

# **VALUE CHAIN INTERVENTIONS AND IMPACT FUNDS TESTING TERMS OF REFERENCE**

Terms of Reference for organisations seeking to test new certification pathways:  
Value Chain Interventions and Impact Investment Funds,  
including Gold Standard Certification

**Draft Version 2**

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## OVERVIEW

Gold Standard is leading a testing phase for projects under two newly developed certification pathways:

1. Value Chain (Scope 3) Interventions for Corporate Reporting
2. Impact Certification at the Investment Fund Level

In both cases, testing includes certification under [Gold Standard for the Global Goals](#). The Standard includes the certification of projects that do not seek issuance of carbon credits, or other Gold Standard products. This 'Project-only' pathway (see Section 4.0 of the [Principles and Requirements](#)) will be applied in the context of Value Chain Interventions and Fund Certification investments and is hence not considered a scope-extension or addition. Specific requirements may be developed that further refine these contexts based on the results and feedback obtained through testing.

For Value Chain Interventions, a round of testing and capacity building amongst future users will also take place via the Gold Standard Network Platform (with certification as an optional pathway for those taking part).

This document (henceforth "TORs") provides an overview of the scope of the testing phase and its intended outcomes, as well as the criteria and timelines for testing projects to be involved. It also provides details of how stakeholders can provide comments on the TORs and the ongoing process.

The TORs are intended to promote transparency and good governance of the testing phase and stakeholders are therefore encouraged to review and contact Gold Standard with any queries, clarifications, concerns or opportunities.

The following provides a short introduction to the two pathways, although further detail can be found throughout this document and in others referenced:

**Value Chain Interventions:** In June 2018 Gold Standard and partners (Mars, Danone, Livelihoods Fund, WRI, WWF, CDP) published a draft Guidance for consultation ([here](#)). The Guidance provides a recommended approach for the accounting of 'interventions' (projects and programmes of change within a company value chain) and how to include them in Greenhouse Gas Protocol Scope 3 reporting.

The Guidance is intended for eventual publication to the Greenhouse Gas Protocol 'Built on Guidance' page ([here](#)). The testing phase (both the Platform Programme and certification pathways) will greatly contribute to the further improvement and refinement of the Guidance prior to publication to 'Guidance Built on the Greenhouse Gas Protocol'.

**Impact Investment Funds:** As part of publication of Gold Standard for the Global Goals, Gold Standard also released the 'Sustainable Urban Development (SUD)' Context Requirements ([here](#)). These are intended to promote Gold Standard for the Global Goals at scale, for example, for large municipal projects. This certification pathway intends to adapt the SUD Requirements for use in the context of Impact Investment Funds, broadly meaning a facility that invests in urban projects and programmes that require a climate and sustainable development impact. Further, guidance has been developed to be used alongside SUD Context Requirements for Impact Investment Fund Certification. This document provides additional requirements to be met at fund level for design and performance certification.

An illustrative example of each is included below.

**Value Chain Intervention:** A company that produces dairy products for consumers purchases milk from smallholder subsistence farmers in Kenya. They initiate a series of activities to sequester emissions associated with feedstock (for example, residue management, improved tillage) and to improve yield and quality. The project will be certified under **Gold Standard for the Global Goals**, ensuring stakeholder inclusivity, safeguards and SDG impacts as well as overall emissions are reduced. The latter will be certified in a format that can be used to apply the Value Chain Interventions Guidance and be incorporated into GHG Protocol reporting.

The project may also seek to issue carbon credits, subject to meeting further Gold Standard requirements.

**Impact Investment Fund:** A fund is set up to invest in profitable projects that reduce emissions and deliver SDG benefits. The fund invests in projects globally over a period of time. The fund will be certified under **Gold Standard for the Global Goals** for its design and due diligence approach. The individual investments will also be certified (see Appendix A), allowing the fund to report on the impacts of its investments at the fund level.

Individual investments may seek to issue carbon credits, subject to meeting further Gold Standard requirements.

