

CORPORATIVE GOVERNMENT

PROCLIMA®

Ethics and Compliance

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1 Introduction

PROCLIMA is a Colombian company of a commercial nature, governed by the clauses contained in its statutes, in Act 1258 of 2008 and other relevant legal provisions.

The main object of the company is the development and management of carbon standards. In this sense, PROCLIMA supports the promotion of climate change mitigation actions through low carbon growth or ensuring national and international policies related to sustainable development objectives.

Adopting a management system and an appropriate corporate governance model is part of a company's strategic decision. It aims to improve the overall performance and build a solid foundation for business ethics and compliance, always chasing excellence.

Corporate governance guides the policy of the organization. It pays respect for the objectives, transparency, truthfulness, competent, ethical practices, and business behavior in line with the ethical principles that guide the cross-cutting processes towards corporate compliance.

Consequently, everyone who is part of PROCLIMA must carry out their functions within the highest levels of transparency, truthfulness, ethical practices—focusing their business behavior on quality, ethics, integrity, and responsibility, principles that govern the action of the organization.

This document sets the rules, principles, and procedures that regulate the company's structure and operation. It also rules the relationships between management, the Board of Directors, the Technical Committee, shareholders, and other stakeholders and relationships with intended users.

2 Objectives

The objectives of PROCLIMA 's corporate government are as follows:

- (a) to provide the principles and procedures that determine the structure and general operation of the company,
- (b) to regulate the relations between the direction, administrative and technical professionals of the company,

- (c) to guide interactions between stakeholders, as well as relations with intended users,
- (d) to guide decision making related to the strategic direction of the company and its corporate policies,
- (e) outline mechanisms for controlling management performance and monitoring the implementation of strategic plans,
- (f) establish adequate policies and procedures, ensuring that the members of the company comply with the regulatory framework, directly or indirectly related to the objectives of the organization,
- (g) determine the actions that define a business environment capable of demonstrating transparency and trust, guaranteeing credibility and responsibility in the development of its functions,
- (h) to align the company's performance in the search for sustainable growth and its presence in the market in the long term.

3 Principles

According to the Organization for Economic Cooperation and Development - OECD - (2006)¹, *"the objective of corporate governance is to facilitate the creation of an environment of trust, transparency, and accountability necessary to foster long-term investment, financial stability, and business integrity."*

Considering that the OECD's principles of corporate governance provide practical guidance and a reference framework applicable to PROCLIMA's objectives and actions, the company follows the organization's policies. In this sense, the corporate government framework:

- (a) will promote transparency and market equity, as well as the efficient allocation of resources. It shall be consistent with the rule of law and support adequate supervision and enforcement,
- (b) will protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign

¹ OCDE (2016), Principios de Gobierno Corporativo de la OCDE y del G20, Éditions OCDE, Paris. <http://dx.doi.org/10.1787/9789264259171-es>

shareholders. Everyone shall have the possibility of effective redress for violations of their rights,

- (c) will recognize the rights of the actors concerned, as provided for by the legal system or as mutually agreed,
- (d) where the rights of the actors involved are protected by law, they shall have the opportunity to obtain effective redress if they have been vulnerated,
- (e) will ensure the timely and accurate communication of all relevant business issues, including corporate management practices,
- (f) will facilitate the dissemination of information, enabling users to access relevant information in an equal, timely, and efficient manner.

Based on these principles and considering the legal and technical qualities of PROCLIMA, an organizational structure and a management model are defined that will allow the company's performance to be fulfilled with transparency and efficiency.

4 Policy framework

In keeping with the principles defined by the OECD, the legal and regulatory requirements that influence the corporate governance of PROCLIMA practices will be consistent with the rule of law and transparent and enforceable.

The regulatory framework governing corporate management in Colombia consists mainly of the following legal norms:

- (a) Commercial Code² and Law 222 of 1995³

The Commercial Code and Law 222 of 1995 constitute the Colombian legislation on commercial matters. These laws contemplate some corporate governance issues, such as associates' voting rights, treatment of profits as a protection mechanism for partners, how meetings are called, the duties and responsibilities of directors, among other aspects for regulation.

