

Statement of application of Code of Conduct for ESG Ratings and Data Products Providers

Governance



BeZero

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This document demonstrates how BeZero Carbon adheres to the [Code of Conduct for ESG Ratings and Data Products Providers](#) published by the International Regulatory Strategy Group (IRSG) and International Capital Markets Association (ICMA).

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Introduction to BeZero Carbon and its businesses

BeZero Carbon is a carbon ratings agency. It equips world-leading organisations with the knowledge, tools and confidence to make better climate decisions. Its aim is to scale investment in environmental markets that deliver a sustainable future.

BeZero's offices are in London, New York and Singapore. With a 150+ strong team made up of climate scientists, geospatial experts, data scientists, financial analysts and policy specialists, and global partnerships with local experts and world-leading research institutions, their ratings and risk tools can help you make risk informed decisions on carbon projects of any type, at any stage, anywhere in the world. Their analytical frameworks are deeply sector nuanced and bring to the fore extensive experience in rating hundreds of projects across dozens of sub-sectors.

Its platform, BeZero Carbon Markets, hosts the most comprehensive database of rated and unrated carbon projects across all major accreditors, sectors, and regions to help all participants price and manage risk. Ratings are also available for display on third party carbon exchanges and marketplaces. Headline letter ratings and ratings summaries are publicly available on our website at bezerocarbon.com/ratings/listings

BeZero Carbon's application of the Code

1. Principle on Good Governance

ESG ratings and data products providers should ensure appropriate governance arrangements are in place that enable them to promote and uphold the Principles and overall objectives of the Code of Conduct.

Actions

ESG ratings and data products providers should have appropriate governance arrangements in place that:

(A) include a clear organisational structure with well-defined, transparent and consistent roles and responsibilities for personnel involved in the determination, publication, or oversight, as appropriate, of an ESG rating or of an ESG data product; and which

(B) enable them to follow the Principles set out in this Code of Conduct.

BeZero Carbon's adherence

BeZero Carbon has robust [governance processes](#) in place to promote and uphold the principles and overall objectives of the Code. We have a clearly defined organisational structure with articulated roles and responsibilities for all personnel including those involved in the assignment, review and publication of our ratings, research, data and analytics.

The overall governance architecture is owned and operated by our executive leadership who have in place appropriate policies and processes to operationalise this Code of Conduct appropriately, and ultimately enable appropriate management of conflicts of interest, ensure appropriate and transparent procedures are in place, as well as support competent personnel and sufficient resources.

2. Principle on Securing Quality (Systems and Controls)

ESG ratings and data products providers should adopt and implement written policies and procedures designed to help ensure the issuance of high quality ESG ratings and data products.

Actions

These policies and procedures should be drafted taking into account the nature, scale and complexity of ESG ratings and data products providers' respective businesses and should require that ESG ratings/data products are based on:

Furthermore, having regard to the nature, scale and complexity of their respective businesses, ESG ratings and data products providers should also ensure:

(A) they monitor on an ongoing basis and regularly update, as appropriate, their ESG ratings and data products, except where specifically disclosed that the rating is a point in time rating;

(B) they regularly review the relevant methodologies and sufficiently communicate changes made to the methodologies as well as potential impacts of these changes to the ESG ratings and data products;

(C) they maintain internal records to support their ESG ratings and data products.

(D) they have sufficient resources (personnel and technological capabilities) to consistently apply the relevant methodologies to determine high quality ESG ratings and data products, to seek out information they need in order to make an assessment, analyse all the information relevant to their decision-making processes, and conduct quality control on their processes and production of ESG ratings and data products. The quality controls should include both (i) procedural checks to ensure that the methodology and internal processes are followed correctly; and (ii) holistic checks to ensure that the process considering the plausibility, coherence and logic of the product is sound. The quality control framework should also allow for the appropriate and timely consideration of information brought to ESG ratings and data products providers' attention by covered entities or users, as outlined at action 6.10 of the Code of Conduct;

(E) the personnel involved in the determination, publication or oversight, as appropriate, of ESG ratings and data products are professional, competent, and of high integrity.

Finally, ESG ratings and data products providers could consider providing ESG ratings and data products to clients in a machine-readable format.

