



Australian
Carbon Industry
Code of Conduct

2021-2022

Code Administrator Annual Report

November 2022



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1 Chair's Foreword

In last year's foreword, I noted that maintaining the overall integrity of an environmental scheme is critical to its stakeholders in government, business, civil society and the investment community. A long-term relationship between the carbon service provider and its commercial partner that is fairly struck and of the highest quality is as important to the achievement of a carbon scheme's objectives as is its scientific integrity. The events of this last year remind us that anything less than *high standards of conduct* from carbon market participants can compromise community confidence, the reputation to Australia's carbon crediting framework and the continued growth in voluntary demand for ACCUs.

This year the Code Review Panel oversaw a fully operational Australian Carbon Industry Code of Conduct. Coincidentally it was a year during which the industry experienced challenges including regulatory and policy changes, heightened public scrutiny and significant ACCU price volatility. It may not be obvious, but the Code of Conduct is well placed to address such market developments because the principles underlying the Code's rules are:

- transparency and accountability;
- environmental and social integrity;
- legislative and regulatory compliance; and
- community trust

The Code aims to reinforce the regulatory framework and addresses issues that may impact the reputation of the carbon industry arising from a broad range of consumer and stakeholder interactions. In response to the recent policy and regulatory changes, the Code Administrator issued a statement reminding Signatories of their Code obligations under changing market conditions. The Code's many standards relevant to the year's market changes include ethical conduct; the provision of information and financial advice to clients; disclosure of interests and recommendations on clients taking independent legal and financial advice; complaints handling; and engagement with the Code Administrator.

There are several highlights worth mentioning this year. The first is that the Code Administrator has implemented a systematic, objective and mature compliance monitoring process to test each Signatory's compliance with the Code. The approach taken was worthy of the task, and the industry's reputation and development will benefit from the willingness of Signatories to subject themselves to this additional layer of independent review. Publishing the unvarnished results of the review to stakeholders in the carbon project development industry may be counterintuitive to some but transparency should yield continuous improvement and tight traction with the best practice standards espoused in the Code.

A further highlight this year is the strong collective performance of Signatories in stakeholder and client engagement. The Code regulates how and what information Signatories need to provide to clients in the pre-project stage of the relationship. The rules promote informational transparency and informed decision making by clients via the provision of appropriate and accurate information.

The Code is also enforced – in practice there is a low tolerance for non-compliance by a Signatory who has neither a genuine commitment to the Code or a rectification plan. Ensuring the Code's own integrity in this way is critical to maintaining community confidence and the eligibility of its Signatories in the national and state government carbon and restoration schemes.

Lastly, the number of Code Signatories grows healthily year after year – a trend testifying that an enforceable, world-leading & best-practice Code matters greatly in the development of the carbon market.



I would like to thank my colleagues on the Panel, Ross Carter and Kim Lawrence, for their ongoing contributions to the Panel's work and recognise the tremendous efforts of Pip Stenekes, Director Code Integrity and Compliance and Dayana Flores, Engagement Manager with the Code Administrator for giving full effect and uplift to the compliance framework this year. Until recently Brad Kerin was the General Manager at the Code Administrator. Brad built the solid foundations upon which the Code and its Signatories stand, and I thank him for his insightful leadership, dedication and commitment.

The Code Administrator is sponsored by the Carbon Market Institute but functions with the necessary independence required. On behalf of the Panel, I thank John Connor CEO for the CMI's recent investment in robust independence measures and its continued sponsorship.

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



2 Introduction

2.1 Carbon Market Institute CEO's Remarks

The Carbon Market Institute (CMI) in its capacity as the host of the Code Administrator is pleased to present the fourth Annual Report on the Australian Carbon Industry Code of Conduct (the Code). This is the first report after the Code has become fully operational with review of signatory reports, an active complaint handling framework and an Independent Review Panel.

Australian carbon projects have an important role to play in contributing towards Australia's net zero emissions trajectory in support of, not as a substitute for, cost-effective and credible decarbonisation strategies from other sectors of the economy. The Code is a key plank in building a high integrity Australian carbon reduction and sequestration industry that land holders, Indigenous native title holders and claimants, stakeholders, consumers and investors should be able to rely on. At its best the Code reinforces rather than replaces regulatory frameworks, seeking to build a culture of best practice beyond basic compliance.

Our growing list of Signatories should be congratulated for adopting the higher standards required under this Code. There has been a 45% growth in Signatories to the Code since 2021, ending FY22 with 32 Signatories. There are two Government Partners (the Queensland and NSW governments) and the Code continues to be an important for government funding of carbon projects. Code Signatory status is an eligibility requirement for the Queensland Land Restoration Fund, the Western Australian Carbon Farming & Land Restoration Program and the Tasmanian Carbon Farming Advice Rebate Pilot Program.

The Clean Energy Finance Corporation (CEFC) is the first industry supporter of the Code. The CEFC commitment marks an important development in promoting best practice standards in demand-side carbon procurement and climate strategies. We welcome support of the Code by the CEFC as a really important step in not only leading the way in demand-side best practice standards, but also in engaging with the Code as an important risk management and due diligence tool to assist carbon market participation and procurement.

This report shows that during FY22 the Code Administrator's procedures for checking on compliance, handling complaints, managing potential breaches and reporting on compliance are successfully operating, with the oversight of the Independent Review Panel. There are some important areas Signatories need to continue focussing on, including ensuring the Code Factsheet is used when engaging with landowners and stakeholders and using best practice in seeking free, prior and informed consent from appropriate Indigenous communities or representatives. The latter will be a focus in FY23 with an aim to address the number of carbon projects registered with the Clean Energy Regulator with only conditional registration pending the consent of eligible interest holders. The Administrator proposes to run some further training workshops for Signatories around these and other topics planned for the first half of 2023.

The next three-yearly independent review of the Code is due to start mid-2023 to further improve integrity and best practise. Continued engagement with carbon project and advisory service providers, consumers and other stakeholders will become ever more important as Australia transitions toward net zero emissions alongside intensifying scrutiny of the integrity of carbon credits and market participants.

I would like to acknowledge the significant contributions of Brad Kerin, Jeremy Ainscough and Georgia Cox in guiding the development of the Code over recent years. The Code Administration team, now including Pip Stenekes and Dayana Flores, alongside the Independent Review Panel, ably chaired by Virginia Malley, have an important year ahead as key policy reforms and integrity reviews are completed. I look forward to working with you all in this task.

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 (Code) in 2018, the Carbon Market Institute has administered the Code by:

- 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.

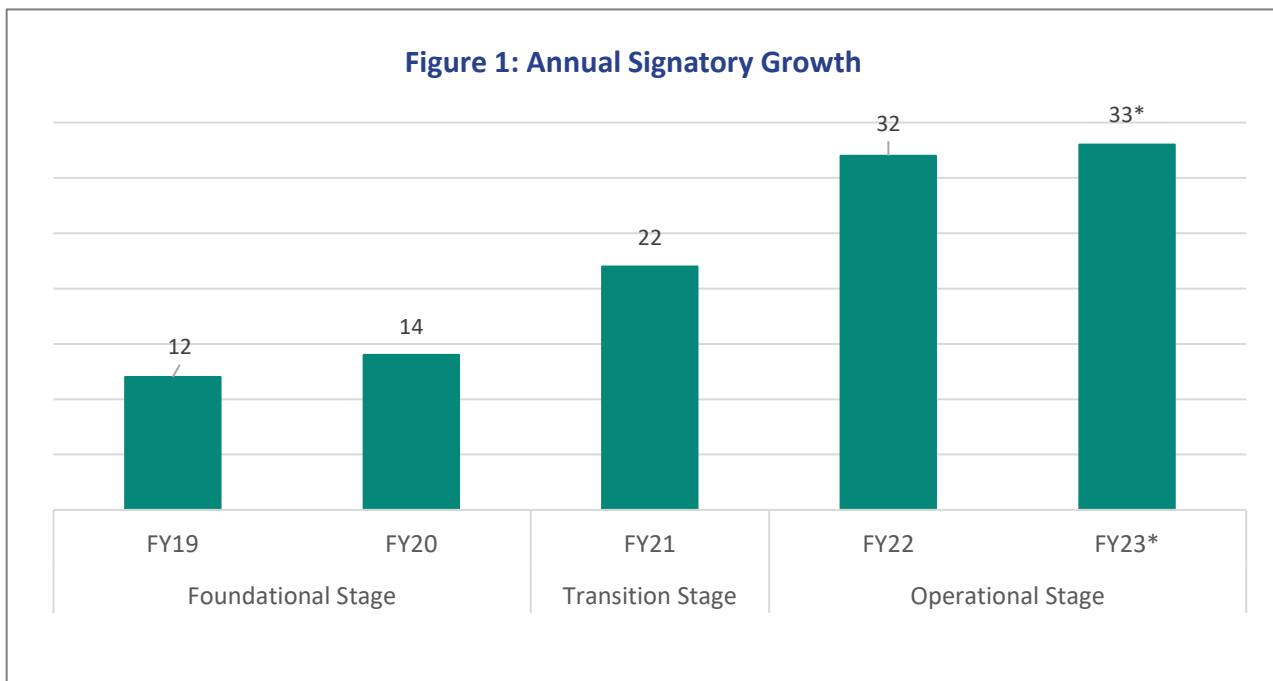
The Independent Review of the Code in 2020 recommended that these responsibilities be carried out by the Code Administrator, which is administratively separate from CMI. Since the commencement of the Operational Stage on 1 July 2021, the Administrator's responsibilities include a) – d) above, and have been extended to also include:

- e) investigation of complaints and potential non-compliances with the Code received by the Administrator;
- f) enhanced monitoring and auditing measures to monitor compliance with the Code by Signatories;
- g) referring cases to the Code Review Panel (Panel) for consideration as required;
- h) referring relevant proposals to apply sanctions, suspensions, or removals of Signatories from the Code to the Code Review Panel; and
- i) performing secretariat functions for the Panel.

