



# Carbon Emissions Verification - ISO 14064-1

## CLIENT INFORMATION NOTE

### Introduction

This Client Information Note explains the two stage LRQA process of verification to issue an Assurance Statement.

LRQA process of verification remains the same for both versions, 2006 and 2018 of the International Standard.

This note also outlines the key changes between the two versions.

This Client Information Note explains the stages of an assurance engagement to verify organization's carbon emissions (carbon footprint) against ISO 14064-1.

Disclosures to carbon emissions are increasingly required as part of corporate reporting, stock markets or by potential investors. A third-party verification such as from

LRQA brings credibility owing to a structured verification process.

On completion of the verification, an assurance statement is provided that describes the criteria used, the approach followed and the opinions along with recommendations (if any).

In accordance with the requirements of the international standard, our clients are free to publicize the Assurance Statement if either the GHG emissions inventory or the GHG report is also published.

Stage 1 – Initial Review and Verification Planning - where we finalize the terms of our engagement and generate a Verification Plan.

Stage 2 – Verification – where we implement the verification plan and write our Assurance Statement.

At each stage, our verifiers will be open, helpful, and practical following an approach designed to

provide value to your verification. A significant amount of time may be spent interviewing people involved in the data and information collection, collation and reporting process, as well as reviewing the accuracy of data and information.

Before we start an assurance engagement, we will discuss and agree with you the scope, boundary, consolidation methodology (equity or control), level of assurance – Limited or Reasonable level, materiality the dates of the engagement, including deadlines for publishing, if applicable.

The verification will be conducted either physically or remotely depend on the type of engagement and the availability of data and supporting evidences at our client organizations. Verification process follows ISO 14064-3:2006 and LRQA's Verification Procedures. If required, an optional Pre-Verification visit (Gap Analysis) can be undertaken before the Stage 1 and Stage 2 visits. This helps client

organizations in terms of readiness for verification and reporting. For verification involving significant amounts of information and data, these visits can be very valuable in helping you prepare for the two-stage visits.

To speed the verification process, and, on entering into a contract agreement, Lead Verifier will send you a request to send an Initial Evidence pack. Clients are requested to send the relevant evidence prior to the commencement of the Stage 1 audit.

### Differences between 2006 and 2018 versions of ISO 14064-1

Currently two versions of ISO 14064-1 are valid – version issued in 2006 and 2018.

- The 2018 recognizes that the Reporting boundary could be a subset of the organizational boundary.
- Sub-categorises Direct GHG emissions as arising from stationary, mobile, process or fugitive sources
- Indirect GHG emissions from imported energy sub-categorised as from imported electricity and imported energy.
- The 2018 version has introduced Categories 3 (transport), 4 (products used by the organization), 5 (use of products from the organization) and 6 (other sources) which in the earlier version were classified as Other Indirect emissions (commonly known as Scope 3 emissions as referenced in the GHG Protocol).

## Stage 1 – Initial Review and Verification Planning

We do this visit to:

- Confirm the terms of engagement and any exemptions or restrictions to the assurance
- Collect initial information about your company and its reporting processes
- Complete a Strategic Analysis/ Risk Analysis (SARA)
- Prepare a Verification Plan
- Prepare the Data/ Information Sampling Plan
- Answer any questions you may have about our service.

The visit starts with an initial meeting in which the verifier will explain to you how we carry out an assurance engagement, and you will have the opportunity to tell them about your company and what you hope to achieve.

The verifier will then:

- finalise the terms of engagement
- determine conformity of the information management documentation and the GHG Report to the International Standard.
- begin the initial delivery of the verification by reviewing the data and information to be assured (it is recognized that a full year's data may not be available at this point) and understanding how the collation processes are implemented
- methodology adopted with respect of emissions calculations and availability of emission factors.
- produce a verification plan for Stage 2, which reflects the level of assurance and materiality to be applied

- produce a detailed report, which describes both positive findings, and any issues requiring your attention before the Stage 2 visit takes place.

The visit ends with a closing meeting to present the Stage 1 report and agree the next stage of the verification process, including any health and safety, security, and administrative issues. If additional time is required to complete the assurance engagement, this will be agreed with you at this stage.

