VERIFICATION AND VALIDATION POLICIES AND PROCEDURES

Revision Details

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Revision notes:	Annual review and document register/reference update

1 KEYS

The keys used in the process flow sheets are listed in *Figure 1*.

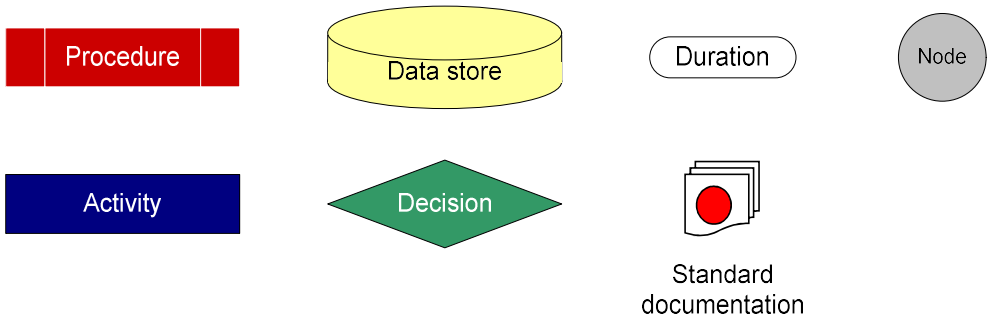

Figure 1: Flow sheet keys

2 VALIDATION AND VERIFICATION POLICY

CoZero shall verify information based on principles encapsulated in the following standards:

- ISO 14064:1-3,
- ISO 14065
- ISO/IEC 17029
- ISO 14065

In instances where the standards and the Verification / Validation Guidelines are not clear, CoZero best practices shall be applied.

All information shall be verified / validated on-site and no report shall be issued without an on-site verification / validation. Analysts shall strictly follow the validation or verification procedures described in 00CZ00-MP-0010 (this document). All information and data shall be dealt with in accordance with the Confidentiality Policy and Procedures (00CZ00-MP-0012). CoZero will ensure

that the data residing on the Network is protected, pertaining to its integrity, confidentiality, data entry and data processing.

The company shall follow the agreed procedure in selecting and appointing the Verification / Validation Team. The duration of the kick-off meeting will be agreed upon with the client before the meeting takes place, as well as who should attend the meeting. A verification / validation plan (see 00CZ00-MS-0002 for template), including sampling plan, will be jointly developed by the Verification Analyst and Verification Manager, and agreed with the client during the kick-off meeting. Once the plan has been developed, the Verification Manager and V/V Director should review whether or not the team has the required competency to perform the verification activities. If not, the team make-up should be changed to ensure that the team collectively possesses the required competency.

3 PROCESS OVERVIEW

An overview of the verification or validation process is shown in *Figure 2*.

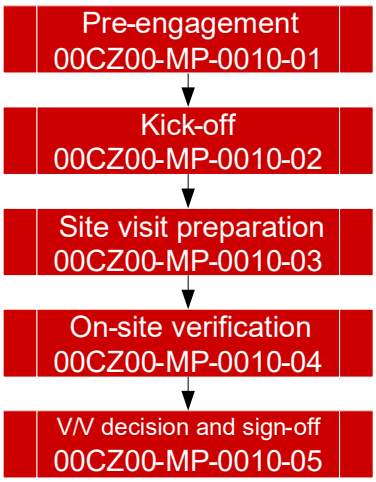

Figure 2: Process overview

4 PRE-ENGAGEMENT (00CZ00-MP-0010-01)

The pre-engagement procedure is shown in *Figure 3*.

