CIRCULAR CREDITS MECHANISM
a BVRio initiative

BVRIO

Auditing Protocol:

Suitability Assessment of Eligibility to Principles and Criteria and Quantitative Assessment of Project Impacts

SUITABILITY AND IMPACT ASSESSMENT PROTOCOLS

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INTRODUCTION

The Auditing Protocol of the Circular Credits Standard (CCS) is composed by a set of documents to guide the assessment of waste recovery projects interested in issuing Circular Credits (CCs) based on their activities through the Circular Credits Mechanism (CCM).

The audit process must be carried out by a third party auditing body and comprises two main components:

- An initial *Validation*, which consists of a suitability assessment in relation to the CCS's Principles & Criteria, and a general assessment of the operational aspects, to determine whether the project is eligible for participation in the Circular Credits Mechanism (CCM); and

- The *Verification*, which consists of quantitative assessments of the project impact related to amounts of waste recovered in a specific period, to allow the generation of credits. The Verification will be conducted either periodically or when the waste collection and recovery activity is concluded.

The auditor must use the Checklist provided, detailing the information needed for the auditing party to assess the project. The auditing process should result in a Validation Statement and in one or more Verification Statement(s) from the third party auditing body, additional to the completed checklist.

While the Circular Credits' Standard aims to ensure the social and environmental robustness of projects, the Circular Credits Mechanism aims to be a socially-inclusive tool designed to simplify and reduce entry barriers for the participation of projects in the crediting scheme. Thus, the standard is driven by the concept of "learning by doing", allowing for and incentivising the continuous improvement of projects over time. Consequently, participation of a project in the CCM should only be rejected in cases of severe breach with the standard's Principles and Criteria, such as documentation fraud, instances of double counting, and/or infractions of labour or environmental legislation.

The main criterion for characterising a project or activity as a Circular Action Project is that it results in demonstrable impacts with relation to waste recovery and appropriate destination, and that it does adequately compensate the actors conducting these activities.

This document details the rationale, requirements and indicators to be used for the assessment of projects' compliance with CCM's Principles & Criteria and for the quantitative assessment of the projects' impacts.

1. SUITABILITY ASSESSMENT OF ELIGIBILITY

BACKGROUND

- The organisation being assessed must be able to demonstrate that its waste recovery activities (including collection, sorting, and destination to an appropriate end use) meet the Principles and Criteria of the Circular Credits Mechanism's Standard (CCS).
- There are seven Principles and Criteria that outline the basic philosophy of the CCS for all sorts of projects. Their objective is to provide the rationale behind the aims, concepts, scope, and eligibility for projects willing to issue Circular Credits (CCs) through the Circular Credits Mechanism (CCM).
- The suitability assessment consists of a systematic analysis of the project in relation to these eligibility criteria, to determine whether it is a valid Circular Action Project.

SUMMARY OF REQUIREMENTS

The CCM's Principles and Criteria are the following:

1. Additionality
2. No Double Counting
3. Demonstrability
4. No free riding
5. Fair remuneration
6. Do no harm
7. Learning by doing

PRINCIPLE 1: ADDITIONALITY

A) RATIONALE

1. The Circular Credits Mechanism is based on the idea that the environmental impact of activities and projects must contribute to an improvement of historic trends of waste pollution.

2. Positive lists are adopted for project types deemed additional by definition, as the case of informal waste collection activities in developing countries. This greatly reduces the need for historical data and analysis, making the system simpler, cheaper and more inclusive to low income groups. For more information, see our Guidance Note on Additionality:

   https://www.circularactionhub.org/certification/circular-credits-mechanism/resources/

B) REQUIREMENTS

1. Small projects like informal waste collection activities performed by waste pickers cooperatives or associations in developing countries are considered additional by definition and not required to demonstrate additionality.

2. Larger projects require more in-depth, case-by-case analysis. For instance, projects that involve complex chains of funding and delegation of responsibility. In these cases, it is important to define whether these activities are additional, not only from an environmental aspect but also in relation to environmental claims derived from them. More complex analysis will be needed to determine the environmental justification for that.

PRINCIPLE 2: NO DOUBLE COUNTING

A) RATIONALE

1. The concept of 'no double counting' is important to ensure that the environmental impact derived from a circularity activity (e.g., removal and appropriate destination of waste), is not claimed more than once, thereby ensuring additionality of claims and the environmental integrity of the system. That is, no double selling of Circular Credits is allowed.
2. The sale of physical material separately from the sale of Circular Credits (a payment for the environmental service of waste recovery and appropriate destination) is not considered double counting.

