



Australian
Carbon Industry
Code of Conduct

2020-2021

Code Administrator Annual Report

November 2021



Contents

1	Chair's Foreword	1
2	Introduction	2
	2.1 CEO's Remarks.....	2
	2.2 Administration and Responsibilities.....	3
	2.3 Code Signatories	3
	2.4 Government Partners	4
3	Developments in FY21	5
	3.1 Consultations, Guidance and Code Text Amendments	5
	3.2 Complaints Handling Procedure	6
	3.3 Independent Code Review Panel	7
	3.4 Processes, Policies and Frameworks	7
	3.5 Stocktake on Independent Review Recommendations	7
	3.6 Code Promotion	7
4	Compliance in FY21	9
	4.1 Administrator's Approach to Compliance	9
	4.2 Compliance Categories	10
	4.3 Pre-project Activities	10
	4.4 Project Management Activities	12
	4.5 General Requirements.....	13
	4.6 Compliance with External Standards and Legislation	15
	4.7 Complaints and Breaches	15
	4.8 Signatory Promotion of the Code and Brandmark.....	17
	4.9 2020-2021 Compliance in Review.....	17
	4.10 Assessing Code Administrator's Compliance Monitoring Priorities for the 2020/21 Financial Year	19
	4.11 Code Administrator's Compliance Monitoring Priorities for FY22	20
5	Developments in FY22	22
	5.1 Strategic Direction-Setting.....	22
6	Appendices	23



1 Chair's Foreword

The Code Review Panel which was established in June 2021 has several key roles. Its first role is to oversee and monitor the compliance performance of Signatories to the Australian Carbon Industry Code of Conduct by reviewing cases and appeals referred to it by the Code Administrator. Its other roles are to support and oversee the performance of the Code Administrator, to conduct its own inquiries into the Code, and to support independent reviews of the Code in the future.

Overseeing and enforcing the Australian Carbon Industry Code of Conduct brings with it considerable responsibility - a responsibility that grows in line with the Code's increased role in the Australian carbon market.

Maintaining the integrity of an environmental scheme is critical to its stakeholders in government, business, civil society and the investment community. What matters though with carbon projects is not only the scientific integrity of the various methods and projects but the fairness and quality of the long-term relationship between the carbon service provider and its commercial partner. The predominant commercial partner in an Australian carbon project is a regional or rural landholder which makes the Code's focus on the proper conduct of the relationship entirely appropriate and necessary. The Code's existence is an acknowledgement that science and technology on their own cannot deliver our ambition without trusted partnerships.

We are mindful that having Code Signatory status is central to engagement with and participation in government carbon farming and related schemes at national and state levels. As highlighted in the Annual Report, eligibility to participate in the Queensland Land Restoration Fund and the Western Australian Carbon Farming and Land Restoration Program are dependent on Code Signatory Status. Maintenance of Code Signatory status and adherence to the Code's compliance obligations are factors considered by the Clean Energy Regulator when determining the fitness and propriety of participants in the Emissions Reduction Fund, and the New South Wales government has joined Queensland as a Government Partner and has formally endorsed the Code. It's a remarkable feat that the Code has been successful in promoting and retaining trust and confidence in its Signatory carbon service providers and advisers. The Panel is committed to retaining that trust held by the Code's current and future stakeholders by responsibly enforcing the Code with the Signatories and the Code Administrator.

The Panel is very fortunate to have my colleagues Ross Carter and Kim Lawrence as members. Collectively they bring exceptional regulatory, commercial and technical capabilities which enrich the Panel's discussions and decision-making and the soundness of our support to the Code Administrator. I thank Ross and Kim for their contributions to the formative planning and activities of Review Panel's in this first stage of its operation.

I would also like to recognise the efforts of the team at the Code Administrator, led by Brad Kerin with the sponsorship of the Carbon Market Institute. The team has developed an impressive compliance framework, enabled by the smart choice and efficient use of technology and the publication of clear, concise and accessible guidance. All are to be congratulated on their achievements over the past year and the Panel looks forward to working with its Code stakeholders over 2021-22.

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Virginia Malley
Chair, Code Review Panel
Australian Carbon Industry Code of Conduct



2 Introduction

2.1 CEO's Remarks

The Carbon Market Institute (CMI) is proud to have administered the Carbon Industry Code of Conduct for a third successive year, bringing it to full operational status. In a world of rapidly evolving carbon markets and expectations, the Code is unique. It is a key plank in building a high integrity Australian carbon reduction and sequestration industry that land holders, consumers and investors can rely on. Our growing list of Signatories should be congratulated for adopting the higher standards required under this Code.

The release of this Annual Report for FY21 is significant in that it formally concludes the nascent era of the Code of Conduct, which comprised of two foundational years followed by a year to transition to the full operation of the Code. The 2021 calendar year to date has been particularly fundamental in establishing the appropriate processes, frameworks and governance systems to enable a streamlined transition to a robust, fit-for-purpose Code with consumer and land holder protection at its core.

Our procedures for handling complaints, breaches, sanctions and appeals have been successfully implemented and tested and an Independent Review Panel is now appointed. These developments will be reflected in subsequent compliance and annual reporting processes through more transparent, thorough, and stringent compliance monitoring of Signatories. There will also be active engagement regarding best practice in seeking free, prior and informed consent from Indigenous communities for carbon projects.

Meanwhile, this annual report reflects the significant work undertaken by the Code Administrator and the broader industry in promoting integrity, trust, accountability, transparency and best practice throughout the year. It demonstrates the Code's influence to date – not one Signatory that has recorded a breach one year has recorded the same non-compliance in subsequent years. While a voluntary Code, it is on track to becoming a quasi-bare-minimum assurance benchmark for carbon markets both in national carbon markets and sub-national schemes, with states increasingly requiring carbon service providers to be signatories before getting access to grant or support schemes.

Continued engagement with carbon industry stakeholders – ranging from natural resource management groups to multi-national corporates – will become ever more important as Australia embarks on our path to net zero emissions. The breadth of actors that hold a stake in the Code (either directly or indirectly) will likely swell quite rapidly due to the rate of carbon market growth in Australia and abroad. Protection of the rights and interests of local communities, Indigenous stakeholders, and individual landholders will continue to be central to the Code's role. The Code will operate in conjunction with CMI's recently updated Carbon Farming Industry Roadmap in seeking to maximise climate, social, economic and environmental benefits for regional Australia.

How the Administrator will engage with developments in the market – such as international integrity frameworks, assurance schemes, new international and domestic markets, and treatment of evolving opportunities including co-benefit accreditation – will be carefully considered by the Code Administration team. The Code Administrator is now well-equipped to continue exploring its best positioning within the market, with expert advice and review from the Code Review Panel; collective knowledge and input from the full Code Signatory cohort, Industry Supporters and Government Partners – and of course the broader stakeholders and communities whose rights and interests the Code aims to protect.

Once again, we would like to express gratitude to our growing list of Signatories, expanding by over 70% to 24 Signatories. We look forward to engaging with each of you further throughout the course of 2021 and 2022.

A handwritten signature in black ink, appearing to read 'John Connor'.

John Connor
Chief Executive Officer
Carbon Market Institute



2.2 Administration and Responsibilities

Since establishment of the Code of Conduct in 2018, the Carbon Market Institute has administered the Code. CMI in its role as Code Administrator has been responsible for:

- a) managing the Signatory administration process;
- b) overseeing promotion of the Code;
- c) monitoring Code compliance; and
- d) developing training and supporting material on the Code to assist Signatories in complying with the Code.

The Independent Review of the Code in 2020 recommended that CMI continue to carry out these responsibilities as the Code Administrator. Since the commencement of the Operational Stage on 1 July 2021, the Administrator's responsibilities have been extended to also include:

- e) investigation of complaints and potential breaches received by the Administrator;
- f) applying and enforcing sanctions;
- g) enhanced monitoring and auditing measures to investigate cases of potential Signatories' Code breaches;
- h) referring cases to the Code Review Panel for consideration as required;
- i) referring relevant proposals to apply sanctions, suspensions, or removals to the Code Review Panel; and
- j) performing secretariat functions for the Panel.

Items (e) to (j) above did not constitute part of the Administrator's responsibilities during FY20/21 and are therefore not a focus for the compliance monitoring section of this year's report. However, the Administrator's forward-looking approach to compliance, sanctions, interactions with the recently established Code Review Panel, and the surrounding frameworks and processes, are expanded on in section 3 of this report.

2.3 Code Signatories

The compliance year FY21 and FY22 to date has seen growth in Signatory numbers of 71% (from end of FY20). Table 1 below shows the annual growth in Signatory numbers. Following the end of the FY21 compliance year, one Signatory withdrew voluntarily, and one Signatory was removed due to administrative non-compliance¹.

Table 1: Annual Signatory Growth

	FOUNDATION STAGE		TRANSITION YEAR	OPERATIONAL STAGE
	FY19	FY20	FY21	FY22*
Foundation Signatories	11	11	11	10
General Signatories	1	3	11	14
Total Signatories	12	14	22	24
Annual Growth	-	+17%	+57%	+9%

* As at date of publication

The growth during FY21 was predominantly from new Signatories in the 'Project Services' Signatory type. There are three sub-categories of Project Services, which are based on the number of projects the Signatory is contractually involved with, as follows:

Table 2: Signatory Types and Categories

Signatory Type: Project Services	
Category 1	15+ projects
Category 2	5-14 projects
Category 3	less than 5 projects
Signatory Type: Advisory Services	
<i>There is only one echelon for Advisory Services Signatories, as direct involvement in projects is irrelevant to Advisory Service providers.</i>	

¹ <https://carbonmarketinstitute.org/code/signatories/code-compliance-activity/>



The increase in Signatory numbers is expected to continue over FY22 due to a range of factors, not limited to the general expansion of carbon market activity as well as eligibility criteria of a number of state-based land restoration schemes which require Code Signatory status for access to scheme funds (see below for further detail on this).

