



REVISION FSC-PRO-30-006 ECOSYSTEM SERVICES PROCEDURE: IMPACT DEMONSTRATION AND MARKET TOOLS

Terms of Reference and Operating Rules
V1-2
September 2023

20/09/2023



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| Title: | <i>Revision FSC-PRO-30-006 Ecosystem Services Procedure: Impact Demonstration and Market Tools</i> |
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| Approved by: | Policy Steering Group |
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| Contact for comments: | FSC International – Performance and Standards Unit Adenauerallee 134 53113 Bonn Germany |
| | Phone: +49 -(0)228 -36766 -0 |
| | Fax: +49 -(0)228 -36766 -65 |
| | Email : psu@fsc.org |

Version control

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| Version | Description | Date |
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| V1-0 | Initial version approved by the Policy Steering Group. | 12 April 2022 |
| V1-1 | Updated version that specifies tasks (section 5) that need consensus from Technical Working Group. | 14 June 2022 |
| V1-2 | Updated version that introduces two phases in the revision of the Ecosystem Services Procedure and updates to the timeline. | 12 September 2023 |

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PROJECT INFORMATION

1. Introduction

The first version of the FSC-PRO-30-006 (V1-0) *Ecosystem Services Procedure: Impact Demonstration and Market Tools* was approved in 2018.

This procedure was developed to:

- set out the requirements for FSC-certified forest managers to credibly demonstrate the impact of their activities on the maintenance, conservation, restoration, or enhancement of ecosystem services;
- provide FSC-certified forest managers with improved access to emerging ecosystem services markets through the use of FSC ecosystem services claims based on verified impacts;
- improve access to finance for validated ecosystem service restoration/ enhancement impacts.

2. Background of the project

Following the regular review and revision cycles of FSC normative documents, FSC developed and consulted a review report between December 2021 and January 2022.

Considering the feedback provided by first users, existing interpretations and frequently asked questions, PSU recommended the full revision of the procedure. 88% of the participants supported this proposal.

In parallel, at the FSC General Assembly 2021, Motion 48/2021 *Streamline the Ecosystem Services Procedure, incorporate more services and maximise its potential* was supported by a 92% of the membership.

Motion 48/2021 requests a streamlining of the procedure and the accompanying guidance (FSC-GUI-30-006 *Guidance for Demonstrating Ecosystem Services Impacts*). The intent is to make it more comprehensible and easier to access as well as lowering costs. The ultimate aim is to accelerate the uptake as well as demonstrating FSC's relevance to climate change mitigation and adaptation. It states that the range of ecosystem services can be expanded beyond the five so far recognised and allow as appropriate “bundling” various services together under one claim to enhance market prospects.

The focus of these Terms of Reference (TORs) is the revision of the Ecosystem Services Procedure. The revision of the FSC-GUI-30-006 *Guidance for Demonstrating Ecosystem Services Impacts*, will be launched at a later stage, once the revision of the procedure is at an advanced stage.

At the FSC General Assembly 2022, two motions were also approved:

- Motion 49/2021 *FSC Ecosystem Service Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive gains.*
- Motion 53/2021 *Policy motion to incorporate to ecosystem services the recognition of cultural services and practices to strengthen and endure over time the interconnection of indigenous Peoples.*

Motion 49/2021 requests to allow the use of claims generated from the Ecosystem Service Procedure usage to demonstrate progress towards achieving net-zero and net-positive targets for climate, biodiversity, and water at all stages of the mitigation hierarchy, including measurement, avoidance reduction, restoration, and compensation or neutralisation of residual impacts within and beyond value chains.

Motion 53/2021 requests to expand and strengthen the Ecosystem Services Procedure through developing specific additional service and market claims for Indigenous and Traditional Peoples.

FSC will address specific aspects of Motion 49/2021 (i.e., compensation and neutralization of residual impacts beyond value chains), and Motion 53/2021, in a second phase of the revision of the Ecosystem Services Procedure. At the same time, other elements of Motion 49/2021 will be addressed in the current phase of the revision process. Find more information in Annex 3.