B) REQUIREMENTS

1. The environmental benefits resulting from waste recovery and appropriate destination services should not be attributed to more than one entity. Thus, Circular Credits can only be used once, to mitigate the footprint of the party that ultimately acquires them (i.e. the buyer).
2. In many cases, this means that Circular Credits should not be issued for activities where waste recovery service has already been paid for. For example, companies contracted to provide municipal waste collection services are not eligible to claim Circular Credits if the service has already been paid for.
3. Exceptions may occur in situations in which projects fall on the positive list regarding environmental additionality (Principle 1), and cases of underfunded waste recovery services (which should be evaluated case-by-case) where additional remuneration is required to improve such services.

C) INDICATORS

1. The project should be registered in Circular Action Hub and its Registry to provide transparency of the amount of credits issued and sold.
2. No evidence of double selling of the environmental service through different waste or plastic standards. This would invalidate the project's ability to issue Circular Credits for the same environmental service.
3. The Project Leading Organization must declare whether it receives remuneration for the provision of waste recovery and appropriate destination services other than the expected sale of Circular Credits.
    - If such remuneration is not related to the provision of the waste recovery services but for the sale of physical material, this does not constitute double counting.
    - If such remuneration is specifically for the provision of waste recovery and appropriate destination services, the project will usually not be eligible to issue Circular Credits for the same activity. Exceptions include situations in which projects fall on the positive list associated to the Principle of Additionality, cases of underfunded waste recovery services (which should be evaluated case-by-case), and cases where the revenues from Circular Credits would provide a more stable and predictable source of income to enable past activities to continue to be conducted in the future.

PRINCIPLE 3: DEMONSTRABILITY

A) RATIONALE

1. The amount of Circular Credits to be issued to a project must be substantiated by evidence that demonstrates that the activity was conducted and that a certain amount of waste materials was indeed recovered and sent to an appropriate destination.

B) REQUIREMENTS

1. A Circular Credit can only be issued against evidence that the amount of waste corresponding to that Circular Credit has been recovered and sent to an appropriate destination.
2. The project must implement an internal monitoring method to collect and analyse data as evidence of the amount of waste recovered.
3. The project must adopt a monitoring routine, following the internal monitoring method used to collect and analyse data.
4. The method must be appropriate for the type of data to be collected and used to monitor the amount of waste recovered. Depending on the circumstances of the project, different types of data may be collected to demonstrate evidence, such as:

    a) Internal records: organization's own records, with manual and/or electronic spreadsheets recording the amount of waste recovered. Whenever possible, these internal records should be based on weighting and/or pictures of the amount of waste that either enters or exits a facility, or a combination of both. Internal records should always be kept, especially as it is often the only record of the input of materials.

    b) Fiscal/commercial records: invoices, purchase orders and any other document demonstrating the sale of waste, based on weighting of the amount sold. These records should show the amount of waste exiting the facility and, in case of invoices, should be connected to regional or national fiscal systems.

    c) (Other) Official data records: official reports linked to environmental authorities or waste management authorities, either national or subnational, that demonstrate waste types and quantities managed by the project. It may consist of records collected from the waste generation entity, intermediaries, transport entity, or disposal entity. An example is a Waste Manifest.

    d) Supply Chain traceability records: whenever possible, the project must use data that can be checked through different, independent sources, allowing traceability of the entire waste management chain.

5. Prior to any verification, the project must generate a Monitoring Report (following a model provided by BVRio), reporting the amount of waste recovered in a given period, based on the data collected along the period.
6. Monitoring Reports and all data must be kept and made available for third party verification, to confirm impact claims.
7. Records of all audits and the subsequent reviews must also be kept.

C) INDICATORS

1. The Project has a reliable monitoring routine to keep, maintain and update all the data records related to the Project's impacts.
2. These documents must be kept in a safe place, and copies are made and kept in a different location. All electronic data is backed up frequently.
3. Monitoring Report follows the BVRio's model and is based on the data gathered in the monitoring routine.

PRINCIPLE 4: NO FREE RIDING

A) RATIONALE

1. Circular Credits are instruments to provide remuneration for waste recovery activities, thereby preventing waste leakage to the environment and/or increasing rates of waste recycling. Consequently, the sales of Circular Credits should result in a new source of revenue specifically directed to support and appropriately remunerate these activities.

