



AUDITOR'S MANUAL

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1 INTRODUCTION

1.1 Purpose and scope of the manual

This manual serves as a guide for Accredited Auditors of the ICS on the procedures and requirements for the auditing of Component Methodologies and Projects registered with the ICS. The manual is intended to assist Accredited Auditors in carrying out their duties and responsibilities in a consistent, transparent, and reliable manner.

This manual covers the audit requirements for proposed Component Methodologies, as well as the Validation and Verification audits of Projects.

The manual includes detailed procedures for the auditing of Component Methodologies and Projects, including guidance on the use of the ICS Online Platform, requirements for documentation, and expectations for communication with Project Owners and other stakeholders. The manual also includes requirements for Accredited Auditors, including qualifications, training, and ongoing professional development.

This manual is designed to be a living document that will be periodically reviewed and updated as necessary to reflect changes in the ICS rules, standards, and best practices.

1.2 Background

The ICS introduces two key innovations that reduce audit requirements compared to traditional carbon standards: Component Methodologies that execute as Smart Contracts on the ICS Online Platform, and IoT device connection to the ICS Online Platform for project data monitoring, reducing the probability of human error and ensuring correct execution.

Component Methodologies are modular sections that categorise and specify project information, calculation inputs and processes required to describe the different aspects of the Project required to register, monitor, and report on emissions reduction or carbon removals. Each Component Methodology has a number of questions, or requirements, that Project Owners are required to complete or fulfil to comply with the inputs and data requirements for comprehensively describing the project, and for calculating emissions reductions or removal.

With regards to project data sets, IoT devices collect data directly from project sites, uploading it directly into the Online Platform for automatic calculation of emissions reductions or removals through Component Methodology Smart Contracts, reducing the need for on-site visits and manual data collection.

1.3 Overview of the ICS audit processes

The ICS audit process for Component Methodologies, used in capturing the project design inputs and monitored data, involves a comprehensive evaluation of proposed methodologies to ensure they meet the ICS requirements and standards. This includes a review of the methodology's applicability and completeness of the methodology input requirements. The audit outcome is a recommendation to the Environmental Integrity Committee on the approval, or rejection, of the proposed new or revised Component Methodology.

The ICS audit process for Projects is divided into two main stages: Validation and Verification. Validation is the process by which a proposed project is assessed to determine its eligibility for registration with the ICS. Verification is the process by which an already registered project is audited to ensure that it delivers the expected greenhouse gas (GHG) emission reductions, or removals, and co-benefits.

The ICS audit process ensures that registered projects meet the highest standards of environmental integrity, transparency, and credibility. This process is essential to the functioning of the ICS as it ensures that projects deliver real, additional, measurable, and verifiable GHG emission reductions, as well as positive social and environmental co-benefits. Accredited Auditors play a critical role in the audit process by conducting independent and objective audits of projects and ensuring compliance with the ICS rules and requirements.

The ICS audit processes are intended to be comprehensive, thorough, and transparent. Accredited Auditors follow ICS audit procedures and guidelines outlined in this manual to ensure consistent and accurate auditing. The following sections provide detailed guidance on each stage of the audit process, including specific criteria, procedures, and required documentation.

2 REQUIREMENTS FOR ACCREDITATION

2.1 Eligibility requirements for becoming an Accredited Auditor

The eligibility requirements for becoming an Accredited Auditor are set out below:

- 1) It is required that the auditor be accredited with a body affiliated to the International Accreditation Forum (IAF) in terms of ISO 14065: General Principles and Requirements for Bodies Validating and Verifying Environmental Information.
- 2) Transitional Arrangements: For the first five years of the operation of the ICS, the following accreditations are also acceptable:
 - a. 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.
 - b. The Verified Carbon Standard (VCS): The Auditor must be accredited as Validation/Verification Body (VVB), in accordance with the VCS accreditation process, competency in GHG accounting, and compliance with the VCS Program rules and guidelines.
- 3) An auditor that wishes to participate in the ICS must apply to the Environmental Integrity Committee to become an Accredited Auditor. This process is described further in section 2.3.
- 4) The auditor must complete an ICS Training Programme, which covers the ICS rules and requirements, the audit process, and other relevant topics. The training program is designed to ensure that all Accredited Auditors are familiar with the workings of the ICS Online Platform, have a consistent understanding of the ICS rules and requirements and are able to conduct audits in a consistent and accurate manner.

In addition to these requirements, Accredited Auditors must maintain their accreditation with their respective accrediting bodies and complete any ongoing training or professional development required by those bodies. They must also comply with the ICS rules and requirements and maintain the highest standards of professionalism and ethical conduct in their work. The ICS reserves the right to revoke an auditor's accreditation if they are found to be in breach of the ICS rules or if their work is found to be inadequate or lacking in integrity.

2.2 Sectoral competency

Accredited Auditors must have the necessary technical expertise and knowledge to evaluate the GHG emissions and mitigation potential of the projects and component methodologies they are reviewing. As such, Accredited Auditors must have the relevant sectoral competency. Sectoral competency refers to the knowledge, skills, and experience an Accredited Auditor must have in a specific sector, such as renewable energy, energy efficiency, waste management, forestry, or agriculture.

To ensure that Accredited Auditors have sectoral competency, they must be accredited for the same IPCC code as the Component Methodology and/or Project they are reviewing. This requirement is critical in ensuring that Accredited Auditors are qualified to review the GHG emission reduction or removal claims of a project or Component Methodology accurately.

It is the responsibility of the Accredited Auditor to maintain their sectoral competency by staying up to date with the latest developments in their field. This includes attending relevant training courses, workshops, and conferences, as well as regularly reviewing sector-specific guidance and standards. Accredited Auditors must also demonstrate their sectoral competency by providing evidence of their experience, qualifications, and expertise to the ICS upon request.

The ICS reserves the right to verify an Accredited Auditor's sectoral competency at any time during the audit process. Failure to meet the sectoral competency requirements may result in the suspension or revocation of the Accredited Auditor's accreditation status.

