



Auditing Protocol: Validation Checklist

Audited Organization:

Legal Register number:

VALIDATION CHECKLIST

Autor: BVRio

Version: V2.5

Date: February 2022

(To be filled by the Auditor)

Auditing organisation:

Auditor:

Date:

Auditor's signature:

Developed with support from



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|  <p>CIRCULAR CREDITS MECHANISM a BVRio initiative</p> | <p>VALIDATION CHECKLIST</p> <p>Version: V2.5</p> |
| <p>Auditing Protocol</p> | <p>Date: February 2022</p> |

INTRODUCTION

This Validation Checklist is part of the Auditing Protocol of the Circular Credits Mechanism's Standard (CCS) – a set of documents to assist in the evaluation of waste recovery projects interested in issuing Circular Credits (CCs) based on their activities, through the Circular Credits Mechanism (CCM).

The audit process 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 auditing process as a whole should result in a Validation Audit Statement and a Verification Audit Statement from the third party auditing body, additional to the completed checklist. As part of the process, the Auditing Organisation must refer to other documents, including:

- the CCS's Principles and Criteria;
- the CCS's Auditing Protocol for Suitability Assessment of Eligibility to Principles and Criteria and Quantitative Assessment of Project Impacts; and
- Information and documentation provided by the Project Leading Organisation(s) in the Project Registration Form and Monitoring Reports.

During the audit visit, the Project Leading Organization must, in addition, sign legal declarations (templates provided by BVRio) about aspects that are difficult to detect.

While the Circular Credits Mechanism's 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.

This document provides a checklist for the Validation Audit – i.e., for 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).



Part 1: Administrative Aspects

| 1.1 Organisation's information | Description / comments |
|--|-------------------------------|
| Name (full and acronym, if any) of Project Leading Organization | |
| Foundation year / beginning of operations | |
| Project name and number in the CAH | |
| Location (full address) If there are different addresses (e.g., warehouse, office), specify | |
| Name and role of person(s) responsible for the Organization | |
| E-mail of person(s) responsible for the Organization | |
| Telephone of person(s) responsible for the Organization | |



1.2 Organization's incorporation documents

| Requirement | Rationale and additional information | Compliance (Y / N / P / NA)* | Evidence used (specify documents / provide photos) | Comments |
|--|--|------------------------------|--|----------|
| Is the Project Leading Organization legally incorporated? | Constitutional documents (e.g. Statute, Articles/Memorandum of Association/incorporation) | | | |
| Is the organization up to date with its accounting obligations? | Accounting office supporting the organization? Taxes up to date? (e.g. Clearance Certificate of Tax / Labor Debts) | | | |
| Is the Leading Organization allowed to operate the facilities of the project? | Applicable Licenses | | | |
| Is the Leading Organization allowed to perform project activities? | Activities allowed in the legal registration, ownership document, rental or assignment of the property where it operates | | | |
| What is the land tenure of the area used by the Leading Organization for the project activities? | Document of ownership /rent /lease of the property, etc. (and any possible risks) | NA | | |

* Yes / No / Partial / Non Applicable



Part 2: Suitability Assessment to CCS's Principles and Criteria

| Principle 1: Additionality | | | The environmental impact of activities and projects must contribute to an improvement of historic trends of waste pollution. | |
|--|--------------------------------------|-----------------------------|--|---------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comment |
| The Project must demonstrate that its waste recovery activities would not occur without the incentive provided by Circular Credits, unless it fits one the categories of the Positive List*. | NA | | | |

* Positive lists are adopted for project types deemed additional by definition. See Guidance Note 2 on Additionality and Positive lists. (https://www.circularactionhub.org/archives/assets/publications/Circular_Credits_Mechanism_Additionality_and_Positive_Lists_Guidance_Note_2.pdf)



| Principle 2. No Double Counting | | The environmental benefits derived from the services of waste recovery and appropriate destination (a project’s environmental impact), cannot be claimed more than once. | | |
|--|--|--|---|-----------------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
| 1. The Project must be registered in the Circular Action Hub | To be checked in advance with BVRio, that will provide project information | | | |
| 2. No evidence of double selling of the environmental service through different voluntary or compliance schemes, including waste of plastic standards, PES, etc. | The Organisation must provide a signed declaration. When invoices are used as evidence of the environmental impact, these should indicate that the environmental service was sold for the purposes of the CCM. | | | |