3. Organizational set up of the project

FSC will establish:

A Technical Working Group (TWG) formed by three interest balanced members, representing environmental, social and economic interests, and two or three technical experts to deliver on the tasks and responsibilities outlined in these Terms of Reference (TORs).

In addition to the TWG, the following bodies are involved in the project, established in line with FSC-PRO-01-001 Development and revision of FSC normative documents:

A Project and TWG Coordinator, who is a PSU staff member appointed by the Director Policy Operations, to:

- set up, manage and administer the Technical Working Group, including organizing meetings, agendas and keeping action points and agreements.
- ensure that the TWG operates responsibly and in accordance with its Terms of Reference and applicable procedures.
- set up, administer and manage the Consultative Forum.
- administer the process, keep track of the work plan and timelines, and inform the rest of the participating bodies of the work plan milestones and upcoming deadlines.
- prepare and launch the public consultations.
- provide the TWG with all necessary materials and information.
- coordinate field tests.
- manage the communications, both within the project and with external stakeholders.
- coordinate with other FSC staff and Programs related to the project to seek expertise as necessary.

Two Technical Coordinators, appointed by the Director Policy of Operations, to:

- provide technical input, background for discussion and guide TWG content discussions.
- make technical recommendations and provide references for TWG.
- ensure TWG's deliberations and deliverables conform with the scope of content of TOR.
- develop the concept for the field tests.
- ensure content alignment and consistency with other processes.

The Technical Coordinators will focus on one of the following areas:

- 1) technical aspects related to ecosystem services and increasing market value, and
- 2) ensuring consistency with forest management certification.

The Project and TWG Coordinator, together with the Technical Coordinators, will compile the feedback from the TWG, Consultative Forum and public consultation and will draft new versions of the procedure, striving to develop consensus between conflicting aspects

Two Steering Groups:

- **The Policy Steering Group**, steering committee with a fixed composition of FSC senior management team members, will provide oversight on all phases of the process until the final decision by the FSC Board of Directors.
- **The Climate and Ecosystem Services (CES) Steering Group**, steering group composed by FSC staff working on strategic aspects related to Climate and Ecosystem Services, will provide guidance on content aspects.

A Consultative Forum, which is a self-selecting group of interested/affected members, Certificate Holders, Certification Bodies and other stakeholders interested in providing ongoing, direct and meaningful input into the process. The consultative forum is not a decision-making body and has no formal responsibilities. At the discretion of the TWG, the forum can be consulted with specific questions to provide input to the process.

Two Project Supervisors, appointed by the Director Policy Operations to supervise the process and to support the working group in reaching its goals. The supervisors will report to the Policy Steering Group and CES Steering Group.

A Facilitator, may be appointed to support the TWG in running successful conference calls and in person meetings.

In addition, the FSC BoD and the PSC may appoint liaison persons to this process if it deems appropriate. The role of the **Board Liaison Person** and the **Policy and Standards Committee Liaison Person** is to keep the FSC Board of Directors (BoD) and the Policy and Standards Committee (PSC) respectively closely informed about the process and to give advice to the Technical Working Group on timely alignment to relevant processes within the FSC normative framework.

An organisation chart is provided in Annex 1.

4. Objective

The high-level objectives of this revision process are to:

- Streamline the procedure.
- Make it more comprehensive, while increasing clarity and simplicity.
- Lower the costs and make it easier to access, in particular for smallholders and communities.
- Encourage the use of the option to integrate the ES verification process in the FM evaluation process.
- Consider new technologies available such as Earth Observation and other remote audit options to make verification easier.

The ultimate objective of these changes is to enhance this key instrument to demonstrate impact, contributing to accelerate its uptake as well as demonstrating FSC's relevance to climate change mitigation and adjustment.

5. Tasks and responsibilities

The members of the TWG will work together throughout the process, discussing issues and interacting with each other as a group through online calls, email communication, and in person meetings as necessary and/or required by the TWG Coordinator.

The TWG is expected to advise and provide content-related input in the revision of FSC-PRO-30-006. Together with the revision of the procedure, FSC is discussing the overall framework for ecosystem services verification.