2.3 Application and evaluation process

The Application and Evaluation process for a company to become an Accredited Auditor is a rigorous and thorough process that aims to ensure that only qualified and competent auditors are accredited by the ICS. The process includes the following steps:

1. Interested companies must submit a completed application through the ICS platform. The application must contain the following information:
 - a. Details of the company, including its structure, ownership, and scope of services.
 - b. Details of the individuals working for the company that are accredited, including their qualifications, training, and experience.
 - c. The application must be accompanied by the required documentation, including evidence of the company's accreditation with an IAF-affiliated accreditation body, CDM or VCS.
2. The Secretariat will review the application and accompanying documents to ensure that they meet the eligibility requirements and are complete. The Secretariat may request additional information or documentation as necessary. The Environmental Integrity Committee is responsible for approving applications
3. The ICS will evaluate the accreditation of the applicant, which includes an assessment of the company's technical expertise, experience, and resources

to ensure that they are capable of conducting audits in accordance with ICS rules and requirements.

4. If the application is approved, the ICS will schedule participation in the ICS Training Programme for the identified individuals.
5. The auditors will be subjected to an evaluation process during the Training Programme, which includes a review of their technical expertise, experience, and performance. If the individuals successfully complete the training programme and demonstrate their competence in conducting audits, they will be listed as Accredited Auditors by the ICS.
6. The ICS may require that auditors redo the Training Programme from time to time to ensure that they remain up-to-date with the latest rules and requirements and maintain their competence to conduct audits.

The ICS places a high priority on the quality and credibility of its audit processes, and the application and evaluation process is designed to ensure that only qualified and competent auditors are accredited by the ICS. The ICS also provides ongoing support and guidance to its Accredited Auditors to ensure that they are able to conduct audits effectively and efficiently.

2.4 Accreditation renewal process

Accredited Auditors are required to renew their accreditation with the ICS every three years to maintain their status as an Accredited Auditor. The renewal process includes the following steps:

1. Accredited Auditors must submit an application for renewal of accreditation at least three months before the expiry of their current accreditation.
2. The application must include updated information on the company, its employees, and any changes to the accreditation status with an IAF-affiliated accreditation body, CDM, or VCS.
3. The Secretariat will evaluate the renewal application and assess the Accredited Auditor's performance during the previous accreditation period.
4. The assessment will include a review of the auditor's compliance with ICS rules and requirements, the quality of their audit work, and any feedback received from project participants and other stakeholders.
5. The Secretariat will communicate the renewal decision to the Accredited Auditor and update the list of Accredited Auditors on the ICS platform.
6. Accredited Auditors who do not renew their accreditation by the expiry date will be removed from the list of Accredited Auditors and will need to reapply for accreditation if they wish to conduct ICS audits in the future.

The ICS may also conduct additional audits or quality assurance reviews of Accredited Auditors to ensure ongoing compliance with ICS rules and requirements. Accredited Auditors must cooperate fully with any such audits or reviews and provide the necessary information and documentation.

2.5 Accredited Auditor responsibilities and obligations

Accredited Auditors have a critical role to play in ensuring the credibility and integrity of the ICS process. As such, they must comply with the following responsibilities and obligations:

1. **Compliance with ICS requirements:** Accredited Auditors must comply with the ICS requirements in conducting audits of Component Methodologies and Projects. Auditors must maintain impartiality, objectivity, and confidentiality during the audit process.
2. **Professional Conduct:** Accredited Auditors must conduct themselves in a professional and ethical manner. They must avoid conflicts of interest, maintain confidentiality, and ensure that their work is of the highest quality.
3. **Audit Performance:** Accredited Auditors must conduct audits in accordance with the ICS audit procedures and guidelines outlined in this manual. They must demonstrate technical expertise, knowledge, and experience in conducting audits and communicate findings clearly and effectively.
4. **Audit Reporting:** Accredited Auditors must submit audit reports that accurately reflect the results of the audit. Reports must clearly state the findings, conclusions, and recommendations resulting from the audit.
5. **Ongoing Professional Development:** Accredited Auditors must remain up-to-date with developments in the field of GHG accounting and auditing. This includes ongoing training and professional development to maintain their technical expertise and knowledge.
6. **Compliance with Accreditation Requirements:** Accredited Auditors must comply with the accreditation requirements of the ICS, including the renewal of accreditation at regular intervals. They must maintain their accreditation status and provide evidence of ongoing compliance with the accreditation requirements.
7. **Cooperation with the ICS:** Accredited Auditors must cooperate with the ICS Secretariat and Environmental Integrity Committee in the audit process. This includes providing timely and accurate information, responding to requests for clarification or additional information, and participating in meetings and discussions related to the audit process.

Failure to comply with these responsibilities and obligations may result in the suspension or revocation of the Accredited Auditor's accreditation status.

3 AUDIT REQUIREMENTS

3.1 Use of the ICS Online Platform

The ICS Online Platform serves as the primary communication and interaction tool between Accredited Auditors, the ICS, and Projects. It is essential for Accredited Auditors to become proficient in using the platform to conduct audits efficiently and effectively. To use the ICS Online Platform, an Accredited Auditor must have an active ICS account, which is created during the accreditation process. Once an account is created, the Accredited Auditor must log in to access the platform's features. The Administrator at the Accredited Auditor's company can add users to the platform and delegate authorities to them.

