

ORGANIZATION AND PRODUCT LEVEL GHG STATEMENT VERIFICATION PROCESS

Sri Lanka Climate Fund (Pvt.) Ltd.

01. Pre Engagement

01.1. Engagement application

An engagement application is provided to client for gathering preliminary information including the complexity of the organization, accounted emission sources, GHG emission mitigation initiatives of the company, type of engagement, verification approach, (Full Remote Verification, Partial Remote verification) etc.

Client is requested to provide initial documentation including the GHG statement and any other submission documents, process flow diagrams, quantification details, calculations or evidence that support or corroborate the report with the completed engagement application.

In terms of product level GHG verification, the following information are primarily requested via the engagement application.

- a) Product system boundary defined for the product level GHG accounting
- b) Life stages and processes covered under the established system boundary
- c) Functional or declared unit used in the quantification
- d) Product Category Rule applied (PCR),
- e) Time boundary considered for the accounting,
- f) product system related GHG mitigation initiatives

The engagement application is reviewed (pre-engagement review of the information received from the client) by a verifier or team leader to ensure that:

- a) the GHG statement is understood (e.g. context, content and complexity);
- b) the objectives and scope of the verification have been agreed with the client;
- c) the materiality and level of assurance have been agreed;
- d) the process for verification activities can be achieved (e.g. evidence gathering activities, evaluation of gathered evidences);
- e) the verification duration can be estimated;
- f) the verification body has identified and has access to the resources and competences that are required to undertake the validation/verification;
- g) the time frame for the planned verification can be proposed.

Following the pre-engagement review verification body shall either accept or decline to perform verification.

01.2. Kick off meeting

The kick off meeting arranged by the team leader is the official start of the working relationship between SLCF and the responsible party after the verification has been accepted by SLCF. The meeting is useful for the people involved to meet and understand their roles, as well as for SLCF to review the typical flow and schedule of the verification process, to discuss document and data provision dates, potential site visit dates and for each party to clarify any potential issues or concerns. Whenever necessary, pre site visit shall be carried out with the consent of client.

In occasions where client and verifier agreed to conduct verification as full or partial remote verification, the kick of meeting shall be conducted remotely as per the remote verification policy adopted by management system of SLCF.

02. Engagement

02.1. Proposal and contract preparation and approval

As a response to the engagement application, the verifier submit a proposal within 2 days on receipt of the application. The legally enforceable agreement is submitted by the verifier within 2 days on receipt of the approval for the proposal from the client. The proposal includes the assigned verification team, verification criteria and a general verification procedure. Both client and SLCF agree with the type of engagement (Verification, Mixed engagement, Agreed upon procedure), level of assurance, objectives, criteria, scope and materiality threshold through the Legally Enforceable Agreement.

CEO reviews the proposal and contract. If he/she is satisfied with the documents and the risk of conflict of interest is low, CEO approves the proposal and the contract. The approved proposal and the contract are forwarded to the client. Once they were approved by the client, both parties sign the agreement and proceed the verification activities.

03. Planning

03.1. Impartiality risk analysis

GHG Validation & Verification Manager (GHG - VVM) analyses the impartiality risk using Impartiality Risk Assessment Checklist to ensure unacceptable conflicts of interest as per the requirements of impartiality procedure. Eligibility to provide verification service for the particular organization/ client is determined and verification team is selected with the result of impartiality analysis.

03.2. Verification team selection

The verification team to be assigned for the verification will be selected by GHG - VVM using Verification Team Selection Checklist based on the result of impartiality risk assessment and competency matrix which is developed according to the competence requirements of ISO 14066:2011/ IAF MD 6:2009/ ISO 14065:2020 and the selected team will be authorized and formally communicated to the personnel in the verification Division. The verification team shall consist of at least a team leader and a verifier, if required a technical expert or team leader-in-training or trainee verifier or observer can be selected to the verification team.

If requested, the assessors/ observers from Sri Lanka Accreditation Board are allowed to be present as a third party in the verification process with the consent of client for the compliance assessment of SLCF verification activities.

