Message from the Chair

It is with great pleasure that I present to you the annual report of ICVCM Ltd, covering our first financial period from 2 November 2021 to 31 March 2023. As the operational delivery agent of the Integrity Council for the Voluntary Carbon Market (ICVM or Integrity Council), as set out in our Articles of Association, we have made remarkable progress and achieved significant milestones during this period.

One of our proudest accomplishments was the release in March of the Core Carbon Principles, along with the Assessment Procedure and Program-level Assessment Framework. These documents were published after an extensive consultation process that emphasised social inclusion, active participation, and inclusive decision-making, particularly with Indigenous Peoples and Local Communities (IPs & LCs). This milestone represents significant progress towards our objective of establishing a voluntary carbon market characterised by ever higher integrity, greater transparency and robust accounting - which are vital for improving the quality of carbon credits, accelerating financial support for emission reductions and removals, and ultimately transitioning towards a climate-resilient global economy.

In this report, we aim to provide a comprehensive overview of our strategic objectives, as well as a summary of our activities and accomplishments to date.

Our strategic aims have guided our every decision, ensuring that we stay focused on our mission to foster trust, credibility, and accountability in the voluntary carbon market. By upholding the principles of transparency, inclusivity, and environmental integrity, we are working towards creating a market that facilitates real and impactful climate action.

Over the past year, we have actively engaged with stakeholders from various sectors, including market participants, eNGOs, IPs & LCs, governments and the public. This collaboration has been instrumental in shaping our initiatives and ensuring that our standards align with the needs and expectations of all stakeholders.

As we reflect on our achievements, it is important to recognise the dedication and hard work of the Expert Panel, Secretariat, Distinguished Advisory Group and members of the Governing Board which brought together the views and experience of multiple international stakeholders from different sectors as well as the unwavering support of our funders, industry stakeholders and partners. Without their commitment, none of our accomplishments would have been possible.

Looking ahead, we remain steadfast in our commitment to driving positive change in the voluntary carbon market. We will continue to refine and enhance our assessment processes, work towards growing the voluntary carbon market, and actively contribute to global discussions on carbon market standards.

I would like to express my gratitude to all those who have supported and contributed to our progress achievements. Together, we are laying the foundation for a more transparent, credible, and effective voluntary carbon market.

Strategic Aims & Mandate

The urgency of the climate crisis necessitates action on a scale and speed that cannot be solely achieved by governments and philanthropy. Mobilising private capital is crucial, and the voluntary carbon market serves as an essential, complementary, and cost-effective tool in achieving this goal. However, without a guarantee of high integrity, transparency, and inclusion, there is a risk that billions of tonnes of carbon credits could be traded without truly serving their intended purpose and, in some cases, even impeding the transition while also not creating benefits to local communities and Indigenous Peoples.
As the independent governance body for the voluntary carbon market, the Integrity Council has a clear aim: to establish and enforce a definitive global threshold based on the best available science and expertise. By doing so, we ensure that high-quality carbon credits effectively mobilise finance towards urgent mitigation efforts and climate-resilient development.

Our mandate encompasses three key responsibilities:

1. **Establishing, hosting, and curating a set of Core Carbon Principles (CCPs)**: The CCPs serve as the benchmark standard, defining the criteria for high-quality and integrity carbon credits. They determine the eligible programs and methodology types that can issue these credits. Through our rigorous approach, we aim to ensure transparency and credibility in the voluntary carbon market.

2. **Providing governance and oversight**: We exercise governance and oversight over standard-setting organisations, ensuring their adherence to the CCPs. Additionally, we monitor and regulate the market infrastructure and participant eligibility to maintain the highest level of integrity and accountability.

3. **Coordinating and managing interlinkages**: We facilitate coordination and collaboration between various entities involved in the voluntary carbon market. By fostering effective communication, cooperation, and inclusive decision-making, we strive to define a roadmap for the responsible growth of the market, taking into account environmental, social, and economic considerations.

