Guidance on how companies should address environmental restoration and compensation related to their no-deforestation and no-conversion commitments
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The Accountability Framework was created through a consultative process with a wide range of stakeholders including companies, NGOs, and government, and following applicable good practices for multi-stakeholder initiatives.

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Purpose & summary

This Operational Guidance elaborates on the Accountability Framework’s Core Principles 1.1, 1.2, and 9 to describe how companies should address environmental restoration and compensation related to their no-deforestation and no-conversion commitments.

As specified in Core Principle 1, companies must avoid conversion or degradation in the first place. The primacy of ecosystem protection over restoration or compensation (i.e., the mitigation hierarchy) is a well-accepted principle of environmental management. This guidance addresses scenarios where remedy is required to address past deforestation or conversion. This remedy may come in the form of environmental restoration and/or conservation activities that provide incremental (additional) conservation benefit to protect and enhance ecosystems and their conservation values.

Portions of this guidance are also relevant for companies that choose to conduct or support restoration to help deliver positive benefits, unrelated to any obligations arising from past deforestation or conversion.

This document addresses the following topics:

1) Specification of company responsibility for environmental restoration and/or conservation to remedy past deforestation or conversion

2) Parameters for carrying out effective environmental restoration or conservation activities

Given the scope of the Accountability Framework, this Operational Guidance focuses on remedy for deforestation, conversion, and associated environmental impacts. The guidance does not directly address remedy for other environmental harms, such as those related to pollution, except insofar as they are consequences of deforestation or conversion. In the case of environmental harms that also result in adverse impacts to human rights, requirements for remedy of human rights impacts also must be followed, as described in the Operational Guidance on Remediation and Access to Remedy. This Operational Guidance also relates closely to the Operational Guidance on Supply Chain Management, which outlines how companies should identify and manage instances of non-compliance, some of which may require restoration.
Important note: restoration or compensation may not be used to justify or offset new deforestation or conversion.

As stated above, a central tenet of the Accountability Framework is that commodity production, sourcing, and financing must not cause or contribute to new deforestation or conversion. Accordingly, restoration or compensation—or plans or commitments to restore or compensate—may not be used to justify or offset new deforestation or conversion associated with agriculture or forestry. This requirement is elaborated in several sections of the Framework, including the following:

- **Core Principles 1.1 and 1.2** call for companies to commit to eliminating deforestation and conversion of other natural ecosystems, respectively, from their production, sourcing, and financial investments. Corresponding definitions clarify that this means no gross deforestation and no gross conversion.

  - This means that company activities that entail offsetting new deforestation or conversion with restoration or conservation—or other forms of “net” accounting for deforestation or conversion—do not adhere to the Accountability Framework.

- **Core Principles 1.1 and 1.2** also call for the specification of cutoff dates after which land units associated with deforestation or conversion, respectively, are deemed non-compliant. Parameters for appropriate cutoff dates are specified in the *Operational Guidance on Cutoff Dates*.

  - These stipulations mean that any new deforestation or conversion that is undertaken may render the corresponding production units and products non-compliant with many existing and future supply chain commitments of downstream buyers, potentially on a permanent basis. This is true regardless of whether the company undertaking, financing, or supporting the deforestation or conversion has a no-deforestation or no-conversion commitment.
Section 4 of the *Operational Guidance on Supply Chain Management* outlines parameters for assessing the severity of non-compliance and appropriate courses of action. This material clarifies that significant new deforestation or conversion would typically constitute a severe form of non-compliance (Section 4.2.1, Factors A, B, and C). If carried out knowingly (Factor D), such action would weigh heavily towards suspending or excluding the supplier responsible for such deforestation or conversion from supply chains.

This guidance means that new deforestation or conversion may result in market barriers or exclusions, even if it is associated with plans for restoration or conservation. As indicated in Section 4.2.2 of this Operational Guidance, such market barriers or exclusions may extend beyond the production units and product volumes associated with new deforestation or conversion to include other portions of the supplier’s business.

