

Liability and Financing Policy

1. Purpose

This policy outlines the liability and financing framework that applies to Abet Management Consulting Private Limited (the Company) in the provision of forest certification services. It ensures clarity regarding financial responsibilities, liability protections, and the procedures for managing funding for certification processes. The goal is to ensure transparency, fairness, and legal compliance while promoting sustainable forest management.

2. Scope

This policy applies to all activities related to forest certification services provided by the Company, including- Forest managers, landowners, and entities seeking certification. Internal staff, auditors, and third-party assessors involved in the certification process. All contractors, consultants, and stakeholders engaged in any capacity with the certification process.

3. Policy Statement

The Company is committed to providing independent, unbiased, and transparent forest certification services. Our certification processes, audits, assessments, and decisions will be conducted with the utmost objectivity and in full adherence to the established standards and procedures.

Key Principles:

- **Impartial Decision-Making:** the Company will make all certification decisions based solely on the objective evaluation of facts, evidence, and compliance with certification criteria.
- **Protection from External Influence:** the Company will not be swayed by any external pressures, such as financial, political, or social influences, that could compromise the integrity of our certification process.
- **Independence of Auditors:** All auditors and assessors working with the Company will remain independent in their evaluations and free from conflicts of interest. They are required to disclose any potential conflicts that may affect their impartiality.
- **Transparency:** the Company will ensure that all decisions, processes, and findings are documented and accessible, fostering an environment of transparency and accountability.
- **Ethical Standards:** the Company will uphold ethical conduct in all aspects of its work, ensuring that any form of undue influence or bias is immediately identified and addressed.

4. Liability Framework

The liability framework outlines the responsibilities, protections, and limitations of liability for the organization, its stakeholders, and any third-party auditors involved in the certification process.

- **Company Liability:** the Company will provide certification services, based on agreed-upon standards, protocols, and guidelines. However, the company shall not be held liable for any losses, damages, arising from a certified party's failure to comply with forest management standards or applicable laws at later stage.
- **Landowner Liability:** The responsibility for ensuring compliance with applicable forestry laws, sustainability standards, and environmental regulations lies with the forest manager, landowner, or the organization applying for certification. The Company is not liable for any legal violations or financial losses resulting from the non-compliance of the certified party with relevant regulations or the certification criteria.
- **Auditor Liability:** Auditors (internal or third-party) appointed by the Company for the certification process must act impartially, professionally, and in accordance with industry standards. They are responsible for providing accurate assessments and making transparent decisions based on the evidence provided. We will be liable for any errors made by auditors during the evaluation process, provided they acted according to established procedures, protocols, and the best interests of the certification process.

5. Evaluation of Risks and Mitigation Measures

The company plays a critical role in ensuring that forest management practices align with sustainable and ethical standards. While providing forest certification services, there are potential risks and challenges that may arise during the certification process. Effective mitigation measures are necessary to manage these risks and ensure smooth operations, protect stakeholders, and maintain the integrity of the certification process. Below are some key mitigation measures that our company can implement to address potential challenges:

Liability Risks and Legal Compliance

Risk: There is a possibility of legal disputes arising from certification decisions, such as claims of negligence or non-compliance, which may lead to financial loss or reputational damage.

Mitigation Measures:

- **Clear Contractual Agreements:** Ensure that all stakeholders, including forest managers and landowners, sign clear contracts that outline responsibilities, the scope of certification, and liabilities. These agreements should include disclaimers about the FCB's role and limitations of liability.
- **Legal Counsel and Risk Management:** Engage with legal counsel to regularly review the certification process, contracts, and internal policies to ensure compliance with local, regional, and international laws. Maintain up-to-date knowledge of environmental laws and regulations affecting forest management.
- **Insurance Coverage:** Maintain professional indemnity insurance and liability coverage that protects the company and stakeholders from potential legal claims or disputes related to certification.
- **Dispute Resolution Procedures:** Implement an effective dispute resolution framework, including negotiation, mediation, and arbitration procedures, to resolve conflicts swiftly before they escalate into legal action.