“The Carbon Farming Foundation is committed to integrity, transparency and authenticity in our efforts to see Australia’s carbon farming future flourish. We’re determined that our farmers get a fair deal and that “credit lands where credit is due”. Our Do-It-Yourself model drives future success through more profitable carbon farming activities, offering a diversity of income streams and land stewardship.

As a recent signatory to the ACI Code of Conduct, our farmers and partners know that we are committed to providing them with industry best practices, tools and services, to assist our initiative of rapidly accelerating carbon farming uptake across Australia.”

- Carbon Farming Foundation, Code Signatory

A number of Signatories changed from ‘Advisory Services’ to ‘Project Services’ Signatories at the end of this compliance year. This is indicative of the evolving nature of the domestic market which is seeing diversification of carbon service providers’ business models. Some Signatories also moved to a higher echelon within the Project Services category due to their involvement in more carbon projects compared to previous years. It is expected that this trend will continue with continued market growth, and Signatories should be forthcoming in notifying the Administrator of changes to their Signatory category throughout the year.

The Administrator reviews fees annually, to ensure a balance between ensuring financial sustainability and minimising the financial burden on Signatories. Given the new responsibilities of the Administrator moving into the FY22 compliance year, and likely increase in Signatory management, fees remain unchanged. The Administrator is committed to working with Signatories, Industry Supporters and Government Partners on the long-term operation of the Code, and will review fees at the end of FY22.

“Natural Carbon works to ensure nature-based markets are fair for planet and people. We are active supporters of and proud signatories to the Australian Carbon Industry Code of Conduct. We see the Code as critical to building trusted markets driven by principles of integrity and fairness.”

- Natural Carbon, Code Signatory

2.4 Government Partners

Partnerships between the Code and governments provides an additional means of bolstering the integrity of the market. The Code now has two (sub-national) Government Partners formally supporting the Code – the Queensland Government and New South Wales Government.

The Queensland Government's Land Restoration Fund (LRF) [eligibility requirement](#) of carbon service providers to have Code Signatory status has set a precedent for sub-national markets to encourage and ensure best practice amongst carbon market participants across Queensland. The Administrator has noted the impact of this development on market engagement with the Code, and values the LRF as an important partner. The NSW Government became the second Government Partner in 2021, formally endorsing the Code and supporting the integrity of carbon projects in the state.

“We are excited to be the 2nd Government Partner supporting this important market-shaping Code. Strong and credible carbon markets will be vital to meeting the decarbonisation challenge, and tools like the Code will help us get there.”

- Esther Bailey, Director Climate Resilience, Adaptation and Net Zero Emissions
NSW Department of Planning, Industry and Environment



The Western Australian Carbon Farming and Land Restoration Program launched in July 2021 has also formally endorsed the Code. The Program requires project proponents to either be, or engage with, carbon service providers that have Code Signatory status.

The Code has been endorsed by the Clean Energy Regulator (CER), which provides formal in-kind support to the Administrator through a staff secondment. The CER also [considers](#) carbon service providers' compliance with industry standards and codes in determining whether a person is fit and proper to engage in the Emissions Reduction Fund.

This growing support from various governments has been pivotal to the Code's continued expansion. The Administrator looks forward to engaging with these partners further as well as other sub-national governments intent on upholding the integrity of the carbon industry.

"The Code, and its administration arrangements, is an excellent example of an industry proactively ensuring a high level of integrity - particularly in dealings between carbon service providers and other Code signatories with Indigenous bodies, land-holders, local communities and other key stakeholders.

Performance against the Code is one factor the Clean Energy Regulator may have regard for in considering any compliance action it may be considering."

- Mark Williamson, Executive General Manager, Scheme Support Division
Clean Energy Regulator

3 Developments in FY21

The first Independent Review of the Code undertaken in 2020 provided 46 recommendations for implementation to ensure a successful transition of the Code from its Foundational to Operational Stage. The Administrator accepted these 46 recommendations which broadly related to: clarifying and amending requirements under the Code; guidance and training; development and implementation of policies and processes; establishment of governance and review structures; and ongoing administration of the Code.

These recommendations have formed the basis of several developments for the Code and the Code Administrator in FY21, which have set the foundations for the Code in the coming years.

3.1 Consultations, Guidance and Code Text Amendments

Amendments to the Code of Conduct text were made following consultations with Signatories and other stakeholders throughout April and May of 2021. These consultations were fundamental in informing the Code text changes, as they enabled the Administrator to gain deeper and more nuanced insight into the Code's applicability to Signatories. The consultations highlighted the complexity of the market and the broadening spectrum of Signatory business models and undertakings, which in turn means that Signatories' engagements with their clients and stakeholders is wide-ranging.

In seeking to align the Code with best practice in the carbon market, the Administrator accounts for not only the perspectives of Signatories but of non-Signatory stakeholders such as industry bodies, land and resource management groups, and others. Such perspectives were carefully considered in the implementation of Version 2 of the Code and will continue to be welcomed and valued by the Code Administrator for future developments to Code text and guidance materials. [Version 2 of the Code of Conduct](#) entered into force on 1 July 2021, with Signatories expected to be in compliance with the updated version since that date.

To assist Signatories in this transition, the Code text is accompanied by a number of guidance documents available on the website. This includes new guidance on *Complying with the Code*, *Engagement with Native Title Stakeholders*, and *Working with Signatories – Guidance for Consumers*. Updates to existing materials included those made to the *Code of Conduct Fact Sheet*, *Advisory Services Overview*, *Becoming a Signatory*, and *Signatory Complaints Handling Procedure* guidance documents.



The Administrator's own *Complaints Handling Procedure* was also updated to be fit for the Operational Stage, and the Administrator's *Education, Monitoring and Enforcement Approach* was also published.

"The Code has been an invaluable tool to guide our communications to farmers about the risks and benefits of carbon farming projects. The resources provided to farmers and developers through the website are excellent and the fact that there is an independent entity supporting the industry with best practice and providing a dispute resolution procedure is of great value to this growing industry."

- Carbon Sync, Code Signatory

3.2 Complaints Handling Procedure

The Code of Conduct complaints handling function became operational from 1 July 2021. This creates an additional mechanism to encourage accountability and transparency of Signatories. Since being set up, this function has been exercised and has provided the Code Administrator with additional insight into Signatories' operations and suspected misconduct. It also provides clients of Signatories with an increased level of assurance of their rights and opportunity for recourse in the event that they have been engaged with in a way that is not aligned to the Signatory's commitments under the Code.

In line with the principle of upholding transparency and integrity in the industry, any individual or party with a complaint relating to a Signatory should first raise the complaint with the Signatory directly. Each Signatory is required under section 2.5(4)(d) of the Code to have an appropriate internal complaints handling procedure, and information about the complaints process must be made available to clients and employees of the Signatory organisation.

In the event that the complaint is not resolved in a timely manner or the complainant is not satisfied with the outcome of a complaint they have lodged with a Signatory, a formal written complaint may be lodged with the Code Administrator via the online form (available [here](#)). With the exception of extenuating circumstances, the Code Administrator will not accept complaints about Signatories in any other format, including verbally.

Signatories are also required to self-report breaches ([via this form](#)), and may report suspected breaches of other Signatories ([via this form](#)).

As the Administrator's compliance monitoring and enforcement powers expand in the FY22 compliance year, Signatories are becoming more aware of their own responsibilities under the Code, and the conduct of other Signatories that they may view as poorer behaviour than their own. In addition to the consumer complaint and Signatory self-breach reporting processes, the Code Administrator has systems in place to receive confidential reports from Signatories about other Signatories they suspect may be in breach of the Code.

In this context, the Code Administrator has become aware of the behaviour of one or more Signatories that have made public comments about the Code and about the conduct of other Signatories, without first engaging with the Administrator about these issues through the appropriate channels. Section 2.6(2) of the Code stipulates that Signatories must "*build professional relationships with other signatories based on acting ethically and with integrity to support the carbon industry and the Code's integrity and reputation*". Acknowledging issues that may be at play within the industry, any Signatory making claims about the Code or any other Signatory on social/other media channels, and particularly doing so without engaging with the Code Administrator about these claims, may find themselves to be in breach of the Code.

The Code welcomes constructive criticism from its Signatory cohort, and is keen to understand and work through concerns. However, the Administrator also has a responsibility to ensure Signatories take reasonable steps to avoid any actions, omissions or business practices that could unfairly damage the reputation of the carbon industry, or that may adversely impact achievement of the objectives or vision of this Code. Non-constructive public commentary, and anti-competitive behaviour from the part of Signatories undermines the integrity and reputation of the Code, and the Administrator will take the necessary steps to manage these issues.



