

**TWENTY- EIGHTH PROGRESS REPORT  
OF THE  
CDM ACCREDITATION PANEL (CDM-AP)**

**Thirty-Eighth Meeting of the CDM-AP  
11 - 13 November 2008**

CONTENTS

		<i>Paragraphs</i>	<i>Page</i>
I.	INTRODUCTION.....	1	2
II.	EXPERT RESOURCES.....	2	2
III.	STATUS OF APPLICATIONS.....	3–7	2
IV.	INDICATIVE LETTERS AND RECOMMENDATIONS FOR ACCREDITATION.....	8	2
V.	OTHER RECOMMENDATIONS.....	10–11	3
VI.	KEY ISSUES UNDER CONSIDERATION.....	12	3
VII.	FURTHER SCHEDULE OF THE CDM-AP.....	13	3

Annexes

Annex: Draft Document on Elaboration of Accreditation Standard

## **I. Introduction**

1. This twenty-eighth progress report covers the period from 10 October 2008 to 13 November 2008. During this period the accreditation panel (CDM-AP) held one meeting.

## **II. Expert Resources**

2. The CDM-AP due to time constraints and priority for other policy and procedural issues could consider this agenda item at this meeting. The CDM-AP agreed to consider this item at its next meeting.

## **III. Status of applications**

3. The total number of active applications currently under consideration by the CDM-AP is forty-one (41). It may be noted that three (3) applications are withdrawn.

4. In terms of geographical distribution out of the forty-one (41) applications under consideration, highest number of applications are from Asia and Pacific region twenty (20) followed by Western Europe and Other regions eighteen (18). Two (2) applications are from Latin America and Caribbean region and one (1) from the African region. Nine (9) applicants from the Asia and Pacific region, two (2) from Latin America and Caribbean region and one (1) from the African region are from Non-Annex I Parties (Republic of Korea four (4), Malaysia two (2), China four (4), Colombia, Brazil and South Africa). Thus a total of twelve (12) applications are from Non-Annex I Parties and one (1) from an Annex I Party with an economy in transition (Romania).

5. The Executive Board may wish to note that the CDM-AP has issued indicative letters to thirty-three (33) applicant entities. It indicates that these entities have successfully passed through the stage of desk review and on-site assessment and require witnessing activities to complete their accreditation. In these thirty-three entities (33), eighteen (18) entities are already accredited for validation functions and eight (8) for verification functions, covering a wide range of sectoral scopes. There is at least one (1) DOE for each sectoral scope. It also indicates that there are twelve (12) entities which have been issued indicative letters but these entities have not managed to propose required witnessing activities in order to complete their accreditation process.

6. With regard to the status of work of remaining entities, five (5) entities are implementing corrective actions. Four (4) entities are undertaking witnessing activities for validation functions and two (2) for verification functions.

7. The CDM-AP in this meeting considered the progress of the assessment work for eleven (11) DOEs that applied for re-accreditation. Out of these eleven (11) entities, for five (5) DOEs desk reviews and on-site assessments have already been successfully completed, three (3) DOEs are implementing corrective actions after on-site assessments and remaining three (3) are at the stages of desk reviews and coordination of their on-site assessments.

## **IV. Indicative letters and recommendations for accreditation**

8. The CDM-AP considered two cases of issuance of indicative letters and after deliberations agreed to issue an indicative letter to the entity “Swiss Association for Quality and Management Systems” (SQS). Indicative letter to the second entity has not been issued due to need for more information. The CDM-AP agreed to consider the case at its next meeting. The CDM-AP also considered one case of phased accreditation in this meeting. The recommendation of the CDM-AP on this case has been submitted for the consideration of the Executive Board under confidentiality.

9. The CDM-AP considered two (2) cases of regular surveillance of entities and two requests from entities for withdrawal of their applications for accreditation. The requests for withdrawal of applications for accreditation are submitted for the approval of the Board.

### **V. Other recommendations**

10. Following the decision of the Executive Board at its forty-second meeting, to make the draft accreditation standard document publicly available for comments, the CDM-AP has prepared a revised version of the document. The revised version has been prepared by taking into consideration the public comments received. The draft document is contained as an annex to this report.

11. The CDM-AP, following the practice of previous years, has prepared a synthesis report of annual activity reports submitted by the DOEs. Due to confidential nature of the information in the report, the synthesis report is submitted to the Board under confidentiality separately.

### **VI. Key issues under consideration**

12. Following key issues are under the consideration of the CDM-AP:

- (a) The CDM-AP, following the request of the Executive Board from its forty-second meeting, held a detailed discussion and consideration of the revision of the CDM accreditation procedure. The Board may wish to note that the CDM-AP due to time constraints could not finalize its consideration of the procedure at this meeting and agreed to continue its consideration of the procedure at its next meeting and submit for the consideration of the Board at its forty-fifth meeting.
- (b) Revision of assessment forms to include improvements based on the Board decisions and clarifications that affect the accreditation criteria;
- (c) Policy framework for addressing DOEs noncompliance with accreditation requirements in a systematic manner;
- (d) Preparations for making a call for project design documents to be utilized in assessing the performance of AEs;
- (e) Development of model studies and projects to be utilized during the on-site assessment in order to assess the competencies of AEs to undertake validation and verification functions in specified sectoral scopes;
- (f) Modalities of cooperation with Joint Implementation accreditation process are being developed so that both processes can share information and experiences among each other.

### **VII. Further schedule of the CDM-AP**

13. The Board may wish to note that thirty-ninth meeting of the CDM-AP is scheduled on 14 - 16 January 2008, in Bonn, Germany..

-----

**DRAFT**

Annex A of twenty-eighth CDM-AP progress report

**ELABORATION  
OF  
CDM ACCREDITATION REQUIREMENTS**

# DRAFT

-2

## CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. ABBREVIATIONS .....		4
II. INTRODUCTION .....	1–14	5
A. Objective and Scope .....	1–3	5
B. Terms and Definitions .....	4–14	5
III. LEGAL ISSUES .....	15–16	6
IV. HUMAN RESOURCES AND COMPETENCE .....	17–57	7
A. Sufficiency of human resources .....	17–22	7
B. Competence .....	23–32	8
C. Management process of human resource .....	33–57	10
V. LIABILITY AND FINANCE .....	58–62	14
A. Financial stability .....	58–60	14
B. Liability .....	61–62	14
VI. PROCESS REQUIREMENTS .....	63–79	14
A. General requirements .....	63	15
B. Contract review .....	64–68	15
C. Selection of the team for validation/verification functions .....	69–73	16
D. Allocation of human resources for a specific validation/verification function .....	74–75	16
E. Planning and preparation for validation/verification functions ....	76–79	17
VII. INFORMATION MANAGEMENT .....	80–83	18
A. General .....	80	18
B. Information to be made available in public domain .....	81	18
C. Information to be made available to the CDM EB .....	82–83	19
VIII. AE's/DOE's ORGANIZATION .....	84–88	19
A. General .....	84	19
B. Organizational structure .....	85–86	19
C. AE's/DOE's management .....	87–88	20
IX. QUALITY MANAGEMENT SYSTEM .....	89–114	20

# DRAFT

-3

A. General .....	89–90	20
B. Responsibility of top management .....	91–92	21
C. CDM quality manager .....	93	21
D. Document and record management system .....	94–101	21
E. Internal audits .....	102–104	22
F. Managing non-conformities in operation.....	105–106	23
G. Corrective and preventitive actions .....	107–110	23
H. Management review .....	111–114	24
X. HANDLING COMPLAINTS .....	115–123	25
A. Complaints.....	115–118	25
B. Disputes.....	119–120	26
C. Appeals.....	121–123	26
XI. PENDING JUDICIAL PROCESS.....	124–125	27
XII. SAFEGUARDING IMPARTIALITY .....	126–134	28
A. General.....	126–129	28
B. Safeguarding imparality.....	130–134	30
XIII. CONFIDENTIALITY MANAGEMENT .....	135–137	31
ANNEX A. LIST OF SECTORAL SCOPES .....		33
ANNEX B. GUIDELINES FOR THE PREPARATION OF THE ANNUAL ACTIVITY REPORT BY A DOE TO THE EXECUTIVE BOARD.....		34

