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COMMUNICATION ON PROGRESS 2017

Introduction

Continental Forests Ltd (ConFor) is a Forest Management company contracted by global-woods AG to manage the latter's commercial forest plantation establishment and maintenance in Kikonda Central Forest Reserve in Nsambya Sub county, Kyankwanzi district, Uganda. The forest reserve which covers over 12,800 hectares has been licensed to global woods AG for 50 years (till 2052) by government of Uganda for the purpose of commercial tree farming. global-woods AG is certified by the Forest Stewardship Council (FSC) and as such is committed to applying in its operations the principles of environmentally appropriate, socially beneficial and economically viable forest management practices. Continental Forests Ltd (ConFor) is committed to the principles and practices of sustainable development. By managing the portfolio of global-woods in Uganda, ConFor fully and consciously subscribes to the observance of the principles promoted by FSC. In line with its comprehensive sustainability management strategy, the company has been and still is involved in supporting the development of communities in the vicinity of the forest reserve focusing on afforestation and environmental conservation, promotion of education, access to water, financial literacy, health and sustainable agricultural value chain systems and practices among others.

Format: Basic COP Template
Period: 21st February 2017 to 21st February 2018

Differentiation Level: This COP qualifies for the Global Compact Active level

It includes

Self-assessment

- Includes an explicit statement of continued support for the UN Global Compact and its ten principles
- Description of actions or relevant policies related to Human Rights
- Description of actions or relevant policies related to Labour

- Description of actions or relevant policies related to Environment
- Description of actions or relevant policies related to Anti-Corruption
- Includes a measurement of outcomes for the areas of labour, human rights, environment and anti-corruption

Statement of continued support by the Chief Executive Officer

PROGRESS ON EACH OF THE 10 PRINCIPLES

Human Rights

- Principle one: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.
- Assessment, policy and goals
- Description of the relevance of human rights for the company (i.e. human rights risk-assessment). Description of policies, public commitments and company goals on Human Rights

Assessment made at the start of the project identified potential areas of human rights abuse on the workers, the community and the clients the company deals with. The likely human rights abuses to the workers included a possibility of long hours of work without rest, limited accessibility to food for some deployments, risk of HIV/ AIDS, compromised health and safety in the field including heavy work, accidents, illness, exposure to chemicals in the store and during spraying, exposure to noise- especially vehicles on the highway and in the field, exposure to harm by wild life in the forest and exposure to harm by encroachers.

Potential risks to the communities were identified as food insecurity due to eviction of encroachers from the gazzetted forest reserve, inaccessibility to water since many water sources are located within the forest reserve, limited freedom of movement since there are many roads passing through the forest reserve, security of person and property since continental forests brings workers of different categories from distant locations, sexual risks such as rape and exposure to HIV/AIDS, likelihood of children dropping out of school to be employed in forest operations (leading to child labour).

A Potential risk to clients was identified as potential bodily harm in the compound and in the field.

Different options have been put in place both at policy and implementation levels as described in the subsequent sections

The mission of Continental Forests promotes respect for human rights. It states that 'Continental Forests in Kikonda develops high-quality timber plantations in balance with social and ecological demands and standards.

Different policies that cater for protection of human rights are in place such as the code of conduct, employment policy, safety and health policy, and waste management policy. Standard operating procedures (SOPs) have been documented and guide the day to day operations of the company.

Since ConFor works in partnership with global-woods AG which is a company certified by the Forest Stewardship Council (FSC), the first FSC principle obliges Continental Forests to respect all national laws of the country in which it operates (in this case Uganda) and international treaties and agreements to which the country is a signatory. Among these are the ILO standards, safety and health in forestry work, and other applicable laws and regulations in Uganda which include: the employment act of 2006, the constitution of the Republic of Uganda, the labour and arbitration Act of 2000, the National Social Security Fund Act of 2000, the occupational health and safety Act of 2007 and the Uganda Human rights Act of 1997.

The Human resource manual of continental forests clearly acknowledges that the principles of rights of labour are in conformity to the Universal Declaration of Human Rights (UDHR) and International Labour Organization (ILO) standards and likewise the company's code of conduct. It stipulates rights of workers to join trade unions of their choice. The minimum age for employment shall be 18 years and shall not promote forced/compulsory labour among other rights.

The company has carried out a number of surveys to continually identify potential abuses and risks to human rights. One in 2006 by global-woods, 2010 by Heifer international, 2011 by Continental Forests again and other studies by graduate students and research institutions. From these studies, management actions have been aligned and adjusted to ensure protection and foster enjoyment of social and economic rights.

• Implementation

Given the potential risks to human rights mentioned above, the company has put in place deliberate efforts to reduce and where possible prevent abuse to human rights by undertaking different actions as described in the subsequent sections under the different principles.