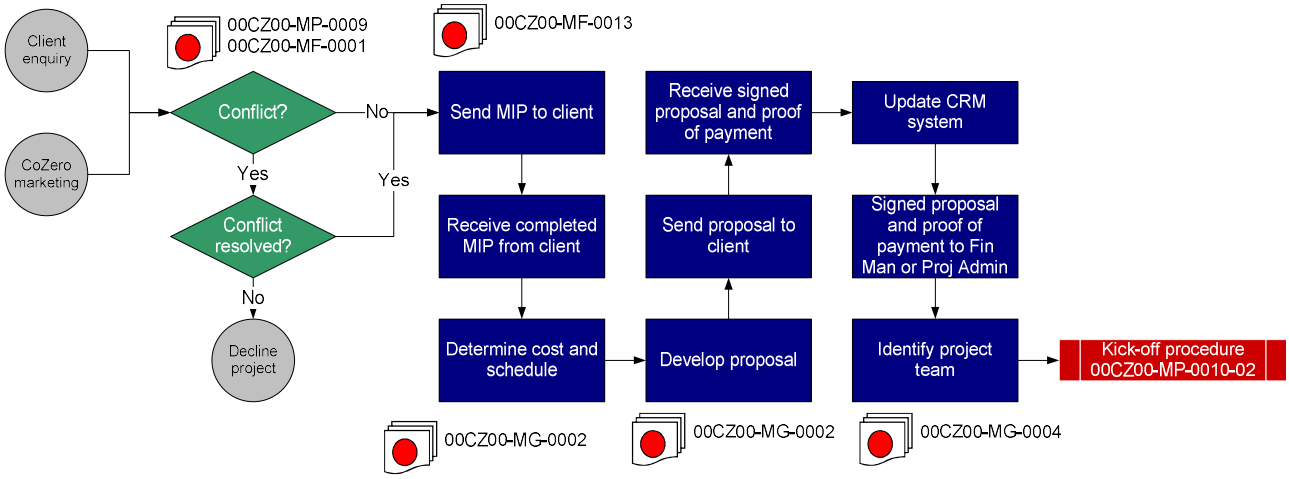

Figure 3: Pre-engagement

The project is initiated by the prospective client making an enquiry, or by CoZero making contact with the company. Before CoZero is able to commit to taking on the project, the Measurement Information Pack (MIP, 00CZ00-MF-0013) is sent to the client to ascertain the following:

- Whether or not there is a conflict of interest (see 00CZ00-MP-0009 Impartiality Policy and Procedures).
- Whether or not CoZero has the required competence to perform the work required, as well as the available resources to do so.
- The amount of work and resources required to complete the project (used to determine cost of project).

Upon receiving a request for quotation from a client, a measurement information pack (MIP) is sent to the client. This needs to be completed before any further work can progress. The MIP contains information relating to the company structure and ownership, GHG reporting schemes, and GHG emission list. In addition, the client needs to provide its GHG assertion, and the calculations on which it is based, to CoZero.

The information collected as part of the MIP is used to confirm the project objectives, criteria and scope, as well as the level of assurance required and materiality of GHG emissions. It is also used to establish whether or not CoZero has the required skills and experience to execute the V/V project, as well as to determine the amount of work, and therefore the cost, of the project.

The project cost and schedule is determined by completing the ‘Pre-engagement’ spreadsheet in the Validation or Verification Workbook (00CZ00-MG-0002). A proposal (00CZ00-MA-0004) is then prepared and sent to the client.

Once all of the information has been received, the CoZero team needs to familiarise itself with the criteria (programme) against which the verification will be conducted, including the applicable definitions. This is used to determine the objectives for the verification.

5 ENGAGEMENT (00CZ00-MP-0010-02)

5.1 Kick-Off Policy

The Validation or Verification Analyst assigned to a particular verification shall, within three (3) days after CoZero having received a signed proposal and proof of payment, contact the measured entity in order to set up a kick-off meeting.

During the kick-off meeting the Validation or Verification Analyst shall present a detailed description of the verification process and explain the Validation or Verification Service Agreement (ref. 00CZ00-MA-0001) to the client and thereby ensure an effective and efficient verification process. The Measured Entity and the Validation or Verification team shall agree on the project objectives, criteria, scope, level of assurance, schedule, validation or verification plan (as per 00CZ00-MS-0002 Validation or Verification Plan), and terms and conditions, and sign the Validation or Verification Service Agreement. The effect that material errors will have on the cost and schedule should also be explained. The client will be responsible for the man-hour costs associated with resampling and recalculations in cases where a material error has been identified.

5.2 Kick-Off Procedure

The kick-off procedure is illustrated in *Figure 4*.

The Verification or Validation Director assigns the project based on continuity, availability/capacity and competence, and then loads the project on the Projects Register (00CZ00-MF-0005). The project administrator then creates a file with the following documents:

- Table of Contents and file sign-off.
- Validation / Verification Service Agreement (VSA) (00CZ00-MA-0001).
- Measurement Information Pack (MIP).
- Signed request for verification/proposal and proof of payment (POP) (sign-off sheet of 00CZ00-MA-0004).

The project administrator will send the Validation / Verification Service Agreement (VSA) and signed request for verification / proposal electronically to the client and the assigned V/V team, and will indicate to them the name of the analyst that will contact the client, as well as the name of the manager in charge of the project. The mail (00CZ00-MG-0005 Rev. 02) includes that background information on the team is available and that appeals regarding team composition and provisional report may be lodged with the V/V Director, who is independent. The mail also emphasizes the client's responsibilities in the VSA. The file is then handed over to the assigned verification analyst.

The Validation / Verification Analyst and the Validation / Verification Manager signs the VSA before going for the kick-off meeting.

If the client is dissatisfied with a team member chosen for the project, and this objection is raised with the Sales Director, the Sales Director should discuss the objection with the client and make every effort to resolve the objection, whether by convincing the client of the team member's suitability, replacing them with another team member, or changing roles of team members, as appropriate.