In fulfilling our mandate, we are committed to driving positive change and promoting best practices within the voluntary carbon market. Our collective efforts will shape a market that is robust, transparent, and capable of delivering meaningful environmental impact with inclusive socio and economic benefits.

Together, we can navigate the challenges ahead and pave the way for a sustainable and resilient future.

**Establishment of governance and operations**

Since our formal incorporation in November 2021, we have dedicated ourselves to establishing the Integrity Council as a standalone organisation with a robust governance framework. We are proud to highlight the considerable progress made in this area.

Central to our governance structure is the highly engaged and diverse **Governing Board (the Board)**. The Board operates through three committees under published Terms of Reference and is composed of 22 members representing key stakeholder groups and a wide range of subject matter knowledge and experience as well as an observer from the United Nations Framework Convention on Climate Change (UNFCCC).

The Board’s wide range of skills and experience includes members with expertise in carbon market technologies, sustainable finance, process, FPIC and IP&LC knowledge and rights, and regulatory affairs as well as experience with leading eNGOs, corporates and scientific and academic organisations.

Three seats on our Governing Board are reserved for traditionally underrepresented stakeholder communities. We are particularly pleased that three exceptional individuals, Jennifer Corpuz, Kanyinke Sena, and Francisco Souza joined the Board in 2022. These members offer us invaluable knowledge and experience on Indigenous Peoples and Local Communities globally.

To ensure our standards and assessment framework development aligns with the best expertise available, we have established a panel of world-leading experts. The ICVCM’s **Expert Panel**, led by co-
chairs Daniel Ortega Pacheco, Pedro Barata and Lambert Schneider, provides vital technical advice and recommendations to our Governing Board, contributing to the integrity and robustness of our work.

In addition to the Governing Board and Expert Panel, we have convened a **Distinguished Advisory Group** of 30 globally recognised leaders from across the voluntary carbon market value chain. This esteemed group offers strategic insights and advice to our Governing Board, guiding our decisions and actions with their wealth of experience and expertise.

Completing our governance structure is the **Executive Secretariat**, which has been established to support the Governing Board and Expert Panel and oversee all operational tasks on behalf of the Integrity Council.

Comprising a small but growing team of dedicated staff, the Executive Secretariat also benefits from the partnership and expertise of leading climate, finance, and standards NGOs: the British Standards Institution (BSI), the International Emissions Trading Association (IETA), and the Center for Climate and Energy Solutions (C2ES).

The Green Finance Institute (GFI) played a pivotal role in the startup phase of the ICVCM supporting the Executive Secretariat as the launch host and operational delivery lead. They continue to provide operational and strategic advice and support.

The collaborative efforts of our dedicated team, alongside the invaluable contributions of our partners, enable us to effectively fulfil our mandate and drive positive change within the voluntary carbon market.

We extend our thanks to all those involved in establishing and supporting our governance and operations, as together, we strive to create a more transparent, credible, and effective voluntary carbon market.

**Going forward**

Over the next year we will be focused on publishing our completed Assessment Framework, delivering assessments and CCP-labelled credits with input from multi-stakeholder working groups, and launching a range of continuous improvement work programs to tackle critical issues in the market and innovate with stakeholders.

**Approval**

This Strategic Report was approved by order of the Board of Directors of ICVCM Ltd on ____ and signed on its behalf by

_____

**Annette Nazareth**

Chair, Governing Board

The Integrity Council for the Voluntary Carbon Market
Annual Review

Development and release of CCPs, Assessment Framework & Assessment Procedure

In March 2023 we launched our CCPs and Program-level Assessment Framework, alongside our Assessment Procedure, which explains our process for implementing the CCP (Core Carbon Principles) label in the market. We will complete the Assessment Framework with the publication in July 2023 of the Category-level Assessment Framework which will set out the criteria for assessing distinct categories of carbon credits.

