ICROA Code of Best Practice

2022[1]

Introduction

Scientific knowledge on climate change demands urgent and substantial cuts in greenhouse gas (GHG) emissions. Achieving this requires a comprehensive strategy of carbon management for corporates. Carbon management is the implementation of a thorough and transparent organisation-wide process to measure and report GHG emissions, identify and implement actions to reduce internal emissions in line with science, and thereafter use high quality carbon credits to offset unavoidable emissions.

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

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.

The Code of Best Practice is structured as follows:

- **Section 1:** Carbon management services
- **Section 2:** Sourcing and use of carbon credits for offsetting

Terminology

The Code of Best Practice is written using terminology to enable organisations 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.

Scope

All organisations seeking Accreditation have already completed the ICROA application process and have thereby confirmed in good faith that they meet eligibility criteria in Appendix 1 to be audited against the requirements of this Code of Best Practice.

The Code of Best Practice is applicable to the following voluntary carbon management services provided by the Accredited organisation:

- Developing GHG emissions and removals inventories (footprint)

[1] *Valid for the audit of calendar year 2021.*

- GHG emissions reduction advisory services, including target setting and strategies to align with science
- Providing and advising on certification programmes that include the use of carbon credits, e.g. BSI PAS 2060 and NCOS (Australia's National Carbon Offset Standard)
- Offsetting services through the provision and retirement of ICROA-approved carbon credits
- Providing transparent and robust reporting, claims and communication services

Details of the requirements of these services are found in **Section 1** and **Section 2**.

In cases where an organisation does not deliver certain elements of a carbon management service or sub-contracts these elements (e.g. GHG emissions reduction advisory services), then the Accredited organisation is not required to adhere to the corresponding requirements in Section 1. Section 2 must be completed in full.

For the sake of clarity, 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.

Further, 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.

Attestation

As an ICROA Accredited organisation, I commit to actively advancing the ICROA Principles:

1. That corporates[2] measure and publicly report their organisation-wide GHG emissions, including Scope 1, 2 and 3, following recognised standards (such as ISO/GHG Protocol) that are relevant to the intended use.

2. That corporates strive to abate their GHG emissions in line with climate science to deliver a net-zero carbon reduction pathway by 2050 or sooner. The roadmap should include interim short-term and medium-term targets that ensure action now and along the way.

3. That Progress towards these targets is monitored and publicly reported on an annual basis.

4. Following the above steps, corporates are encouraged to increase ambition and to use carbon credits from ICROA-endorsed standards to offset their GHG emissions beyond a science-aligned abatement pathway.

The full ICROA guidance on corporate climate action is available here.

Compliance with the Code of Best Practice

All ICROA Accredited organisations are required to demonstrate annual compliance with the Code of Best Practice. Further details are available in Appendix 2.

[2] *End users of carbon credits, e.g. clients of ICROA Accredited organisations.*

Section 1: Carbon Management Services

1.1 GHG Emissions and Removals Inventories (Footprint)

1.1.1 The Accredited organisation shall actively require clients to measure their GHG inventory.

1.1.2 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. Further, 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, 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.

1.1.3 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 a life cycle basis[3]. 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, ISO 14040 and 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.

1.1.4 If Accredited organisations perform any footprinting measurement for air travel, then; they shall publicly disclose and justify (e.g., on their website) what Radiative Force Index (RFI) they apply when calculating air travel emissions.

1.1.5 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.

1.2 GHG Emissions Reduction Advisory Services

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

1.2.2 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 should be followed such as BSI PAS 2060 and NCOS.

1.2.3. 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 1.2.2) shall be transparently communicated and in the public domain, e.g. on the client's website.

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

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[3] *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.*

1.2.5 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.

1.3 Offsetting

1.3.1 Accredited organisations shall only use/sell carbon credits that are approved by ICROA in relation to their offsetting services. (See approved carbon standards listed in Section 2.1).

1.3.2 Accredited organisations and/or their clients shall retire carbon credits used for voluntary offsetting in a recognised third-party registry. These carbon credits shall adhere to Section 1.3.1 regardless of the third-party registry used. Further, when making a carbon neutrality and/or offsetting claim, retirements should be made in advance of such claim or according to recognised protocols (e.g. BSI PAS 2060) or explain why this is not the case and provide substantiation including how risk is managed - both the contractual risks and reputational risks associated with marketing claims as stated in Section 2.4[4].

