



Cameron-Cole

GHG Verification Services: Impartiality and Conflict of Interest Management

At the very core of our third-party greenhouse gas (GHG) verification services is the principle of impartiality. We must ensure that our decisions are based on objective evidence obtained through the verification process and are not influenced by other interests or parties.

We do this by first training our executives, managers and staff to understand the risks to impartiality (as outlined in ISO 14065) that Cameron-Cole faces when providing verification services. Specific training for executives provides them with a working knowledge of how to assess and determine the acceptability of impartiality risk (also outlined in ISO 14065). Our executives understand and assess organizational and structural issues that may pose a risk to impartiality for our verification services and ensure that all the prohibitions, restrictions, disclosures, policies, procedures, practices, standards, rules, institutional arrangements and environmental/cultural conditions which are in place are followed by all verification staff, managers, and if applicable, subcontractors.

To fulfill their obligations, Cameron-Cole's executives spot check a number of projects and interview staff and managers involved in verification. They meet at least on an annual basis, and review Cameron-Cole's procedures and policies to ensure that they provide the appropriate safeguards to impartiality for verification activities. If such procedures and policies are found to be insufficient, the executives notify our Verification Management System (VMS) manager of such, and amendments are drafted, reviewed and approved to address the identified issues. Changes to policies and procedures are communicated to the appropriate managers in the firm, and those managers are responsible for conveying those changes to verification staff.

A Conflict of Interest (COI) is a situation in which, because of other activities or relationships, impartiality in performing validation or verification activities is or could be compromised. A few examples of COI are:

- Using personnel with an actual or potential COI with the client;
- Verifying a GHG assertion where the Verification Body (VB) provided GHG consultancy services to the client that support the GHG assertion;
- Verifying a GHG assertion where a relationship with those who provided GHG consultancy services to the client poses an unacceptable risk to impartiality;

- Offering products or services that pose an unacceptable risk to impartiality; and
- Stating or implying that the verification of a GHG assertion would be simpler, easier, faster or less expensive if a specified GHG consultancy service were used.

There are various levels of COI. For instance, a “High Risk of COI” (as defined by The Climate Registry) exists when:

- The VB and the Reporter share any management;
- The VB has provided any GHG consultancy services to the Reporter;
- The VB has provided non-GHG consultancy services that may influence the VB’s impartiality;
- A staff member of the verification team has been an employee of the Reporter within the last three years;
- A staff member of the verification team has provided any of the prohibited GHG services to the Reporter in the last three years; and
- A staff member of the verification team currently has a direct financial interest (mutual funds and exchange-traded funds excluded) in the Reporter’s company in excess of \$5,000.

A high risk of COI as defined by the California Air Resources Board (ARB) exists when:

- (1) The verification body and reporting entity share any management staff or board of directors membership, or any of the senior management staff of the reporting entity have been employed by the verification body, or vice versa, within the previous three years; or
- (2) Within the previous five years, any staff member of the verification body or any related entity has provided to the reporting entity any of the following nonverification services:
 - (A) Designing, developing, implementing, reviewing, or maintaining an inventory or information or data management system for facility air emissions, or, where applicable, electricity or fuel transactions, unless the review was part of providing greenhouse gas verification services;
 - (B) Developing greenhouse gas emission factors or other greenhouse gas related engineering analysis, including developing or reviewing a California Environmental Quality Act (CEQA) greenhouse gas analysis that includes facility-specific information;
 - (C) Designing energy efficiency, renewable power, or other projects which explicitly identify greenhouse gas reductions as a benefit;

- (D) Designing, developing, implementing, conducting an internal audit, consulting, or maintaining a GHG emissions reduction or GHG removal offset project as defined in the cap-and-trade regulation;
- (E) Owning, buying, selling, trading, or retiring shares, stocks, or emissions reduction credits from an offset project that was developed by or resulting reduction credits are owned by the reporting entity;
- (F) Dealing in or being a promoter of credits on behalf of an offset project operator or authorized project designee where the credits are owned by or the offset project was developed by the reporting entity;
- (G) Preparing or producing greenhouse gas-related manuals, handbooks, or procedures specifically for the reporting entity;
- (H) Appraisal services of carbon or greenhouse gas liabilities or assets;
- (I) Brokering in, advising on, or assisting in any way in carbon or greenhouse gas-related markets;
- (J) Directly managing any health, environment or safety functions for the reporting entity;
- (K) Bookkeeping or other services related to accounting records or financial statements;
- (L) Any service related to development of information systems, including consulting on the development of environmental management systems such as those conforming to ISO 14001 or energy management systems such as those conforming to ISO 50001, unless those systems will not be part of the verification process;
- (M) Appraisal and valuation services, both tangible and intangible;
- (N) Fairness opinions and contribution-in-kind reports in which the verification body has provided its opinion on the adequacy of consideration in a transaction, unless the resulting services will not be part of the verification process;
- (O) Any actuarially-oriented advisory service involving the determination of amounts recorded in financial statements and related accounts;
- (P) Any internal audit service that has been outsourced by the reporting entity or offset project operator that relates to the reporting entity's internal accounting controls, financial systems or financial statements, unless the result of those services will not be part of the verification process;

