

CS01 Governance – DRAFT



Baobab (Adansonia digitata) is an icon of the African continent. "The Tree of Life" with bark and fruit offering over 300 life-sustaining uses, is the root of many Indigenous remedies, traditions, and folklore. Unfortunately, climate change and overdevelopment have destroyed its natural habitat.



Copyright notice

© ClimatePal Services GmbH 2023; Cover page picture © Sergey Zhesterev – unsplash.com

This ClimatePal standard document is protected by copyright. It is freely available from the ClimatePal website or upon request.

No part of this copyrighted document may be changed or amended. The document may not be duplicated or copied in any form or by any means for commercial purpose without permission of ClimatePal.

Document Title: CS01 Governance Draft Version 1.0 Valid from: **tbd**

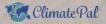


Table of Contents

1	Int	troduction	1
2	Go	al and Mission	2
3	Go	overnance Structure of ClimatePal	2
4	Sta	andard Documents and Updates	4
5	Ris	sk Management and Continuous Improvement	5
6	Gri	ievance and Dispute Resolution Mechanism	8
	6.1	General Provisions	8
	6.2	Resolution Process	9
7	No	on-Conformity and Sanctions	9
8	Cli	matePal Registry	10



Acronyms

BCP	Basic Carbon Principles
CCP	ClimatePal Carbon Principles
CDM	Clean Development Mechanism
COP	Conference Of Parties
CPC	ClimatePal Credit
GHG	Greenhouse Gases
ICVCM	Integrity Council for the Voluntary Carbon Market
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
NGO	Non-Governmental Organization
PP	Project Proponent
PDD	Project Design Document
SDG	Sustainable Development Goal
VCM	Voluntary Carbon Market
VVB	Validation and Verification Body
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change



1 Introduction

The ClimatePal carbon credit certification program (ClimatePal) is an independent standard providing a globally applicable greenhouse gas (GHG) emission reduction and removal (emissions mitigation activities) certification framework for carbon credit projects aimed at, but not limited to, the generation of carbon credits for the voluntary carbon market (VCM).

ClimatePal certifies high-integrity carbon credits ensuring additionality, verifiability, no double-counting, and permanence of the mitigated GHG emissions. Besides that, ClimatePal certifies that carbon credit projects bring further co-benefits to the environment and to local communities, with a special focus on ecosystem services provision, biodiversity enhancement, and positive social impact. These contributions can also be linked to the Sustainable Development Goals (SDGs).

ClimatePal considers and recognizes the protocols and methodologies developed by organizations like the International Organization for Standardization (ISO), the Intergovernmental Panel on Climate Change (IPCC), the Clean Development Mechanism (CDM), and the Greenhouse Gas Protocol (GHG Protocol).

The ClimatePal Standard has been developed throughout 2022 and 2023 in close alignment with the evolvement of the Core Carbon Principles defined by the Integrity Council for the Voluntary Carbon Market (ICVCM)¹ to enable the generation of high-integrity carbon credits. This facilitates a consistent and reliable application of the standard, especially with respect to high-integrity carbon credit generation, risk management, planning and conducting validation, verification, and monitoring.

This CS01 "Governance" document together with the CS02 "Standard Basics", represents the core of the ClimatePal Standard documents. The former provides an overview of the ClimatePal governance structure, the ClimatePal registry, standard documents, risk management, non-conformity cases and sanctions. The latter describes in detail the Basic Carbon Principles (BCP), ClimatePal Carbon Principles (CCP), and the certification procedure.

The terms and roles included in this document shall be considered relevant for all carbon credit project activities related to ClimatePal. They apply to ClimatePal as a whole, to cooperating Validation and Verification Bodies (VVB), Project Proponents (PP), as well as any other parties using this standard.