The Validation / Verification Analyst should phone the client within 48 hours (preferably on the same day) to arrange a date to formally kick-off the project. The kick-off date should be within 3 days of signing, unless the client requests otherwise. The kick-off meeting should include all relevant parties of the measured entity who will be responsible for gathering the information. All meetings should be confirmed via e-mail and/or diarised via MS Outlook.

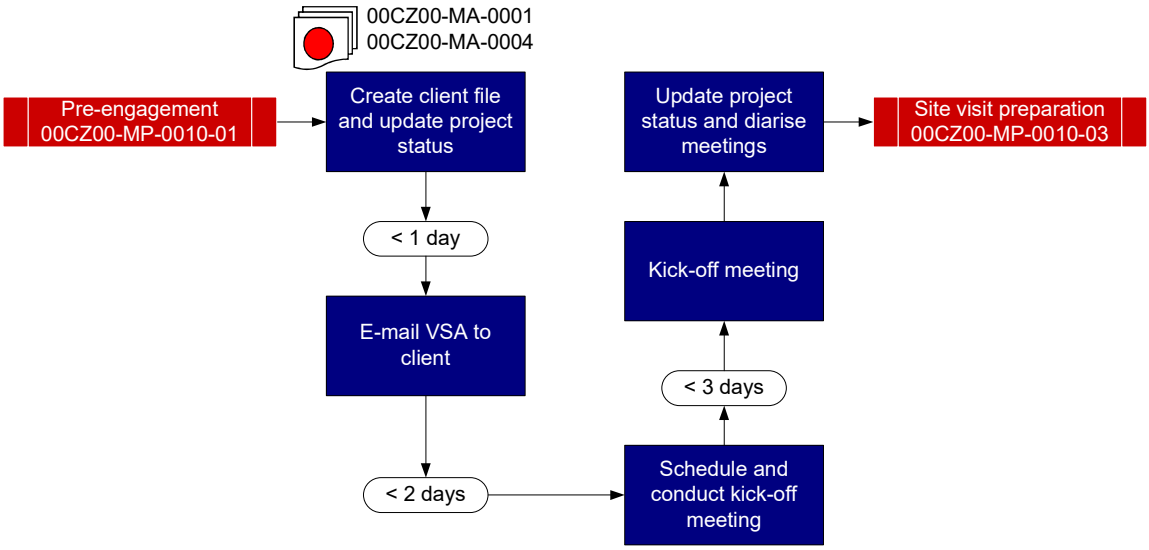

Figure 4: Kick-off

The kick-off meeting should preferably be held on site. However, if the site is more than 50 km from the Johannesburg area, the kick-off meeting may be conducted remotely, using video or telephone conference technology.

The agenda for the kick-off meeting should contain at least the following points:

- Clarification of the GHG Validation / Verification process.
- Clarification of the proposal, including project objectives, criteria, scope and level of assurance.
- Clarification of the contents of the MIP.

- Determine level of data handling, storage and reporting systems and controls. Use sheet 'Systems and controls' in the V/V Workbook (00CZ00-MG-0002). This is then used as the input to the risk assessment, and sampling plan.
- Setting of timelines for completion. The client should be informed that the schedule was developed based on the organisational structure, boundaries, sources, sinks and reservoirs identified during the Pre-Engagement stage. It can therefore be updated following the site visit, if additional information is discovered that increases the complexity of the verification.
- Agree on verification plan and the VSA. The clause regarding the process for Appeals and Complaints shall be emphasised to the client. Signatures by the client, the Validation / Verification Analyst and the Validation / Verification Manager are required to create an enforceable contract.
- List the documents and information that need to be supplied by the client after the kick-off meeting (00CZ00-MF-0017 Kick-off Meeting Outstanding Information Register).
- Discuss the onsite verification audit plan to ensure the client understands what will be expected from them (NEW 00CZ00-MS-0003 Rev. 01 Onsite verification audit plan)
- The Verification Analyst and client will also discuss any previous assessment results and the impact these may have on the new assessment data.
- The GHG programme will also be discussed and any changes or new requirements will be discussed with the client and the impact these changes/requirements will have on the Verification/Validation process.

6 PLANNING (00CZ00-MP-0010-03)

6.1 On-site Verification Preparation Policy

All Analysts shall prepare for the field work before going out to the client for a site visit. The Validation and Verification Analysts shall ensure that all the required information is collected and captured into the system before setting up a site appointment. Any information still outstanding or information that needs to be viewed on-site shall be communicated to the client during preparation.

6.2 On-site Verification Preparation Procedure

The site visit preparation procedure is illustrated in *Figure 5*.