The Core Carbon Principles (CCPs) are a global benchmark for high-integrity carbon credits that set rigorous thresholds on disclosure and sustainable development. Developed with input from hundreds of organisations throughout the voluntary carbon market, including local communities and Indigenous peoples, the CCPs provide a credible and rigorous means of identifying high-integrity carbon credits that create real, verifiable climate impact, based on the latest science and best practice.

We expect that the impact of the CCPs will be three-fold:

1. **Building trust in the voluntary carbon market.**

   Buyers will have more confidence in easily identifying and pricing high-integrity carbon credits, no matter who issues them or what sort of project they fund, or where it is generated. This will reduce confusion, overcome market fragmentation, and give buyers confidence that they are funding projects making a genuine impact on emissions.

   Together with transparency, robust accounting, and promotion of inclusive benefits, this will also help to channel capital towards the most impactful, low-cost climate mitigation activities globally at pace, which is particularly critical for developing economies.

2. **Investing in impactful projects**

   A high-integrity voluntary carbon market can further accelerate the uptake of emerging technologies, protect, and promote nature and biodiversity, respect the rights of local rightsholders and put vital funding into the hands of the indigenous peoples and local communities who are critical stewards of many of our core carbon sinks.

3. **An ambitious – but achievable – benchmark**

   With the Core Carbon Principles derived from an exhaustive global multisectoral consultation process, an ambitious but achievable threshold for high-integrity carbon credits has been set. And this is just the beginning – the Integrity Council has also established a pathway for continuous improvement, working with our stakeholders across the market to continually improve and strengthen the CCPs over time. Driven by a continuous reviewing cycle for improvement, the CCPs aim to contribute for setting a robust high quality, trusted, transparent, and measurable framework that could continuously bring improvement in the market to scale and speed finance with real impact on emission and benefits.

**Stakeholder engagement & public consultation**

We strongly believe that an inclusive and collaborative approach is essential to developing robust and effective standards for the voluntary carbon market.
To support the work of building a voluntary carbon market that is characterised by transparency and high integrity and capable of delivering meaningful climate impact, the ICVCM regularly and on a continuous basis engages and consults with a wide range of stakeholders. As ancestral guardians of important carbon assets, the engagement, consultation, and dialogues with IPs & LCs have been facilitated by our Indigenous board members and partners, which will be improved and expanded over the coming years.

The development of the Core Carbon Principles (CCPs), Assessment Procedure and Assessment Framework released in March 2023 provides a clear example of the ICVCM’s collaborative and consultative engagement with participants across the VCM (Voluntary Carbon Market) which began with stakeholder discussions on the draft CCPs in Q2 2022.

These discussions informed a comprehensive public consultation later in 2022, which solicited feedback from numerous organisations and individuals representing various stakeholder groups.

To further enhance stakeholder engagement and ensure a diverse representation, we organised briefings and workshops. These sessions were conducted globally, reaching more than 1,300 participants across 60 countries, and conducted in four languages. Through these interactive sessions, we fostered dialogue and knowledge exchange, encouraging stakeholders to share their expertise, concerns, and suggestions. The insights gained from these engagements enriched our understanding of the voluntary carbon market landscape and informed the development of the CCPs, Assessment Procedure and Assessment Frameworks.

This inclusive consultation process allowed us to gather valuable insights and perspectives from carbon-crediting programs, project developers, academics, eNGOs, IPs & LCs, policy makers, buyers, and investors. The contributions and feedback received from stakeholders were critical in shaping the CCPs.

By actively engaging stakeholders and incorporating their perspectives, we have striven to create standards that are comprehensive, credible, and widely accepted. We believe that the involvement of diverse stakeholders ensures that the CCPs and Assessment Framework reflect the needs and aspirations of the broader community, driving increased trust and effectiveness in the voluntary carbon market.

**The Integrity Council and IPs & LCs**

Our ability to achieve a transition to 1.5°C on a global level depends on ensuring IPs & LCs can continue managing vital ecosystem services at the local level. A high-integrity voluntary carbon market (VCM) is an important, complementary tool to put vital funding into the hands of IPs & LCs. At the same time, integrity, transparency, and social inclusion can safeguard the ancestral knowledge, livelihoods, and rights of IPs & LCs to recognise their importance to nature-based solutions part of the VCM. But to deliver, it is critical that they have agency to continue managing vital ecosystem services at the local level and are benefited and included in climate and nature-based solutions affecting them.