3.3 Independent Code Review Panel

Supporting the recent Code developments mentioned above is the inaugural Independent Code Review Panel, which was established in June 2021. The Panel consists of a Chair, Virginia Malley, and two ordinary members, Ross Carter and Kim Lawrence, who are each otherwise independent of the Code and its Signatories. The Panel members were selected by a separate appointment committee of Code supporters from Government and Industry which selected the members' based on their combined skills and experience in: consumer advocacy, protection and law; carbon projects and carbon markets; and regulatory or government administration of consumer law.

The Panel meets regularly to make decisions and provide guidance on complaints and breaches, appeals against sanctions imposed by the Administrator, and the Administrator's ongoing approach to compliance. During the first three years of the Operational Stage of the Code (from FY22 until FY25), all proposals by the Administrator to apply severe sanctions or suspensions will be referred to the Panel for review.

The Panel will also review the performance of the Code Administrator on a regular basis. The Panel will sit for a period of three years, with the inaugural Chair sitting for four years to allow for a transition between the first two terms of the Panel.

Additional information about the Code Panel members, the Panel's terms of reference, and their responsibilities can be found on the Code Administrator's website [here](#).

3.4 Processes, Policies and Frameworks

During the two-year Foundation Stage of the Code (FY19-FY20), the Administrator's internal processes, policies and frameworks were integrated with those of CMI. While the Independent Review found that the Code should continue to be administered by CMI, it was recommended that appropriate conflicts of interest and confidentiality controls processes be implemented. This was intended to allow for a separation of the operations and information assets of the Code Administrator, as distinct from the rest of CMI as a membership organisation.

After receiving independent legal advice in early 2021, a risk management framework including a conflict of interest and a confidentiality controls policy has been developed, approved by the Independent Code Review Panel, and implemented by the Administrator in June 2021.

The Administrator's client relationship management tool was also developed and implemented. It functions alongside that of CMI with firewalls and non-disclosure agreements between staff in place to manage potential conflicts of interest and to securely record and store commercial-in confidence information.

Throughout FY22 the Administrator will continue to develop and refine its processes to ensure ongoing management of risks to the Code, the Administrator, and the industry as relevant, and maintaining privacy of sensitive Signatory and consumer information from non-Code related CMI staff, CMI's board, and its members. CMI will continue to reinforce and build on systems to ensure the independence and integrity of the Code's administration.

3.5 Stocktake on Independent Review Recommendations

Of the 46 Independent Review recommendations made in 2020, the Code Administrator has now implemented 30. The frameworks, policies and processes implemented to date will be continually improved upon and refined as required, including in particular the framework for managing complaints and assessing alleged breaches.

The remaining 16 recommendations are due to be explored further before implementation in FY22. The recommendations to be explored further are listed in Appendix 1, but are generally focused on providing guidance and materials to Signatories to improve industry conduct, and engaging with state and federal governments to increase awareness of carbon markets in the legal and banking sectors.

3.6 Code Promotion

As Australia's carbon markets expand and diversify, promotion of the Code to potential Project and Advisory Services Signatories in the market, consumers and other stakeholders will be an increasingly important element of the Administrator's role. The Code Administration team engaged in a number of online promotional and educational webinars and events in 2020 and 2021 – including the 7th Australasian Emissions Reduction Summit, the Indigenous



Carbon Industry Network’s Savanna Fire Forum, the National Carbon Farming Industry Forum and an annual Corporate Seminar Series hosted by the Carbon Market Institute.

Promotional activities focused on promotion of the Code as a third-party quality assurance tool for the carbon industry; as a consumer protection framework for Australian communities and market participants; and particularly promoting Code Signatories as market leaders in Australia’s carbon industry.

We acknowledge the ongoing support of Signatories through their own promotional efforts, noting their status as Signatories on websites, in their own presentations and other media and collateral.

Further opportunities for promotion of the Code and education of the market will be explored in FY22 – see section 6 for more detail on this.



Code promotional slide used for the 2020 CMI Australasian Emissions Reduction Summit



Presentation on the Code of Conduct at the 2021 annual Savanna Fire Forum in February



Presentation on the Code of Conduct as part of CMI’s Corporate Roadshow Seminar Series in October



Second presentation on the Code of Conduct as part of CMI’s Corporate Roadshow Seminar Series in October



4 Compliance in FY21

4.1 Administrator's Approach to Compliance

The Code framework has over its first 3 years been instrumental in enacting positive changes to the conduct and business practices of Signatories operating as carbon project developers, agents, aggregators and advisers in Australia's carbon industry.

While Signatories are expected to be proactive in understanding their obligations under the Code and have implemented systems and processes to bring their behaviours in line with best practice, the Code framework also works to identify where Signatories are not meeting the required standard.

Since the implementation of the Code in 2018, 28 breaches have been identified by the Administrator. Of these, 24 breaches have been either already rectified by Signatories or Signatories have agreed to rectify breaches this financial year. This shows the strength of the Code in raising the standards of Signatories over the first three years of the Code.

Specific improvements to Signatories' business practices from the identification of these breaches include: the development of written policies, plans and procedures for handling internal complaints; identifying and consulting with relevant stakeholders; record keeping to support compliance with CFI Act and the management of projects; clients being made aware of Signatories' obligations under the Code and of Signatories' complaints handling processes; the inclusion of social, environmental and economic co-benefits in the planning and implementation of projects; and due diligence being undertaken to determine whether an Australian Financial Services License (AFSL) is required to ensure compliance with the Corporations Act.

The Administrator's approach to compliance is to prioritise supportive engagement that assists Signatories to understand and meet compliance obligations, with enforcement action, such as applying and enforcing sanctions, undertaken only where it is necessary to stop harm and to disrupt business practices that are contrary to the Code.

To date, the Code Administrator has determined whether Code standards had been met by each Signatory by reviewing Annual Report self-audit checklists. Since 1 July 2021, the Code Administrator has obtained additional functions to confirm Signatories are meeting Code standards, through compliance audits, investigating complaints and breaches, and enforcing sanctions. To provide clarity to Signatories, clients and stakeholders on the Administrator's approach to compliance the Administrator's [Education, Monitoring and Enforcement Approach](#) was published prior to the start of the Operational stage of the Code.

In the assessment of Signatories' FY21 self-audit checklists, the Administrator focused on identifying whether Signatories' compliance improved for the compliance priorities identified last year (see Section 4.10). Declarations of compliance through the Annual Report self-audit checklist are taken seriously by the Code Administrator as the key determinant of compliance throughout the year. If the Code Administrator was not satisfied with a Signatory's declaration, or suspected inaccuracy in a Signatory's response, further information was sought with a Signatory's status able to be put on hold until the Code Administrator was able to make a finding. Findings of non-compliance identified through the self-audit checklists were recorded as a breach.

Signatory requirements within the Code are split up into four sections, reflected in the Annual Report self-audit checklist:

- 1) Pre-project activities;
- 2) Project management;
- 3) General requirements;
- 4) Compliance with external standards and legislation.

For the FY21 Transition Year, while 22 Signatories were required to submit self-audit checklists, one of those Signatories did not complete the self-audit checklist process and ceased being a Signatory at the end of the compliance year. As such, all results for compliance items regarding Annual Report self-audit checklists in the report are representative of 21 Signatories only.



4.2 Compliance Categories

In determining a Signatory's overall compliance during FY21, the Code Administrator applied one of three categories of compliance based on assessment of their Annual Report self-audit checklist.

Full Compliance

1. The Signatory has met all requirements of the Code relevant to them; or
2. None of the Code requirements were relevant to the Signatory in the specific compliance year.

Foundational Compliance²

1. The Signatory has met the majority of Code requirements relevant to them in the compliance year; and,
2. Where the Signatory did not meet the requirement(s) relevant to them, or their comment on why a particular requirement did not apply to them was inadequate, the appropriate measure has since been undertaken or is currently being undertaken by the Signatory to meet the requirement(s).