Consistent with these requirements, this Operational Guidance is not intended to be used to select or design restoration or compensation activities that are carried out to justify or offset new deforestation or conversion. Rather, it addresses scenarios where restoration or compensation is required to remedy past deforestation or conversion. Portions of this guidance are also relevant for companies that choose to conduct or support restoration to help deliver positive benefits, separate from any obligations arising from past deforestation or conversion.
1. Company responsibility to remedy past deforestation or conversion

As stated in Core Principle 9.1, companies are expected to provide for or cooperate in providing fair and just remedy in the case of adverse impacts to human rights or the environment. In the case of deforestation, conversion, and loss of associated conservation values stemming from commodity production, fair and just remedy requires taking effective action to restore the given ecosystems and values to their prior condition and/or providing suitable compensation for the lost ecosystems and values (see Definitions).

Companies are expected to conduct or support restoration or compensation when they caused, contributed to, or assumed responsibility for deforestation or conversion that occurred in violation of the company’s supply chain commitment.¹ This includes circumstances where:

1) the company owns or manages land on which there has been deforestation or conversion in violation of the company’s commitment;

2) the company has assumed responsibility to restore or compensate for such deforestation or conversion from a previous owner or manager in accordance with Core Principle 9.4; or

3) the company contributed to deforestation or conversion in violation of its commitments, for instance by financing, supporting, mandating, facilitating, or encouraging deforestation or conversion (see Section 4.2.1.d of the Operational Guidance on Supply Chain Management).

Companies are also expected to conduct or support restoration or other forms of compensation where required by applicable law. As with all aspects of the Accountability Framework, voluntary commitments are in addition to legal requirements, and the more stringent requirements and practices related to restoration and compensation should be followed.

¹ Deforestation or conversion are generally in violation of a company commitment if they took place after the applicable cutoff date specified in the commitment (see Operational Guidance on Cutoff Dates for information on appropriate cutoff dates). If a cutoff date is not specified in the commitment, then as a default it should be presumed that deforestation or conversion that took place after the date of the commitment is in violation of the commitment.
Downstream companies are also encouraged to actively support or participate in restoration and/or conservation efforts to remedy deforestation or conversion that their direct or indirect suppliers caused or contributed to, even when the downstream company itself did not directly cause or contribute to the environmental harm.

Parameters for effective restoration or conservation are outlined in the following section and describe how the requirements of Core Principle 9.1 should be implemented.
2. Parameters for effective environmental restoration and conservation

This section provides additional detail on how companies can determine what needs to be restored or compensated (Section 2.1), how to design and implement effective restoration and conservation activities (Section 2.2), and how to document and monitor such activities (Section 2.3). This material addresses scenarios where restoration or compensation is required to remedy past deforestation or conversion. The principles and good practices in Sections 2.2 and 2.3 apply equally to restoration or conservation activities carried out to help deliver positive benefits, separate from any obligations arising from past deforestation or conversion.

2.1 Determining what needs to be restored or compensated

As a first step, the company should determine the extent and nature of the deforestation, conversion, and associated impacts that must be restored or compensated in accordance with the three circumstances listed in Section 1, above. This assessment should document both the quantity of the loss (e.g., hectares of natural ecosystems lost or damaged) and the qualities and values that were lost (e.g., ecosystem values and functions, specific elements of biodiversity such as individual species or species assemblages, landscape connectivity, critical watershed values, cultural heritage sites, etc.). The assessment should incorporate best available information for the subject area and participation of local and affected stakeholders. The assessment should also be publicly accessible for comment.

When restoration is pursued as a form of remedy, generally the land area restored should be at least as large as the land area destroyed or severely damaged. If the proposed restoration areas will be of lower conservation value than the area deforested or converted, then a ratio of more than one unit of restoration area for each unit of converted area is required. When conservation is pursued as a form of remedy, the ratio of areas conserved to areas destroyed or severely damaged must be sufficient for the total incremental conservation gains (i.e., additional to
business-as-usual) provided by the conservation activities to equal or exceed the total losses. The restoration or conservation activities should also provide ‘like-for-like’ benefits as remedy for the lost or damaged environmental values.

