

The Higher Ground Foundation Pilot Implementation and Partnerships Phase (“PIPP”)

Statement on Policy and Processes¹

Revised
5 March 2024

*Note: This PIPP Policy Document is subject to modifications in the future;
for the current version please visit our website to download*

Purpose of this Policy and Processes Statement

This document aims to provide an explanation of the Pilot Implementation and Partnerships Phase (PIPP), the various parties involved, their roles, rights and obligations and the processes under which climate Vulnerability Reduction Credits (VRC’s™) are assessed. It will also highlight necessary deviations from the VRC Standard Framework (“the Standard Framework”) and other guidelines during the PIPP, as well as the status and applicability of the outputs of VRC assessment under the PIPP.

This document additionally delineates the legal status of the Higher Ground Foundation (“HGF”); the status of real and intellectual property developed or acquired during the PIPP; and the roles and responsibilities of those representing the HGF during the PIPP.

About the PIPP

After development and expert validation, the HGF released its Standard Framework and launched the PIPP. This phase of development is a “*learning by doing*” period, when pilot projects and correlating methodologies are developed with the direct, “*hands on*” involvement of the HGF, project proponents, other stakeholders and experts. The goal of the PIPP is to prepare all stakeholders, including the HGF, for the formal VRC process.

The objectives of the PIPP include:

- Testing the validity of the VRC Standard Framework. As methodologies, project documents and other activities under the Standard Framework are created or undertaken, the PIPP will identify limitations to the efficacy of the Standard Framework’s thresholds, processes, algorithms, data requirements and other requirements.

¹ For enquiries contact info@thehighergroundfoundation.org

- Creating viable alternatives where necessary to the Standard Framework requirements, so long as these alternatives still meet the principles set out in Section 3 of the Standard Framework.²
- Forming partnerships, data sets, platforms, templates, guidelines, and legal and institutional infrastructure for the more effective and efficient use of the Standard Framework.
- Creating technical and institutional capacities for the effective execution of the Standard Framework, including with vulnerable communities, climate and climate adaptation experts, project developers and proponents, governments, NGOs, funders, business communities, and auditors.

Parties Involved and their Activities During PIPP

The relevant parties are diverse, but may be divided into the following broad groups:

Party	Role	Timeframe
Higher Ground Foundation	Responsible for VRC registration and VRC issuances; for oversight of the Methodologies Experts Panel and the VRC Framework Experts Group; for the accreditation of Auditors. It is active in the oversight of and, as appropriate, in supporting the activities of all stakeholders. Depending on the project funding circumstances, the HGF may ask for a fee to support any or all approvals. The HGF may be involved in all aspects of a project, but it is never a project proponent as defined in the Standard Framework. The HGF may also permit deviations from the Standard Framework as outlined in this document.	Duration of PIPP and subsequently
<u>HGF Functional Bodies:</u>	The bodies immediately below execute particular functions for the Higher Ground Foundation:	
<ul style="list-style-type: none"> • Methodologies Experts Panel 	Provide advice on and corrections to methodological approaches, project types; recommend approval of methodologies. Some experts may have ongoing roles, others having roles for a specific proposed methodology.	Organized prior to a proposed methodology submission, re-organized throughout the PIPP.
<ul style="list-style-type: none"> • Framework Experts Group 	Provide expert advice and suggest amendments to the Standard Framework review in advance of completion of the PIPP.	Period leading to the completion of the PIPP and introduction of a revised Standard Framework for post-PIPP.

² For the latest applicable version of the VRC Standard Framework, go to https://docs.wixstatic.com/ugd/d5a514_3672809d548f457191274a838d5c776e.pdf