Non-Compliance

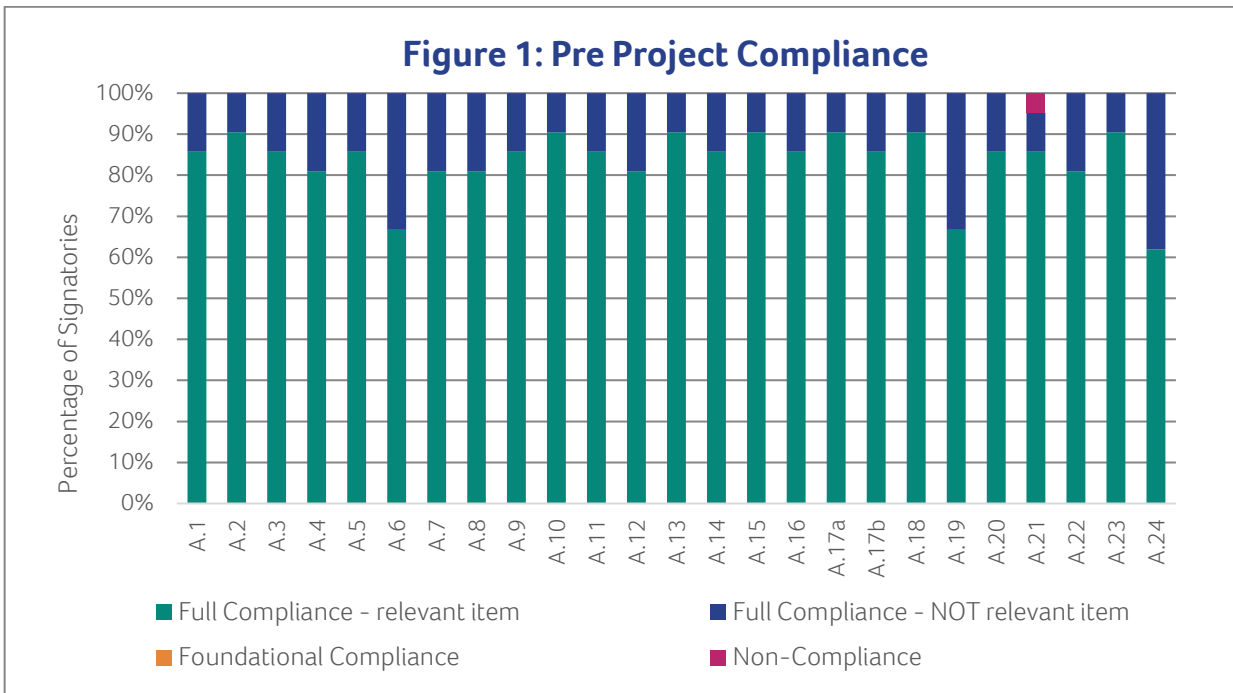
1. The Signatory has not met the majority of the requirements of the Code relevant to them, or;
2. Where the Signatory did not meet requirements relevant to them, or their comment on why a particular requirement did not apply to them was inadequate, the Signatory has not undertaken or not agreed to undertake the appropriate measure to meet the requirement(s), or;
3. The Signatory did not complete the Annual Report self-audit checklist within the appropriate timeframe.

4.3 Pre-project Activities

Pre-project activities generally relate to provision of timely and accurate information to clients, transparent communication of project responsibilities, and genuine and early engagement with appropriate legal right holders, eligible interest holders and native title holders. Section 2.2 of the Code outlines in detail all the requirements that Signatories are expected to meet before a carbon project is registered.

Figure 1 below provides a snapshot of compliance during FY21 for pre-project activity items that each Signatory has reported against. To address the areas for improvement identified in last year's Annual Report, both scenarios where a Signatory obtains Full Compliance is also shown: where the item is relevant and the Signatory is compliant, and where the Administrator is satisfied that an item is not relevant to the Signatory.

² This category is consistent with the Code Administrator's stance that the Foundation Stage and Transition Year provide Signatories sufficient time to become familiar with Code requirements and best practice before the Operational Stage of the Code.



Signatories received **99.8%** Full Compliance with pre-project items in the FY21 (compared to an average compliance rate of 100% in FY20). To highlight some of the key compliance findings in this category, four items are shown below:

A.6 If the project occurs on native title land, the Signatory has undertaken appropriate due diligence prior to project registration.

In the case of item A.6, 67% (up from 50% in FY20) of Signatories demonstrated Full Compliance by confirming the item was relevant to them and that they were compliant. The remaining 33% of Signatories demonstrated that this item was not relevant to them by stating the projects they were involved with were not area-based projects or if they were, that they did not occur on native title land.

In accordance with recommendations from the 2020 Independent Review process, Code sections 2.2 and 3.6 were amended for the Operational Stage of the Code (commencing 1 July 2021) to clarify that best practice requires native title eligible interest holder (EIH) consent to be obtained prior to the registration of an area-based project, in line with guidance from the Indigenous Carbon Industry Network (ICIN).

A.13 Social, environmental and economic co-benefits have been considered by the Signatory in the planning and implementation of the project.

In FY21, item A.13 received a Full Compliance rate of 100%. This item also demonstrated an increase in the Full Compliance rate where the item was relevant to Signatories from 79% in FY20 to 90% in FY21. One of the reasons for this increase was due to some Signatories ensuring they met this requirement not only for projects that had already been registered but also for projects that had not been registered yet and where initial feasibility work for the project had begun.

A.21 Signatory has informed the client whether they hold an AFSL, and the implications of this in relation to the level of financial advice that can be provided.

In FY21 item A.21 received a Full Compliance rate of 95% (down from 100% in Foundation Year 2) with the remaining 5% (1 Signatory) demonstrating Non-Compliance with the item. Non-Compliance was due to the Signatory ceasing to have access to an AFSL during the period and not informing their client/s of this while the Signatory sought to obtain access to an AFSL. The Signatory in this case did not commit to rectify this non-compliance as they were not continuing as a Signatory to the Code for FY22.



Signatories are to inform their clients if their access to an AFSL changes so the client understands the level of financial advice that a Signatory can provide at all times.

A.24 Where the client is entering into a Carbon Abatement Contract with the Clean Energy Regulator in relation to a Carbon Offsets Project, the Signatory has explained to the client the associated financial risks and the implications of non-delivery under the contract.

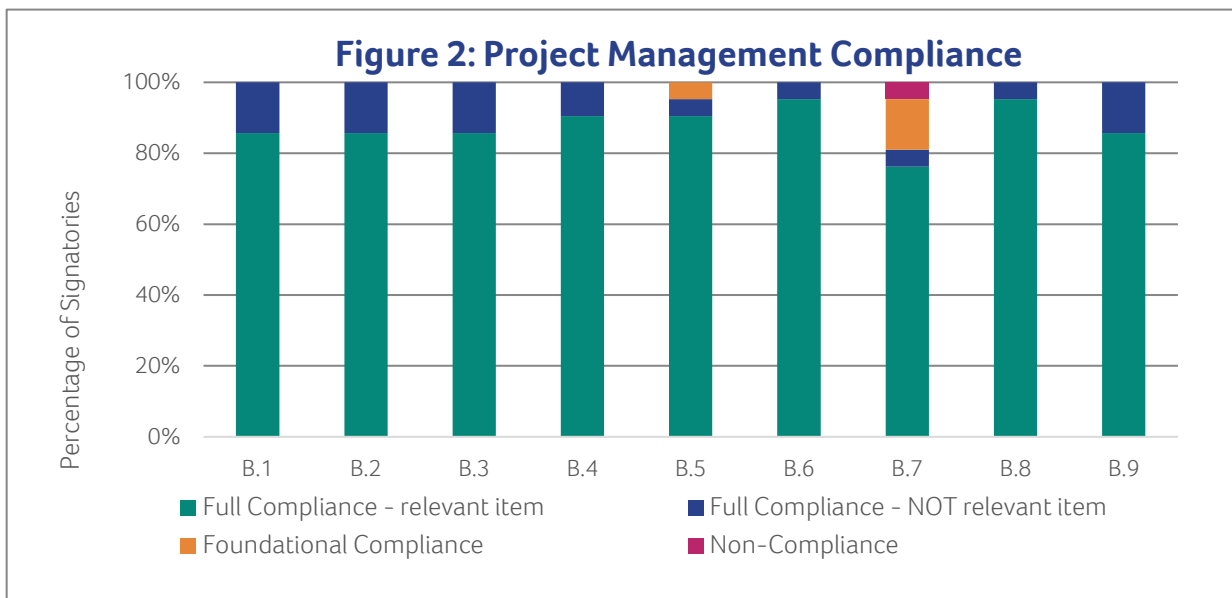
In the case of item A.24, 62% (down from 71% in FY20) of Signatories demonstrated Full Compliance where the item was relevant to them. Where the item was not relevant, Signatories demonstrated that the projects they were involved with did not have, or that there was no intention to enter into, a Carbon Abatement Contract with the Clean Energy Regulator. The decreasing relevance of this Code requirement to Signatories may be another indicator of the increasing shift towards secondary market demand in Australia’s carbon market.

To account for the increasing number and variety of demand-side consumers (clients) participating in the carbon market, and in accordance with recommendations from the independent review, the definition of client has since been amended for the Operational Stage of the Code to include both supply-side and demand-side consumers.

4.4 Project Management Activities

Within the self-audit checklist there are nine project management items (B.1-B.9) that each Signatory has reported against. These items relate to best practice project management such as: development of a written project management plan in consultation with stakeholders, having written policies and processes for record keeping, adequate provision of advice regarding project risks and project management, having a written policy for identifying and consulting with stakeholders. Section 2.3 of the Code outlines in detail all the requirements that a Signatory is expected to meet with regard to carbon project management activities.

Figure 2 below provides a snapshot of compliance during the Transition Year against these items.



On average Signatories demonstrated **97%** (up slightly from 96% in Foundation Year 2) Full Compliance with the compliance items in this category. To highlight some of the key compliance findings in this category, three items are shown below:

B.1 Signatory has developed a written project management plan in consultation with the client and other relevant stakeholders, that addresses all project obligations and responsibilities, and compliance requirements applicable to the project.



In FY21, item B.1 received a Full Compliance rate of 100% (up from 93% in FY20), demonstrating that Signatories that received Foundational Compliance with this item in FY20 **completed written project management plans** to ensure Full Compliance with the item.

B.5 Signatory has developed written policies and processes for maintaining appropriate records that supports compliance with the record keeping requirements under the CFI Act, ERF Method or other scheme.

In the Transition Year, item B.5 received a Full Compliance rate of 95% (up from 93% in Foundation Year 2), with the remaining 5% of Signatories demonstrating Foundational Compliance.

