

*Promoting Forest Law Compliance in PNG*

# Guidelines for preparing an organizational Code-of-Conduct

This publication assists forest industry participants to prepare their own organizational code-of-conduct with reference to a set of benchmark principles.

**Version 2.1**

29 July 2013

## FOREWORD

Papua New Guinea (PNG) is committed to sustainable forest management. Its forest policies, laws and regulations are guided by the national goals and directive principles of the *PNG Constitution*.

PNG's *Guidelines for Preparing an Organisational Code-of-Conduct* outline the purpose and functions of a forest industry code-of-conduct. They also contain a simple "template" for defining organizational principles and promoting forest law compliance. This publication targets all forest industry participants that are operating in PNG, including small to large scale businesses and industry groups. The contents are in line with the recommendations made by the International Federation of Accountants (2006).

PNG's *Guidelines for Preparing an Organisational Code-of-Conduct* have been prepared in collaboration with forestry stakeholders. The PNG Forest Authority gratefully acknowledges the many different organizations which have taken part in the stakeholder consultation process. In particular, the voluntary members of our technical committee<sup>1</sup> for preparing the draft materials and the International Tropical Timber Organisation (ITTO) for their generous financial support.

The PNG Forest Authority will continue to review and update the *Guidelines for Preparing an Organisational Code-of-Conduct* in consultation with forestry stakeholders and will take steps - where necessary - that will continue to enhance PNG'S international reputation as a supplier of legal tropical timber and timber products.

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Managing Director  
PNG Forest Authority

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<sup>1</sup> Namely: the Department of Environment and Conservation, the National Research Institute and the University of PNG (government); Rimbujan Hijau and Stettin Bay Lumber Company (industry); Cloudy Bay Development Committee and WNB Provincial Forest Management Committee (landowners); FORCERT and the PNG Eco Forestry Forum (non-government).



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PNG Forest Authority

## ABBREVIATIONS AND ACRONYMS

HIV/AIDS	Acquired immune Deficiency Syndrome
PNG	Papua New Guinea



## A. WHAT IS A CODE OF CONDUCT?

A code-of-conduct (or code-of-ethics, code-of-practice, code-of-values) provides a set-of-rules for an organisation or a group of organisations to follow. The International Federation of Accountants (2006) defines a code-of-conduct as:

*“Principles, values, standards, or rules of behavior that guide the decisions, procedures and systems of an organization in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations.”*

## B. WHY HAVE A CODE-OF-CONDUCT?

A code-of-conduct is an effective tool for promoting forest law compliance. The Food and Agricultural Organisation (2005) has also found that forest industry codes-of-conduct have the potential to benefit individual corporations and industry groups in a variety of other ways, such as:

- Increase efficiency and therefore strengthen a firm’s comparative advantage in the long-term;
- Obtain financing and insurance more easily and perhaps at cheaper rates;
- Relations with customers, suppliers and government agencies may be smoother;
- By operating legally, a company will also avoid the costs of bribes and litigation;
- Research in other sectors is proving that responsible companies ultimately make more money.



## C. CODE-OF-CONDUCT “TEMPLATE”

The following sections provide forest industry participants with a simple template for preparing their own organisational code-of-conduct. Each section contains benchmarks for defining organizational principles and promoting forest law compliance. The contents are in line with the recommendations made by the International Federation of Accountants (2006).

### 1. Foreword

**THE CODE-OF CONDUCT SHOULD CONTAIN AN INTRODUCTION FROM THE ORGANISATION'S MANAGING DIRECTOR OR BOARD CHAIRMAN.**

**This section should:**

- Demonstrate the commitment of the organisation's board of directors to timber legality principles (social, environmental and economic) as defined in PNG's timber legality standard.
- Demonstrate the commitment of the organisation's board of directors to a sustained forest industry for PNG (e.g. through membership of the PNG Forest Industries Association).
- Demonstrate the commitment of the organisation's senior management to implementing, monitoring and enforcing the organisation's code-of-conduct;
- Emphasise that the code-of-conduct applies at all times to all employees, including directors;
- Summarise the contents of the code-of-conduct.

