Terms of Reference for Project Validation & Verification against the Natural Forest Standard (NFS) by a Validation & Verification Body (VVB)

This Terms of Reference (ToR) is applicable to:

* [NFS Requirements V1.2](https://thenfsdev.wpengine.com/wp-content/uploads/2014/04/Natural-Forest-Standard-Requirements-v1.2-March2014.pdf)
* [NFS Guidance V1.3.1](https://thenfsdev.wpengine.com/wp-content/uploads/2015/07/Natural-Forest-Standard-Guidance-v1.3.1-July2015.pdf)
* [NFS Guidance for Periodic Verification V1.1](https://thenfsdev.wpengine.com/wp-content/uploads/2017/01/NFS-Guidance-for-Periodic-Verification-v1.1-July2015.pdf)
* NFS Verification Framework V1.1
* [NFS Approved Methodology AM001.1b](https://thenfsdev.wpengine.com/wp-content/uploads/2014/06/NFS-AM001.1b-Risk-Based-Methodology-for-NCC-Quantification-19062014.pdf)

## **Introduction**

The Natural Forest Standard (NFS) is an independent, voluntary carbon market crediting program for Jurisdictional REDD+ carbon projects, in operation since 2011. The NFS provides a standardised approach for baseline-setting and carbon credit calculation, applying a risk-based methodology and utilizing national and sub-national datasets. It provides an efficient, transparent, and robust crediting system, using data, technology, and enhanced approaches to streamline and enable project processes.

The NFS is managed by Ecosystem Certification Organisation (ECO), a UK-based not-for-profit limited company, registered with company number 7669379, established in 2011.

The role of ECO is to help align the NFS with best practices within the voluntary carbon market (VCM) whilst upholding the core principles and integrity of the NFS approach.

Projects registered and successfully validated and verified under the NFS can be issued with Natural Capital Credits (NCCs) that represent the reduction or removal of GHGs form the atmosphere as a result of project activities.

The NFS framework ensures benefits to the environment and communities and provides assurance to buyers of Natural Capital Credits (NCCs) that emission reductions and removals represent real, additional and verifiable environmental benefits.

Independent third-party validation is required by all projects as part of the registration process under the Natural Forest Standard and before issuance of NCCs can take place. Validation consists of the initial review to determine that the project design conforms to the Natural Forest Standard requirements. Validation shall be carried out by an independent third-party validation/verification body (VVB).

These Terms of Reference (ToR) provide guidance for VVBs undertaking project validation and/or verification against the NFS and for preparing the findings and report for submission to ECO.

## **Objectives**

The purpose of validation is to ensure a thorough, independent assessment of project design against the Natural Forest Standard. This includes, but is not limited to, confirmation that the:

* Project areas and region are physically as described in the project documentation;
* Project partners have sufficient capacity and understanding to achieve the stated project objectives by implementing the planned activities; and
* The intended project impacts are likely to be delivered.

The validator shall confirm that the project design document and supporting documentation meet the relevant criteria. The validation process shall result in a final validation report being produced, describing the findings related to the conformance of the project and identifying any non-conformities or clarification requests, together with a final validation statement confirming the outcome of the validation.

The validation shall be carried out to a limited level of assurance according to the ISO 14064-3.

## **Scope of work**

### **3.1 Validation**

The validation process involves application of auditing techniques including:

1. A critical, desk-based review of project documentation and any other relevant documentation or supporting evidence to enable the project to be properly assessed against the Natural Forest Standard.
2. Following review, the VVBs must raise findings according to the assessment of the validation documentation (PDD, supporting documentation, etc). Preparation of the validation findings should be completed. The VVB may, at any time, seek guidance or clarification from ECO on any matters relating to interpretation of the NFS or concerns raised during their review of the PDD.
3. Preparation of the validation report and submission of this with any supporting evidence to ECO.
4. The validation process shall result in a final validation report and statement being produced, describing the findings related to the conformance of the project and identifying any non-conformities or clarification requests, together with a final validation statement confirming the outcome of the validation.