Users within the Accredited Auditor's organisation can have any of the following roles on the Online Platform:

1. **Accredited Auditor (Lead):** Responsible for reviewing proposed new or revised Component Methodologies, project and monitoring reports, the Accredited Auditor is the primary point of contact for the ICS regarding any comments raised by the public, Technical Sub-committee, and Environmental Integrity Committee.
2. **Initiator:** Responsible for initiating the audit process. The Initiator within the Accredited Auditor can view relevant Component Methodologies, project and monitoring reports, add or remove auditor users and upload necessary information during the validation and verification audits. The Initiator cannot edit company-specific details on the ICS platform or sign off on Component Methodology audits or project validation or verification audit reports.
3. **Authoriser:** Responsible for authorising changes to company-specific information related to the organisation's users and the company's details on the ICS platform, the Authorizer can view approved Component Methodologies in which they are active and are the only Accredited Auditor who can sign off on Component Methodology and project validation and verification audit reports. If any changes need to be made to Component Methodology, validation or verification documents, the Auditor must request them from the Project Owner in the form of a clarification request or corrective action via the ICS platform.
4. **Observer:** The Observer within the Accredited Auditor can view the Component Methodologies they are active in and view the finalised audit reports in which

they are active. They cannot modify any registered company details or sign off on Component Methodology, project validation or verification audit reports.

The ICS Procedures Manual provides detailed guidance on using the Online Platform for audits. Accredited Auditors are responsible for submitting all audit-related documentation via the Online Platform, including audit reports, checklists, and other supporting documents required by the ICS. The platform also includes a commenting system that Accredited Auditors can use to communicate with Project Owners and Component Methodology developers. This feature facilitates communication and addresses any issues or concerns that may arise during the audit process.

It is crucial for Accredited Auditors to become familiar with the Online Platform and use it regularly to ensure efficient and effective communication with the ICS and Projects. The ICS Secretariat is available to provide guidance and support to Accredited Auditors as needed to ensure successful use of the platform.

3.2 Auditor's Declaration

Before an accredited Auditor can start any audit, it must complete an auditor's declaration as attached in Annexure 1. This Declaration must be signed under oath in the presence of commissioner of oaths in the jurisdiction in which the auditor operates and uploaded on the Online Platform as part of the audit documentation.

4 AUDIT PROCEDURES FOR PROPOSED COMPONENT METHODOLOGIES

4.1 Overview of the audit process for proposed new or revised Component Methodologies

Before a Component Methodology can be approved for use in the ICS, it is first submitted for approval by an Accredited Auditor to ensure that the approach, principles, and calculations for capturing that specific portion of a Project are sound.

The Component Methodology approach aims to provide project developers with access to a range of already approved Component Methodologies. These can be combined to create a custom methodology set that is most relevant to the specific project at hand. This approach ensures that all project requirements are captured comprehensively in an optimised and efficient process, accelerating the timeline, and reducing costs compared to conventional processes for carbon credit issuance.

The Methodology Owner, the developer of the proposed Component Methodology, submits a proposed Component Methodology via the ICS Online Platform. The submission must also include an Example Project.

Example Projects are created by the Methodology Owner when they propose a new Component Methodology. These show the compatibility of the proposed Component Methodology to existing Component Methodologies as well as how the proposed Component Methodology fits into and can be used as a part of a project. Example projects are hypothetical and demonstrate how a proposed Component Methodology will work with real world representative data.

The audit process for proposed Component Methodologies involves a comprehensive evaluation of the proposed Component Methodology and includes a review of the methodology's applicability and the completeness of supporting documentation.

Once the Methodology Owner submits a proposed Component Methodology, they contract with the Accredited Auditor outside of the ICS Online Platform. This is a private engagement and not in the purview of the ICS. The Accredited Auditor audits the proposed new Component Methodology on the Online Platform in the "Methodology Approval Request" section.

During the audit, the Accredited Auditor reviews the proposed Component Methodology and supporting documentation to ensure that they comply with ICS rules and requirements. The Accredited Auditor also assesses the methodology's completeness, accuracy, and applicability. They may also request additional information or clarification from the Methodology Owner as needed.

Based on their evaluation, the Accredited Auditor makes a recommendation to either accept or reject the proposed new Component Methodology. If the proposed Component Methodology is approved, it will be published on the ICS platform, and Project Owners will be able to use it in the validation and verification of Projects.

If the proposed Component Methodology is rejected, the Methodology Owner may revise and resubmit the proposal for further evaluation. Overall, the audit process for proposed Component Methodologies is designed to ensure that all approved methodologies meet the high standards of environmental integrity, transparency, and credibility required by the ICS.

4.2 Requirements for the audit report

The audit report for proposed new component methodologies must be submitted to the Environmental Integrity Committee for review and approval. The report must be comprehensive and provide detailed information on the proposed methodology, its applicability, and the completeness of its documentation.

The audit report should include a description of the proposed methodology, including its scope and applicability. It should also detail the methodology's monitoring plan and calculation methodology, where applicable. The report should include a list of all relevant stakeholders and their roles in the development and implementation of the proposed methodology.

The report should also describe the process by which the proposed methodology was developed, including any stakeholder consultations, public comments, or other feedback received during the development process. The report should address any concerns or questions raised during the audit process and provide responses to those concerns.

The audit report should include a detailed assessment of the proposed methodology's compliance with the ICS rules and requirements. The report should also assess the proposed methodology's potential for delivering real, additional, measurable, and verifiable GHG emission reductions and positive social and environmental co-benefits.

The audit report should conclude with a recommendation on whether the proposed methodology should be approved or rejected. If the proposed methodology is rejected, the report should detail any conditions or recommendations that should be met before the methodology can be approved and used in project validation and verification.

4.3 Audit report review process

The Technical Review process for the audits of proposed new or revised Component Methodologies is an in-house function of the Accredited Auditor, serving as a quality control process to ensure that the work done by the Accredited Auditor is of a sufficiently high standard to meet the requirements and standards set by the ICS. The Accredited Auditor needs to have procedures in place to manage the competencies of their personnel and the quality of their work. This includes procedures for review and approval of the component methodology audit report.

After completing the first draft of the Audit Report, the reviewer of the Accredited Auditor conducts a technical review to evaluate the proposed methodology's completeness, technical soundness, and adherence to the ICS requirements. The review includes an assessment of the methodology's applicability and consistency with the ICS rules and requirements.