03.3. Strategic analysis

Strategic analysis is performed by verifier to understand the activities and complexity of the organization, project or product, and to determine the nature and extent of the verification activities based on the organizational or product GHG statements prepared by client. During the analysis, verification team increases their understanding of the technical operations and processes. This helps the verifier to develop an effective, efficient and focused verification.

A detailed verification of design, existence and effectiveness of controls is not performed for limited level of assurance verification process.

03.4. Verification risk assessment

The objective of the risk analysis is to assess the risks of material misstatement at the greenhouse gas statement and attribute level and its outcome determines extent the verification activities should be designed, planned and implemented. During the verification, risks are identified & assessed as Inherent risks, Control Risks, & Detection Risks under the attributes of Occurrence, Completeness, Accuracy, Cut-off, & Classification.

For a limited level of assurance, the risk assessment is performed only at the greenhouse gas statement level as a whole and do not perform at attribute level as a reasonable level of assurance engagement.

03.5. Design evidence-gathering activities and develop evidence gathering plan

Evidence-gathering activities and evidence gathering plan are designed by the verifier in accordance with Evidence gathering procedure to collect sufficient and appropriate evidence upon which to base the conclusion and GHG statement conforms to the criteria.

In occasions where client expressed the preference to conduct verification as remote or partial verification, the evidence-gathering activities shall be conducted remotely.

03.6. Develop verification plan

Based on the verification risk analysis, verifier shall prepare the verification plan. Verification plan consists schedule of the verification activities, evidence to be reviewed, verification team and their roles.

In the limited level of assurance, the site or facility that conducts the aggregation for the GHG statement is visited unless the verifier has prior knowledge of the facility or site's aggregation process. Other facility / site visits is determined based on the risk assessment and designed evidence gathering activities.

03.7. Approval of verification and evidence-gathering plans

Once the verification plan and evidence gathering plan is finalized, verification team leader approves the plan. Changes and revisions to the verification plan is approved by the team leader in the following circumstances;

- change in scope or timing of verification activities;
- change in evidence gathering procedure;
- change in locations and sources of information for evidence-gathering;
- the identification during the verification process of new risks or concerns that could lead to material misstatements or nonconformity

The evidence gathering plan is prepared and approved according to the provisions given in SLCF internal procedures

04. Verification Execution

04.1. Site visits and document review

The verification team (Team leader, verifier and if required technical expert) perform a site or facility visit according to the verification plan under any of the following circumstances:

- a) an initial verification;
- b) a subsequent verification for which the verifier does not have knowledge of the prior verification activities and results;
- c) a verification where there has been a change of ownership of a site or facility and where the emissions, removals and storage of the site or facility are material to the GHG statement;
- d) when misstatements are identified during the verification that indicate a need to visit a site or facility;
- e) there are unexplained material changes in emissions, removals and storage since the previous verified GHG statement;
- f) the addition of a site or facility of GHG SSRs that are material to the GHG statement;
- g) material changes in scope or boundary of reporting;
- h) significant changes in the data management involving the specific site or facility.

The verifier may determine that the circumstances specified in a) through h) above do not require a site or facility visit based on the results of the risk assessment and evidence-gathering plan, and considering the results of any prior verification to the same site or facility.

If a verifier determines that a site or facility visit is not necessary, the verifier shall justify and document the rationale for the decision.

The verifier performs evidence-gathering activities at the site or facility to assess, as determined by the risk assessment:

- a) operations and activities relevant to GHG SSRs;
- b) data management and control systems;
- c) physical infrastructure;
- d) equipment, such as measuring devices and instruments, to establish traceability to applicable calibration and monitoring information;
- e) types of equipment and supporting assumptions and calculations (e.g. verifying that manufacturer information used as a basis for emissions calculations matches installed equipment);
- f) processes and material flows that impact emissions;
- g) scope and boundaries;
- h) conformity with operational and data collection procedures;
- i) personnel activities that have a potential to impact materiality;
- j) sampling equipment and sampling methodologies;
- k) monitoring practices against the requirements established by the responsible party or specified in criteria;

All the evidences for the GHG information reported by client are gathered as per the evidence gathering plan using one or more evidence-gathering activities and techniques (Observation, Inquiry, Confirmation, Sampling, Cross-Checking, Reconciliation and etc.) during document review and evidence gathering checklist is used to record evidences.