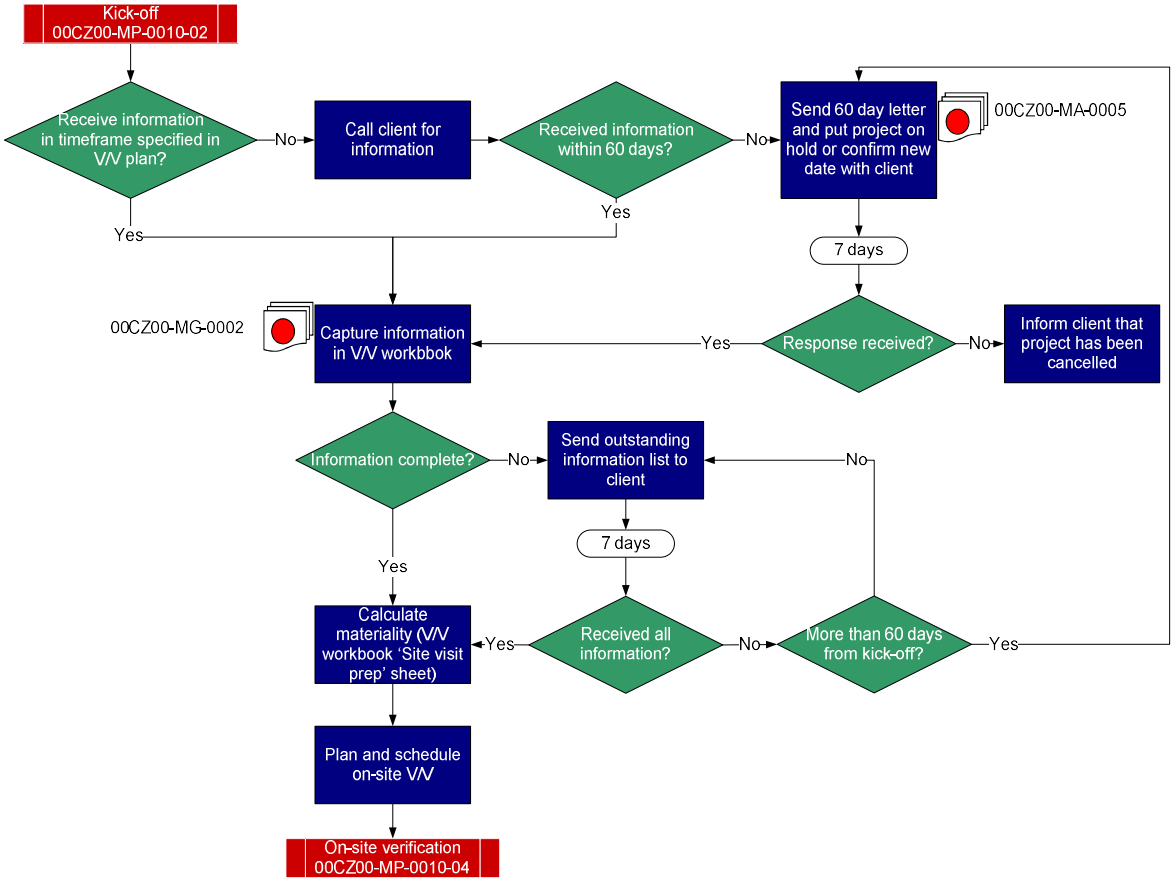

Figure 5: Site visit preparation

Once the Verification / Validation Analyst has received the MIP, including the information identified during the kick-off meeting (00CZ00-MF-0017 Kick-off Meeting Outstanding Information Register), the information will be captured in the Verification / Validation Workbook (00CZ00-MG-0002).

If the outstanding information is not received within the specified timeframe, the analyst will call for the information. Should this process reach 60 days, the 60 day letter (00CZ00-MA-0005) will be sent to the client and the project placed on hold, unless a new date is agreed with the client.

If no new data is received after 7 days of sending the outstanding information letter, the outstanding information e-mail should be resent. Once 60 days have elapsed since the kick-off meeting, the Verification or Validation Committee should make a decision of whether to place the project on hold, or to proceed with the data that has been received.

As part of the preparation for the on-site verification, a strategic analysis is performed.

Once all information has been received, the V/V Analyst can develop the on-site V/V schedule (including formulation of queries and preparation of an on-site sampling plan), and schedule the on-site V/V. The materiality of the emission data is determined by calculating the proportion that each emission source contributes to the total emissions. The sampling plan is based on the information provided by the client in the MIP (00CZ00-MF-0013), as well as the risk assessment in the 'Pre-Engagement' sheet in the V/V Workbook (00CZ00-MG-0002).