It is worth noting that in undertaking these functions the Administrator securely records all information received by Signatories in an electronic file in an internal register that is accessible only to the Code Administrator, not to other CMI staff. 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*.

2.3 Code Signatories

Compliance year FY22¹ has seen further growth in Signatory numbers of 45% since FY21. Table 1 below shows the annual growth in Code Signatory numbers. The growth during FY22 was predominantly from new Signatories in the 'Project Services' Signatory type. Following the end of the FY22 compliance year, two Signatories withdrew voluntarily.

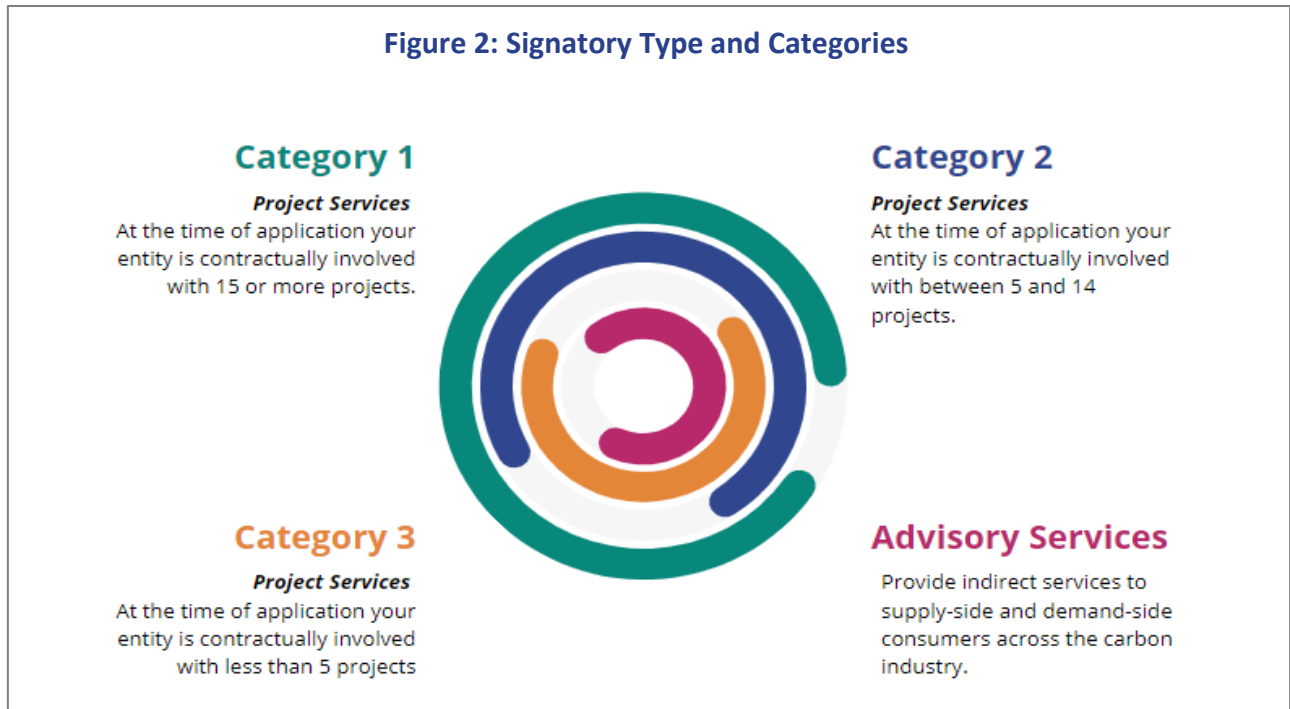


* As at date of publication

¹ Compliance year for reporting under the Code is defined as the financial year. Therefore, compliance year FY22 = financial year 1 July 2021 – 30 June 2022 and compliance year FY21 = financial year 1 July 2020 – 30 June 2021 etc. This terminology is used throughout this report.



There are three sub-categories of Project Services, which are based on the number of registered projects² the Signatory is contractually involved with, as follows:



The increase in Signatory numbers is expected to continue over FY23 due to a range of factors, including the general expansion of carbon market activity as well as the 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 details of this).

Several Signatories changed their Project Services category at the end of compliance year FY22, mostly reflecting an increasing number of carbon projects. It is expected that this trend will continue with market growth projected for the following years, and Signatories should be forthcoming in notifying the Administrator of changes to their Signatory category throughout the year.

“ The Code has been an integral part of helping guide the intention and actions of Climate Revive. It has not only been imperative to the success of our team, but the standard that has been set has had an unquestionable rippling impact on the wider industry to ensure best practise is consistently met and improved upon.”

– Climate Revive, Code Signatory

The Administrator reviews fees annually, to ensure a balance between ensuring financial sustainability and minimising the financial burden on Signatories. Fees will rise in broad alignment with CPI every year, however, apart from CPI, they are expected to remain unchanged for the compliance year FY23 as shown in Table 2 below.

Table 1: Code of Conduct Signatory Fee change from FY22 to FY23

Signatory Type: Project Services	FY22	FY23	Incl. GST
Category 1	AU\$ 12,875	AU\$ 13,519	AU\$ 14,870.90
Category 2	AU\$ 5,150	AU\$ 5,408	AU\$ 5,948.80
Category 3 and Advisory Services	AU\$ 2,575	AU\$ 2,704	AU\$ 2,974.40

*Starting from 1 July 2022, fees are subject to an annual CPI increase. FY23 fees displayed above include the 5% increase in broad alignment with CPI.

² For CFI Act projects, registration will be the date of the project declaration by the Clean Energy Regulator under s 27 CFI Act. For Verified Carbon Standard projects, it is the date of registration of the project by Verra. For Gold Standard projects, it is the date the project is certified by Gold Standard.



2.4 Government Partners

Partnerships between the Code and governments are very important for the integrity of the carbon market. The Code now has two Government Partners – the Queensland Government and New South Wales (NSW) Government.

The Queensland Government's Land Restoration Fund (LRF) [eligibility requirement](#) of carbon service providers to have Code Signatory status has set a precedent 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. By working with the NSW Department of Planning and Environment in this way, the Administrator and Signatories will play an important role in supporting the implementation of various initiatives within the *NSW Net Zero Plan Stage 1: 2020 – 2030*. The Code will support NSW as a third-party assurance platform to enable the local carbon industry to expand and mature at best practice.

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

The Tasmanian Government launched the Tasmanian Carbon Farming Advice Rebate Pilot Program (Pilot Program) in November 2021 is another carbon farming scheme and has endorsed the Code. Under the Pilot Program, Approved Advisers that wish to be listed under the Project Developer Category (including carbon agents, aggregators, and carbon service providers) must work for a company that is a Signatory to the Code.

The Code has been endorsed by the Clean Energy Regulator (CER), which during 2022 provided formal in-kind support to the Administrator through a staff secondment. The CER also may consider carbon service provider's compliance with industry standards and codes in determining whether a person is fit and proper to carry out eligible offsets projects under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Cth) (CFI Act) and 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 governments intent on upholding the integrity of the carbon industry.

2.5 Industry Supporter

A partnership between the Code and an Industry Supporter aims to develop best practice industry standards that will support a more consistent approach taken by market participants across the industry. The Code Administrator is pleased to announce its first Industry Partner – the Clean Energy Finance Corporation (CEFC). Through this partnership, the Code will be able to support CEFC's carbon market participation and procurement as a risk management and due diligence tool. The Administrator looks forward to engaging with CEFC further in the following years as well as new Industry Supporters intent on upholding the integrity of the carbon industry.

“The world faces formidable challenges in addressing global emissions and we must take action across the economy if we are to achieve net zero emissions by 2050. Decarbonisation is currently harder in some sectors of the economy than others and carbon finance provides an important option to reduce emissions. The Code helps promote market integrity and consumer protection while providing guidance and accountability for industry practitioners and service providers undertaking carbon offset projects.”