All Signatories that had Foundational Compliance with this item in FY20 implemented appropriate measures and subsequently received Full Compliance, while others demonstrated Foundational Compliance with this item in FY21. Reasons for Foundational Compliance were the same between both years, with Signatories having written policies for maintaining appropriate records that were draft and not final. Signatories with Foundational Compliance for this item in the FY21 have since agreed to have completed written policies and processes within six months to ensure full compliance with the item.

B.7 Signatory has a written policy for identifying and consulting with relevant stakeholders.

Item B.7 received a slight improvement in the level of Full Compliance of 81% (up from 79% in FY20), with 14% of Signatories demonstrating Foundational Compliance and 5% demonstrating Non-Compliance. All Signatories that had Foundational Compliance with this item in FY20 implemented appropriate measures in FY21 and subsequently received Full Compliance.

Reasons for Foundational Compliance and Non-Compliance in the FY21 were due to Signatories either not having a written policy or having a written policy that was not complete. The written policy is not for a specific project only but should be applicable across all the Signatory's projects. It should outline how and when the Signatory would engage with stakeholders involved in all stages of current and future project. It should cover scenarios where: projects are not yet registered; where there is a potential sale of the land the project is undertaken on; where there is a change to the carbon service provider for the project; and other circumstances.

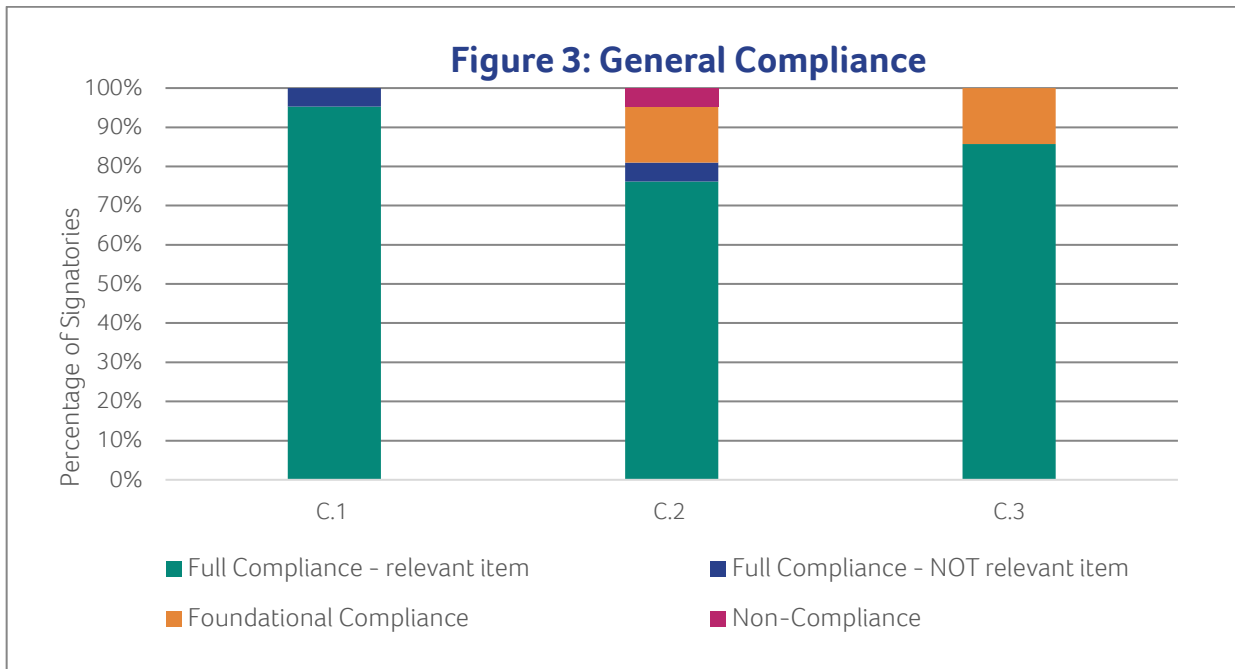
Signatories with Foundational Compliance for this item were required to confirm with the Code Administrator that the Signatory is, since reporting, developing an appropriate written policy to ensure full compliance with the item, while Signatories with Non-Compliance did not commit to rectify this item as they were not continuing Signatories to the Code.

Results from each item in this category show an improvement in the relevance of project management items to the Signatory cohort, with the average of Signatories that demonstrated a Full Compliance rate where the item was relevant increasing from 80% in FY20 to 88% in FY21. The reason for this increase is due to some Signatories providing project services to projects that were registered after 1 July 2018 for the first time in FY21.

4.5 General Requirements

Within the self-audit checklist there are three 'general requirement' items (C.1-C.3) that each Signatory has reported against. These Code requirements are intended to ensure transparency, client access to independent legal and financial advice, and that each Signatory has an appropriate internal complaints handling procedure. Signatories are also required to ensure employees and representatives are aware of their responsibilities under the Code and to inform clients that they are Signatories to the Code. Section 2.5 of the Code outlines in detail all the requirements that a Signatory is expected to meet with regard to general requirements.

Figure 3 below provides a snapshot of compliance during the Transition Year for these items.



On average **89%** (down from 100% in Foundation Year 2) of Signatories demonstrated Full Compliance with the Code for each compliance item in this category. To highlight some of the key compliance findings in this category, two items are shown below:

C.2 Signatory has provided the client with information about the Code of Conduct (including the process for providing feedback and lodging complaints) and relevant ERF guidance material.

In FY20, item C.2 received a Full Compliance rate of 100%. In FY21, this item received a Full Compliance rate of 81%, with 14% of Signatories demonstrating Foundational Compliance and 5% demonstrating Non-Compliance.

Reasons for Foundational Compliance and Non-Compliance in FY21 were due to Signatories not providing this information in initial engagements with clients and not notifying all clients after joining the Code about the Code and Signatories' Code responsibilities.

Information about the Code of Conduct should be provided both to clients that Signatories have an existing contractual relationship with and clients where a Signatory has not yet formed a contractual agreement but has had initial discussions on a possible agreement. One way for Signatories to meet this requirement is to build this information on the Code and the Signatories' internal process for providing feedback and lodging complaints into initial engagement plans with clients. This information should also be promoted on a Signatory's website.

Signatories with Foundational Compliance for this item agreed to demonstrate and confirm with the Code Administrator that the Signatory is developing processes to ensure Full Compliance, while others demonstrated Non-Compliance due to not continuing as Signatories to the Code for FY22.

C.3 Signatory has an appropriate internal complaints handling procedure that is fair, efficient and transparent.

In FY21, item C.3 received a Full Compliance rate of 86% (down from 100% in FY20), with the remaining 14% of Signatories demonstrating Foundational Compliance. Reasons for Foundational Compliance for this item were due to: Signatories not having a standalone internal complaint handling procedure that is available to all existing and potential clients; Signatories' current procedure being in draft form and not complete; Signatories not having a procedure that is compliant with relevant legislation and standards referred to in the Code, including the Australian Standard on Complaints Handling AS/NZS 10002:2014, requirements under the Corporations Act and ASIC requirements related to holding an AFSL.

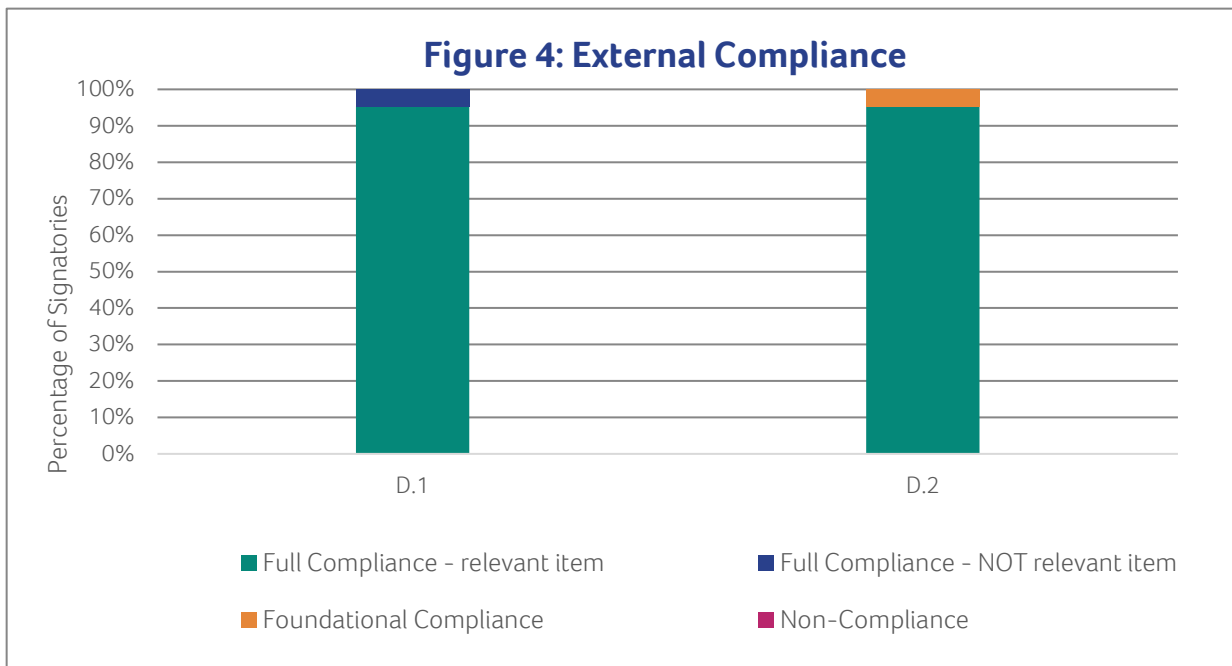


These Signatories were required to demonstrate and confirm with the Code Administrator that they are, since reporting, developing an appropriate internal complaints handling procedure to ensure Full Compliance with the item.

