



## **TERMS OF REFERENCE AND OPERATING RULES FOR DEVELOPING PROCEDURE FOR BIODIVERSITY CREDITS – IMPLEMENTATION OF MOTION 49/2021**

V1-2

June 12, 2025

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**Title:** *TERMS OF REFERENCE AND OPERATING RULES  
FOR DEVELOPING PROCEDURE FOR BIODIVERSITY  
CREDITS -*

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**Dates:** **Approval date:** 12 June 2025

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#### Version control

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Version	Description	Date
V1-0	Initial version presented to PSG	April 8, 2025
V1-1	Revised version after incorporating minor changes from the PSC meeting held on May 13, 2025.	May 19, 2025
V1-2	Revised version after incorporating minor changes from the FSC Board of Directors (BOD) meeting held on June 12, 2025.	June 12, 2025

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## CONTENTS

<b>1. Background of the project</b>	<b>4</b>
<b>2. Objective</b>	<b>4</b>
<b>3. Organizational set up of the project</b>	<b>5</b>
<b>4. Tasks and responsibilities of the working group</b>	<b>6</b>
<b>5. Selection of Working Group members</b>	<b>9</b>
<b>6. Structure and Accountabilities</b>	<b>11</b>
<b>7. Expected outputs/deliverables</b>	<b>12</b>
<b>8. Workplan and time commitment</b>	<b>12</b>
<b>9. Expenses and remuneration</b>	<b>13</b>
<b>10. Confidentiality and conflict of interest</b>	<b>13</b>
<b>11. Language</b>	<b>13</b>
<b>12. OPERATING RULES</b>	<b>14</b>
<b>GLOSSARY OF TERMS</b>	<b>15</b>
<b>REFERENCES</b>	<b>16</b>
<b>ANNEXES</b>	<b>17</b>
<b>ANNEX 1. Organisational Chart</b>	<b>17</b>
<b>ANNEX 2. Estimated Workplan</b>	<b>18</b>

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## 1. BACKGROUND OF THE PROJECT

The revision process for the Ecosystem Services Procedure began in October 2021 and was divided into two phases: Phase 1 and Phase 2. Phase 1 was completed with the publication of the Ecosystem Services Procedure <[FSC-PRO-30-006 V2-0 Ecosystem Services Procedure: Impact Demonstration and Market Tools](#)> in January 2025. Phase 2, which was initiated in September 2023, focuses on the implementation of Motion 49/2021, 'FSC Ecosystem Service Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive targets.' The conceptual phase of Phase 2 led to the recommendation for the development of a separate '**Procedure for Biodiversity Credits**'. This Terms of Reference (ToR) outlines the process for the development of the '**Procedure for Biodiversity Credits**' (including the normative requirements and essential criteria).

## 2. OBJECTIVE

The objectives of this revision process are to:

- **Develop a Procedure for Biodiversity Credits**, including the methods for quantification, criteria and requirements. The 'Procedure for Biodiversity Credits' will be linked to Forest Management (FM) Certification, making FM Certification a prerequisite for utilizing this procedure. Additionally, the biodiversity credits generated will ensure that no harm is caused to biodiversity, with particular emphasis on the protection of rare, threatened, and endangered (RTE) species. The primary focus of this procedure is on biodiversity credits that aim to deliver additional, positive biodiversity outcomes. It does not cover biodiversity offsets, which are intended to compensate for residual negative impacts after all prior steps in the mitigation hierarchy have been applied. The biodiversity credits generated under this procedure shall not be used for offsetting purposes (Note: Biodiversity credits and biodiversity offsets are two different mechanisms with distinct requirements). Furthermore, secondary trading of biodiversity credits will be discouraged, and all credits will be required to be retired upon sale.
- **Establish a Working Group (WG)** to approve and advise on the development and refinement of the Procedure for Biodiversity Credits.
- **Ensure alignment with the best available practices** such as the high-level principles of the Biodiversity Credit Alliance (BCA).
- **Strengthen FSC's role in nature-positive contributions** by creating additional biodiversity outcomes that align with the Kunming-Montreal Global Biodiversity Framework, enhancing ecosystem resilience and supporting global conservation efforts.
- **Enhance accessibility for FSC certificate holders** to biodiversity credit markets by ensuring adherence to high-quality biodiversity credit criteria and requirements.