- (Q) Acting as a broker-dealer (registered or unregistered), promoter or underwriter on behalf of the reporting entity;
- (R) Any legal services;
- (S) Expert services to the reporting entity or a legal representative for the purpose of advocating the reporting entity's interests in litigation or in a regulatory or administrative proceeding or investigation; and
- (T) Verification services that are not conducted in accordance with, or equivalent to, section 95133 requirements, unless the systems and data reviewed during those services, as well as the result of those services, will not be part of the verification process.
- (3) The potential for conflict of interest shall be deemed to be high when any staff member of the verification body provides any type of nonmonetary incentive to a reporting entity to secure a verification services contract.
- (4) The potential for a conflict of interest shall also be deemed to be high where any staff member of the verification body has provided verification services for the reporting entity except within the time periods in which the reporting entity is allowed to use the same verification body as specified in section 95130(a) of the ARB Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.
- (5) The potential for a conflict of interest shall also be deemed to be "Moderate/Medium" where any member of the verification team, verification body, or a related entity engaged in services of any nature, other than ARB verification services, with the reporting entity or related entities in the last five years, current work and any future work arrangements/ contracts. This includes non-ARB GHG verifications that were not conducted in accordance with or equivalent to Section 95133.

Cameron-Cole defines a "Moderate/Medium" risk of COI as a situation where the potential for a conflict of interest is not deemed to be either high or low as specified in this definitions section. The potential for conflict of interest will also be deemed to be moderate where there are any instances of personal or familial relationships between Cameron-Cole staff and management or staff of the reporting entity, and when a conflict of interest self-evaluation is submitted pursuant to section 95133(h) of the ARB Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

Cameron-Cole defines a "Low" risk of COI as a situation where no potential for a high risk of conflict of interest is found based on the definitions listed above and nonverification services provided by Cameron-Cole staff to the reporting entity within the last five years are valued at less than 20 percent of the fee for the proposed verification.

Cameron-Cole defines “No” risk of COI as a situation where there are no pre-existing personal or organizational ties whatsoever to the client.

Case-specific COI occurs when Cameron-Cole (as an organization) or one of its employees has direct competing professional and/or personal interests that could impede our ability to objectively review and evaluate a client’s GHG assertion. This includes the appearance of impropriety that may undermine confidence in our company’s verification. Cameron-Cole has specific procedures for identifying, assessing and mitigating actual or potential case-specific COI between Cameron-Cole and a client seeking GHG verification.

In addition to case-specific COIs, Cameron-Cole has specific procedures to identify, assess and mitigate emerging COIs. An emerging COI means a direct conflict between a potential client seeking GHG verification and Cameron-Cole in the 12 months that follow the completion of verification activities. For a period beginning with the signing of the contract, and continuing until one year following the close of the contract, Cameron-Cole monitors its relationship (and the relationship of individual team members) with the Reporter to ensure impartiality has been maintained.

In regard to emerging COIs under ARB, after commencement of verification services, Cameron-Cole will monitor and immediately make full disclosure in writing to the ARB Executive Officer regarding any potential for a conflict of interest situation that arises. This disclosure includes a description of actions that Cameron-Cole has taken or proposes to take to avoid, neutralize, or mitigate the potential for a conflict of interest. Cameron-Cole continues to monitor arrangements or relationships that may be present for a period of one year after the completion of verification services. During that period, within 30 days of Cameron-Cole or any verification team member entering into any contract with the reporting entity for which the body has provided verification services, Cameron-Cole notifies the Executive Officer of the contract and the nature of the work to be performed.

Any questions regarding Cameron-Cole’s impartiality or management of COIs may be directed to Chris Lawless at 510.777.1858 or clawless@cameron-cole.com.

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