- Clean Energy Finance Corporation



3 Developments in FY22

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; further 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 and FY22, which have set the foundations for development of the Code in the coming years.

3.1 Code Text Amendments, Guidance and Signatory Portal

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 the Code and will continue to be welcomed and valued by the Code Administrator for future developments to the Code and guidance materials. Amendments were made to make [Version 2 of the Code of Conduct](#) which entered into force on 1 July 2021, with Signatories expected to be in compliance with the updated version since that date.

To assist Signatories over this and the following Compliance periods, the Code Administrator launched the Code Signatory Portal. This new system is a single access point for Code Signatories to undertake annual reporting & submission of required documentation; manage Signatory status and access guidance materials and other information; manage complaints and investigations, and other communication with the Administrator; as well as access future interactive education and training materials and programs.

Signatories have access to a number of guidance documents through this portal. 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.

“ Frontier Carbon is proud to be a signatory of the CMI Code of Conduct. We regard the Code of Conduct as an important part of Frontier Carbon's responsible participation in Australia's carbon markets, and one of the best ways for the industry to raise the bar on governance and integrity.”

– Frontier Carbon, Code Signatory

3.2 Complaints Handling Procedure

The Code complaints handling function became operational from 1 July 2021. This created 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 expanded 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 in a few instances where a Signatory may have made public comments about the Code or 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 Administrator welcomes constructive criticism from its Signatory cohort about the complaints handling process and is keen to understand and work through any 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 by any Signatory undermines the integrity and reputation of the Code, and the Administrator will take the necessary steps to manage these issues.

“ Integrity, transparency and knowledge-based practices are vital to successful carbon restoration projects. Biologic Carbon centres itself on creating and growing projects that are rich with co-benefits, in addition to sequestering carbon. The code provides a guiding framework for clients and industry to engage ethically in the carbon industry and helps to promote greater accountability within the market.”

– Biologic Environmental, Code Signatory

3.3 Independent Code Review Panel

Supporting the recent Code developments mentioned above is the inaugural Independent Code Review Panel (Panel), which was established in June 2021 and operated throughout FY22, and will continue. The Panel currently consists of a Chair, Virginia Malley, and two ordinary members, Ross Carter and Kim Lawrence, who are all independent of the Code Administrator and Signatories. The Panel members were selected by a separate appointment committee comprising Government and Industry and were selected 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, the compliance review process and any compliance action recommended or taken by the Administrator, including the Administrator's ongoing approach to compliance. During the first three years of the Operational Stage of the Code (from FY22 to FY25), the intention is that all proposals by the Administrator to apply a 'severe sanction' or a suspension will be referred to the Panel first 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 Independent Process

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.

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 FY23, 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.

Out of the remaining 16 recommendations, the Administrator will focus on exploring, with a view to implementing, the 5 recommendations listed below in Table 2 during FY23. The remaining 11 recommendations will be discussed further with CMI as to how best they can be implemented – these recommendations include developing best practise guidance around co-benefit sharing (Rec #5), liaising with the Clean Energy Regulator and Australian Financial Markets Association about the contractual needs of demand side participants to facilitate the trading of co-benefit branded ACCUs (Re #45), developing model legal agreements for carbon projects (Recs #12 and #22), liaising with the Clean Energy Regulator about making project data available to facilitate Signatories reporting (Rec #21(a)), and publishing information on a Client Hub that can be accessed by clients (Rec #32). Additional information on the Independent Review and the Code's response can be found on the Code Administrator's website [here](#).

Further things the Administrator will focus on in FY23 are also discussed in Section 5 below. The further recommendations to be undertaken in Table 2 are 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.



Table 2: Remaining Independent Review Recommendations for Exploration and Implementation in FY23

Number	Recommendation
7	The Code Administrator should assist Signatories and stakeholders access ASIC’s guidance on the need for an Australian Financial Services Licence (AFSL).
10	Supplementary materials linking Section 2 to the objectives in sections 1.1 and 1.3 should be provided.
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.
30	The Code Administrator should provide further guidance for signatories on developing feasibility advice, risk assessment plans and conducting stakeholder consultation.
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

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 promotional and educational webinars and events in 2021 and 2022 – including the 8th Australasian Emissions Reduction Summit, ACCU Review Panel 2022, the Indigenous Carbon Industry Network’s Savanna Fire Forum and the Corporate Roadshow Seminar Series hosted by the Carbon Market Institute. Pictures of the events and training developed are below:



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



Presentation on the Code of Conduct as part of CMI’s Corporate Roadshow Seminar Series in August – Preliminary Webinar: Carbon Market Fundament



First Session of the Code of Conduct FY22 Annual Compliance Training in June



Presentation on the Code of Conduct in the ACCU Review Panel in August.

4 Compliance in FY22

4.1 Administrator's Approach to Compliance

The Administrator's approach is to prioritise engagement that supports Signatories with Code compliance. The Administrator takes compliance action where it is necessary to stop harm or to disrupt business practices that are contrary to the Code. Since 1 July 2021, the Code Administrator has monitored whether Signatories are meeting Code standards. The Administrator has undertaken compliance reviews and it has investigated complaints and breaches.

To provide clarity to Signatories, clients and stakeholders, in 2021 the Administrator published its [Education, Monitoring and Enforcement Approach](#) to support the start of the Operational stage of the Code.

During FY22, the Administrator set out new requirements and guidance for Signatories' engagement with Indigenous stakeholders. This is particularly important for engagement with Native Title holders, registered Native Title Claimants and their representative bodies. This guidance supports Signatories' compliance with Code requirements, and it seeks to ensure that Signatories engage appropriately and ethically with Indigenous stakeholders. Importantly, it provides clarity on the Code requirement to seek free, prior, and informed consent from Native Title Holders.

In the assessment of Signatories' FY22 Code compliance reports, the Administrator focused on identifying whether Signatories' compliance improved (see Section 4.10). For the FY22 compliance period, the Administrator requested evidence that Signatories were complying with items B.7 (Signatory has a written consultation policy), C.2 (Signatory provides the Code Fact Sheet to clients), and C.3 (Signatory has an internal complaints handling procedure). The Administrator cited the documents that Signatories said they used and required Signatories to confirm compliance. Signatories were encouraged to support their assessment with the guidance documents published on the Code's website.

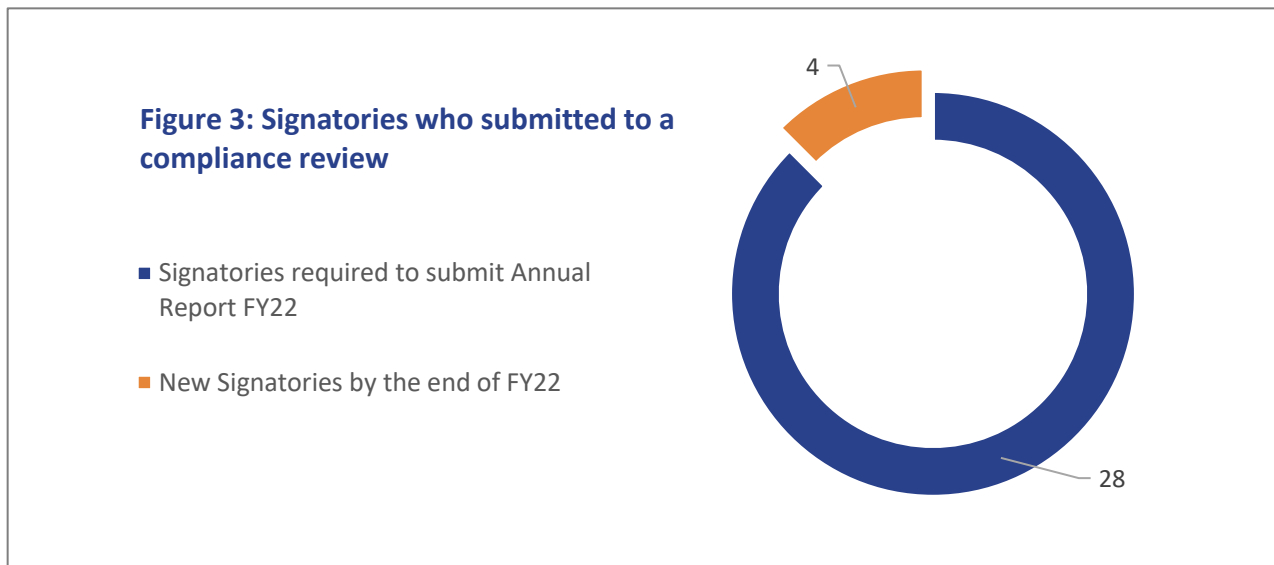
Declarations of compliance through the Annual Report self-audit checklist are taken seriously by the Code Administrator as the key determinant of compliance throughout the year. If evidence of compliance is missing from the initial signatory report, the Administrator will request further information from a signatory. The Administrator's decision about compliance depends and will discuss potential changes with signatories and stakeholders or include in terms of reference of the next independent review to start mid-year on receipt of the relevant evidence of compliance with certain requirements.