## HOW TO GET INVOLVED

The following provides a brief overview of how different stakeholder groups may participate and provide feedback (note that a public consultation was held on the Value Chain Interventions Guidance during July 2018; further feedback to the Guidance may be submitted but will be treated as an informal submission):

**General Feedback:** [help@goldstandard.org](mailto:help@goldstandard.org)

**Companies/Projects seeking to join the testing phase:** Please review the criteria included in this document and contact:

Value Chain Interventions: [Sandra.genee@goldstandard.org](mailto:Sandra.genee@goldstandard.org)

Impact Investment Funds [Bernardo.lazo@goldstandard.org](mailto:Bernardo.lazo@goldstandard.org)

**Other interested stakeholders (for example civil society, academic, governmental):** please contact [help@goldstandard.org](mailto:help@goldstandard.org)

## 1.0 PURPOSE & OBJECTIVES OF TESTING PHASE

The purpose of testing the two certification pathways is to:

- Promote 'first-user' uptake and demonstrate the feasibility and value of certification
- Publicise success and promote further uptake beyond testing phase, including assessing how to make each work at greater scale
- To test the Guidance and Requirements to improve, refine and redraft them as needed
- To review lessons learned and make further updates to both the Standards Requirements and the certification approach

Projects that participate in the testing phase **will be certified** under Gold Standard for the Global Goals, with monitored parameters defined to be usable in the context of the specific uses proposed and provided that they meet all necessary Requirements. The rationale for this is that the base Standards Requirements and infrastructure are already

in place for each certification pathway and do not require re-approval or further governance review.

As noted above, participants in the Gold Standard Network Platform programme for Value Chain Interventions will have the opportunity to enter the Certification pathway at the end of the capacity building phase (likely in 2019 Quarter 2)

## 2.0 TESTING ELIGIBILITY CRITERIA & TIMELINES

The following table provides an overview of the key criteria for project eligibility for each pathway:

Criteria	Value Chain Intervention Certification	Impact Investment Fund Certification
<b>Must be eligible for <a href="#">GS4GG</a> (see Section 2.0)</b>	Requirement for both – the GS4GG Principles & Requirements, Activity Requirements and Context Requirements shall apply	
<b>Location</b>	Projects can be located anywhere	
<b>Scale</b>	Projects may be of any scale	
<b>Scope/Sector</b>	Agriculture and Agro-Forestry (further scope extension may follow)	Ideally Urban projects and programmes, though scope may include others
<b>Inclusion under other standards</b>	At Gold Standard discretion - although GHG Protocol & Science Based Targets strongly preferred	At Gold Standard discretion
<b>Other</b>	Gold Standard retains right to refuse applicants based on reputational concerns	

In addition to the above the following areas of flexibility will be considered on a per applicant basis:

- Gold Standard for the Global Goals requires that the project start date be no longer than one year prior to submission to Gold Standard for Preliminary Review. Gold Standard acknowledges the pioneering nature of these approaches and that neither has been historically available to applicants. Therefore, Gold Standard is prepared to consider projects up to three years old, with a preference for those

from 0-3 years since start date at the time of application to join testing phase. This flexibility will be limited to projects joining the testing phase.

- Impact Investment Funds only: The nature of fund management means that often the first investment is not made until after the fund has been designed. Hence, Impact Investment Funds will be allowed to undergo Design Certification with the first 'inclusion' investment submitted later. Further, the Fund will not have enough details on geographies (countries) that it will cover at early stage of fund design certification; hence, fund level design consultation is not required.

Both certification pathways allow for developer-led (bottom-up) approaches to impact quantification, as per Gold Standard for the Global Goals. It is expected that further guidance will be developed on the parameters for such approaches. During testing, Gold Standard will work with testing projects to assess the viability of their quantification approaches. The certification output will transparently state the nature of the approach and any assumptions made.

No firm timeline is set for concluding the testing phase. This will depend on when lessons have been suitably captured for the improvement of the Guidance and Requirements. Indicatively, it is expected that testing will begin in October 2018 and run for a period of two years, with subsequent interim reviews and updates. This period may be extended if necessary, at the discretion of Gold Standard.

There are no set number of testing projects. Indicatively, 10-15 Value Chain Interventions and 3-5 Impact Funds are expected. Gold Standard retains the right to seek a lower or higher number of testing projects.