# DRAFT

-4

## I. Abbreviations

AE/DOE	Applicant entity/Designated Operational Entity
CDM AP	CDM accreditation panel
CDM AT	CDM assessment team
CDM EB	CDM Executive Board
CDM PP	CDM project participants
CDM PA	CDM project activities
CDM M&P	Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, Decision 3/CMP.1
COP/MOP	The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
DNA	Designated National Authority
GHG	Green House Gases
PDD	Project design document
V&V	Validation and verification

## II. Introduction

### A. Objective and Scope

1. The purpose of this document is to facilitate and promote common understanding and consistent implementation of the CDM accreditation requirements by providing users with a compilation of all the CDM accreditation requirements in a single document.
2. The CDM accreditation standards described in Appendix A to Decision 3/CMP.1 (CDM M&P) specify the requirements applicable to AEs and DOEs. An AE/DOE shall also comply with the requirements described in other sections of the CDM M&P and in the decisions and/or clarifications issued by COP/MOP and the CDM EB as detailed below in paragraph 6. The text of each requirement described in Appendix A to the CDM M&P and related references in the CDM M&P is provided in a text box and the relevant elaboration of each such requirement is provided immediately after the text box.
3. For mandatory provisions, the term “shall” is used throughout this document. The term “should” is used for indicating a typical means for meeting a requirement, and if the AE/DOE uses alternative means, it shall provide a suitable and adequate justification for the alternative means.

### B. Terms and Definitions

4. The definitions provided in the “Glossary of CDM terms<sup>1</sup>” shall apply. For terms specific to the CDM accreditation process that are not defined in the “Glossary of CDM terms,” the definitions below shall apply.
5. CDM accreditation: Formal confirmation by the CDM EB of an AE’s/DOE’s institutional capacity and competence to carry out the CDM validation and/or verification/certification functions in accordance with CDM accreditation requirements.
6. CDM accreditation requirements: The CDM accreditation requirements are described in the following documents:
  - (a) Appendix A to the CDM M&P;
  - (b) Section E “Designated operational entities” of the CDM M&P;
  - (c) Section G “Validation and registration” of the CDM M&P;
  - (d) Section I “Verification and certification” of the CDM M&P; and
  - (e) Relevant decisions issued by the COP/MOP and/or the CDM EB including relevant provisions of the accreditation procedure.
7. Complaints: Formal (written) and/or informal (verbal) expressions of dissatisfaction regarding the performance of an AE/DOE in relation to its CDM function, from any source, such as the CDM client’s organization (CDM PP), the general public or its representatives, government bodies, NGOs, etc.
8. Disputes: Disagreement between an AE/DOE and the project participant regarding an AE’s/DOE’s recommendation and/or opinions/decisions made at various stages during the validation and/or verification/certification functions.
9. Appeals: A CDM client’s organizations (CDM PP) request for a review by an independent body of various decisions taken by an AE/DOE in respect of validation, verification/certification functions.

---

<sup>1</sup> For glossary of CDM terms see <<http://cdm.unfccc.int/Reference/glossary.html>>

10. Related body: An organization and/or body related to an AE/DOE on the basis of common ownership and/or governance, personnel, shared resources, finances, contracts, marketing and payment of commission or other inducement for bringing in business or the referral of new clients, etc.
11. Validation/verification team: One or more validators and/or verifiers performing validation and/or verification/certification functions. The validation/verification team may be supported by technical experts. One validator/verifier must be appointed as the validation /verification team leader.
12. Validator/verifier: A person with competence to perform the validation/verification activity in a validation/verification team.
13. Technical expert: An expert who provides specific knowledge or experiences to the validation/verification team, and a technical expert does not act as a validator/verifier in the validation/verification team.
14. DOE (Designated operational entity): An entity designated by the COP/MOP, based on the recommendation by the CDM EB, as qualified to validate proposed CDM project activities as well as verify and certify reductions in anthropogenic emissions by sources of GHG (greenhouse gases) and net anthropogenic GHG removals by sinks. A DOE shall perform either validation or verification/certification functions related to a CDM project activity. Upon request, the CDM EB may however allow a single DOE to perform all these functions for a single CDM project activity.

### III. Legal issues

*Appendix A to the CDM M&P*

1. An operational entity shall:
  - (a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

15. An AE/DOE shall be a legal entity under applicable national and/or international law so that it can function legally, enter into contracts, make decisions independently and may be sued for failure to perform as agreed in the contract.
16. The requirements with reference to various situations that could arise regarding the organizational structure and legal status of an AE/DOE are specified as below:
  - (a) The accreditation shall be granted to a legal entity irrespective of whether the entire organization or a part of it performs the validation/verification functions;
  - (b) The accreditation shall be confined to the functions, scopes and site assessed by the CDM-AT as identified by an AE/DOE in its organizational structure and as indicated in its completed application for accreditation form;
  - (c) If the validation and/or verification/certification functions are carried out only by a part of a legal entity, the CDM AT shall examine all other activities of the legal entity that might affect its CDM operations, in particular, for potential conflicts of interest, independence and impartiality; and
  - (d) Only the site that has been visited during the on-site assessment shall assume full responsibility(ies) for decision-making regarding validation, verification and

certification. This site shall also assume full responsibility(ies) for management review, contract review, signing of the CDM related contractual arrangements, validation reports, verification/certification reports, requests for registration/issuance and other relevant documents as well as resources allocation. This does not exclude utilization of validator, verifier, or technical expert for other activities under due contractual arrangements.

## IV. Human resources and competence

### *Appendix A to the CDM M&P:*

1. An operational entity shall:
  - (b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;  
AND
  - (f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:
    - (i) The modalities and procedures and guidelines for the operation of the CDM, and relevant decisions of the COP/MOP and of the Executive Board;
    - (ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project functions, as appropriate;
    - (iii) The technical aspects of CDM project functions relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;
    - (iv) Relevant environmental auditing requirements and methodologies;
    - (v) Methodologies for accounting of anthropogenic emissions by sources;
    - (vi) Regional and sectoral aspects;  
AND
  - (g) An applicant entity shall make available:
    - (v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance.

### A. Sufficiency of human resources

17. An AE/DOE shall have documented procedures to determine sufficient resources with the necessary competence in order to meet the CDM accreditation requirements related to the validation and/or verification/certification functions that the AE/DOE undertakes or proposes to undertake.

18. An AE/DOE shall ensure that it has deployed sufficient resources relating to the type, range and volume of present and future estimated/planned workload.
19. The sufficiency of resources should be evaluated at least annually based on the different technical areas within the CDM sectoral scopes<sup>2</sup>, geographical locations of projects and expected volume of its validation and/or verification/certification functions. This evaluation may be based on past performance, future business projections and specific technical areas of all relevant sectoral scopes listed in the “List of sectoral scopes”<sup>3</sup>.
20. The evaluation should enable an AE/DOE to plan and demonstrate that required human resources remain sufficient for its validation and/or verification/certification functions.
21. The personnel carrying out validation and/or verification/certification functions, irrespective of whether employed full time or part time on contract, shall be under the supervision of a responsible senior executive of an AE/DOE.
22. An AE/DOE may fulfil its requirements for sufficient resources either through internally recruited resources, by employing individuals on a short-term contract basis (validators, verifiers and/or technical experts) and/or by making use of external human resources through subcontracting.

