

# Cercarbono Governance Overview

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**Version  
1.1**

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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 voluntary certification programmes governance in all its dimensions.

The BoD serves as a support in the voluntary certification programmes management and administration and is a supporting entity in the organization's decision-making process.

The BoD oversees and provides direction and guidance to the certification programmes of the organization and is entitled to make decisions aiming to improve certification programmes, in addition to providing guidance for their administration and management.

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

- Its own organization and operation.
- Supporting the design of the organization's structure.
- Establishing general policies and strategies for certification programmes.
- Strategic guidance on certification programmes' objectives, which includes identification of risks and opportunities, and ways to face them.
- Supporting development of new business units.
- Establishment of risk control and management policies.
- Review and assessment of operational and strategic reports regarding administration of certification projects and its annual report.
- Proposing projects deemed as strategic.
- Mentoring and leadership of certification programmes' directive team, as well as their performance assessment.
- Supervision of appointed committees as per in [Section 3](#).
- Approval of strategic plans.
- Decisions related to pertinence of participation of the organization or some of its programmes in initiatives, gremial associations, accreditation, or certification programmes which, although not necessary for the organization's operation, could result in competitive benefits, either at BoD or Chief Executive Officer proposal.
- Identification of key talent for certification programmes, and advice and planning on vacant filling or succession of directive positions.
- Providing guidance on best corporate governance practices and watch for compliance of ethical standards of certification programmes.
- Approval of major changes in regulatory frameworks of certification programmes.

### 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, one of them the Chairman, representing

shareholders before the BoD. The number of members of the BoD is set and can be changed by resolution of the shareholders through the Chairman BoD (provided it holds to the established minimum and maximum number) at any time.

Members of the BoD shall serve a three (3) year term, and may stand for re-election for up to three (3) additional consecutive terms, provided they 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 Chairman, in representation of the shareholders, shall review at least biyearly, the requirements set for new members as well as the composition of the BoD. As a minimum, such reviews shall consider diversity, skills, experience, public fame, and age according to the organization needs.

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 Chief Executive Officer of the certification programmes shall preside BoD meetings and ensure full compliance of the BoD's decisions and resolutions, being entitled to representing the organization at any meeting or event that warrants it.

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.

Candidates to cover a BoD vacancy are proposed by the BoD, the Chairman or the Chief Executive Officer. New members shall be designated by the Chairman, in representation of the shareholders.

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

### **1.2.1 The Chairman**

The Chairman is the representative of the shareholders in the Board of Directors. He cares for their interests and priorities and oversees the strategic direction of the organization ensuring decisions taken are beneficial for the stakeholders.

The Chairman is appointed by the organization's shareholders and is not subject to a specific serve term, so it could serve for life or at shareholders' pleasure.

Among Chairman's functions are:

- Acting as liaison between shareholders and the BoD, ensuring the interests of the former are considered in the strategic direction of the organization.
- Maintain constant communication with BoD members, approaching subjects of interest and development inside the organization.
- Actively participating in the formulation of the entrepreneurial strategy in establishing short-, medium-, and long-term objectives for the company.
- Supporting corporate relationships with other organizations, guilds, developers, traders, communities, among other programme's stakeholders.
- Ensure compliance with nest corporate govern practices, as well as implementation of regulatory documents for the certification programmes.
- Maintain close collaboration with the Chief Executive Officer, providing support and guidance for proper programme management, strategy discussion, challenge facing and opportunities' capitalization.
- Evaluating, along with the CEO, performance of working teams, their compensation, bonuses, as well as implementing actions to motivate teams and guarantee effective communication between them.
- Identify and manage potential risks for the organization and its certification programmes, to take measures for managing and minimizing them.
- Lead the BoD performance, identifying improvement areas and establishing strategies for its better functioning.
- Develop new business lines, standards, and programmes.
- Approving legal and societal organization's reports.
- Preparing annual budget for certification programmes.
- Approving technical, research, academic, and cooperation agreements with legally constituted public or private entities, with juridic personality and registered in a certain public registry.
- In cases the Chairman also holds legal representation of the organization, he also is entitled to signing legal documents of the programme, including contracts so requiring.

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

The BoD shall hold at least four (4) meetings during the year, one at each quarter, either at a designated venue or virtually (remote). Such meetings shall be called by the General Director, at least 15 calendar days in advance. Calls for these meetings could be through email, by phone or any other means.

BoD meetings can also be called by the Chairman, or by any two (2) BoD members. In these cases, the BoD members could call the meeting jointly, through email, or assisted by the organization's administrative areas.

It is not necessary to announce in advance which businesses will be transacted during a specific meeting.

BoD meetings shall be led by the organization's General Director, which shall present the meeting's agenda, specifying those agenda items where a BoD decision is required. Each meeting shall be recorded, and its transactions published at the programmes' websites for stakeholders' information.