In occasions where client and verifier agreed to conduct verification as full remote verification, site visits shall be conducted remotely and where client and verifier agreed to conduct verification as partial remote verification, only site visit and document review shall be conducted onsite during the verification period.

Verifiers raise audit findings as observations during the audit and send to the Client within two days after the audit. The client should submit the corrective actions within 3 days and whenever the given time period exceeds to address corrective actions, justifications shall be given to the verifier in writing. If any Non-conformances difficult to solve within the definite time period, client need to get the approval from the SLCF. By considering only the extreme difficulties, SLCF give an extension and client need to agree with that and client shall address the nonconformance within given period of time.

04.2. Pre-verification

Based on the nonconformity report which is handed to the client following the on-site audit, the client first has the opportunity to rectify any errors that have been identified, and to clarify any nonconformities. Following this phase, the corrections that have been carried out are evaluated by the verifier. If, following this evaluation, some nonconformities are still open (i.e. present), a further correction phase follows if necessary. The time allowed for the correction phase is agreed between the client and the Team Leader. It should not be longer than 1 months.

Based on the findings from the documents submitted for the preliminary inspection, and based on the on-site audit, the greenhouse gas statement is evaluated in the client's premises with regard to its accuracy and traceability and whether all the requirements laid down in the applied standards have been fulfilled during the pre- verification by team leader and verifier and technical expert if required will involve in the pre verification. If the verification team determines there is insufficient or inappropriate evidence to reach a conclusion, the verifier shall develop additional evidence gathering

activities. In occasions where client and verifier agreed to conduct verification as full or partial remote verification, pre verification shall be conducted remotely.

The verifiers will raise observations and non-conformance during the audit and send to the Client within two days after the audit. The client should submit the corrective actions within 3 days and whenever the given time period exceeds to address corrective actions, justifications shall be given to the verifier in writing. If any Non-conformances difficult to solve within the definite time period, client need to get the approval from the SLCF. By considering only the extreme difficulties, SLCF give an extension and client need to agree with that and client shall address the nonconformance within given period of time.

04.3. Initial- verification

During the initial verification, the greenhouse gas statement is evaluated with the corrective actions taken for the nonconformance during pre-verification at client's premises. Verifiers raise findings during this verification as nonconformance (major/minor) for the previously raised observations during document review and pre verification to which, the client has fail to address by the time of initial verification. If any Non-conformances difficult to solve within the agreed time period, client need to get the approval from the SLCF. By considering only the extreme difficulties, SLCF give an extension and client need to agree with that and client shall address the nonconformance within given period of time. The observations which can't be addressed during the scheduled verification period will be verified during next verification process.

In the instances where verifier and client agreed to a full remote or partial remote verification, initial verification is conducted as an offsite verification.

04.4. Verification report preparation including verification opinion

The verification report collates and summarizes the findings of the verification activities that have been carried out including verification opinion. In addition, the report contains information regarding the corrections that are needed, reduction measures that have been carried out and also verified references. The final statement summarizes the parameters agreed at the beginning (level of assurance, inventory boundaries, standards, and materiality).

05. Review

An independent reviewer (IR); the persons who is different from the persons who conducted the verification, evaluates the entire verification process and its results. All the evidences collected over the verification process and results must be taken into account when reviewing the verification report and during the review IR shall follow the requirements of ISO/IEC 17029:2019, 9.6.3 and ISO/IEC 14065:2020, 9.6.4 and ISO 14064-3:2019,8.

The IR shall communicate with the verification team when the needs for clarification arises. The verification team shall address concerns raised by the IR. The results of independent review shall be documented.

