International Carbon Reduction & Offsetting Accreditation

ICROA Code of Best Practice

Version 2.0

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[1] *Valid for the audit of calendar year 2022.*

INTRODUCTION

The ICROA Accreditation programme has been recognised since 2008 as the industry standard for VCM organisations promoting GHG emission reductions and offsetting to the highest standards of environmental integrity, in support of the Paris Agreement goals. Accreditation is obtained annually through a third-party audit process based on the requirements outlined in this document, the ICROA Code of Best Practice ("The Code of Best Practice"). The Code of Best Practice sets out guidelines for high integrity and evolves as the voluntary carbon market (VCM) develops in order to always encompass best practices.

The Code of Best Practice ensures that ICROA Accredited Organisations and their corporate clients undertake carbon management strategies that lead to ambitious and impactful climate action. It outlines the requirements that must be met for a VCM organisation to become accredited. A VCM organisation must provide offsetting services and prove during a third-party audit that it is compliant with the requirements outlined in this document. If the VCM organisation offers footprinting or advisory services, it should also meet all requirements outlined in Sections 2 and 3, respectively.

- **Section 1:** Sourcing and Use of Carbon Credits for Offsetting
- **Section 2:** GHG Emissions and Removals Inventories (Footprinting)
- **Section 3:** GHG Emission Reductions Advisory Services

The Code of Best Practice is for organisations providing carbon management services in the voluntary carbon market. Services not covered by this Code of Best Practice include, but are not limited to, services related to compliance and pre-compliance activities such as the provision of carbon credits and non-project-based carbon instruments (e.g., allowances) in connection with clients' current or future regulatory obligations. Furthermore, this Code of Best Practice does not cover environmental instruments or activities when they are not used to offset a client's footprint e.g., tree planting services, Energy Attribute Certificates (EACs). EACs are proof of ownership of zero-emission electricity and shall therefore not be used for offsetting but as an accounting tool to lower Scope 2 emissions. Consequently, EACs are not in the scope of this Code of Best Practice.

TERMINOLOGY

The Code of Best Practice is written using terminology to enable VCM organisations and third-party auditors to assess their compliance. The following terms are defined in accordance with established terminology of the international standards community:

- The term "**shall**" indicates a 'requirement' strictly to be followed, without deviation, in order to be in compliance.
- The term "**should**" indicates a 'recommendation' for a course of action that is preferred but not strictly required.
- The term "**may**" indicates a 'permissible' course of action within the limits of the Code of Best Practice.

- The term "**can**" indicates a 'possible or capable' situation that is actual or potential.

Section 1: Sourcing and Use of Carbon Credits for Offsetting

1.1 Accredited Organisations shall only use/sell carbon credits that are approved by ICROA in relation to their offsetting services. For carbon credits to be approved by ICROA, the criteria in Sections 1.1.1 – 1.1.4 must be met.

1.1.1 When Accredited Organisations are offsetting or contracting to offset GHG emissions on a client's behalf, they shall only use carbon credits sourced from projects that are validated, verified, and registered under the following ICROA Endorsed Standards/Conditionally Endorsed[2] Standards.:

- American Carbon Registry (ACR)
- Architecture for REDD+ Transactions (ART) The REDD+ Environmental Excellence Standard (TREES)
- The British Columbia Offset Program
- Climate Action Reserve (CAR)
- Emissions Reduction Fund (ERF) of the Australian Government
- Global Carbon Council (GCC)
- Gold Standard
- Plan Vivo
- Puro.earth
- SOCIALCARBON (*conditionally endorsed*)
- UNFCCC Mechanisms[3]
- UK Woodland Carbon Code (UK WCC)
- Verra's Verified Carbon Standard (VCS)

Standards can apply for ICROA Endorsement at any time. To be endorsed by ICROA, a Standard must meet all requirements in the **ICROA Standards Endorsement Criteria,** pass an assessment from a designated third-party Assessor, and be approved by the ICROA Accreditation Committee.

Non-carbon Accounting Standards: Accredited Organisations may use carbon credits that have another certification, such as for biodiversity or any other sustainable development component, as long as the underlying carbon credit is from one of the Endorsed Standards listed above. For example, a project under the VCS may also achieve certification under Climate,

[2] *Conditional Endorsement is attributed to Standards that meet ICROA criteria for endorsement and are pending the achievement of set threshold values in order to validate the full operationalisation of the Programme (e.g., number of registered projects, issued credits, etc). ICROA Accredited Organisations can use carbon credits from conditionally endorsed standards. Conditionally endorsed standards currently include ART TREES and GCC.*

[3] Further clarity is expected following the approval of Article 6 of the Paris Agreement at COP26.

Community and Biodiversity Standard (CCB) to demonstrate additional benefits associated with the project. These carbon credits must be labelled as appropriate.