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

Other persons may be invited to BoD meetings, given their expert qualifications or because they can be considered as relevant stakeholders, to present on specific subjects related to the organization's development.



## 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.

Even when unanimous positioning of the BoD members is always procured, 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.
- Appointment of the Chief Executive Officer (CEO).
- 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.
- Major changes to procedures, protocols, standards, or programme(s).

The BoD may hold meetings without the General Director's attendance, related to matters involving the General Director's performance potential conflicts of interest.

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 taken at any BoD meeting shall be recorded in writing.

### 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. Committees may be permanent or temporary. The faculty to appoint special purpose committees for merely operative issues relies on the Chief Executive Officer, the BoD retaining ample supervision faculties.

#### 3.1 Committees appointed by the BoD

##### 3.1.1 Audit Committee

The Audit Committee shall be presided by an independent BoD member. 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.

##### 3.1.2 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.

### **3.1.3 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.

## **3.2 Committees appointed by the CEO**

The CEO is entitled to appoint committees related to purely operational and technical matters so requiring according with its relevance or as per set forth in Cercarbono's regulatory documents.

All committees shall be formed by at least two members of the organization and could be supported by external staff or organizations as required according to the subjects or matters to analyse or discuss. Among the members of the organization, Programme Director(s) directly involved with the subject matters, shall be included.

There are four types of committees in this case, as described below:

### **3.2.1 Committees for periodic review of regulatory documents and methodologies**

Periodic review of regulatory documents and methodologies of the various Cercarbono programmes, according to provisions in current versions of them or as per in applicable policy, shall be carried out by a committee formed by the specific Programme Director and

other relevant members of the organization. Such committee shall prepare a revised document proposal for consideration and review by the CEO and will address the comments from the specific public consultation to issue a final version to be published at Cercarbono's website.

In case a periodic review of the regulatory document is concurrent with the need to incorporate new provisions relating to principles to be followed, general scope, applicability, criteria changes, as compared to current ones, new sections or new procedures of notorious relevance for the certification process management, then provisions as per in **Section 3.1.2** above shall apply.

### **3.2.2 Committees for methodologies' approval**

The methodology approval process for inclusion in the methodology catalogue applicable to projects participating in the certification cycle under Cercarbono programmes shall be carried out by a specific committee formed by the specific Programme Director, the Technical Director, given the case, internal experts with experience in procedures, technologies and management relevant to the proposed methodology submitted for Cercarbono's consideration, as well as by an independent third party with proper qualifications according to the application field and covered technologies, following provisions as per in current version of Cercarbono's regulatory documents.

As a result from this analysis, a summary report shall be prepared and comments and developed actions shall be compiled to issue a resolution, as well as the justification for it, for CEO's approval, prior to its publication for public comments. The committee will be in charge of issuing a final version to be published at Cercarbono's website.

### **3.2.3 Committees for other special purposes**

At CEO's initiative, or as instructed by the BoD, or triggered by a need or suggestion on a relevant subject, other ad-hoc committees may be formed, appointed by the CEO, for review and analysis and/or resolution of diverse activities and subjects, related to the standard operation, for example:

- Change implication analysis for changes to / new determinations, laws, and regulations to be observed by certification programmes.
- Assessment of developments, trends, or implementation of new global regulatory frameworks for voluntary carbon markets, circular economy, or biodiversity.
- Major development or review of tools, templates and other organization's technical documents and guidelines.
- Analysis and definition of acting lines before situations related to required adjustments to credits issued.
- Analysis and definition of sanctions applicable to Validation and Verification Bodies, developers or project holders before grave facts related with their way of acting, omissions or false declarations or in the information submitted to Cercarbono, in

situations not specifically covered in the regulatory framework. In this case, the committee will always be integrated, coordinated, and presided by the CEO.

This listing intends to exemplify on a nominative, non-limitative basis, cases which could justify the operation of a committee, in the understanding there could be multiple different situations or motives to those enunciated for the formation of other special purpose committees. Notwithstanding, a policy of rationality of resource utilization shall be always followed so formation and operation of such committees shall be always justified and only during necessary time and the minimum possible number of participants allowing an adequate handling of the diverse issues according to their importance and priority.

## 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 Chairman.

The CEO is solely empowered by the organization to execute in its name all contracts, certificates, or other instruments not requiring an exclusive legal representation, and a power of attorney could be extended to him, as applicable.

The CEO shall preside over the BoD meetings, which will be coordinated in time and contents with the Chairman.

