



## Background

The Breach Severity Matrix is a vital tool for the Code Administrator to evaluate and respond to potential breaches of the Code of Conduct. This paper outlines the framework for investigating breaches and introduces a detailed table that categorises breaches by severity and corresponding actions and sanctions.

Breaches may be identified through multiple channels, including self-reporting by Signatories, client-initiated disputes via the Code's website, third-party reports, or other credible sources of evidence. The Code Administrator investigates all alleged breaches, adhering to a defined procedure that ensures fairness, due process, and timely resolution.

The table below indicates the severity of the breaches. The Code Panel can alter the breach levels at its discretion to proactively target systemic issues in the industry.

Code Section	Description	Breach level
<b><i>Pre-project activities</i></b>		
Section 2.2 (1)	Signatories must ensure that they provide their client with all relevant documentation to allow them to make an informed decision about the project, prior to entering into an agreement with the Signatory.	Medium
Section 2.2(10)	Signatories must ensure that the contract is explained to the client before the contract is signed.	Major
Section 2.5(1)	A written agreement, using language that is linguistically and culturally appropriate for the audience and their level of maturity in the carbon market between the Signatory and the client must be provided to the client.	Major
Section 2.5(3)	Clients must be made aware of the Code and Signatories must provide a fact sheet describing this Code (including the process for lodging Complaints).	Medium
Section 2.2(10)	Signatories must clearly explain the process surrounding the payment and trade of ACCUs.	Medium
Section 2.2(3)	An appropriate level of due diligence was undertaken by the Signatory to ensure the client has the legal right to the project and that all eligible interest consent holders have been identified.	Major
Section 2.2(3)	Where a project is undertaken on Native Title Land or Waters, section 2.2(3) of the Code has been complied with, including but not limited to: following best practice principles for engagement with Native Title Holders; and Native Title Holders have agreed to the project being registered.	Major, unless otherwise stated by the Administrator in Guidance materials



Code Section	Description	Breach level
	In the Operational Stage (commencing 1 July 2021), refer to the Code Guidance document published on the Code Administrator's website for details on the Administrator's approach to compliance.	
Section 2.2(4-7)	Where relevant, sufficient information has been provided to the client by the Signatory on the ERF Method being undertaken, the ERF project administration process and the carbon credits to be generated during the crediting period.	Medium
Section 2.2(10)	Where the client is entering into a Carbon Abatement Contract with the Regulator, the Signatory must explain the associated financial risk and implication of non-delivery under the contract, and if applicable, disclose to the client any interest or benefit the Signatory has.	Major
Section 2.2(12)	The Signatory has considered and evaluated the potential co-benefits associated with the project being undertaken.	Minor
<b>Project management</b>		
Section 2.5(5)	Signatories must comply with the requirements for information and data to be provided to the Code Administrator.	Medium
Section 2.3(1)	The Signatory has developed a project management plan, in consultation with the client and relevant stakeholders, that addresses all compliance requirements related to the project with respect to this Code and the ERF Method (where applicable).	Major
Section 2.3(2)	Risks associated with the project are appropriately identified, managed and communicated to the client by the Signatory.	Medium
Section 2.3(3)	Signatories have informed the client of the associated project reporting and audit requirements in relation to the project (e.g. under the CFI Act, ERF Method or other scheme).	Medium
Section 2.3(4)	The Signatory has a written policy for record keeping and maintains appropriate records in accordance with the Code requirements and its policy.	Medium
Section 2.3(6)	Appropriate and accurate information about the project is communicated to all stakeholders, including client, government agencies and other relevant parties.	Medium
<b>Complaints handling</b>		
Section 2.5(4)(d)	Signatories must have an appropriate internal complaint handling process that is fair, efficient and transparent.	Medium



Code Section	Description	Breach level
Section 2.5(4)(a)	Signatories must be responsive to all complainants regarding Complaints made against them and notify the Code Administrator of Complaints received against them.	Major
Section 2.5(5)	Signatories must be able to demonstrate compliance with the Code and provide evidence of compliance to the Code Administrator when a suspected breach of the Code is being investigated.	Medium
Section 2.6(6)	Signatories must not make any vexatious or unfounded claims against other Signatories.	Major
<b>Compliance</b>		
Section 2.4(1)	Signatories must comply with all local, state and federal legislation, and the Code.	Severe
Section 2.4(2)	Signatories must have complied with the Australian Financial Services Licensee requirements under the Corporations Act when providing financial advice	Severe
Section 2.1	Signatories must adhere to the general principles of the Code in their business activities and in all their dealings with clients and other stakeholders	Medium
Section 2.6(10)	<i>Systemic breaches</i> This is a breach of the Code that is not a singular event but is, in the Code Administrator's opinion, a procedural lack of compliance with the Code by the Signatory.	Severe
<b>Code Administration</b>		
Section 4.2(6)	Failure to pay any fees associated with the Code.	Medium
Section 2.5(6)	Failure of Signatory to comply with the process for communicating suspected Code breaches that have been reported against them to the Code Administrator.	Major
Section 3.5	Failure to comply with directives from the Code Administrator relating to Code breaches.	Major
Section 3.3	Failure to adhere to the Code's complaints handling process.	Major
Section 4.4	Failure to comply with the Brand Mark Guidelines.	Minor



## Sanctions

The sanctions outlined in the table vary based on the severity of the breach, ranging from minor undertakings to rectify issues to severe measures such as mandatory independent audits and public listing of breaches.

If unrectified, severe breaches may result in the public identification of the Signatory involved, ensuring accountability and maintaining the integrity of the carbon market.

Below is the table detailing the severity levels of breaches and the corresponding actions and sanctions.

Breach	Actions / Sanctions
Severe	<p>Signatory details to the Code Administrator its strategy to rectify the issue and appoints an independent auditor to audit the areas of activity where the breach(es) occurred at the Signatory's cost. Audit results and actions to prevent the breach occurring again to be sent to the Code Administrator.</p> <p>The breach will be listed on the Code website in accordance with section 0 below.</p>
Major	<p>Signatory details to the Code Administrator its strategy to rectify the issue and implements an agreed action plan (at their cost) to prevent the issue re-occurring.</p> <p>If more than three major breaches occur within a 12-month timeframe, the Signatory must appoint an independent auditor, at the Signatory's cost, to audit the areas of activity where the breach(es) occurred. Audit results and actions to prevent the breach occurring again to be sent to the Code Administrator.</p>
Medium	<p>Signatory details to the Code Administrator its strategy to rectify the issue and implements an agreed action plan (at their cost) to prevent the issue re-occurring.</p>
Minor	<p>The Signatory provides a written undertaking to the Code Administrator that the breach will not be repeated.</p>

Where a severe breach has occurred, Signatories will be given an opportunity to rectify the breach within a reasonable timeframe in accordance with a determination by the Code Administrator/Panel.

If the breach is not rectified during this time, the breach will be publicly listed on the Code website and in the Code annual report, identifying the name of the Signatory involved.

If the breach is rectified during this time, the breach will be publicly listed on the Code website and in the Code annual but will not name the Signatory involved (i.e. de-identified listings of major breaches will be published in order to advise customers of issues prevailing in the sector).

for more information please contact

Code Administrator

[code.administrator@carbonmarketinstitute.org](mailto:code.administrator@carbonmarketinstitute.org)



Australian  
Carbon Industry  
**Code of Conduct**