When arranging the on-site V/V, the V/V Analyst should send the following information to the client:

- Selection of samples, to ensure that the required information is available when the V/V analyst / team arrives on site.
- On-site schedule.
- List of provisional deliberations and queries

7 EXECUTION: ON-SITE VERIFICATION (00CZ00-MP-0010-04)

The on-site verification procedure is illustrated in *Figure 6*.

Verifications should be done on site at the client's premises.

The validation / verification analyst will set up sessions with each of the relevant parties (Company Secretarial, Finance, Procurement and Operations), based on availability/necessity and the amount of information required from each party. Calculations, workings and analysis must be performed in the CoZero Validation / Verification Workbook (ref. 00CZ00-MG-0002) and the Validation / Verification Analyst and Technical Signatory must record any deliberations on the Deliberation, Conclusion and Performance Management Record ("Deliberation Record") 00CZ00-MF-0007.

Data and information has to be checked for completeness, relevance, accuracy, transparency and consistency. Initial calculations, based on information collected with the MIP, will indicate which data streams have the biggest material impact on the GHG assertion. Particular attention needs to be paid to these streams. Any changes/new requirements to the GHG programme will be verified and reviewed and ascertain how these will affect the Verification/Validation process. The analyst will also review and assess any previous assessment data and how the results will impact the current data.

At the end of the on-site verification visit the analyst will conduct the close-out meeting, using the On-site Close-out-meeting Form (00CZ00-MF-0008). If additional information is to be supplied by the client, 5 working days will be allowed within which the information should be submitted to CoZero.

If any material errors are found between the sample data and the GHG assertion, the client will be informed of this. The client will be given the option of updating their calculations and GHG

assertion, or requesting a resample and recalculation. If resampling is requested, the sample size will be increased and re-evaluated (00CZ00-MP-0015). The cost implication of this will be communicated to the client when the option is presented, as well as their right to appeal.

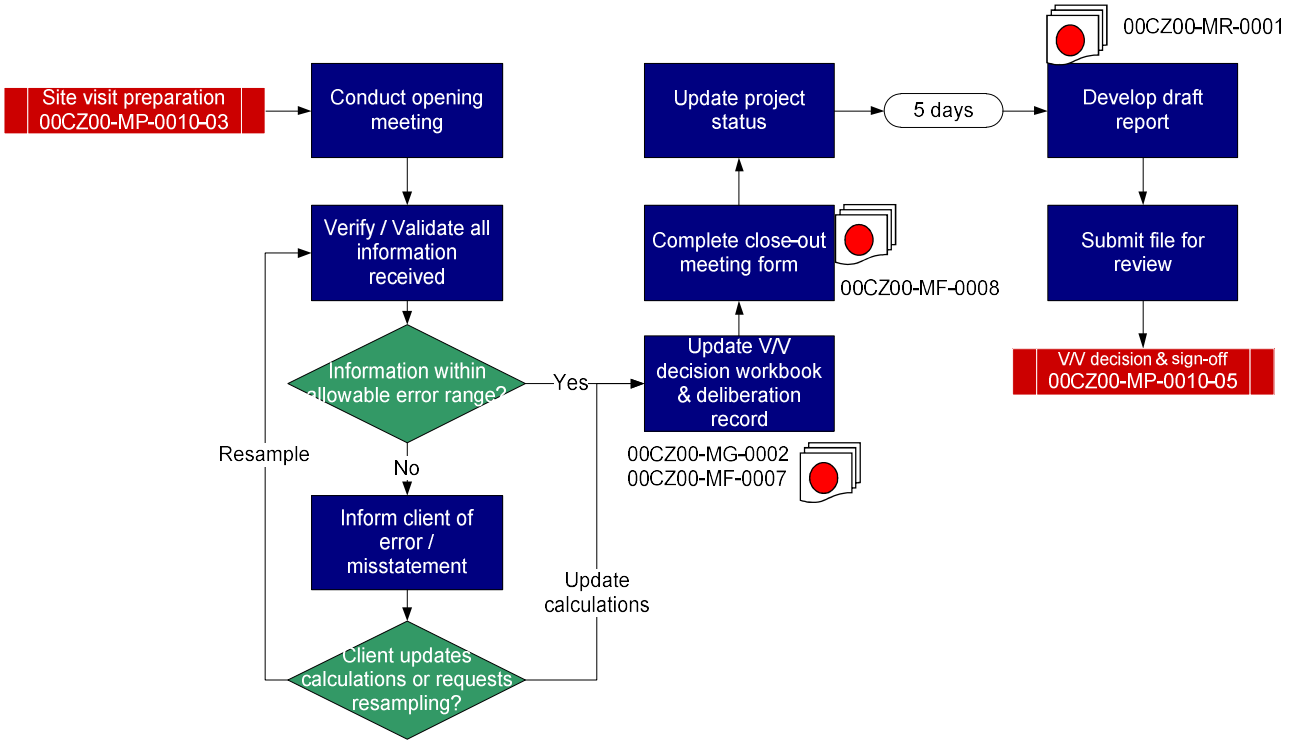

Figure 6: On-site verification

7.1 Systems and Controls Review

Basic information on the system used for collecting, calculating and reporting on the organisation's GHG inventory is collected with the MIP (Section 4) and during the kick-off meeting (Section 5). This is used as an input in the V/V Workbook (00CZ00-MG-0002) to develop the sampling plan. However, the systems and controls also need to be verified during the on-site verification. The following needs to be checked:

- Is a single person or department responsible for collecting, processing and reporting of GHG data? If so, is the person / team qualified to do so and do they have an understanding of the programme requirements?
- Processes for collecting, processing, consolidating and reporting of GHG data. Is the process manual (potential errors), or automatic (such as a weighbridge data being logged in an ERP system automatically).

- Storage of GHG data and information. Is storage centralised, or does data need to be collected from multiple locations (consistency in data capturing and processing). Where is GHG data backed up, and how frequently?

If there is found to be a discrepancy between the systems and controls used on site, and that specified by the client in the MIP and during the kick-off meeting, the risk assessment needs to be updated ('Systems and Control' and 'Risk Assessment' sheets in the V/V workbook), and the sample size revised, if appropriate.

The measured entity needs to demonstrate how all types of data and information are captured (for each of the emission sources) in the system used to collect and report on GHG emissions. Where measurement equipment is used, calibration certificates and / or methodologies need to be provided. This also applies to information collected from external sources.

Where there are requirements specified by the GHG verification criteria, relating to the systems and controls used for the capturing, storing, consolidating and reporting of GHG data, this has to be evaluated during the on-site verification.

8 REVIEW

An independent review shall be completed before the opinion is issued. The independent review may be conducted during the verification/validation process to allow significant issues identified by the independent reviewer to be resolved before the opinion is issued. The independent review results shall be documented. Both the Technical Signatory and Verification Analyst will record any deliberations in the Validation / Verification Workbook (00CZ00-MG-0002) and the Deliberation, Conclusion and Performance Management Record (00CZ00-MF-0007). The objective of recording deliberations is to retain evidence of the thought process applied in reaching conclusions with regard to the verification. If the review is satisfactory, a provisional report will be issued.

An independent reviewer, which can be any qualified person within the organisation, that was not part of the V/V team, conducts an internal project review to confirm that the project has been completed according to the plan and as per the contract. The independent reviewer is typically the V/V Director, Managing Director, or an independent V/V Manager. He/She will confirm that all V/V activities have been completed and that the verification or validation activities provide the required level of assurance agreed to at the beginning of the verification or validation. For the independent review the following has to be done:

The independent reviewer(s) shall evaluate:

the appropriateness of team competencies;

whether the verification/validation has been designed appropriately;

whether all verification/validation activities have been completed;

significant decisions made during the verification/validation;

whether sufficient and appropriate evidence was collected to support the opinion;

whether the evidence collected supports the opinion proposed by the verification/validation team;

the GHG statement and the verification/validation opinion;

The independent reviewer shall communicate with the verification/validation team when the need for clarification arises. The verification/validation team shall address concerns raised by the independent reviewer.

The V/V Plan, Verification Service Agreement and V/V Workbook should be consulted as part of the internal review process, as this document contains information on:

Criteria

Objectives

Scope

Materiality and Level of Assurance

Verification or validation process

Risk assessment

Sampling plan

The internal review should also confirm that changes made to the V/V plan throughout the verification or validation were justified, that conclusions made are substantiated by data and information collected, and recommendations are sensible.

9 VERIFICATION DECISION AND PROJECT SIGN-OFF (00CZ00-MP-0010-05)

The verification decision and project sign-off procedure is illustrated in Figure 7.

The verification statement (00CZ00-MR-0002) should be prepared by CoZero and may not be outsourced. The verification statement should be prepared by the V/V Manager, and checked by the V/V Director or Managing Director. Any qualifications in the verification should be included in the V/V report and an assurance statement (based on the project scope) must be stated on the Verification/Validation Report.

The client will have 5 working days, unless agreed otherwise, to appeal on any interpretational issues or submit additional evidence (refer to the Appeals and Complaints Policy and Procedures, 00CZ00MP-0007). Should there be review queries, the analyst will address these and ensure that the verification file is satisfactory. At the time of issuing the provisional report, the Analyst will confirm the client's account status and send a final invoice. Upon confirmation from / with the client that a final report may be issued or after 5 working days, unless agreed otherwise, from date of provisional report; the V/V Analyst will update the Project Register (00CZ00-MF-0005) with the verification result, completion date and all other relevant fields. The Verification Manager and Analyst will perform a project sign-off.