## **B. Competence**

### **1. General**

23. The resources arranged by an AE/DOE shall cover all activities related to its CDM functions, both at the management and validation/verification team level.
24. An AE/DOE shall ensure the availability of technical expertise for specific CDM technical and methodological aspects, in particular, knowledge and understanding of the items specified in paragraph 1.(f)(i) through (vi) of Appendix A to the CDM M&P.
25. An AE/DOE shall also ensure knowledge and understanding of the CDM requirements, including the skills to perform validation/verification, and personal attributes to act in accordance with the applicable auditing principles, procedures and techniques.

### **2. Competence for management functions**

26. An AE/DOE shall ensure management competent to:
  - (a) Assessment of human resource requirements;
  - (b) Qualification of the personnel;
  - (c) Assessment of applications and conduct of contract reviews;
  - (d) Selection of validation and/or verification/certification team members and independent technical review personnel; and verification of their competence;
  - (e) Maintaining competence level of validation and/or verification/certification personnel and arranging any necessary training;
  - (f) Supervision of implementation of validation and/or verification/certification procedures;
  - (g) Decision-making on validation and/or verification/certification functions;

---

<sup>2</sup> Please refer to the Annex A of this document for the list of sectoral scopes.

<sup>3</sup> List of sectoral scope (CDM-ACCR-06) <<http://cdm.unfccc.int/DOE/scopelst.pdf>>

- (h) Overall management of an AE's/DOE's functions and its impartiality related activities; and
- (i) Implementation of overall quality management system.

### 3. Competence for Validation/verification team

27. An AE/DOE shall ensure that individual validator/verifier meets the following competence requirements:

- (a) The ability to apply the knowledge and understanding described below, gained through the education, work experience, auditor training and the CDM related work experience described in paragraph 37; and
- (b) The personal attributes<sup>4</sup> and application of auditing techniques.

28. An AE/DOE shall ensure that members of validation/verification team collectively have knowledge and understanding in the following areas:

- (a) The Kyoto Protocol, CDM M&P, the relevant decisions of COP/MOP and the CDM EB, and the CDM project cycle;
- (b) In relation to the CDM project activities, the technical processes, the project design, methodologies, baselines, additionality, boundaries, calculation of GHG, environmental impacts, financial aspects of the CDM project activities, monitoring requirements etc, as relevant to technological areas within the sectoral scopes in which an AE/DOE is active or plans to be active;
- (c) Technical and operational aspects of a project activity in the sectoral scope applied for;
- (d) Quantification, monitoring and reporting of GHG emissions, including relevant technical and sector issues;
- (e) Regulatory requirements relevant to sectoral scopes and project activities;
- (f) Knowledge of Climate change mitigation aspects and related issues relevant to the sectoral scope applied for; and
- (g) Issues related to various aspects of CDM project function in general.

29. In addition to the above areas of knowledge and understanding, validators/verifiers shall possess personal attributes that would enable them to apply relevant auditing principles, procedures and techniques.

30. A validation/verification team member shall be able to:

- (a) Plan and organize the work effectively and conduct the work within the agreed time schedule, to prioritise and focus on matters of significance;
- (b) Collect information through effective interviewing, listening, observing and reviewing documents, records and data;

---

<sup>4</sup> Personal attributes refer to characteristics to enable individuals to act in a manner that facilitate the validation/verification works. The validator/verifier should be ethical, open-minded, observant, perceptive, versatile, tenacious, decisive, and self-reliant.

# DRAFT

-10

- (c) Verify accuracy of collected information and confirm the sufficiency and appropriateness of gathered evidence to support audit findings and conclusions and prepare audit reports; and
- (d) Communicate effectively, either through personal knowledge of the language or through help of an interpreter.

31. In addition to the above, the designated team leader shall have the following additional knowledge and skills in team leadership to facilitate the efficient and effective conduct of the validation/verification functions:

- (a) Plan and make effective use of human resources during the function;
- (b) Represent the validation/verification team in communications with PPs and organize and direct team members;
- (c) Manage the validation/verification functions and lead the team to reach conclusions on various aspects of validation/verification process; and
- (d) Prevent and resolve conflicts, if any, prepare and complete the validation/verification report and handle all the possible follow-up actions, as appropriate.

#### 4. Competence for independent technical review

32. An AE/DOE shall ensure that the personnel involved in independent technical review have knowledge relevant to the specific sectoral scope and project activity being validated and/or verified/certified.

### **C. Management process of human resource**

#### 1. Initial competence analysis

33. An AE/DOE shall conduct and document an initial competence analysis in response to the evaluated needs for each technical area within the sectoral scopes in which it operates or proposes to operate. This analysis shall provide the basis for determining specific competence requirements for management functions and the validation/verification team.

34. This competence analysis should cover the following:

- (a) General CDM Aspects

The CDM M&P and guidelines for the operation of the CDM activity, and relevant decisions of the COP/MOP and of the CDM EB; relevant environmental auditing requirements and methodologies.

- (b) Typical CDM project related aspects

The project design, methodologies, baselines, additionality, boundaries, leakage, calculation of GHG emission reduction, environmental impacts, monitoring requirements etc, as relevant to technical areas within the sectoral scopes in which an AE/DOE applies to operate.

- (c) Detailed Technical aspects

The technical areas and their impact on GHG processes, monitoring of these processes and related GHG emissions, measurement techniques, calibration and uncertainty in the measurement of the parameters applicable for that technical area, impact of failure of monitoring equipments on the measurement of emission reductions.

(d) Regulatory aspects

The regulatory requirements relevant to the CDM project cycle and the relevant environmental and regulatory issues.

(e) Specific methodological aspects

Requirements for validating, the application of approved baseline and monitoring methodologies or application of new methodologies relevant to the above, including setting of baselines and monitoring of emission reductions.

(f) Technical verification aspects

Specific requirements for verification and certification of project activities in relation to the above technical areas within sectoral scope, with specific reference to the CDM methodological and regulatory aspects.

(g) Financial aspects

Financial expertise to evaluate financial and economical aspects of the CDM project activities.

35. An AE/DOE should integrate this analysis into training of its personnel, improvement of its quality management system and procedures for carrying out validation and/or verification functions.

2. Ensuring competence of personnel

i. Validation/verification team members

36. An AE/DOE shall demonstrate, how its personnel have acquired the required competence, as determined through the competence analysis, before qualifying them for relevant functions.

37. Initial evaluation of validators/verifiers should include the following criteria:

- (a) Relevant formal education;
- (b) Specific work experience in the field as described in paragraphs 28-31. Part of this work experience should be in GHG emission reduction related, environment management related, CDM project activity development related or equivalent aspects in other technical areas within the sectoral scopes;
- (c) An auditor's training or any other equivalent way for developing knowledge and skills described at paragraphs 28-29 above; and
- (d) Participation in CDM validation and/or verification functions under the guidance of a qualified validator/verifier.

ii. Validation/verification team leaders

38. In addition to the skills described above, an AE/DOE shall ensure that the team leader has experience and expertise typically gained under the direction and guidance of another validator/verifier, already qualified as a team leader, for a minimum of two validation/verification functions. This additional experience may also be gained while acting in the role of a team leader in another auditing context.

3. Maintenance and improvement of competence

i. General

39. An AE/DOE personnel involved in validation/verification functions shall demonstrate their continual professional development<sup>5</sup>. An AE/DOE shall establish a system and resources for maintaining and updating competencies to keep current with new requirements. The system should take into account technological changes and changes in CDM requirements.

ii. Evaluation and ongoing monitoring

40. An AE's/DOE's management shall have a documented procedure for ensuring satisfactory performance of all personnel involved in CDM activities on an ongoing basis, including initial on-the-job evaluation and subsequent monitoring and measurement of the performance of the validation/verification team members and other personnel involved in CDM activities, such as technical experts. This procedure should include review of validation/verification reports and feedback from stakeholders

41. The monitoring methods and frequency should depend on the type, range and volume of work performed by different personnel and the level of importance of their activities. In particular, an AE/DOE should review the performance of its personnel in order to identify training needs.

iii. Training

42. An AE/DOE shall have a documented procedure for identifying training needs on a regular basis taking into account new technical and regulatory needs. An AE shall provide the documented procedure available to the CDM secretariat with its application.