² DECRETO 410 DE 1971 (marzo 27). "Por el cual se expide el Código de Comercio". Diario Oficial No. 33.339 del 16 de junio de 1971

³ "By which Book II of the Commercial Code is amended, a new regime of insolvency proceedings is issued, and other provisions are enacted". Official Gazette No. 42.156 of December 20, 1995

(b) Law 1474 of 2011⁴

The Anti-Corruption Statute, established by Law 1474, *"by which norms are dictated oriented to strengthen the mechanisms of prevention, investigation, and sanction of acts of corruption and the effectiveness of the control of public management,"* dictates norms oriented to strengthen the mechanisms of prevention, investigation, and sanction of acts of corruption and the effectiveness of the control of public management, prescribing administrative, contractual and penal measures for the fight against corruption.

Additionally, it introduces modifications to the fiscal responsibility process, adopting measures to strengthen the budgetary control function exercise.

(c) Law 1778 of 2016

Law 1778 of February 2, 2016, which establishes rules on the liability of legal persons for acts of transnational corruption and other provisions in the fight against corruption, amended articles 1, 2, 7, and 72 of the Anti-Corruption Statute (Law 1474 of 2011).

Specifically, Law 1778 of 2016 modified the inability to contract of those who commit crimes against the public administration, the failure to recruit of those who finance political campaigns, the responsibility of financial auditors, and the additional functions of the Presidential Program for Modernization, Efficiency, Transparency and the Fight against Corruption.

(d) Law 1712 of 2014⁵

This law creates the Law of Transparency and the Right of Access to National Public Information and other provisions.

The purpose of the law is to regulate the right to access public information, the procedures for exercising and guaranteeing the right, and the exceptions to the disclosure of information.

(e) External Bulletin 100-00005 of the Superintendence of Corporations

The bulletin was issued to partners, shareholders, and managers of commercial companies, branches of foreign companies, and sole proprietorships supervised by the

⁴ Diario Oficial No. 48.128, julio 12 de 2011

⁵ Diario Oficial No. 49.084 de 6 de marzo de 2014

Superintendence of Companies and companies obliged to report to the Information and Financial Analysis Unit - UIAF.

Based on the fact that it is necessary to implement a system of self-control and risk management (LA/FT) in the real sector, the Superintendency of Companies presents, in the bulletin, rules, international standards, and guidelines to facilitate the implementation of an LA/FT system.

Thus, it provides that *"companies must carry out an analysis of their exposure to this risk and establish their system of self-control and risk management of LA/FT, according to the characteristics of their business, the goods, and services they offer, their marketing, the geographical areas where they operate, among other aspects that are relevant in the design of the same."*

Concerning the national legislation on transparency and ethics, the company has a Document Management Program that provides the following of the legal rules and regulations that apply specifically to its functions and overall performance. Likewise, it considers the design, development, and implementation of procedures related to control mechanisms to verify adequate compliance with the policy framework.

5 Organizational structure

PROCLIMA has an organizational structure based on its team members' quality and capacity to meet the expectations of both the organization, its clients, and other stakeholders. Counting on the excellence of those who make up the team, the organization's overall performance includes programming, execution, analysis, and evaluation, generating confidence, and seeking continued success.

PROCLIMA 's corporate body is composed of:

5.1 Executive Board

The Executive Board is in charge of the company's strategic orientation and the control of the effectiveness of the governance practices. The Board comprises several directors with the ability to make independent judgments on matters within their competence, where a potential conflict of interest exists. The Executive Board is also responsible for overseeing the information process and communications.

The Executive Board also has the power to propose the creation of specialized committees that support the company's excellent development in the overall performance of its objectives. When committees are proposed and constituted, the Board will clearly define the composition, functions, and procedures related to the development of their tasks.

The Executive Board should support direction, and related committees, in making decisions about the development of carbon standards, the design, and development or approval of new methodologies for quantifying GHG reductions or removals, as well as the system for registering emissions reductions and the procedures for evaluating GHG mitigation initiatives that seek certification under the PROCLIMA Program.