### **3.2 Verification**

The verification process involves application of auditing techniques including:

1. A critical, desk-based review of project documentation and any other relevant documentation or supporting evidence to enable the project to be properly assessed against the Natural Forest Standard.
2. For an initial verification, a site visit to the project area shall be made. Subsequent verification audits shall involve a site visit to the project area every 5 project periods/years.
3. The initial verification shall be carried out to a reasonable level of assurance, according to ISO 14064-3.
4. Periodic verification shall be carried out as a desk-based audit, prior to credit issuance. Separate guidance documents are available outlining the expectations and requirements of the periodic verification process.
5. Major discrepancies identified by the verifier shall be addressed prior to credit issuance. Minor discrepancies identified by the verifier shall be addressed within a timescale agreed with the verifier. Verifiers shall have discretion to raise minor discrepancies to the status of major discrepancies if they are not adequately addressed within the agreed time frame.
6. After the on-site visit (if applicable), the VVBs must raise findings according to the assessment of the verification documentation (PDD, Annual reports, supporting documentation, etc) and the on-site visit observations and interviews. Preparation of the verification findings should be competed. The VVB may, at any time, seek guidance or clarification from ECO on any matters relating to interpretation of the NFS or concerns raised during their review.
7. The verification process shall result in a verification report and statement which should confirm that the PDD, PIR and internal Management Plan meet the requirements of the NFS and should confirm the carbon assertions of the quantification period.

## **Deliverables**

The outputs of the validation/verification processes are the validation/verification plan, the validation/verification findings and the validation/verification report. VVBs can use their own validation audit plan and validation findings and statement templates.

### **Validation/Verification Plan**

The validation team shall prepare the validation/verification plan which includes at least the following information:

* The scope, objectives, method, and validation/verification criteria;
* Identification of the validation/verification team and their roles in the team;
* Project coordinator contact;
* Sampling plan;
* Materiality;
* Level of assurance.

### **Site Visit – Verification only**

On the site visit to the project area, the VVB must:

* Verify that the project’s physical site description and governance structure is as described in the project design document and technical specification(s);
* Identify objective evidence of conformance with each of the requirements in the NFS by:
	+ Interviewing and interacting with the Project Developer (in-country manager);
	+ Interviewing relevant stakeholders such as participating community members and leaders, local government officials, any agencies involved in the project implementation;
	+ Identifying and assessing available supplementary project documentation and tools e.g. planning documentation, databases, templates, legal agreements etc.;
	+ Cross-checking results from interviews with project documentation to ensure that documentation reflects ground realities and staff awareness of project goals and procedures.
	+ Fully understanding the project context and the views of other local stakeholders and experts regarding the project’s likely impact and benefits according to the NFS Requirements.

### **Validation/Verification Findings**

Where the VVB finds that the project is not compliant with a given requirement of the Natural Forest Standard, the validation/verification findings should specify the corrective actions and new information requests needed for compliance.

An assessment of all relevant and supporting documentation should be completed via an iterative feedback process. Feedback can come in the form of:

* Non-conformance Requests (NCRs) are findings that identify:
	+ the non-fulfilment of a requirement/criterion of the NFS,
	+ mistakes made that will influence the ability of the Project activity to achieve actual measurable additional emission reductions and/or removals;
	+ issued that could result in a material impact on the emission reductions and/or removals in the future.

A non-conformance must be resolved prior to a positive verification opinion being issued by the VVB.

* Clarification Requests (CLs), are findings that identify:
	+ the information is insufficient or not clear enough to determine whether the standard and requirements of NFS have been met.
	+ the VVB team needs other additional information to complete assessment.
	+ The requirement for an issue to be corrected prior to completion of Validation/Verification.

Clarification Requests should be satisfactorily addressed prior to a positive verification opinion being issued by the VVB.