4.6 Compliance with External Standards and Legislation

These requirements ensure that Signatories meet the obligations associated with all relevant local, state and federal legislation, regulatory guidance and Australian Financial Services Licence (AFSL) requirements. Section 2.4 of the Code outlines in detail all the requirements that a Signatory is expected to meet with regard to external compliance.

Figure 4 below provides a snapshot of compliance during FY21 against these items.



On average, **98%** (down from 100% in FY20) of Signatories demonstrated Full Compliance with the Code for each compliance item in this category. This is the first compliance year where all Signatories did not demonstrate Full Compliance in this Category.

D.2 Signatory has undertaken appropriate due diligence to determine whether an AFSL is required for their business activities, in consideration of the requirements of the Corporations Act and relevant ASIC Regulatory Guides.

Item D.2 received a Full Compliance rate of 95% (down from 100% in FY20) with the remaining 5% of Signatories demonstrating Foundational Compliance. Reasons for Foundational Compliance were due to Signatories' business activities changing during the compliance year and Signatories not undertaking appropriate due diligence to determine whether an AFSL is required for the new business activities. When determining if an AFSL is required, Signatories are to consider the requirements of the Corporations Act and ASIC Regulatory Guide 236.

Signatories with Foundational Compliance for this item have confirmed with the Code Administrator that the Signatory is, since reporting, obtaining advice and conducting due diligence to ensure full compliance with this item.

4.7 Complaints and Breaches

The Administrator received information about complaints and potential breaches during FY21 through multiple channels: Signatories' self-audit reports; information provided to the Administrator by clients and other parties; and through the Administrator's compliance monitoring activities.



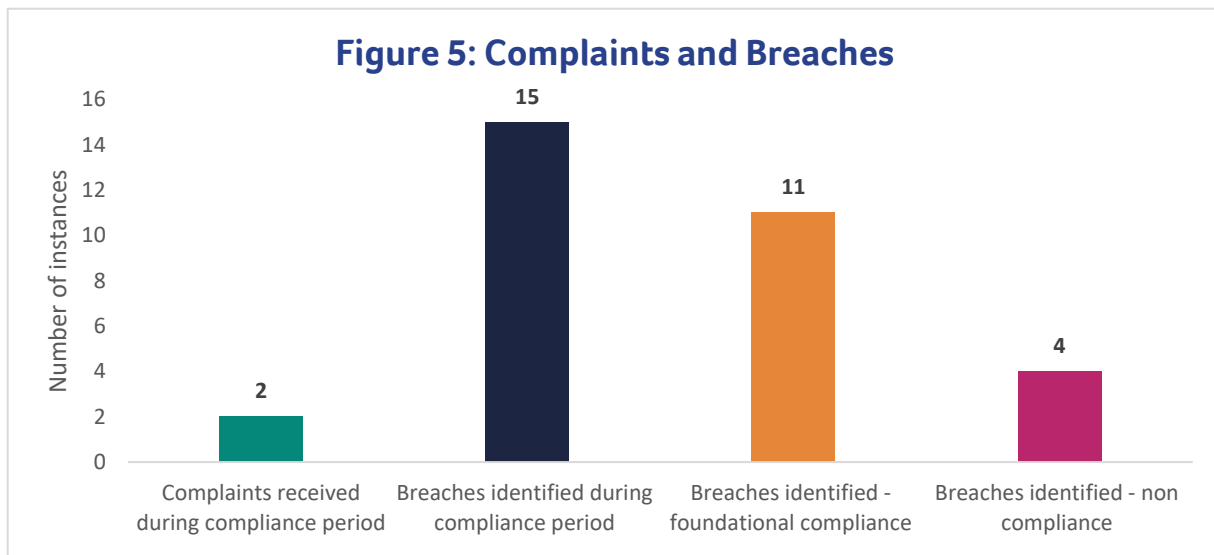
While the Administrator had no functions to fully investigate complaints during the Transition Year, the Administrator received two requests to investigate complaints by clients and other parties during the year (see Figure 5 below). No Signatories disclosed that they had received any complaints against them in their self-audit checklists for this year. The Administrator did monitor the issues related to these received complaints and has used this information for determining the Administrator’s compliance priorities and to prepare for the inclusion of these additional Code functions in FY22.

Information received by the Administrator on suspected breaches during FY21 was assessed by the Administrator to determine if breaches had occurred. Any instance of Foundational Compliance or Non-Compliance identified in the self-audit checklists were recorded as breaches. While Foundational Compliance recognises that a Signatory has committed to becoming compliant, it also identifies that a Signatory has been non-compliant with a part of the Code during the compliance year. Instances where the Administrator had been made aware of a breach, but the Signatory had not specifically identified this in their self-audit checklist, were also reported as breaches.

Figure 5 is reflective of both types of breaches, noting that there were 15 breaches but only 14 of these were identified through the annual reporting process, of which three were self-reported by Signatories. All 15 breaches identified were medium level breaches as per the Breach Matrix (see section 3.6 of the Code). For medium level breaches, Signatories must detail to the Code Administrator the strategy to rectify the breach and implement an agreed action plan to prevent the breach from re-occurring. Of the 15 breaches, 11 were resolved by the conclusion of the compliance period or had an agreed process in place as approved by the Code Administrator to resolve the breach (constituting Foundational Compliance).

The four breaches identified that were not resolved constituted Non-Compliance. The reasons for Signatories not agreeing to rectify these breaches were due to the organisation not continuing as a Signatory to the Code. In instances where the Signatory was leaving the Code, Signatories were requested to remedy the identified breaches and were fully informed by the Administrator on any implications the breaches may have on the Signatory’s relationships with their clients.

It is important to note that none of the 15 breaches identified in FY21 constituted significant consumer risks, rather, they were related to improving Signatories’ administrative processes.





4.8 Signatory Promotion of the Code and Brandmark



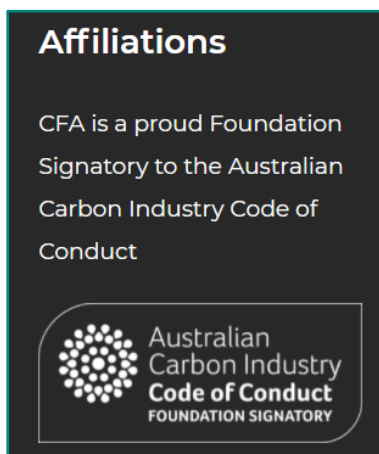
The Code brandmark is now a well-recognised symbol for integrity within Australia’s carbon market. In displaying the Code logo on websites and marketing materials, Signatories and Government Partners are also promoting their positioning in the market as trusted and ethical suppliers of carbon-related services.

As per section 2.5(7)(a) of the Code, Signatories are required to promote the Code on their website – which may include links to the Code or a copy of the Code itself.

It is noted that currently only five Signatories display the Code logo and link to the Code website on their websites. Examples are shown below. Others display either one or the other, and many link to the previous (outdated) version of the Code website. Signatories should ensure that they are compliant with section 2.5(7)(a) of the Code and that the correct Code website is linked (<https://carbonmarketinstitute.org/code/>).



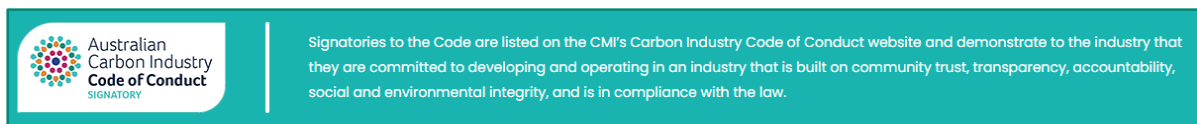
Extract from Agriprove’s website displaying the brandmark