The company has provided employment opportunities to over 1000 people. All these people are willingly employed; they have contracts and are free to leave in case they want. In addition, the company pays a competitive wage to the workers. Workers are provided with adequate protection while at work regarding PPE, provided with adequate food and are covered by health insurance. Training in first aid is done annually and first aid kits are available in offices, and all workers' camp and field operational sites. A workers' clinic has been established and offers timely treatment to the workers. The health centre is also accessible by the community at a cost.

Further Actions related to addressing workers rights have been described under principles 3,4 and 5 below.

Actions to address the company's adverse impact on the human rights of the community have been summarized in the three-year company-driven rural development business model which has been crafted by the company with three major objectives of improving local employment (targeting at least 200 young men and women from the local communities- progress to date is 619 local people employed); increasing the company's positive effect on the local society (including increasing community' access to safe water from 47% to 79%, to date 75% has been achieved and providing advanced agricultural/livestock management and entrepreneurship training to 1600 local farmers/cattle keepers for food security and income generation-so far 1124 have been reached). This is partly intended to make up for the benefits derived by local communities from illegal livelihood activities in the forest reserve. Another key indicator is increasing the number of community members including school children (5000 in total) who have significantly increased their understanding and awareness of the importance of environmental conservation and responsible forest resources management so far 7175 have been sensitized.

In addition the company has undertaken a number of Cooperate responsibility activities as described below;

The surrounding communities have been given technical training in Savings and credit skills and have started savings and credit schemes. They borrow and lend the money amongst themselves thus starting different livelihood activities thus a contribution to the enjoyment of a range of economic rights. To date 35 groups have been supported. In addition the company supports a community heifer project and supported trainings in herbal medicine in the surrounding communities.

The company has also provided free tree seedlings to the surrounding communities to plant on their own land. This will enable them to earn an income in future hence enjoy another handful of rights including a right to an adequate standard of living.

The company has contributed to the enjoyment by the pupils of the right to education through printing and providing examination papers to twenty four public primary schools in Kyankwanzi District, has paid a salary to a teacher in one of the schools and has supported woodlots to the primary schools to enable them achieve a sustainable procurement of examination papers in future. School exam papers are said to have led to improved performance of pupils at primary leaving examination (PLE) in the beneficiary schools.

To date over 21,320 trees have been planted by the schools with support from Continental Forests. In addition an environmental education centre has been established to provide environmental education and information to the surrounding communities, schools and the general public. From October 2012 to date, 7175 people including school children have been exposed to environmental education. This is directly contributing to the right to education and access to information

The Project supports programmes of internship students who come to further their skills in plantation forestry establishment and management. The company has collaborations with different Universities and academics institutions both within Uganda and abroad thus facilitating a number of students' enjoyment of the right to education. To date, over 96 students from local and international universities have been trained in forestry-related fields.

Deliberate efforts have been put in place to identify high risk internal areas like security guards that are likely to result into human rights abuses and deliberate efforts put in place to prevent this. Through trainings and attempts to improve the living conditions of the guards

The company has a target of having 100% of its forest security guards being contented with their work and working conditions by 2015 compared to 47% who were satisfied with their work and working conditions by 2011. This is to be achieved through improving their work conditions. By December 2016, 98% of the forest security guards said they enjoyed their work

No specific cases of human rights abuses have been reported

- **Measurement of outcomes**

Internal audits are usually done on quarterly basis to check compliance to these laws and international treaties.

A monitoring plan identifying all components to be monitored and their frequencies is in place and the responsibility for monitoring is allocated to the different departments. The aspects related to human rights that are always monitored include employment, health and safety, noise, social impact on surrounding communities, waste management, water quality and chemical

use. Monitoring is always done to ensure compliance with and promotion of human rights. Continuous monitoring is further done through the different surveys that identify any potential company's adverse impact on human rights and management actions are adjusted accordingly. Stakeholder engagement has always ensured identification and addressing of all human rights issues identified in the process

External audits are done on annual basis to establish compliance to protection of human rights. The main and annual surveillance audit by the Forest Stewardship Council since 2011 to-date (Feb 2017), have showed no evidence of non compliance to the international treaties and Ugandan laws regarding protection and promotion of internationally proclaimed human rights.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour
- Principle 5: the effective abolition of child labour; and
- Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
 - Assessment, policy and goals
 - Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.

Assessments made in the past at the onset of the project showed that the project was likely to provide employment opportunities to many people hence it was necessary to put in place a policy to guide the employment of people. The employment policy of Continental Forests conforms to the labour rights promoted by various ILO conventions and the relevant national laws in Uganda. A copy of the employment policy summarized, endorsed by the Chief Executive and publicly available on notice boards of the company is in place and states that the selection procedure is in such a way that all job opportunities are communicated through local leaders and media. The selection criteria shall be non discriminatory but based on merit according to the set criteria. However, for casual laborers' preference shall be to the people from the local areas surrounding the forest management Unit.