The ultimate purpose is to develop a framework that attracts sustainable finance, support forest managers for their positive impacts, maintain FSC integrity, and establish FSC as the leading certification framework for valuing all the benefits of responsible forest management.

### 3. ORGANIZATIONAL SET UP OF THE PROJECT

**A WG** formed by three interest-balanced members, representing environmental, social and economic interests, and three technical experts to deliver on the tasks and responsibilities outlined in this ToR.

In addition to the WG, 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 WG Coordinator (Process Lead)**, who is a CES staff member appointed by the Director Policy Operations, to:

- Set up, manage and administer the WG, including organizing meetings, agendas and keeping action points and agreements.
- Ensure that the WG operates responsibly and in accordance with its ToR 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 WG 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.

**The Process Lead will also provide technical inputs as follows:**

- Provide technical input, background for discussion and guide WG content discussions.
- Make technical recommendations and provide references for WG.
- Share outcomes/ results of pilots
- Ensure WG'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 Process Lead will compile the feedback from the WG, Consultative Forum and public consultation striving to develop consensus between conflicting aspects.

**A Facilitator, who** will support the Process Lead with the aforementioned responsibilities, as well as assist in conducting effective conference calls and in-person WG meetings and guide the respective discussions.

## Two Steering Groups:

- The PSG 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 (BoD).
- The CES Steering Group, steering group composed by FSC staff/senior management 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 (CBs) 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 WG, the forum can be consulted with specific questions to provide input to the process.

**Project Supervisor**, appointed by the Director Policy Operations to supervise the process and to support the working groups in reaching their goals. The supervisor will report to the PSG and CES Steering Committee.

**Consultant(s)**, will be hired to support the WG in the development of the 'Procedure for Biodiversity Credits'. They will also assist the FSC Secretariat in the preparation of material for WG meetings and obtaining approvals from the WG.

In addition, the FSC BoD liaison person or Policy and Standards Committee (PSC) liaison person for this process if it is deemed appropriate. The role of the '**Liaison Person**' is to keep the FSC BoD and PSC respectively closely informed about the process and to give advice to the WG on timely alignment to relevant processes within the FSC normative framework.

An organization chart is provided in Annex 1.

## 4. TASKS AND RESPONSIBILITIES OF THE WORKING GROUP

The members of the WG 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 WG Coordinator.

The WG is expected to advise and provide content-related input on the development of the 'Procedure for Biodiversity Credits' and the general framework for regulating the biodiversity credit programme.

### 4.1. 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 BoD, 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 BoD.

#### **4.2. Specific:**

The members of the WG shall;

- Review the input from the FSC secretariat covering the normative requirements and criteria for 'Procedure for Biodiversity Credits' with the objective of full alignment with the high-level principles of BCA, including its potential Assessment Framework (AF).
- Advise on further enhancing the robustness of the criteria in the 'Procedure for Biodiversity Credits' by considering alignment with relevant voluntary biodiversity credit standards and the Kunming-Montreal Global Biodiversity Framework.
- The key elements covered in normative requirements and main criteria in the 'Procedure for Biodiversity Credits' are as follows.

#### **Baseline;**

- WG shall ensure that baseline calculations are based on robust, scientifically credible approaches, incorporating a diverse range of relevant data from both the project site and, where applicable, control sites. This approach shall ensure that changes in biodiversity can be verified through multiple sources. Any ex-ante predictions of biodiversity gains shall be conservative, and temporal data shall be utilized to inform the selection of an appropriate baseline.