## Stage 2 - Performing the assurance engagement

Purpose of the visit

We do this visit to:

- follow the verification plan and data/ information sampling plan to complete the assurance engagement.
- Obtain sufficient appropriate evidence on which to base our opinion that is expressed in the Assurance Statement
- obtain the client 'self-declaration' on data and information accuracy and completeness (if not included within the contract documentation)
- produce a draft Assurance Statement.
- During this visit(s) you have the responsibility of providing evidence to support any claim, whether it be information or data, which is being disclosed in your Report or included in an assertion. We then use professional judgment, and exercise professional scepticism, to evaluate the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the opinions / conclusions

presented in our Assurance Statement.

- It is important to remember that even though a problem may not have been identified in an area of activity, it does not necessarily mean that there are no problems. As verification is based on sampling techniques, statistically there is always a possibility that issues will not be identified during an engagement.

### **LRQA Assurance Statement**

LRQA Assurance Statement is the main deliverable resulting from an assurance engagement. Each Assurance Statement is tailored to the specific contract and is designed to facilitate effective communication to the intended end-users. An Assurance Statement documents:

- the terms of engagement between LRQA and you, our client
- management responsibilities
- LRQA's approach
- level of assurance and materiality
- LRQA's opinion, and, where necessary
- LRQA's recommendations for improvement.

LRQA's Assurance Statements will contain the following as a minimum:

- the name of your company
- the title of your Report / assertion
- a statement describing both the reporting organisation's (that is, your) and LRQA's responsibilities
- a description of LRQA's terms of engagement referencing scope, assurance objectives, assurance criteria, level(s) of assurance, exclusions, and

materiality. Any limitations will also be described.

- a description of LRQA's approach
- LRQA's opinion describing our findings, conclusions, and qualifications in relation to the level of assurance and materiality applied during the assurance engagement
- LRQA's recommendations for improvement
- date and signature of the Lead Verifier
- Legal Disclaimer.

After Stage 2, the draft LRQA Assurance Statement is sent for technical review to be authorised by LRQA personnel who are independent of the assurance engagement. This technical review confirms that the opinions and recommendations expressed in LRQA's Assurance Statement are justified and traceable back to the verifier's working papers.

On completion of the technical review, we issue the Assurance Statement for you to use in the agreed way.

### **Reporting**

If specified by the contract, Verifiers can provide other deliverables beyond the Assurance Statement, for example, an LRQA report, presentations to the client's top management which communicate relevant matters of governance, areas for improvement, and other interests arising from the engagement.

The reporting process for all our visits is similar. We fill in visit reports to record verification findings, progress against the verification plan, positive comments, and also points of clarification or interpretation.

We record and grade our findings as follows:

#### **Material Misstatement**

A misstatement, (omission, misrepresentation or error) in an assertion, data, or information that, in the professional judgment of the verifier, could affect the decision of the intended user. If such a finding is outstanding at the end of the verification, then the misstatement must be corrected, otherwise a positive Assurance Statement will less likely to be achieved.

#### **Material Nonconformity**

A nonconformity with the requirements of the International Standard that, in the professional judgment of the verifier, could affect the decision of the intended user. If such a finding is outstanding at the end of the verification, then the nonconformity must be corrected or a positive Assurance Statement regarding the assurance criteria will not be provided.

#### **Misstatement**

A misstatement (omission, misrepresentation or error) in an assertion, data, or information that, in the professional judgment of the verifier, is unlikely to affect the decision of the intended user. If such a finding is outstanding at the end of the verification, attaining a positive Assurance Statement will be possible, although qualifications, limitations, and/or recommendations may be included in the Assurance Statement.

#### **Nonconformity**

A nonconformity with the requirements of the assurance criteria (including the terms of engagement) that, in the professional judgment of the verifier, is unlikely to affect the decision of the intended user. If such a finding is outstanding at the end of the verification, securing a positive Assurance Statement will be possible, although qualifications, limitations, and/or recommendations may be included in the Assurance Statement.

### **Opportunity for Improvement (OFI)**

An opportunity for improvement that may be considered by the client. If such a finding is outstanding at the end of the verification, this will result in a positive Assurance Statement without qualification or limitation. However, recommendations may be included in the Assurance Statement, although these should only relate to root causes and not to one-off issues.

### **Confidentiality**

We will not pass on any of the data or information we gather during the assurance engagement to any other party without written consent. This confidentiality will be maintained during the term of, and after termination of our Agreement, apart from information that is in the public domain, or that which is made available to LRQA from an independent source.