The company also upholds the principles supported by the Forest Stewardship council (FSC) and is FSC certified. Specifically, principle 4 of FSC's sustainable forest management certification focuses on community relations and workers rights

Further, the company is certified under the carbon Fix Standard (CFS)- and the document “Socioeconomic Aspects” (Doc-Ref: 04) requires the project owner to fulfill the following criteria, which lead to the compliance with the international rules on worker rights:

- Workers must be able to organize themselves and voluntarily negotiate with their employers.
- Proper protective equipment and training of the workers must be implemented – especially when chemicals are used.
- Children under the age of 16 are not allowed to work for the project.
- Contracts must clearly define the work, location, insurance and payment

The Human resource manual of Continental Forests clearly acknowledges that the principles of rights of labour are in conformity to the Universal Declaration of Human Rights (UDHR) and International Labour Organization (ILO) standards and likewise the code of conduct.

It stipulates rights of workers to join trade unions of their choice, the minimum age for employment shall be 18years and the company shall not promote forced/compulsory labour.

The policies have been translated into Standard Operating procedures (SOPs) which guide the day to day operations of the company. Such SOPs include one on health and safety, and another on training.

It was also predicted at the onset of the project that work related to forests establishment involves many risks hence a health and safety policy was put in place. It is publicly available and endorsed by senior management of the company. It emphasizes having an environmentally sound management, establishment and utilization of plantation forestry resources by effectively protecting workers from hazards of forestry work and prevent or reduce the incidence of occupational illness or injury by implementing relevant regulations and guidelines. The occupational safety and health policy of Continental forests involves the following key aspects: Prevention, Internal responsibility, Training and skills development, Enforcement, Response to changing needs and Administration of first aid services

A grievance management system manned by an independent arbitrator organization for the workers is in place where workers are free to voice out their concerns in a peaceful and constructive manner. A grievance system to handle issues between the company and the community is also in place

- **Implementation**

All workers right from management to casual laborers are given contracts stipulating their wages and salaries, working conditions, hours of work, places of work, freedom to terminate the contract by either party or the period required to give notice. The company does not employ children below the age of 18 years in any of its operations. The same is by contract prohibited among the sub contractors and labour brokers working with the company

Workers are free to join labour unions of their choice. However, labour Unions are not very active in Uganda. Workers are therefore free to form associations of their choice.

The available job opportunities are always announced in the various media, in the surrounding communities, on the company notice boards and website. No discrimination in relation to race, tribe, religious affiliation or political inclination is tolerated. The applicants are required to present authentic documents indicating their date of birth as a measure to ensure that children below 18 years are not recruited.

Trainings for workers are carried out before any operation is done. Workers are also trained in basic first aid; first aid kits are always available in all workers camps, work sites, vehicles and offices. Workers are provided with the necessary PPE for the various field operations. A workers' clinic has been established and caters for all casual workers healthcare while all Management staff are covered by AAR health insurance. HIV/AIDS sensitization and Voluntary Counseling and testing on site for the workers is done periodically, Safe male circumcision to 396 people comprising members of the community and continental forests workers has been done since the inception of the health centre. There is routine HIV counseling and testing services at the workers' clinic accessible by both employees and members of the public at any time.

Overall regarding health and safety, between the period 2011-2017 the company has had a 45% improvement in health and safety. Today we stand at 95% compliance to health and safety standards in forestry.

Grievances from the workers and the community are handled as they unfold. Over 70 grievances from the workers have registered and 63 of them concluded in the last 12 months. Also 28 grievances from the community against the company have been received and 24 are concluded. On the other hand, 10 grievances from the company against the community have been received and 05 have been concluded through the same system.

- **Measurement of outcomes**

Quarterly checks are usually carried out among the field workers to find out if there are any workers below 18 years in the workers camps.

Internal audits are usually carried out especially related to the 10 FSC Principles and reports generated on levels of compliance.

External audits are normally done by certified auditors. The external audits by FSC since 2011 have showed no significant non compliance in relation to the four principles related to labour.

The company uses a corrective action request (CAR) system to document non-compliance, communicate it to the concerned party, monitor implementation and close out CARs when compliance is adhered to.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

- Assessment, policy and goals
- Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.

The mission statement of continental forests which is signed and endorsed by the CEO and a summary made and hanged on all notice boards states that:

“Continental Forests in Kikonda develops high-quality timber plantations in balance with social and ecological demands and standards. Continental Forests Ltd is committed to the principles promoted by the Forest Stewardship Council (FSC) of environmentally appropriate, socially beneficial and economically viable management of forests as well as the principles of Carbon Fix Standard (CFS) and the Climate Community & Biodiversity Alliance (CCBA) and the UN Global compact.