43. An AE/DOE shall establish and maintain a procedure for evaluating the effectiveness of the training and update it accordingly.

4. Competence requirements for composition of validation/verification teams

44. An AE/DOE shall establish a procedure for the selection of validation/verification team members that ensures that the validation/verification team collectively has the required competencies in the technical, methodological and sectoral aspects of specific CDM project activities.

45. The work of the validation/verification team may be supported by inputs from technical experts (internal/external). The technical experts shall have specific expertise in technical/methodological and sectoral aspects.

46. The technical expert shall be familiar with an AE's/DOE's procedures for CDM validation/verification functions and shall have access to an up-to-date set of documented procedures giving relevant instructions and information on the CDM activities.

5. Qualification of the validators/verifiers for technical areas within the sectoral scope

47. An AE/DOE shall have a documented procedure for qualification of the personnel involved in validation/verification functions for technical areas within the sectoral scopes.

48. Qualification system should include the following criteria:

- (a) Direct working experience, gained through employment, involvement in consultancy or project development in a specific technical area within a sectoral scope; and
- (b) For additional technical area, observation of two validation or verification activities within the sectoral scope.

---

<sup>5</sup> Continual professional development (CPD) is concerned with the maintenance and improvement of knowledge, skills and personal attributes. This can be achieved through means such as additional work experience, training, private study, coaching, attendance at meetings, seminars and conferences or other relevant activities.

# DRAFT

-13

## 6. Use of external validators, verifiers and technical experts

49. An AE/DOE shall establish procedures for engaging external validators, verifiers and technical experts as defined under paragraph 22, if utilized, to fully comply with its policy and the quality management system.

50. The procedures mentioned above shall be achieved by having a written agreement from the external resources, including a commitment to comply with the AE/DOE's policies and procedures. This agreement should address confidentiality and independence from commercial and other interests, should require external validator/verifiers and external technical experts to notify the AE/DOE of any existing or prior association with any PP they may be assigned to validate/verify as well as actual or potential involvement in identification, development or financing of CDM activities. The relevant requirements with respect to competence evaluation and qualification, training and monitoring as defined under paragraphs 27-31 and paragraphs 36-43, should also apply to these external resources.

## 7. Recruitment

51. An AE's/DOE's management shall establish, document and implement appropriate system for recruitment/deployment and training of personnel so as to ensure their initial competence as stated above. An AE shall provide the documented procedure available with its application.

52. An AE/DOE shall maintain relevant records related to recruitment.

## 8. Subcontracting

53. If an AE/DOE subcontracts to another legal entity for utilizing specifically identified individuals for providing necessary expertise, these individuals shall meet all relevant competence requirements specified by the AE/DOE. An AE/DOE shall not subcontract any of its decision-making in respect of its management functions as specified in paragraph 87.

54. An AE/DOE shall have documented procedures describing the conditions and manner under which subcontracting is undertaken. In establishing these procedures, an AE/DOE shall consider the following:

- (a) An AE/DOE shall ensure that the subcontractors and its personnel are not involved, either directly or indirectly, with the PP and the proposed project activity being validated/verified. The subcontractors shall also be governed by all the applicable impartiality requirements.
- (b) An AE/DOE shall ensure that the subcontractors and its personnel have the necessary competence to undertake the subcontracted activities.

55. An AE/DOE shall have documented procedures for evaluation, qualification and monitoring of subcontractors in accordance with its established procedures. An AE/DOE shall approve the identified personnel of the subcontractor whom it wishes to utilize. The records of competence of specifically identified individuals used for the individual assignments shall be maintained. An AE/DOE shall provide records and information on evaluation of its subcontractors to the CDM AT during the assessment.

56. An AE/DOE shall obtain prior consent of their client for use of the subcontractor organization and the activity to be subcontracted.

## 9. Personnel records

57. An AE/DOE shall maintain up-to-date personnel records of management and administrative personnel and the personnel performing the CDM validation /verification functions including those external to the AE/DOE. These records shall include relevant qualifications, training, experience,

affiliations, professional status, and any consultancy services that may have been provided, as specified by paragraphs 96-99.

## V. Liability and finance

*Appendix A to the CDM M&P*

1. An operational entity shall:
  - (c) Have the financial stability, insurance coverage and resources required for its functions;
  - (d) Have sufficient arrangements to cover legal and financial liabilities arising from its functions;

### A. Financial stability

58. An AE/DOE shall demonstrate that it has the financial resources and stability required for its operations of CDM related activities through:

- (a) Evidence of financial resources including previous 3 years financial statements (balance sheets, profit and loss accounts, etc)<sup>6</sup>; or any other relevant evidence such as shareholders commitment;
- (b) Business plan for next three years; and
- (c) Annual budgeting plans.

59. This documented evidence must be sufficient to generate confidence that financial status shall not compromise the impartiality of the AE/DOE.

60. An AE/DOE shall have a documented procedure to continuously monitor its income and expenditure to determine the financial stability and financial resources required for its operations of the CDM related activities.

### B. Liability

61. An AE/DOE shall demonstrate that it has analysed, identified and evaluated the nature, scale and impact of all potential financial risks arising from its CDM related activities and has adequate arrangements to cover the identified financial risks.

62. The means to cover potential financial risks shall be:

- (a) Liability insurance; or
- (b) Financial resource reserves, such as bank savings and/or short/long term liquidities.

## VI. Process requirements

---

<sup>6</sup> In this context, financial statements audited by a related body may not be considered as “externally audited financial statements”.

*Appendix A to the CDM M&P*

1. An operational entity shall:

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;

**AND**

*Section E “Designated operational entities” of the CDM M&P– Requirements 27 (a), (b) and (e)*

**AND**

*Section G “Validation and registration” of the CDM M&P*

**AND**

*Section I “Verification and certification” of the CDM M&P*

**A. General requirements**

63. An AE/DOE shall establish, document, implement and maintain documented procedures for carrying out its validation and/or verification/certification functions competently, in line with the requirements specified in the CDM M&P, the latest version of the [Clean Development Mechanism Validation and Verification Manual], and relevant decisions of the COP/MOP and the CDM EB.

**B. Contract review**

1. Requests for validation and/or verification/certification application

64. An AE/DOE shall have a documented procedure for inviting and reviewing requests for applications from authorized representatives of CDM PPs. The request for application shall be designed to capture all the necessary information including complete details of the CDM project function that the CDM PPs would like the AE/DOE to validate or verify/certify, so that for the AE/DOE can establish:

- (a) Whether the project falls within the AE’s/DOE’s applied/accredited sectoral scopes;
- (b) Whether an AE/DOE has necessary competence to take up the project; and
- (c) Whether impartiality issues are cleared in line with the CDM accreditation requirements.

65. Essential information that should be included in the application documentation which would enable an AE/DOE to establish the above are:

- (a) The PDD that defines project boundaries and sites included in assessment, the nature of the data needed for validation/verification and the methodology used;
- (b) Information about the PPs, the host Party and its DNA;
- (c) Information about persons or organizations engaged in identification, development, and consultancy and financing of the project activity;
- (d) Scope of the validation/verification; and
- (e) Contract period and the liability conditions.