### **3.0 CERTIFICATION APPROACH & GOVERNANCE**

In March 2018, Gold Standard [announced the creation of a new Certification Body, SustainCERT](#). SustainCERT will be responsible for the Validation and Design Certification and the Verification and Performance Certification.

SustainCERT will carry out validation and verification, led by an audit team consisting of qualified and competent members, who will complete the audits including site visits as required. Further, there will be technical review of audit report carried out by SustainCERT's Quality Assurance team before it is signed off by SustainCERT. The projects will then be submitted for the mandatory Gold Standard four-week review where the Gold Standard Technical Advisory Committee and Gold Standard NGO Supporters will have opportunity to comment.

SustainCERT will seek accreditation from an Accreditation Body for the standard relevant to the programme. At the appropriate moment, some or all testing projects will be used as witness audits for this application, subject to timing constraints.

Sample-based validation and verification approaches, befitting the nature of the certification pathways are planned to be used and tested. This will involve the creation of targeted plans that review a sample of projects and requirements to reduce the overall burden, while maintaining the overall rigour of the approach. These plans will be prepared by an audit expert, in line with the accreditation sought by SustainCERT.

The preliminary review for all projects will be carried out by Gold Standard to avoid any potential conflict of interest for SustainCERT.

A specific certification flow has been developed for Impact Investment Funds and is included in Appendix A.

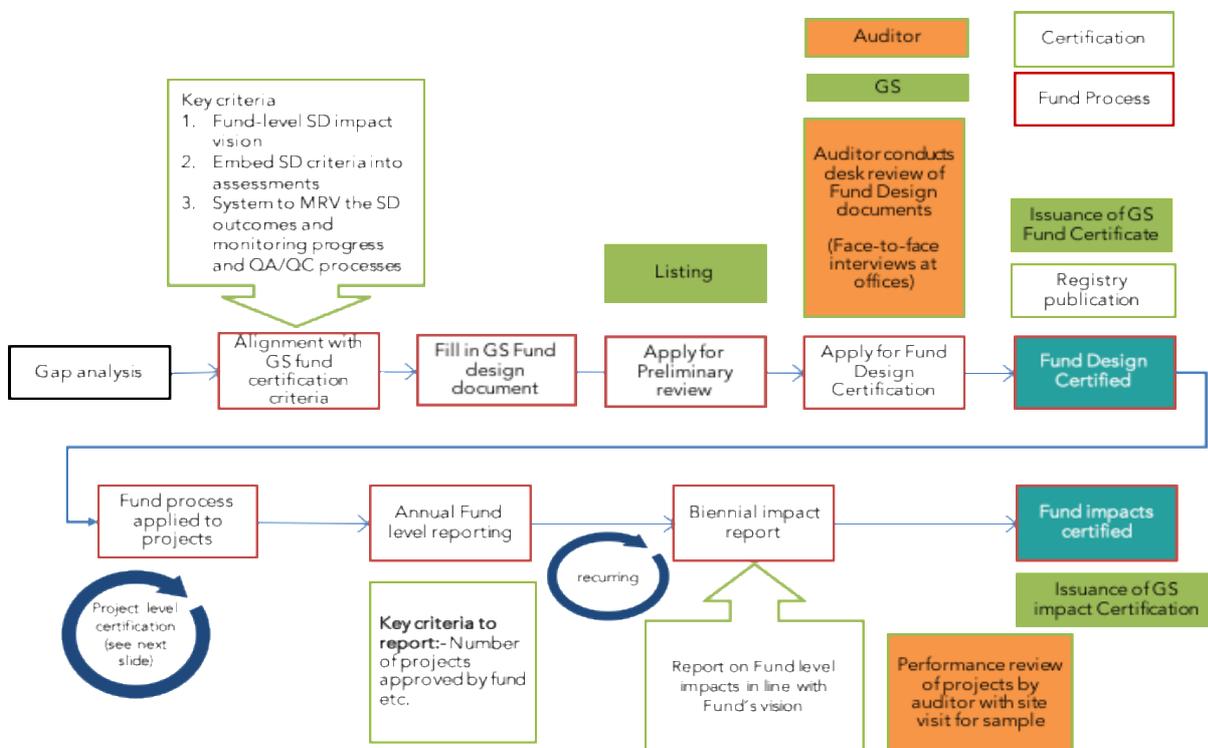
## **4.0 REVIEW AND CAPTURE OF LESSONS LEARNED**

Periodic reviews will be conducted based on the lessons learned from the programmes and to make recommendations for further improvements. An informal review will take place every six months (the first in March 2019) while a more formal review will take place at the end of the envisaged two-year period. This review may recommend the extension of the testing period, ending the testing period, and/or proposing any changes to the guidance and Requirements.

