

A higher standard. A better choice.™



# Equitable Origin Policy on Association

- Policy
  - Procedures
  - Operational Control
- 

OWNER: Chief Executive Officer, Equitable Origin Inc.

SUBJECT: Association

DATE: 24JUN15

EDITION: Final\_X\_Draft\_\_

USAGE: Public\_X\_Internal\_\_

REVISION: 1

## FOREWORD

The mission of Equitable Origin (EO) is to protect people and the environment by ensuring that energy development is conducted under the highest social and environmental standards. Equitable Origin is an independent, stakeholder-negotiated, market-driven certification system that distinguishes and rewards operators for outstanding social, environmental and safety performance.

Equitable Origin's EO100™ Standard and Certification System is designed to promote continuous improvements in environmental, health and safety practices and community relations at energy development projects. For avoidance of doubt, this means that the EO100 Standard is applied to energy production and generation operations at the site level; it is not applied to a corporate entity. Effective adoption of the EO100 Standard at any energy development project is expected to result in positive impacts on participating energy companies, as well as workers, local communities and the environment. We recognize, however, that Operators' independent actions could result in adverse effects on people and nature, and potentially undermine legal and governance frameworks, even at operations where the EO100 Standard has been adopted.

For this Policy on Association, "Association" with EO means a formal relationship between EO and an operator or project developer that is seeking to achieve or has achieved certification to the EO100 Standard. This includes contracts or agreements related to EO's Implementation Support Services and for the issuance of certificates in recognition of achieving EO100 Certification.

Equitable Origin may associate with Operators that are part of or affiliated with a corporate entity that might also control operations that have not adopted the EO100 Standard and which could be responsible for activities that have adverse effects. Association with Operators that are seeking or are already certified to the EO100 Standard, or control operations that are not seeking certification and are not certified to the EO100 Standard, and that are involved in activities that are broadly considered unacceptable, could undermine Equitable Origin's mission.

This Policy governs EO's approach to the management of financial, legal, and reputational risks arising from EO's association with Operators, the actions and activities of which might be considered unacceptable, in contravention of our values or responsible business principles, and which could undermine the mission of Equitable Origin. EO's Policy on Association incorporates both proactive measures to identify and avoid risks, and also how we respond to complaints about alleged unacceptable activities of Operators with which we are associated.

## 1. PURPOSE AND SCOPE

- 1.1. The purpose of this policy is to safeguard EO's credibility and reputation and the integrity of its mission; and to anticipate, avoid or reduce the legal and financial risks from EO's association with Operators, including those seeking or already certified to the EO100™ Standard, and as well as EO's association with entities that control operations that are not currently seeking or certified to EO100 Standard, and that are alleged to be involved in activities considered unacceptable to EO or EO's stakeholders.

- 1.2. This policy applies to Equitable Origin Inc.
- 1.3. Equitable Origin may conduct a due diligence, contract a third party or require EO approved Assessment Bodies to complete a due diligence on any Operator that associates with EO, including Operators applying for certification to the EO100 Standard and any entity with which EO has a commercial advisory or technical assistance contract. EO's requirements for due diligence are documented in EOP-104: EO Due Diligence Procedure.
  - 1.3.1. To avoid any unnecessary costs, Operators and third parties consulting to Operators on EO's certification system and providing implementation support services, are encouraged to review and be familiar with this policy and supporting EO policies and procedures, which are listed in 2.2 Supportive References, before the Operator seeks certification.
  - 1.3.2. Any person may make a formal complaint regarding potentially unacceptable activities or other concerns against an Operator associated with EO in accordance with EOP-203 EO100™ Certification System Comments, Complaints and Appeals.

## 2. REFERENCES

### 2.1. Normative References

- 2.1.1. EO100™ Standard
- 2.1.2. EO100™ Standard Guidance

### 2.2. Supportive References

- 2.2.1. EOP-104: EO Due Diligence Procedure.
- 2.2.2. EOP-105: Trademark Use & Licensing (Certified Operators)
- 2.2.3. EOP-203: EO100™ Certification System Comments, Complaints and Appeals
- 2.2.4. EOP-102: EO100™ Scope & Eligibility
- 2.2.5. EOP-202: Certification Handbook

## 3. TERMS AND DEFINITIONS

- 3.1. "Equitable Origin Board of Directors" (EO BoD) is the Board of Directors of Equitable Origin Inc.
- 3.2. "Association" with EO is formally established through a contractual relationship between EO and operators or project developers of energy projects and facilities.
- 3.3. "Chief Executive Officer" (CEO) is the General Manager of EO Inc, responsible for all aspects of EO's operations, strategic planning and financial management..
- 3.4. "Risk Management Committee" is a senior-level Committee empowered by the EO BoD to develop policies and procedures to manage risks and to make recommendations to the EO BoD, including recommendations to "disassociate". The Risk Management Committee includes a member of the Equitable Origin Board.
- 3.5. "Disassociate" is to separate from association or contract or any other formal relationship with an Operator, and could also imply "de-certification" of EO certified operations.

