

# Cercarbono Governance Overview

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**Version  
1.0**

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## 1 Board of directors

### 1.1 Faculties and functions of the Board of Directors

The Board of Directors (BoD) oversees Cercarbono's governance in all its dimensions.

The BoD has the broadest powers to manage the organization and it is the top decision-making body of the organization.

The BoD shall maintain an adequate balance between supervision and authority delegation to the executive direction to guarantee an effective, efficient organization management.

The BoD oversees and provides direction and guidance to the organization and is entitled to exercising all powers granted to the organization and do all lawful acts required by the organization in a manner consistent with the organization's purpose, mission, and vision.

***Non-delegable functions of the BoD include:***

- Its own organization and operation.
- Designing the structure of the organization.
- Establishing general policies and strategies for the organization.
- Development of new business units and/or initiatives.
- Exercising organization governance and related policies and regulations as applicable, including amendment of the Articles of Incorporation or Bylaws.
- Establishment of risk control and management policies and supervising internal reporting and control systems.
- Supervising the process of elaboration and presentation of the financial information, the management report, and the annual report.
- Authorizing the organization's Financial Statements.
- Approval of investments or operations considered to be strategic or entailing special risk considerations.
- Drawing up reports required by law of the BoD.
- Supervision of any committees created / performance of executives appointed by the BoD.
- Approving the strategic and business plans, management objectives and annual budgets, as well as policies related to investment and funding, corporate social responsibility, and dividends.
- Deciding on Chief Executive Officer (CEO) and executive directors' remuneration.
- Appointing and removing executives reporting directly to the BoD and establishing the subject contract conditions.
- Appointing and removing any managing director of the organization and establishing the subject contract conditions.

- Decisions related to mergers, acquisitions, and strategic alliances involving the organization's assets.

## 1.2 Composition and main features of the Board of Directors

The BoD is composed of not less than three (3) and not more than five (5) members, comprised exclusively of natural persons. The number of members of the BoD is set and can be changed by resolution of the BoD (provided it holds to the established minimum and maximum number) at any time, with the vote of at least 75 % of its members.

Members of the BoD shall serve a two (2) year term, and may stand for re-election for additional consecutive terms, provided they are subject to the normal election process, possess required qualifications and are at least 18 years old and not older than 75 years.

Adequate staggering of members of the BoD's terms is to be promoted to allow for adequate rotation and organization's direction continuity.

The BoD shall review at least biyearly, the requirements set for new members of the BoD as well as the composition of the BoD. As a minimum, such review shall consider diversity, skills, experience, public fame, and age as related to the needs of the organization.

To provide effective and strategic direction to the organization, the BoD is composed of at least 50 % independent members (i.e., without direct or indirect relationship with the organization's operations and/or staff).

It is not necessary to be a shareholder in order to be appointed as a member of the BoD.

The BoD shall elect a Chair and optionally, a Vice-Chair, which will serve in the absence of the Chair.

The Chair of the BoD presides at the BoD meetings and ensures full compliance of the BoD's decisions and resolutions. The Chair of the BoD is entitled to representing the organization at any meeting or event that warrants it.

The term of the Chair elected at the annual BoD meeting is two years, or until the next annual BoD meeting. The term of the Chair may be renewed by consensus of the BoD.

Vacancies in the BoD can be due to a member of the BoD's term end without opting for re-election, by resignation, removal, or death, as well as in cases where a resolution calls for an increase in the number of members of the BoD.

Member of the BoD's candidates to fill any vacancy are proposed by the BoD. Notwithstanding, they also may be proposed by shareholders which individually or together represent at least 51 % of total shares.

The BoD shall maintain a conflict-of-interest policy which all its members must abide to by signing it.

### **1.3 Board of Directors' meetings**

There are different types of meetings the BoD may call or must hold.

All members of the BoD shall have full equal rights of participation in BoD discussions, debates, and consideration of issues. Invariably, each member shall have one vote at each subject or matter transacted in a BoD meeting.

The BoD shall hold an annual meeting at any designated venue or by teleconference, if an option for the particular annual meeting. In this annual meeting, the members of the BoD will be elected (or re-elected), as well as the Chair. The meeting is the forum for transaction of any proper matter or business related to the organization.

