

Provisional Claims Code of Practice

USER GUIDE

Introduction

The use of high-quality carbon credits by companies and other private nonstate actors (NSAs)—above and beyond their internal decarbonization efforts—can deepen climate change mitigation, accelerate progress towards the goals of the Paris Agreement and drive additional finance into low- and middle-income countries.

However, for this to happen, it is essential that voluntary use of carbon credits does not displace action by companies within their value chains or delay more ambitious policies by governments. With the range of often inconsistent and poorly substantiated claims currently being made, it is difficult for companies, their investors, customers and employees to be sure that carbon credit use is enhancing global greenhouse gas mitigation efforts rather than simply acting as a smokescreen for action that falls short of what the science requires.

VCMI was established to cut through this confusion and develop guidance that will provide confidence that claims based on

voluntary use of carbon credits are of high integrity and can be trusted. In particular, we seek to answer two core questions:

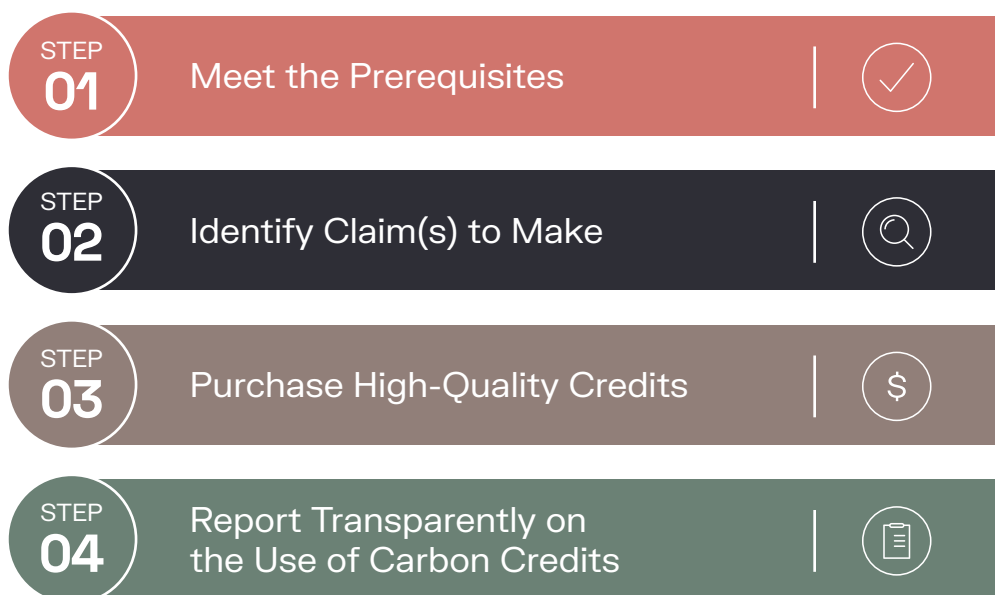
- What constitutes high integrity voluntary use of carbon credits by companies and other NSAs?
- What can companies and NSAs credibly claim about this use?

VCMI's provisional Claims Code of Practice, published for road testing and public consultation in June 2022, is designed to help companies ensure and demonstrate that their engagement with voluntary carbon markets makes a significant, measurable, and positive contribution to achieving the Paris Agreement goals while also promoting inclusive, sustainable development.

This User Guide – which summarizes the Provisional Code of Practice - provides a high-level but practical overview of the actions that companies and other NSAs must take and the claims they can make to communicate these actions.

FOUR STEPS for Making Credible Claims

The VCMI Claims Code of Practice comprises four components or steps, all of which companies must adhere to in order to make credible claims about their voluntary use of carbon credits:



STEP 01

Meet the Prerequisites



As part of good corporate practice on climate change and in line with the widely accepted mitigation hierarchy, VCMI requires that companies only use carbon credits in addition to – not as a substitute for – science-aligned decarbonization across their value chains. The VCMI Prerequisites are designed to ensure that this is the case and to offer guidance to all companies on the steps they should take to align with the goals of the Paris Agreement.

Before making voluntary use of carbon credits (and making a VCMI claim), companies must:

- Make a public commitment to achieve science-aligned long-term net zero emissions no later than 2050, covering Scopes 1, 2, and 3.

