

HIGH CARBON STOCK APPROACH

TERMS OF REFERENCE

STEERING GROUP ON NO-DEFORESTATION AND THE HIGH CARBON
STOCK APPROACH

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BACKGROUND:

Increasingly, companies are adopting policies to eliminate deforestation from the production of their raw materials. Several tools that define what areas can be converted to plantations or industrial agriculture have been developed, including greenhouse gas (GHG) emissions assessments, and High Conservation Values (HCV). While these tools are valuable, they were not designed to fully address deforestation. Therefore, there is a need to accommodate an additional approach that provides clearer guidance on what is a viable area of natural forest, how it can best be protected, and on how to implement a 'no-deforestation' policy commitment while simultaneously respecting human rights and ensuring the Free, Prior, and Informed Consent (FPIC) of Indigenous peoples and local communities.

Golden Agri-Resources (GAR) in collaboration with Greenpeace and The Forest Trust (*renamed as Earthworm Foundation in 2019*) developed a methodology in 2011-2012 to implement GAR's Forest Conservation Policy that included no-deforestation, calling it a High Carbon Stock (HCS) Approach. The HCS Approach combines carbon storage, biodiversity conservation and respect for local community rights and livelihoods. Asia Pulp & Paper (APP) also adopted the HCS Approach across their supply chain under their Forest Conservation Policy in 2013, as did Golden Veroleum Liberia (GVL) as the first in Africa, and Wilmar followed later in the year. Subsequently many other companies have adopted or referenced the HCS Approach.

DEFINITION¹:

The High Carbon Stock (HCS) Approach:

- Uses a combination of remote sensing analysis and field plots to identify areas that have vegetation classes with the structure, composition and density to maintain and restore themselves as natural forest ecosystems, as well as functioning as natural carbon stores and maintaining high levels of biodiversity.
- Applies FPIC procedures and conservation planning tools to the identified HCS forest areas and combines with HCV, peatland and riparian areas to micro-delineate areas for conservation, restoration, community land, and/or areas potentially available for plantation development.

STEERING GROUP:

The HCS Approach, is now being more broadly applied by the palm oil sector, as well as by some key players in the pulp and paper and rubber sectors. With many corporate commitments to no-deforestation and the HCSA, it is essential that the Approach has a strong scientific basis and is practical for both plantation companies and smallholders if it is to have broad acceptance by key players across a range of commodities, as well as civil society and governments.

To achieve all the above, key stakeholders involved have established an HCS Approach Steering Group that provides oversight and governance of the HCS Approach to ensure its scientifically-grounded

¹ Refer to the latest version of the HCS Approach Toolkit for the most updated version of the definition.

development and application in the field. The HCS Approach was standardised by the HCSA Steering Group in the HCSA Toolkit (April 2015). It is being periodically revised, refined, and extended as a result of broad implementation, further trials, and research.

To incorporate the views and interests of broader users and interested parties, the Steering Group solicits participation and input from a 'Consultative Forum' which includes non-steering group members such as the Roundtable on Sustainable Palm Oil (RSPO), Forest Stewardship Council (FSC), HCV Network (HCVN), financial institutions, other pulp and paper and palm oil plantation companies, other commodity companies, national and local government bodies, as well as other organisations and sectors making commitments to halt deforestation or expecting to in the near future, the Consumer Goods Forum (CGF) members and the Tropical Forest Alliance (TFA), and international and national REDD initiatives.

The HCS Approach is intended to incorporate and respect the rights and aspirations of communities in or proximate to high carbon landscapes and to maintain and/or improve their livelihoods. It is acknowledged that governments play a critical role in national development and land use planning, and their support and participation will ultimately be needed and should be actively solicited for the conservation of HCS forest areas and the achievement of deforestation-free commodities.

PURPOSE:

To ensure there is a practical, transparent, robust, and scientifically-credible approach that is widely accepted to implement commitments to halt deforestation in the tropics while ensuring the rights, livelihoods and aspirations of local peoples² are respected.

OBJECTIVE:

Provide overall governance of the current HCS Approach and oversee the further development of a methodology designed to achieve no-deforestation including refining its definition, its objectives and its relationship to other approaches to halting deforestation.