It is not necessary to announce in advance which businesses will be transacted during a specific meeting, except for the removal or election of directors.

Regular BoD meetings will be held at least twice each year and can occur at any place or by teleconference and upon such notice as prescribed in the Articles of Incorporation of Cercarbono or its Bylaws.

Special meetings of the BoD may be called by the Chief Executive Officer (CEO) or any two (2) members of the BoD.

Election of members of the BoD is to be performed at an annual meeting of the Board of Directors, or at a meeting specially summoned for such purpose under adequate notice. Elected members of the BoD's term of office shall be from the date of the meeting at which they were elected.

## **2 Decision making process**

Resolutions of the BoD will be invariably decided by affirmative vote of a majority of its members not involved in matters affecting or related to its individual performance or change of status.

At any meeting, simple majority of the members of the BoD currently in office constitutes a quorum for the transacted business.

Except for the cases where a certain majority of all members of the BoD currently in office is required, the act of a majority of the members of the BoD in office which constitute a quorum at a certain meeting shall be deemed as the act of the BoD.

Notwithstanding, following actions or resolutions thereof must have at least a 75 % majority of the members of the BoD currently in office to proceed:

- Change or modify the organization's objectives, purpose, or mission / vision statements.
- Elect the BoD Chair and Vice Chair.
- Appointment of the Chief Executive Officer (CEO).
- Election of members of the BoD.
- Dissolution or merging of the organization or establishing strategic alliances.
- Setting the organization's direction and priorities.
- Creating formal, not within the BoD, ancillary support, or consulting bodies.
- Decisions or resolutions on relevant matters as deemed by a member of the BoD.
- Appoint the organization's auditor or auditing company.
- Authorize the annual budget.
- Develop new business lines, standards, or programmes.
- Major changes to the procedures, protocols, standards, or programme(s).

In order to make a decision as informed, inclusive, and objective as possible, the BoD may summon the CEO to participate in any meeting not intended to discuss her/his individual performance or matters involving potential conflicts of interest as an observer, with no voting faculty, to provide opinions or clarifications as requested by the BoD.

In the same manner, any executive and/or employee and/or committee member and/or stakeholder whose opinions, experience and/or situation is deemed to be relevant by the BoD, may be invited to participate at any meeting for specific transacted businesses with no voting rights.

All resolutions and decisions shall be recorded in writing including the vote counting supporting each of them.



### 3 Committees

The BoD may appoint committees to assist it in matters within its remit, presided by a member of the BoD, whose members could include organization executives and/or employees or external staff / stakeholders, according to the nature of the subject committee. These committees are intended to support the BoD to better carry out its functions. Such committees can be permanent or on a temporary basis.

#### 3.1 Audit Committee

In any event, there will be an Audit Committee presided by an independent member of the BoD. The members of this committee shall be preferably appointed based on their knowledge / background in accounting and/or auditing, risk management, both financial and non-financial and its sustainability correlations. The members of the Committee as a whole, must have pertinent technical knowledge of the business environment in which the organization operates.

***Functions of the Audit Committee include:***

- Proposing to the BoD the appointment of the external auditors and their contract conditions, the scope of their mandate and the revocation or extension of their mandate.
- Supervision of the organization's internal control, internal audit services and risk management systems to detect and discuss any significant weaknesses in the internal control system with the external auditors without compromising their independence and provide the BoD with recommendations thereof.
- Supervision of the report elaboration process regarding mandatory financial information.

#### 3.2 Technical Committees

In cases or circumstances requiring non-routine and major changes to the programme, protocol, procedures or for the purpose of approval of methodologies and or participation in new initiatives and businesses, the BoD shall establish specific purpose technical committees as required, which will advise it regarding technical matters and risks involved, as well as ways for implementation and technical risk mitigation. Each technical committee will be presided by a member of the BoD and will have as obligatory members the Programme Director and the Technical Director, and as optional members the remaining directors and other relevant Cercarbono's staff and/or external experts / stakeholders.

The operation of the Technical Committees may be delegated to the CEO, which will guide discussions and the process under which decisions will be taken in such committee.

