



TERMS OF REFERENCE:

ENVIRONMENTAL INTEGRITY COMMITTEE

March 2023

VERSION AND REVISION CONTROL

Version	Date of Amendment	Section	Description of Amendment	Amended by
0.1	17 December 2021	All	First draft	O Tuchten
1.0	26 May 2023	All	Update to reflect inputs provided by the EIC and updates of the Standard	R Louw

1 PURPOSE

The purpose of the Environmental Integrity Committee (EIC) of the Inclusive Carbon Standard (ICS) is to ensure the Environmental Integrity of the Inclusive Carbon Credits (ICCs) issued by the ICS. The EIC is therefore directly responsible for guaranteeing the integrity of the processes utilised by the ICS to register carbon projects and verify resulting carbon credits.

2 MANDATE

The mandate of the EIC is to do all things necessary ensure the Environmental Integrity of the Standard. Environmental Integrity is defined as the assurance that the implementation and operation of an emission reduction or carbon removal project has resulted in the direct removal of at least 1 ton of CO₂ equivalent from the global atmosphere for every credit issued by the ICS.

In this context the following are important:

- The EIC must abide by the principles set out in the Standard.
- The EIC must take cognisance of the science of climate change as summarised from time to time by the IPCC;
- The EIC must take cognisance of ant relevant provisions of the Paris Agreement, its subsidiary bodies, and the resulting mechanisms that could influence the ability of the ICS to provide ICCs into a possible Article 6 mechanism;
- The EIC must take cognisance of the principles for carbon offsets as articulated in the Core Carbon Principles, as published by the ICVCM from time to time; and
- The EIC must also consider domestic principles and requirements for carbon offsetting to ensure that the ICS complies with the requirements of the jurisdictions that adopt the ICS.

3 GOVERNANCE STRUCTURES

The Standard falls under the following governance structures:

Legal person: The Standard is owned and operated by the Carbon Trust. The trust is overseen by a board of trustees. The Trust Deed confirms that the Board of Trustees are not permitted to intervene in the functions and authority of the EIC pertaining to the Environmental Integrity of the ICS.

Operational control: The operational management of the standard is contracted to Food and Trees for Africa.

4 PRINCIPLE OF INDEPENDENCE

The ICS is structured in a way to ensure the independence of the EIC from any influence from commercial, political and other sources. This principle is demonstrated in the figure below.