- 3.6. "Involvement" refers to either direct or indirect involvement.
  - 3.6.1. Direct involvement means a situation in which the associated Operator is first-hand responsible for unacceptable activities.
  - 3.6.2. Indirect involvement means a situation in which the associated Operator is involved with another entity, as a parent or sister company or subsidiary in which it has a controlling interest, which is directly involved in unacceptable activities. Indirect involvement also includes activities performed by subcontractors when acting on behalf of the associated entity.
- 3.7. "Unacceptable activities" are activities of the Operator that EO's BoD regard as not aligned with the spirit of the Principles contained in the EO100 Standard, undermine EO's mission and which present a risk to EO or its affiliates.
- 3.8. A "risk event" is any occurrence or allegation of unacceptable activities involving an Operator with which EO has a formal association and that is brought to the attention of EO by any person.

#### 4. **RISK MANAGEMENT PROCESS**

- 4.1. Before associating with an Operator, EO conducts, commissions a third party or requires an EO approved Assessment Body (AB) to complete a due diligence to identify and evaluate risks to EO's reputation, credibility, legal or financial good standing and risks that could undermine the integrity of EO's mission. If EO commissions a third party or requires an EO approved AB to complete a due diligence, the completed due diligence will be submitted to and reviewed by EO; if deemed necessary, EO might undertake or require further research to complete the due diligence to its satisfaction and in line with EOP-104. Risks revealed by a due diligence might include the Operator's direct or indirect involvement in unacceptable activities. Due diligence, whether completed by EO, a third party contractor or by an EO approved AB will conform to EOP-104: Due Diligence Procedure.
- 4.2. EO's Chief Executive Officer (CEO) is responsible for ensuring the completion of due diligence, and uses his/her discretion to consult with appropriate EO staff, third-party consultants, EO approved ABs, and EO governing bodies as needed.
- 4.3. Due diligence can be triggered by:
  - 4.3.1. An Operator seeking certification to the EO100 Standard and/or to receive EO's implementation support services can contact EO directly through one of its staff or via the EO website, OR
  - 4.3.2. An EO approved AB will notify EO that an Operator has requested certification services, as required by and in conformance with EOP-202: Assessment Body Handbook.
- 4.4. Once triggered, the due diligence will be completed within a reasonable period using the 'EO Non-Financial Risk Due Diligence Pro-Forma' in accordance with EOP-104: EO Due Diligence Procedure.
- 4.5. If EO considers that findings from the due diligence warrant direct discussions with the Operator, EO will seek to engage the Operator as early as possible.
- 4.6. On its completion, the Risk Management Committee (RMC) reviews the findings of the due diligence, along with any other relevant information that might be provided by the Operator. If the RMC considers that the risk of association with the Operator can be managed and raises no objection to EO's association, the process to complete a formal