SCOPE OF WORK:

DEVELOPING AND REVIEWING THE METHODOLOGY

- Standardise a methodology for identifying and maintaining viable areas of natural forest in the tropics.
- Oversee an ongoing science and expert review, revision and validation processes.
- Where possible, develop the methodology to be complimentary to existing processes (RSPO, FSC, RED, REDD+, and others).
- Develop mechanisms / protocols to coordinate, and where practical, integrate the HCS methodology

² including indigenous peoples and local communities

with other related social and environmental assessments including High Conservation Value (HCV) assessments and the protection of human rights and livelihoods, including the right of communities to FPIC.

- Promote and distinguish the methodology from narrow carbon calculation and accounting approaches and tools, while ensuring that the HCS analytics can be used and applied complementarily to other GHG reporting requirements.
- Consider how the methodology can help guide identification of restoration priorities that strengthen ecosystem function and resilience, and contribute to the application of the “protect, respect and remedy” framework of the UN Guiding Principles on Business and Human Rights in plantation holdings.
- Ensure the overall approach is supported by key local stakeholders, including local communities and Governments.
- Research, develop and promote incentives and support schemes so that communities and small farmers are assisted and supported to identify and maintain HCS areas.

GUIDING IMPLEMENTATION OF THE METHODOLOGY

- Oversee trialling and future field trials, and further development and refinement of the methodology for different geographies and contexts, including in high or complex forest cover landscapes, with smallholders/farmers or different socio-economic settings
- Invite other parties or sectors with broadly similar objectives to share learnings and to be involved.
- Oversee and agree on the methodology and any changes or adaptations that are recommended as a result of the revisions, trials and further development.
- Establish qualified oversight or review expertise to ensure implementation quality assurance.
- Promote training and effective application of auditing tools.

COMMUNICATING AND ENGAGING ON THE METHODOLOGY

- Promote formal recognition and endorsement of the methodology by key user groups including certification schemes to help deliver commitments to halt deforestation.
- Adopt and demonstrate best practice for stakeholder consultation and transparency to ensure the Approach respects local stakeholder rights and includes input from other relevant stakeholders.

DEVELOPING GOVERNANCE MODEL FOR THE METHODOLOGY

- Explore and evaluate options for governance of the methodology and related research, and propose institutional arrangements.
- Establish ongoing governance, stakeholder input and oversight including satisfactory mechanisms for overseeing / registering qualified expertise practitioners and reviewing / registering assessments.
- Propose options for quality assurance, monitoring, and verification.
- Propose and ensure working mechanisms for capturing and addressing complaints and grievances at the local and international level.

GOVERNANCE AND ORGANISATION OF THE HCS APPROACH STEERING GROUP

Overview of Organisation – HCS Approach Steering Group



MEMBERSHIP OF THE STEERING GROUP

Organisations eligible to join the Steering Group:

- NGOs supporting and promoting the HCS Approach with growers and relevant stakeholders.
- Smallholder/farmer support organisations whose members are implementing the HCSA.
- Plantation companies implementing the HCS Approach in their operations or supply chains.
- Commodity users implementing the HCS Approach for commodities at risk of driving deforestation in their supply chains (maximum of 10 members³).
- Technical support organisations with expertise in HCS Approach implementation.

Further sectors may be invited to join the Steering Group in the future.

³ On 12 April 2019, the HCSA Executive Committee approved extending the limit of commodity user companies from 5 to 10.

CRITERIA FOR MEMBERSHIP⁴:

To be eligible to join the Steering Group, organisations must meet the following requirements:

- demonstrate a commitment to constructively work towards achieving no-deforestation and to actively support the HCS Approach.
- Until the HCSA methodology allows it, members do not link in any way the HCS Approach with project-level carbon trading, including in assessments, reports and communications. This does not include government mandated carbon related submissions and registrations.

Additionally, commodity or plantation companies must meet the following requirements:

- publicly state commitment to halt deforestation and to implement the HCS Approach across operations and supply chains as well as in operations of investments, regardless of shareholding
 - and -
 - make public, maps of operations, including plantations, forest cover, HCS forest protected and HCV areas, mills, refineries and factories, including through submitting these as shapefiles to the HCSA SG and to the WRI database. Best available maps of peatland will be submitted. These maps are for reference use only.
 - and -
 - actively implement the HCS Approach across operations /concession areas.
 - or -
- declare a moratorium on clearance of potential High Carbon Stock areas until HCS Approach can be fully implemented.