BeZero Carbon's adherence

BeZero Carbon Ratings and analysis are primarily based on publicly available information as is elaborated in our 'Approach to data sources for ratings' policy. Where we have access to and use private information, we have a clearly articulated 'Use of non-public information in BeZero Carbon Ratings' policy on how it will be used in our analysis. These policies are available in the ['Governance'](#) section of our public website.

Our ratings are assigned and reviewed as per the detailed criteria and methodology documents, [publicly available](#). The process involves an in-depth review and analysis of all relevant information by the lead analyst and peer-reviewed by at least two sector experts.

All rating decisions are taken by a formally constituted Rating Committee composed of senior members of the Ratings team. All meetings are formally minuted, and records are maintained for future reference.

All BeZero Carbon ex post Ratings are reviewed on an ongoing basis. In the event of any material changes, ratings are updated as soon as feasible, with advance alerts to the users through our 'rating watch' process.

Our methodologies are reviewed on an ongoing basis for sectoral changes, availability of new information sources and analytical refinements.

Any change to the rating methodologies are led by our Lead Analytical Officer and approved by a formal Analytical Committee composed of senior personnel from the analytical team. We also consult with our external advisory board on such matters as required.

For any material updates in our methodology, we alert the market through an 'advisory note'. The portfolio of outstanding ratings is then reviewed for application of the updated methodology. Changes in ratings, if any, and as approved by the Rating Committee, are made available on our public website and private platform (BeZero Carbon Markets) simultaneously.

The aforementioned processes follow best-in-class rigour and diligence as is common practice in the highly regulated financial markets.

BeZero's Lead Analytical Officer is formally vested with the responsibility of ensuring the quality of data and information used in the ratings process, and the consistent application of methodologies. Our elaborate quality control process includes a 'maker-checker' process for data collection, analytical review of the cleaned data, peer reviews of all rating reports, interrogation of the analytical views at the Rating Committee, formal rating benchmarking while assigning / reviewing each rating, sectoral reviews, and constant analytical refinements.

BeZero Carbon Ratings and analytics are delivered and managed by a highly qualified expert team of 80+ environmental and climate scientists, geospatial scientists, data scientists and researchers in finance and policy. Over 70% of our ratings and geospatial analysts hold PhDs across disciplines from leading universities.

All our ratings and analysis is only available in digital form, keeping with the latest technological standards as regards provision of information, research and analysis.

3. Principle on Conflicts of Interest

ESG ratings and data products providers should adopt and implement written policies and procedures designed to help ensure their decisions are independent, free from political or economic interference, and appropriately address actual or potential conflicts of interest that may arise from, among other things, the ESG ratings and data products providers' organisational structure, business or financial activities, or the financial interests of the ESG ratings and data products providers and their officers and employees.

ESG ratings and data products providers should identify, avoid or appropriately manage, mitigate and disclose actual or potential conflicts of interest that may compromise the independence and integrity of the ESG ratings and data products providers' operations.

Actions

ESG ratings and data products providers should:

(A) adopt written internal policies and procedures and mechanisms designed to (1) identify, and (2) eliminate, or manage, mitigate and disclose, as appropriate, any actual or potential conflicts of interest related to their ESG ratings or data products that may influence the opinions and analyses ESG ratings and data products providers make or the judgement and analyses of the individuals they employ who have an influence on their ESG ratings or data products decisions; and

(B) disclose such conflict avoidance and management measures.

ESG ratings and data products providers should take steps to help ensure that any existing or potential business relationship between them (or their affiliates) and any entity or any other party for which they provide ESG ratings or data products would not affect the integrity of the ESG ratings and data products being offered to those entities or other parties. These steps could include (but are not limited to) the following measures in respect of appropriate staff:

(A) putting in place measures to help ensure such staff refrain from any securities or derivatives trading presenting inherent conflicts of interest with the ESG ratings and data products;

(B) structuring reporting lines for such staff and their compensation arrangements to eliminate or appropriately manage actual and potential conflicts of interest related to their ESG ratings and data products;

(C) not compensating or evaluating such staff on the basis of the amount of revenue that an ESG rating and data products provider derives from an entity that staff provides ESG ratings and data products for, or with which staff regularly interacts regarding such ESG ratings and data products; and

(D) where consistent with confidentiality, contractual and other business, legal and regulatory requirements, disclosing in respect of such staff the general nature of the compensation arrangement or any other business or financial relationships that exist with an entity for which the ESG ratings and data products provider provides ESG ratings or data products.