Extract from Carbon Farmers of Australia’s website



Extract from Tasman Environmental Markets’ website



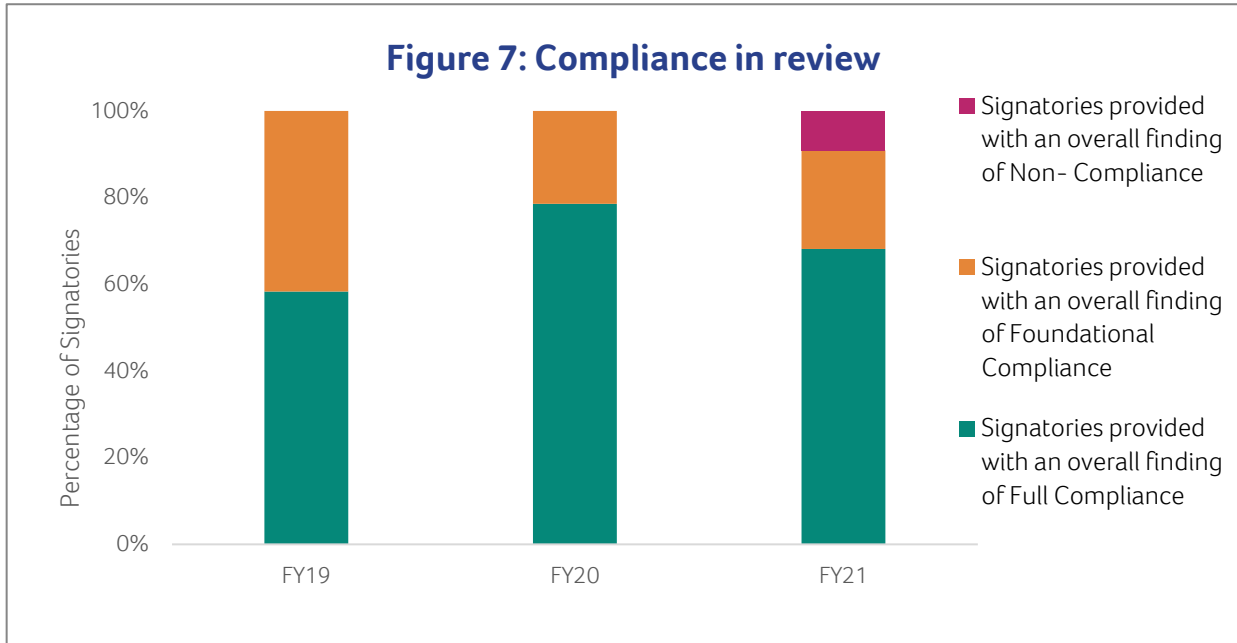
Extract from Carbon Link’s website

4.9 2020-2021 Compliance in Review

As shown in Figure 7 below, the percentage of Signatories that achieved Full Compliance increased from 58% in FY19 to 78% in FY20 and then decreased to 68% in FY21. The reasons for the increase in Year 2 was mainly due to Signatories improving systems and processes after the first compliance year, including the 5 Signatories that rectified breaches that were identified through the self-audit checklists. This highlights the important role of the self-audit checklists and the Administrator’s assessments of them in building broader understanding of Code requirements with Signatories.

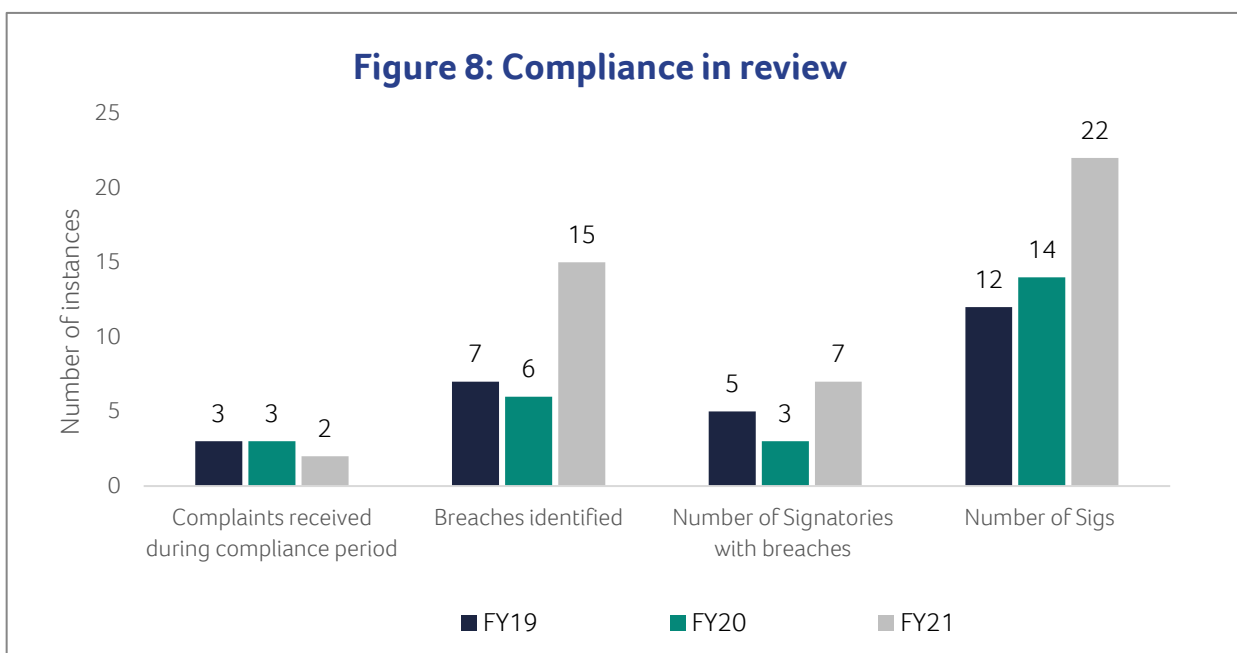


The reduction in Full Compliance in FY21 was likely due to a number of factors, including that: this year was the first year under Code requirements for 8 (36%) of Signatories; Signatories identified additional relevant items in FY21 that were not relevant in previous years; Signatories providing more detailed comments and in some cases this resulting in additional relevant items; Signatories in their second and third years experiencing changes to their business activities and not applying the Code requirements to these changes.



As per Figure 8, the number of Signatories recording breaches increased from 3 to 7 in FY21, with the higher number of Signatories undergoing their first compliance year a contributing factor. For FY20, none of the five Signatories that had breaches recorded in the previous year had breaches recorded in their second year under the Code. A similar trend was also recorded in FY21 with only 1 of the 3 Signatories that recorded breaches in FY20 also recording a breach in FY21.

Across all three years, where a Signatory has had a breach recorded against a particular Code requirement, the Signatory has not recorded the same breach in subsequent years, highlighting the effectiveness of the Code in raising standards.





The finding of 15 breaches by Signatories in FY21, does identify that through the Foundation Stage and the Transition Year Signatories needed to continue to update their systems and processes to align with Code requirements.

Now that the Code is in its Operational Stage and the Code Administrator has an increased mandate to conduct compliance audits, investigate complaints and breaches, and enforce sanctions it is important that Signatories set up systems and processes to ensure their compliance with the Code. This would include triggers to: assess changes in business practices against the Code to ensure compliance with the Code is maintained; ensure self-reporting potential breaches occurs in line with Code requirements; notify the Administrator if their Signatory type or category changes.

4.10 Assessing Code Administrator's Compliance Monitoring Priorities for the 2020/21 Financial Year

Areas for improvement and focus for the Administrator during FY21 were published in the FY20 Code Administrator Annual Report. As assessment of overall Code compliance against these priorities during the Transition year is provided below.

FY 21 Compliance Priorities

- 1. Increased commentary in self-reporting:** The average number of Signatories that provided comments and the amount of detail provided in comments increased for items which Signatories stated they were compliant in their annual reports. Despite the increase there were several Signatories that did not add comments for compliant answers in their annual reports which adds to risks that some Signatories' understanding of Full Compliance with Code requirements may not be completely aligned with the Code Administrator's understanding.
- 2. Management of reporting deadlines:** During FY21 Signatories responded to this compliance priority with 64% of Signatories (up from 43%) submitting their self-report checklists by the due date, with late submissions submitted on average 9 days after the due date (improvement from 14 days the previous year). While this was a welcome improvement on the previous year the Administrator will expect Signatories to meet the report submission deadlines for future years.
- 3. Relevance of all pre-project activities:** The focus for this compliance priority was for Signatories to be aware that pre-project activities under the Code may also be relevant for scenarios where projects had not yet been registered. This includes pre-project activities that occur at very early stages of the project development timeline where a Signatory has not necessarily established contractual agreements yet but may have engaged in initial discussions regarding provision of services.

Results from the annual reports showed an improvement for this compliance priority, with the average of Signatories that demonstrated a Full Compliance rate where the item was relevant to them increasing from 77% to 84% in FY21.

- 4. Relevance of pre-project stakeholder engagement policies:** Signatories were reminded that Section 2(2.3)(5)(a) of the Code requires Signatories to have a written policy for identifying and consulting with relevant stakeholders. Most Signatories (95%) now either have this policy in place or have committed to having this policy in place.
- 5. Broad inclusion of general requirements:** One of the compliance priorities in FY21 was that Signatories should apply a broad interpretation of their requirements under the General Requirements category in their annual reports, not necessarily limited by the definitions of project and client provided by the Code. Results from the annual reports show an improvement for this compliance priority, with the percentage of Signatories where the item was relevant to them increasing from 90% to 97%.
- 6. Adherence to foundational compliance timelines:** Following last year's annual report process there were three Signatories that were granted Foundational Compliance on the condition that they undertook appropriate measures to meet Code requirements within the timeline agreed with the Code Administrator. All three Signatories provided evidence to satisfy the Administrator that they had implemented systems and process to meet Code requirements, however not all measures were implemented by the agreed timeline. On average these measures were met over one month after the original due date. The Administrator will expect Signatories to meet the agreed timelines to meet Code requirements for future years and Signatories are encouraged to plan to implement these measures and to contact the Administrator to clarify requirements well ahead of the due dates.



4.11 Code Administrator's Compliance Monitoring Priorities for FY22

The compliance reporting process has identified several areas for improvement and focus for the Administrator during the coming year.

Compliance Priorities:

1. **Evidence to be provided to confirm compliance.** For the years FY19, FY20 and FY21, the Administrator has not explicitly reviewed documents that Signatories are required to have under their obligations under the Code, but rather asked Signatories if they did or did not have completed documents. In some circumstances, copies of these have been requested but the quality of the documents and processes provided by Signatories has not been judged or assessed.