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

- i. Pre-project activities;
- ii. Project management;
- iii. General requirements;
- iv. Compliance with external standards and legislation.



For FY22, 28 Signatories completed the self-audit checklist for their Code annual compliance report.



4.2 Compliance Categories for FY22

In determining a Signatory’s overall compliance during FY22, the Code Administrator applied one of three categories as set out below. Note, the Administrator will seek to streamline this way of reporting for FY23 and will discuss potential changes with Signatories and stakeholders, including through the next independent review of the Code starting mid-2023.

Full Compliance

1. Signatory has met all requirements of the Code relevant to them; or
2. The particular Code requirements were not relevant to the Signatory in the specific compliance year.

Foundational Compliance

- 1) Signatory has met most of the Code requirements relevant to them; and
- 2) Where there was any non-compliance, it is now rectified or is currently being rectified by the Signatory.

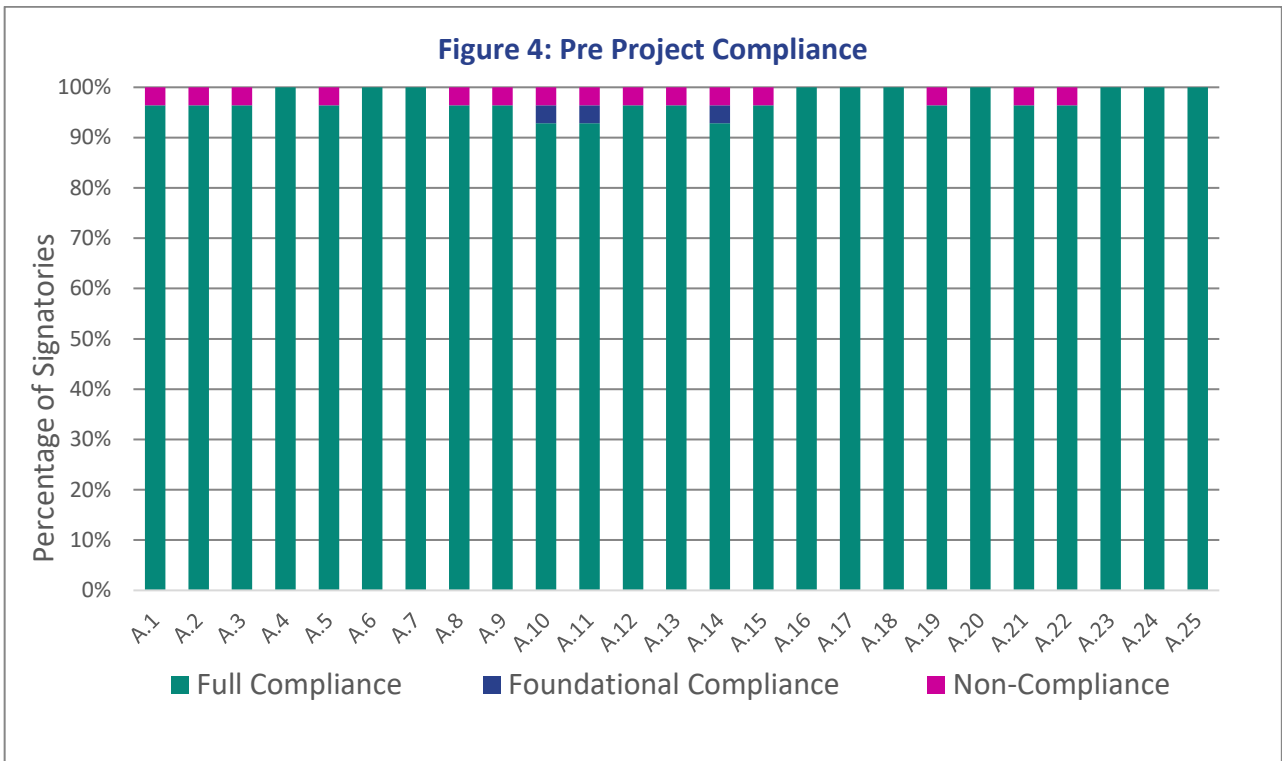
Non-Compliance

1. Signatory has failed to meet the majority of the requirements of the Code relevant to them; and
2. Signatory has not rectified or not agreed to rectify the non-compliance, and this is recorded as a breach of the Code; or
3. The Signatory did not complete the Annual Report self-audit checklist within the appropriate timeframe.

4.3 Pre-Project Activities – Code section 2.2

Pre-project activities 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 4 below provides a snapshot of compliance during FY22 for pre-project activity items that each Signatory has reported against. A Signatory obtains full compliance if the item is relevant and the Signatory is compliant, or if the Administrator is satisfied that an item is not applicable to the Signatory.



Overall Signatories have been assessed as 97.4% in full compliance with pre-project requirements in FY22 (compared to an average compliance rate of 99.8% in FY21).

Key things to note:

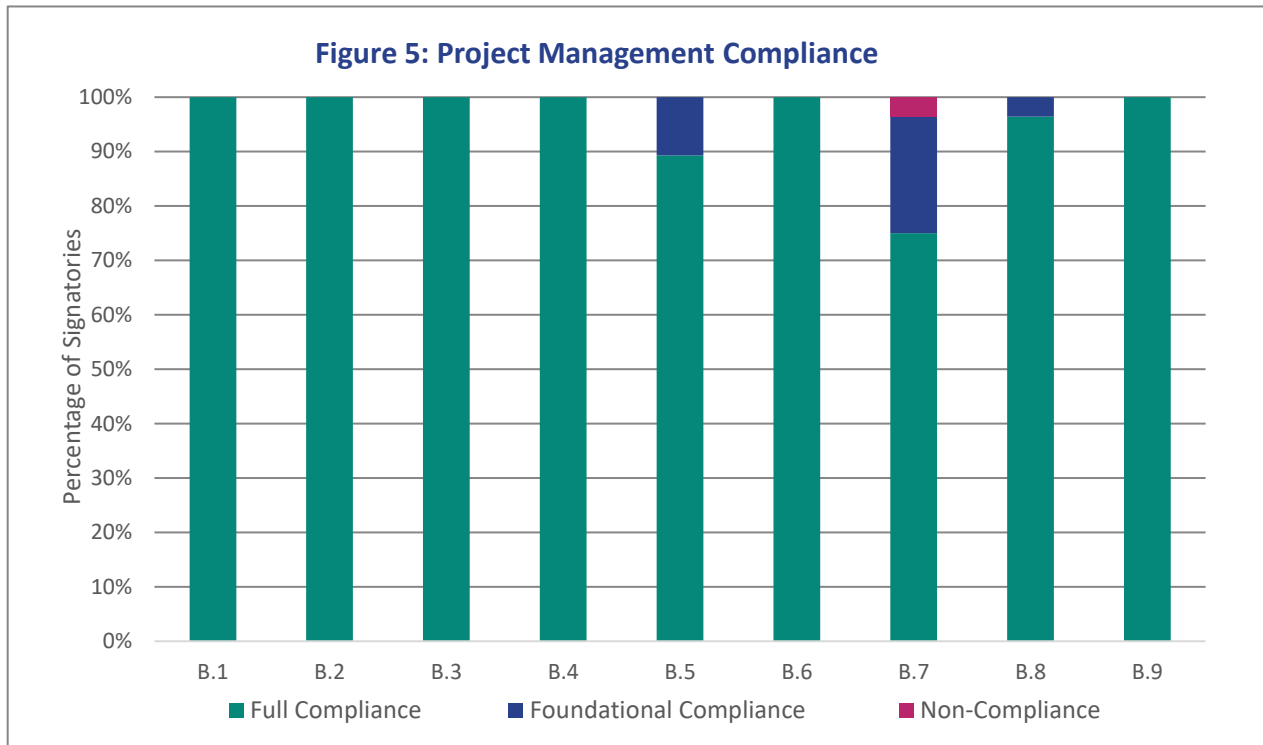
- Non-compliance in this category came from only two Signatories. Both Signatories failed to provide sufficient evidence of compliance in the review. These Signatory exited the Code for FY23.
- For projects on native title land, item A.6 requires Signatories to make reasonable efforts to enter into legally binding agreements with Native Title holders (and where possible Native Title claimants) prior to project registration. All Signatories (100%) were in compliance with this part of the Code (compared with only 67% in FY21). The Administrator published in July 2021 *Engagement with Native Title Stakeholders Guidance* to clarify Code requirements. In FY22, Signatories had to comment on their efforts to implement the Best Practice Assessment Scale in achieving legally binding agreements with Native Title holders, as well as efforts to achieve consent from Native Title holders prior to the registration of an area-based project, also taking into account the guidance from the Indigenous Carbon Industry Network (ICIN). While this result shows an improvement in compliance with the Code requirement, the Administrator considers more work needs to be done here, including consideration of raising the Code standard. Many carbon projects undertaken by Code Signatories registered with the Clean Energy Regulator in the past year only have conditional registration pending the consent of eligible interest holders and the Administrator considers this may not reflect best practise. The Administrator proposes to discuss potential changes to the Code for this with Signatories and stakeholders and will include this in the terms of reference for the next independent review of the Code to start mid-2023.
- Item A.25 requires that where a client is entering into a Carbon Abatement Contract with the Clean Energy Regulator, the Signatory has explained to the client the associated financial risks and the implications of non-delivery under the contract. In FY22 all Signatories were in compliance with this part of the Code (up from 62% in FY21). Compliance has improved in this area because Signatories overall were clearer in the compliance review about when their projects involved Carbon Abatement Contracts with Clean Energy Regulator or not. Also, where Carbon Abatement Contracts were being entered into, signatories demonstrated compliance and had explained financial risks during project feasibility discussions or carbon contract negotiations and had provided in-depth and up to date presentations to all clients interested in participating in the auction and project process.