The CEO, in coordination with the Chairman, and possibly in coordination with the BoD, shall designate executives and employees, which will have the authority and shall develop the duties prescribed by the CEO in compliance of the organization's 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.
- Signing any certificate Cercarbono's issues, related to GHG reductions / removals, and other environmental assets Cercarbono may issue.
- Setting precedence to creating the work environment most suitable to achieve the organization's goals. Lead by example on organizational culture.
- Managing non expected situations that may arise, taking agile, effective decisions to minimize negative impacts on the organization.
- Collaborating with the marketing and sales team to develop effective strategies fostering the company growth, identifying market opportunities, client segments and distribution channels.
- Ensure compliance of the regulatory framework of the certification programmes, supervising development and implementation of policies and procedures to ensure regulatory compliance in all operation areas.

- Identifying and developing strategic alliances with other companies or institutions that may provide growth or collaboration opportunities, or access to new markets or technologies.
- Implementing quality management and continuous improvement programmes to ensure operational excellence and client satisfaction, supervising the implementation of quality standards and identification of improvement areas.
- Legal and societal functions delegated to him by means of a power of attorney constituted by the legal representative of the organization.

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

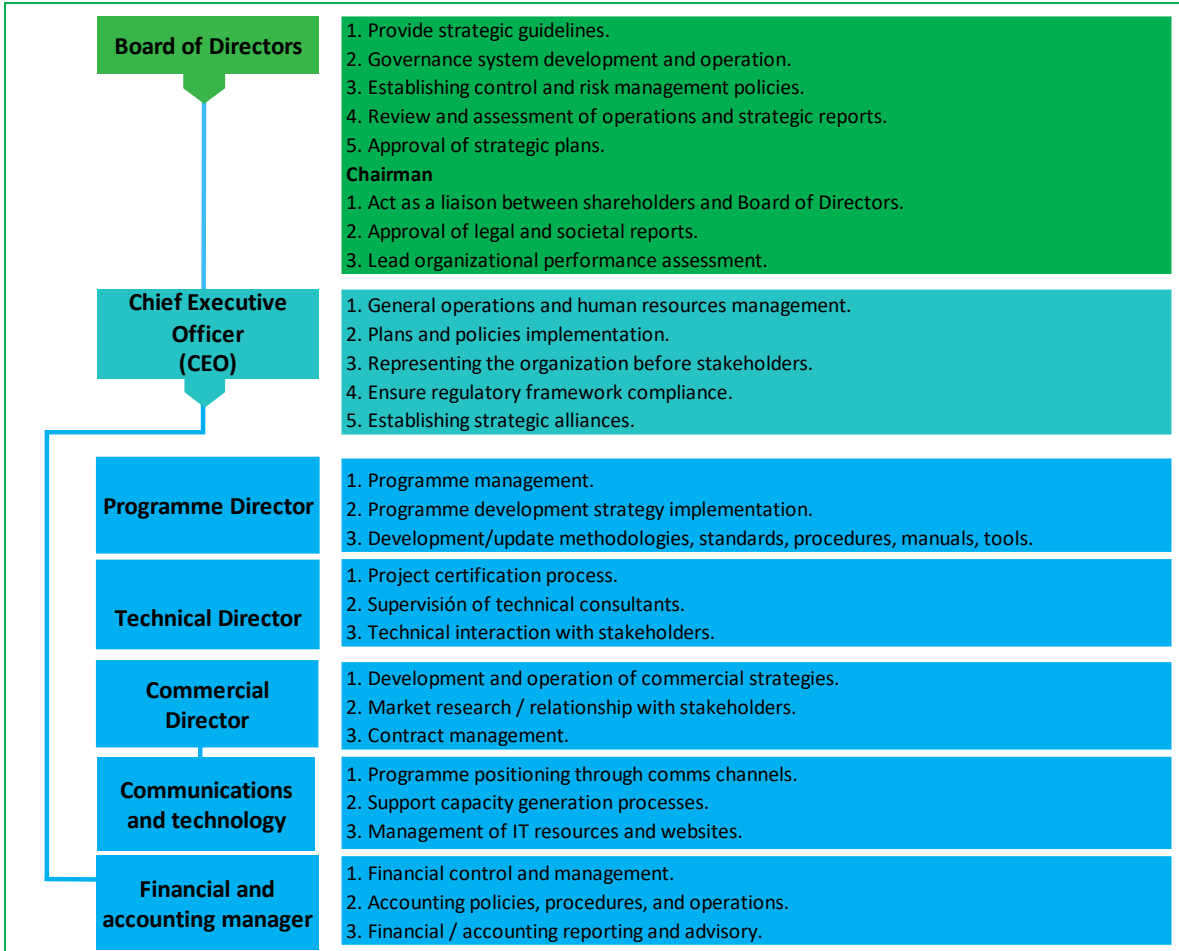
Cercarbono's executive staff includes four Executive Directors and the Finance and Accounting Manager reporting directly to the CEO, namely:

- **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.  
In the absence of any Programme Director, the CEO shall act as such, and may temporarily delegate activities to another officer of the organization.
- **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 as well as the management of the communications and technology area, 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.
1.1	27.03.2024	Revision to committees' organization and organizational structure.