The core Standard Documents are accompanied and supported by a complete set of documents and templates guiding the involved parties in all steps of the certification procedure. For the sake of integrity and authenticity

Certification framework

High-integrity carbon credits

References

Core Carbon Principles

Scope of the document

Application of terms

Related documents



¹ The Integrity Council for the Voluntary Carbon Market is an independent governance body for the voluntary carbon market. The mission of the ICVCM is the promotion of integrity, liquidity and growth of the global voluntary carbon market.

the rules and transparent norms in this Governance document shall be followed along with the prescriptions provided in all the other documents and templates available on the ClimatePal website.

2 Goal and Mission

ClimatePal aims at mitigating GHG emissions while simultaneously promoting Sustainable Development in line with the UN Agenda for 2030, through the implementation of reliable and transparent carbon credit projects. ClimatePal certifies high-integrity carbon credits in terms of reliable climate change mitigation, ecosystem services provision, biodiversity protection, positive social impact, and SDGs contribution. ClimatePal's mission in the VCM is to advance, facilitate and incentivize the development of carbon credit projects bringing integrity and reliability to the market.

3 Governance Structure of ClimatePal

The governance structure (Figure 1) of ClimatePal consists of the following main bodies:

- Advisory Board
- Expert Committee
- ClimatePal Services GmbH

Activities of ClimatePal are supervised by the Advisory Board (Board). The Board is chosen from the ClimatePal stakeholders. ClimatePal's stakeholders are individuals or groups that have an interest in ClimatePal activities and share its goal. Those include carbon credit Project Proponents, Non-Governmental Organizations (NGOs), research institutions, carbon credit resellers and traders, and compensators. During annual meetings, the members of the Board, discuss, and decide on strategically important matters. The Board oversees ClimatePal activities, takes part in strategical meetings, and guides the development of the standard. On the next stages of its development, ClimatePal intends to create the not-for-profit ClimatePal Association (or ClimatePal e.V.). The ClimatePal Association will be the legally registered body responsible for guiding ClimatePal's strategic decisions, and for unifying and representing ClimatePal's stakeholders.

The Expert Committee (Committee) includes experts in the fields of forestry, agriculture, tech-based solutions, GHG emissions and carbon accounting. The Committee may consist of the Board members, VVB representatives and external experts. The Committee provides a peer review of project documents, new methodologies, and ClimatePal standard documents. It also supports the development of ClimatePal.

The ClimatePal Services GmbH (ClimatePal Services) is the operational body of ClimatePal. It is a private company registered in Germany. The functions of ClimatePal Services are:

Goal and mission

Governance structure

> Advisory board

> > Expert committee

ClimatePal administration

- The day-to-day operation, management, development, and continuous improvement of ClimatePal
- Issuance of ClimatePal certificates
- Provision and maintenance of the certification and registration of carbon credit projects
- Approval of VVBs
- Development and organization of events and trainings
- Approval or development of new methodologies for carbon credit projects
- Maintenance of the ClimatePal registry

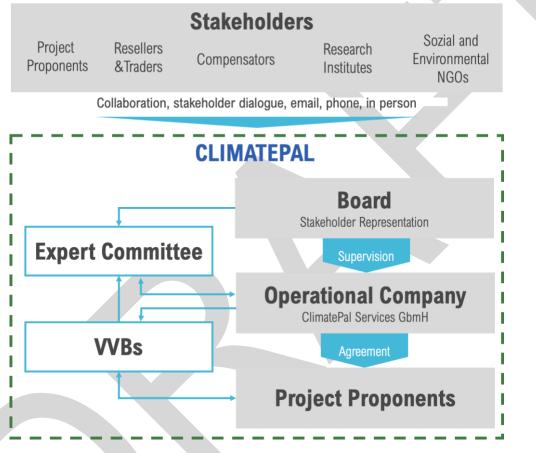


Figure 1. Governance organizational structure.

ClimatePal-approved VVBs are part of ClimatePal's stakeholders. However, VVBs cannot become members of the ClimatePal Association, to avoid any potential conflicts of interest and to ensure their role as independent third parties. Nevertheless, representatives of VVBs can participate in the Expert Committees and other ClimatePal-organized events.

