



ISO 14064 / EU ETS

VERIFICATION/VALIDATION

REGULATION

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1. Scope

This regulation describes the verification activities concerning ISO 14064 parts 1, 2, 3 and GREENHOUSE GAS PROTOCOL. Also applies for the verification of EU ETS GHG annual emission reports according to AVR Regulation 2018/2067, the Delegated Regulation (EU) 2019/331.

2. Process description

2.1 Application / Contract Review / Contract

Initially QMSCERT receives an application from interesting companies, with the following documents:

- Description of the scope, activities, products and services as they relate to the GHG Report/GHG Project
- Reference period of GHG Report/GHG Project
- GHG Report/GHG Project Criteria
- GHG sources and GHG SSRs
- Availability of uncertainty assessment

Only for ISO 14064-1 verification:

- Base year of Green House Gas Report
- Intended user of the GHG statement
- Organization Boundaries
- Reporting boundaries
- Direct GHG emissions and removals
- Significant indirect GHG emissions
- Justified exclusions of significant indirect GHG emissions from the GHG report

For ISO 14064-2 validation:

- Base year of GHG Project
- Intended user of the GHG project
- Description of project
- Identification and selection of GHG SSRs
- GHG baseline
- Planning of the GHG program
- Estimation of project emissions and removals

Only for EU ETS verification:

- Greenhouse gas emission permit
- Monitoring plan (MP) approved by the competent authority
- Monitoring methodology plan (MMP) approved by the competent authority
- Approval by the competent authority for site visit omit
- Sampling plan approved by the competent authority

- Approved monitoring plan for GHG gas geological storage
- Verified GHG reports from previous reference years
- Verified reports for allocation to new entrants / allocation level / changes and cessations for phase 4 of the EU ETS
- Verified allocation report (NIMS) of phase 4 of the EU ETS
- Greenhouse gas emission verification reports from previous reference years
- EU ETS Free Allocation Verification Report
- Improvement reports
- The procedures with data flow and control of activities as well as the risk analysis, as they are mentioned in the approved monitoring plans (MPs) and monitoring methodology plan (MMPs)
- Relevant information to the verification, such as contacting the competent authority
- Description of changes to the capacity, activity level and operation of the installation, which might have an impact on the installation's allocation of emission allowances (if applicable)

Those data are the input data in next step (Contract Review).

After the contract review stage a contract will be prepared.

Especially for EU ETS, usually at the end of every year QMSCERT informs Competent Authority and Accreditation Body regarding which companies will be audited during next year regarding AVR Regulation 2018/2067 and Delegated Regulation (EU) 2019/331.

2.2 Strategic Analysis / Risk Analysis

After the contract signing, strategic analysis is following (prior to the audit). In this stage contract review results are taking into account (input).

Risk analysis is always following the strategic analysis (both stages taking place prior to the audit). Risk analysis is evaluated throughout the verification process, particularly in response to evidence gathered and verification findings.

2.3 Verification Plan / Sampling Plan / Verification activities

The verification plan is taking place during the audit and is following strategic analysis and risk analysis and it is comprised of the verification program , a test plan and a data sampling plan.

The evidence-gathering plan should not be communicated to the client or responsible party.

Verification activities carried out during this stage are the following: data verification, analytical procedures, checking correct application of the monitoring methodology, checking data flow , checking implementation and effectiveness of control activities, checking procedures.

The data verification process includes checking of the raw data, the factors used, the accuracies of the methods, the measurements, the calculated results etc.

Also yearly Competent Authority guidance's, are taking into account during the audit.

2.4 Verification report and verification opinion statement / Misstatements, non conformities and OFI

When audit is complete, Audit Team arrives at a space being provided by corporation and after collecting the audit findings, prepares and fills the Verification Report and misstatements-non conformities-OFI report. The verification opinion statement is the summary of the whole verification report and states the verifier's overall opinion on the data reported.

Only for ISO 14064-1:

There can be four different types of verification opinion statements:

1. Unmodified opinion
2. Modified opinion
3. Adverse opinion
4. Disclaiming the issuance of an opinion

The verification statement is included in the verification report.

In the case where the verifier has identified misstatements or non-conformities during the verification, it informs the company thereof on a timely basis and request relevant corrections.

In order to draft an **unmodified opinion**, the audit team shall ensure that:

- a) there is sufficient and appropriate evidence to support material emissions, removals or storage;
- b) the criteria are applied appropriately for material emissions, removals or storage;
- c) the effectiveness of controls has been evaluated when the verifier intends to rely on those controls.

In order to draft a **modified opinion**, the audit team shall ensure that there is no material misstatement at the level of the GHG statement. When there is a departure from the requirements of the criteria or a scope limitation, the verifier shall decide what type of modification to the verification opinion is appropriate. In addition to materiality, the verifier shall consider:

- ✓ the degree to which the matter impairs the usefulness of the GHG statement;
- ✓ the extent to which the effects of the matter on the GHG statement can be determined;
- ✓ whether the GHG statement is, or could be understood to be, misleading even when read in conjunction with the verifier's opinion.

