both cases mostly medium- and large-scale forest operations). Conversion data related to natural forest management (when degradation reaches the point where conversion has occurred, per FSC rules) is similarly difficult. Ultimately this may be a values discussion for FSC that needs to be brought to closure in order for FSC to move forward – how to balance North-South perceptions and dynamics in a fair way. No perfect solution seems apparent.
  
6. **COMPETENT AUTHORITIES – The potential role of, and even the name, “Competent Authorities needs further examination** – Competent authorities (a terms borrowed from the EU Timber Regulation and legality circles, and internally from the FSC Generic Roadmap deliberations) have been considered by FSC members for three potential roles:
  - to conduct social or environmental or economic analyses on the impacts or harms caused by conversion,
  - to review and approve a specific proposed remedy plan, or
  - to monitor the implementation of an approved remedy plan.

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<sup>38</sup> Note that all these trends are dynamic. Recently there has been a surge in deforestation in Colombia and Brazil. Whether those are short periods of increase or longer trends will need monitoring.

Currently, though still being discussed, any organization deemed a Competent Authority by FSC could implement any of the three options, except when doing so would create a conflict-of-interest (e.g. an organization could not do a 3<sup>rd</sup> party audit of a plan or remedy it developed). A variety of perspectives have been provided. First, the term “competent authority” itself, when translated for example to Spanish, is problematic because “autoridad” in Spanish typically means a government agency. Second, there appears to be an emerging perspective that CBs should only be eligible for the third role of monitoring implementation and they should be excluded from Competent Authority Roles 1 or 2 in general (whether they were auditing X operation or not). Other indicate that finding high quality individuals to participate in any of the three potential roles is difficult enough without adding more limits, so even if an individual came from a CB they could participate in Roles 1 or 2, but COI limitations would apply (that individual could not subsequently be an auditor for X operation). As discussed above under RSPO, that system, which seems to have the most currently applicable experience in this regard, is now in the process of doing an “implementation review” of their 2015 RaCP conversion remedy policy and procedure. The results of that review will be instructive and should be available before the end of 2020. Overall the name and roles of “competent authorities” needs further examination.

7. **DEFINITIONS – Are consistent conversion-related definitions for all FSC normative processes even possible?** – Though different FSC processes address conversion (PfA, FM certification and CW certification), the ideal scenario some seek is that FSC will arrive at clear and consistent conversion-related definitions. Wherever possible it would be positive for each of those processes to build off the same definitions and expectations (including for conversion itself). Multiple individuals indicated that they found the definitions developed by AFI to be useful (and AFI seems willing to engage). In a perfect world, there would be absolute consistency – this could be the desired outcome, but it may not be achievable.
  
8. **RESTORATION - The conversion dialectic in FSC could result in more definitive FSC global engagement on restoration** – To date the FSC has not been a major player in the restoration sector, and the conversion discussion seems to have been dominated by the harms discussion. A motion to support FSC engagement in restoration was not approved at the Vancouver General Assembly in 2017. Numerous members, particularly many from the global south<sup>39</sup>, believe the FSC’s absence in the restoration space undermines FSC’s impact and values and compromises FSC delivering on its mission. They submit it also leads to restoration that may contravene FSC values, i.e. tree planting actually may result in forest clearance or conversion, or not enough attention paid to social values, use and tenure rights of indigenous peoples and local communities, FPIC for either indigenous or other local communities, conservation and/or restoration of HCVs, worker conditions and strong social and economic value to local communities, etc. They consider restoration for social, environmental and economic reasons an **immediate** issue that will not wait for FSC and more urgent than other aspects of the conversion dynamic. This is reinforced in the literature globally, particularly related to the immediate and potentially cataclysmic changes being caused by climate change – as articulated by Bastin et. al.<sup>40</sup> where they state “global tree restoration as our most effective climate change solution to date” with a potential to create additional “.9 billion hectares of canopy cover” (at the same time ensuring that other native ecosystems are not negatively affected such as grasslands and savannah forests). More clearly defining, from a performance perspective, what restoration

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<sup>39</sup> This is part of a concern (mentioned by various FSC members from the global south) that the FSC system’s governance is too “Euro-centric” and/or dominated by the global north. This view argues for stronger FSC decision-making and governance at the regional level. This is an important issue but beyond the scope of this Green Paper.

<sup>40</sup> Jean-Francois Bastin et. al., The global tree restoration potential, Science, Vol. 365, Issue 6448, July 5, 2019.

actually is or should be (natural forest succession, agroforestry, tree planting, proforestation<sup>41</sup>, rewilding<sup>42</sup>, etc.) and how it will be done in the field, for ecological, climate and socioeconomic values, is critical.<sup>43</sup> Some FSC members have gone as far as to say that FSC needs to get past the conversion remedy discussions and focus on FSC perhaps certifying restoration as a way for FSC to expand its immediate impact on climate and forests, particularly in the Global South, and the multiple benefits of “forests for all”. Whilst other NGOs and organizations have refrained from, or avoided, defining what credible restoration should be, the FSC is well-positioned to do so. In 1990 there was lively debate about what sustainable forest management (SFM) was, how to measure it, and the idea of auditing it to a written standard was innovative, if not radical. Today, though there continue to be debates about SFM – debates that will and should continue – the restoration sector might benefit from FSC bringing to the table its approach to forests, communities, and accountability. Restoration is an extremely dynamic space where, if FSC is going to be an active participant and actively influence the restoration space and increase both accountability in the sector and mirrors FSC values, time may be of essence.<sup>44</sup>

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<sup>41</sup> William R. Moomaw, Susan A. Masino and Edward K. Faison, Intact Forests in the United States: Proforestation Mitigates Climate Change and Serves the Greatest Good, *Frontiers for Global Change*, June 11, 2019.

<sup>42</sup> Norman Dandy & Sophie Wynne-Jones have written an instructive analysis on the divide between the forestry and conservation communities on rewilding as a specific kind of restoration entitled “Rewilding Forestry”, from *Forest Policy and Economics* 109, 2019.

<sup>43</sup> Robin Chazdon & Pedro Brancalion, Restoring forests as a means to many ends, *Science*, Vol. 365, Issue 6448, July 5, 2019.

<sup>44</sup> During author discussions with multiple other organizations focused on restoration, it became clear that what constitutes “credible” (my words) restoration is a challenging subject. Some organizations, including major NGOs involved in restoration, do not want anyone to prescribe what credible restoration is, for fear of slowing down restoration initiatives, funding support, progress, etc. Others feel clarifying what credible restoration is critical and that FSC can be a key player in doing so. What also becomes clear is that conflating a clarification around credible restoration with the complicated discussions around remediation and restitution would make such collaborations even more complicated, if collaboration on the topic of restoration with other global organizations is an FSC priority.

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<sup>45</sup> During the Green Paper development, a number of individuals referred to or provided confidential documents that cannot be cited here. Confidential information provided from FSC or non-FSC sources will remain confidential (including not available to FSC).

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**APPENDIX 2 INDIVIDUALS CONTACTED**

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