This is why at the Integrity Council we are working with representatives of IPs & LCs to develop standards, processes, consultation, and engagement models for a high-integrity VCM that protects and promotes their rights and livelihoods and accelerates the supply of high-quality carbon credits, including those from activities led by IPs & LCs.

The Integrity Council is deeply committed to working in partnership with IPs & LCs to ensure the VCM protects, recognises, and promotes their rights and livelihoods and accelerates the benefits from high-quality carbon credits to activities led by IPs & LCs and IPs’ & LCs’ sustainable development.

To ensure ICVCM’s inclusive decision-making frameworks and outputs embed IPs’ & LCs’ voices and knowledge as strategic partners; and help accelerate the supply of high-integrity carbon credits from or linked to IPs & LCs-led projects, the Integrity Council works to engage and consult IPs & LCs voices both externally as well as within the organisation and the key decision-making bodies of its governance
framework. This ensures effective consideration of IPs & LCs vision and perspective into ICVCM, the CCPs, Assessment Procedure, and Assessment Frameworks.

We remain committed to ongoing stakeholder engagement, recognising its significance in continuously improving and refining the CCPs, Assessment Procedure and Assessment Frameworks over time.

**Market formation & collaboration**

During the period covered by this report, a significant aspect of our work has focused on fostering collaboration, coordinating efforts, and supporting the formation of a cohesive carbon market. We have actively engaged with many bodies operating within the carbon market space, aiming to facilitate inter-linkages and promote responsible market growth.

Some of our key collaborations and initiatives to help shape and grow a high integrity and impactful voluntary carbon market include:

- **Voluntary Carbon Markets Integrity Initiative (VCMI):** We continue to partner with VCMI on initiatives to operationalise a high integrity carbon market that will help companies to do their part to help achieve net zero emissions. This includes the development and launch of an integrated market integrity framework, a common approach to Corresponding Adjustments, a shared Country Access Strategy, an IPs & LCs Engagement Forum as well as an aligned approach for the Summit for a New Global Financial Pact in France in June 2023 and COP28 in UAE (United Arab Emirates) in November 2023.

- **Building a Unified Narrative:** We are actively involved in shaping a wider unified narrative in collaboration with participants and stakeholders engaged in the voluntary carbon market, including the VCMI, the Science Based Targets Initiative (SBTi), the We Mean Business Coalition. This collaborative effort will promote transparency by aligning messaging and actions to drive collective impact and facilitate a coordinated approach towards the development of a high integrity voluntary carbon market.

- **Regulatory Dialogue and Engagement:** We have initiated dialogues with regulatory bodies such as the International Organization of Securities Commissions (IOSCO), the ISSB (International Sustainability Standards Board), the US Securities and Exchange Commission (SEC), and the Commodity Futures Trading Commission (CFTC).

- **Global and regional Carbon Market Initiatives:** We have engaged with a wide range of regional carbon market initiatives to foster collaboration and exchange best practices to support the transition to a low carbon economy.

These include:

- partnerships with regional initiatives such as the Africa Carbon Markets Initiative, the West Africa Alliance on Carbon Markets and Climate Finance and country-level initiatives in Brazil, Saudi Arabia, Singapore, China, and Japan; and

- engagements and dialogue with the Global Carbon Market Utility and the Carbon Storage Governing Council (GCMU), the Energy Transition Accelerator (ETA); governments of Indonesia, Peru, Colombia, and the UK; and representatives of the World Bank, MDBs, and a range of UN agencies, including UNDP (United Nations Development Program), UNEP (United Nations Environment Programme), UNREDD (United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation), UNFCCC (United Nations Framework Convention on Climate Change).
By collaborating at country and regional levels, we aim to facilitate the development of effective voluntary carbon markets tailored to local contexts that will accelerate climate action on a global scale.