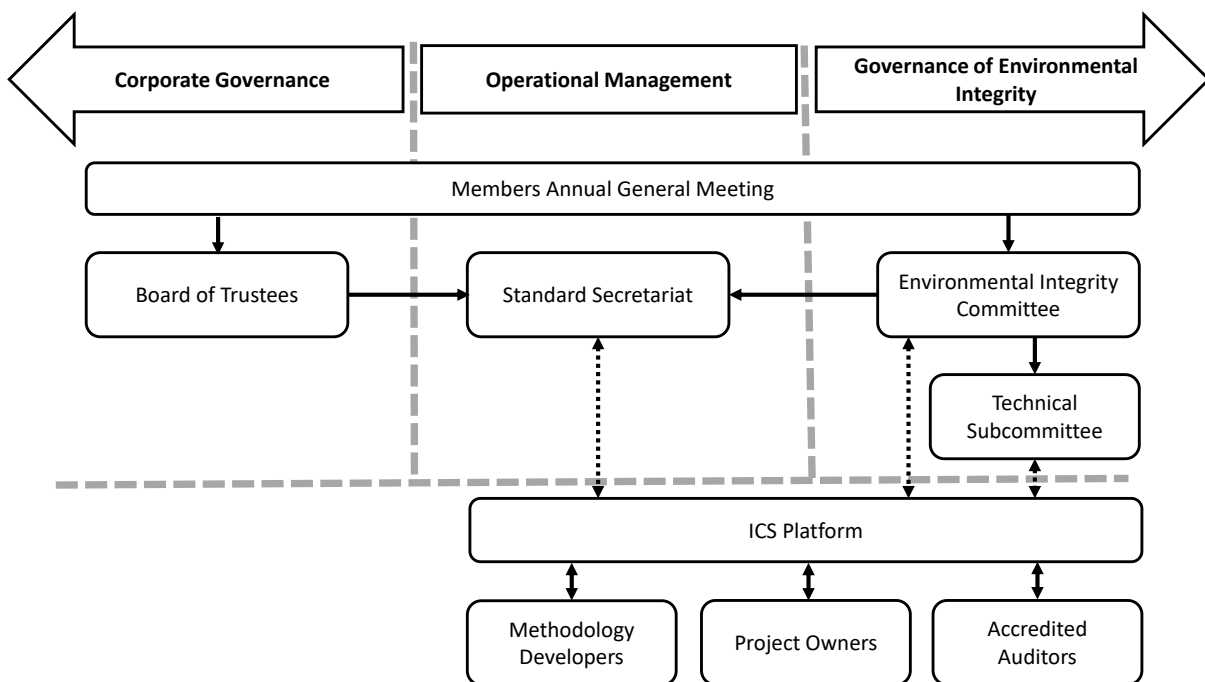


Figure 1: ICS Governance Structure

5 ROLES AND RESPONSIBILITIES

The EIC’s Roles and Responsibilities are categorised under Governance, Component Methodologies, Projects and Inclusive Carbon Credits.

5.1 Governance

The EICs governance responsibilities pertaining to the Environmental Integrity of the Standard extends to include the following:

- Supervisory function:
 - Overseeing the actions undertaken by the Standard Secretariat in so far as it relates to the actions needed with respect to the operation of the ICS Online Platform; and
 - Overseeing the actions undertaken by the Technical Committee.

- Adoption of Recommendations with respect to:
 - Revision of the Standard. The Standard can be reviewed under the following circumstances:
 - Changes in the requirements of the jurisdictions under which the ICS is implemented, or is seeking implementation, which requires changes to the Standard
 - Changes in international best practice such as new information published by the IPCC, or developments pertaining to international law, which may require changes to the Standard. The Standard may have to be updated from time to time in order to keep up with such international developments.
 - Correction of errors - In the event that errors in the design of the Standard are detected, either from inside the organisation of the Standard, or by a third party, then the Standard can be revised.
- Expansion of the geographical coverage of the ICS;
- The appointment of Technical Sub-Committee members.
- Engagements with government and other stakeholders. Authority in this regard can be delegated if required by the EIC.
- Management of appeals and arbitration processes.
- Ensuring on-going capacity building, as identified in conjunction with the host organisation, Standard Secretariat and Technical Committee.
- Drafting and keeping up to date of competency requirements for Accredited Auditors and members of the Technical Committee.
- Put mechanisms in place which ensure that management and personnel are free from any undue internal and external commercial, financial and other pressures and influences that may adversely affect the quality of their work, the integrity of the ICS, or create real or perceived conflicts which create or may create unfair advantage for any person or organisation.
- Promotion of the ICS.

5.2 EIC and Secretariat

The ICS Secretariat performs all administrative functions associated with the operation of the ICS and fulfils a supportive role to the Environmental Integrity Committee and the Technical Sub-Committee. The ICS Secretariat is also the first point of contact between the Environmental Integrity Committee, Technical Sub-Committee (and respective subcommittees) and stakeholders (for example, Project Owners or methodology proponents).

In terms of this structure, the day-to-day operation of the ICS is handled by the Secretariat. The function of the Secretariat may be contracted out from time to time. The authority of the EIC over the Standard Secretariat is as follows:

- **Matters related to the mandate of the EIC:** The EIC has full authority over the Secretariat with respect to all matters related to the Environmental Integrity of the Standard.
- **All other matters:** The EIC has no authority over the Secretariat in any matters that does not relate to the Environmental Integrity of the ICS.