The final word regarding the proposed actions will be that of the Programme Director, preferably with the consensus of the Technical Director, although the final decision on the

way it is presented to the Committee president and in turn to the BoD for approval will rely on the CEO. Notwithstanding, the BoD will make the decision according to the decision-making procedures.

### 3.2.1 Other, special purpose committees

Under special circumstances or when a specific need is identified or mandated by any situation or regulation not foreseen under the scope of the Audit or the Technical Committees, special purpose Committees may be integrated on a temporary basis, among others:

- Appointments Committee, with the purpose of making proposals to the BoD regarding appointment, re-election, or replacement of members of the BoD, and providing inputs regarding independent members of the BoD's candidates.
- Governance Committee, with the purpose of assessing the operation of the BoD and assessing and improving the governance practices.
- Ethics Committee, with the purpose of reviewing the organization's values as well as its ethics and compliance policy, promote the Code of Ethics and general ethics policies of the organization, analyze any breach of the ethics and compliance policies and propose action plans to address such incidents.
- Compensation Committee, with the purpose of assessing the status of compensation levels in the organization for all positions and comparing it with the prevailing practice to foster talent retention.

## 4 Chief Executive Officer

The Chief Executive Officer (CEO) is the top executive officer of the organization and will oversee all operations and performance indicators providing hands-on guidance and intervening to ensure compliance with business and strategic planning goals including programme growth, financial performance, and overall operations management.

The CEO is the top operational decision-maker within the organization, with the obligation to report to the BoD, and technically is subordinated to the Chair of the BoD.

The CEO is solely empowered by the organization to execute in its name all authorized contracts, certificates, or other instruments except when signing of a particular instrument is delegated to another officer or employee.

The CEO shall be present at all meetings of the BoD as requested by the Chair or Vice-Chair and shall preside at all meetings of the BoD at which the Chair and the Vice-Chair are not present.

The CEO, in coordination with the BoD, may appoint executive staff and employees who shall have such authority and perform the duties the CEO prescribes to comply with the organization design, objectives and needs.

***The main duties of the CEO include:***

- Overall business operation management and performance monitoring / evaluation.
- Guide executive staff efforts towards organization's long-term plans compliance.
- Implementation of plans and policies and changes thereof to ensure alignment with strategic and business planning.
- Recruiting, supervising and evaluation of executive directors.
- Reporting to and receiving directions from the BoD on strategy and governance matters.
- Representing the organization before all stakeholders and other relevant counterparts, in particular the signature of the CEO must be at any certificate Cercarbono's issues.
- Setting precedence to creating the work environment most suitable to achieve the organization's goals. Lead by example on organizational culture.

Decision making in the executive operations environment is managed through informed discussions assuring all parties involved have equal opportunities to expose their points of view and/or proposals.

The CEO will make up her/his criteria according to exposure to such inputs and is entitled to provide the final decision on each matter not expressly delegated to a certain executive director.

The CEO is entitled to manage all Technical Committees and having the final word on the outcomes of their work / decisions and informing the BoD member presiding the subject Technical Committee on the activities, outcomes and decisions proposed, which will be subject to voting in the BoD environment to decide on its fate.