2. Request for application review

66. Before entering into a contract, an AE/DOE shall review the request for application and supplementary information to ensure that the requirements for validation/verification are understood and that the documentation is complete, accurate and verifiable. The AE/DOE shall enter into a contract only if:

- (a) There are no impartiality issues that contravene the CDM accreditation requirements;
- (b) It has the competence and ability to perform the validation/verification function under question;
- (c) It has been granted accreditation or has applied for CDM accreditation in the sectoral scope of the proposed project activity; and
- (d) Considerations such as location(s) of the applicant organization's operations, time required to complete the project and any other issues influencing the validation/verification such as language, safety conditions, etc., have been taken into account.

67. Complete details of the contract review process along with records of the justification for the decision to undertake the project function shall be documented and maintained.

### 3. Validation/verification contract

68. An AE/DOE shall have a documented procedure for entering into a contractual agreement with the project participant for the provision of validation and/or verification/certification functions.

#### **C. Selection of the team for validation/verification functions**

69. An AE/DOE shall have a documented procedure for determining the competencies needed in its audit team, based on the contract review, and for the validation/verification opinions and decisions.

70. The validation/ verification team shall be composed of a team leader and other validator/verifier and/or technical experts, as necessary. The CDM related validation/verification functions are likely to require multi-disciplinary experiences and covering, technical, environmental, location specific, legal, and financial expertise. The team shall have the competences as specified under Paragraphs 44-46.

71. An AE/DOE shall have confirmed that the personnel selected as team leader and/or team member(s) have no conflict of interest with respect to the CDM project activity as described in chapter XII below.

72. An AE/DOE shall have formal rules and/or contractual conditions to ensure that each validation/verification team member and technical experts acts in an impartial and independent manner.

73. Each team member should inform an AE/DOE, prior to accepting the assignment, about any known existing, former or envisaged link to the project activity.

#### **D. Allocation of human resources for a specific validation/verification function**

74. An AE/DOE shall have a documented procedure for determining the human resources needed for the team to carry out a complete and effective validation/verification. The AE/DOE should record the human resources, such as man-days, allocated for each validation and/or verification/certification project activity and the justification for the allocation.

75. In determining the human resources needed for the team, an AE/DOE should consider and document the following aspects:

- (a) Complexity of the CDM project activity;

- (b) Risks associated with the project activity;
- (c) Technological and regulatory aspects;
- (d) Size and location of the facility; and
- (e) Type and amount of field work necessary for the validation/verification process.

## **E. Planning and preparation for validation/verification functions**

76. An AE/DOE shall have a documented procedure for preparing a plan for the validation/verification. The plan should identify all the tasks required to be carried out in each type of project activity, the human resource needed for the team and identification of any specific sectoral and geographical aspects.

77. The tasks given to each member of the validation/verification team should be clearly defined and communicated to the client (CDM PP).

78. In advance of the validation/verification, the AE/DOE should provide the PPs the names of the validation/verification team members and sufficient background information to allow the PPs to object to the appointment of any particular member(s), with sufficient justification, and for an AE/DOE to reconstitute the team in response to any valid objection.

79. An AE/DOE shall have a documented procedure for conducting independent technical review of the draft validation/verification report prepared by the validation/verification team and decision-making. The decision on the assessed project activity shall be undertaken independently of the validation/verification team. The independent technical reviewer and the decision maker may be the same person.

## VII. Information management

*Appendix A to the CDM M&P*

1. An operational entity shall:
  - (e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;

AND

*Section E of the CDM M&P*

- 27 A designated operational entity shall:
  - (f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;
  - (g) Submit an annual function report to the Executive Board;
  - (h) Make information obtained from CDM project participants publicly available, as required by the Executive Board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 of the CDM M&P, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) of the CDM M&P, shall not be considered as proprietary or confidential.

### A. General

80. An AE/DOE shall have a documented procedure for management of all information with respect to its validation and/or verification/certification processes.

### B. Information to be made available in public domain

81. An AE/DOE shall have a documented procedure for uploading to their website the following information/documents.
  - (a) A list of all CDM project activities for which it has carried out validation, verification and certification;
  - (b) Information obtained from the CDM PPs marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 of Decision 3/CMP.1, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37 (c) of the same, shall not be considered proprietary or confidential and shall be made publicly available;
  - (c) The PDD and the monitoring report obtained from the CDM PPs;
  - (d) The validation and verification reports by an AE/DOE;
  - (e) The certification report by an AE/DOE; and

- (f) All documented procedures related to provision of information on validation and verification services, the allocation of responsibilities within the AE/DOE and its procedures for complaints handling shall be made publicly available.

**C. Information to be made available to the CDM EB**

82. The DOE shall submit an annual CDM activity report to the CDM EB in accordance with Annex B below.

83. The organizational structure, names, qualifications, experience and terms of reference of senior management personnel, such as the senior executive, board members, senior officers, team leaders and other relevant personnel, shall be made available annually to the CDM secretariat.

**VIII. AE's/DOE's organization**

*Appendix A to the CDM M&P*

1. An operational entity shall:

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;

(ii) An organization chart showing lines of authority, responsibility and allocation of functions stemming from senior management;

AND

*Section E "Designated operational entities" of the CDM M&P – Requirements 26, 27 (a), (b), (c)*

**A. General**

84. An AE/DOE shall have a documented organizational structure:

- (a) To work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law; and
- (b) To safeguard impartiality, including provisions to ensure impartiality of its operations.

**B. Organizational structure**

85. An AE/DOE shall document its organizational structure, showing duties, responsibilities and authorities of management personnel, validation, verification and certification personnel and others involved in CDM activities and any operational or supervisory committees.

86. Any planned changes in the management, key staff and organizational structure shall be notified in advance in accordance with the CDM accreditation procedure. Any unexpected change(s) shall be notified to the secretariat within ten (10) days of the change took place.

# DRAFT

-20

## C. AE's/DOE's management

87. An AE/DOE shall identify top management (individuals, a group of persons or a board or committee) having overall authority and responsibility for the following functions:
- (a) Formulation and development of policy matters relating to the operations of the AE/DOE;
  - (b) Establishment of quality management system in line with policies formulated;
  - (c) Documentation of policies and procedures and their implementation;
  - (d) Supervision and monitoring of implementation of policies and procedures;
  - (e) Supervision of finances, administrative matters and dealing with contractual matters and arrangements;
  - (f) Final decisions on validation and/or verification/certification;
  - (g) Decisions relating to disputes and complaints; and
  - (h) For providing adequate and competent human resources for validation/ verification functions related to CDM; etc.
88. An AE/DOE shall have a documented procedure for the appointment, terms of reference and operation of any committees that are involved in its CDM policy making or operational functions.

## IX. Quality management system

*Appendix A to the CDM M&P:*

1. An operational entity shall:
- (g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:
    - (iii) Its quality assurance policy and procedures;
    - (iv) Administrative procedures, including document control;

### A. General

89. An AE/DOE shall establish, document, implement and maintain a quality management system for ensuring and demonstrating consistent application of the CDM accreditation requirements.
90. An AE/DOE shall make the QMS documentation available to the CDM secretariat when it submits its application and shall periodically update them to reflect any changes in the CDM accreditation requirements.

## **B. Responsibilities of top management**

91. The top management of an AE/DOE shall demonstrate its commitment to the development and implementation of a quality management system in accordance with the CDM accreditation and validation/verification requirements.
92. The top management of an AE/DOE shall put into place measures to ensure that the policies are understood, implemented and maintained at all levels of the organization.

## **C. CDM quality manager**

93. The top management of an AE/DOE shall appoint a member of management as a CDM quality manager, who, regardless of other responsibilities, shall have responsibility and authority for the following:
- (a) Ensuring that the AE/DOE's procedures for complying with CDM accreditation requirements are established, implemented and maintained; and
  - (b) Reporting to the AE's/DOE's top management on the performance of the quality management system and proposing required improvements.