Additionally, given the inherent risks of non-permanence and reversal of restoration or conservation activities from natural and anthropogenic disturbances, a conservative approach should be taken to ensure that the restoration or conservation activities provide adequate remedy for the lost or damaged environmental values on a long-term basis. Depending on the risk in the given context, as determined by a risk assessment, this may require a greater ratio of restoration or conservation area to converted areas, or the use of pooled insurance or buffer approaches to mitigate such risk.

In the context of smallholder production systems, the general requirements for restoration or conservation outlined in the prior paragraphs may be adjusted given that the ability of smallholders to restore or compensate past deforestation or conversion may be constrained by a variety of factors that are unique to, or more pronounced in, their situations. For instance, smallholders whose livelihoods depend on farms that are non-compliant with company deforestation-free commitments may face economic ruin if they are forced to abandon this land. On the other hand, partial restoration through planting native shade trees (e.g., in agroforestry systems) or diversifying production systems can benefit smallholder livelihoods while providing context-appropriate restoration for prior conversion. See the Operational Guidance on Smallholder Inclusion in Ethical Supply Chains for more information about assessment, management, and remediation for non-compliance in smallholder contexts. This nuancing of requirements for smallholders applies only for the purpose of determining the appropriate remedy for past deforestation or conversion; it does not condone new deforestation or conversion by smallholders, nor actions to support the expansion of smallholder production systems into natural ecosystems by financiers, input suppliers, plantations that manage outgrower schemes, or others.

2.2 Determining, designing, and implementing the most appropriate restoration or conservation approach(es)

Remedy for deforestation or conversion may include restoration and/or compensatory conservation activities, that are selected, designed, and implemented in accordance with this and the following sub-sections. These restoration and/or conservation activities may be implemented directly by the company itself, or they may be carried out in partnership (e.g., through financial support or otherwise) with another company, land owner/manager, NGO,
community, or other organisation. However, regardless of who carries out the activities, the company itself is ultimately responsible for ensuring that their implementation and outcomes fulfil the company’s obligations to remedy environmental harms caused by the deforestation or conversion. For this reason, if the company is not directly involved in implementing the activities, it must retain adequate oversight of these activities to assess their progress and intervene and/or pursue other activities if this progress is not sufficient to meet the company’s restoration and compensation obligations.

Whenever feasible, activities should be implemented on or near the site that was deforested or converted; this may include:

i) restoration of the actual area that was deforested or converted;

ii) restoration of a comparable area on the same site; and/or

iii) restoration and/or conservation of comparable area(s) within the same landscape.

Such “proximate” activities are preferred because they are generally best able to fulfil accepted principles of effectiveness (see below), particularly related to equivalence and equitability. When proximate activities are not feasible, restoration or conservation activities may be implemented outside of the landscape. In these cases, activities should still be carried out as close as is reasonably achievable (in terms of both physical location and ecosystem type) to the site that was deforested or converted, and in all cases within the same regional biome. Examples of situations where proximate activities may not be feasible include those where legal barriers, social conflict, unavailability of land, or inability to secure long-term or permanent conservation outcomes mean that activities are unlikely to fulfil the following principles for effectiveness. The cost of proximate activities or the need to take land out of production to accommodate restoration are not, on their own, sufficient justifications for not carrying out activities on or near the site that was deforested or converted.

Selection and design of restoration or conservation activities should align with the following principles for effectiveness.

1) The most appropriate approach(es) and strategies should be determined based on the ability to best ensure clear, secure, long-term protection of natural ecosystems and their associated conservation and human values. This will vary depending on the geographical, legal, social, and ecological contexts as well as the available options for the company and other parties to implement and manage restoration or conservation.

2 A comparable area is one that is of the same ecosystem type and possesses similar conservation values. A landscape is defined as a geographical mosaic composed of interacting ecosystems resulting from the influence of geological, topographical, soil, climatic, biotic and human interactions in a given area (source: IUCN).
efforts. All these factors should be considered together when determining the most appropriate approach. For example, on-site restoration may lead to improved management on the company's own lands and may have the advantage of secure land tenure and a stable funding source from the company managing the site. On the other hand, if on-site restoration is likely to result in fragmented habitat patches of modest conservation value, then the same level of restoration investment might yield greater incremental benefit if directed towards an off-site compensation activity.