The tasks and responsibilities listed below are grouped in two types:

- Aspects directly linked to the content of the procedure and for which FSC is seeking consensus and sign off from the TWG (presented in sections 5.1 to 5.5).
- Aspects linked to the overall framework for ecosystem services verification, for which input from the TWG is sought, but no consensus or sign off is needed (presented in section 5.6) FSC welcomes opinions from the TWG on these points, which will be addressed independently and outside of the revised procedure.

Type A: Directly linked with the revision of the procedure:

5.1 Streamline and improve the FSC-PRO-30-006 to ease implementation and accelerate demand

- Review, revise and evaluate technical, market and claims considerations in the FSC-PRO-30-006 to enhance its use for a more transparent, robust and inclusive impact demonstration and market tool. This includes providing recommendations regarding the diversification of documents and guidelines to reduce complexity of the procedure, considering users, topics, and goals, while incorporating more services to maximize potential. - Fundamental

5.2 Revise the structure, wording, and content of the FSC-PRO-30-006 to improve readability and ensure the resulting structure brings clarity, efficiency and easiness to implement. This involves:

- Revise, where relevant, baseline setting requirements for each offered claim (claims on footprint and claims of improvement) supported by best practices and international authorities on this topic. - Fundamental
- Review and improve content and requirements for impact demonstration aiming at promoting the uptake of small holders and communities, for example exploring the possibility and relevance of using ES claims linked to existing concepts, such as High Conservation Value (HCV) and Small or Low-Intensity Managed Forest (SLIMF). - Fundamental
- Define and clarify the rights to use claims and transfer them. - Integrity
- Evaluate opportunities and provide recommendations to recognize and allow bundling various ecosystem services together under one comprehensive claim aiming to enhance market prospects (by lowering costs and facilitating access while making the product more attractive). - Fundamental
- Incorporate requirements for mandatory sharing of standardized data with FSC and any relevant open-source repositories. This includes templates and criteria for data and sharing of data by projects and process participants. - Data

5.3 Facilitate and enable further impacts and quantitative measurements for the impact demonstration while enhancing qualitative approaches

- Review the impact demonstration process to develop and add new impacts and improved metrics for the offered and new ecosystem services, in particular biodiversity and social aspects. This includes:
 - Enhance and extend existing impacts and measurements to demonstrate them.
 - Rules and principles for allowing external carbon, biodiversity or social metrics and methodologies to be used in combination with the procedure.
 - Enhance guidance and criteria for baseline setting and use of indicators.
 - Specify how the Ecosystem Service Procedure and FM certification in combination can offer a recognised Nature Based Solution. - Product
- Incorporate more types of market tools and claims, such as restoration and conservation claims, and claims on footprint. - Product

5.4 Align and streamline the normative framework

- Review and enhance requirements, concepts and definitions around the FSC-PRO-30-006 considering the needs of FSC international in terms of legality, integrity and governance. In particular:

- Define a framework concerning the use of national criteria together with the Ecosystem Services Procedure, assessing the opportunity to allow specific claims for specific species based on national criteria while avoiding the risk of undermining fungibility and integrity of global products. - Integrity
- Define terms and conditions for the use of claims and credits. – Integrity
- Evaluate possible use of area and impact scope thresholds, to verify ecosystems impacts without FM certification. - Product
- Define terms and conditions for labelling, branding and promotion including trademark use, communication, and storytelling. - Revenue
- Incorporate rules, requirements and solutions for future ES claim registry system, with the obligation of always registering projects with FSC International, while regulating ownership and access to data by third parties. - Integrity
- Review and if needed, revise necessary evaluation and reporting requirements for Certification Bodies. - Integrity

5.5. General

- Address relevant interpretations and frequently asked questions.
- Evaluate and consider feedback gathered during public consultation.
- Participate in stakeholder outreach and information-sharing forums, as needed.
- Seek comprehensive advice on the development and outcome from the FSC Global Network, including Standard Development Groups, FSC Board of Directors, FSC accredited CBs, FSC certificate holders, other FSC stakeholders and/or relevant Technical Experts.
- Recommend when the drafts are ready to be submitted for consultation and when the final draft is ready to be sent for decision making by the FSC Board of Directors.