## **D. Document and record management system**

### 1. Control of documents

94. An AE/DOE shall establish documented procedures to control all documents that form part of its CDM quality management system (internally generated or from external sources), such as quality manual, procedures, and instructions, validation and verification guidelines and procedures, regulations, standards, other normative documents. The documentation can be in any form or type of medium; e.g. paper, electronic.
95. The procedure should define the controls needed for the following:
- (a) Approval of documents by authorised personnel before they are issued;
  - (b) Re-approval of documents by personnel authorised to approve changes before they are issued;
  - (c) Identification of changes in documents and current revision status;
  - (d) Availability of authorised and applicable versions of all required documents at points of use;
  - (e) Prompt removal of all obsolete documents from all points of issue or use;
  - (f) Suitable marking of all obsolete documents retained for legal or other reasons; and
  - (g) Identification, update and distribution of external documents.

### 2. Control of records

96. An AE/DOE shall establish and maintain documented procedures to define the controls needed for the identification, collection, indexing, access, filing, storage, protection and retrieval of its records. The established procedures shall also define retention time and disposition of records.
97. Records of original observations, derived data and sufficient information used to follow an audit trail shall be maintained to demonstrate compliance with the CDM accreditation requirements.

98. An AE/DOE shall establish procedures for retaining records for a period consistent with its contractual and legal obligations and the CDM accreditation requirements. All records should be held securely and safely so as to preserve all confidential information.

99. The record control procedures should protect and back up records to prevent unauthorised access to, or amendment of, these records.

### 3. Records pertaining to validation and/or verification/certification functions

100. An AE/DOE shall have a documented procedure for maintaining and managing specific records pertaining to its CDM validation or verification and certification activities including the following:

- (a) All information in respect of requests for validation/verification and the information received from the PPs in relation to such requests;
- (b) Records pertaining to contracts, including the results of contract reviews;
- (c) Records pertaining to validation, verification preparation and planning;
- (d) Records pertaining to objective evidence collected during validation/verification functions;
- (e) Records pertaining to validation/verification assessment findings and conclusions/opinions;
- (f) Records pertaining to validation, verification and certification reports;
- (g) Records pertaining to any decision-making;
- (h) Records of complaints, disputes and appeals and their resolutions;
- (i) Personnel records, including evidence of the competence of validators/verifiers and technical experts;
- (j) Records of internal audits and actions taken based on the results of the audits; and
- (k) Records of management reviews and actions taken based on the reviews;

101. An AE/DOE shall have a procedure for securely transporting or transmitting documents and for securely maintaining them in accordance with its own specified retention period.

### **E. Internal audits**

102. An AE/DOE shall have a documented procedure for conducting internal audits, at least once a year, and in accordance with a predetermined schedule and procedure, conduct internal audits of its CDM activities to verify that its quality management system is effective and to ensure that its operations continue to comply with the CDM accreditation requirements, relevant decisions of the CDM M&P, relevant decisions and/or clarifications issued by COP/MOP and the CDM EB, and its own documented procedures.

103. The internal audit should address all the CDM accreditation requirements.

104. The internal audit should:

- (a) Be conducted by personnel independent of the function audited, either AE's/DOE's qualified personnel or external qualified expert;

- (b) Include timely corrective actions to ensure compliance with the CDM accreditation requirements if audit findings cast doubt on the effectiveness of the operations or on the correctness of the CDM validation, verification and certification activities;
- (c) Ensure adequate recording of the function audited, the audit findings and corrective actions taken;
- (d) Verification and recording of the implementation and effectiveness of the corrective actions taken through follow-up audit activities; and
- (e) Address all elaborated requirements in the present documents.

## **F. Managing non-conformities in operation**

105. The AE/DOE shall establish a procedure to identify non-conformities and undertake corrective and preventive actions in response to the internal audits, work carried out by an AE/DOE and feedback from stakeholders.

106. The documented procedure to identify and manage the non-conformities shall ensure the following:

- (a) Designating the responsibilities and authorities for management follow-up;
- (b) Evaluation of the significance of the nonconforming work;
- (c) Appropriate actions to ensure compliance with the CDM accreditation requirements, including, if necessary, withholding of validation, verification reports and certification;
- (d) Allocating responsibility for authorizing the resumption of work;
- (e) Initiating corrective actions; and
- (f) Record the implementation of corrective actions and verify their effectiveness.

## **G. Corrective and preventive actions**

### 1. Corrective actions

107. An AE/DOE shall establish a documented procedure and shall designate appropriate personnel for implementing corrective action when nonconformities or departures from the defined policies and procedures in line with the CDM accreditation requirements are identified.

108. The documented procedure shall address the following:

- (a) A procedure for implementing corrective action starting with an investigation to determine the root cause(s) of the problem;
- (b) The identification of corrective actions appropriate to the magnitude and the risk of the problem;
- (c) The implementation of corrective actions in a timely manner;
- (d) Maintenance of records corrective actions implemented, the results of documentation and implementation of any required changes in their internal systems resulting from corrective action investigations;
- (e) Monitoring to ensure that the corrective actions taken have been effective; and

- (f) Where the identification of non-conformities or departures casts doubts on the AEs/DOEs' compliance with its own policies and procedures, or on its compliance with the CDM accreditation requirements, an increase in the internal audit frequency.

## 2. Preventive Actions

109. In addition to the above, an AE/DOE should have a documented procedure for proactively identifying potential sources of non-conformities and areas for improvement, and for implementing preventive actions to prevent the occurrence of non-conformities or improve the effectiveness of its validation and verification/certification functions.

110. Documented procedures for preventive actions should include the initiation of such measures to ensure their effectiveness. Preventive actions taken should be appropriate to the probable impact of the potential problems. All records for preventive actions should be maintained.

## **H. Management review**

111. An AE/DOE shall conduct periodic management reviews, of its CDM activities to ensure continuing suitability and effectiveness of the AE's/DOE's quality management system, consistency and implementation of its policy and procedures and its continual compliance with competencies to meet the CDM accreditation requirements.

112. The review output should also be utilised to introduce necessary changes and make improvements. This review should be carried out with a predetermined schedule and procedure but shall be conducted at least once a year.

113. The review should consider:

- (a) Follow-up actions from previous management reviews;
- (b) The suitability of policies and procedures;
- (c) Results of internal and external audits;
- (d) Feedback from stakeholders related to the fulfilment of the CDM accreditation requirements;
- (e) The status of corrective and preventive actions;
- (f) Results and status of quality assurance measures undertaken;
- (g) The fulfilment of quality objectives;
- (h) Status of complaints, disputes and appeals;
- (i) Recommendations for improvement;
- (j) Projects rejected or placed under review by the CDM EB; and
- (k) Other relevant issues such as changes in the volume and scope of work, resources, competences and personnel training, etc.

114. Findings from management reviews and the actions that arise from them shall be recorded. The typical outputs of the review should be actions for improvements in the working of the AE/DOE aimed at better fulfilment of CDM related objectives and these should be indicated as measurable objectives.

## X. Handling complaints, disputes and appeals

*Appendix A to the CDM M&P:*

1. An operational entity shall:
  - (g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

- (vi) Its procedures for handling complaints, appeals and disputes;

AND

Please also see 1.(e)

### A. Complaints

115. An AE/DOE shall establish a documented procedure to receive, manage, evaluate, take necessary corrective action and make decisions on complaints, and the documented procedure shall be made available to the CDM secretariat and the public.

116. The AE/DOE should have a system for investigating and taking appropriate correction and corrective actions in respect of complaints relating to project proponent received by the AE/DOE and related the validation, verification/certification activities of the AE/DOE.