Through these collaborative efforts and engagements, we are actively working towards a more integrated, efficient, and transparent voluntary carbon market. By building strong partnerships and promoting cooperation among participants and stakeholders, we can help drive the growth of a high integrity carbon market that will advance climate mitigation efforts worldwide.

**Communications and brand**

We have successfully established a strong brand presence and credibility in the voluntary carbon market. Our commitment to integrity resonates well with stakeholders and has contributed greatly to our efforts to shape a more positive narrative for the voluntary carbon market.

Media reception for the launch of the CCPs was positive and extensive and recognised the significance of the ICVCM’s contributions to the creation of a voluntary carbon market characterised by high integrity and transparency.

To raise awareness and promote dialogue, members of our Board, Distinguished Advisors Group, Expert Panel and Executive Secretariat actively contribute their time, insights, and expertise to our traditional and social media activities as industry experts and commentators by serving as keynote speakers, moderators and panellists at our own and industry conferences, seminars, and webinars.

These collaborations allow us to reach key audiences within the VCM as well as in government, business, and finance and to contribute the ICVCM’s perspectives in meaningful discussions that will advance and shape the growth of the voluntary carbon market. Our communication activities are critical to the ICVCM’s ongoing recognition as a trusted leader in promoting integrity and sustainability in the voluntary carbon market.

**Carbon emissions and environment impact**

We acknowledge that in going about our work, we do have an unavoidable impact on the environment. We have a set of policies designed to, wherever possible, minimise that impact, most especially via embedding video conferencing technologies in our day-to-day work, and where travel is required, ensuring the most sustainable modes feasible.

We have tracked our cumulative carbon emissions throughout the financial year and have estimated that our total CO2 footprint is 46,832kg CO2e. In line with our policy, we will compensate for this impact through the purchase of high-integrity CCP-approved carbon credits during the first year in which those credits are available and within six months thereafter.

**Fundraising and support**

We are immensely grateful for the generous support of our funders, without whom our activities and achievements would not have been possible.

The following organisations have shared invaluable support and expertise in addition to providing ongoing financial support to ICVCM Ltd:

- High Tide Foundation
- Google.org
We would also like to thank the following organisations which have provided further support to the Integrity Council in the form of ongoing participation of staff members on our Governing Board and Expert Panel:

- Environmental Defence Fund
- United Nations Environment Programme
- The Nature Conservancy
- Conservation International
- SouthSouthNorth
- World Business Council for Sustainable Development
- World Resources Institute
- Institute of International Finance
- Nia Tero
- Verra
- Standard Chartered
- BP

We also would like to highlight the contributions of Slaughter & May for their pro bono advice on legal matters and TNC and UNEP which enabled our engagement with Indigenous Peoples and Local Communities. We would also like to thank PwC and Deloitte which provided secondees and insights, and the City of London Corporation for their contribution towards office space.

We are immensely grateful for the confidence and trust placed in us by these organisations. Their assistance has enabled considerable progress in the growth and development of a voluntary carbon market characterised by high integrity and transparency.

I would also highlight that many, if not all, of those we thank worked remotely and in the challenging circumstances caused by the Covid-19 pandemic and related health restrictions. On behalf of the ICVCM, please accept our gratitude for the enormous efforts you made under exceptionally challenging circumstances.

**Going forward**

The ICVCM team grew significantly over the course of this reporting period as we added resources to enable our ability to consult with and engage stakeholders and to deliver the CCPs, Assessment Procedure and Program-level Assessment Framework.

Over the coming year, we will continue to recruit the skills and talent required to publish our completed Assessment Framework, delivering assessments and CCP-labelled credits with inputs from multi-stakeholder working groups, and launching a range of continuous improvement work programs to tackle critical issues in the market and innovate with stakeholders.

*William McDonnell*

*Chief Operating Officer, The Integrity Council for the Voluntary Carbon Market*
Director, ICVCM Ltd