Upon completion of the technical review, the Accredited Auditor makes a recommendation to the Environmental Integrity Committee for the approval or rejection of the proposed new Component Methodology. The technical review process is an important quality control measure that helps ensure the integrity, transparency, and credibility of Component Methodologies used by Projects registered with the ICS.

5 VALIDATION AUDIT PROCEDURES FOR PROJECTS

5.1 Overview of the validation audit process for Projects

The validation audit process for Projects involves a comprehensive evaluation of the Project's design documentation to ensure that it complies with the requirements and standards set by the ICS. The audit process includes a review of the Project's application of the selected Component Methodologies, as well as the completeness of the supporting documentation.

New Component Methodologies can be created when none of the existing methodologies can be used with a new intended Project, or when details of an existing Component Methodology do not adequately describe a Project's details. An adapted version of an already approved Component Methodology can also be created and submitted for approval.

The combination of the information prescribed by the selected Component Methodologies (the suite of Component Methodologies), uploaded onto the ICS online platform, formulates the Project Report and Monitoring Report.

The questions and data inputs required in Component Methodologies guide Project Owners in the completion of the Project Report (the form required to register a project on the ICS).

The first step is for the Project Owner to submit all necessary documents via the ICS Online Platform. The submission involves the completion of the Project Report template generated by the Online Platform and must include all relevant supporting documentation, as required by the selected Component Methodologies.

Apart from describing the project, in combination these attributes also assist with the overall transparency, organisation, and accountability of the project. These elements help create a strong foundation for the project's documentation, assisting auditing processes and making it easier to detect and prevent any potential double counting issues. Annexure 1 describes the details generally required in a Project Report to provide a comprehensive overview of the entire project for the purpose of generating carbon credits.

Upon receipt of the submission, the Accredited Auditor will conduct a validation audit to assess the Project's compliance with the ICS rules and requirements. The Accredited Auditor will review the draft Project Report and the supporting documentation, conduct site visits, and interview relevant personnel, and verify that the monitoring plan is suitable for the Project.

During the validation audit, the Accredited Auditor will raise any audit findings, non-conformances, or corrective actions required on the Online Platform. The Project Owner will have the opportunity to address the findings and respond to the corrective action requests through the Online Platform.

After concluding the audit, the Accredited Auditor will make a recommendation on whether to approve or reject the Project. The Audit Report will be submitted to the Environmental Integrity Committee for final review and approval.

If the Project is approved, the Project Owner may proceed with the Project's implementation. However, if the Project is rejected, the Project Owner may revise and resubmit the proposal for further evaluation.

5.2 Requirements for the audit report

The audit report for validation audits of new Projects must include detailed information about the Project's compliance with the ICS rules and requirements. The report must be submitted on the ICS Online Platform and must contain the following information:

1. **Project description:** This section must include a comprehensive description of the Project's design and implementation, including information on the Project's location, scope, and purpose.
2. **Component Methodologies:** The report must describe the Component Methodologies selected for use in the Project, including a detailed explanation of how they were selected and how they are being applied.

3. **Monitoring plan:** The report must contain a detailed monitoring plan that describes how the Project will be monitored, what data will be collected, and how it will be reported.
4. **Implementation status:** This section must describe the status of the Project's implementation, including any delays or issues that have been encountered.
5. **Audit findings:** The report must include a summary of the audit findings, including any non-conformances or corrective actions required.
6. **Conclusions and recommendations:** The report must include the Accredited Auditor's conclusions and recommendations regarding the Project's compliance with the ICS rules and requirements.
7. **Supporting documentation:** The report must include all supporting documentation related to the Project, including relevant contracts, permits, and agreements.

Overall, the audit report must provide a comprehensive and detailed account of the Project's compliance with the ICS rules and requirements. It is essential that all relevant information is included in the report to ensure that the Environmental Integrity Committee can make an informed decision about the Project's approval.

5.3 Audit report review process

The technical review process for the validation audits of new projects is an in-house function of the Accredited Auditor and serves as a quality control process to ensure that the work done by the Accredited Auditor is of a sufficiently high standard to meet the requirements and standards set by the ICS. The Accredited Auditor needs to have procedures in place to manage the competencies of their personnel and the quality of their work. This includes procedures for review and approval of the project validation audit report.

Once the Accredited Auditor has completed the first draft of the Audit Report for the validation audit, the reviewer will conduct a technical review to ensure that the quality of the work done during the audit is of a sufficiently high standard, and that the report is complete, technically sound, and meets the ICS requirements. The review includes an evaluation of the project's compliance with the applicable Component Methodologies, as well as the accuracy and completeness of the supporting documentation.

Once the technical review is complete, the Accredited Auditor will make a recommendation to the Environmental Integrity Committee on the approval or rejection of the project.

5.4 Issuance of validation report

Once the technical review of the validation audit report is complete, the Accredited Auditor will prepare a final audit report that summarises the findings of the validation audit. The report will include a detailed analysis of the Project's compliance with the ICS requirements and a description of any non-conformances or corrective actions required.

The Accredited Auditor will then issue the validation report to the Project Owner, along with any non-conformances or corrective actions required. The report will also be submitted to the Environmental Integrity Committee for information.

The Environmental Integrity Committee notes the validation report, or they may veto the approval of a project. If it does so, it must provide valid reasons for this action.

If the Environmental Integrity Committee does not veto the approval by the Accredited Auditor, the Project Owner may proceed with the implementation of the Project. If the validation report is rejected, the Project Owner may revise and resubmit the proposal for further evaluation.

6 VERIFICATION AUDIT PROCEDURES FOR PROJECTS

6.1 Overview of the verification audit process for Projects

At the time of Verification, the ICS Online Platform will use the information captured during Project Form, Monitoring Form, and data input completion to automatically compile a Monitoring Report for the specific project. The actual monitored data sets for the relevant monitoring periods will be included in the Monitoring Report for verification purposes.