Based on accurate and timely information, the Board of Directors must carry out periodic evaluations, both of their results and the company's performance, and estimate whether the team has the relevant knowledge and skills.

5.2 Direction

The direction manages, administers, and legally represents the company before third parties. It executes the decisions of the Board of Directors. It carries out all the operations included in the corporate purpose, ensuring that it is fulfilled. Consequently, it may enter into or execute all acts or contracts included in the organizational mission or related to the organization's existence and operation.

As a legal representative, the management then has the broadest powers to act in all circumstances on behalf of the company, except for those powers which, according to the articles of association, the shareholders have reserved for themselves. Concerning third parties, the company will be bound by the legal representative's acts and contracts.

It is in charge of hiring the necessary personnel to carry out the Executive Board's positions and resolves everything related to the labor scheme that is incumbent upon it, with the power to delegate functions in this area. He is responsible for entering into contracts and obligations and executing the administrative acts of the company.

Within the framework of its functions, it must ensure that resources are optimized to meet the company's objectives and supervise the performance and report to the Executive Board promptly on the activities, evaluations, and improvement plans related to fulfilling the policies and goals set. Likewise, it must do the due reporting to the company and shareholders.

It is responsible for inter-institutional relations and participating in the collective construction of alternatives that favor GHG mitigation initiatives, promoting the strengthening of the sector and preserving impartiality.

5.3 Technical Committee

The Technical Committee is responsible for providing support in constructing methods, data, and conceptual approaches to ensure the quality of GHG mitigation initiatives and other GHG projects that are certified and registered with the PROCLIMA Program.

From this Committee, interrelations and practices associated with national and international regulations are created, which are essential to address the carbon market's current needs and other stakeholders. In this way, it seeks to have a direct impact on low-carbon growth and sustainable development.

The developments and approaches of this group of experts are based on their own experiences, on the company's needs to maintain the observance of the proposed objectives, and on the expectations of the market agents, which lead to applicable and replicable responses in the short term.

Besides, the Technical Committee provides essential knowledge to determine the rules and procedures governing the PROCLIMA Program. Within this framework of action, this Committee is responsible for:

- (a) provide guidelines for the design and approval of processes related to the certification and registration of GHG mitigation initiatives and other GHG projects,
- (b) support the improvement of the Certification Program (Standard) and the rules and procedures,
- (c) support the technical construction of methodologies for quantification of GHG reductions or removals, in sectors, and for types of projects eligible for the ProClima Certification Program,
- (d) provide support for the generation of technical guidelines related to the company's objective, considering the needs of market agents,
- (e) take decisions on the approval of methodologies formulated by other stakeholders,
- (f) provide the basis for the performance of Validation and Verification Bodies (VVB) through a standardized management system, and ensuring that both the requirements established by PROCLIMA and the rules defined in sectoral, national, or international standards are met,

- (g) evaluate applications from GHG mitigation initiatives and other GHG projects for certification, registration, and issuance of Verified Carbon Credits,
- (h) to periodically review records and transactions and withdrawals of Verified Carbon Credits,
- (i) review, while maintaining impartiality and confidentiality, the Verified Carbon Credit Certification and Withdrawal Statements,
- (j) to contribute all their knowledge and experience in whatever task their support and professional work is required, bearing in mind the company's values.

5.4 Administrative and accounting area

The administrative area supports the fulfillment of the company's objectives, from integral management and adjusted to the Executive Board and the shareholders' vision.

It is in charge of planning and supervision of issues related to financial planning, administrative record-keeping, invoicing, staff relations, and company logistics.

It is also in charge of accounting management and tax management and settlement. Among its functions are keeping a record and control of the documentation related to that purpose, applying everything required by the company in tax matters.

In summary, the administrative and accounting area is responsible for managing the organization's human and financial resources.

5.5 Communications area

The communications area's role is to lead the communications activities of PROCLIMA, both internally and externally. In fulfilling its function, the communications area establishes the content and means of communication, ensuring coherence and consistency with its communication objectives and codes. Likewise, it considers the particularities of the intended users and interested parties.

In this context, the communications area manages the company's image, making it visible, and strengthening communication channels by adequately involving the target audience.