4.4 Project Activities – Code section 2.3

Signatories have reported against nine items for requirements for Project Activities under the Code (B.1-B.9). 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 must meet with regard to carbon project management activities.

Figure 5 below provides a snapshot of compliance during FY22 against these items.



On average 95.63% of Signatories demonstrated full compliance in this category (down slightly from 96% in FY21).

Key things to note:

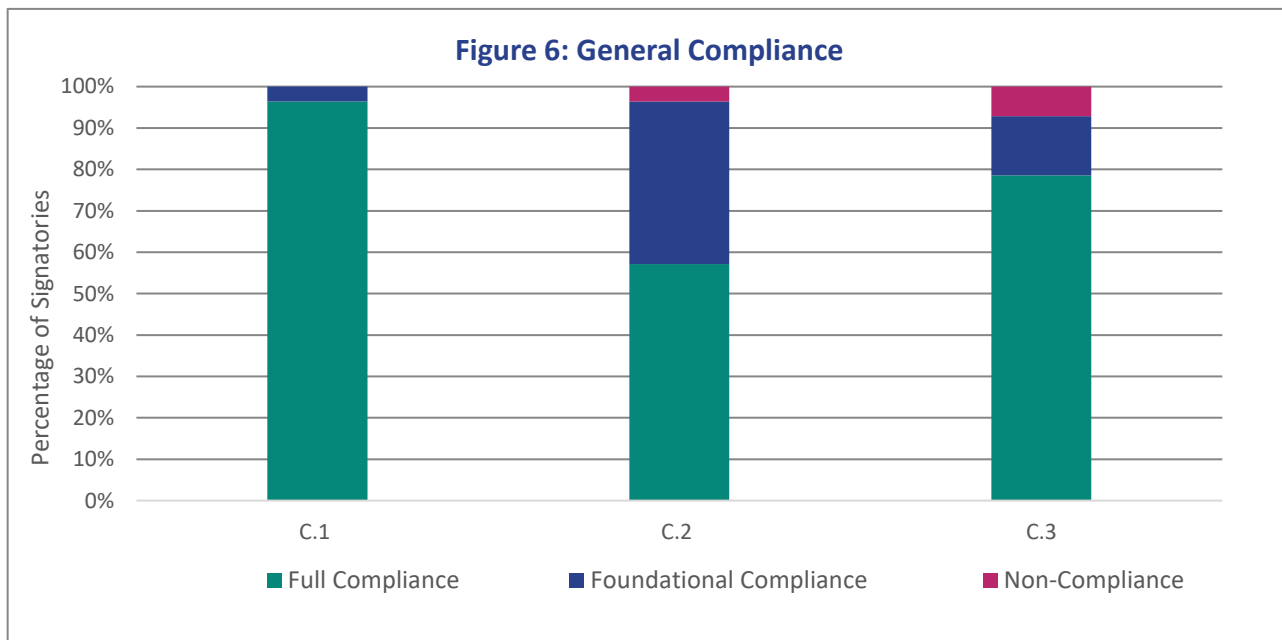
- A small number of Signatories this year did not provide evidence of an appropriate written stakeholder consultation policy. The policy should cover and be relevant to all projects the Signatory is involved in and should outline how and when the Signatory will engage with stakeholders at all stages of the project.
- 89% of Signatories were fully compliant with item B.5, which focusses on adequate record-keeping (down from 98% in FY21), with the remaining 11% of Signatories demonstrating foundational compliance. The Administrator has allowed Signatories in the foundational compliance category a set timeframe to get their records in order and to provide evidence to the Administrator that this has occurred.
- 75% of Signatories were fully compliant with Item B.7, which focusses on having a written policy for identifying and consulting with relevant stakeholders (down from 81% in FY21), with 21% of Signatories demonstrating foundational compliance and 4% not compliant (which is recorded as a breach of the Code). The Administrator has allowed Signatories in the foundational compliance category a set timeframe to provide evidence to the Administrator of having a policy in place. One Signatory did not agree to rectify this at all and was therefore recorded as not compliant for this. This Signatory has advised that it has withdrawn from the Code.



4.5 General Requirements – Code section 2.5

Signatories have reported against three items for this category under the Code (C.1-C.3). These relate to whether any written agreements the Signatory has with a client are clear, transparent and linguistically and culturally appropriate (C.1); whether the Signatory is providing clients with the Code Factsheet and information about providing feedback and lodging complaints (C.2); and whether the Signatory has an internal complaints handling procedure (C.3).

Figure 6 below provides a snapshot of FY22 compliance for these items:



On average 77.38 % of Signatories demonstrated full compliance in this category (down from 89% in FY21), with many Signatories demonstrating foundational compliance.

Key things to note:

- For item C.2, 57% of Signatories were in full compliance (down from 81% in FY21), 39% demonstrated foundational compliance and 4% were non-compliant (which is recorded as a breach of the Code). Many Signatories did not demonstrate in the first instance that the correct information had been provided to clients³, which pushed them into the foundational compliance category. However, after the Administrator followed up, Signatories either provided evidence the requirement had or would be met in future. One Signatory was non-compliant because they failed to respond at all. This company has since exited the Code.
- For item C.3, 79% of Signatories were in full compliance (down from 86% in FY21), 14% demonstrated foundational compliance and 7% were non-compliant. Similar to item C.2, Signatories were assessed as foundationally compliant if they could not demonstrate they had this procedure in place or that it was only in draft form. Signatories were given a set timeframe to demonstrate that an internal complaint handling procedure is in place and the Administrator will be checking this. Two Signatories were non-compliant (which is recorded as a breach of the Code). Both these companies have since exited the Code.

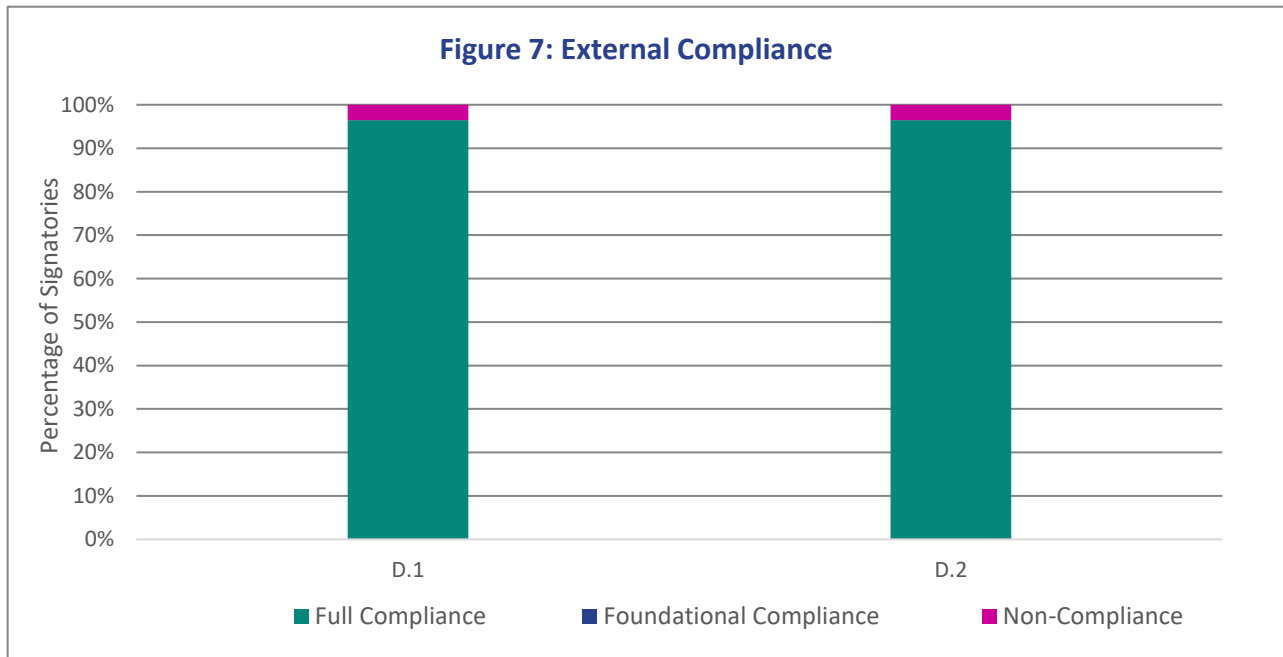
³ Signatories were required to provide evidence of this by showing the Code Fact Sheet had been provided to their clients. The Administrator checked copies of signatories' annual reports and relevant emails to clients. Information about the Code should be provided both to people who signatories have an existing contractual agreement with as well as to people with whom signatories are having initial discussions with about a possible agreement. One way for signatories to meet this requirement is to build information about the Code into all their communications material, internal processes and to promote it on their website.