- Set and make public interim emission reduction targets.
- Provide detailed information on the plans and strategies adopted to achieve their targets.
- Maintain a publicly available greenhouse gas emissions inventory.
- Make a public statement declaring that the company’s advocacy activities – either individually or through trade bodies of which it is a member- are consistent with the goals of the Paris Agreement and do not represent a barrier to ambitious climate regulation.

Compliance with all the prerequisites must be confirmed by a credible, independent third party.

STEP 02

Identify Claim(s) to Make



VCMI Claims Code of Practice offers two different types of claims for recognizing achievements before companies meet their long-term net zero commitment:

- Enterprise-wide Claims represent achievement at the enterprise level as companies progress toward their long-term net zero commitment.
- Brand, Product, and Service-Level Claims represent achievement across the full value chain of a specific brand (line of products or services), product, or service.

Companies may make a claim in any year, provided that they can demonstrate – through verification by a credible, independent third party – that their emissions and ongoing decarbonization plans are consistent with the claim. This means that for every year a company wishes to make or maintain a claim, the company must meet the VCMI Prerequisites and demonstrate adequate progress in emissions reductions as confirmed by a credible, independent third party.

Science-Aligned Emission-Reduction Pathway

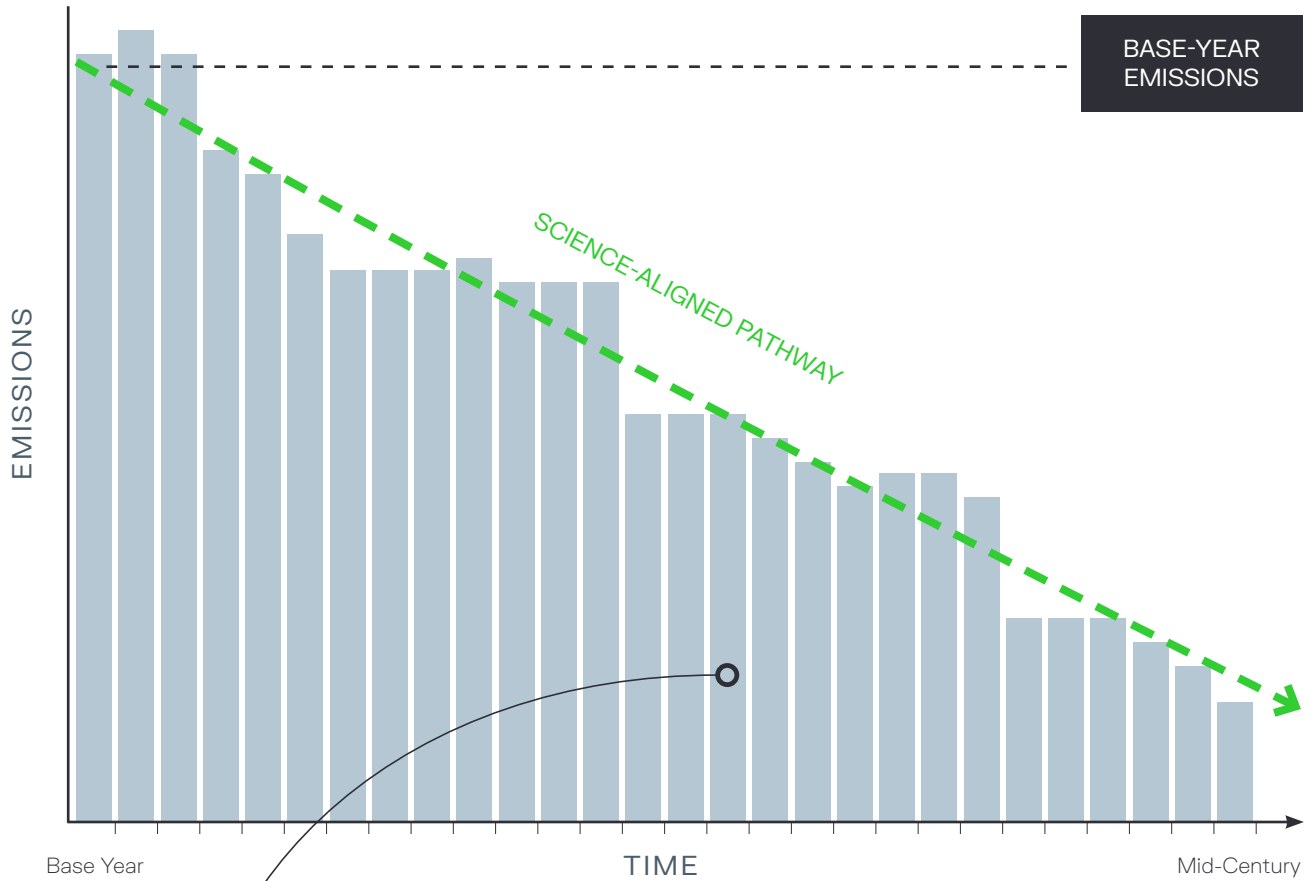
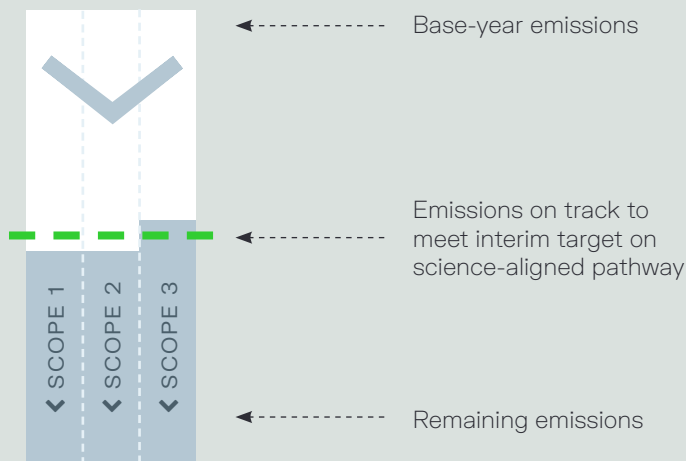