A modified verification opinion, when read in conjunction with the GHG statement, normally will serve adequately to inform the intended user(s) of any deficiencies or possible deficiencies in the GHG statement.

In this case, the non-material misstatement shall be:

- a) confined to specific elements, classifications or line items of the GHG statement;
- b) even if confined, not representative of a substantial portion of the GHG statement;
- c) not fundamental to the intended user's understanding of the GHG statement.

In order to draft an **adverse opinion**, the audit team shall conclude that:

- a) there is insufficient or inappropriate evidence to support an unmodified or modified opinion; or
- b) criteria are not appropriately applied for material emissions, removals or storage; or
- c) the effectiveness of controls cannot be determined when the verifier intends to rely on those controls.

If the responsible party does not correct any material misstatement or nonconformity in an agreed period of time, the verifier shall take this into consideration when reaching the conclusion.

Disclaiming the issuance of an opinion

In order to disclaim the issuance of an opinion, the audit team shall ensure that he/she has been unable to obtain sufficient appropriate evidence and can conclude that the possible effects on the GHG statement of undetected material misstatement(s) are material and pervasive.

Only for EU ETS:

QMSCERT uses the verification report templates for the verification of installation operator's reports / baseline data report / new entrant data report / annual activity level report as they are published and updated by the EUROPEAN COMMISSION.

The verification opinion statement is the summary of the whole verification report and states the verifier's overall opinion on the data reported.

There can be three different types of verification opinion statements in line with the AVR:

Verified as satisfactory: The operator's report is free from material misstatement and contains no misstatements and there are no outstanding nonconformities with the MP/permit or non-compliance with the MRR

Verified as satisfactory with comments: The operator's report is free from material misstatement. It contains outstanding non-material misstatements, nonconformities, that have no material impact on the reported data or recommendations for improvement.

Not verified as satisfactory: a) The operator's report is not free from material misstatement, b) the scope of verification is too limited to state with reasonable assurance that the report is free from material misstatement or c) non-conformities (individual or combined) do not provide sufficient clarity and prevent the verifier from stating with reasonable assurance that the report is free from material misstatement.

The audited company always provide to the Competent Authority the verification reports and the emission / annual activity level reports, in the appropriate time limits according to the yearly Competent Authority guidance's.

2.5 Validation plan (Planning)

The validator shall develop a validation plan that addresses the following:

- a) scope and objectives;
- b) identification of the validation team and the roles of team members;
- c) client/responsible party contact;
- d) schedule of validation activities;
- e) validation criteria;
- f) materiality;

g) schedule for site visits, if any.

The validator shall communicate the validation plan to the responsible party and ensure that relevant responsible party personnel are notified prior to the beginning of any site visit.

Evidence-gathering plan (Planning)

The validator shall design evidence-gathering activities to collect sufficient and appropriate evidence for each characteristic of the GHG-related activity to support his/her conclusion. Except in cases where the validator chooses to examine all evidence, the validator shall use a risk-based process to identify evidence to be collected for each characteristic of the GHG-related activity. The validator shall use any validation activities or techniques in designing the evidence-gathering plan including site visits.

Approval of validation and evidence-gathering plans (Planning)

The validation plan and evidence-gathering plan shall be approved by the team leader. Amendments to the validation plan and evidence gathering plan shall be approved by the team leader in the following circumstances:

- a) change in scope or timing of validation activities;
- b) change in evidence-gathering procedures;
- c) change in locations and sources of information for evidence-gathering;
- d) the identification during the validation process of new risks or concerns that could lead to material misstatements or nonconformities.

Amendments to validation and evidence-gathering plans (Planning)

If evidence collected indicates a material misstatement(s) or identifies a nonconformity with the criteria, the validator shall modify the validation plan and evidence-gathering plan, as required.

Execution

The validator shall conduct the validation according to the validation plan and the evidence-gathering activities according to the evidence-gathering plan.

Evaluation of the GHG statement

The validator shall use his/her assessment and evaluations and the evidence gathered to assess the responsible party's GHG statement against validation criteria. The Validator shall assess, individually and in the aggregate, whether uncorrected misstatements are material to the GHG statement. The validator shall assess conformity with the criteria and re-assess recognition.

Proper disclosure

The validator shall evaluate the GHG statement for proper disclosure and shall ensure that material disclosures occur. In assessing proper disclosure, the validator shall:

- a) assess whether the GHG statement is accurate and complete;
- b) assess whether the disclosure is a fair reflection of the GHG-related activity;
- c) assess whether the disclosure contains unintended bias;
- d) assess whether the disclosure addressed the intended users' requirements and needs.