For FY22, Signatories will be asked to provide certain documents for review by the Administrator to confirm compliance. For the annual report process, Signatories will be informed of the types of documents required before the end of the compliance year. The documents requested will be decided based on compliance priorities in this report and on other carbon industry risks identified that can be managed through the Code. Examples of the types of documents that could be included are:

- Internal complaints handling procedures.
 - Stakeholder engagement policies.
 - Evidence of how Signatories inform clients about the Code and the Signatories complaints handling procedure.
 - Evidence of meeting requirements of holding an AFSL, such as audit reports.
2. **Confirmation of understanding of new Code requirements.** Signatories are reminded that they must assess their current systems and processes against the new Code requirements that came into effect on 1 July 2021 and that the Administrator will be monitoring that Signatories are aware and understand these obligations. Examples of these new Code requirements include:
 - Broadened definition of client to include demand-side consumers (clients).
 - Definition of different Signatory Types.
 - Engagement with eligible interest holders, including best practice in seeking free, prior and informed consent from Indigenous communities for carbon projects.
 - Signatories' obligations for self-reporting and the timeframes around self-reporting.
 3. **Signatories are reminded of their responsibilities to comply with the Corporations Act 2001 (Cth) (Corporations Act).** Signatories are to undertake appropriate due diligence to determine whether an AFSL is required for their business activities and must inform clients whether or not they hold an AFSL, and the implications of whether or not they hold an AFSL in relation to the level of financial advice they can provide. Over FY22 the Administrator will also further develop its capabilities to support its discretionary role in determining the relevance and effectiveness of Signatory's AFSL compliance measures.
 4. **Providing all clients with information on the Code and about a Signatory's internal complaints handling procedure.** Signatories are required to inform both existing and new clients that they are Signatories to the Code. Information about a Signatory's internal complaints handling procedure should be made available to clients, highlighting that clients are required to first make a complaint against a Signatory to the Signatory directly. Where a client or stakeholder is dissatisfied with the outcome of a complaint they have lodged with a Signatory, the Signatory must provide the complainant with contact details for escalating that complaint to the Code Administrator. Signatories should promote on their website and promotional materials that they are Signatories to the Code.

Signatories should become familiar with the [Code Administrator's complaints handling and breaches procedure](#) to understand how complaints and breaches are managed under the Code.

5. **Self-reporting of breaches.** Signatories are reminded of their obligations for self-reporting of breaches under the Code and the timeframes around self-reporting. For major or severe suspected breaches of Code (as listed under section 3.6 Breach Matrix of this Code) Signatories are to notify the Administrator within 10



business days of becoming aware of the suspected breach. All other suspected breaches are to be lodged with the Administrator within 15 business days of becoming aware of the suspected breach.

Signatories are also required to self-report breaches ([via this form](#)).

6. **Understanding Signatories' business activities.** To enable the Administrator to better assess a Signatory's compliance with the Code, the Administrator will engage with Signatories to understand how Code requirements apply to each Signatory differently. Noting that the expectation is that compliance with Code requirements would be different for each Signatory as the level of compliance would be aligned with the Signatory's business activities and the types of clients a Signatory has.
7. **Signatories to provide key details regarding their business activities.** The Administrator is committed to communicating with Signatories about their responsibilities and expectations of them for providing information about their business activities. Signatories are reminded that Section 2(2.5)(6)(j)(iv) and (v) of the Code requires Signatories to provide information that is relevant for investigating a suspected breach of the Code and information relating to a Signatory's compliance with regulatory or other carbon and/or overlapping co-benefit schemes including identification details of relevant projects and related entities for projects.

The Administrator securely records all information received by Signatories in an electronic file in an internal register. All commercial-in-confidence information received is treated with appropriate confidentiality and subject to the requirements of relevant laws, in particular the Privacy Act 1988.

8. **Communication with clients and stakeholders during change in client (landholder) or carbon service provider for projects.** Signatories should be aware that they are required to communicate effectively with clients and other stakeholders when the client changes for a project or when a project is moved to another carbon service provider. During these changes Signatories are required to provide advice to clients on any impacts of the change on the client and which stakeholders would need to be informed of the change, including government agencies. They must also notify their clients of their Signatory status. This advice should be provided in a timely manner to ensure clients can consider project risks and impacts prior to making any arrangements to change carbon service provider or to sell the property the project is located on. Signatories should include which stakeholders and how they would engage with those stakeholders in written policies for engaging with relevant stakeholders.



5 Developments in FY22

In the coming years, it will be necessary for the Administrator to ensure that the Code will be able to service the expansion and diversification of carbon market activity in Australia and regionally. This relates not only to the increasing number of ERF project registrations in Australia, but also to broader market factors including national policy settings, market linkages, trading of units across jurisdictions, establishment of new markets and projects in the Indo-Pacific region. Many other factors are evolving in voluntary carbon markets which will require close consideration by the Administrator, such as treatment of co-benefits, interaction between international voluntary schemes and their associated project registries (and use and integrity of those units being sold to consumers/buyers in the Australian market), and expansion of many Australian carbon service businesses into overseas jurisdictions.

At a sub-national level, new carbon farming and land restoration funds may be developed, creating additional need for an independent integrity framework which the Code provides. Australia's national emissions reduction scheme may also be expanded in line with updated policy settings, which will require a commensurate expansion of the Code – including the Administrator's internal capacities, the Code's reach and remit, and education and awareness raising of the Code to a broader audience. The business models of Signatories are already diversifying as the market matures and new stakeholder groups enter the market, requiring the Administrator to consider its role in a more nuanced and strategic way. Critically the Administrator is keen to spend more time better understanding the individual business models and operations of each Signatory (as noted above in compliance priorities), and working to more clearly articulate its expectations to Signatories, and work with them constructively to help navigate issues as they arise in a preventative manner.

The following provides an indication of the Administrator's key strategic focal points for the remainder of FY22 and subsequent years.

5.1 Strategic Direction-Setting

The Administrator plans to develop a 3-5 year business strategy in the context of the evolving carbon market, which will seek to address the following:

- i. **The growing demand for an integrity assurance framework from supply and demand-side participants.** The Administrator will seek to engage with prospective new Signatories, taking into consideration key market developments, trends, dynamics and evolving risks. This will also involve more targeted engagement with demand-side stakeholders including from private and public sectors, particularly through the Code's Government Partner and Industry Supporter programs.
- ii. **Interaction with other schemes at sub-national, national and international levels.** This will involve consideration of the Code's jurisdictional reach and remit, both within Australia and internationally. International climate negotiations, the organisational positions of voluntary offsetting standards, and establishment of new market mechanisms will all impact on this development. This will also include consideration of what is needed to ensure consumer protections in place for demand-side consumers that are purchasing credits from outside Australia, where the knowledge and due diligence of integrity standards may not be comparable to Australian-generated credits.
- iii. **The Administrator's role in market education, training, outreach and industry promotion.** This will involve targeted consultations/discussions with Code Signatories and stakeholders to understand industry needs. This may include exploration of the following modes of providing resources and information: guidance materials; formal training sessions; professional development modules; communications materials an online information hub; webinars, etc.
- iv. **The independence and impartiality of the Code and its related governance frameworks.** As mentioned earlier in this report, options for increasing the independence of the Code of Conduct will be explored. Developments and decisions will be communicated with Signatories as and when appropriate.
- v. **Business resourcing, internal capabilities and ongoing financial sustainability.** These items will be influenced by developments relating to each of the items (i through to iv) above. The internal capacity building element will explore options for further engagement and partnerships with relevant government agencies such as the CER and ASIC.



6 Appendices

6.1 Appendix 1: Remaining Independent Review Recommendations for Exploration and Implementation

Number	Recommendation
5	The Code to provide guidance aimed at ensuring fair and transparent benefit-sharing arrangements between clients (the originators of the co-benefit) and Signatories for projects generating co-benefits.
7	The Code Administrator should assist Signatories and stakeholders access ASIC's guidance on the need for an AFSL.
8	The Code Administrator should provide guidance on the options for selling carbon credits.
10	Supplementary materials linking Section 2 to the objectives in sections 1.1 and 1.3 should be provided.
12	The Code Administrator provide legal guidance for written agreements via model contracts for each of the various types of arrangements entered into by Signatories and clients.
16	The Code Administrator develop the capabilities necessary to support its discretionary role in determining the relevance and effectiveness of signatory's AFSL compliance measures.
21(a)	The Code Administrator should refer to the ERF project and contracts registers published on the Clean Energy Regulator's website where possible to minimise administrative burden on clients. (b) The Code Administrator should request the Clean Energy Regulator consider making available project data to facilitate the automation of Signatory Annual Reports to the Code Administrator.
22	The development of model contract provisions and/or model agreements for ACCUs should be informed by the legal standards and procurement policies of its government and major corporate stakeholders.
30	The Code Administrator should provide further guidance for signatories on developing feasibility advice, risk assessment plans and conducting stakeholder consultations.
31	The Code Administrator should provide checklists and handouts to assist small to medium sized carbon service providers comply with section 2 of the Code
32	The Code Administrator should publish information on a Client Hub on its website that could be accessed by clients.
45	It is recommended that the Code Administrator inform the Australian Financial Markets Association and the Clean Energy Regulator of the contractual needs of demand-side participants, to facilitate the modification of contracts for the trading of co-benefit branded ACCUs.