A project sign-off will be completed (00CZ00-MF-0011), including the "Review, Feedback and Performance Management Notes", and agreed upon by the Analyst and the Verification Manager. The signed Project Sign-off, with the "Review, Feedback and Performance Management Notes" will be submitted to the Financial Manager.

The Financial Manager will review and validate the signed project sign-off document and only then close the project on the Project Register. The "Review, Feedback and Performance Management Notes" are scanned and filed on the server by the Financial and V/V Director for performance management purposes.

The verification statement (00CZ00-MR-0002) may then be issued to the intended user(s). As well as the client reference to verification document (00CZ00-MG-0006) is emailed to the client.

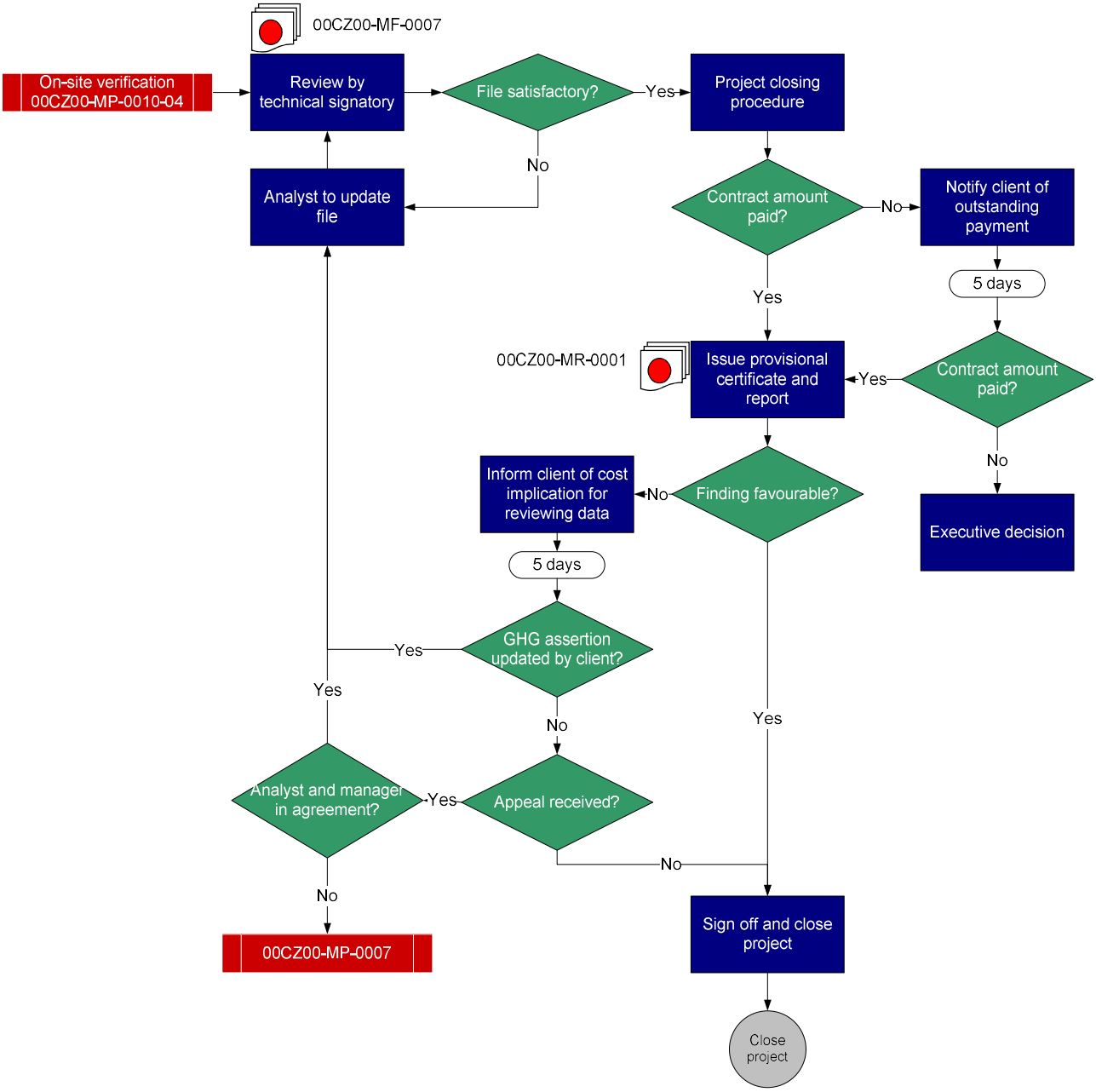

Figure 7: Verification decision and project sign-off

The following opinions are considered when making a statement:

Unmodified opinion

In order to draft an unmodified opinion, CoZero shall ensure:

there is sufficient and appropriate evidence to support the future estimate;

the criteria meet the needs of the intended user;

the criteria are appropriately applied for material emissions, removals or storage.