1.4 Transparent and Robust Communication

While being cognisant of the client's rights to confidentiality, Accredited organisations shall encourage clients to communicate their carbon inventory and reduction activities, including but not necessarily limited to the following:

1.4.1 The client's total GHG emissions associated with the organisation, product, service or event.

1.4.2 Actions being taken by the client to reduce GHG emissions.

1.4.3 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).

1.4.4 A link to the registry where the carbon credits have been retired.

1.4.5 Any uncertainties or risks associated with the carbon footprint or internal or external emission reductions.

Section 2: Sourcing and use of carbon credits for offsetting

2.1 Carbon Standards

The ICROA Technical Working Group conducts a technical and policy review of carbon standards periodically. As part of these reviews, the ICROA Technical Working Group shall apply the ICROA Standards Review Criteria to evaluate and endorse carbon standards.

When Accredited organisations are offsetting, or contracting to offset GHG emissions on behalf of a client, they shall only use carbon credits sourced from projects that are validated, verified and registered under the following carbon standards[5] endorsed/conditionally endorsed[6] by ICROA:

4 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.

[5] *Endorsed and Conditionally Endorsed Standards are required to proactively inform ICROA of any updates or changes on an annual basis before Q3 of each year, along with the supporting documentation for an official technical review. Failure to do so may result in exclusion from the Code of Best Practice.*

[6] *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. 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.*

- American Carbon Registry (ACR)
- Architecture for REDD+ Transactions (ART) The REDD+ Environmental Excellence Standard (TREES)
- Climate Action Reserve (CAR)
- Emissions Reduction Fund (ERF) of the Australian Government
- Global Carbon Council (GCC)
- Gold Standard
- UNFCCC Mechanisms[7]
- UK Woodland Carbon Code (UK WCC)
- Verra's Verified Carbon Standard (VCS)

Non-carbon Accounting Standards: Accredited organisation may use carbon credits which have another certification such as for biodiversity or any other sustainable development component. For example, a project under the VCS may also achieve certification under Climate, Community and Biodiversity Standard (CCB) to demonstrate additional benefits associated with the project. These carbon credits must be labelled as appropriate.

2.2. Exceptions

The following exceptions apply to the endorsed carbon standards in Section 2.1. Accredited organisations shall comply with these exceptions, if applicable:

2.2.1. 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 been separately approved by ICROA. A link to the local registry shall be provided as evidence for any retirements made.

2.2.2. 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) and Temporary or Long-term CER (t/l-CER) are not considered valid because they do not meet ICROA requirements.

2.2.3. 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 carbon standard. In such scenarios, Accredited organisations should communicate to their clients that offsetting is achieved only through carbon credits from the ICROA-endorsed carbon standard. Any such bundling shall be transparently reported.

2.3 Sustainability

All projects registered under an ICROA-endorsed carbon standard have a net positive or at least neutral impact on social, economic and environmental factors. Accredited organisations may promote sustainable development in the projects that they develop and/or provide. 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 Sustainable Development Goals when evaluating their impacts. Sustainability standards such as CCB should be communicated appropriately so as not to be confused as carbon standards.

2.4 Delivery Assurance for Carbon Credits Sold in Advance of Verification

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

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.

2.4.1 At a minimum, such Accredited organisations shall[8] 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 means the minimization of, and insurance against, risks by reserving a portion of the project portfolio as a ‘buffer’, to the extent and if reasonably required to safeguard performance adequately. Accredited organisations using such safeguards shall adjust their reservation practices based on experience and industry best practice where available.

2.4.2 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.

2.4.3 At the point of sale, Accredited organisations shall make reasonably available[9] the current development or operational status of the project and the expected date or dates of future verification and issuance.

2.4.4 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 actually sold to such clients; and the sources of any replacements.

2.4.5 Accredited organisations shall provide clients that purchase carbon credits with clear and easy to understand communications materials and shall encourage them to communicate the nature of their carbon credit purchases accurately and transparently.

