

# WWF Guidelines for Investment in Operations that Impact Forests

Version 1.0 September 2003

## Abstract

The WWF Guidelines for Investment Policies form part of a set of background materials prepared for the Forest Investment Forum to be held at the World Bank headquarters in Washington DC from 22-23 October 2003.

## INTRODUCTION

Despite its value to humanity, over 50 percent of the world's original forest cover has disappeared and forests continue to be lost at a rate of 9-16 million ha/year (2002, FAO). Without significant changes in policy and practice, the process of forest loss will continue at this alarming rate and pose a major threat particularly to High Conservation Value Forests (HCVF). This has serious socio-economic consequences for the lives of forest dependant peoples, and threatens numerous animal and plant species. In addition, forest loss causes job losses and reduced GDP, disrupts water balances, causes soil degradation, loss of potential medicinal products, and impacts at a global scale through climate change.

By financing projects such as pulp and paper mills, palm oil plantations, mines and dams, financial institutions can have a significant impact on forest loss. In recognition of the associated environmental, financial, and reputational risks, and society's social and environmental expectations of the financial sector, NGOs are urging financial institutions to play a more positive role in advancing environmental and social sustainability. This culminated in January 2003 when an international coalition of some 50 NGOs launched the "Collevocchio Declaration on Financial Institutions and Sustainability" at Davos.

As a result, some financial institutions have agreed to start screening projects according to environmental and social criteria. Building on these efforts, WWF has drafted a set of sector specific guidelines for investment policies that impact forests. WWF plans to continue its work by building partnerships with financial institutions (commercial banks, development banks, export credit agencies), forest companies, governments, and others to agree a process to further develop and implement these investment policies to protect forests and local communities.

## THE GUIDELINES

The guidelines consist of five parts:

- **Part One** introduces the objectives, audience, and conditions to which the suggested guidelines apply,
- **Part Two** provides recommendations and guidance covering:
  - Respect for national laws and international conventions (legality, legal logging),
  - Forest management (responsible practices, wood sourcing and tracking, Forest and Trade Networks, community management),
  - Forest conservation (HCVFs, protected areas, CITES listed species, forest restoration),
  - Forest use leading to clearance or conversion (method of clearing, plantations, GMOs),
  - Environmental management (Environmental and Social Impact Assessment, Environmental Management Systems, forest-based carbon sequestration and storage),
  - Respect for Local communities and indigenous peoples' rights (human rights, stakeholder involvement, and involuntary resettlement), and
  - Labour Codes and Standards (child labour, forced labour, healthy and safety, discrimination, contract workers, compensation).
- **Part Three** contains recommendations for bank operating procedures,
- **Part Four** provides recommendations for bank governance procedures, and
- **Part Five** contains annexes with supporting documents, information and references.