ClimatePal organizes regular meetings and trainings for the approved VVBs, to share feedback and practical experiences regarding the application of ClimatePal, discuss best practices, identify and mitigate potential risks, and contribute to the continuous improvement of ClimatePal.

VVBs

4 Standard Documents and Updates

ClimatePal relies on two core documents, namely Governance and Standard Basics, which contain Basic Carbon Principles (BCPs), ClimatePal Carbon Principles (CCPs), certification procedure, different responsibilities, and guidelines applicable to ClimatePal as a whole. These two documents complement each other and can be accessed via the ClimatePal website.

In the event of newly developed documents or any fundamental changes or adjustments to any existing documents, ClimatePal will publish the respective updated version on the website and will also communicate the changes.

To facilitate reliable and consistent audits, ClimatePal prescribes specific procedures to VVBs which must be used prior to and/or during the validation/verification process. Validation is an assessment of the project documentation and their compliance with the BCP and CCP requirements, while verification is the assessment of the actual determination of the monitored GHG emissions reductions or removals that occurred as a result of the project implementation and actual project compliance with requirements and criteria. These procedures are supported by a set of templates, detailing the requirements to be addressed and checked. These documents and templates are published on the ClimatePal website and duly provided by ClimatePal to the VVBs and Project Proponents prior to the processes of validation, monitoring, and verification.

Table 1 provides the full list of the available ClimatePal standard documents and templates to facilitate the carbon credit project registration, evaluation, validation, verification, monitoring, and issuance of ClimatePal Credits (CPCs). Some documents, such as Governance and Standard Basics, have general applicability and constitute the reference for all project participants and certification users. Other documents and relevant templates must be applied by the specific project participants (e.g., Project Proponent, VVBs, etc.) as specified in Table 1. All the documents in Table 1 are valid for all project types.

Code	Document Name	Document Type	Applicability
CS01	Governance	Standard Document	General
CS02	Standard Basics	Standard Document	General
CS03	Requirements for Validation and Verification Bodies	Standard Document	VVBs
CS04	Risk Management	Standard Document	General
CS05	Registry Terms of Use	Standard Document	General
CS06	Registry Guidance	Standard Document	General
CT01	Concept Note	Template	Project Proponent

Core documents

Adjustments and updates

Validation and verification documents

Documents and templates

CT02	Project Design Document	Template	Project Proponent
СТ03	Validation/Verification Body application form	Template	VVBs
СТ04	Validation Report	Template	VVBs
CT05	Monitoring Report	Template	VVBs
СТ06	Verification Report	Template	VVBs
СТ07	Cooperation Agreement	Template	VVBs

Table 1. ClimatePal standard documents

The latest versions of all the ClimatePal standard documents and templates are available on the ClimatePal website. These documents and templates can be identified by a unique document code to identify the type of the document, a progressive number, and name (e. g., CS01_Governance).

5 Risk Management and Continuous Improvement

ClimatePal prescribes incorporating the risk assessment and mitigation measures for every carbon credit project as a part of the standard's risk management and continuous improvement process. The risk exposure varies significantly for different projects, based on the project type, location, project activity and the duration of the carbon crediting period. The project activity and the carbon crediting period directly depend on the methodology applied. The approved methodologies (e.g., CDM methodologies) include some guidance for the risk assessment of specific project types which need to be followed. If none of the existing methodologies are applicable to the relevant project activity, a new methodology along with a new risk assessment approach shall be developed.

In this case, before the application, the Project Proponent shall submit the new methodology and the respective risk assessment approach to ClimatePal for approval (more details on the methodology approval process are in the CS02 "Standard Basic" document, chapter 3.10). The risk assessment should also follow the CS04 "Risk Management" guideline, using the supporting ClimatePal risk assessment tool available on the ClimatePal website.