BeZero Carbon's adherence

BeZero Carbon has a clearly articulated policy on managing and mitigating actual or potential conflicts of interest. These policies are underpinned by our seven pillars of independence including:

- i) separation of commercial and analytical activities.
- ii) No trading or developing carbon projects.
- iii) No MRV (Monitoring, Reporting and Verification) consulting.
- iv) No privileged rating access.
- v) No buyer-seller referrals.

- vi) No advisory.
- vii) No results-based payments.

These 'pillars' are explained in detail and supported with policies and processes - all of these are available in the '[Governance](#)' section of our website.

All staff have to adhere to and annually reaffirm our investment compliance policy which prohibits them from investing, trading or dealing in any manner with carbon credits.

The compensation structure for all analytical staff involved in the production and dissemination of the carbon ratings are in no way linked to the ratings fees, business revenues or any other commercial metric which could potentially create a conflict of interest.

4. Principle on Transparency

ESG ratings and data products providers should make adequate levels of public disclosure and transparency a priority for their ESG ratings and data products, including their methodologies and processes to enable the users of the product to understand what the product is and how it is produced, including any potential conflicts of interest and while maintaining a balance with respect to proprietary or confidential information, data and methodologies.

Actions

ESG ratings and data products providers should, where applicable:

(A) make public disclosure and transparency a priority for their ESG ratings and data products offerings, subject to commercial sensitivity considerations;

(B) clearly describe their ESG ratings and data products to enable the users to understand the ESG rating's or ESG data product's intended purpose including its measurement objective; and

(C) publish sufficient information about the methodologies underlying their ESG ratings and data products and how they ensure their consistent implementation to enable the users of these products to understand how their outputs were determined.

ESG ratings and data products providers should, where applicable, publish information that is relevant to understanding their methodologies, subject to any proprietary or confidentiality considerations. This information may include, but is not limited to:

(A) the measurement objective of the ESG rating;

(B) the criteria used to assess the entity or company;

(C) the KPIs used to assess the entity against each criterion;

(D) the relative weighting of these criteria to that assessment;

(E) the scope of business activities and group entities included in the assessment;

(F) the principal sources of qualitative and quantitative information used in the assessment, including for example whether the information is forward-looking (such as transition plans), the use of industry averages, estimations or other methodologies when actual data is not available, as well as information on how the absence of information was treated;

(G) the time horizon of the assessment;

(H) the meaning of each assessment category; and

(I) a regular evaluation of their methodologies against the outputs which they have been used to produce.

BeZero Carbon's adherence

BeZero Carbon has always espoused the criticality of transparency and public disclosures as regards carbon ratings, data and analytics.

Our ex post ratings are based primarily on public domain information, which is also a pre-qualifying criteria for BeZero Carbon to be able to rate credits issued by a project.

All ratings are assigned based on detailed, sector-specific methodologies and overlaid with an overarching framework to ensure that ratings are comparable across sectors, countries and vintages. All these documents are in the [public domain](#), and updated on an ongoing basis.

Our ratings are assigned on an [eight-point scale](#), with publicly available definitions for each notch on the rating scale, a global market standard for ratings agencies.

Our headline ratings are [freely available](#) to the market, another global market standard for rating agencies.

We conduct numerous free to access webinars to explain our methodologies and sectoral views, and to answer questions, further underscoring our commitment to transparency.

We have also published [templates](#) on accounting and reporting for carbon credits with a view to encourage consistent data standards and reporting in the industry.

All our ratings and methodologies are reviewed on an ongoing basis, and changes are communicated simultaneously to all market participants, with no privileged access to anyone, including our customers.

5. Principle on Confidentiality (Systems and Controls)

ESG ratings and data products providers should adopt and implement written policies and procedures designed to address and protect all non-public information received from or communicated to them by any entity, or its agents, related to their ESG ratings and data products, in a manner appropriate in the circumstances.