* Opportunities for Improvement (OFIs), are findings that identify:
	+ observations or suggestions regarding a potential improvement opportunity.
	+ issues identified that are related to project implementation that are not significant and will take time to resolve. Therefore, action must be taken to close the OFI at a specified time during the following project verification period. In the following verification period, these OFIs must be closed to complete verification.

After receiving feedback from the validation/verification team, the Project Developer will be able to update their PDD and/or other project documentation, or provide more information and respond to any feedback raised.

The Project Developer shall provide a reply to any NCRs/CLs raised. The Project Developer must ensure they explain why they believe compliance has been achieved, either by providing/updating information or challenging the initial NCRs/CLs, and why each NCRs/CLs has been addressed.

All NCRs and CLs must be closed before the validation report stage. If there are remaining NCRs or CLs unresolved, minor issues of the project development can be converted to OFIs.

After the Project Developer’s response to the NCRs/CLs, the validation team should assess whether the reply has sufficiently or not sufficiently addressed the NCRs/CLs raised. The validation team should also provide supporting arguments for the decision by explaining what steps have been taken by the Project Developer in order to demonstrate compliance.

### **Validation/Verification Report**

The Validation/Verification Report is divided in four main sections: introduction, validation/verification process, findings and opinion. VVBs are expected to complete all these sections with information taken from the reviewed documentation undertaken as part of the validation process. Sources of information should be identified, in annex 1 of the validation report, and cross-checked with other sources to ensure that the validation report represents an accurate and relevant assessment of the project.

A validation/verification report shall be submitted within one year from the commencement of assessment. The validation report must describe how the project meets each requirement of the Natural Forest Standard were assessed during the validation. Along with any supporting documents, it presents a summary of review findings and details of the project’s compliance with each of the requirements in the Natural Forest Standard.

VVBs can use their own validation audit plan and validation findings and statement templates.

### **Validation/Verification Statement**

In this section the validator should indicate whether conformance with NFS has been achieved.

The validation report will include a summary validation opinion, as to whether:

1. The project documents represent an accurate and clear description of the project and its activities.
2. Based on an objective assessment of the project, the project meets the NFS Requirements.

A project may receive a positive validation opinion with maximum 3 open OFIs, where the validator clearly states the information required and timeframe imposed on closing them, unless the validator considers that the timeframe is of a length that would suggest that systemic failure is likely. In the first verification of the project, these OFIs should be closed and checked by the VVB.

Projects with open NCRs and/or CLs should resolve NCRs and CLs with the validator before a positive validation opinion can be given.

### **Project Documentation and Supporting Evidence**

The project developer will make all project documentation needed for the validation (e.g. PDD, technical specification and any other relevant supporting evidence to show compliance with NFS) available to the VVB. Some documentation may be commercially sensitive and appropriate measures shall be applied in this regard.

The VVB reviewer is expected to use their expert knowledge and professional judgment to evaluate all the available evidence to determine which of the requirements of the NFS are satisfied by the project as designed and documented.

### **Publication of Validation/Verification Reports & Statements**

The validation/verification report, all of its contents and any drafts will remain confidential until the ECO Governance Panel publishes its contents following its decision regarding project registration.

Once accepted by ECO, all validation/verification reports and statements will be published on the NFS website.

## **VVB Approval Process**

To conduct a validation or verification, the VVB should submit their application to ECO along with all required supporting documentation.

VVBs must be approved by ECO prior to the start of any Validation or Verification activities under the NFS.

VVBs must be onboarded to the NFS Approved VVB list prior to commencing a validation/verification process.