1.1.2 The following exceptions apply to the endorsed carbon standards in Section 1.1.1. Accredited Organisations shall comply with these exceptions, if applicable:

1.1.2.1 Government Schemes: Carbon credits from Government schemes may be provided by Accredited Organisations to their clients on the strict condition that they are only used within the context of the Government scheme to offset a local footprint within this specific jurisdiction. They shall not be sold as voluntary carbon credits internationally unless the scheme has been separately endorsed by ICROA or falls under a UNFCCC mechanism (e.g., Article 6.2 or Article 6.4 of the Paris Agreement). A link to the local registry shall be provided as evidence for any retirements made.

1.1.2.2 Non-compliant carbon credits: Forecasted Mitigation Units (FMUs) issued by the Climate Action Reserve, forward carbon credits issued under Gold Standard's forestry projects (Planned Emission Reductions), ex-ante Plan Vivo Certificates and Temporary or Long-term CER (t/l-CER), and any other ex-ante credits are not considered valid because they do not meet ICROA requirements on verification and permanence.

1.1.2.3 Bundling: Where Accredited Organisations offer their clients carbon credits from regional, emerging, or innovative schemes to enhance VCM development and innovation, Accredited Organisations shall demonstrate that the credits were effectively "bundled" with carbon credit retirements from at least one ICROA Endorsed Standard on a one-to-one ratio. In such scenarios, Accredited Organisations should communicate to their clients that offsetting is achieved only through carbon credits from the ICROA Endorsed Standard. Any such bundling shall be transparently reported.

1.1.3 All projects registered under an ICROA Endorsed Standard shall have a net positive or at least neutral impact on social, economic, and environmental factors. Standards must uphold the following principles and ensure all issued carbon credits are **unique, real, permanent, additional, independently verified,** and **measurable**. Accredited Organisations should promote sustainable development in the projects that they develop and/or transact. Accredited Organisations should communicate whether and how they have assessed the sustainability impacts of their projects and promote the co-benefits or refer to the UN sustainable development goals when evaluating their impacts. Sustainability standards such as CCB should be communicated appropriately so as not to be confused with carbon standards.

1.1.4 When Accredited Organisations contract to sell carbon credits to a client in advance of verification and issuance of those credits (herein referred to as "Carbon Credits Sold in Advance of Verification"), they shall provide clients with appropriate and transparent levels of delivery assurance.

1.1.4.1 At a minimum, such Accredited Organisations shall either:

a) Provide a contractual guarantee of delivery or replacement by demonstrating the financial viability to underwrite such guarantee (i.e., contractual financial guarantee) or by having in place 'contractual appropriate safeguards' to minimize the requirement for replacement and protect the guarantee; or
b) When a delivery guarantee is not provided, have in place appropriate safeguards to minimize the risk of project under-performance. Appropriate safeguards mean the minimization of, and insurance against, risks by reserving a portion of the project portfolio as a "buffer" to the extent reasonably required to safeguard performance adequately. Accredited Organisations using such safeguards shall adjust their reservation practices based on experience and industry best practices where available.

1.1.4.2 At the point of sale, Accredited Organisations shall transparently disclose if the delivery is guaranteed, the measures that are in place to minimize the risk of project under-performance, and what sources of reductions and/or removals are eligible replacements, as applicable.

1.1.4.3 At the point of sale, Accredited Organisations shall make reasonably available[4] the current development or operational status of the project and the expected date or dates of future verification and issuance.

1.1.4.4 If requested by clients, Accredited Organisations shall make reasonably available, directly or on their website as applicable, the actual dates of verification and issuance; any deficiency in the verified volume relative to the volume sold to such clients; and the sources of any replacements.

1.1.4.5 Accredited Organisations shall provide clients that purchase carbon credits with clear and easy-to-understand communication materials and shall encourage them to communicate the nature of their carbon credit purchases accurately and transparently.

1.2 Accredited Organisations and/or their clients shall retire carbon credits used for voluntary offsetting in a recognised third-party registry. Furthermore, when making a carbon neutrality and/or offsetting claim retirements should be made in advance of such claim according to recognised protocols (e.g., BSI PAS 2060), or it must be explained why this is not the case and

[4] For the purposes of this document, "Reasonably available" will be taken to mean the following: in the instance of sales to the public (also known as "consumer sales"), information will be considered to be "reasonably available" when made publicly available on an Accredited Organisation's website or other publicly available materials / collateral. In the instance of corporate, or business-to-business, sales information will be considered to be "reasonably available" when included in written communications or documents (e.g., contractual documents) pertaining to the appropriate sale, either at the behest of the Accredited Organisation or the Accredited Organisation's client.

provide substantiation including how risk is managed - both the contractual risks and reputational risks associated with marketing claims as stated in Section 2.4[5].