06. Decision and issue of the verification report and the opinion

6.1. Decision

Based on the result of independent reviewer the team leader make a decision whether to issue an opinion or to disclaim the issuance of an opinion. When the verification body is not issuing a verification statement, the verification body inform the client.

6.2. Issue of the verification report and the opinion

Chief Executive Officer is responsible for the approval of the final verification opinion.

07. Facts discovered after the issue of verification opinion

If new facts or information that could materially affect the verification opinion are discovered after the issue date, the verifier takes appropriate action, including communicating the matter as soon as practicable to the responsible party, the client and other interested parties.

In cases where facts and new information are acknowledged by the client, the original opinion may be suspended and verifier considers measures to conduct a special verification or withdraw the opinion. Verification Manager shall assign a verifier/(s) to conduct special verification and the verification shall be completed within one month and issue the new opinion.

AGREED UPON PROCEDURES (AUP)

Sri Lanka Climate Fund (Pvt.) Ltd.

01. Engagement Application

An engagement application is provided to client for gathering preliminary information including verification approach (Full Remote Verification, Partial Remote Verification), complexity of the organization, accounted emission sources, GHG emission mitigation initiatives of the company and etc.

02. Impartiality risk analysis

GHG - VVM analyses the impartiality risk to ensure unacceptable conflicts of interest as per the requirements of impartiality procedure Eligibility to provide verification service for the particular organization is determined and verification team and independent reviewer are selected with the result of impartiality analysis.

03. Proposal and contract preparation and approval

As a response to the verification application the verifier prepares a proposal to the verification process as well as a verification contract (Legally Enforceable Agreement). Both client and SLCF agree with

the type of engagement (Agreed upon procedure), Agreed upon procedures, criteria to be used to determine results, roles and responsibilities of both parties by the Legally Enforceable Agreement.

CEO reviews the proposal and contract. If he/she is satisfied with the documents and the risk of conflict of interest is low, CEO will approve the proposal and the contract.

04. Proposal and contract approval (client)

The proposal and the contract are forwarded to the client. Once they were approved by the client, both parties will sign the agreement and proceed the verification activities.

05. Execution of agreed upon procedures

The verifier shall perform the AUP and report the findings. The AUP may be modified over the course of the engagement if the intended users acknowledge responsibility for the sufficiency of procedures for their purposes.

If circumstances exist that prevent the verifier from implementing the procedures, the verifier shall attempt to obtain agreement from the intended user(s) to modify the procedures. If agreement cannot be reached, the verifier shall describe the restriction in the report or withdraw from the engagement. In occasions where client expressed the preference to conduct verification as remote or partial verification AUP shall be conducted remotely.

The verifier shall obtain evidence from applying the AUP to provide a reasonable basis for findings.

06. Independent review

An independent reviewer; the persons who different from the persons who conducted the verification, evaluate the entire AUP process and its results. All the evidences collected over the process, results must be taken into account when reviewing the AUP report.

The IR shall communicate with the verification team when the needs for clarification arises. The verification team shall address concerns raised by the IR. The independent review results are documented.

07. Presentation of the agreed-upon procedures results

The verifier reports all findings in the AUP report and shall not issue an opinion.

COMPLAINT AND APPEAL HANDLING PROCEDURE

Sri Lanka Climate Fund (Pvt.) Ltd.

01. Handling of Appeals

The clients who have applied for the verification activities of SLCF can submit their appeals to SLCF by completing the Appeal Form available at SLCF official website. The action for such appeals shall be taken and communicated to the client in accordance with the provisions given in the SLCF appeal

handling procedure. The procedures followed in appeal handling process are publicly available and can be viewed at SLCF official website, www.climatefund.lk

02. Handling of Complaints

The clients who is have applied for or interested in the verification activities of SLCF can submit their complaints to SLCF by completing the Complaint Submission Form available at SLCF official website. The action for such appeals shall be taken and communicated to the client in accordance with the provisions given in the SLCF appeal handling procedure. The procedures followed in appeal handling process are publicly available and can be viewed at SLCF official website, www.climatefund.lk