The verification audit process for Projects involves a comprehensive evaluation of the Project's monitoring documentation to ensure that it meets the requirements and standards set by the ICS. The process includes a review of the Project's Monitoring Report, data, and calculation methodologies to verify that the Project has achieved its reported emissions reductions or removals.

The ICS captures data through either manual human entry, or via web-connected IoT devices directly linked to the ICS online platform – the input method will be prescribed by the relevant Component Methodology. Predefined calculation procedures included in Component Methodologies by the Component Methodology Owner, automates the calculation of the emissions reduction or carbon removals.

This makes data captured and used in calculations consistent, tamper-proof in the case of data collected from IoT devices, and where changes occur, it leaves a clear and traceable trail, expediting the verification process and minimising the need for onerous checking of inconsistent, missing or amended data in large or multiple data sets.

Once a Monitoring Period has passed, the ICS Online Platform will automatically generate a Monitoring Report and the Project Owner will submit this Monitoring Report on the platform for verification by the Accredited Auditor.

The Accredited Auditor will conduct a verification audit to evaluate the Project's compliance with the ICS rules and requirements. The verification audit can be conducted onsite or remotely, depending on the specific requirements of the Project and the selected Component Methodologies.

During the verification audit, the Accredited Auditor will review the monitored data and other relevant documents, conduct interviews with relevant personnel, and perform site visits if necessary. The Accredited Auditor will also verify that the monitoring plan is being implemented effectively and that the data being reported is accurate and complete.

If any issues or non-conformances are identified during the verification audit, the Accredited Auditor will raise them on the Online Platform and request corrective action from the Project Owner. The Project Owner will have the opportunity to address the findings and respond to the corrective action requests via the Online Platform.

Once the verification audit is complete, the Accredited Auditor will prepare a final audit report that summarises the findings of the verification audit. The report will include a detailed analysis of the Project's compliance with the ICS requirements and a description of any non-conformances or corrective actions required.

The Accredited Auditor will then issue the verification report to the Project Owner, along with any non-conformances or corrective actions required. The report will also be submitted to the Environmental Integrity Committee for information.

If the Environmental Integrity Committee does not veto the approval by the Accredited Auditor, the Carbon Credits will be issued into the account of the Project Owner. If the verification report is rejected, the Project Owner may revise and resubmit the proposal for further evaluation.

6.2 Requirements for the verification report

The verification report for Projects must be prepared in accordance with the ICS requirements and standards. The report must provide a detailed analysis of the Project's compliance with the relevant Component Methodologies and the ICS rules, as well as a description of any non-conformances or corrective actions required.

The verification report must include the following:

1. Introduction: A summary of the Project and the scope of the verification audit.
2. Project Description: A detailed description of the Project, including the relevant Component Methodologies, monitoring plan, and monitored data.
3. Verification Methodology: A description of the methodology used to conduct the verification audit, including any sampling methods or statistical techniques.
4. Verification Findings: A detailed analysis of the Project's compliance with the relevant Component Methodologies and the ICS rules, as well as any non-conformances or corrective actions required.
5. Conclusion: A summary of the verification findings and any recommendations for further improvement.
6. Appendices: Any relevant supporting documentation, such as monitored data, calculation methodologies, and other relevant documents required by the selected Component Methodologies.

The verification report must be prepared by the Accredited Auditor and submitted to the Project Owner and the Environmental Integrity Committee for noting.

6.3 Audit report review process

The technical review process for verification audits of Projects is an in-house function of the Accredited Auditor and serves as a quality control process to ensure that the work done by the Accredited Auditor is of a sufficiently high standard to meet the requirements and standards set by the ICS. The Accredited Auditor needs to have procedures in place to manage the competencies of their personnel and the quality of their work. This includes procedures for review and approval of the project verification audit report.

After completing the first draft of the Verification Report, the Accredited Auditor conducts a technical review to evaluate the accuracy and completeness of the monitored data, the calculation methodologies used, and the compliance of the Project with the ICS rules and requirements.

The technical review includes an assessment of the accuracy of the reported emissions reductions. The Accredited Auditor also verifies that the monitoring plan has been implemented effectively and that the data being reported is accurate and complete.

Once the technical review is complete, the Accredited Auditor approves or rejects the issuance of the Carbon Credits. The Verification Report is submitted to the Environmental Integrity Committee for noting. The Environmental Integrity Committee may veto the decision of the Accredited Auditor, but must provide detailed and valid reasons for doing so.

6.4 Issuance of Carbon Credits

The issuance of Carbon Credits is the final step in the verification audit process for Projects. Upon completion of the verification audit and approval by the Environmental Integrity Committee, the Carbon Credits will be issued to the Project Owner's account.

The issuance of Carbon Credits is a confirmation of the achievement of verified emissions reductions or removals by the Project. The number of Carbon Credits issued corresponds to the actual emissions reductions or removals achieved by the Project, as determined through the verification audit.

7 AUDIT MANAGEMENT AND REPORTING

7.1 Audit execution and reporting

Audit execution and reporting are essential components of the audit process for both Component Methodologies and Projects. The ICS requires that all audits are conducted in accordance with its rules and procedures, and that all audit reports are prepared in a standard format and submitted via the ICS Online Platform.

The Online Platform also provides a mechanism for tracking the progress of the audit process, including the submission of audit reports. This helps to ensure that the audit process is efficient and effective, and that all parties involved are always informed of the status of the audit.

The use of the ICS Online Platform as the hub for audit management and reporting ensures that the audit process is transparent, efficient, and effective. It provides a complete record of all communication and actions, which helps to maintain the credibility of the ICS and the Component Methodologies and Projects registered with it.

The audit process begins with the appointment of an Accredited Auditor by the Methodology Owner or Project Owner. Once appointed, all communication between the Auditor and the Owner must occur through the Online Platform. This ensures transparency and accountability, as all interactions are recorded and can be accessed by the Environmental Integrity Committee, the ICS Secretariat, and the Auditor.