4.6 Compliance with the law – Code section 2.4

Signatories have reported against two items for this category (D.1 and D.2). These relate to whether Signatories have complied with all local, state and federal legislation, including the *CFI Act*, relevant competition and consumer law and the *Native Title Act 1993* (D.1) and whether Signatories have undertaken appropriate due diligence to determine whether they need an Australian Financial Services Licence (AFSL) under the *Corporations Act*.

Figure 7 below provides a snapshot of compliance during FY22 against these items.



On average, 96.4% of Signatories demonstrated full compliance in this category (down from 98% in FY21). The remaining 4% (two signatories) were non-compliant (which is recorded as a breach of the Code). They were found to be so because they did not commit to rectify the non-compliance. Both these companies have since exited the Code.

4.7 Non-compliance found through the review

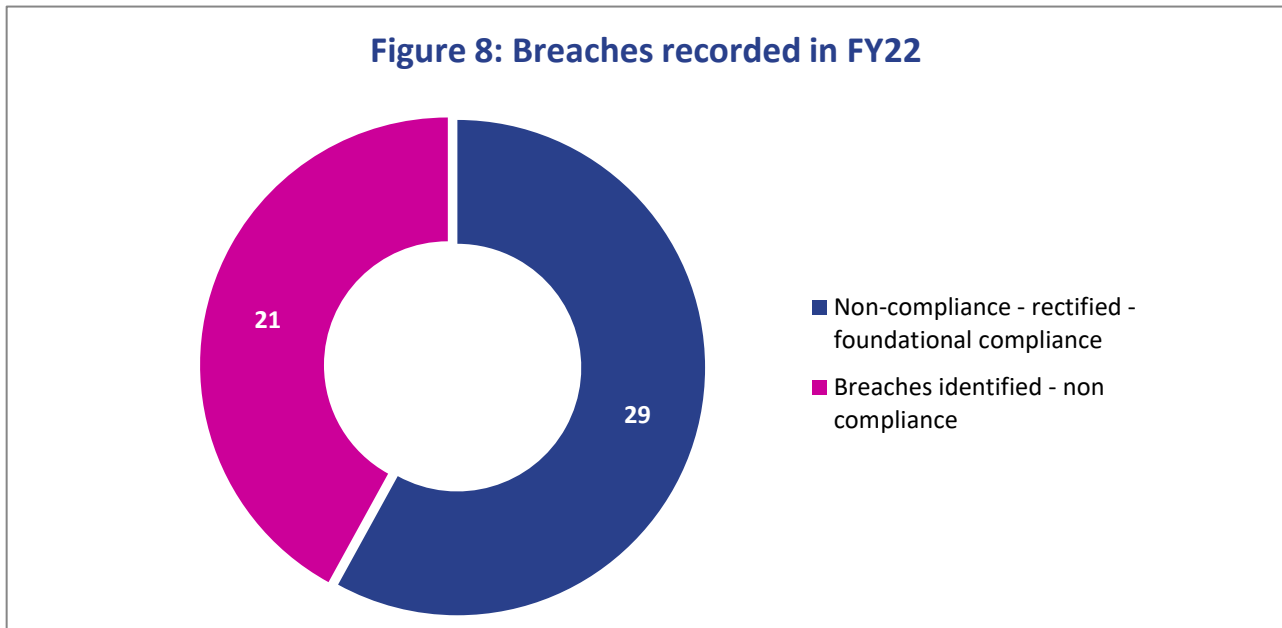
Under the compliance review, the Administrator has identified a number of non-compliances during FY22 through Signatories' reporting and by carrying out monitoring activities. A non-compliance is considered as any failure to comply with the Code. The Administrator identified non-compliances after receiving Signatories' responses to the self-audit checklist, however recorded Signatories as foundationally compliant if they rectified the non-compliances or agreed to rectify them within a set timeframe. If they did not agree to rectify them, this was recorded a breach of the Code.

Figure 8 shows the total number of individual items of non-compliance identified by the Administrator during the FY22 compliance period. A total of 50 non-compliances were identified and were of a "medium level" classification as per the Breach Matrix (see section 3.6 of the Code) (ie. not the most serious). Based on the information available to the Administrator it appears that none of the 50 non-compliances identified in FY22 constituted significant consumer risks, rather, they were related to improving Signatories' administrative and record keeping processes.

Nineteen (19) Signatories recorded these 50 non-compliances. Only two (2) signatories were responsible for 21 of these non-compliances. Because these two Signatories did not rectify or agree to rectify these non-compliances, the Administrator recorded these non-compliances as breaches of the Code. Both these signatories exited the Code for the FY23 compliance year.



Of the remaining 29 non-compliances, which seventeen (17) Signatories were responsible for, nine (9) non-compliances have already been rectified and the Administrator has required the relevant Signatory to rectify the remaining twenty (20) non-compliances by a set date. The Administrator will be checking on this. If a Signatory rectified or agreed to rectify a non-compliance, they were placed in the Foundational Compliance category.



Note: Figure 8 does not include any failure to pay fees on time. For FY22, one Signatory failed to pay fees on time, and they have since exited the Code. Fees are discussed further below in section 4.10.

4.8 Complaints during FY22

For FY22, the Code Administrator extended its responsibilities to include investigation of complaints and potential non-compliance with the Code. The Administrator referred any cases where it was proposed to use sanctions, including suspensions or removals of Signatories from the Code, to the Code Review Panel.

In FY22 the Administrator investigated six complaints. The nature of these complaints concerned the behaviour of Signatories towards each other, public statements made by Signatories about carbon project matters, Signatories developing a proper process for managing complaints and providing the Code Factsheet to clients and other stakeholders and appropriately engaging with landowners around contractual matters. Five out of six of these complaints were found to involve behaviour that occurred before the Code was in operation, found to not involve a potential breach of the Code, were not pursued by the complainant due to lack of evidence or were withdrawn by the complainant.

One complaint was upheld by the Administrator – this was a situation where a client was not provided with the Code factsheet, and was not told what the process for providing feedback and lodging complaints was (section 2(2.5)(3) of the Code). Also, the Signatory did not have an appropriate internal complaint handling procedure that was fair, efficient and transparent (section 2(2.5)(4)(d) of the Code). The relevant Signatory agreed they were in breach and undertook an agreed action plan to prevent the issue from re-occurring.

Complainants are required to first contact the Signatory against which they are making a complaint, prior to notifying the Administrator, as outlined in *Working with Signatories – Guidance for Consumers*. Signatories to the Code are required to separately inform the Administrator upon the receipt of a complaint. After, having lodged a complaint with a Signatory or the relevant consumer protection organisation, the complainant may still lodge a complaint with the Administrator.



The Administrator’s approach to handling complaints is set out in its published procedure document (published in 2021 to support the operational stage of the Code, and available on the CMI website).

4.9 FY22 Compliance in Review

As shown in Figure 9 below, the percentage of Signatories achieving full compliance has decreased from FY 20 to FY22 (from 79% in FY20 to 68% in FY21 and then 32% in FY22). The percentage of Signatories achieving foundational compliance has increased (21% in FY20, 23% in FY21 and 61% in FY22). An explanation of these results follows:

- The decrease in full compliance over the last three years is mainly due to the introduction of new and more stringent guidance about how to meet the requirements of the Code, including how Signatories should engage with Indigenous stakeholders, particularly Native Title Holders and registered Native Title Claimants and their representative bodies;
- For FY22, the Administrator demanded more of Signatories during the review process - requesting evidence of documentation required under the Code, including a written stakeholder engagement policy, evidence that Code information has been provided to clients, and evidence of an internal complaints handling procedure. This process may have led to a greater number of Signatories being classified as foundationally compliant, rather than fully compliant, as the Administrator had to follow up this evidence for many signatories; and
- The number of Signatories increased in FY22, with four (4) new Signatories. These Signatories were reporting Code compliance for the first time. The compliance review process assisted them to understand the requirements better and how to demonstrate compliance. While Signatories in previous compliance years were required to state whether they had met a Code requirement by having a process in place or developing a certain document, the FY22 review showed that some Signatories had not yet developed appropriate documents, or that documents provided were not adequate to meet Code requirements.