### 2. Mission statement

**THE CODE-OF CONDUCT SHOULD CONTAIN A SIMPLE, PRECISE STATEMENT THAT DEFINES THE ORGANISATION'S PURPOSE.**

**This section should define:**

- Who the organisations serves (i.e. its customers);
- What the organisation's customers need (i.e. types of products and services);
- How the organisation satisfies its customers' needs (i.e. technologies and services used).



### 3. Values

THE CODE-OF CONDUCT SHOULD PRESENT THE CORE PRINCIPLES THAT GOVERN HOW THE ORGANISATION DOES BUSINESS.

This section should include references to:

- Community / occupational health and safety;
- Compliance with PNG laws and regulations<sup>2</sup>;
- Customer service and support;
- Environmental health and protection;
- Fair-treatment and non-discrimination;
- HIV/AIDS, gender and human rights;
- Recruitment and training of local employees;
- Transparency and accountability.

### 4. Community, environment and society

THE CODE-OF CONDUCT SHOULD DESCRIBE HOW THE ORGANISATION RELATES TO ITS LOCAL CONTEXT.

This section should include references to:

- Compensation for social, environmental and economic damages at project site;
- Complaint & dispute resolution mechanisms for local stakeholders;
- Environmental responsibilities of the organisation;
- Law and order at project site;
- Public relations with local stakeholders, including public reporting and communication channels;
- Re-planting and climate change mitigation measures;
- Social and economic responsibilities of the organisation towards local stakeholders.

<sup>2</sup> Refer Annex D, page 9 for list of relevant laws and regulations.



## 5. Compulsory rules

**THE CODE-OF CONDUCT SHOULD CONTAIN THE PNG FOREST AUTHORITY'S RULES FOR ALL FOREST INDUSTRY PARTICIPANTS.**

**This section should include the PNG Forest Authority's rules, which require the organisation's staff, directors and/or members to:**

- Understand the current timber legality standard for PNG;
- Assist their organisation to comply with the current timber legality standard for PNG;

**THE CODE-OF CONDUCT SHOULD ALSO CONTAIN THE ANY ADDITIONAL RULES SPECIFIED BY THE ORGANISATION FOR ITS STAFF AND DIRECTORS.**

**This section should include the organization's rules, including requirements for all employees staff, directors and/or members to:**

- Behave in an ethical manner; avoiding situations that involve improper practices such as bribery, corruption and conflict of interest;
- Comply with PNG laws and regulations<sup>3</sup>;
- Demonstrate respect for gender and human rights;
- Maintain a professional relationship with all local stakeholders;
- Perform their duties in a transparent and accountable manner;

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<sup>3</sup> Refer Annex D, page 9 for list of relevant laws and regulations.





## 6. Monitoring and reporting

**THE CODE-OF CONDUCT SHOULD DESCRIBE THE ORGANISATION'S COMMITMENT TO PERFORMANCE MONITORING AND ASSESSMENT.**

**This section should include references to:**

- Penalties for non-compliance / incentives for compliance with reference to the organisation's policies and procedures;
- Procedures for encouraging staff and directors to report on non-compliance;
- Procedures for monitoring compliance and measuring performance, including: periodic external assessments, annual internal reports, and regular feed-back on staff performance.
- Procedures for public reporting to the government and other stakeholders.
- Procedures for reviewing the code-of-conduct's impact on staff and organisational performance, and for updating the code's contents;
- Procedures for sustaining staff commitment to the code-of-conduct, and ensuring staff and directors are aware of the consequences of breaching the code.



## D. ANNEX

### Reference materials

International Federation of Accountants. 2006. *Defining and Developing an Effective Code of Conduct*.

Food and Agricultural Organisation. 2005. *Best Practices for Improving Law Compliance in the Forestry Sector*.