Other policies available, endorsed, summarized and made available to the public on notice boards include nature conservation policy, waste management policy, and health and safety policy.

An assessment made at the onset of the project indicated that overall the project was likely to have a positive net effect on biodiversity, the surrounding communities and to the climate. All potential risks were identified and remedies suggested on how they were to be addressed.

An environmental impact assessment was carried out in March 2010 by Environmental Assessment Consult Ltd (EACL). Through this study systematic identification and assessment of impacts of all activities carried out by global woods on the forest management unit in Kikonda Central forest reserve was done and planning and implementation guidelines to mitigate impacts associated with visual landscape, sivicultural practices, fire protection, site specie matching, harvesting, roads, land preparation, NFTP's and social impacts were drawn.

A potential risk to biodiversity would be that the project developer does not have the means to pay for the services needed to protect the set-aside areas and undertake the necessary measures to sensitize neighboring communities to do biodiversity protection. However, the total project stands on solid financial ground and has payments for biodiversity protection in its cash-flows. Since the project is FSC certified, payment for biodiversity protection maintains a high ranking position on the list of expenditures. A protocol for monitoring biodiversity was established and monitoring has since been done in 2013, 2014 2015 and 2016 Overall the findings indicate a positive contribution of Continental Forests Ltd in the protection of biodiversity in Kikonda Central Forest Reserve.

Also, site specific assessments are usually done prior to carrying out certain activities like road construction. All the identified potential impacts are then incorporated in the management plan and the standard operating procedures (SOPs). Examples of such SOP's include planting, Nursery management, road construction, thinning and public relations.

- **Implementation**

The company has up to date planted over 7,770 hectares of pine, eucalyptus and Maesopsis trees which apart from the future expected benefit of timber is today contributing to carbon sequestration and modification of the local climate.

Of all the total forest reserve, 20% has been set aside and protected for biodiversity conservation. These are mostly wetlands or thick forests. Rare, threatened and endangered species (RTE) and their habitats have been indentified and documented on the Forest Management Unit and the different studies done in 2010, 2012, 2013, 2014, 2015 and 2016 indicate that the management of the forest Unit has taken proper care of such species and their habitats.

The Company promotes energy efficient and environmental friendly technologies in the community as well as environmental conservation and promotion awareness. So far, over 280,791trees have been planted by the surrounding communities, 200 fuel saving stoves constructed, fourteen rain

water harvesting tanks constructed and 6 bio-gas plants established in the communities - all with support from the company. The company has also opted for use of solar energy and reliance of rain water at two of its premises – the workers' clinic and the environmental education centre.

Different water harvesting techniques including underground and surface water tanks have been promoted both at the company premises and in the communities.

Proper waste disposal has been promoted through implementation of a waste management policy. All waste around the plantation is collected and appropriately managed at a central place on the forest management unit.

Procedures on how to handle chemical spills in case they occur have been displayed in the chemical store, the garage and workers' camps. Workers are periodically briefed on chemical spill prevention and management procedure. No serious chemical spill has so far occurred.

- **Measurement of outcomes**

The company has put in place procedures for addressing any non-compliance through what is called the Corrective Action Request system (CAR system) which includes the kind of CAR that was raised, the person who raised it, the action that was taken to close it, and the opening and closing dates for the CAR. Such records are always kept. This ensures timely monitoring and taking of the necessary corrections.

Internal audits are periodically carried out to check levels of performance.

Independent external audits have been done in 2010 by Environmental Assessment Consult Ltd (EACL), 2011 by Dr. Kalema, by Forestry Stewardship Council (FSC) in 2011, 2013, 2014, 2015, 2016 and 2017 indicate that overall Continental Forests activities have got a positive contribution towards the environment.

Anti-Corruption

- [Principle 10](#): Businesses should work against corruption in all its forms, including extortion and bribery.
 - **Assessment, policy and goals**
 - Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment). Description of policies, public commitments and company goals on anti-corruption.

In its Code of Conduct, Continental Forests clearly declares a zero-tolerance policy on corruption in all its forms. All employees are by contract obliged to avoid conflict of interest and each one is required to sign a declaration of interest indicating the companies in which they have a stake.

It is further stated that orders and contracts must be awarded on merit, by fair competition against other tenders, and no favoritism should be shown to businesses run by for example friends, partners or relatives

The company has put in place controls to ensure that before any expenditure is made, it has to seek the approval of different stakeholders to ensure transparency

- Implementation
- Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.

The company implements a rigorous financial approval process before expenditures are made. This is to ensure transparency.

- Measurement of outcomes
- Description of how the company monitors and evaluates anti-corruption performance.
- Financial accounting is subjected to rigorous internal and external audits by certified public accountants and auditors