5.3 EIC and Technical Sub-Committee

The Technical Sub-Committee supports the EIC in its role to ensure that the ICS upholds its Environmental Integrity.

5.4 Accredited Auditors

The EIC has the responsibility to

- Approve Accredited Auditors based on 2 requirements:
 - Eligible auditors must be accredited in accordance with one of the following:
 - ISO 14065: General Principles and Requirements for Bodies Validating and Verifying Environmental Information: This accreditation must be done by an accreditation body that is a member of the International Accreditation Forum (IAF).
 - Transitional Arrangements: For the first 5 years of the operation of the ICS, the following accreditations are also acceptable:
 - The Clean Development Mechanism (CDM) or Article 6.4 Mechanism (A6.4M): The Auditor must meet the specific accreditation and competency requirements established by the CDM Executive Board or the A6.4M Supervisory Body.
 - The Verified Carbon Standard (VCS): The Auditor must be accredited as Validation/Verification Body (VVB), in accordance with the VCS accreditation process, competency in greenhouse gas accounting, and compliance with the VCS Program rules and guidelines.
 - Accredited Auditors are required to undergo training on the ICS Platform.
- Assessing continued compliance of Accredited Auditors with requirements of the ICS.

5.5 Component Methodologies

The EIC has the authority to make decisions related to Component Methodologies which include:

- Review of the Methodology Manual, and approval of new versions of the Methodology Manual:

- Approval or rejection of new Component Methodologies on recommendation by the Accredited Auditor. The Component Methodologies must consider the recommendations of the Accredited Auditor, and must be in accordance with the principles of the ICS Standard.
- Oversight over adherence to the compliance with the Declaration Of Methodology Ownership that is signed by Owners of Component Methodologies. This may include revoking the approval of a Component Methodology and discontinue any royalty payments to the Methodology Owner, if any of the information provided by the Methodology Owner in the Declaration is incorrect or fraudulent.
- Retractions/cancellations of Component Methodologies based on inputs received from stakeholders.

5.6 Projects

The EIC has the authority to make decisions related to Projects which includes the following:

- Confirmation of Approvals of Project by Accredited Auditors. The Projects are approved by the Accredited Auditors following the Validation Audits. The EIC has the right to veto such approvals in the event that the Project in question violates the principles of the ICS. Such a veto can be done in the context that the members of the EIC are not qualified auditors, and do not have access to the same level of information that the Auditors had during the execution of the Validation Audit. If a Project Approval is not vetoed, the Approval of the Project for Registration is confirmed.
- Confirmation of Approval of Landmark Projects and Landmark Values by Accredited Auditors, based on the same principles as described above.
- Oversight over adherence to the compliance with the Declaration Of Methodology Ownership that is signed by Owners of Component Methodologies. This may include the termination of the Registration of a Project and/or cancel the Inclusive Carbon Credits (ICCs) that have been double counted or double claimed.
- Confirmation of Renewals of Crediting Periods of registered Projects, based on the same principles as described above.

5.7 Inclusive Carbon Credits

The EIC has the authority to make decisions related to ICCs which includes the following:

- Confirmation of the Approval for Issuance by the Accredited Auditors related to ICC issuance. The issuance of ICCs is approved by the Accredited Auditors following the Verification Audits. The EIC has the right to veto such approvals in the event that the Issuance in question violates the principles of the ICS. Such

a veto can be done in the context that the members of the EIC are not qualified auditors, and do not have access to the same level of information that the Auditors had during the execution of the Verification Audit. If the Issuance is not vetoed, the Approval of the Project for Registration is confirmed.

- Instructing the Standard Secretariat to issue ICCs to the respective Project Owner/ Appointed Representative.

6 MEMBERSHIP

6.1 Composition

The EIC shall have a minimum of three (3) and a maximum of ten (10) members. The EIC will comprise a Chairperson; Deputy Chairperson and Secretariat. The Secretariat may either be a member of the EIC or ex officio member of the Standard Secretariat .