Furthermore, in ensuring risk management and safeguards, wherever it is applicable to implement within the carbon credit project, ClimatePal recommends utilizing the high-resolution remote sensing assessment data from Global Risk Assessment Services (GRAS). GRAS provides relevant sustainability information about biodiversity, carbon stock, land use change, deforestation, or social issues allowing to conduct transparent and comparable analyses for the specific area of interest. Available documents

Project risks management

Risk assessment and monitoring



In developing and running a carbon credit project, ClimatePal mandates Project Proponents to report any current loss events and attempt to predict and prevent any future emission reversal incidence. ClimatePal refers to these risks as risks of non-permanence. The risk assessment must be reassessed every 1 to 5 years, based on the project type and methodology. Although with proper reason mentioned, ClimatePal reserves the right to ask for an intermediate risk assessment at any time.

It is mandatory to ensure the long-term permanence of the carbon credits also as a safeguard even after the crediting period ends. The minimum permanence period of carbon credits under ClimatePal is set to 30 years. The buffer pool serves as safeguard mechanism that allows to save a certain percentage of the total credits generated by a project to guarantee that, in case of any reversal, the GHG emission reductions or removals will be replaced or compensated. Based on the non-permanence risk assessment, a certain percentage of the CPCs shall be allocated to the buffer pool, for any emissions reversal compensation. The percentage of CPCs to set aside depends on the risk exposure of the project (more details on the buffer pool allocation can be found in CS02 "Standard Basics" document, chapter 3.14).

ClimatePal is committed to a continuous improvement of its standard. Core features of the risk management within ClimatePal are:

- Benchmarking processes. ClimatePal regularly conducts internal benchmark processes comparing different carbon credit standards. ClimatePal uses the results and the feedback provided by parties involved with ClimatePal and other stakeholders to further develop and continuously improve. ClimatePal is also engaging in review and rating initiatives on a carbon crediting program level, such as ICVCM, CCQI or ICROA, to collect and act on recommendations.
- ClimatePal Training Program. ClimatePal develops a specific training program for VVBs, Project Proponents, and other interested stakeholders. The training aims at ensuring consistent validation, verification, monitoring processes, giving guidance on how to make requests for credits issuance and retirement in the registry, updating participants on the latest requirements, receiving feedback, and stimulating discussion for further improvement.
- Requirements for VVBs and feedback mechanisms. The requirements to become ClimatePal-approved VVBs are specified in the CS03 "Requirements for Validation and Verification Bodies" document. ClimatePal also organizes meetings with representatives of the recognized VVBs. The aim of those meetings is to exchange practical feedback and experiences from the validation and verification procedures, discuss best practices, identify potential risks, and facilitate improvements to the standard.

Non-permanence risk assessment

Buffer pool mechanism

ClimatePal risks management

Benchmarks

Training program

VVB improvement

- Stakeholder service. Project Proponents and other stakeholders can always contact ClimatePal directly via email or phone to submit questions, concerns, and general feedback.
- Corporate Code of Conduct and CSR. ClimatePal has its Corporate Code of Conduct that sets the basic rules of daily cooperation and serves as a guideline for acceptable behavior. Additionally, the Corporate Code of Conduct lays out the basic rules for combating corruption, prohibition of money laundering, anti-bribery, fair competition and purchasing, avoidance of conflict of interest, fair employment and job security, data protection and IT security, as well as for ensuring corporate social and environmental responsibility (CSR) for gender equity, health and safety in the workplace, respecting human and labor rights, and the environment. The Corporate Code of Conduct is written in accordance with relevant German and EU laws and norms as well as considering relevant regulations of countries where ClimatePal operates.
- Annual reporting. ClimatePal conducts annual reporting of the revenues, expenses over the past year and provides an overview of the ongoing certified projects and any changes in the governance structure. This is additional to the obligations of financial reporting under the German law and the public reports accessible at the German Federal Gazette.
- Internal monitoring. ClimatePal continuously monitors and documents the compliance of Project Proponents and VVBs. The internal monitoring of ClimatePal consists of three pillars:
 - Internal document review. ClimatePal constantly reviews and cross-checks all documents submitted by the VVBs and Project Proponents. Non-conformities found during this review are documented and directly communicated by ClimatePal to the respective party.
 - Disputes resolution. The consideration and handling of disputes is an essential part of certification reliability and continuous improvement (more details are given in chapter 7).
 - Complaints from external parties. In case any non-conformity of project proponents or VVBs is reported by external parties, ClimatePal is committed to investigating and evaluating the issues in a thorough manner (more details are given in chapter 8).