117. An AE/DOE shall be responsible for all decisions at all levels of the complaints handling process. The personnel responsible for handling of complaints shall be identified.

118. The complaints-handling procedure should include the following:

- (a) The procedure for receiving the complaint, gathering and verifying all necessary information for evaluating the validity of the complaint, investigating the complaint and for deciding what actions are to be taken in response to it;
- (b) The criteria for determining the validity of complaints;
- (c) Tracking and recording complaints, including actions undertaken in response to them;
- (d) Ensuring that appropriate correction and corrective action are taken;
- (e) Safeguard the confidentiality of the complainant and subject of the complaint. This process should be subject to requirements for confidentiality, as it relates to the complainant and to the subject of the complaint;
- (f) Ensuring that the persons engaged in the complaints handling processes are different from those who carried out the validation or verification and certification activities;
- (g) Acknowledging receipt of the complaint, providing the complainant a progress report where feasible;
- (h) Informing the complainant of the outcome of the investigation and the final notice of the end of the complaints handling process; and
- (i) Maintenance of record of complaints.

# DRAFT

-26

## **B. Disputes**

119. An AE/DOE shall have a documented procedure for handling disputes which shall be made available to the CDM secretariat.
120. Disputes handling procedure should include the following:
- (a) The procedure for receiving the disputes, gathering and verifying all necessary information for evaluating the validity of the disputes, investigating the disputes and for deciding what actions are to be taken in response to it;
  - (b) The criteria for determining the validity of disputes;
  - (c) Tracking and recording disputes, including actions undertaken in response to them;
  - (d) Ensuring that appropriate correction and corrective action are taken;
  - (e) Safeguard the confidentiality of the disputes and subject of the disputes. This process should be subject to requirements for confidentiality, as it relates to the disputes and to the subject of the disputes;
  - (f) Ensuring that the persons engaged in the disputes handling processes are different from those who carried out the validation or verification and certification activities;
  - (g) Acknowledging receipt of the disputes, providing the disputes a progress report where feasible;
  - (h) Informing the disputes of the outcome of the investigation and the final notice of the end of the disputes handling process; and
  - (i) Maintenance of record of disputes.

## **C. Appeals**

121. The AE/DOE shall establish, maintain and implement documented procedure for appeals which shall be made available to the CDM secretariat and the project proponents.
122. Appeals process shall include:
- (a) An independent appeal panel responsible for the appeals process;
  - (b) The provisions to ensure that the persons engaged in the appeals process differ from those who carried out the validation, verification or certification activities, were involved in independent technical review functions and made decisions regarding the CDM project function at is;
  - (c) The submission, investigation and decision on appeals do not result in any discriminatory actions against the appellant;
  - (d) An outline of the process for receiving, acknowledging and investigating the appeal after ascertaining its validity, ensuring that decision take into account all the relevant information available and gathered as part of investigation;
  - (e) Tracking and recording appeals, including actions undertaken to resolve them;

# DRAFT

-27

- (f) Ensuring that, if the investigation points towards a non-conformance, then appropriate correction and corrective action are taken to eliminate the gaps in the system, especially if investigation points towards any gaps in the system;
- (g) Safeguarding the confidentiality of appellants and the subjects of the appeal. This process shall be subject to requirements for confidentiality;
- (h) Providing the progress on appeal investigation and handling to the appellant and providing information/notice on final decision; and
- (i) Ensuring that the final decision shall be made by the independent appeal panel.

123. The AE/DOE shall inform the appellant in case it is not satisfied with the decision of the appeal panel, and it has an option of complaining to the CDM-EB.

## **XI. Pending judicial processes**

*Appendix A to the CDM M&P:*

1. An operational entity shall:

(h) Not have pending any judicial process for malpractice, fraud and/or other function incompatible with its functions as a designated operational entity.

124. An AE/DOE shall maintain a record of all the judicial processes pending against it as well as information of any judicial cases held in the past. If the subject matter of the cases is such that it is incompatible with its functions as a DOE, then the same shall be duly reported to its management and the secretariat.

125. It is an AE's/DOE's responsibility to inform the UNFCCC CDM secretariat of any such case pending at the time of application and therefore at any time during its accreditation cycle if any such case is instituted against it.

## XII. Safeguarding impartiality

*Appendix A to the CDM M&P:*

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project function, the applicant operational entity shall:

- Make a declaration of all the organization's actual and planned involvement in CDM project functions, if any, indicating which part of the organization is involved and in which particular CDM project functions;
- Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;
- Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the functions of related bodies;
- Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its functions, and that it complies with any rules applicable in this respect;

AND

*Section E "Designated operational entities" of the CDM M&P 27.(d):* Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project functions for which it has been selected to carry out validation or verification and certification functions;

### A. General

#### 1. Threats to impartiality

126. The operations of an AE/DOE shall be independent and free from any bias that may compromise its ability to make impartial decisions. Some of the activities of an AE/DOE that should be considered potential threats to impartiality include (but not limited to) the following:

(a) Identification, development and/or financing of the CDM project activities;

- (b) Consultancy related to the establishment validation or verification and monitoring systems for CDM project;
- (c) One to one training<sup>7</sup> on CDM related and other topics;
- (d) Marketing and tie-up promotion with CDM consultancy/financing organizations; and
- (e) Offering/payment of commissions or other inducements for promotion or new business.

127. These threats can be posed by activities of an AE/DOE or its personnel, by activities of related bodies, relationships with partner organization, consultants, and other circumstances. Some examples of potential conflict of interest that may compromise an AE's/DOE's ability to make impartial judgement are, but not limited to:

- (a) An AE/DOE or any of its related body is directly engaged in or is planning to engage in activities such as identification, development and/or financing of the CDM project activities, consultancy for establishing validation or verification and monitoring systems, and training on CDM related topics, for the CDM project participant;
- (b) The validation/verification activities are performed by a part of a larger organization whereas another part of the same organization is involved in activities such as CDM consultancy, CDM financing, laboratory testing and calibration which may provide CDM services and PDD development;
- (c) Use of personnel for validation, verification and certification of a CDM project function, who were previously associated with the PPs in a personal capacity or otherwise for any of the activities such as development, consultancy or training, etc or any other CDM unrelated activities; and
- (d) Other organizational considerations such as performance targets in financial terms or in terms of a specific number of projects to be validated/verified during a period of time should also be considered as factors that potentially compromise impartiality.

## 2. Mitigation

128. An AE/DOE shall identify all potential threats and analyze the potential impact of these threats on an AE's/DOE's impartiality. An AE/DOE should have in place documented procedure that mitigate or eliminate threats to impartiality. The documented procedure should be in the form of:

- (a) Prohibitions – Certain defined activities should not be carried out; and
- (b) Restrictions – Certain defined activities should be carried out in a restricted manner with clearly defined control points to ensure mitigation.

129. The first step towards mitigation is the process of disclosing and documenting the types of activities carried out by an AE/DOE, its parent organization, affiliates, related bodies and personnel in general and in particular regarding the CDM project activities, including development, financing, consultation, training, in a very transparent manner.

---

<sup>7</sup> Arranging open training sessions and participating in open training sessions as a trainer is not considered a GHG consultancy service, provided that (where the training relates to GHG quantification, GHG data monitoring or reporting, GHG information system or internal auditing services) it is confined to the provision of generic information that is freely available in the public domain. The trainer shall not provide organization-specific or project-specific advice or solutions.

## **B. Safeguarding impartiality**

130. While describing the organizational structure, information regarding related entities and their functions and the relationship with an AE/DOE shall be clearly defined. This should cover all the relationships, such as:

- (a) Relationships based on common ownership and governance, personnel;
- (b) Shared resources, finances, and contracts; and
- (c) Marketing and payment of commission or other inducement for bringing in business or the referral of new clients, etc.