Note: Following the guidance from the Technical Coordinators and the Board and Policy and Standards Committee liaisons, the Technical Working Group will seek content alignment and consistency with other FSC processes and normative documents.

Type B: Aspects that will be addressed outside of the revision process and do not require consensus from the TWG

5.6. Additional topics:

- Definition of requirements and instrument to secure the share of income from sponsorships or investments. - Revenue
- Development of terms and rules for revenue collectors providing a framework on how revenue is collected and who are the main actors. - Revenue
- Development of mandatory Promotional Licences Agreements (PLA) for brokers and project developers regarding Carbon and Nature Assets markets, including financial institutions and investors. - Revenue
- Definition of the prerogative role of FSC International on international exchanges in projects that involve any compensatory or credit element potentially linked to Internationally Transferred Mitigation Outcomes (ITMO CA) under Paris Agreement Art 6.2 and 6.4. – Integrity
- Incorporation of rules and processes for association with external schemes regarding initiation, negotiation and management for brokerage agreements, and other legal partnership. - Integrity

6. Selection of Technical Working Group members

6.1. Technical skills

- International, regional, or national expertise and ability to provide specific technical input on two or more of the topics below:
 - Monitoring, Reporting and Verification (MRV) and metrics for measurement and quantification of ecosystem services, such as biodiversity, carbon, water or other relevant environmental aspects of forests.
 - Metrics for measurement and quantification of livelihoods, social impacts, and equity in forest communities and ecosystems.
 - Results Based Payments for Carbon and Greenhouse Gases (GHG) sequestration in the forest and their markets.
 - Forest-related Environmental Social and Governance (ESG) reporting and metrics for sustainable finance.
 - Modelling and data collection on any of the above specialisations and impacts.
 - Responsible forest management, and forest management certification.
- Desired: up-to-date knowledge and understanding of FSC's systems and procedures, in particular understanding of the FSC-PRO-30-006 and its potential impact for developing ecosystem service markets.
- Understanding of the potential impact of a normative document on affected stakeholders.
- Ability to review and comment on documents submitted in the working language(s) agreed for the TWG.
- Experience in working with different stakeholders from the forest value chain, including in particular smallholders, community forests, and indigenous peoples as forest managers.
- Experience in carbon and biodiversity markets in the forest sector, with a focus on market development and engagement.
- Understanding of environmental impact assessment.

6.2. Soft skills

- Ability to work together in a group.
- Clarity in expression (verbally/written).
- Resolving conflicts.
- Demonstrating resilience.
- Ability to work systematically and plan accordingly.

6.3. Contribution

- Solution-oriented mindset.
- Track record on successful participation in past FSC working groups is an asset.

6.4. Engagement

- Participate actively in online calls and in person meetings, and provide valuable input.
- Commit to build a trusting work environment.

Note: Gender balance and balance of geographical regions, where possible, is desired for the composition of the technical working group.

7. Structure and Accountabilities

As decided by the Board of Directors at its 91st meeting in Bonn, the TWG will consists of:

- 3 members representing the environmental, social and economic interests, not necessarily FSC members.
- 2 to 3 technical experts with expertise in the technical aspects listed Section 6 above.

Appointed TWG members are expected to adhere to the rules and regulations of this TOR and are expected to donate sufficient time to thoroughly fulfill their duties as outlined in the work plan (Annex 2).

The TWG is accountable to FSC. TWG members may be asked to leave the group by the Policy Steering Group, if they are not fulfilling their duties properly.

The term of TWG members ends with the submission of the final draft of the deliverables to the Board of Directors, after the Policy Steering Group's review and recommendation for approval.

8. Expected outputs

A revised FSC-PRO-30-006 *Ecosystem Services Procedure: Impact Demonstration and Market Tools* and input to related documents that, in line with the tasks and responsibilities listed above, eases and accelerates uptake and expands its potential use enabling integrity, credibility and robustness in the impact demonstration process, market development and ES claim requirements and obligations.

9. Workplan and time commitment

The call for applicants will be launched in April 2022 and the TWG established in June 2022.

The expected start-date for the TWG is July 2022, with a targeted approval date by the FSC Board of Directors in November 2024.