Actions

ESG ratings and data products providers should:

(A) adopt and implement written policies and procedures and mechanisms related to their ESG ratings and data products designed to address and protect the non-public nature of information shared with them by entities under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially;

(B) adopt and implement written policies and procedures designed to address the use of non-public information only for purposes related to their ESG ratings and data products or otherwise in accordance with their confidentiality arrangements with the entity; and

(C) include information on data confidentiality management and on the protection of non-public information to the extent terms of engagement are published.

BeZero Carbon's adherence

Ensuring availability of information pertaining to the calculation of carbon emission reductions and removals is a fundamental principle of the carbon market. This serves to increase the transfer of knowledge, replicability, and independent verification of results.

BeZero's preference is for information to be publicly available where possible to limit information asymmetries in the market and promote transparency. However, we recognise that information may need to be private sometimes for legal, data protection, competitive, practical, or other reasons. BeZero accepts private information where it improves the accuracy of our rating without violating transparency principles in the carbon market.

BeZero has clearly established policies and procedures to access, store, use and protect any confidential, non-public information it may receive during the course of our rating engagement. These policies are available on our website under the ['Governance'](#) section.

6. Principle on Engagement (Systems and Controls)

ESG ratings and data products providers should regularly consider whether their information gathering processes with entities covered by their products leads to efficient information procurement for both the providers and these entities. Where potential improvements to information gathering processes are identified, ESG ratings and data products providers should consider what measures can be taken to implement them.

Where feasible and appropriate, ESG ratings and data products providers should respond to and address issues flagged by entities covered by their ESG ratings and data products and by users while maintaining the independence and integrity of these products.

Actions

Where they collect information from covered entities on a bilateral basis, ESG ratings and data products providers should:

(A) communicate sufficiently in advance by when they expect to request this information regarding their ESG ratings and data products; and

(B) include in their requests, pre-inputted information either from publicly available sources or from the covered entities' previous submissions, where possible, for the covered entities' review or confirmation.

ESG ratings and data products providers should

(A) provide a clear and consistent contact point with whom the covered entity can interact to address any queries relating to the assessment provided by the ESG ratings and data products provider;

(B) where feasible and appropriate, inform covered entities: (i) that they are in the process of being assessed; and (ii) of the principal categories of data on which an ESG rating is based before the publication of the ESG rating;

(C) allow the covered entity and users to draw attention to any factual errors or omissions in the ESG rating or ESG data product, including the data and information underlying the ESG rating or ESG data product; and

(D) publish terms of engagement describing how ESG ratings and data products providers will typically engage with their covered entities, including when information is likely to be requested and the opportunities available (if any) to the covered entity for review.

BeZero Carbon's adherence

BeZero Carbon has a clearly articulated, publicly available and actively implemented developer engagement process which can be found on our website's ['Governance'](#) page.

This policy includes inter alia pre-rating and post-rating engagement, a process to receive and address queries, and an identified point of contact to coordinate communication.

The full list of BeZero Carbon's governance policies and processes can be found on our public website's ['Governance'](#) page.

Disclaimer

The BeZero Carbon Rating of voluntary carbon credits represents BeZero Carbon's current opinion on the likelihood that carbon credits issued by a project achieve a tonne of CO₂e avoided or removed. The BeZero Carbon Rating and other information including any policies made publicly available or available through the BeZero Carbon Markets platform ("Content") is made available for information purposes only. The Content and in particular the BeZero Carbon Rating sets out BeZero Carbon's opinion on a particular carbon credit or project based on publicly available information as at the date expressed and BeZero Carbon shall have no liability to anyone in respect of the Content, opinion and BeZero Carbon Rating. The Content is made available for information purposes only and you should not construe such Content as legal, tax, financial or investment advice. The Content is a statement of opinion as at the date expressed and does not constitute a solicitation, recommendation or endorsement by BeZero Carbon or any third party to invest, buy, hold or sell a carbon credit. The Content is not a statement of fact and should not be relied upon in isolation. The Content is one of many inputs used by stakeholders to understand the overall quality of any given carbon credit. BeZero Carbon shall have no liability to you for any decisions you make in respect of the Content. If you have any questions about BeZero Carbon, the BeZero Carbon Rating, the BeZero Carbon Rating methodology, qualifying criteria, rating process, any element of Content, the BeZero Carbon Markets platform or otherwise please contact us at: commercial@bezercarbon.com.

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