Stakeholder engagement

Internal monitoring

🖏 ClimatePal

7

6 Grievance and Dispute Resolution Mechanism

A grievance refers to the complaint made by a ClimatePal employee regarding the work policy or conditions.

A dispute refers to the event of disagreement between two or more parties (individual or organization), which relates to the activities under ClimatePal. Disputes can arise at different levels, between stakeholders, organizations, or individuals regarding the procedures of a project certification under ClimatePal, validation/verification, and project implementation. Complaints also can escalate into disputes if not handled appropriately. ClimatePal has procedures to properly address complaints and disputes in a manner that is transparent, equitable, and timely. Clear, definite, and transparent rules to deal with submissions of complaints and disputes are prerequisites for unprejudiced and prompt handling and resolution.

6.1 General Provisions

Complaints and disputes resolution follows a unified process under ClimatePal. Disputes and complains submitted to ClimatePal should meet the following criteria:

- The reason for the dispute/complaint is reasonable and substantive.
- The dispute/complaint should be submitted to ClimatePal in writing and contain basic information, including the name and organization applying. In case the applicant intends to remain anonymous throughout the further process, the applicant must provide a reasonable explanation for this request.
- The dispute/complaint should be submitted to ClimatePal email addressing the ClimatePal Services at public@climatepal.org.
- The submitted dispute/complaint must be accompanied by documents indicating the circumstances of the situation to give a clear idea and an unambiguous understanding of the situation. Supporting documentation should include a summary of the issues and relevant affected stakeholders/parties.

Disputes and complains are considered unacceptable if:

- Requirements for form and content are not met. This includes, for example, disputes/complaints that are not sufficiently supported by objective evidence necessary to obtain a clear picture and unambiguous understanding of the situation.
- The dispute/complaint seeks to lift sanctions imposed by ClimatePal in connection with violations of ClimatePal Standard requirements (see chapter 8).

Grievance explained

Dispute explained

Submission process

Unacceptable conditions



• The dispute/complain does not explicitly relate to ClimatePal, or activities conducted within the framework of ClimatePal.

6.2 Resolution Process

ClimatePal decides on accepting the validity of the dispute/complaint submitted. The dispute/complaint will be analyzed, investigated, and decided on by ClimatePal on a case-by-case basis. The applicant will be immediately informed of the decision made and further actions. When investigating the reasons for the dispute/complaint, ClimatePal has the right to contact affected and interested parties and request supporting evidence, documentation, or statements to achieve a sufficient understanding of the situation. ClimatePal first endeavors to resolve such conflicts amicably and in a timely manner.

If the applicant does not agree with the decision made by ClimatePal, the applicant has the right to appeal it. Appeals against a decision must be filed within 10 working days after the applicant receives the response by ClimatePal. In this case, ClimatePal will re-evaluate the dispute. If necessary, ClimatePal may create a special Council, which will be responsible for the further investigation of the dispute/complaint.

This Council is implemented by the ClimatePal Advisory Board and consists of three members. Members of the Council shall be free from any conflict of interest related to the dispute/complaint. In critical cases, the Council may consult with an independent expert. If the involved parties have doubts about the neutrality or qualifications of the expert, doubts should be submitted to the Council before the final decision is made.