6 Privacy and data protection

Considering that PROCLIMA has a public register⁶ containing information on GHG mitigation initiatives, initiative holders, validation, and verification bodies and, in general, on stakeholders, it is clear that it must comply with the national legislation's provisions governing this matter.

Per, and in the first place, for the handling and administration of data, the principles set out in Law 1266 of 2008⁷ are considered, namely:

- (a) Principle of truthfulness or quality of records or data. The information contained in the databases must be accurate, complete, exact, updated, verifiable, and understandable. The recording and disclosure of partial, incomplete, fractionated, or misleading data is prohibited;
- (b) Principle of finality. The administration of personal data must obey a legitimate purpose following the Constitution and the law. The objective should be informed to the holder of the information prior or concomitantly with the granting of the authorization, when it is necessary or in general whenever the holder requests information about it;
- (c) Principle of restricted movement. The administration of personal data is subject to the limits derived from the nature of the data. The provisions of Law 1266 and the principles of personal data administration shall be applied, especially from the tenets of the temporality of the information to data banking.

Personal data, except for public information, shall not be accessible on the Internet or by other means of dissemination or mass communication, unless access is technically controllable to provide restricted knowledge only to holders or users authorized under this law;

- (d) Principle of the temporality of information. The owner's report may not be provided to users or third parties when it no longer serves the purpose of the database;
- (e) Principle of critical interpretation of constitutional rights. This Act shall be interpreted in such a way that legal reasons such as habeas data, the right to a good name, the right to honor, the right to privacy, and the right to information are adequately protected. The holders' rights shall be interpreted in harmony and

⁶ Public registration on the ProClima website: www.proclima.net.co

⁷ Diario Oficial No. 47.219 de 31 de diciembre de 2008

balance with the information provided for in article 20 of the Constitution and with the other applicable constitutional rights;

- (f) Principle of safety. The information that makes up the individual registers that constitute the data banks referred to in the law, as well as that resulting from the consultations made of it by its users, must be handled with the technical measures that are necessary to guarantee the security of the registers, avoiding their adulteration, loss, consultation or unauthorized use;
- (g) Principle of confidentiality. All-natural or legal persons involved in public personal data administration are obliged at all times to guarantee information's privacy. Even after their relationship with any of the data administration task has ended. They may only provide or communicate data when this corresponds to the development of activities authorized in this law and the terms of the same.

PROCLIMA respects and guarantees the fundamental right to habeas data and the protection of other rights of Registry users, through the use of consultation or complaint procedures, without prejudice to other constitutional and legal mechanisms.

Similarly, PROCLIMA complies with the provisions of the General System for the Protection of Personal Data (Law 1581 of 2012⁸), concerning the provisions of Article 9 (Authorization of the holder), which state: *"Without prejudice to the exceptions provided for by law, the processing requires the prior and informed authorization of the holder, which must be obtained by any means that can be consulted later."*

In this regard, at the time of applying for an account in the registry system, the initiatives holders shall complete and sign an account opening application form which includes general information, information on the authorized person; it also contains the statements on the authority to apply for the opening of an account in the Registry, on behalf of the entity.

Finally, in compliance with the provisions of the Presidency of the Republic of Colombia (Decree 1337 of 2013⁹) regarding *"regulating the authorization of the Data Subject for the Processing of his/her data, the Processing policies of those responsible and in charge, the exercise of the rights of Data Subject, the transfer of personal data and the responsibility shown for the Processing of personal data."* PROCLIMA collects data, limiting itself to those

⁸ The purpose of the Act is "to develop the constitutional right of all persons to know, update and rectify information collected about them in databases or archives, and the other constitutional rights, freedoms and guarantees referred to in article 15 of the Constitution; as well as the right to information enshrined in article 20 of the Constitution". Diario Oficial No. 48.587 de 18 de octubre de 2012.

⁹ Which partially regulates Law 1581 of 2012, partially repealed by Decree 1081 of 2015.

personal data pertinent and adequate for the purpose for which they are collected or required per current regulations.

In the same way, PROCLIMA has defined an information processing policy, within the framework of which the persons responsible for the processing are determined, ensuring that the persons in charge of the processing comply fully.