## Relevant laws, regulations and conventions

The table below contains the primary sources of information for verifying forest industry compliance with PNG's Timber Legality Standard. Documents marked with:

- A solid line should be available at the business's main office(s), and
- A wavy line should be available at the business's main office(s) and field camp(s).

The Pacific Law Databases contain many PNG laws and regulations that are freely available at <http://www.pacii.org/form/search/search1.html>

PNG Principles	PNG laws, regulations and international conventions
<p>1. Compliance with rights to harvest timber within forest areas that are legally acquired</p>	<p><u>Employment Act and Regulations</u>  <u>Environment and Protected Areas Policy (2012)</u>  <u>Environment Act 2002</u>  <u>Environment (Water Quality Criteria) Regulation 2002</u>  <u>Environment (Prescribed Activities) Regulation 2002</u>  <u>Environment (Fees and Charges) Regulation 2002</u>  <u>Environment (Procedures) 2002</u>  <u>Environment (Permits and Transitional) Regulation 2002</u>  <u>Forestry Act 1991 and Amendments 2000, 2005, 2007 and 2010</u>            (with reference to PNGFA's 39 Step Check-List for Granting a Timber Permit)  <u>Forestry (Budget Amendment) Bill 2007</u>  <u>Forestry [Timber Permit Validation] Bill 2007</u>  <u>Forestry Regulations 1998</u>  <u>Forestry Regulations 2001</u>  <u>Guidelines for Issuing Timber Authorities</u>  <u>Industrial Safety (Building Works) Order 1967</u>  <u>Industrial Safety, Health and Welfare Act and Regulations</u>  <u>National Forest Plan</u>  <u>Provincial Forest Plans</u>  <u>Planning, Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit: November 1995</u>  <u>Valuer General's List for Crop Compensation</u></p>



PNG Principles	PNG laws, regulations and international conventions
<p>2. Compliance with requirements regarding forest management, including compliance with relevant environmental, labour and community welfare legislation</p>	<p><u>Companies Act</u></p> <p>Conservation Areas Act (1978)</p> <p>Convention on Biological Diversity</p> <p>Convention on International Trade in Endangered Species of Wild Fauna &amp; Flora (international)</p> <p>Electricity Industry Act 2002</p> <p><u>Employment Act and Regulations</u></p> <p><u>Endangered Species Act</u></p> <p><u>Environment and Protected Areas Policy (2012)</u></p> <p><u>Environment Act 2002</u></p> <p><u>Environment Act 2002</u></p> <p><u>Environment (Water Quality Criteria) Regulation 2002</u></p> <p><u>Environment (Prescribed Activities) Regulation 2002</u></p> <p><u>Environment (Fees and Charges) Regulation 2002</u></p> <p><u>Environment (Procedures) 2002</u></p> <p><u>Environment (Permits and Transitional) Regulation 2002</u></p> <p><u>Forestry Act 1991 and Amendments 2000, 2005, 2007 and 2010</u></p> <p><u>International Trade (Fauna and Flora) Act (1979)</u></p> <p><u>International Trade (Fauna and Flora) Regulation (1982)</u></p> <p>IUCN Red Data List</p> <p><u>Forestry (Budget Amendment) Bill 2007</u></p> <p><u>Forestry [Timber Permit Validation] Bill 2007</u></p> <p><u>Forestry Regulations 1998</u></p> <p><u>Forestry Regulations 2001</u></p> <p><u>Guidelines for Issuing Timber Authorities</u></p> <p>Industrial Organizations Act and Regulations</p> <p>Industrial Relations Act and Regulations</p> <p><u>Industrial Safety, Health and Welfare Act and Regulations</u></p> <p>International Labour Organisation Fundamental Convention numbers 29, 87, 98, 100, 105, 111, 138 and 182</p> <p>Licencing of Heavy Vehicles Act 1977</p> <p>Licencing of Heavy Vehicles Regulations 1977</p> <p>Marine Pollution Bills 2009</p> <p>Motor Traffic Act 1950</p> <p>Motor Traffic Regulation 1967</p> <p>Merchant Shipping Act 1975</p>