FIGURE 1: The figure shows an indicative science-aligned trajectory to net zero by mid-century. The straight line represents a linear emissions reduction pathway, while the bars show actual emissions in any given year that are consistent with the overall pathway. A company must set an interim target every five years but can make a claim in any year, provided that it meets the prerequisites (Step 1) and its emissions levels are consistent with meeting its next interim target as verified by a credible, independent third party.

In any given year on the pathway:



SCOPE 1, 2, AND 3 EMISSIONS

Scope 1: direct emissions from owned or controlled sources

Scope 2: indirect emissions from energy purchased and consumed by the reporting company

Scope 3: all other indirect emissions in a company's value chain, both upstream and downstream

Table 1: Summary of Criteria for VCMI Gold, VCMI Silver and VCMI Bronze Claims

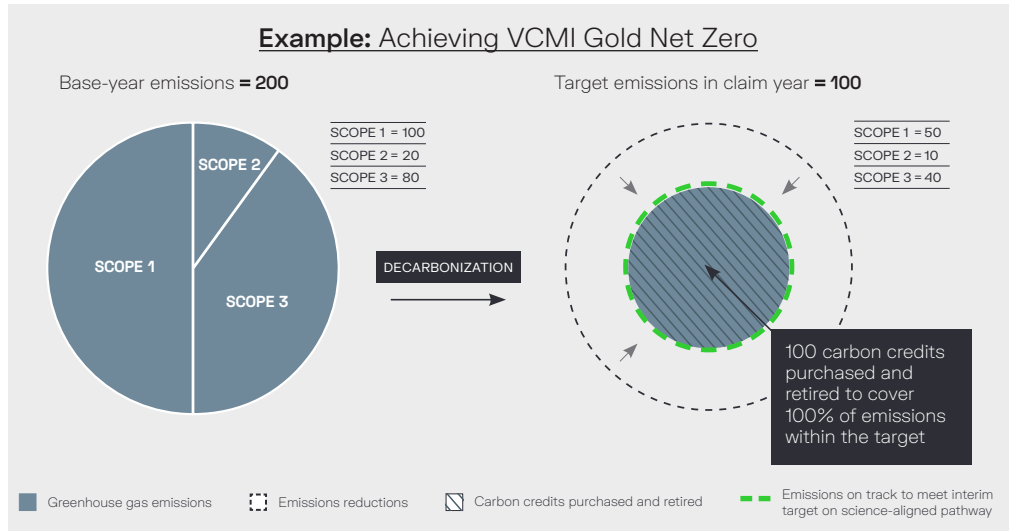
Claim	Scope 1 and 2 emission reductions required to meet interim targets	Scope 3 emission reductions required to meet interim targets	Remaining emissions once interim targets have been met
	On track	On track	100 percent covered (through purchase of high-quality carbon credits)
	On track	On track	At least 20 percent covered in 1st year, increasing over time
 (only available until 2030)	On track	Partially on track through internal emissions reductions A company may use carbon credits to cover up to 50 percent of remaining unabated Scope 3 emissions to the level required for its interim target, with the proportion covered by credits reducing year-on-year. No credits permitted after 2030.	At least 20 percent covered in first year, increasing over time