The Accredited Auditor will conduct the audit in accordance with the ICS rules and procedures and will prepare a draft audit report upon completion of the audit. The draft report will be submitted to the Owner via the Online Platform, where any issues or non-conformances identified during the audit will be raised, and corrective actions requested.

Once the Owner has responded to the findings and completed any necessary corrective actions, the Accredited Auditor will conduct an in-house technical review of the draft audit report. This review ensures that the audit work is of a sufficiently high standard and that the report is complete and technically sound. The Accredited Auditor will then prepare the final audit report and submit it to the Environmental Integrity Committee for approval.

7.2 Quality control procedures

Quality control procedures are an essential part of the audit process for Component Methodologies, Projects, and Accredited Auditors. These procedures are designed to ensure that the audit process and reports meet the high standards of environmental integrity, transparency, and credibility required by the ICS.

The ICS implements a range of quality control procedures to monitor the quality of audit reports submitted by Accredited Auditors. These procedures include both technical and administrative quality control measures.

1. Technical quality control measures include the technical review process for proposed new Component Methodologies and the technical review process for validation audits of new Projects, as described earlier. These reviews are conducted by independent technical experts and ensure that the work done by the Accredited Auditor meets the required technical standards.
2. Administrative quality control measures include regular monitoring of Accredited Auditors' performance, the use of standard audit templates, and the mandatory use of the ICS Online Platform for all communication and reporting. These measures ensure consistency, accuracy, and transparency in the audit process and reports.

The ICS also has a system for handling complaints and appeals related to the audit process. The Environmental Integrity Committee is responsible for reviewing and resolving complaints and appeals related to the ICS audit process. Complaints and appeals can be submitted through the ICS Online Platform, and the process for handling them is clearly defined and transparent, as stated in the ICS Standard.

The quality control procedures implemented by the ICS are designed to ensure the integrity and credibility of the carbon credits issued under the ICS. They also help ensure that the ICS remains a trusted and reliable standard for the voluntary carbon market.

7.3 Audit non-conformance management and corrective actions

The Audit Non-conformance Management and Corrective Actions process is an essential part of the audit management system. The process ensures that non-conformances are identified, reported, and resolved promptly, and that corrective actions are taken to prevent recurrence.

The Accredited Auditor is responsible for raising clarifications or non-conformances on the ICS Online Platform. The Project or Methodology Owner has the responsibility of responding to any clarification or implementing corrective actions raised by the Accredited Auditor. Once the corrective actions have been implemented, the Accredited Auditor will close the non-conformance on the ICS Online Platform.

The ICS Online Platform provides a centralised location for managing audit clarifications and non-conformances, ensuring that all relevant parties have access to the same information. The platform also ensures that there is a clear record of all clarifications and non-conformances and their resolution, providing transparency and accountability.

The Audit Non-conformance Management and Corrective Actions process is an essential part of the ICS audit management system, ensuring that all audits are carried out to the highest standards of quality and that any non-conformances are resolved promptly and effectively.

8 COMPLIANCE AND ETHICS

8.1 Code of conduct and ethical principles

The ICS requires all participants in the carbon market to uphold the highest ethical standards and comply with relevant regulations and laws. The Code of Conduct and

Ethical Principles set forth by the ICS lays out the expectations for behaviour and compliance in the carbon market.

All Accredited Auditors must agree to adhere to the Code of Conduct and Ethical Principles to participate in the ICS. The Code of Conduct and Ethical Principles outline the following expectations:

1. **Integrity:** Participants must act with honesty and transparency in all aspects of their work. They must maintain accurate records and ensure that all data and information provided is truthful and accurate.
2. **Respect:** Participants must treat others with respect and dignity, including colleagues, clients, and stakeholders.
3. **Compliance:** Participants must comply with all applicable laws, regulations, and standards, including the ICS rules and requirements.
4. **Confidentiality:** Participants must maintain the confidentiality of all information obtained in the course of their work, and only share information with those who have a legitimate need to know.
5. **Conflict of Interest:** Participants must disclose any potential or actual conflicts of interest that may arise in the course of their work. They must take appropriate steps to mitigate any conflicts of interest that could compromise their objectivity.
6. **Professionalism:** Participants must conduct themselves in a professional manner, adhering to the highest standards of quality, objectivity, and independence.

Failure to comply with the Code of Conduct and Ethical Principles may result in suspension or revocation of accreditation or other disciplinary actions as deemed appropriate by the ICS. The ICS takes compliance and ethics very seriously and is committed to upholding the integrity, credibility, and transparency of the carbon market.

8.2 Conflict of interest management

The ICS places great importance on managing potential conflicts of interest that may arise during the audit process. To ensure the integrity and impartiality of the audit process, the Accredited Auditor must operate independently and disclose any potential conflicts of interest that may arise during the audit process.

The Accredited Auditor is required to declare any relationships or connections they have with the Methodology Owner or Project Owner, or any other stakeholders involved in the audit process. The ICS requires Accredited Auditors to recuse themselves from any project where they have a potential conflict of interest.

Managing conflicts of interest is critical to maintaining the credibility of the ICS and ensuring that all audits are conducted with the highest standards of integrity and impartiality. The ICS takes all potential conflicts of interest seriously and requires Accredited Auditors to operate with transparency, honesty, and professionalism at all times.

8.3 Complaints and dispute resolution

The ICS has established a complaints and dispute resolution process to ensure that any complaints or disputes that may arise during the audit process are handled in a fair and impartial manner.

If a Methodology Owner or Project Owner has a complaint about the conduct or outcome of an audit, they should first try to resolve the issue directly with the Accredited Auditor. If the issue cannot be resolved at this level, the complainant may submit a formal complaint to the ICS.

The ICS will investigate the complaint and take appropriate action, which may include assigning a different Accredited Auditor to the audit or conducting a re-audit. The complainant will be kept informed of the progress of the complaint and the outcome of the investigation.