Among the components of this policy, which constitutes handling the registration and the relationship with the users, the company has a document called Terms & Conditions. PROCLIMA Registration System dictates the terms and conditions of PROCLIMA Registry, operated and administered by PROCLIMA.

In summary, considering the legislation in force and taking into account the fundamental rights of the users foreseen in the registration system, PROCLIMA has established the necessary policies for the handling of personal data and implemented safe and reliable mechanisms for the protection of these, guaranteeing confidentiality and rigor in the treatment of data.

ANNEX A. GLOSSARY OF TERMS

Authorization

It is a prior, express, and informed consent of the owner to carry out the processing of personal data.

Database

It is An organized set of personal data that is subject to processing.

Client

Person or organization that might receive or is receiving a product or service intended for or required by that person or organization.

Conflict of interest

The situation in which, because of other activities or relationships, impartiality in the performance of validation or verification activities is compromised.

Competence

It is the ability to apply knowledge and skills to achieve expected results. Demonstrated competence is sometimes referred to as qualification.

Personal data

It is any piece of information linked to one or more determined or determinable persons or associated with a natural or legal person.

Design and development

Set of processes that transform the requirements for an object into more detailed requirements for that object.

Note 1: The requirements that form the input for design and development are often the result of research and maybe expressed in a broader sense than the elements that form the output for design and development.

Note 2: A qualifier may be applied to indicate design and develop's nature, e. g., design and development of a product, design, and development of a service or design and development of a process.

In charge of the treatment

It is a natural or legal person, public or private, who, by himself or in association with others, carries out the processing of personal data on behalf of the Data Controller.

Strategy

Plan to achieve a long-term or global goal.

Gestion

It means Coordinated activities to direct and control an organization.

Impartiality

It means the presence of real and perceived objectivity and absence of bias.

GHG mitigation initiative

They are programs, projects, actions, or activities developed at national, regional, local, and sectorial level whose purpose is to reduce emissions, avoid emissions, remove and capture GHGs. Initiatives are classified into GHG emission reduction initiatives and GHG removal initiatives. These initiatives may be sectoral or REDD+. For purposes of Resolution 1447/2018, the regional and local levels of implementation shall be understood as the subnational level. These initiatives are developed in the national territory.

Objectivity

Objectivity means that conflicts of interest do not exist or are resolved so that they do not adversely influence the validation or verification body's subsequent activities.

Validation and verification bodies

They are independent entities that carry out validation and verification processes of GHG mitigation initiatives. The VVB is responsible for conducting an objective assessment and issuing a validation or verification statement for the mitigation initiative holder's

information. VVB is accountable for dictating other criteria defined by the GHG Certification Programs or carbon standards and the National Government.

Organization

It is a person or group of people who have their responsibilities, authorities, and relationships to achieve their goals. The organization's concept includes independent workers, company, corporation, firm, company, governance, partnership, association, charity or institution, or a part or combination thereof, whether constituted or not, public or private.

Interested party (Stakeholder)

A person or organization that may be affected or be perceived to be affected by a decision or activity.

Policy

Those are the Intentions and direction of an organization, as formally expressed by its senior management.

Data controller

A natural or legal person, public or private, that by itself or in association with others decides about the database and the data processing.

Holder

It is A natural person whose personal data are subject to processing.

Holder of the information

It is the natural or legal person to whom the information in a data bank refers and subject to the right of habeas data and other rights and guarantees related to this law.

Holder of the initiative

It is the natural or legal person, public or private, responsible for the formulation, implementation, monitoring, and registration of a GHG mitigation initiative.

Treatment

It is any operation or set of processes concerning personal data, such as collection, storage, use, circulation, or deletion.

User

The user is the natural or legal person who, in the terms and circumstances provided by law, can access personal information of one or more holders of the information provided by the operator or by the source, or directly by the owner of the data. As soon as he has access to third parties' personal data, the user is subject to the fulfillment of the duties and responsibilities provided to ensure the protection of the rights of the data subject.

Intended user

Individual or organization identified by GHG reporters as one who uses such information for decision making

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1.0	April 27, 2020	Corporative policy