All VCMI Claims represent contributions to the collective global effort to transition to net zero emissions. The purchase and retirement of carbon credits as part of these claims are never a substitute for internal emissions reductions; that is, they are not accounted for as progress toward companies’ science-aligned interim targets or long-term net zero commitment. Carbon credits associated with or without host country corresponding adjustments can be used to underpin

VCMI claims. Carbon credits must be of high environmental and social quality and transparently reported, including whether or not the carbon credit is associated with a corresponding adjustment.

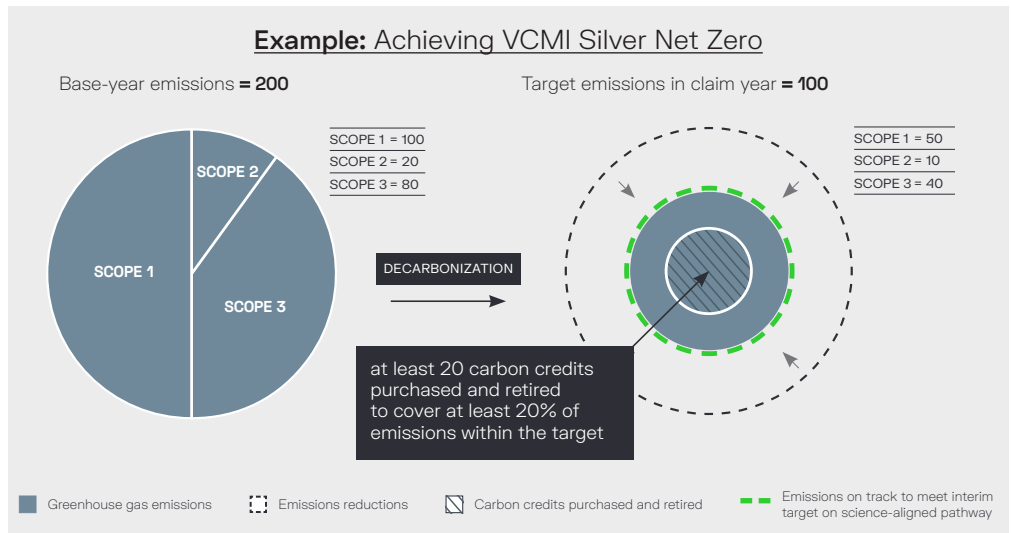


To achieve VCM Gold, a company must be on track to achieve its next interim target for Scopes 1, 2, and 3 through emissions reductions within its value chain *and* have covered all (100 percent) remaining unabated emissions through the purchase and retirement of high-quality carbon credits.



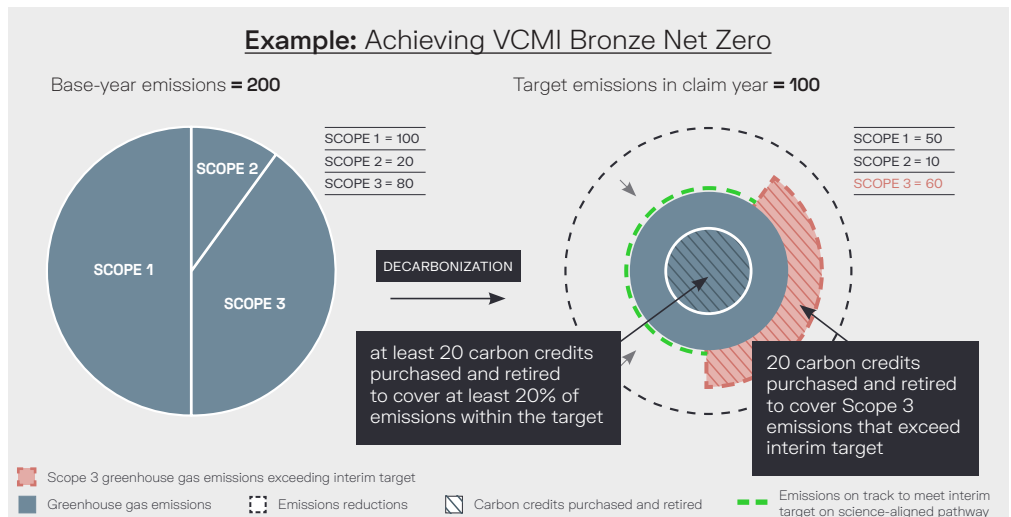
VCMI SILVER

To achieve VCM Silver, a company must be on track to achieve its next interim target for Scopes 1, 2, and 3 through emissions reductions within its value chain *and* have covered at least 20 percent of all remaining unabated emissions through the purchase and retirement of high-quality carbon credits.