2) Design needs to consider the landscape in which the restoration/conservation activities are to occur, with a focus on restoring the landscape's functionality for protecting biodiversity and ecosystem services. Restoration should target sites and activities that are conservation priorities while avoiding land conflicts and considering social and cultural values. The design should specifically address ecological, social, legal, and governance considerations.

3) Site selection, project design, and activities need to provide 'like-for-like' equivalence, where the lands and values that are restored or conserved are of a similar type and of equivalent or greater value to what was lost. For instance, if peatland was converted then peatland should be rehabilitated, restored, or conserved to provide like-for-like remedy of the environmental harm.

4) Projects provide additionality, meaning that they need to provide commensurate conservation or restoration benefits that exceed the status quo or business-as-usual scenario. For instance, they must be additional to conservation efforts that are already planned, are required by law, or are likely to manifest as a result of typical processes of ecological succession. In addition, if natural ecosystems of conservation value are under imminent threat of destruction or degradation, then effective actions to protect these ecosystems may legitimately be considered to provide additionality.

5) Related to both additionality and equivalence, the ratio of areas restored or providing additional conservation value through compensation to those deforested or converted should be sufficient to ensure, conservatively, that total conservation gains equal or exceed losses. In some cases — for instance where restoration or conservation areas are of lower conservation value than the damaged or destroyed sites or where conservation values are expected to return only over many years or decades — this means that the ratio of areas restored/conserved to those damaged or destroyed may need to exceed 1:1. The appropriate ratio must be determined for each, based on the site quality and conservation values at both the site(s) of the original harms and the restoration or conservation site(s).
6) Outcomes are **long-lasting (and ideally permanent)**, through secure, long-term tenure agreements, financing, management arrangements, and monitoring. As noted previously, depending on the risk of non-permanence and reversal of restoration or conservation gains from natural and anthropogenic disturbances, risk mitigation measures (e.g., a larger restoration or conservation areas, or pooled insurance or buffer approaches to safeguard against potential reversals) may need to be put into place to fulfil this principle.

7) Outcomes are **equitable**, considering the effects both of the original deforestation or conversion and of the proposed activities on different persons and groups whose rights or wellbeing have been harmed, particularly communities inside or adjacent to the subject areas. The restoration or conservation activities should provide effective remedy to persons and groups whose rights have been harmed by the deforestation or conversion. To arrive at equitable outcomes, affected stakeholders need to be involved in the planning, design, implementation, and monitoring of the restoration/conservation efforts, and Free, Prior and Informed Consent (FPIC) must be sought when required (see the *Operational Guidance on Remediation and Access to Remedy*, as well as the *Operational Guidance on Free, Prior and Informed Consent* and the *Operational Guidance on Respecting the Rights of Indigenous Peoples and Local Communities*). Further, opportunities to strengthen community livelihoods through the restoration/conservation strategies should also be maximized.

8) Efforts must assess and address any **human rights impacts (co-harms)** resulting from the environmental harm, including consideration of how these harms might have differentially affected women versus men or other subgroups of affected persons. Human rights considerations may indicate the need to prioritize on-site restoration to address negative impacts to both people and the environment that cannot be effectively addressed through off-site approaches (see also the *Operational Guidance on Remediation and Access to Remedy*).

9) Restoration/conservation strategies and activities need to be **knowledge-based**, drawing on the knowledge of relevant technical experts, traditional knowledge, and stakeholder input.

10) Design and implementation should specify **effective management arrangements**, including: who will implement the restoration /conservation effort(s); who will provide oversight; what kinds of legal approvals or instruments are needed; how and by whom the areas will be managed; the budget for implementation and long-term management and how these funds will be secured; and other elements necessary to ensure long-lasting benefits.
11) Restoration/conservation activities should be planned, implemented, and monitored using a process that is inclusive and participatory. This will often require the involvement of technical experts (e.g., ecologists familiar with the ecosystems that need to be restored) as well as interested stakeholders (e.g., indigenous peoples and local communities familiar with the affected areas as well as other interested parties). Stakeholders should be represented and engaged in a way that is gender-equitable and inclusive of different potentially affected parties, including vulnerable and marginalized groups.