Gold Standard reserves the right to initiate further reviews during the period. Any changes recommended shall follow the [Gold Standard Standards Setting Procedure](#) and will be transparently published to the Gold Standard website.

## APPENDIX A – IMPACT INVESTMENT FUND CERTIFICATION APPROACH

### Steps to Impact Investment Fund Certification



1. **Gap analysis** – The certification process starts with a gap analysis between Gold Standard criteria and the Fund's due diligence criteria related to safeguards and contribution to SDGs.
2. **Alignment with Gold Standard Impact Investment Fund Certification criteria** - Key criteria include:
  - a. **Define a sustainable development impact vision** – This involves outlining the sustainable development impact that the fund seeks to achieve, for example the specific SDGs that are aligned with the fund's vision.
  - b. **Embed sustainable development criteria into project assessments** – Specific criteria related to the fund-level Sustainable Development impact vision and safeguards are formulated to form the basis for individual projects to be included in the fund.
  - c. **Define MRV system** – Define the monitoring, reporting and verification approach, including details of specific parameters to be monitored at project level, monitoring the progress of the outcomes, data and management system at fund level, and the QA/QC processes for collected data.

3. **Fund design details** – Fund completes a template provided by Gold Standard, including, for example, information mentioned in point 2 criteria above).
4. **Application for fund design certification** – Fund submits a formal application for fund-level design certification. Gold Standard reviews documentation submitted and once all comments/queries have been addressed, the fund will be formally 'Listed' on Gold Standard Registry. After Listing, the Fund is submitted to SustainCERT for validation. Once validation is complete and the opinion is positive, SustainCERT recommends the certification of design of the Fund. Gold Standard initiates the four-week TAC/NGO Supporter review process and, if no comments are received, the Fund is certified for its design. Note that at this stage, Fund will be certified only for its design and not its performance. Gold Standard will issue a fund design certificate and make required provisions on its Registry to reflect the documents and information submitted by the Fund.
5. **Application** - Individual projects apply for inclusion in the Fund, similar to the Gold Standard Programme of Activities (PoA) process.
6. **Annual Fund level reporting** – The fund submits a report to Gold Standard every year that contains information on the Fund's status (e.g., number of projects approved and included in the fund), any updates/changes to the MRV process, feedback/grievances received from project stakeholders and how they have been addressed. A template for the annual fund-level reporting, including what information must be given, will be provided in due course. This annual report is reviewed by SustainCERT for completeness. Any major findings in the report may trigger a full verification by SustainCERT.
7. **Outcome/Impact reporting** – The fund must report on its outcomes biennially (once in two years) and have them verified and certified. The fund has the option to pursue more frequent reporting, verification and certification.
  - a. **Outcome/Impact reporting** - Consolidated MRV is submitted biennially with fund-level outcomes/impacts data (aggregation of project level data) for verification audit.
  - b. **Auditing of outcomes/impacts** - SustainCERT performs verification with desk-based review of key issues for all projects and complete verification with site visit for sample projects (the sampling approach is agreed during

Fund Design Certification) ensuring sample is representative of the fund portfolio.

- c. **Verification** - For every biennial verification, a new sample of projects, randomly chosen, should be identified for complete verification audit and site visit. The fund has the option to pursue more frequent reporting, verification and certification of SD outcomes/impacts.
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8. **Certification of fund's impacts** – After reviewing the information provided as part of the impact reporting by the fund, after satisfactorily closing all comments/findings, SustainCERT recommends certification of impacts of the fund for the period requesting certification. Gold Standard initiates the three-week TAC/NGO review process and if no comments are received, fund-level impacts are certified.