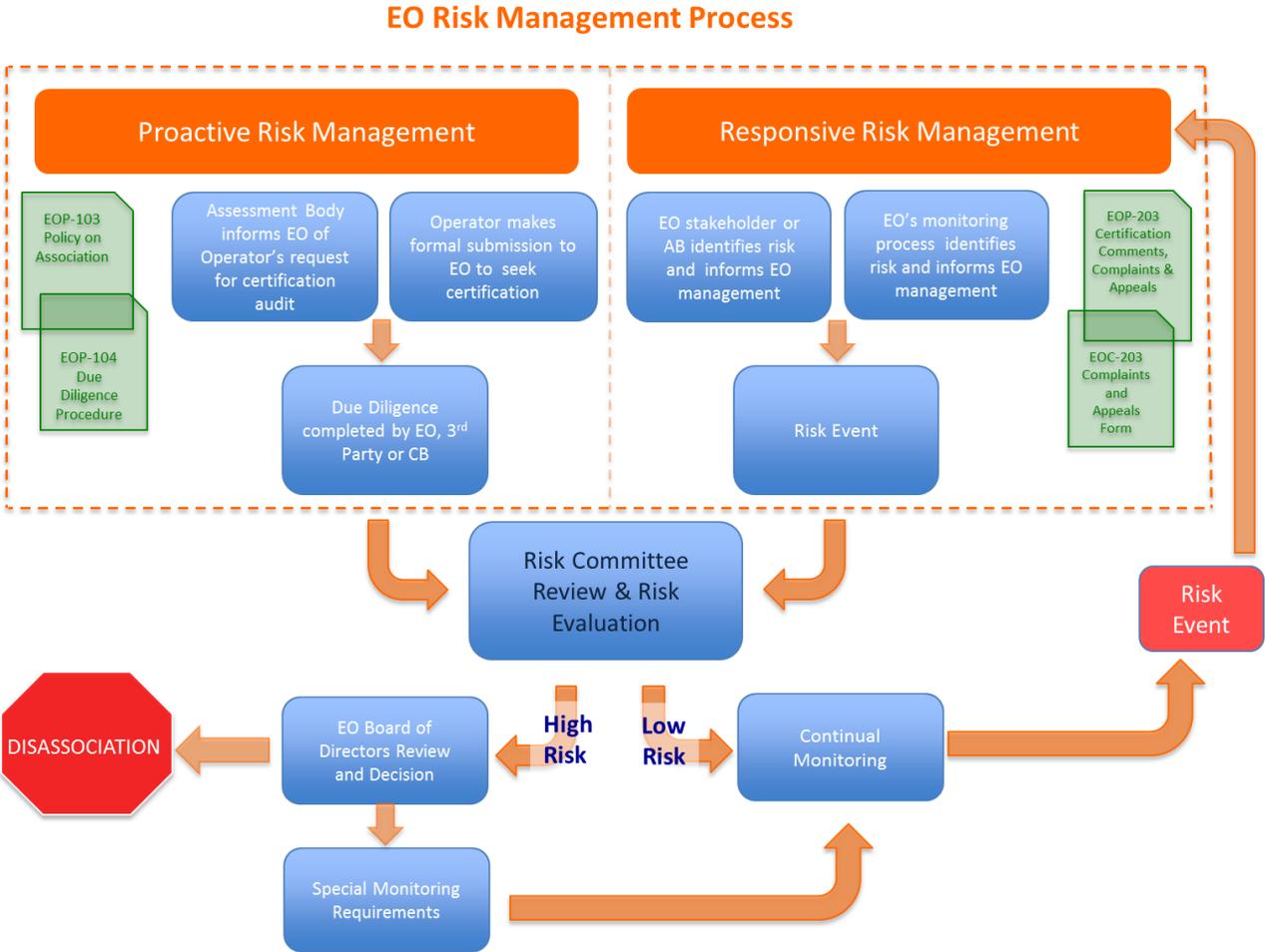
relationship with the Operator will continue uninterrupted. If, however, the RMC is concerned by the findings of the due diligence and considers association with the Operator to be a high risk or difficult to manage due to an alleged or proven involvement in an unacceptable activity, the RMC will bring this to the attention of the EO BoD and may, in extreme cases, recommend to the EO BoD that EO not associate with the Operator. In all cases, the EO BoD will make the final decision not to associate with an Operator. The RMC and the EO BoD will take into account Operator involvement, the type and severity of the impacts of the alleged or proven unacceptable behavior, mitigation measures taken by or planned by the Operator, and representations from interested and affected stakeholders.

- 4.7. The RMC will provide the EO BoD with a summary of due diligence reviews and the decision of the RMC at each EO BoD meeting, including those reviews that did not result in a recommendation to not associate being made to the EO BoD.
  - 4.7.1. In addition to the proactive due diligence and review triggered by an Operator seeking association with EO, EO will monitor for unacceptable activities that could be regarded plausibly as 'risk events'. A 'risk event' of unacceptable activities involving an Operator with which EO has a formal association can be brought to the attention of EO's management by EO staff, by affected stakeholders or through EO's formal grievance mechanism, the process for which is explained in EOP-203: EO100™ Certification System Comments, Complaints and Appeals. The RMC will convene within 15 days of the risk event being brought to EO's attention to review and decide on an appropriate course of action, which will follow the same process as articulated in 4.6 in this Policy.

## 5. **DISASSOCIATION**

- 5.1. If the EO BoD considers an Operator's direct or indirect involvement in an activity to be 'unacceptable', the decision of the EO BoD may be to disassociate or not to associate in the first instance with an Operator. This decision may not be appealed.
- 5.2. Following a decision to disassociate, actions to terminate the contractual relationships with the Operator, including decertification of all sites where the Operator has sites certified to the EO100 Standard, shall be taken within a period of thirty calendar days. Certificate generation shall be suspended immediately and any un-sold EO Certificates associated with the Operators sites would be immediately withdrawn from the EO register and certificate-trading platform.
- 5.3. Together with the decision to disassociate, the EO BoD may specify a timeline and conditions for renewal of the association with EO.

6. RISK MANAGEMENT PROCESS FLOW DIAGRAM



### Revision History

Revision No.	Date	Substantive Revisions	Revision by	Approved by
1	6/24/2015	<ul style="list-style-type: none"><li>• Updated mission statement.</li><li>• Updated reference to EO Inc. and EO Board.</li><li>• Updated CTO to CEO.</li><li>• Updated scope to include energy development projects.</li><li>• Updated reference to “Assessment Body” procedures (previously, “Certification Bodies”).</li></ul>	S. Mills	EO Board (EO-BM02-01JUL15)