VCMI BRONZE

To achieve VCM Bronze, a company must be on track to achieve its next interim target for Scopes 1 and 2 through emissions reductions within its value chain; reduce its Scope 3 emissions to the level required for its interim target through a combination of emissions reductions within its value chain and purchase and retirement of carbon credits (up to a maximum of 50 percent of its Scope 3 footprint), and have covered at least 20 percent of all remaining unabated emissions through the purchase and retirement of high-quality carbon credits.



Brand-, product-, and service-level claims represent achievement across the value chain of a specific brand (a line of products or services), product, or service as a company progresses toward its long-term net zero commitment. Credible brand-, product-, and service-level claims help raise public awareness of climate-responsible consumption, especially as consumers increasingly value purchase of responsible products.

To make a VCMI carbon neutral brand-, product-, or service-level claim, a company must:

- Meet all prerequisites outlined in Step 1 for the company as a whole.
- Maintain a publicly available inventory, covering all Scope 1, 2, and 3 lifecycle emissions associated with the division, brand, product, or service, following the GHG Protocol (or equivalent).

- Demonstrate ongoing reductions in the lifecycle emissions and/or emissions intensity associated with the division, brand, product, or service and follow carbon neutrality guidance from a reputable standard (e.g., GHG Protocol Lifecycle Reporting and Accounting Standard, PAS 2050, or PAS 2060 for events or products).

- Use high-quality carbon credits (reductions and/or removals) to cover all unabated emissions over a specified time period.

- Comply with all applicable regulations and refer to voluntary achievements that go beyond complying with existing legislation or standard business practice.

- Avoid creating a false impression, hiding trade-offs, and/or overstating the beneficial environmental impacts of activities.

- Demonstrate fulfillment of all above requirements through verification by a credible, independent third party.

STEP
03

Purchase High-Quality Credits



All credits used as the basis for credible claims must be high quality and meet basic criteria. VCMI does not provide detailed guidance for what constitutes a high-quality carbon credit; instead, VCMI acknowledges the work of CORSIA and the IC-VCM to identify cross-cutting quality criteria for carbon credits. To meet the basic criteria for high quality credits used toward any claim, the credits must be:

- Associated with a recognized and credibly governed standard-setting body.
- Of high environmental quality.
- From activities that are compatible with human rights.
- From activities that promote equity, apply social safeguards, and demonstrate positive socio-economic impacts.
- From activities that contribute to the protection and enhancement of environmental quality.

STEP
04

Report Transparently on the Use of Carbon Credits



To substantiate a claim, transparent reporting of information is essential. Companies must report full information in publicly available annual corporate sustainability or similar reports to demonstrate that prerequisites and claim requirements have been met. Companies must also convey in these reports how they use carbon credits toward their climate commitments, goals, targets, and claims, including by providing the following specific information:

- Number of credits used/claimed; number of credits retired; proportion used to cover emissions beyond a company's targets; and proportion used to cover Scope 3 emissions in order to meet the target (VCMI Bronze claim).
- Certification Standard Name, Project name, ID, and issuing registry for each credit used.
- Host country.
- Credit vintage.
- Methodology/project type.
- Whether or not the carbon credit is associated with corresponding adjustments (as evidenced by authorization and authorized use) by the host and/or buyer country.
- In the absence of a host country's corresponding adjustment, publicly communicate that the mitigation underlying the carbon credit may also count toward the host country's Nationally Determined Contribution.
- If associated with additional third-party certification regarding social or environmental integrity, information related to how the credit promotes equity and generates co-benefits to ecosystems and local economies.

The Voluntary Carbon Markets Integrity Initiative is a multistakeholder platform to drive credible, net zero aligned participation in voluntary carbon markets.

vcmintegrity.org