The decision of the Council requires a simple majority and should be made within 6 months after the receipt of the dispute. The decision of the Council shall be documented in a report, to be submitted to the ClimatePal Advisory Board. The report should include recommendations for further consideration and resolution of the dispute. The ClimatePal Advisory Board then decides, based on the Council's report, whether to accept, continue or resolve the dispute. The decision of the ClimatePal Advisory Board is communicated to ClimatePal. Decisions made by the ClimatePal Advisory Board when considering a complaint or appeal are binding and complete ClimatePal dispute resolution process. ClimatePal presents the results to the involved parties.

7 Non-Conformity and Sanctions

Non-conformity means a project's failure to comply with crediting requirements and/or Basic Carbon Principles and/or ClimatePal Carbon Principles. Examples include but are not limited to:

Resolution process

Appeal of the decision

Council formation

Disputes resolution by Council

Non-conformity explained



- Certification of a project under more than one carbon credits certification programs and, as a result, issuance of carbon credits to another registry (promotion of "double counting")
- Events when emissions mitigation cannot be fully validated, monitored or verified
- Negligence of project leakage if present
- Provision of false emissions mitigation activities within the project boundary

Non-conformities can also be submitted in the form of complaints from external parties to the ClimatePal email address. ClimatePal then will investigate such information and take immediate action.

The Project Proponent shall report any potential or actual non-conformity no later than 30 days after the non-conformity is discovered. ClimatePal will initiate the review process with the possible inclusion of an independent investigation. During the investigation, ClimatePal has the right to suspend the project registration and certification process including the issuance and retirement of carbon credits.

ClimatePal will decide which actions the Project Proponent should take in response to the non-conformities. If non-conformities are not appropriately addressed, sanctions can be applied. For example, the registration process will be stopped, as well as the issuance of the carbon credits from the respective project. For already registered projects, the "certified" status can be withdrawn.

8 ClimatePal Registry

The ClimatePal Registry is the main database storing all the data on ClimatePal certified projects and carbon credits for certification and transactional purposes. The main goal of the ClimatePal registry is tracking all activities of a project, ensuring full transparency during the certification process and the transparency of carbon credits issuance, transfers and retirement, to ultimately avoid double-counting and erroneous issuance of carbon credits. The ClimatePal registry features full compliance with enacted data protection regulation, robust security and reliable data storage, regular security audits, and system backups. These mechanisms ensure that all project and Project Proponents data, as well as carbon credits transaction information, are protected, fully secured, and traceable.

The ClimatePal registry performs the following functions:

• It tracks the chain of custody of carbon credits, including issuance, the attribution of a serial number, transfers, and retirement.

Report of non-conformity

Sanctions

Registry operation

Submission process

Registry goal

- It provides comprehensive and easily accessible project documents (e.g., PDD, verification reports, etc.) and information (e.g., project location, host country authorization, vintage, methodology type, etc.). This allows monitoring, for example, the project status and the details of the issued and retired credits.
- It provides full transparency on the carbon credits issuance mechanism of each project including attributes to identify carbon credits that are issued ex-ante.
- It collects public comments during the public consultation period for a carbon credit project.
- It holds non-tradable carbon credits put aside as buffer pool to eventually compensate emission reversals that might occur during the project development.

ClimatePal ensures a robust legal framework of the registry operation through registry terms of use and a legal agreement that set out further requirements in respect of interactions with the registry.

Project Proponents and resellers are requested to have an account in the registry and have obligations related to the issuance (request for issuance of CPCs can be done by the PP only), transfer and retirement of carbon credits. Prior to the opening of an account in the Registry, ClimatePal conducts a KYC (Know Your Customer) verification, to ensure the security and reliability of the information provided by the applicant. KYC procedures are an essential part of the Registry users onboarding process.

All account holders should:

- Pass the registration process by providing all necessary documents
- Agree to the legal requirements regarding the use of the registry, as set out in the CS05 "Registry Terms of Use" document
- Maintain the registry account in accordance with specific rules

The detailed rules and requirements for different types of accounts can be found in the CS05 "Registry Terms of Use" and CS06 "Registry Guidance" documents.

Legal underpinning

Registry account