Additional conditions for pursuing restoration or conservation activities that are not proximate to the site of deforestation or conversion include:

1) justification that proximate activities are not feasible (as per the examples provided in the second paragraph of this sub-section).
2) documentation of the adherence to the eleven principles above.
3) as part of this documentation, demonstration and quantification of additionality using legitimate methods, such as comparison to a credible status-quo or business-as-usual scenario.
4) demonstration that the activities are consistent with broader objectives for conservation and sustainable land use within the given jurisdiction or surrounding area.

When restoration approaches are used (whether or not such restoration is proximate to the areas of deforestation or conversion), in addition to the principles outlined above, the following factors should be considered:

- Restoration activities should restore or enhance conservation values that are similar values to those that were lost or damaged (i.e., the like-for-like equivalence principle). This does not necessarily mean that the exact land areas that were converted or damaged are the ones that need to be restored; restoration plans can seek to achieve greater improvements in conservation value (e.g., through development of biological corridors) with potentially lower opportunity costs (e.g., by restoring environmentally sensitive areas of marginal productivity).
- Restoration should prioritize the use of native species, seek to accelerate natural regeneration and succession as much as possible, and restore pre-existing hydrological conditions (e.g., water flow and quality) where these are necessary for the restoration of ecosystems (such as peatlands and other wetlands).
- Climate change projections and impacts should be considered to help ensure that the values being restored are likely to remain viable in the long term in view of changing weather patterns, fire and moisture regimes, and other environmental factors. Designs should consider that larger and more ecologically intact sites are generally more resilient to climate change impacts than areas that are smaller, more fragmented, and more degraded.

2.3 Documentation, monitoring, verification, and information disclosure

As previously noted above, companies are responsible for ensuring that the implementation and outcomes of restoration or conservation activities fulfil their obligations to remedy the environmental harms caused by the deforestation or conversion. As such, it is important that the design of these activities include a monitoring and reporting programme, implemented over the lifetime of the project, that aims to determine whether the planned activities are achieving their stated goals and to enable learning and adaptive management to address any challenges that arise. Specifically:

- During the project initiation phase, the company should clearly document and make publicly available its restoration and/or conservation plans, including information on:
  + size, description, and maps of the areas and values that were lost and the corresponding restoration or conservation needs (with boundaries and associated calculations) — as per Section 2.1 above
  + selection and justification of the restoration or conservation approach(es) chosen, including the quantity and scope of restoration or conservation to be provided by each approach — as per the principles listed in Section 2.2 above
  + goals, objectives, scope, timeline, and responsibilities for the chosen activities, covering at least a 5-10 year period for the implementation of activities
  + how the principles for effective restoration or conservation outlined in Section 2.2 were considered and addressed
  + if the planned activities required the FPIC of indigenous peoples or local communities, documentation of this process, its outcome, and how the outcome is reflected in the restoration or conservation plans (see the Operational Guidance on Remediation and Access to Remedy and the Operational Guidance on Free, Prior and Informed Consent)
+ courses of action in the event that the restoration or conservation plans are not carried out as intended or the resulting benefits are significantly less than those anticipated by the plans.

• The company should also conduct monitoring and commission independent verification of project implementation and outcomes relative to the restoration or conservation plans. This should include:

  + Assessment of specific metrics that are designed to measure progress towards project-specific goals and objectives throughout the duration of the project. Metrics should be developed using recognised good practices (see Section 2 of the Operational Guidance on Monitoring and Verification) and should include the following aspects of project performance:

    • monitoring of ecological performance and attributes, such as vegetation composition, canopy cover characteristics, biodiversity, and native species
    • monitoring of social and economic performance and attributes, such as effects of restoration on workers and local communities

  + Management (e.g., project schedule and budget, communication protocol) performance and impacts
  
  + A process for using monitoring results to inform adaptive management and to help improve other similar restoration efforts
  
  + Credible, independent verification of project performance following the guidelines provided in Section 4 of the Operational Guidance on Monitoring and Verification

  + Public disclosure, in forms accessible to relevant stakeholders, of project metrics and monitoring results, including summaries of any verification reports, following the guidelines provided in Section 3 of the Operational Guidance on Reporting, Disclosure, and Claims.