Modified opinion

In order to draft a modified opinion, CoZero shall ensure that there is no material misstatement at the level of the GHG statement. When there is a departure from the requirements of the criteria or deficiencies in the assumptions used to develop future estimates, CoZero shall decide what type of modification to the validation opinion is appropriate. In addition to materiality, CoZero shall consider:

the degree to which the matter impairs the usefulness of the GHG statement;

the extent to which the effects of the matter on the GHG statement can be determined;

whether the GHG statement is, or could be understood to be, misleading even when read in conjunction with the validator's opinion.

A modified validation opinion, when read in conjunction with the GHG statement, normally will serve adequately to inform the intended user(s) of any deficiencies or possible deficiencies in the GHG statement.

Adverse opinion

In order to draft an adverse opinion, CoZero shall conclude:

there is insufficient or inappropriate evidence to support a modified or unmodified opinion; or

criteria are not appropriately applied for material emissions, removals or storage; or

the effectiveness of controls cannot be determined when the validator intends to rely on those controls.

Disclaiming the issuance of an opinion

In order to disclaim the issuance of an opinion, CoZero shall ensure that he/she has been unable to obtain sufficient appropriate evidence and concludes that the possible effects on the GHG statement of undetected material misstatement(s) are material and pervasive.

10 FACTS DISCOVERED AFTER VERIFICATION OR VALIDATION

If facts that could materially affect the verification or validation outcome, are discovered after the verification or validation, CoZero will follow the process as described below and illustrated in *Figure 8*.

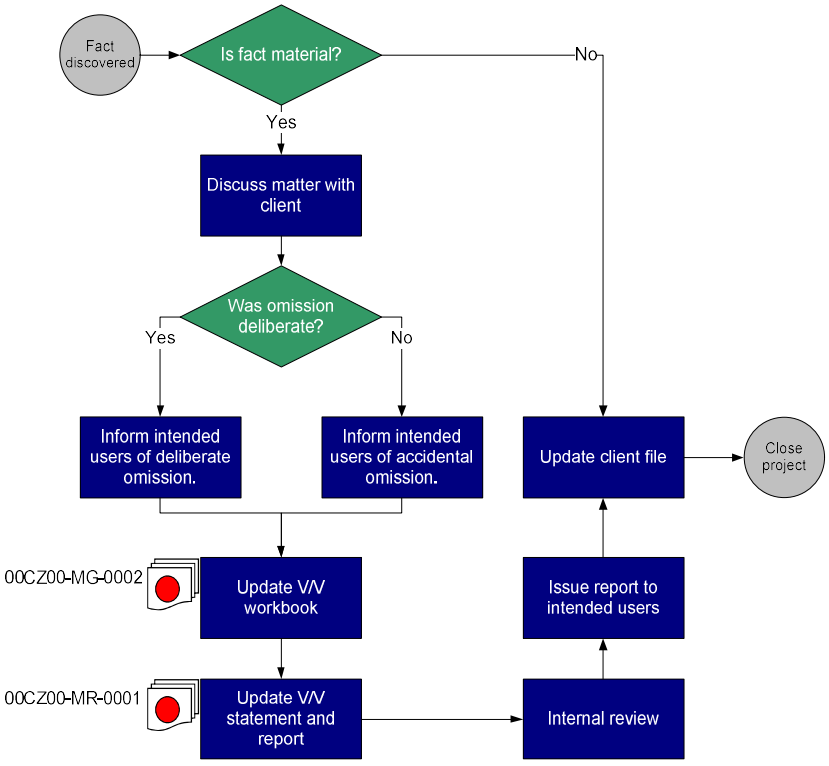

Figure 8: Facts discovered after V/V

The first step is to decide whether or not the new information is material. This is done by adding the new information to the V/V workbook (00CZ00-MG-0002). If the change results in a change that is greater than the allowable error, as determined during the pre-engagement phase, the client needs to be informed of the fact (if the client was unaware of the new information).

Next, it has to be ascertained whether or not the omission was deliberate. This will be case specific and would depend on information such as the source of the new information and how it fits into the initial data received by the client. The intended users need to be informed accordingly. The V/V workbook needs to be updated. If additional sampling is required, this should be arranged and the data confirmed.

If required, the V/V report and statement needs to be updated, reviewed by an independent internal reviewer and issued to the intended user(s). The client file should then be updated.

11 HANDLING OF APPEALS AND COMPLAINTS

See Appeals and Complaints Policy and Procedures 00CZ00-MP-0007.

12 RECORDS

See Control of Records Policy and Procedures 00CZ00-MP-0003.