#### **Measurement/quantification and monitoring, reporting and verification (MRV);**

- WG shall ensure that the 'Procedure for Biodiversity Credits' establishes normative requirements for the measurement and MRV of biodiversity, ensuring that the quantification of biodiversity outcomes follows scientifically sound methods with sufficient rigor to detect meaningful changes. Measurement/quantification approaches and MRV shall incorporate the best available technologies, techniques, metrics, and sampling designs, with indicators selected to align with project-specific goals and threats. Measurement/quantification and monitoring shall also consider locally relevant, context-specific metrics to ensure that indicators accurately represent the target biodiversity features. Additionally, WG shall ensure that the procedures for converting measured indicator values into crediting units are clearly

documented and disclosed, including how uncertainties, measurement errors, and potential reversals are addressed.

**Additionality;**

- WG shall ensure that the additionality determination includes measures to confirm that biodiversity outcomes are directly attributable to the project intervention and would not have occurred otherwise. The design and implementation of the project, particularly regarding the measurement, verification, and assurance of commitments, actions, and outcomes, shall be appropriate and proportionate to the specific project's circumstances and objectives. Demonstrating additionality shall encompass ecological additionality—whether through mitigating degradation threats or supporting restoration efforts—and may also consider social or financial additionality aspects.

**Leakage;**

- WG shall ensure that the 'Procedure for Biodiversity Credits' addresses leakage by incorporating normative requirements to assess and mitigate the risk of project activities displacing biodiversity-harming activities to areas outside the project site.

**Durability;**

- WG shall ensure that the normative requirements include provisions to establish the prerequisites for long-term success, such as conducting a non-permanence risk assessment and implementing appropriate risk mitigation measures.

**Tracking;**

- WG shall ensure that normative requirements are established for transparent, independent, and digitally accessible registries that uniquely identify, record, and track projects. These registries shall track credit issuance and transactions, securely retire credits to prevent double counting, and ensure transparency and rigor. Additionally, WG shall ensure that the registries collect and share georeferenced location data to avoid overlap with other projects and registries.

**Third Party Audits;**

- WG shall ensure that normative requirements are established to engage suitably qualified and independent third parties to validate and verify biodiversity outcomes.

**Benefit sharing mechanism;**

- WG shall ensure that the normative requirements clearly define a benefit-sharing mechanism that is fair, equitable, and transparent. The mechanism shall provide

project proponents with clear guidance, tools, and procedures for establishing fair benefit-sharing arrangements, including with Indigenous Peoples and Local Communities (IPLCs). Additionally, the mechanism must be documented and periodically reviewed.

#### **Grievance mechanisms;**

- WG shall ensure that the normative requirements specify a transparent, confidential, and robust grievance mechanism that is relevant to all stakeholders and rights-holders, including IPLCs.

#### **Claims;**

- WG shall ensure that the normative requirements for claims are aligned with future guidance from the BCA on claims. At a minimum, these requirements shall ensure that claims are accurate, specific, coherent, relevant, and transparent.

**Note:** Following the guidance from the Process Lead and the FSC BoD and PSC liaison, the WG will seek content alignment and consistency with other FSC processes and normative documents.

## **5. SELECTION OF WORKING GROUP MEMBERS**

The WG as a whole should encompass all the technical knowledge and experience outlined below.

### **5.1. Technical skills**

- Experience in baseline calculations for biodiversity credits under biodiversity crediting schemes, using scientifically credible methods and relevant data to ensure accurate and verifiable biodiversity assessments.
- Experience in developing MRV procedures for biodiversity under biodiversity crediting schemes, where the quantification of biodiversity outcomes is based on sound scientific methods and provides sufficient rigor to detect meaningful changes.
- Experience with the best available technologies, developing techniques, and expertise in metrics, sampling design, and selecting the most suitable indicators that align with project-specific goals under biodiversity crediting schemes.