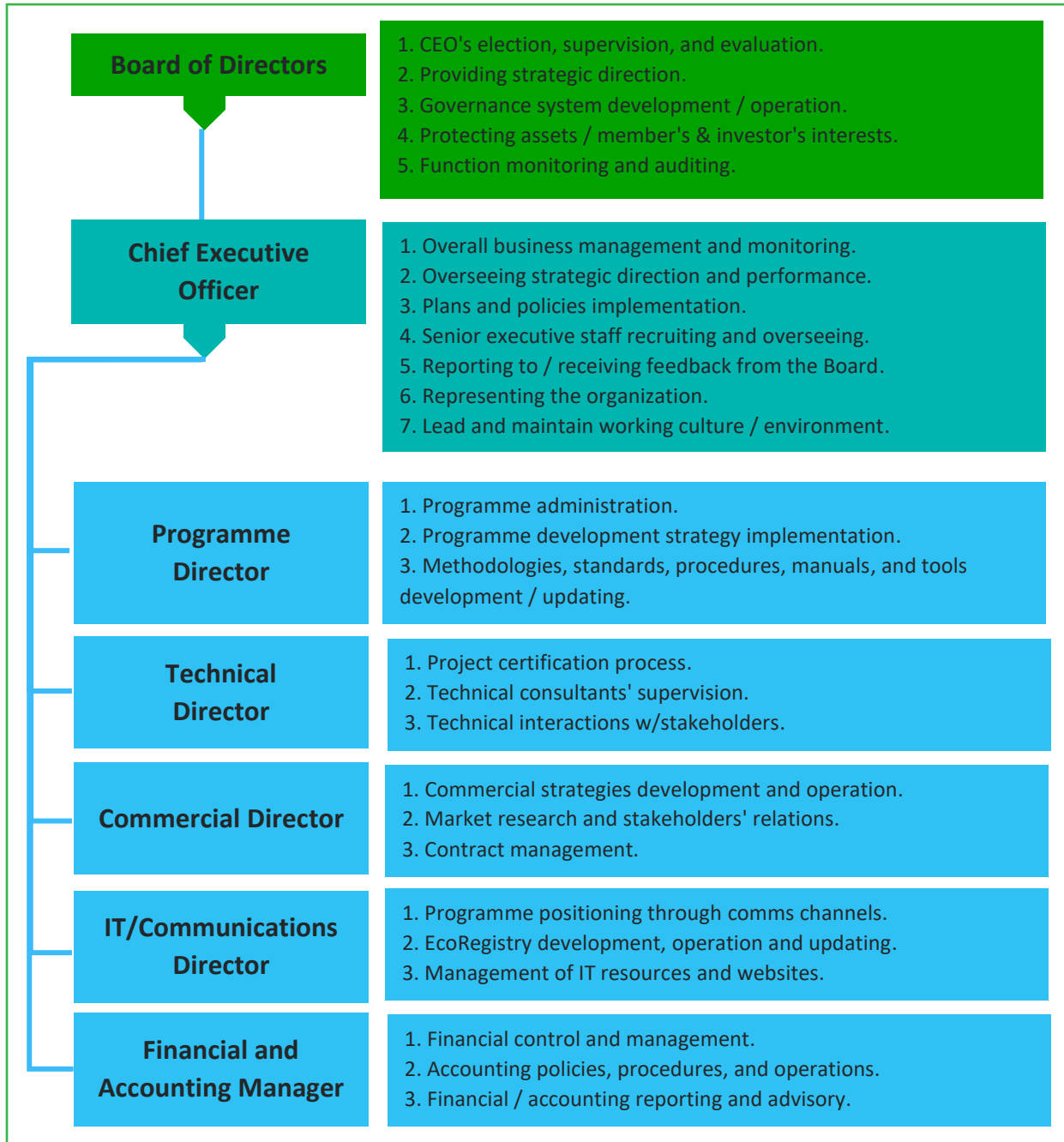
## 5 Executive staff

Cercarbono's executive staff includes four Executive Directors and the Finance and Accounting Manager reporting directly to the CEO, namely:

- Programme Director: responsible for implementing the strategic lines and establishing/updating the regulatory and technical frameworks required for the operation of the Cercarbono standard, along with the overall Programme.
- Technical Director: responsible for all stages of project certification process and carbon credit conversion. It interacts with and supervises the assigned certifiers in the certification stages. Interacts with other actors such as VVBs, developers, owners, proponents, among others, to support and respond to specific needs. It also supports the programme management in the development of technical documents.
- Commercial Director: responsible for providing inputs regarding market analysis and commercial strategy (including involvement with other programmes / standards). Guiding the process of information and responses to customer queries in coordination with technical areas as applicable, supporting contractual decisions and management of contracts with Cercarbono customers, and providing feedback to the programme and technical directors on related subjects.
- IT and Communications Director: in charge of positioning the standard through communication channels, developing, and updating EcoRegistry and the Cercarbono website and managing / maintenance and updating of technology resources.
- Finance and Accounting Manager: in charge of providing financial / accounting reporting and advisory, financial, and accounting control and policies management, and development of procedures and operations necessary for the continuous operation of the standard.

Cercarbono's organizational structure and functions is summarized in [Figure 1](#).

**Figure 1.** Cercarbono Organization Chart.



## 6 Document history

Version	Date	Comments or changes
1.0	23.03.2023	Published version.