If a dispute arises between the Accredited Auditor and the Methodology Owner or Project Owner, the ICS will act as a mediator to try to resolve the issue. If the dispute cannot be resolved through mediation, the parties may choose to pursue other dispute resolution methods, such as arbitration or legal action.

Overall, the ICS is committed to ensuring that all complaints and disputes are handled in a fair and impartial manner, in accordance with its principles of transparency, integrity, and accountability.

ANNEXURE 1: DECLARATION OF ACCREDITED AUDITOR

Declaration of Accredited Auditor Firm:	
Represented by Authorised Representative:	
Project Name:	
Contact details:	
Address:	

1. INTERPRETATION

- 1.1. “Accountholder” means the holder of an account in the ICS Registry.
- 1.2. “Auditor / Accredited Auditor” means a third-party person or company that performs any auditing function for projects listed on the ICS. Auditors must be accredited by a body that is affiliated to the International Accreditation Forum (IAF) and must have completed ICS training.
- 1.3. “Additionality” means the condition under which a Project reduces emissions beyond the “business as usual” scenario. Projects can prove Additionality by applying one of the approved Additionality Component Methodologies.
- 1.4. “Authorised Representative” is the signatory to this Declaration who has been duly authorised by the Project Owner to sign this declaration.
- 1.5. “Carbon Credit” means a unit issued by a Carbon Standard representing the achievement of a greenhouse gas emission reduction or removal in an amount of one metric tonne of CO2 equivalent.
- 1.6. “Carbon Removal” means when carbon dioxide is removed from the atmosphere through projects that sequester carbon, i.e., tree planting, as a result of the registered Project.

- 1.7. “Carbon Standard” means an emission reduction programme recognised by the ICS as a mechanism to enable the validation of GHG reduction projects and/or programs, the verification of GHG emission reductions and removals, and the issuance of carbon credits.
- 1.8. “Component Methodology” means a Methodology that deals with a specific aspect of the implementation of a project. There are different types of Component Methodologies, including:
 - 1.8.1. Project details;
 - 1.8.2. Additionality;
 - 1.8.3. Baseline;
 - 1.8.4. Monitoring and emission reduction calculations;
 - 1.8.5. Permanence; and
 - 1.8.6. Tagging.
- 1.9. “Crediting Period” means the period during which a Project can earn Carbon Credits. The crediting period start date and end date is specified for each project.
- 1.10. “Declaration” means this document.
- 1.11. “Emission reduction” means the emissions that are reduced, through mitigation activities, as a result of the implementation and operation of a registered Project.
- 1.12. “Environmental Attribute” means the outputs of the project that could lead to environmental benefit. The Environmental Attribute can manifest as Carbon Credits or other environmental assets such as renewable energy certificates (RECs) and Guarantees of Origin (GOs). An Environmental Attribute can only be claimed once. This means that if the project issues ICCs, it cannot issue any other Environmental Attribute.
- 1.13. “Guarantees of Origin (GOs)” means certificates issued by an authorised body, providing evidence that a specific quantity of energy was produced from a renewable source, ensuring transparency and traceability in the renewable energy market.

- 1.14. “ICS Rules” means the rules of the ICS as contained in the suite of documents that define the Standard.
- 1.15. “Inclusive Carbon Credit (ICC)” means a Carbon Credit token issued by the ICS that represents an absolute reduction or removal of greenhouse gases in the atmosphere. Each credit represents one tonne of carbon dioxide equivalent (tCO₂e). Recordation of an ICC in the account of the holder on the ICC IoT system is prima facie evidence of that holder’s entitlement to that ICC.
- 1.16. “International Accreditation Forum (IAF)” means the International Accreditation Forum, Inc. is the world association of Conformity Assessment Accreditation bodies and other bodies interested in conformity assessment in the fields of management systems, products, services, personnel and other similar programs of conformity assessment. “Methodology” means a set of approved rules that must be followed in the implementation of a Project. See also Component Methodology.
- 1.17. “Methodology” means a set of approved rules that must be followed in the implementation of a Project. See also Component Methodology “Project Owner” means the individual or entity that legally owns the project and has the necessary authorisation to sign this Declaration.
- 1.18. “Project Owner” means the legal owner of the Project in terms of this Declaration.
- 1.19. “Project Ownership” means the legal right to control and operate the project activities.
- 1.20. “Project Report” means the document that describes the Project.
- 1.21. “Registry, ICS Registry” means the electronic database wherein ICCs are stored. The Registry provides information relating to the ownership of Credits by providing and assigning a unique serial number for each verified Credit. The registry may be outsourced by the ICS.
- 1.22. “Renewable Energy Certificates (RECs)” means tradeable, non-tangible energy commodities that represent proof that one megawatt-hour (MWh) of electricity was generated from an eligible renewable energy resource.
- 1.23. “Termination of Project Registration” means that the Registered Project can no longer generate carbon credits (ICCs) on the ICS Platform.

2. DECLARATIONS

- 2.1. As an accredited auditor, I hereby declare that:
- 2.1.1. I have been accredited in accordance with ISO 14065: General Principles and Requirements for Bodies Validating and Verifying Environmental Information by an accreditation body that is a member of the International Accreditation Forum (IAF).
 - 2.1.2. I have completed the training programme on the ICS Platform, as required by the Environmental Integrity Committee (EIC).
 - 2.1.3. All factual information that I provide in relation to this Declaration is, to the best of my knowledge, following due inquiry true, accurate and complete in all material respects.
 - 2.1.4. I have not made or provided, and will not make or provide, false, fraudulent or misleading statements or information in relation to this Declaration.
 - 2.1.5. The Project Report and any other supporting documents, on which the Registration of a Project on the ICS Online Platform is based, are true and accurate in all material respects and do not contain any false, fraudulent or misleading statements or information.
 - 2.1.6. As an Accredited Auditor, I am responsible for reviewing project implementation and monitoring reports submitted by the Project Owner. I will ensure that the project activities meet the validation, registration, monitoring and verification requirements set by the ICS and, in doing so, may achieve certified Inclusive Carbon Credits (ICCs).
 - 2.1.7. I understand that I am the primary point of contact for the ICS regarding any comments raised by the public, Technical Subcommittee (TsC) and EIC. I will ensure that any clarification request or corrective action needed to modify project verification documents are communicated to the project owner.
 - 2.1.8. I will comply with the requirements of the ICS and uphold its integrity. I will conduct my duties with impartiality, independence, and professionalism, and will continuously assess and improve my skills and knowledge in the field of greenhouse gas emission reduction and carbon removal projects.