The TWG will conduct most of its work via e-mail and virtual meetings (e.g. MS Teams, Go-to meeting, Zoom conference calls), and through one-on-one calls with the coordinator(s) when required.

At least four in person or intensive virtual meetings are envisaged for completing the outputs of this TWG. Considering the ongoing COVID pandemic, if in person meetings cannot be held due to travel restrictions, they will be replaced by virtual meetings. The first face to face meeting expected in the second half of August 2022.

The planned timetable is provided in Annex 2. The timetable and the detailed work plan will be updated if necessary.

10. Expenses and remuneration

FSC is an international not-for-profit membership organization with limited funding.

Participation in the TWG takes place on a voluntary non-paid basis.

If required, FSC covers reasonable travel and accommodation expenses related to the work plan upon submissions of the respective invoices and receipts, and if expenses are agreed upon in advance.

If required, a stipend can be granted by FSC on a case-by-case basis.

11. Confidentiality and conflict of interest

TWG members shall sign a confidentiality and non-disclosure agreement with FSC at the beginning of their work.

Per default, non-attributable content of discussions and papers prepared by or presented to the TWG is not considered confidential, unless otherwise specified. TWG members are expected to declare any conflicts of interest, where they arise. This will cause the person(s) to be excused from the discussion and to abstain from participating in decision-making.

12. Language

The working language of the TWG is English.

All drafts for public consultation, as well as other documents, as requested and as possible, shall be translated into Spanish and French.

OPERATING RULES

1. Deliberation and Decision Making

For the TWG to meet and deliberate, there must be quorum, defined as a minimum of 3-4 out of 5-6 TWG members. The Project Coordinator will strive to select meeting dates and venues that allow for full participation of all TWG members.

Quorum is required for any provisional decisions, and full member participation is preferred. All TWG members must participate in each point of decision-making. If any of the member(s) is not present for a decision, then a provisional decision may be made, subject to endorsement by the absent member(s).

The TWG shall strive and make every effort possible to take decisions by consensus, understanding this as general agreement, characterized by the absence of sustained opposition to substantial issues by any important part of the concerned interests.

NOTE: Consensus should be the result of a process seeking to consider the views of interested parties, particularly those directly affected, and to reconcile any conflicting arguments. (adapted from ISO/IEC Guide 2:2004).

The Coordinator(s), FSC Staff, Policy Steering Group members, PSC and Board liaisons and any other supportive personnel shall not participate in any decision-making.

If the TWG is not able to agree on critical discussion points, or on a final draft within six (6) months after the final round of public consultation, the Policy Steering Group shall take a decision on how to move forward with the process.