- Experience in developing and implementing methodologies under biodiversity crediting schemes that address both leakage and durability.
- Experience and knowledge of biodiversity quantification, as well as data collection and collation procedures.
- Familiarity with the voluntary biodiversity credit markets.
- Understanding of registry requirements for tracking under biodiversity crediting schemes.
- Familiarity with the high-level principles of the BCA and other integrity criteria from various voluntary biodiversity crediting schemes.
- Understanding of best practices for grievance and benefit-sharing mechanisms, particularly in the context of the voluntary biodiversity crediting market.
- Up-to-date knowledge and understanding of FSC's systems and procedures, in particular understanding of the FSC-PRO-30-006.
- Understanding of claim requirements and their application within biodiversity crediting schemes.
- Understanding of responsible forest management practices and forest management certification processes.
- Up-to-date knowledge and understanding of FSC's systems and procedures, in particular understanding of the FSC-PRO-30-006.
- Experience working with forest managers, particularly smallholders and Indigenous Peoples, in the management of Small or Low-Intensity Managed Forests (SLIMF) or community forests within the forest value chain.
- Ability to review and comment on documents submitted in the working language(s) agreed for the WG.

**Note:** While these qualifications are highly preferred, FSC members who may not meet all of the above criteria but have relevant experience or skills in related areas are still encouraged to apply, where appropriate.

## **5.2. Soft skills**

- Ability to work together in a group.
- Fluent in English.
- Resolving conflicts.
- Demonstrating resilience.
- Ability to work systematically and plan accordingly.

## **5.3. Contribution**

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

## **5.4. 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, will be desired for the composition of the WG.

# **6. STRUCTURE AND ACCOUNTABILITIES**

### **Starting time/period:**

Appointed WG members are expected to adhere to the rules and regulations of this ToR and WG members shall sign a cooperation agreement with FSC upon appointment.

**Expected Term Starting time/period: Q3 2025**

### **Completion time/period:**

The terms of WG members end with the submission of the final draft of the deliverables presented in Section 7 (with details on criteria and requirements in Section 4) to the FSC BoD, after the PSG's review and recommendation for approval.

**Expected Term Completion time/period: Q2 2028**

### **Structure of WG and its reporting line:**

The WG is accountable to FSC International. WG members may be asked to leave the group by the PSG if they are not fulfilling their duties properly. Please see the [Annex 2](#) for the structure and the reporting line of the working bodies involved in the process.

## 7. EXPECTED OUTPUTS/DELIVERABLES

- To develop a 'Procedure for Biodiversity Credits' (including the methods for quantification, criteria and requirements). The criteria and requirements encompass the following (where details are available, please refer to Section 4.2);
  - Baseline determination procedures are established.
  - Key elements for MRV frameworks, including measurement and quantification approaches for biodiversity credits, are established.
  - Approaches for determining additionality are defined.
  - Approaches for estimating leakage are established.
  - Approaches for addressing durability are outlined.
  - Core elements for establishing benefit-sharing and grievance mechanisms are specified.
  - Registry requirements are defined.
  - Claims requirements are outlined.
  - Elements for stakeholder engagement are provided, particularly the IPLCs.
  - General eligibility criteria, covering eligible activities, implementation entities, and land rights, etc, are defined.
  - Additional elements and requirements from the Ecosystem Services Procedure V2-0 that may need to be considered in the 'Procedure for Biodiversity Credits' are identified.

## 8. WORKPLAN AND TIME COMMITMENT

### Workplan

WG members are expected to donate sufficient time to thoroughly fulfill their duties as outlined in the work plan presented in [Annex 2](#). The timetable and the detailed work plan, however, will be updated as necessary.

### Communication

The WG will conduct most of their work via e-mail or similar means of electronic communication (e.g. MS Teams, Go-to meeting, Zoom conference calls), and through one-on-one calls with the process lead when required. Face-to-face meetings will be planned if needed and wherever possible.

### Meetings

The process lead will strive to select meeting dates and venues that allow for full participation of all members of the WG.

At least eight intensive virtual meetings and three in-person meetings are envisaged for completing the outputs of the WG.

## **9. EXPENSES AND REMUNERATION**

### **Remuneration**

FSC is an international not-for-profit membership organization with limited funding. Participation in the WG takes place on a voluntary non-paid basis. If required, a stipend can be granted by FSC on a case-by-case basis.