Completion

The validator shall reach a conclusion based on his/her evaluation of the GHG statement and whether the GHG statement has been properly disclosed. If the responsible party does not correct any material misstatement or nonconformity in an agreed period of time, the validator shall take this into consideration when reaching the conclusion.

2.6 Opinion

The validator shall draft a validation opinion based on the evidence gathered during the validation and choose one of the options

Unmodified opinion

In order to draft an unmodified opinion, the validator shall ensure:

- a) there is sufficient and appropriate evidence to support the future estimate;
- b) the criteria meet the needs of the intended user;
- c) the criteria are appropriately applied for material emissions, removals or storage.

Modified opinion

In order to draft a modified opinion, the validator shall ensure that there is no material misstatement at the level of the GHG statement.

When there is a departure from the requirements of the criteria or deficiencies in the assumptions used to develop future estimates, the validator shall decide what type of modification to the validation opinion is appropriate. In addition to materiality, the validator shall consider:

- the degree to which the matter impairs the usefulness of the GHG statement;
- the extent to which the effects of the matter on the GHG statement can be determined;
- whether the GHG statement is, or could be understood to be, misleading even when read in conjunction with the validator's opinion.

A modified validation opinion, when read in conjunction with the GHG statement, normally will serve adequately to inform the intended user(s) of any deficiencies or possible deficiencies in the GHG statement.

Adverse opinion

In order to draft an adverse opinion, the validator shall conclude:

- a) there is insufficient or inappropriate evidence to support a modified or unmodified opinion;
- or
- b) criteria are not appropriately applied for material emissions, removals or storage; or
 - c) the effectiveness of controls cannot be determined when the validator intends to rely on those controls.

Disclaiming the issuance of an opinion

In order to disclaim the issuance of an opinion, the validator shall ensure that he/she has been unable to obtain sufficient appropriate evidence and concludes that the possible effects on the GHG statement of undetected material misstatement(s) are material and pervasive.

2.7 Validation report

The validator shall draft a validation report. The validation report shall include as a minimum:

- a) an appropriate title;
- b) an addressee;
- c) a statement that the responsible party is responsible for the preparation and fair presentation of the GHG Statement in accordance with the criteria;
- d) a statement that the validator is responsible for expressing an opinion on the GHG statement based on the validation;
- e) a description of the validation evidence gathering procedures used to assess the GHG statement;
- f) the validation opinion;
- g) the date of the report;
- h) the validator's location;
- i) the validator's signature;
- j) description of the validated baseline, or reference to it
- k) projected emission reductions or removal enhancements;
- l) validation scope.

2.8 Independent Review

An independent reviewer(s) shall be selected that is competent and different from the persons who conducted the verification. An independent review shall be completed before the opinion is issued. The independent review may be conducted during the verification process to allow significant issues identified by the independent reviewer to be resolved before the opinion is issued.

2.9 Issuance and use of opinion (Verification/Validation Statement)

The Lead verifier/validator shall make a decision whether to issue an opinion or to disclaim the issuance of an opinion.

The opinion may contain statements that limit the liability of the verifier/validator. For a modified opinion, the opinion shall contain a description of the reason for the modification and place this description before the verifier's/validator's conclusion. The verifier/validator shall state the reasons for an adverse opinion. When the issuance of an opinion is disclaimed, the verifier/validator shall state the reasons for the decision. Where the GHG statement includes a forecast of future emission reductions/removals, the GHG opinion shall explain that actual results may differ from the forecast as the estimate is based on assumptions that may change in the future. The findings presented on the verification/Validation statement are not intended to be used as advice or as the basis for any decisions, including, without limitation, financial or investment decisions. The statement of verification/validation as well as the verification/validation report and any other element of the procedure will not be used by any means that would alter data and facts. The responsibility of QMSCERT is to provide a conclusion as to whether the statements made are in accordance with ISO14064-1. The use of verification/validation statement must be used in its entirety (including annexes).

The validity of the verification/validation statement will be available to third parties via the QMSCERT website (<https://www.qmscert.com/en/certificate-validator/>)

2.10 Facts discovered after the issue of the verification/validation statement

If new facts or information that could materially affect the verifier/validation statement are discovered after the issue date, QMSCERT shall:

- a) communicate the matter as soon as practicable to the client and, if required, the programme owner;
- b) take appropriate action, including the following:
 - 1) discuss the matter with the client;
 - 2) consider if the verification/validation statement requires revision or withdrawal.

If the verification/validation statement requires revision, QMSCERT shall implement processes to issue a new statement including specification of the reasons for the revision. These can include repeating relevant steps of the verification/validation process.

QMSCERT may also communicate to other interested parties the fact that reliance of the original statement can now be compromised given the new facts or information.

Information about the client obtained from sources other than the client (e.g. complainant, regulatory authority) shall be confidential between the client and the validation/verification body. The provider (source) of this information shall be confidential to the body and shall not be shared with the client, unless agreed by the source.

ANNEX A: Verification / Validation Process Diagram