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Party	Role	Timeframe
Project proponent	Responsible for project document validation, registration, monitoring reports, verifications and receiving VRC issuances – all these actions refer to the VRC Standard Framework. If it wishes to earn VRC’s post-PIPP, responsible for revalidation of project document based on revised Standard Framework.	Duration of PIPP and subsequently
Community	Must be the ultimate beneficiaries of project activities and be consulted as set out in the Standard Framework.	Duration of PIPP and subsequently
Governments	To be defined on a case by case basis, but at a minimum, governments have a role in permitting projects, linking VRC projects to their Nationally Determined Contributions (NDCs) under the UNFCCC’s Paris Agreement.	Depends on role
Auditors	Confirm VRC accreditation; be part of the auditors’ working group that advises the HGF on accreditation standards; undertake “completeness review” of methodologies and project document validations (separate auditors for each project); undertake monitoring report verifications.	Various discrete points in the project cycle
Project Funders	Provide funds for VRC projects, including support for VRC methodology development, project document creation, monitoring, verification, etc. May choose to sign a VRC purchase agreement or otherwise secure the rights to VRC’s as an indication of a project’s impact.	Duration of PIPP and beyond

Other parties (experts, commercial enterprises, research institutes, etc.) will have important but incidental roles in the PIPP. The HGF reserves the right to disallow any party from being involved in a PIPP activity.

Permitted Deviations from the VRC Standard Framework

The Standard Framework guides all project documents, methodologies, validation, monitoring, reporting and verification, and other activities pertaining to VRC’s. The Standard Framework’s principles (“the Principles”) must be adhered to, although as unintended interpretations of them may become apparent during the PIPP, at the end of the PIPP the Principles may be redefined. Deviations from the Standard Framework may be permitted as outlined in this Statement.

Deviations may be necessary, for some or all of the following reasons:

- Insufficient availability or accuracy of data to meet existing requirements
- Insufficient methodological confidence in project outcomes that may be tested if the project is registered under the PIPP to determine if/how alternative approaches may be applied
- Unworkability of processes and requirements, such as communities consultation or baseline scenario setting
- Uncertainty in the additionality of a project. During PIPP, additionality is a secondary concern as the intention is to test the breadth of approaches to qualifying, quantifying VRC's, and processes in engagement with the various stakeholders
- Lack of accreditation of auditors, if there are no approved accreditation guidelines
- Other reasons may become forthcoming during the PIPP

If the HGF deems a deviation necessary and defensible, it will document the reason for the deviation, indicating how the Principles are still maintained, and outlines the alternative standards that would be applicable. The alternative standards will be integrated into a revised Standard Framework to be presented for Experts Group review prior to the completion of the PIPP.

PIPP Project Ownership

A PIPP project proponent operating under the terms of the PIPP is the designated owner of the project document and HGF will issue a proponent any applicable VRC's under the PIPP. PIPP project proponents are permitted, on a project by project basis, free to transfer both project ownership and VRC's to third parties. Under no circumstance shall HGF be the project proponent.

HGF PIPP Partnerships

The HGF intends to partner with other organizations during PIPP, in order to meet the PIPP's goals. Partners will come from the areas of finance, adaptation project design, climate and adaptation platforms and technologies, government, climate change representative bodies, and from adaptation communities.

PIPP and Full Phase VRC's: status, value, and transfer requirements

VRC's during the PIPP are not designated to have any particular status and there is no promise of a market value, price, or any other value associated with them.

Following the PIPP, projects that took part in the PIPP may, subject to future HGF policies, ownership and status of the HGF:

- Submit a revised project document based on the revised Standard Framework and employing any correlating revised methodology to be approved by the HGF.
- If the project is registered in the post PIPP, it may be issued VRC's.

Projects must comply with local standards, policies, and laws and regulations in the project country.

Methodologies

VRC methodology development under the PIPP will follow the Standard Framework. Methodologies may be developed by any party and may be associated with a PIPP project document. The HGF will, as appropriate, recruit and designate technical experts to a Methodologies Experts Panel to advise the HGF on proposed methodologies. Accredited auditors (if accreditation guidelines have been created) will perform completeness checks to methodologies prior to submission to the Methodologies Experts Panel.

Methodologies may be revised anytime during the PIPP, and it is anticipated that project activities will inform methodology revisions. Revisions to methodologies will follow the same process as the first methodology submissions.

Accreditation of VRC Auditors

The VRC auditors shall be skilled in assessing, validating, and verifying different types of adaptation projects. The auditors shall be accredited in the particular scope of the methodology used during the validation of the project activity. During the PIPP, HGF shall encourage use of qualified local auditors for the validation assessment of the project activities. In absence of local auditors, international auditors shall be used and knowledge transfer to the local auditors shall be imparted by the international auditors.