PNG Principles	PNG laws, regulations and international conventions
<p>2. Continued</p>	<p>Merchant Shipping Regulations 2009  <u>National Minimum Wages and Allowances as from 29 March 2006</u>            National Parks Act (1984)  <u>Planning, Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit: November 1995</u>  <u>PNG Logging Code of Practice: April 1996</u>  <u>Procedures for the Identification, Scaling and Reporting (including Royalty Self-Assessment) on Logs Harvested from Natural Forest Logging Operations: September 1996</u>            Public Health Act  <u>Revised Waste Management and Assessment Procedures</u>  <u>Worker's Compensation Act and Regulations</u></p>
<p>3. Compliance with requirements concerning business operations, taxes, import and export duties, royalties and fees directly related to timber harvesting and timber trade</p>	<p>Associations Incorporated Act  <u>Companies Act</u>            Customs Act 1951            Customs Excise Act 1956            Customs Excise Tariff Act 1956            Import Export Tariff 2012            Customs Regulations 1951            Environment and Protected Areas Policy (2012)  <u>Environment Act 2002</u>  <u>Environment (Water Quality Criteria) Regulation 2002</u>  <u>Environment (Prescribed Activities) Regulation 2002</u>  <u>Environment (Fees and Charges) Regulation 2002</u>  <u>Environment (Procedures) 2002</u>  <u>Environment (Permits and Transitional) Regulation 2002</u>  <u>Forestry Act 1991 and Amendments 2000, 2005, 2007 and 2010</u>  <u>Forestry (Budget Amendment) Bill 2007</u>  <u>Forestry [Timber Permit Validation] Bill 2007</u>  <u>Forestry Regulations 1998</u>  <u>Forestry Regulations 2001</u>  <u>Guidelines for Issuing Timber Authorities</u>            Superannuation Act 2000            Income Tax Act 1959            Income Tax (Rates) Act 1975 and 1976            Income Tax (Rates) Act 1975 and 1976            Income Tax (salary or Wages) (Rates) Act 1979</p>



PNG Principles	PNG laws, regulations and international conventions
<p><b>3.</b> Continued</p>	<p>Income Tax Regulation 1959            Goods and Services Tax Act 2003            Goods and Services Tax Regulation 2005            Company Associations Act            Planning, Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit: November 1995            Procedures for the Identification, Scaling and Reporting (including Royalty Self-Assessment) on Logs Harvested from Natural Forest Logging Operations: September 1996</p>
<p><b>4.</b> Compliance with requirements concerning tenure or use rights to land and resources that may be affected by timber harvest rights, where such rights exist</p>	<p>Forestry Act 1991 and Amendments 2000, 2005, 2007 and 2010 (with reference to PNGFA's 34 Step Check-List for Granting a Timber Permit)            Forestry (Budget Amendment) Bill 2007            Forestry [Timber Permit Validation] Bill 2007            Forestry Regulations 1998            Forestry Regulations 2001            Guidelines for Issuing Timber Authorities            Lands and Physical Planning Act (1988)            Land Groups Incorporation Act (1974) and Amendment 2009            Land Dispute Settlement Act            Land Registration (Customary Land) (Amendment) Act 2009a  <u>Planning, Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit: November 1995</u></p>
<p><b>5.</b> Compliance with requirements for trade and export procedures.</p>	<p>Customs Act 1951            Customs Excise Act 1956            Customs Excise Tariff Act 1956            Import Export Tariff 2012            Customs Regulations 1951            Forestry Regulations 1998            Forestry Regulations 2001            NAQIA Act and Regulations            Quarantine Act and Regulations  <u>Procedures for Exporting Logs: April 1996</u>            Preservation Specification for Sawn and Round Timber (2012).</p>
<p><b>6.</b> The Business maintains the necessary registers.</p>	<p>Not applicable</p>