If a member is removed prior to the AGM and an interim member is needed, the EIC may co-opt temporary members from date of vacancy up to date of next AGM.

The composition of the EIC should strive to encompass the qualifications and competencies listed in section 6.3.

6.2 Tenure of members

The initial members of the EIC may be selected and appointed by the Board of Trustees. Initial EIC members will have a one (1) year tenure. Thereafter members may be nominated by the Board of Trustees and elected at an AGM. New members can be nominated during this process.

EIC members will have a three (3) year tenure. Members may be re-elected twice.

6.3 Qualifications and Competencies

Members of the EIC are required to meet at least one of the following requirements:

- Experience in business administration;
- Environmental/GHG auditing experience;
- GHG quantification experience;
- Experience in the planning/implementation of GHG mitigation projects;
- Experience in stakeholder engagement and communications in the climate change field.

Only individuals who comply with the minimum qualification requirements as set out above shall be eligible candidates.

6.4 Conflict of interest

EIC members should disclose any conflicts of interest, perceived or otherwise, and recuse themselves.

Failure to disclose and recuse will lead to immediate removal from the EIC.

In the case a EIC member is invited to speak in public, he or she shall act in their personal capacity and not as a member of the EIC, unless the Chair of the EIC has given written authorisation for the EIC member to act in his/her capacity as a EIC member.

6.5 Remuneration

The initial members will not be remunerated. This decision will be revised by the Board of Trustees from time to time and informed by the availability of finances, market conditions and the relevant regulatory requirements.

6.6 Attendance

Any member of the EIC that fails to attend 50% of the meetings in a given year shall be removed from the EIC, unless otherwise agreed by the EIC.

7 MEETINGS

Meetings will be held formally at least quarterly, either physically or virtually. Ad-hoc meetings may be called by any two members of the EIC if deemed necessary. EIC decisions related to the Environmental Integrity of the Standard require a require a $\frac{2}{3}$ or 66.6% majority. All other decisions require a majority vote (50%+1). In the event of a hanging vote, the Chairman of the EIC will have a casting vote.

The Secretariat of the EIC will be responsible for the recording and distributing the minutes of meetings. The minutes of the meetings will be made publicly available on the ICS Online Platform

8 BUDGETS

The authority related to the financial management of the Standard falls outside of the scope of responsibilities of the EIC and within the ambit of corporate governance and operational management which lies with the Board of Trustees and Standard Secretariat. The EIC shall however provide inputs in the drafting of budgets where necessary pertaining to any financial requirements to ensure the Environmental Integrity of the Standard.

9 AMENDMENTS

If the EIC wants to make changes to the provisions of this ToR, the EIC must determine whether such amendments will constitute a material change to the design of the Standard which would jeopardise the approval granted to the Standard by the relevant government authority. If the proposed amendments do constitute a material change as set out above, EIC must obtain the approval from the relevant jurisdictional body before such changes can be affected.

ANNEXURES

1 GUIDANCE TEMPLATE FOR AGENDA FOR EIC MEETINGS

The EIC should consider the following for its regular meetings

1. Issues related to possible conflict of interest.
2. Strategic issues:
 - a. Update in the international environment related the regulated and unregulated carbon markets.
 - b. Issues related to the possible revision of the Standard.
 - c. Possible expansion of the geographical coverage of the ICS.
3. External relations:
 - a. Stakeholder engagement.
 - b. Engagements with government and other stakeholders.
4. Operational:
 - a. Training and capacity building.
 - b. Issues related to the Online Platform.
 - c. Issues related to the Technical Sub-committee.
 - d. Issues related to Appeals and Arbitration.
 - e. Issues related to Accredited Auditors.
5. Environmental Integrity:
 - a. Approval and administration of Component Methodologies.
 - b. Confirmation and administration of Projects.
 - c. Confirmation and administration of issuance of ICCs.