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| <p>3. Project Leading Organization must declare whether they receive remuneration for the provision of the waste recovery and appropriate destination other than the expected sale of Circular Credits</p> | <p>If such remuneration is not related to the provision of the waste recovery but for the sale of physical material, this does not constitute double counting. If it's 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.</p> <p>The Organisation must provide a signed declaration.</p> | | | |
| <p>4. Does the Lead Organization receive remuneration for the recovery service and appropriate disposal of <u>other</u> volumes/types of waste? Which Program/context?</p> | <p>Ask quantity sold / for how much (provided that you do not violate confidentiality agreements or the General Data Protection Law)</p> | | | |



Principle 3: Demonstrability

Circular Credits must be substantiated by evidence that waste recovery and appropriate destination was conducted.

| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
|--|---|-----------------------------|--|----------|
| 1. The Project has a monitoring routine to collect, gather and maintain all the information related to the project quantitative impacts (waste input, processing and output) | Demonstrate database registry including steps for data collection, gathering, and storing). The registry can be paper-based or in digital format. | | | |
| 2. Documents must be kept in a safe place, with copies available in different locations. All electronic data must be backed up. | NA | | | |



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| Principle 4: No Free Riding | | The sales of Circular Credits should result in additional revenue to remunerate waste recovery activities, or benefit the organization as a whole, if it is grassroots. | | |
|---|---|---|---|-----------------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
| 1. The workers directly involved in waste recovery must provide free, prior and informed consent to the creation and sale of Circular Credits derived from their activities. | Ideally a presentation about the reason for the visit of the auditor must be held; it may also conduct interviews (random sampling) with workers. The Organization must sign legal declaration; | | | |
| 2. If the waste recovery activities are performed by the own members (e.g. associates/cooperates) of the Project Leading Organization, the revenue from Credit sales must result in benefits for those, directly or indirectly. If there were previous sales of credits, how was the revenue used? | The benefits can be in the form of additional income, investment in equipment and infrastructure, payment of entity's costs and/or creation of a reserve fund for the entity The Organization must sign legal declaration. | | | |
| 3. If the Leading Organization subcontracts the services of waste recovery, the sale of Circular Credits should result in additional remuneration for these workers. This also applies to autonomous/informal waste pickers involved in cooperative activities. Verify: | (Indicate in this line the compliance or not, based on subsequent observations) | | | |



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| a) Levels of remuneration of waste collectors/segregators prior to the sale of Circular Credits. | Ask for receipts for the service provided, if possible specifying the payment for the physical material and/or the service of collection and sorting. | NA | | |
| b) Levels of remuneration of waste collectors/segregators after the sale of Circular Credits | Ask for receipts for the service provided, if possible specifying the payment for the physical material and/or the service of collection and sorting. | NA | | |
| 4. How does the Organization intend to use the financial resources received with the next credit sales? | NA | NA | | |
| 5. Is there financial transparency in the organization (if applicable)? Describe. | E.g., if accounts are opened, if there is an active fiscal council (in the case of cooperatives/associations, there should be) | NA | | |



| Principle 5: Fair Remuneration | | The service of waste recovery must be remunerated commensurate with the workload and the time required for the provision of the service. | | |
|--|---|--|---|-----------------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
| 1. If the waste recovery activities are performed by the own members (e.g. associates/cooperates) of the Project Leading Organization, the regular remuneration of workers involved in waste recovery, regardless of the sale of credits, must be considered fair. Verify: | (Indicate in this line the compliance or not, based on subsequent observations) | | | |
| a) Internal regulations of the organization defining how workers allocate/share revenues | e.g. fixed salary / per production / per hour | | | |
| b) Evidence of workers' remuneration, and if it corresponds to the workload, specialization and time required for the provision of the service | Check payroll, receipts, other controls. It may also conduct interviews with workers | NA | | |