### **Traveling and accommodation**

FSC will cover reasonable travel and accommodation expenses related to the work plan upon submission of the respective invoices and receipts, and if expenses are agreed upon in advance.

## **10. CONFIDENTIALITY AND CONFLICT OF INTEREST**

### **Confidentiality**

WG members, as well as any experts, shall sign a confidentiality and non-disclosure agreement with FSC at the beginning of their work. By default, non-attributable content of discussions and papers prepared by or presented to the WG is not considered confidential, unless otherwise specified by FSC.

### **Conflict of Interest**

WG 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.

## **11. LANGUAGE**

The working language of the WG is English.

## 12. OPERATING RULES

### A. Deliberation and Decision Making

- For the WG to meet and deliberate, there must be quorum, defined as a minimum **of 4 out of 6 WG members**. The process lead will strive to select meeting dates and venues that allow for full participation of all members of the WG.
- Quorum is required for any provisional decisions, and full member participation is preferred.
- All WG members must participate in each decision-making point. If any member is absent, a provisional decision may be made, subject to endorsement by the absent member(s) upon their return.
- The WG shall make every effort to reach decisions by consensus, defined as general agreement without sustained opposition on substantial issues from the members.

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 Process Lead, FSC Staff, PSG members, FSC BoD and PSC liaison and any other supportive personnel shall not participate in any decision-making. If the WG 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 PSG shall take a decision on how to move forward with the process.

## GLOSSARY OF TERMS

Terms and definitions are provided in *FSC-STD-01-002 FSC glossary of terms*. The following terms, in particular, are relevant to this document.

**Additionality:** Additionality is a requirement ensuring that biodiversity credits are granted only for biodiversity outcomes directly resulting from the project intervention and that would not have occurred otherwise. **Source:** (BCA, 2024).

**Biodiversity Credit:** An economic instrument that can be used to finance actions that result in measurable positive outcomes for biodiversity (e.g., species, ecosystems, natural habitats) through the creation and sale of biodiversity units. **Source:** (WEF, 2022)

**Biodiversity Crediting Scheme:** It refers broadly to schemes that seek to generate measurable positive natural-capital, ecosystem, and biodiversity outcomes, that are, in turn, represented as a token, credit or certificate that can be bought and sold. **Source:** (Pollination, 2023).

**Durability:** Durability refers to a project's ability to ensure that the biodiversity outcomes underpinning biodiversity credits are likely to persist for a defined and extended period. **Source:** (BCA, 2024).

**Leakage:** Leakage in biodiversity credit projects occurs when the implementation of a project unintentionally leads to an increase in negative biodiversity outcomes beyond the project's boundaries. Direct (or primary) leakage refers to adverse biodiversity impacts occurring in areas immediately surrounding the project site. In contrast, indirect (or secondary) leakage involves negative biodiversity impacts in more distant locations, often driven by broader global supply chain effects. **Source:** (BCA, 2024).