B) REQUIREMENTS

1. Distinction between sales of physical material and provision of environmental service: the sale of Circular Credits must result in additional revenues to the parties directly conducting the waste recovery activities represented in the Circular Credits, over and above the revenues derived from other sources (e.g. the sale of physical materials).
2. There must be full transparency regarding the sale of Circular Credits among project participants, who must provide free, prior and informed consent to their creation and sales.
3. Organisations that benefit from, but do not remunerate the parties conducting waste recovery activities on their behalf, i.e. free riders, are not eligible to issue Circular Credits.

C) INDICATORS

1. The persons directly involved in waste recovery must provide free, prior and informed consent to the creation and sale of Circular Credits derived from their activities.
2. If the waste recovery activities are performed by the members/associates of the Project Leading Organization (i.e., in the case of waste pickers associations or cooperatives), and not by employees or hired workers, this requirement is automatically met at the organisational level. In this case, there must be evidence that the additional revenue from the selling of the Circular Credits results in additional benefits to the Organisation as a whole, or in increased income levels to those directly conducting the waste recovery activities represented in the Circular Credits, as agreed by its associates/members.
3. If the Project Leading Organization employs or subcontracts the services of waste recovery, and remunerates its workers/subcontractors on a fixed wage or variable basis (i.e., based on amount of waste materials collected or delivered), there must be evidence that the sale of Circular Credits results in additional remuneration to those directly conducting the waste recovery activities represented in the Circular Credits. This applies also to autonomous/informal waste pickers involved in cooperatives/associations' recovery activities. In this case, the auditor should verify the following:
    a) Levels of remuneration provided to waste collectors in the absence of Circular Credits revenue.
    b) Levels of remuneration provided to waste collectors after the Project Organisation secures additional revenue based on the sale of Circular Credits.

PRINCIPLE 5: FAIR REMUNERATION

A) RATIONALE

1. The environmental service of waste recovery (collection, sorting, and appropriate destination) must be fairly remunerated, commensurate with the workload and the time required for the provision of the service.

B) REQUIREMENTS

1. The additional revenue generated by the sale of Circular Credits must be fairly allocated among project participants.
2. The project's remuneration policies and procedures must meet the laws, regulations and requirements of the country, region and sector where it operates.

C) INDICATORS

1. If the waste recovery activities are performed by the members/associates of the Project Leading Organization (i.e., in the case of associations or cooperatives), and not by employees or hired workers, remuneration of workers, independently of the credit sales, must be considered fair.
2. In the same case above, the potential revenue generated from the sale of Circular Credits must be fairly shared between the workforce.

The auditor should verify the following:

a) Internal regulations defining how workers allocate or share the revenue originated from the waste recovery activities – including the sale of physical material and of Circular Credits;

b) Evidence of the revenue share given to different classes of workers, and whether it corresponds to the relative workload, specialisation, and time required for the provision of the service;

c) Comparison between the remuneration received by workers and the region's average wage for activities with similar level of skill and specialisation, and the amount of time involved.

3. If the Project Leading Organization employs or subcontracts the services of waste recovery, and remunerates its workers/subcontractors on a fixed wage or variable basis (i.e., based on amount of waste materials collected or delivered), the regular remuneration of workers, independently of the credit sales, must be considered fair. Verify:

a) Evidence that remuneration corresponds at the minimum to the region's average wage for activities with similar level of skill and specialisation, and the amount of time involved.

4. In the same case above, additional remuneration from the sale of Circular Credits to workers directly conducting the waste recovery activities must be fair. This applies also to autonomous/informal waste pickers involved in recovery activities of cooperatives/associations. The auditor should verify:

   a) Levels of remuneration provided to waste collectors in the absence of Circular Credits revenues.

   b) Levels of remuneration provided to waste collectors after the sale of Circular Credits.

5. Confirmation that the remuneration policy of the Project meets the laws, regulations and requirements of the country, region and sector where it operates.

PRINCIPLE 6: DO NO HARM

A) RATIONALE

1. Projects must demonstrate that they adopt minimum social and environmental safeguards appropriate to the scale and circumstance of the project activity.