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| <p>c) Comparison between the remuneration received by workers and the average remuneration/salary for activities with a similar level of skill, specialization, and working time</p> | | | | |
| <p>2. If the waste recovery activities are performed by the members (e.g. cooperatives/associates) of the Project Lead Organization, and if there is additional remuneration from the sales of credits, their distribution must be considered fair. Check how revenue is shared, including considering the different classes of workers.</p> | <p>Variable internal documents. Check that the additional remuneration is not (unduly) favoring a group of workers. The Organization must sign legal declaration.</p> | | | |
| <p>3. If the Leading Organization subcontracts the services of waste recovery, the regular remuneration of the workers involved, regardless of the sale of credits, must be considered fair.</p> | <p>Evidence that remuneration corresponds at least to the average salary for activities with a similar level of skill, specialization, and working time.</p> | | | |



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| <p>4. If the Project Lead Organization subcontracts the waste recovery services, and there is additional remuneration from the sales of credits, its distribution must be considered fair. This also applies to autonomous/informal waste pickers involved in cooperative activities. Verify:</p> | <p>Check how revenue is distributed, including among different classes of workers.</p> | | | |
| <p>a) Levels of remuneration of waste collectors/segregators prior to the sale of Circular Credits.</p> | <p>Ask for receipts for the service provided, if possible specifying the payment for the physical material and/or the service of collection and sorting.</p> | <p>NA</p> | | |
| <p>b) Levels of remuneration of waste collectors/segregators after the sale of Circular Credits</p> | <p>Ask for receipts for the service provided, if possible specifying the payment for the physical material and/or the service of collection and sorting.</p> | <p>NA</p> | | |
| <p>5. The Project's remuneration policy must comply with the laws and regulations of the country, region and sector where it operates.</p> | <p>Check regulations applicable to each situation</p> | | | |



| Principle 6: Do no harm | | | Projects must demonstrate social and environmental safeguards appropriate to the scale and circumstance of the project activity | |
|---|--|------------------------------------|---|-----------------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
| 1. Evidence of compliance with applicable local, regional, and national <u>labour laws</u> , rules and requirements | Types of contract with workers, compliance with labour laws, occupational legislation. | | | |
| 2. Evidence of occupational Health and Safety Management system | NA | | | |
| 3. Evidence of use of Personal Protective Equipment (PPE) when possible and appropriate | NA | | | |



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| 4. Indication of measures to promote equal rights and social inclusion, and/or the absence of any kind of discrimination in the organization's activities | Some projects are inherently inclusive. Verify number /percentage of low-income people, rational minorities, women, etc. The Organization must sign legal declaration. | | | |
| 5. Evidence of no child labour or forced labour involved in the project activity | The Organization must sign legal declaration. | | | |
| 6. Evidence of compliance to applicable local, regional, and national <u>environmental</u> norms and legislation. | Environmental licenses and requirements | | | |
| 7. List of any negative social and environmental impacts identified and expected, if any, and the corresponding mitigation plans implemented. | NA | | | |
| 8. List of identified potential social and environmental risks and corresponding mitigation and emergency measures. | NA | | | |



| Principle 7: Learning by doing | | Projects must engage in a continuous improvement process, incorporating better operational, market, social and environmental practices | | |
|--|--|--|---|-----------------|
| Requirement | Rationale and additional information | Compliance (Y / N / P / NA) | Evidence used (specify documents / provide photos) | Comments |
| 1. Evidence of a quality program, with period reviews and continuous improvement targets | NA | | | |
| 2. Evidence of plan to achieve full compliance with labour rules and regulations, if applicable. | Especially when the Project is not fully in compliance | | | |
| 3. Evidence of occupational Health and Safety Management system in place or under development. | NA | | | |