ANNEXES

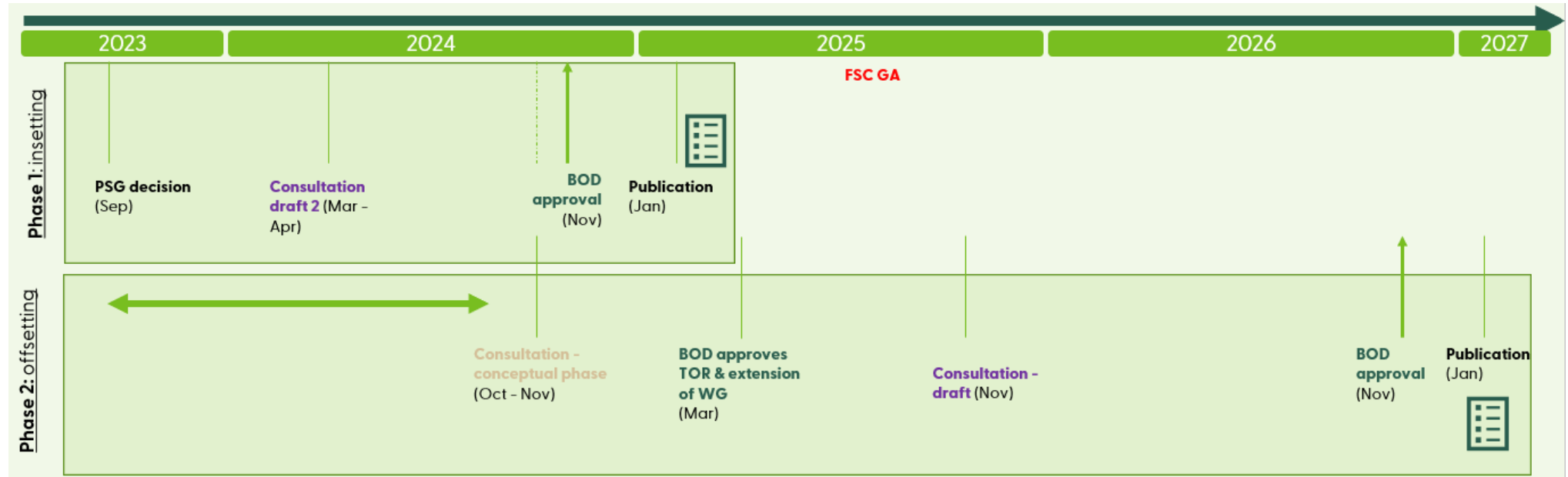
ANNEX 1. ORGANISATION CHART



3.2 Updated workplan of TOR V1-2.

The updated TOR V1-2 reflects two phases for the revision of the Ecosystem Services Procedure:

- TOR V1-2 regulates phase 1. The detailed activities described in the workplan of the TOR V1-1 remain, however, they will now be implemented following the updated key milestones.
- The TOR for phase 2 will be prepared and presented to the FSC Board of Directors for approval, after the conceptual phase. A tentative timeline is provided below.



ANNEX 3. CHANGES TO THE TOR FROM V1-1 TO V1-2 AND BACKGROUND

The TOR V1-0 of the revision of the Ecosystem Services Procedure was approved in April 2022. In June 2022, the TOR was revised, and V1-1, specifying the tasks that require consensus from the TWG, was approved. Among the various tasks included in the revised TOR V1-1, the TWG was required to revise, where relevant, requirements for high integrity offsetting claims, and to clarify the use of these claims.

In October 2022, Motion 49/2021 was approved at the FSC General Assembly 2022.

Motion 49/2021 asks, among other topics, that FSC allows the use of claims generated from the Ecosystem Service Procedure to demonstrate progress towards achieving net-zero and net-positive targets for climate, biodiversity, and water at all stages of the mitigation hierarchy, including measurement, avoidance, reduction, restoration, and compensation or neutralisation of residual impacts within and beyond value chains. This last element (compensation or neutralization of residual impacts beyond value chain) is understood as offsetting.

With a mandate to include compensation beyond the value chain / offsetting in the procedure- rather than exploring the option- the FSC Secretariat recognises that to fully implement Motion 49/2021, FSC requires additional resources, expertise and engagement with members and interested stakeholders.

Thus, the TOR have been revised to conduct the revision of the Ecosystem Services Procedure in two phases:

- **Phase 1:** The revision of the Ecosystem Services Procedure will address the topics presented in the TOR V1-1 except for those that refer to offsetting (see section 5.2, points 1 and 3, and section 5.3 point 2 in TOR V1-1).
- **Phase 2:** The revision of the Ecosystem Services Procedure will address the topic of offsetting/ compensation beyond value chain. Initial discussions have already occurred in the TWG in 2023. In 2024 the conceptual phase of Phase 2 will involve technical analysis and further engagement with members and interested stakeholders. The conclusions obtained from this conceptual phase will be used to draft the TOR for Phase 2, that will be submitted to the Board of Directors for decision making. Additionally, Motion 53/2021 will be addressed as part of Phase 2.

Please see the workplan of these two phases in Annex 2.

In the language section of this TOR, it was added that drafts for public consultation (and other relevant documents) shall be also translated into French (this follows the approved Motion 01/2020 *Addition of French as FSC's Third Official Language*).

Minor changes to improve the accuracy of the terminology in section 5. Tasks and responsibilities have been made too.



FSC International – Performance and Standards Unit

Adenauerallee 134

53113 Bonn

Germany

Phone: +49 -(0)228 -36766 -0

Fax: +49 -(0)228 -36766 -65

Email: psu@fsc.org