VRC Uses

While the Standard Framework is a unified collection of standards applied to adaption project assessment, it is also an analytic tool that can be applied in parts to adaptation projects in pilot phases or in the design phase. The HGF may test processes of adaptation projects without application of the full framework for analysis of project strengths and weaknesses.

In such cases, VRC's will not be issued by the HGF. Projects may, however, use the outputs of these processes as a starting point for development of project documents and project methodologies, to form part of the methodologies for approval and project documents for registrations. The HGF may be active in these activities, or the project proponent may undertake these activities independently.

Annex A: Liabilities and Disclaimers

The following liability statements and disclaimers are made by the HGF (via the legal person, Climate Mitigation Works Limited.):

1. Warranties:

1.1. Title of the VRCs: *The HGF provides warranty as to ownership and provides clear legal title to those parties issued VRCs during the PIPP. The HGF does not assure any warranty toward the monetary value of VRCs nor if there is or will be a monetary value at all.*

1.2. Validated/verified/approved: The HGF shall for methodologies or projects under the PIPP, confirm they have been validated, verified and/or approved at the required standards as outlined in the Standard Framework.

2. Liabilities

2.1 Limitation/exclusion of liability: The HGF limits its liability to only direct losses, if any, caused by the VRC process due to gross negligence with no liability whatsoever extended to consequential or indirect losses.

2.2 Validation, Verification, and other services provided by third parties (e.g., auditors) is the liability of the third party.

3. Indemnities

3.1. Indemnities: The HGF and its advisors and corresponding bodies is not responsible for any negligence in the review, registration, and issuance of projects and/or VRCs, nor any advice, written or otherwise, regarding the value, status and obligations of a VRC registered project or VRC, nor in the status of accreditation of an auditor.

4. Events of default:

Partnership with the HGF may be terminated for the following reasons:

- 4.1. Breach of material obligations
- 4.2. Breaches of representations and warranties
- 4.3. Bankruptcy/ Insolvency

5. Force majeure:

Partnership with the HGF may also be terminated for the following reasons:

- 5.1. Failure to perform due to events beyond the control of the party: Acts of god, riots, war, flood earthquake, epidemic, strikes, change in law etc.
- 5.2. Release party from liability of non-performance

Annex B: Higher Ground Foundation Legal Status and Disclosures

The HGF is currently an initiative of Climate Adaptation Works Limited (“CAW”), a private limited company registered in England and Wales. CAW is 100% owned by Karl Schultz, the creator of the VRC concept, co-founder of the HGF, and Executive Chairman of the HGF. All intellectual property and copyright are the exclusive right and under the ownership of CAW unless a named individual is designated with (co-)ownership of any particular item of real or intellectual property.

As such, during the PIPP CAW is the designated representative for the HGF. CAW shall for the PIPP submit proposals, enter into partnership agreements, and otherwise act as the HGF. It may receive funds from third parties as grants, contracts, or fees (for registration, VRC issuance, or otherwise).

It is the intention of CAW to transfer these rights (in whole or part) to another entity, either existing or a special purpose vehicle that would, potentially, be designated as “The Higher Ground Foundation.”

The nature of this entity (e.g., for profit, social enterprise, non-profit, charitable, governmental, other), its jurisdiction, its governing mandate and ownership is not yet defined. The nature of (any) post-transfer relationship between CAW and the potential new entity is not yet defined.

The roles of the HGF founder, Mr. Schultz, the other co-founders (Mr. Roland Mader and Mr. Linus Adler), and the various other team members are not yet defined and may be designated on a “project-by-project” basis during the PIPP.

Any of the co-founders or team members may be involved in project activities, funded by third parties and undertaken through CAW during the PIPP.

Any of the co-founders or team members may additionally be involved in activities (commercial, public pro-bono, or otherwise) that relate to VRC’s. If a co-founder or team member is under contract or employment by CAW on a particular project, however, then he/she must disclose any potential conflicts of interest to CAW’s Managing Director/HGF’s Executive Chairman (currently Karl Schultz). If the disclosure is by Mr. Schultz³, he must disclose to both the other co-founders, Mr. Adler and Mr. Mader, or other persons designated.