THE EXECUTIVE COMMITTEE

The Executive Committee is made up of representatives from the Steering Group and comprises up to:

- Three plantation company representatives, reflecting the key commodities and geographical regions of plantation company HCSA Steering Group members
- Three NGOs, covering environmental and social focus areas
- Two smallholder/farmer groups or their support organisations
- One commodity user company
- One technical support organisation

The different sectors of the Steering Group will elect their representative (s) to the Executive Committee through either consensus (strongly preferred) or majority vote. Executive Committee members are obliged to represent their sector and, as needed, consult with other Steering Group members.

⁴ Please refer to [HCSA SG Membership Document](#) and [HCSA Membership Requirement Review \(MRR\) V1](#) for further details.

Organisations are eligible for election to the Executive Committee after having been a member of the Steering Group for one year.

The Executive Committee makes decision by consensus, and is mandated to make decisions on all matters pertaining to the Steering Group, with the exception of changes to the HCS Approach methodology. Such changes must be presented to and approved by the full Steering Group, who will strive to approve such changes by consensus. Where the Steering Group is not able to reach consensus, the Executive Committee may make final decisions.

The Executive Committee elects two Co-chairs and one Treasurer:

- One Co-chair of whom must belong to the NGO category, and one of whom must be a plantation company or smallholder grower representative member. The Co-Chairs are mandated to speak on behalf of the Steering Group and are charged with developing meeting agendas and overseeing the Secretariat function.
- The Treasurer provides oversight of HCSA's financial strategy and management and supports the HCSA Executive Director and the Secretariat Financial Management team to ensure good financial governance, management and financial health being maintained for the organisation.

The Executive Committee, at its discretion, may appoint advisors or officers to the Executive Committee or sub-committees thereof.

SCIENCE ADVISORY COMMITTEE

A Science Advisory Committee ensures that the HCS Approach methodology is scientifically robust, firmly grounded in the latest scientific literature, and that the underlying scientific assumptions are subject to the standard peer-reviewed process. A detailed Terms of Reference has been approved by the Executive Committee, with the main scope of work defined as:

- Periodical review of the scientific basis of the methodology, including identifying any gaps
- Advice on particular aspects of the methodology that are under further development or refinement, including application in landscapes with high forest cover
- Refinement of the methodology based on the latest peer-reviewed literature
- Interaction with the working groups on methodology issues including field trials.
- Development of a process for updating the methodology as needed to reflect changes in advancements in scientific understanding

EXPERT AND TECHNICAL WORKING GROUPS

Working groups and taskforces are established to lead on specific work-streams. These groups are responsible for working on defined topics in accordance with specific Terms of References approved by the Executive Committee.

SECRETARIAT

A secretariat function is established to support the work of the Steering Group and the Executive Committee.

The Secretariat reports to the Executive Committee and is responsible for:

- Financial matters, including preparing draft budgets, keeping financial ledgers, invoicing member contributions, and reimbursing approved expenses and costs.
- Meeting administration and minutes.
- Management of the consultative forum.
- Support the Co-Chairs in drafting meeting agendas.
- Development of public reporting on the work undertaken by the Steering Group.
- Responding to queries from members and external stakeholders.

FUNDING

An annual budget will be determined by the Executive Committee. Secretariat and working groups are funded through annual contributions from members.

The Executive Committee will seek funding from independent parties that support the vision of achieving no-deforestation. Due diligence will be performed to identify any potential conflicts of interests with potential funders.

LEGAL FORM

The High Carbon Stock Approach is a registered charitable foundation in the Netherlands (Algemeen Nut Beogende Instelling, (ANBI) with two non-profit subsidiaries located in Malaysia (HCS Approach Sdn. Bhd) and Singapore (HCS Ltd.).

CONSULTATIVE FORUM

A Consultative Forum is established to contribute to the work of the Steering Group. The Forum is open to parties with an interest in the HCS Approach including plantation companies with public commitments to implement the HCS Approach who are not yet eligible for representation on the Steering Group, as well as governments.

The Consultative Forum may be invited as observers to meetings and may contribute to the work streams and discussions of the HCS Approach Steering Group, but will not have a decision-making role in the Steering Group.