## REFERENCES

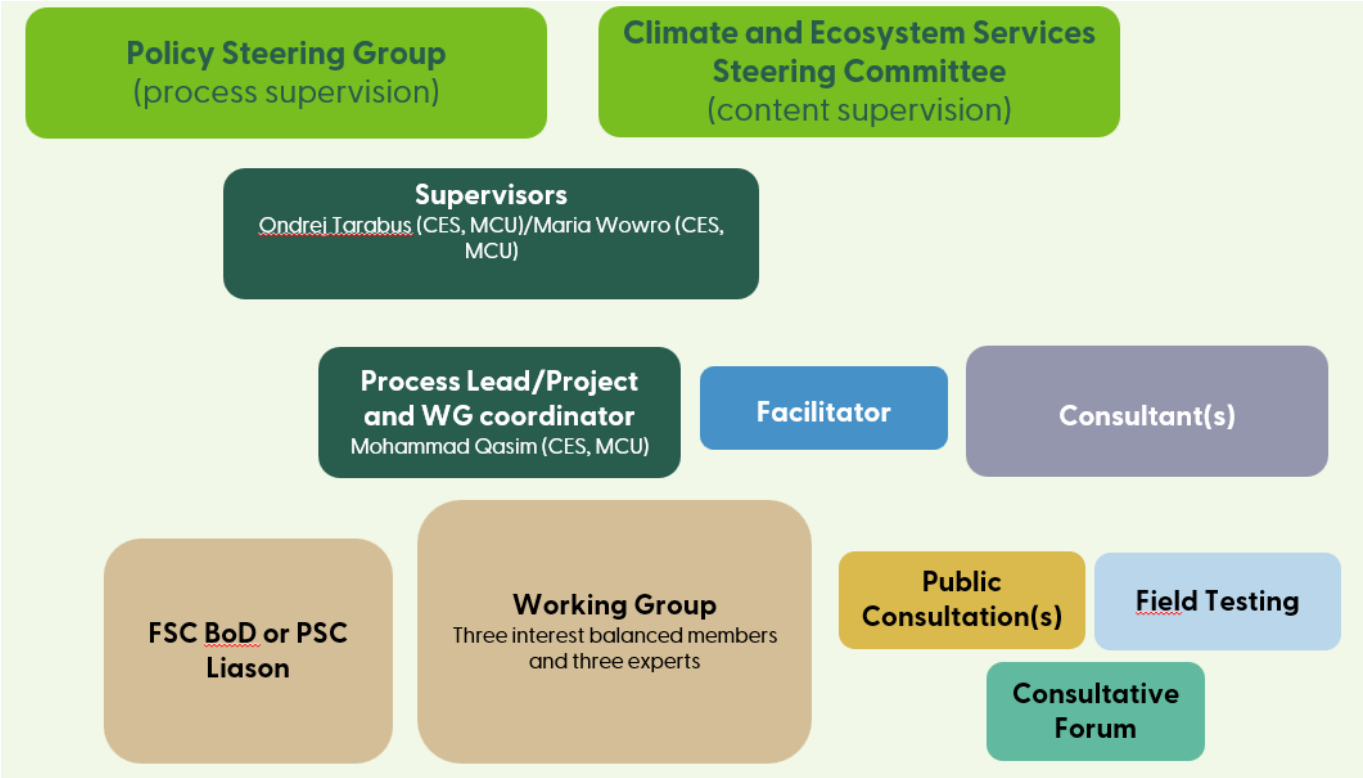
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ANNEXES

ANNEX 1. ORGANISATIONAL CHART



ANNEX 2. ESTIMATED WORKPLAN

Serial No.	Activities Motion 49/2021	Main role	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sept-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sept-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sept-27	Oct-27	Nov-27	Dec-27	Jan-28	Feb-28	Mar-28	Apr-28		
1	Developing TOR	Process lead																																								
2	Recommendations from PSG for approval of ToR by the DG	PSG																																								
3	Recommendations from PSC for approval of ToR by the BOD	PSC																																								
4	Approval of ToR by BOD	BOD																																								
5	Selection of WG members	Process lead																																								
6	Establiishing the WG	Process lead																																								
7	WG - Kick off meeting	Process lead																																								
8	Drafting of the normative document	Consutlant(s)																																								
9	First in-person meeting of WG	WG																																								
10	Online meetings with the WG	WG																																								
11	Public consultation i.e., 4 webinars	Process lead																																								
12	Second in-person meeting of WG	WG																																								
13	Field testing	Process lead																																								
14	Online meetings with the WG	WG																																								
15	Third in-person meeting of WG	WG																																								
16	Public consultation i.e., 4 webinars	Process lead																																								
17	Online meeting with the WG	WG																																								
18	Finalizing reports and material	Process lead																																								
19	Recommendations by PSG for approval from DG	PSG																																								
20	Recommendations from PSC for approval by the BOD	PSC																																								
21	Approval by BOD	BOD																																								
22	Publication of the normative document	Process lead																																								



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