### **Eligibility Criteria**

VVBs must demonstrate the following qualifications and skills:

* Accreditation to an International Accreditation Body
* Experience in a field related to biodiversity, ecology, conservation or environmental science, environmental project development or initiative aimed at providing social and/or environmental benefits.
* Track record & competence. VVBs must have practical experience in the auditing of AFOLU, Forestry, REDD+ and/or land-use projects. VVBs must furnish evidence of their prior engagements with other entities in the relevant sectoral scope, showcasing their track record.
* Proficiency in English is necessary for VVBs to effectively read, comprehend, interpret, implement, and write reports based on Natural Forest Standard documents.
* Judicial record. VVBs must not have any open judicial process for malpractice, fraud, and/or other activity incompatible with their functions as independent auditing bodies.
* Impartiality. VVBs must have a publicly available impartiality policy.
* VVBs must sign a Conflicts of Interests form disclosing any potential conflicts of interest (CoI) that could affect their impartiality within the review process.

## **Rescission of VVB approval**

ECO maintains the right to rescind or suspend its recognition of an individual validator/verifier or validation/verification body for any period of time deemed appropriate. ECO will make every effort to accommodate the implementation of corrective actions prior to rescinding approval. ECO will make public any suspensions of VVBs on its website. Also, the VVBs need to have a public liability insurance in place.

## **Professional indemnity insurance**

VVBs must demonstrate that they have professional indemnity insurance in place in the amount of at least US$2 million. A copy of the VVB professional liability certificate of insurance must be provided through the VVB application process.

## **Rotation**

A VVB may verify any number of reporting periods for a project for a maximum of two consecutive verification cycles. After two consecutive verification cycles, the project developer must engage a different VVB to audit the project. The original VVB may continue to provide validation/verification services for other projects developed by the same project developer, but it cannot provide verification services for the project in question until after a Verification by a different VVB.

## **Warning and suspensions**

If ECO finds that a VVB has failed to meet NFS’s standards due to:

* Persistent issues with performance (including timeliness of completing activities) or inconsistent quality of reports in terms of methods, information, or language;
* Changes in audit teams without prior communication and approval by ECO;
* Loss of relevant accreditation;
* Negligence in the preparation of reports or auditing methods;
* Serious allegations regarding fraud, e.g. bribes or deliberately misleading statements; or
* Reasonable doubt that VVB requirements, procedures or ToRs, are not being followed in the field.

ECO may require the VVB to undertake specified corrective actions. ECO may, at its own discretion, issue warnings, temporary suspensions, and notices to correct. It may also disqualify VVBs from future validation/verification activities or other activities for Natural Forest Standard.

## **Grievances**

The Project and ECO have a right to raise any concerns that they might have regarding the quality, quantity, accuracy, impartiality or timeliness of the feedback provided by the validation team. In such instances, ECO may contact alternative auditors or experts to gather evidence as to the appropriateness of the grievance. In the instance that the grievance is substantiated, ECO will attempt to work with the work with the validation team to resolve the matter. Any matters that cannot be resolved may result in warnings and/or suspensions being applied to the VVB (see Section 9).

VVBs may raise any concerns that they have to ECO regarding the timeliness or behaviour of the project. ECO will then investigate the matter and, where necessary, attempt to work with the project to resolve the matter. Any grievances towards the project that persist may reasonably result in a negative validation opinion by the VVB.

Any grievances held by the VVB or project against ECO NFS can be raised through the Contact Form on either the [ECO](https://ecosystemcertification.org/contact) or the [NFS](https://www.naturalforeststandard.com/contactfeedback/) websites.

## **Conflicts of interest**

The validation/verification team must disclose any potential conflicts of interest (CoI) that could affect their impartiality within the review process. The validation team will be excluded from participation in the validation of any project if they, or an organisation that employs them, have played any role in its development. A CoI form must be signed by the all the members of the validation/verification team for each validation/verification event.

## **Confidentiality**

All information shared by ECO to validation team shall be treated as confidential and must not be disclosed to any other party at any time during or after the validation/verification process without express written permission from ECO.

### **Signed:**

I hereby sign as a duly authorised representative of the organisation as of the date set forth below.

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| --- | --- |
| Signature: |  |

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| --- | --- |
| Name of Signatory: | Name of Signatory |
| Job Title: | Job Title. |
| Organization Name: | Organisation Name |
| Date Signed: | DD/MM/YYYY |