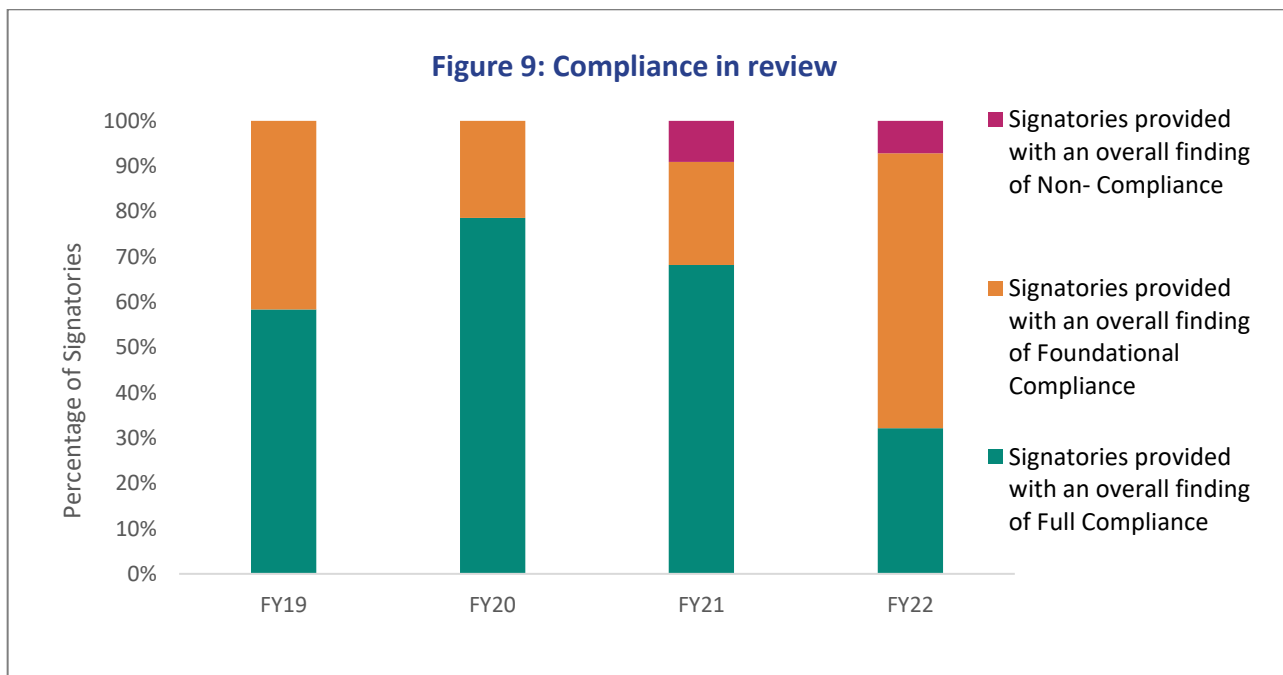
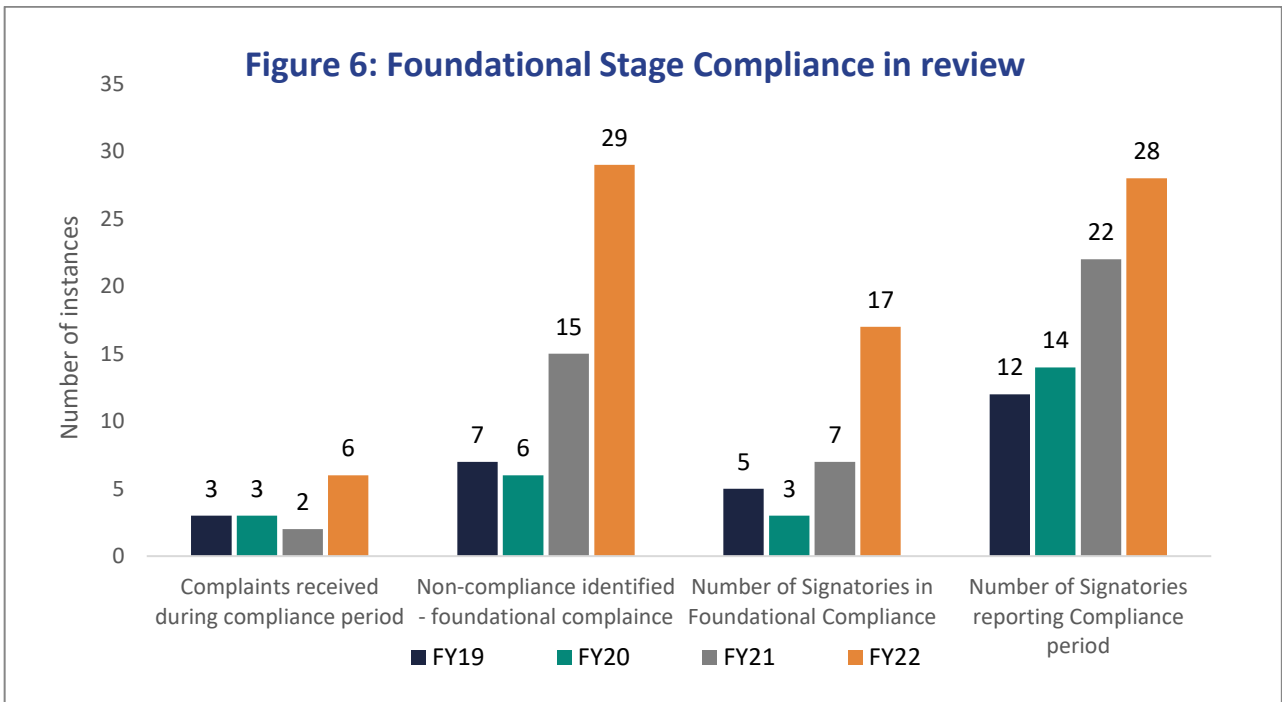


Figure 10 shows some general trends - the number of Code complaints received increased, the number of Signatories in the foundational compliance category increased and the total number of Signatories increased.

Of relevance is that none of the fifteen (15) non-compliances recorded in FY21 were recorded again in FY22. Similarly, over the last four years, Signatories have not recorded the same non-compliance against a particular Code requirement in subsequent years, which highlights the effectiveness of the Code in raising standards.



Note: This table does not include two (2) Signatories that were recorded as being in breach, as they have left the Code.

These results show there is a high number of Signatories (17) in the foundational compliance category. These Signatories need to improve their processes in accordance with the Code’s requirements, along with guidance from the Administrator. Noting the Administrator will only monitor and review Signatories continuing in FY23, seven (7) of the seventeen (17) Signatories have already rectified all their non-compliances and ten (10) have committed to rectifying them within a set timeframe.

In FY23, the Administrator will work with Signatories on reducing the numbers in foundational compliance by clarifying expectations and understanding of the requirements of the Code and by looking to make improvements in the next compliance review process – this is discussed more in section 5 of this report. The Administrator will also seek to streamline the compliance categories, potentially removing the foundational compliance category altogether, and will discuss such changes with Signatories and stakeholders and include it in the terms of reference for the next independent review of the Code to start mid-2023. The Administrator considers the current results show that Signatories need to continue adapting their systems and processes to align with Code requirements. It shows very clearly there is great benefit to Signatories and to the integrity of the framework overall because such a compliance review process objectively identifies what improvements are required and Signatories are required to fix any problems.

4.10 Code Administrator’s FY22 Compliance Monitoring Priorities

The Administrator published the areas it would focus on during FY22 in the *FY21 Code Administrator Annual Report*. An assessment of achievements in these areas is provided below, and shows more work is needed to continue the progress in these areas.

1. **Confirmation of understanding of new Code requirements:** Signatories were reminded of the new Code requirements that came into effect on 1 July 2021, including the expanded definition of client, the definition of different signatory types, requirements for engaging with eligible interest holders, including best practice for seeking free, prior and informed consent from indigenous communities, and self-reporting obligations. The Administrator monitored that Signatories were aware and understood these obligations.
2. **Evidence to be provided to confirm compliance:** With full implementation of the Code’s operational stage in FY22, Signatories were asked to provide evidence of certain documentation required under the Code for their compliance report assessment, namely:



- a. Consent and consultation - Under Section 2(2.3)(5)(a) of the Code, Signatories were required to show evidence of their written policy for identifying and consulting with Native Title holders and relevant stakeholders. During FY22, 75% of Signatories could demonstrate they were in compliance, and 21% of Signatories have committed to having this policy in place by the end of 2022. The Code Administrator will put in place more education and training on this matter to assist Signatories develop systems and processes to meet this requirement.
 - b. Fact Sheet - Signatories are required to inform both existing and new clients that they are Signatories to the Code and provide the Code Fact Sheet (including the process for providing feedback, lodging complaints and a link to further information on the Code website) to all existing and potential clients. In FY22, Signatories were asked to provide evidence to the Administrator that they complied with this requirement. Only 57% of Signatories complied with this Code requirement, and 39% of Signatories have agreed to rectify this non-compliance. The Administrator will be developing more education and training on this before the next compliance period.
 - c. Complaint Handling Process - As required by section 2.5(4)(d) of 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. For the FY22 annual report, 79% of Signatories did not initially provide the required evidence of documentation noted. By the end of the Administrator assessment, the relevant Signatories have undertaken to ensure they have the required documentation in place by the end of 2022. The Administrator will soon follow up with these signatories and ensure that they understand the relevant Code requirements.
3. **Communicating effectively with clients and Stakeholders:** One of the compliance priorities for FY22 was to ensure Signatories were aware that they are required to communicate effectively with clients and other stakeholders. Signatories reported being in full compliance (100%) with this Code requirement. Behaviours that may demonstrate communicating effectively with clients include: keeping written records of advice provided to clients such as emails or documents or notes recorded after verbal conversations; provide certain advice in writing to clients due to the sensitivity of the advice or the capability of clients to understand complex; for certain sensitive decisions made verbally with a client, make a written record of the decision, and share with the client; when meeting with clients, keep a record of the content of the meeting and share that record with the client; and keep written evidence of a clients understanding of information and provide copies to the client.
 4. **Compliance with the *Corporations Act 2001 (Cth)* (Corporations Act):** Signatories were requested to undertake appropriate due diligence to determine whether an AFSL is required for their business activities. Over FY22, Signatories were also asked to specifically comment on the requirement that they inform clients whether or not they hold an AFSL and the implications in relation to the level of financial advice that can provide. This will be picked up in FY23 also, and this is discussed below.
 5. **Signatories to provide commentary and identifying non-compliances in self-reporting:** In FY22, Signatories were asked for documents (evidence) and comments for certain items to comply with the Code requirements. Signatories were reminded of their obligations for self-reporting of non-compliances under the Code. For major or severe suspected breaches of Code (as listed under section 3.6 Breach Matrix of the Code) Signatories must 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.
 6. **Signatory promotion of the Code and the Code landmark:** The Code landmark is now a well-recognised symbol for integrity within Australia's carbon market. In displaying the Code landmark 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. Section 2.5(7)(a) of the Code provides that, Signatories should promote the Code on their website – which may include links to the Code or a copy of the Code itself. Many Signatories have not been doing this properly – the Administrator has found that many of the links provided on Signatories’ websites are to the previous (outdated) version of the Code or do not have a link at all. Signatories should ensure that they are compliant with section 2.5(7)(a) of the Code and that the correct version of the Code and website is linked (<https://carbonmarketinstitute.org/code/>).

The Administrator congratulates the good work of many Signatories who made sure their compliance reporting was comprehensive and contributed to them achieving full compliance over FY22, demonstrating a high level of striving for best practice under the Code. However, it is clear that work is required to continue in these vitally important areas and this is discussed below.

5 Code Activities in 2023

5.1 Code Administrator’s Compliance Priorities for FY23

The compliance reporting process has identified several areas for ongoing and further improvement under the Code during FY23. These are relevant to the next independent review of the Code which will start mid-2023 and will be part of the terms of reference for that review.

a. Continued focus on the areas identified in paragraphs 2, 3 and 4 in section 4.10 of the report above

This will include further explicit analysis, education, and monitoring in the following areas:

- **Consent and consultation**, particularly for identifying and consulting with Native Title holders and relevant stakeholders. It is noted that the Code uses a ‘reasonable efforts’ test in this area. The Administrator is keen to further examine this standard to determine whether it can be improved and plans to examine it through the independent review of the Code planned for the second half of 2023, with a view to reducing the number of Code projects that rely on conditional registration under the CFI Act. The Administrator also plans to run a workshop in FY23 on how best to satisfy the requirements of the Code for obtaining free, prior and informed consent with Native Title holders, and what is best practise in this area.
- **Compliance with the *Corporations Act***, particularly the requirement to hold an Australian Financial Services Licence (AFSL) if a Signatory is providing financial product advice or dealing in a financial product in the carbon market. The Administrator notes that specific evidence of meeting AFSL requirements has not been required previously. Accordingly, the Administrator proposes to develop the Code reporting and review process to monitor the effectiveness of Signatory’s AFSL compliance measures. To this end, the Administrator plans to run a workshop in FY23 to support understanding of these requirements. This approach will also address Recommendations 7 and 16 of the 2020 Independent Review (as discussed in section 3.5 above).
- **Provision of Code Fact Sheet** to new and existing clients.
- **Internal complaint handling procedure**, confirming that all Signatories have a procedure and that they have made it available to clients.
- **Communicating effectively** with clients and stakeholders, particularly keeping adequate written records.
- **Expectations for Signatories’ written stakeholder engagement policies**. This requirement supports awareness, understanding and the integrity of the carbon market industry and its participants. The Administrator will consider how it can further develop some guidance for this.



b. Refining and strengthening the annual compliance reporting process – explore use of attestation approach

FY22 was the first year that Signatories were asked to provide their annual compliance report via the Salesforce portal. While this process streamlined and simplified compliance reporting and assessment, the Administrator is concerned to ensure that a ‘tick-a-box’ approach does not develop for Code compliance.

During FY23 (early in 2023), the Administrator will consult with Signatories on a proposal that each Signatory provides a signed attestation that certain key Code requirements have been complied with. To ensure and support appropriate due diligence, the Administrator may require that a member of each Signatory’s Executive (for example, the Chief Executive Officer, the Chief Financial Officer or the Company Secretary) be the signatory to the attestation and that the signed attestation be tabled before the Signatory’s board at the next board meeting after signature.

It is also proposed that this attestation should clearly identify the nature of the Signatory’s business, the nature and number of all pre-project and/or project activities for the relevant compliance period and whether any activities are done under the auspices of any government’s land management/restoration program. This attestation could identify whether Signatories are engaging with supply and/or demand-side customers (per the Code definitions), whether they are engaging with Native Title Holders or Native Title claimants *in any way*, and an outline of who they are engaging with, when, where and how.

This will enable the Administrator to more meaningfully assess a Signatory’s compliance with the Code and how the Administrator can provide ongoing training and information to assist an expanding range of Signatories with Code compliance.

c. Management of reporting deadlines and payment of fees

In FY22 some Signatories did not meet their reporting deadlines (only 61%, down from 64% in FY21, submitted their self-report checklists by the due date). The Administrator expects 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.

Also, the Administrator reviews fees annually, to ensure a balance between ensuring financial sustainability and minimising the financial burden on signatories. Fees will rise in broad alignment with CPI every year, however, apart from CPI, they are expected to remain unchanged for the compliance year FY23. The Administrator reminds signatories that payment of fees and updating information to Administrator on their numbers of projects is a fundamental responsibility of signatories under the Code.

d. Category of Foundational Compliance to be reconsider

As mentioned in this report, the Administrator continued to use the “Foundational Compliance” category in the FY22 reporting year. This category may not be used in future. The Administrator is considering that signatories should be assessed as either “Compliant” or “Non-Compliant” for the FY23 compliance review period onwards. The FY22 experience will assist the Administrator to work with signatories in FY23 to address compliance issues early - with the benefit of guidance and supporting feedback. New Signatories during FY23 will also have the benefit of a one-on-one workshop with the Code Administration team to step through the specific evidence that is required to be compliant with the Code.

e. Showcasing Signatories that demonstrate best practice Code compliance

The Administrator will further consider how to demonstrate best practice under the Code. The Administrator will work with Signatories who are fully compliant, and explore ways in FY23 to use their experience and knowledge of the Code to assist new Signatories, and other Signatories that may benefit from this guidance.



5.2 Other Developments in 2023

Independent Review of the Code in 2023

There will be an independent review of the Code in the second half of 2023 to make further improvements with the Code and implementation. A Terms of Reference will be circulated mid-2023 and an independent reviewer selected.

Other considerations

In FY23 and beyond, it will also 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 to the Albanese Government's adoption of a revised 2030 emissions reduction target which signalled an important step forward in improving Australia's climate credibility on the world stage. In addition to its campaigning to host a COP in 2024, Australia will need to take a leading role in the development of high integrity carbon market to ensure the transition to net zero is economically efficient and delivers economic, regional, Indigenous and environmental benefits with high integrity and durability.

Signatories' participation in voluntary carbon markets is increasing which will also 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.

New carbon farming and land restoration funds are developing, as well as new methods like Blue Carbon, creating complexity and additional need for an independent integrity framework which the Code contributes to. The business models of Signatories continue to diversify 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), including its new Industry Supporter, as well as working toward more clearly articulating its expectations to Signatories and assisting them to navigate issues as they arise in a preventative manner and to achieve best practise.

The Albanese Government has also commissioned an Independent Review of ACCUs, led by Professor Ian Chubb, which is currently reviewing carbon crediting methods and governance frameworks that have underpinned the historical Emissions Reduction Fund. This review process will ensure that Australia's carbon markets are fit for purpose to support industrial decarbonisation, whilst continuing to contribute to the broader community, particularly in regional Australia where many of the projects take place.

The Administrator keenly awaits the outcome of the Chubb Review and the Commonwealth Government's response and will further consider how this might affect implementation 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.