Audit and Certification Integrity

Risk: Potential risks include errors or inconsistencies in audit processes, misjudgement of forest management practices, or conflicts of interest that could undermine the integrity of the certification.

Mitigation Measures:

- **Independent and Transparent Audits:** Engage third-party independent auditors to perform assessments, ensuring objectivity and impartiality. This helps mitigate the risk of bias or conflicts of interest.
- **Regular Training for Auditors:** We will Provide ongoing training for auditors to ensure they stay up-to-date with certification standards, environmental regulations, and best practices in forest management. Auditors should be familiar with the specific standards of the certification they are evaluating.
- **Clear Documentation and Reporting:** We will Ensure that all audits, assessments, and certification decisions are well-documented and transparent. All reports should be accessible to stakeholders and available for review upon request, promoting transparency and accountability.
- **Peer Review and Cross-Validation:** Introduce peer review mechanisms, where certification decisions are reviewed by a panel or a second auditor to ensure accuracy and consistency in findings.

Forest Management Non-Compliance

Risk: Certified parties may fail to maintain sustainable forest management practices, leading to potential violations of certification standards and revocation of certification.

Mitigation Measures:

- **Regular Surveillance and Monitoring:** Establish a system of periodic surveillance audits to monitor ongoing compliance. These audits will occur at regular intervals to ensure the certified party continues to adhere to the standards.

- **Clear Remediation Pathways:** Develop a remediation plan for certified parties that fail to meet certain standards. If issues are found, provide a clear pathway for corrective actions, including timelines, support, and follow-up evaluations to ensure issues are addressed.
- **Transparency in Non-Compliance Reporting:** Create a process for reporting non-compliance, which may include notifying the public, stakeholders, and relevant authorities. Transparency can create a culture of accountability and mitigate potential legal or reputational risks.
- **Training and Capacity Building:** Offer training programs for forest managers and landowners, particularly smallholders, on sustainable forest management practices to reduce the likelihood of non-compliance.

Financial and Operational Risks

Risk: Challenges related to the financial sustainability of the certification body, including delayed payments from clients, or financial constraints on forest managers seeking certification.

Mitigation Measures:

- **Clear Payment Terms:** Establish clear and fair payment terms in contracts, ensuring that all fees related to certification (application, audit, renewal, etc.) are well-defined and agreed upon upfront.
- **Flexible Payment Options:** Offer flexible payment arrangements, especially for smaller or economically disadvantaged forest managers or organizations. Payment plans, subsidies, or grants can help make certification more accessible.
- **Financial Audits and Monitoring:** Conduct regular internal and external financial audits to ensure that the business is operating sustainably. This also helps identify any areas where financial risks may arise, allowing for proactive management.
- **Risk Reserve Fund:** Create a financial contingency or reserve fund to cover any unexpected operational costs or risks, such as delays in payments or the cost of resolving disputes.

Reputational Risk

Risk: Reputation damage could result from perceived inconsistencies in the certification process, controversies regarding certified operations, or public backlash related to certification decisions.

Mitigation Measures:

- **Public Transparency and Communication:** Communicate clearly and consistently with stakeholders about the certification process, decision-making criteria, and standards. Share successes and challenges openly, ensuring transparency in all operations.
- **Engage Stakeholders and Local Communities:** Engage with local communities, NGOs, and relevant stakeholders to maintain positive relationships and ensure that their concerns are considered throughout the certification process.
- **Regular Media Monitoring:** Monitor public opinion and media outlets to stay on top of potential reputational risks. Respond proactively to any negative media coverage or criticisms, addressing issues in a timely and constructive manner.
- **Certification Appeals Process:** Develop a formal process for handling appeals or complaints related to certification decisions. This process should be accessible and transparent, ensuring that concerns are addressed fairly and objectively.

6. Implementation

Abet Management Consulting Private Limited will actively promote a culture of impartiality by training staff, auditors, and other stakeholders on the importance of objectivity and transparency. We will regularly review and audit our processes to ensure they meet these principles.