- 2.1.9. I have read and understood the content of this Declaration, including the Code of Conduct and Ethical Principles set forth by the ICS, and I agree to abide by them in the performance of my duties as an Accredited Auditor.
- 2.2. I hereby confirm that the Inclusive Carbon Credits (ICCs) claimed under the Project are not subject to double counting or double claiming in any way, including:
- 2.2.1. Registration under any other Carbon Standard or standard that expresses the Environmental Attribute of the Project in any form other than Carbon Credits, such as Renewable Energy Certificates (RECs) or other Guarantees of Origin (GOs).
- 2.2.2. Registration under any mandatory regulated scheme in the host country, such as an emission trading scheme or carbon tax scheme.
- 2.3. I acknowledge my responsibility to inform the ICS about any material changes to the Project or its status that might affect the declarations made in this Declaration.
- 2.4. I declare that there are no conflicts of interest in the Project that could compromise its transparency and integrity. In this respect, I or any of my affiliates do not have any potential past, immediate or future benefit from any of the following:
- 2.4.1. Consulting income for the project or the project owner, or his affiliates;
- 2.4.2. Income related to the issuance of carbon credits from the project, or any other project operated by the project owner or any of his affiliates;
- 2.4.3. Assurance of future revenue streams that may result from the successful conclusion of this audit; or
- 2.4.4. Any other benefit in any form whatsoever that may result from the successful conclusion, or not, of this project.
- 2.5. I hereby acknowledge and agree that:
- 2.5.1. In the event of any double counting or double claiming, the ICS has the right to immediately terminate the Registration of the Project and/or cancel the Inclusive Carbon Credits (ICCs) that have been double counted or double claimed.

- 2.5.2. Neither the ICS, nor any of its respective affiliates, directors, employees, agents, licensors, and/or contractors, shall be liable with respect to any claims whatsoever arising out of this Declaration or erroneous information within the Project Report submitted to the ICS Online Platform for any damages, including, without limitation, claims brought against the ICS by Accountholders, Project Owners, Accredited Auditors, or any other third party.
- 2.5.3. I have read, understood, and will abide by the ICS Rules.
- 2.5.4. The ICS has the right to amend any of the ICS Rules at any time and shall not bear any liability for loss or damage or liability of any kind sustained by the Project Owner, or any other party involved in the Project in any way under the ICS as a consequence of such amendment.

3. GOVERNING LAW

This Declaration, along with any non-contractual obligations arising out of or in connection with it, shall be governed by the laws of South Africa. The South African courts shall have exclusive jurisdiction to resolve any disputes arising from or connected with this Declaration, including disputes regarding its existence, validity, termination, or the consequences of its nullity.

4. WARRANTIES

- 4.1. I hereby warrant and declare that:
- 4.1.1. I have the legal authority and capacity to enter into and perform all obligations under this Declaration and any other associated agreements or documents.
- 4.1.2. All necessary consents, approvals, and authorisations required for the execution, delivery, and performance of this Declaration have been obtained, and I am in compliance with all applicable laws, regulations, and requirements pertaining to the Project.
- 4.1.3. I will promptly notify the ICS of any material changes or events that could adversely affect the accuracy or validity of the declarations, warranties, or information provided in this Declaration or any related documents. I will do so as soon as I become aware of any possible adverse effects and as soon as reasonably possible.

- 4.1.4. There is no pending or threatened legal proceedings, claims, or disputes against the accredited auditor that could materially and adversely affect the Project or my ability as the auditor's representative to fulfill the obligations under this Declaration or any related agreements or documents.
 - 4.1.5. I will comply with all applicable laws, regulations, and requirements related to the Project, including those concerning environmental, social, and governance matters.
- 4.2. I acknowledge and agree that any breach of these warranties may result in the termination of my appointment as auditor, the termination of the Registration of the Project, the cancellation of the Inclusive Carbon Credits (ICCs) and/or other remedies as deemed appropriate by the ICS.

5. SEVERABILITY

If any provision of this Declaration is held to be invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be severed from this Declaration, and the remaining provisions shall remain in full force and effect.

6. INDEMNIFICATION

- 6.1. I hereby agree to indemnify, defend, and hold harmless the ICS and its affiliates, directors, officers, employees, agents, and representatives (collectively, the "Indemnified Parties") from and against any and all losses, liabilities, damages, costs, and expenses, including reasonable attorneys' fees and expenses, arising out of or resulting from:
- 6.1.1. Any breach by the auditor or its employees, agents, or representatives of any representation, warranty, covenant, or obligation set forth in this Declaration or any related agreements or documents;
 - 6.1.2. Any negligent, grossly negligent, or willful act or omission by the auditor or its employees, agents, or representatives in connection with the Project or the performance of the auditor's obligations under this Declaration or any related agreements or documents;
 - 6.1.3. Any claim, demand, or action brought by a third party against any of the Indemnified Parties, to the extent that such claim, demand, or action arises out of or relates to the Project, the auditor's performance

under this Declaration or any related agreements or documents, or any breach by the auditor of its obligations, representations, or warranties contained herein or in any related agreements or documents.

- 6.2. The indemnification obligations of the auditor or its employees, agents, or representatives under this section shall survive the termination or expiration of this Declaration and any related agreements or documents.

EXECUTED on _____ by:

Name

Place

Witness

Witness

