



Ecosystem Credit Accounting System

CONFLICT OF INTEREST CODE

Last updated February 22, 2010 . For questions or comments contact us at info@willamettepartnership.org.

Overview

This document describes the conflict of interest code for the Ecosystem Credit Accounting System Market Administrator, with particular focus on conflicts between Project Developers and verifiers. After becoming an accredited verifier and as an agreement is reached between a verifier and client, the verifier must submit a Conflict of Interest Form with a Notice of Verification Services to the Market Administrator. The purpose of this form is to protect the integrity of the verification process and the quality of a Project Developer's offsets by identifying and avoiding situations in which a verifier may be viewed as having an impaired ability to objectively review a potential participant's estimated offsets, usually from a pre-existing business or personal relationship.

If there is low risk of a conflict of interest, the verifier can initiate verification activities. If the risk of conflict of interest is substantial, a verifier can either abandon the proposed agreement or work with the Market Administrator to identify measures to alleviate conflict of interest risk areas, or appeal the decision. The Market Administrator will periodically audit Conflict of Interest Forms.

An approved verifier may perform market-related verification services for a client for up to five consecutive reporting years. A complete conflict of interest form is needed the first year of an agreement. In years 2-5, the verifier does not need to submit forms unless changes occur in organization, staffing, business practices or relationship with the client from previous years.

Policy

Complex relationships may exist between a verifier and a client. Thus it may be difficult to make an obvious judgment regarding potential conflict of interest. A conflict of interest is a situation in which a verifier has competing professional and/or personal interests that could impede their ability to objectively review and evaluate a Project Developer estimated offsets. A conflict of interest could also involve a situation where the appearance of impropriety could undermine confidence in the verifier's ability to assess the estimated offsets.

The Market Administrator will use objective criteria and professional judgment to formulate conflict of interest opinions and will work with all interested parties to resolve problem areas. If the Market Administrator determines a conflict might exist, it will request the verifier demonstrate how it can be avoided, eliminated, or otherwise mitigated. As necessary, the Market Administrator may request additional information to assist in making this determination. Factors for evaluating potential conflict of interest include the nature of past and present relationships, prior and existing service commitments, magnitude of financial relationships, and the sensitivity of proposed work.

Cause for automatic determination of conflict of interest

- **A verification body and client share any management**
- **Preparation of a Project Developer's Credit Report.** A verifier is prohibited from consulting on or preparing any part of a Project Developer's Credit Report, regardless of the point in time that that may have occurred. The verifier must declare all of its previous, existing, and planned involvement with a Project Developer's credit monitoring, accounting, and reporting activities.
- **A financial stake in credits being sold from the project.** A verifier is prohibited from having any financial stake in the quantity of credits sold from a project. A verifier is also prohibited from providing verification services to any client who provided more than 3% of the verifier's annual revenue from activities other than verification in any year over the prior 3 years.
- **Duration of verification relationship.** Verifiers can only provide services to a client for five consecutive reporting years. After this cycle, the client must contract with a different verifier. The original verifier cannot provide services to that client for a three year off-cycle period.

Potentially conflicting services

The following list of services may cause a conflict of interest. The list is not exhaustive, nor do these services automatically constitute a conflict of interest.

- Designing or developing credit information systems
- Developing credit calculation methodologies
- Designing projects to explicitly create credit
- Brokering, advising, or assisting in any way in ecosystem markets
- Preparing or producing credit-related manuals for the participant
- Legal and expert services unrelated to verification

Appeal process

If a verifier receives a notice of conflict of interest from the Market Administrator, it can mitigate its conflict or appeal the notice. A mitigation plan must be submitted to the Market Administrator for review and at minimum include: Demonstration that any conflicted individuals have been removed or insulated from the project; Explanation of any changes to organizational structure or verification team; Other circumstances that specifically address conflicts.

A verifier can also appeal a notice of conflict of interest to the Market Administrator's Dispute Resolution Committee. All information will be kept confidential. It will determine a final answer by majority vote and their decision will be binding.

Rescission of Accreditation

If the verifier is found to have intentionally violated the conflict of interest code, the Market Administrator reserves the right to rescind a verifier's accreditation for any appropriate period of time.