B) REQUIREMENTS

1. Safeguards must ensure that the project activity does not cause harm to the parties involved and to the environment.
2. Enforcement of these safeguards must be monitored and demonstrable.
3. The project should comply with applicable labour laws, rules and requirements.
4. To an appropriate extent, projects should aim at establishing, implementing, and improving occupational safety and health management systems, with the aim of reducing work-related injuries, ill health, diseases, incidents and deaths.
5. Whenever possible and appropriate, Personal Protective Equipment (PPE) should be provided and its use promoted in the project activity.
6. The project should respect and protect the fundamental rights of workers, consistent with the International Labour Organization's (ILO) Declaration on the Fundamental Principles and Rights at Work, including:

    a) The prevention of child labour. No use of unacceptable forms of child labour (i.e., work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development and/or affects their schooling);

    b) The elimination of discrimination, in respect of employment and occupation;

    c) Freedom of association and the effective recognition of the right to collective bargaining;

    d) The elimination of all forms of forced or compulsory labour. Where such legislation exists, the project should demonstrate compliance with the local National Labour legislation, which establishes country-wide minimum wages and the legal contract between employees and employers;

7. The Project should comply with applicable environmental laws, rules and requirements;
8. Negative social and environmental impacts must be identified and minimised.

C) INDICATORS

1. Evidence of compliance to applicable local, regional, and national labour laws, rules and requirements.

2. Indication, if any, of occupational safety and health management systems in place.

3. Evidence of use of Personal Protective Equipment (PPE), when possible and appropriate.

4. Indication, if any, of measures to promote equal rights and social inclusion.

5. Evidence of no child labour involved in the project activity.

6. Evidence of compliance to applicable local, regional, and national environmental rules and requirements.

7. List of any negative social and environmental impacts identified and expected, if any, and the corresponding mitigation plans implemented.

8. List of main identified and potential social and environmental risks and corresponding mitigation and emergency measures.

PRINCIPLE 7: LEARNING BY DOING

A) RATIONALE

1. Recognising that there is a huge diversity in terms of technologies available and approaches that can be used by projects in different parts of the world in different circumstances, the CCM does not assume that a 'one size fits all' monitoring approach can be defined at the outset.

2. Instead, the CCM adopts a 'learning-by-doing' approach to its monitoring and verification requirements and will strive for continuous improvement based on the experience learned with participating projects.

3. The CCM also expects projects and initiatives to engage in a continuous improvement process, gradually incorporating better operational, market, social and environmental practices that gradually guide the process of development of this new sector.

B) REQUIREMENTS

1. The Project Leading Organisation commits to engaging in a process of continuous improvement of its operational, social, environmental and commercial practices. This requires introducing a process of periodic reviews and actions to ameliorate such practices.

2. The Project Leading Organization endeavours to incorporate best work practices.

3. Work practices will be assessed annually to ensure continuous improvement.

4. The Project Leading Organization endeavours to incorporate best environmental practices.

5. Environmental practices will be assessed annually to ensure continuous improvement.

6. Recommendations made, or Corrective Action Requests raised, by the auditors or the Circular Credits Mechanism are taken into account and an improvement plan is established and implemented.

7. Any grievances or operational dysfunctions should be recorded and resolved through a systematic process. When applicable, any damage should be recorded and remediated.

C) INDICATORS

1. Evidence of a quality program, with periodic reviews and continuous improvement targets.

2. Evidence of plan to achieve full compliance with labour rules and regulations, if applicable.

3. Evidence of occupational safety and health management monitoring system in place or under development.

4. Evidence of plan to achieve full compliance with environmental rules and regulations, if applicable.

5. Explanations about how the Corrective Action Requests indicated in previous verification routines have been addressed and improved, if applicable.

6. Explanations about how grievances or operational dysfunctions raised during the period covered by the current verification have been addressed and improved, if applicable.

7. Evidence that negative social and environmental impacts indicated in previous verification routines have been addressed and mitigated.

2. QUANTITATIVE ASSESSMENT OF PROJECT IMPACTS

BACKGROUND

- A Circular Credit represents the service of recovery (removal, collection, sorting) and appropriate destination of 1 metric tonne of waste material that was inappropriately discarded, causing pollution of the natural environment or foregoing the opportunity of a better destination.

- Consequently, projects have to be able to quantitatively demonstrate the impacts of the project in terms of amount of waste recovered, and its destination.

- The appropriate destination of the materials recovered varies according to local context. Nevertheless, projects should pursue the best available and economically feasible destination for the materials processed, according to the EU hierarchy (starting with the most desirable: re-use, chemical recycling, mechanical recycling, waste to energy, landfill).

- In order to substantiate its claims, projects must be able to demonstrate the origin of the materials processed, the immediate and end destination of the materials processed, whenever possible, and the quantities of different types of materials.

- Data must be collected in a systematic way and records stored and kept safely.