[8] *ICROA-Accredited organisations should refer to the assessment manual for guidance.*
[9] *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.*

Appendix 1 – Eligibility criteria to become an ICROA Accredited organisation

- The organisation is a member of the International Emissions Trading Association (IETA).
- The organisation is committed to reducing its own GHG emissions and striving for a science-aligned reduction pathway aligned to the UNFCCC and Paris Agreement goals.
- The organisation has been in the business of providing carbon management and/or offsetting services and has been actively trading in the VCM for at least one full year.
- The organisation offers services to estimate carbon footprints, identify and implement internal emission reduction opportunities and offset emissions, and/or
- The 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 organisation is committed to achieving large absolute reductions across its client base and promoting alignment to the UNFCCC and Paris Agreement goals.
- The minimum volume sold or retired annually by the organisation must be at least 10,000 tonnes of CO_2e.
- The organisation's minimum financial turnover must be $100,000 or the local currency equivalent.
- The 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 organisation agrees to file an annual report that is verified through a third party independent audit to demonstrate compliance with the Code of Best Practice.

Appendix 2 – Compliance with the Code of Best Practice

Adhering to the Code of Best Practice

- To demonstrate compliance with the Scope of the Code of Best Practice, Accredited organisations shall complete a third-party audit process demonstrating compliance with the requirements of the Code of Best Practice.

- Accredited organisations shall submit a valid audit statement to the ICROA Secretariat on an annual basis. Accredited organisations shall submit this statement from the designated third-party auditor confirming that the organisation's compliance has been externally audited. The audit may be organised to fit in with Accredited organisations' financial audits.

- The Secretariat shall make publicly available on the ICROA website all successfully Accredited organisations.

- Accredited organisations shall comply with the disclosure requirements adopted by ICROA in subsequent versions of the Code of Best Practice.

Audit Deadlines

- Each year, Accredited organisations shall begin their audit during the first quarter and complete it no later than June 30th. Any organisation applying to become Accredited is required to complete the third-party audit process to be accepted as a new Accredited organisation. The ICROA Executive Committee votes on new Accreditation applications and sets a bespoke deadline for completion of their audit; usually 3 months after the application has been approved through the vote. Accredited organisations who have completed their audit within 6 months of June 30th are not required to complete a second audit for that reporting year.

- Organisations which have not met their reporting requirements by the deadline, and without prior Executive Committee approval, will not be entitled to use the ICROA Accreditation label. The ICROA website will also indicate that that the organisation is suspended.

- If an Accredited organisation has not completed its reporting requirements six months after the deadline, and without prior Executive Committee approval, its Accreditation will be terminated. The organisation will be given one month's notice that termination is imminent. If an organisation's Accreditation is terminated, it shall subsequently need to reapply for ICROA Accreditation if it so wishes.

- Any, and all fees and payments, in favour of ICROA are not refundable in part or whole if an organisation's Accreditation is terminated.

Sanctions and Appeals Process

- If an organisation undergoing the Accreditation process fails any requirement of the Code of Best Practice, it shall immediately inform the ICROA Secretariat and Executive Committee.

- If an ICROA Accredited organisation fails to comply with the Code of Best Practice, its case may be referred to the ICROA Executive Committee for review.

- The ICROA Executive Committee shall establish individual conditions, based on the nature of the case, for the resolution of the non-compliance infraction of the Code of Best Practice.

- If an ICROA Accredited organisation fails to resolve the non-compliance infraction within the specified timeframe, its Accreditation shall be terminated and it shall be excluded from ICROA. If an ICROA Accredited organisation is excluded from ICROA, it shall subsequently need to reapply for Accreditation if it so wishes. An excluded organisation shall not use the ICROA Accreditation Label and shall not be listed as an Accredited organisation on the ICROA website.

- Accredited organisations may also be excluded from ICROA:
    - For non-payment of the annual ICROA Accreditation fees, or
    - For bringing ICROA or its Accredited organisations into disrepute

- The ICROA Executive Committee shall determine if and when such conditions have occurred and the appropriate course of action.

- Appeals process: (*to be included*).