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| <p>4. Evidence of plan to achieve full compliance with environmental rules and regulations, if applicable.</p> | <p>Especially when the Project is not fully in compliance</p> | | | |
| <p>5. Explanations about how the Future Correction Requests indicated in previous verification routines have been addressed and improved, if applicable.</p> | <p>Includes administrative, operational, etc. malfunctions.</p> | | | |
| <p>6. Evidence that negative social and environmental impacts indicated in previous verification routines have been addressed and mitigated, if applicable.</p> | <p>NA</p> | | | |



Part 3: Information about the operations

| 3.1 Operational data | | |
|--|---|----------------------|
| Information type | Evidence/observation | Comments/observation |
| Activities conducted by Organization | E.g., Collection, sorting, recycling | |
| Who conducts the Organization's activities and what is the relation to the Organization? | E.g., Associates or members of cooperative, employees, subcontractor / third parties (including informal waste pickers) | |
| Number of people involved in the activities | E.g., overview of number of collaborators per activity type (e.g. collection, sorting, administration, transportation etc.), even if approximated, and if there are work shifts | |
| Describe the facility's physical infrastructure and whether it is appropriate for the level of activity declared | E.g. approximate size and conditions of the warehouse; sufficient space for handling the volumes declared? attach photos | |
| Describe methods and equipment used for the activity | E.g., vehicles, conveyors, scales, presses, other equipment (explain quantity) Compare with declarations provided in the Registration Form; attach photos | |



3.2. Materials processed

| Information type | Evidence/observation | Comments/observation |
|--|--|----------------------|
| Material type | E.g., Mixed waste, plastics only, recyclable materials only, others (e.g., tyres, e-waste) | |
| Waste source | E.g., Municipal collection system, door-to-door collection, environment (beaches, rivers), aggregated sources (receiving or collection?), dumpsites/landfill, purchase from autonomous waste pickers. (explain if in any situation the material is already segregated) | |
| Materials' traceability in the value chain | Are there records of source and destination (including <u>final</u> destination) available? Which types? | |
| Materials' destination | If intermediaries are involved, identify the final destination, when possible | |
| Justify the destination for the material recovered | If the project is not sending material for recycling, why not? Consider best possible and economically viable destination | |



3.3. Monitoring of waste input

| Information type | Evidence/observation | Comments/observation |
|---|---|----------------------|
| Data collection method for waste input | Weighing of material input? Specify type of equipment, owner of equipment or source of data | |
| Type of data records/ documents used for waste input | Measured, calculated or estimated (e.g. based on number of trucks) Electronic scale printouts, reports from source | |
| Frequency of data collection for waste input | N.A. | |
| Person(s) responsible for data collection for waste input | N.A. | |
| Method for storing data for waste input | E.g. paper-based, digital, backup available (describe) | |
| Is there a quality control (QC) for data collection/storage of waste input? | N.A. | |



3.4. Monitoring of waste output

| Information type | Explanation | |
|---|--|--|
| Data collection method for waste output | E.g. weighing of material output at the project facility / at the destination / at both locations | |
| Type of data records/ documents used for waste output | Electronic scale printouts, internal reports, commercial records (e.g., official sale invoice or receipts) | |
| Frequency of data collection for waste output | N.A. | |
| Person(s) responsible for data collection for waste output | N.A. | |
| Method for storing data for waste output | Paper-based, digital, local, backup available (describe) | |
| Evidence of adequate destination for material recovered | E.g. Commercial receipts or invoices from seller or from buyer, waste manifest stating proof of end of life. | |
| Is there a quality control (QC) for data collection for waste output? | N.A. | |



Part 4: Quantitative Assessment of Impacts

| <p>Based on the observation of the infrastructure (facilities, equipment) and activities (number of workers in each function, operational processes, work shifts), what would be a reasonable calculated estimative of the <u>installed capacity</u> of the Organization (considering all types of waste materials)?</p> <p>Explain if necessary.</p> | |
|---|--|
| <p>Based on the declared information provided by the Organization in the Monitoring Report, is the current operational capacity coherent with the estimated installed capacity?</p> <p>Explain if necessary.</p> | |



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General observations:

Recommendations:



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Photographic register:



CircularActionHub.org

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