SUMMARY OF REQUIREMENTS

In order to substantiate the quantitative performance of the project, it must be able to adopt a monitoring system and demonstrate the following information:

1. Monitoring – the project must establish a monitoring routine to gather and store data in a systematic way.

2. Source of materials – the project must be able to demonstrate the origin of materials processed.

3. Choice of best available destination for materials processed – based on the EU hierarchy of preferred uses.

4. Tracking of destination of materials processed – the project must be able to demonstrate the immediate destination and, ideally, the subsequent destination of the waste materials processed, all the way to the end users (preferably re-use or recycling).

2.1 MONITORING ROUTINE

A) RATIONALE

1. The project must implement an internal monitoring routine to collect and analyse data in a systematic way as evidence of the amount of waste recovered and sent to an appropriate destination.

B) REQUIREMENTS

1. Projects must measure, monitor, and record data concerning the amount of waste recovered and sent to appropriate destination.
2. Data must be gathered following a systematic way, in accordance with a methodology previously chosen.
3. Methods for monitoring data must be chosen taking into consideration local context, such as technology available on site.
4. Data must be stored safely, to be made available for third party verification.

C) INDICATORS

1. Depending on the circumstances of the project, different types of data may be collected to demonstrate evidence, such as:

    a) Internal records: organization's own records, with manual and/or electronic spreadsheets recording the amount of waste recovered. Whenever possible, these internal records should be based on weighting and/or pictures of the amount of waste that either enters or exits a facility, or a combination of both.

    b) Fiscal/commercial records: invoices, purchase orders and any other document demonstrating the sale of waste, based on weighting of the amount sold. These records should show the amount of waste exiting the facility and, in case of invoices, should be connected to regional or national fiscal systems.

    c) (Other) Official data records: official reports linked to environmental authorities or waste management authorities, either national or subnational, that demonstrate waste types and quantities managed by the project. It may consist of records collected from the waste generation entity, intermediaries, transport entity, or disposal entity. An example is a Waste Manifest.

    d) Supply Chain traceability records: whenever possible, the project must use data that can be checked through different, independent sources, allowing traceability of the entire waste management chain.

2.2 SOURCE OF MATERIALS

A) RATIONALE

1. The source or origin of all materials processed as part of claims for Circular Credits must be demonstrated for transparency of the process.

B) REQUIREMENTS

1. The project must provide evidence of the origin of all materials processed.
2. Every amount of waste that is included in the claims for Circular Credits must have its source registered in the records of the monitoring routine.
3. The Monitoring Report must specify the amount of waste per category of origin.

C) INDICATORS

1. The monitoring routine demonstrates the sources of every amount of waste recovered.
2. Monitoring Report specifies the amount of waste per category of source, following the classification:

    a) Sea or rivers;

    b) Environment;

    c) Urban areas;

    d) Landfills or dumpsites;

    e) Waste generators;

    f) Purchase from collectors.

2.3 CHOICE OF DESTINATION

A) RATIONALE

1. A Circular Credit represents the service of recovery and appropriate destination of waste material that is inappropriately discarded.
2. The appropriate destination of the materials recovered varies according to local context. Nevertheless, projects should pursue the best economically feasible destination for waste recovered available.
3. It is important to define what is the best available destination that can be economically assessed by project participants.

B) REQUIREMENTS

1. Projects must provide evidence of the destination of waste collected/sorted (ideally, till the end destination).
2. Projects should choose the best available and economically feasible destination for the materials processed.
3. Preference should be given to destinations that contribute to material circularity (i.e., recycling, re-utilization), if available.
4. The choice of destination should follow the EU hierarchy as follows (starting with the most desirable): re-use, chemical recycling, mechanical recycling, waste to energy, landfill.

C) INDICATORS

1. Invoices of sale or delivery of materials, stating the buyer/receptor.
2. Transportation documentation, stating the end destination, if possible to obtain.
3. A list of options available for destination of waste.
4. Considerations as to what option was selected and why.

2.4 TRACEABILITY OF DESTINATION

A) RATIONALE

1. It is important to define what is the end destination of materials processed by Circular Action Projects in order to determine what is its impact on circularity.

2. Many projects sell materials to intermediaries, prior to the end destination, and an effort is needed to determine what this destination will be.

B) REQUIREMENTS

1. Circular Action Projects must be able to demonstrate the immediate destination and, ideally, subsequent destinations of the waste materials processed.
2. Ideally, there should be evidence to enable traceability from the project to the end destination.

C) INDICATORS

1. Invoices of sale or delivery of materials, stating the buyer/receptor.
2. Transportation documentation, stating the end destination.
3. Statements from buyer of materials as to the end destination.