131. Where the AE/DOE itself or the larger entity of which it is a part or to which it is related, may be engaged in potentially conflicting functions such as identification, development or financing CDM project activities, providing consultancy for CDM validation, verification and monitoring functions, training the project participant towards the same, the AE/DOE shall clearly describe and document these aspects when documenting its organisational structure and describing its functions.

132. For the purpose of safeguarding impartiality the various situations encountered during the course of CDM activities shall be dealt with in the following manner.

- (a) The AE/DOE should not undertake validation or verification if the AE/DOE or another part of the same legal entity has been engaged in any function that has been identified as direct threat to impartiality, such as those listed at paragraph 126 above;
- (b) The AE/DOE shall not subcontract validation/verification work to a legal entity and/or sub-contractors, external validators/verifiers, technical experts that is engaged in the CDM related development, consultancy and financing function;
- (c) The AE's/DOE's activities shall not be marketed or offered as linked with the activities of an organization that provides services in respect of development, financial assistance consultancy for CDM project function. An AE/DOE shall not state or imply that validation, verification and certification of a CDM project function would be simpler, easier, faster or less expensive if a specified consultancy/financing organization is used; and
- (d) To ensure that there is no conflict of interests, an AE/DOE should not use personnel who have been involved or had dealing with the CDM project participant of a CDM project in any way within the last two years, to take part in validation/verification work for the CDM project. If the person in question was involved in the development of a CDM project being validated and verified, then he should not be used at all. An AE/DOE is ultimately responsible for ensuring that there is no conflict of interest or threat to impartiality.

133. For safeguarding impartiality on a continuous basis, an AE/DOE shall also take the following measures:

- (a) Identify and document its actual/proposed involvement in CDM activities other than validation/verification and carry out and document analysis of actual and potential risk to impartiality;
- (b) Identify and document all other related bodies/organizations that are related and carry out and document a risk analysis of actual/potential risk to impartiality based on the conflict of interest including potential conflicts arising from any such relationships;

- (c) The AE/DOE shall have a documented structure that safeguards impartiality. The documented structure shall be separate from the management established for the performance of an AE/DOE. Such a structure shall ensure participation of relevant stakeholders to counteract any commercial consideration that may compromise their CDM activities. This documented structure should be established at the highest level within the organization, independent of its day-to-day operations; and
  - (d) This requirement may be met through establishing a committee responsible for safeguarding impartiality. The terms of reference, selection criteria and the mandate of this committee shall be documented and implemented. A complete record of the proceedings of this committee shall be maintained. This committee shall meet regularly to monitor, review and report on the impartial of the CDM activities and operations of an AE/DOE.
134. The AE/DOE should ensure impartiality in their operations by, *inter alia*, through:
- (a) Have the top management's commitment to impartiality in validation and/or verification/certification functions as evidenced through defined policies and procedures, and operation and conduct of its activities;
  - (b) Make publicly available a statement that describes its understanding of the importance of impartiality in validation and/or verification/certification functions, how it manages conflict of interest and how it ensures the objectivity of validation and/or verification/certification functions;
  - (c) Evaluate sources of income and demonstrate that financial or other commercial factors do not compromise impartiality;
  - (d) Take action to respond to any threats to its impartiality arising from the actions of other persons, bodies or organizations;
  - (e) Require personnel, internal and external, to reveal any potential conflict of interest known to them. An AE/DOE should use this information as input to identifying threats to impartiality raised by the activities of such personnel or by the organizations that employ them, and shall not use such personnel, internal or external, unless any potential conflict of interests has been addressed and the measures taken to address these potential conflicts have been documented and implemented; and
  - (f) Maintain a professional environment and culture in an AE/DOE that supports behaviour of all personnel that is consistent with impartiality.

### **XIII. Confidentiality management**

*Appendix A to the CDM M&P:*

- (2) (b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

# DRAFT

-32

135. An AE/DOE shall have a documented policy and mechanism to safeguard the confidentiality of information obtained or created during the course of validation and/or verification/certification functions, except where, Decision 3/CMP.1 or any other subsequent COP/MOP decision requires them to be made publicly available.

136. The personnel engaged by an AE/DOE shall also be bound by these confidentiality requirements. There should be a mechanism such as obtaining signed confidentiality agreements, etc, for ensuring the same.

137. An AE/DOE shall not disclose information about a contracted client (PP) that is not required to be made publicly available to a third party without the client's prior written consent. Further, it should inform the client before releasing confidential information to a third party, if required by law.

-----

## **Annex A: List of sectoral scope**

1. Energy industries (renewable - / non-renewable sources)
2. Energy distribution
3. Energy demand
4. Manufacturing industries
5. Chemical industry
6. Construction
7. Transport
8. Mining/Mineral production
9. Metal production
10. Fugitive emissions from fuels (solid, oil and gas)
11. Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride
12. Solvents use
13. Waste handling and disposal
14. Afforestation and reforestation
15. Agriculture

In accordance with the procedural guidelines, the CDM-AP adopted this list of sectoral scopes which is based on the list of sectors and sources contained in Annex A of the Kyoto Protocol. Scopes 1 to 9 are industrial sectors and 10 to 13 are sectors based on sources of GHG emissions. For some of these scopes there might be partial overlap in terms of knowledge and skills. This list may be further modified in accordance with the procedural guidelines.

## **Annex B: Guidelines for the preparation of the annual activity report by a DOE to the Executive Board**

1. In accordance with paragraph 27 (g) of the modalities and procedures of the clean development mechanism (CDM M&P), designated operational entities (DOEs) are required to submit an annual activity report to the Executive Board. The CDM accreditation panel (CDM-AP) received the first annual activity report from a DOE in April 2005 in which covers main areas of its CDM related activities.
2. In order to guide DOEs in the preparation of their annual activity report, the Board adopted the following guidelines at its nineteenth meeting based on a recommendation by the CDM-AP.
3. The guidelines are to ensure consistency and completeness of reporting with respect to the key CDM activities of a DOE. They cover reporting elements and guidance for completing the report.

### **I. REPORT ELEMENTS**

1. Introduction
  - (a) Period covered by report
  - (b) Purpose of report
2. Accreditation status
  - (a) Scope(s) accredited for indicating date of accreditation
  - (b) Scope(s) applied for and status of application
3. Organization
  - (a) Organizational structure and personnel
  - (b) CDM-related training undertaken
  - (c) Use of subcontractors
  - (d) Management systems
    - (i) Internal audit(s) carried out
    - (ii) Management review(s) carried out
    - (iii) Complaints, disputes and appeals on CDM-related activities
4. Activities relating to the consideration of project activities
  - (a) List of project activities
  - (b) Status of project activities
  - (c) Regional distribution of project activities
  - (d) Sectoral distribution of project activities
  - (e) List of project activities declined, if any
5. Interactions with interested parties

- (a) Interactions with Executive Board
  - (b) Interactions with other designated operational and/or applicant entities
  - (c) Interactions with other interested parties
6. Financial statement
- Annual income and expenditure relating to CDM related activities
7. Challenges and lessons learnt

## **II. GUIDANCE FOR COMPLETING THE REPORT**

1. Period of reporting
  - This report shall cover the period from 1 July of the preceding year to 30 June of the current year.
2. Deadline for submission of the report
  - The DOE annual activity report shall be submitted to the Executive Board not later than 30 September.
3. Length of report
  - The length of the annual activity report should not exceed 5 pages. All pertinent information shall be contained within the 5 pages. Supplementary information may be provided in annexes to the report.
4. Confidentiality
  - The annual activity report to the Executive Board shall be treated as confidential.
5. Authorization of report
  - The annual activity report to the Executive Board shall be signed by the Chief Executive Officer of the DOE.
6. When reporting on the organizational structure, names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers, team leaders and other relevant personnel shall be included in the report.

-----