1.3 Accredited Organisations shall encourage clients to communicate their carbon inventory and reduction activities, including but not necessarily limited to, the following:

- the client's total GHG emissions associated with the organisation, product, service, or event;
- actions being taken by the client to reduce GHG emissions;
- any GHG emissions that are being offset for the client, and details of the project(s) generating the carbon credits (for example, if a portfolio approach is used);
- a link to the registry where the carbon credits have been retired; and/or
- any uncertainties or risks associated with the carbon footprint or internal or external emission reductions.

Section 2: GHG Emissions and Removals Inventories (Footprinting)

2.1 The Accredited Organisation shall actively require clients to measure their GHG inventory.

2.2 If an Accredited Organisation performs GHG inventory measurement activities for clients or sub-contracts these to a third-party, then they shall perform these activities in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (including the GHG Protocol's Scope 2 Guidance and Corporate Value Chain (Scope 3) Standard) or ISO 14064-1:2018. Furthermore, they shall measure in accordance with accepted standards and shall use where possible publicly available and nationally relevant emissions factors from reputable and recognized sources, for example, the IPCC, published Government data, or peer-reviewed studies.

Additionally, supplier-specific emission factors or calculations are encouraged, provided the supplier has derived their calculations using standards or guidance that are applicable to their operation and the intended use of the organisation completing the measurement.

2.3 If Accredited Organisations conduct product or service footprints or if they sub-contract these activities to a third-party, then; the Accredited Organisations shall determine these footprints on

5 For the avoidance of doubt, this clause does not pertain to the forward procurement by a company of emissions reductions to support a future strategy such as a commitment to Net Zero. This is regarded as a strategy and not a market claim as referred to in 1.3.2.

a life cycle basis[6]. As examples, the PAS 2050, WBCSD-WRI GHG Protocol Product Life Cycle Accounting and Reporting Standard (2011), Greenhouse Friendly Program, Bilan Carbone documents, ISO 14067/14040/14044, or any other relevant and credible guidelines developed and/or adopted by international or national organisations in the future can provide guidance on how to estimate product and service emissions on a life cycle basis.

2.4 If Accredited Organisations perform any footprinting measurement for air travel, then they shall publicly disclose and justify what Radiative Force Index (RFI) they apply when calculating air travel emissions.

2.5 If Accredited Organisations provide calculators for clients to quantify trips, events, energy usage, etc or sub-contract this to a third-party, they shall ensure calculators are always accurate to the latest published emission factors and recognised GHG accounting practices.

Section 3: GHG Emissions Reduction Advisory Services

3.1 Accredited Organisations shall encourage clients to set science-aligned emissions abatement targets, aligned to the Paris Agreement goals. Clients shall be encouraged to perform a comprehensive assessment of opportunities to reduce direct and value chain emissions aligned with science.

3.2 For product or service offers (e.g., carbon neutral deliveries), Accredited Organisations shall encourage their clients to set carbon abatement targets and be transparent in reporting. Ideally, recognised protocols for applying the mitigation hierarchy/carbon neutrality, such as BSI PAS 2060, should be followed.

3.3. Accredited Organisations shall encourage clients to transparently communicate performance relative to their short-, medium-, and long-term abatement targets. Likewise, clients' product and/or service activities (as defined in 1.3 should be transparently communicated and in the public domain (e.g., on the client's website).

3.4 Accredited Organisations shall encourage clients to increase ambition and go beyond their abatement targets through the use of offsetting.

[6] *The WBCSD-WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) and WBCSD-WRI GHG Protocol Product Life Cycle Accounting and Reporting Standard (2011) provide international requirements and guidance, however, these documents are being considered by ICROA and are not incorporated explicitly into the ICROA Code of Best Practice.*

3.5 Accredited Organisations may outsource the assessment of internal emissions reduction opportunities to a subcontractor, and under such circumstances, the subcontractor shall be contractually obligated to satisfy the requirements of the Code of Best Practice.

Appendix 1 – Eligibility criteria to become an ICROA Accredited Organisation

- The VCM organisation is committed to reducing its own GHG emissions and striving for a science-aligned reduction pathway aligned to the Paris Agreement goals.
- The VCM organisation has been in the business of providing offsetting services and has been actively trading in the VCM for at least one full year.
- The VCM organisation actively sells a service to retire ICROA-compliant carbon credits on behalf of corporates and/or individuals, for the purpose of voluntarily offsetting their carbon emissions.
- The VCM organisation is committed to achieving large absolute reductions across its client base and promoting alignment to the Paris Agreement goals.
- The minimum volume sold or retired annually by the organisation must be at least 10,000 tonnes of CO_2e.
- The VCM organisation's minimum annual financial turnover must be $100,000 or the local currency equivalent.
- The VCM organisation must disclose to the ICROA Secretariat any pending or ongoing litigation involving a member of IETA or another market participant.
- In applying to become Accredited, the VCM organisation agrees to undergo an annual compliance audit by a third-party independent auditor to demonstrate compliance with the Code of Best Practice.
- The VCM organisation agrees to the Terms and Conditions of the programme.