

REGULATION FOR CLIMATE CHANGE AUDIT SERVICES WITHIN THE FRAMEWORK OF GREENHOUSE GASES PROGRAMS



This Regulation is part of the contractual requirements entered into between the Organization and ICONTEC.

1. OBJECTIVE AND SCOPE

The current document sets up the regulation that governs the following audit services for climate change within the framework of the greenhouse gases (GHG) programs in which ICONTEC participates. The audit services are presented at next:

- Validation of greenhouse gases project activities (PA) and programme of activities (PoA);
- Verification of greenhouse gases projects or programme of activities;
- Deviations and/or revisions of a registered Project Design Document (PDD);
- Programme of Activities Design Document (PoA-DD) or Monitoring Plan;
- Submission and consideration of a proposed new or revised methodology;
- Post registration change request for Program's approval.
- Renewal of crediting period

The specific requirements of the GHG programs in which ICONTEC participates make essential part of the current regulation.

2. DEFINITIONS

For purposes of this regulation, the definitions established in the Glossary of CDM terms apply, as well as the following:

- 2.1** Audit: general term to reference a validation, verification or any other service mentioned in numeral 1.
- 2.2** Audit Team: A team could be a lead auditor (validator/verifier) or a team conformed by a lead auditor and other auditor(s). Also, one or several technical specialist(s) in the sector can participate if required.
- 2.3** Lead Auditor: person in charge to conduct the service provision, raise findings, constant communication with the Contracting Entity and presentation of preliminary results.
- 2.4** Technical Expert: a qualified person who provides specific technical, methodological and sectoral knowledge and/or expertise in a validation or verification/certification team or a technical review team.

Note: a lead auditor could be also a technical expert.

- 2.5** Technical reviewers: A professional or team conformed by a lead auditor and, if needed, a technical expert qualified in the technical area related to the project. These are in charge of providing the final concept on the audit service of a specific Greenhouse Gases Project or Report. The final concept is based on a technical

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revision of the service and the monitoring of the fulfillment of the related approved procedures.

- 2.6** Observer: Person who accompanies the auditing team but does not audit the PA or PoA.
- 2.7** Certification: writing assurance by the Designated Operational Entity (DOE) that, during a specific time period, a project activity achieved:
- 2.8** The reduction in anthropogenic emissions by sources of greenhouse gases (GHG) as verified, or
- 2.9** The net anthropogenic GHG removals by sinks since the start of the project, as verified.
- 2.10** Source of greenhouse gases: unit or physical process that releases a GHG into the atmosphere.
- 2.11** Program of greenhouse gases: voluntary or compulsory, international, national or local system that registers records or manages emissions, removals, reductions of emissions or increases of GHG removals, outside of the organization or the GHG project.
- 2.12** Project of greenhouse gases: activity or activities that alter the conditions identified in the baseline scenario that cause the reduction of the GHG emissions or increase the GHG removals.
- 2.13** Removal of greenhouse gases: total mass of a GHG removed from the atmosphere within a certain period.
- 2.14** Reduction of greenhouse gases emissions: calculated decrease of GHG emissions between the base line scenario and the project.
- 2.15** Registration: It is the formal acceptance by the specific GHG program of a validated Project Activity.

Note: The registration is prerequisite for the verification, certification and the issuance of the CERs related to the PA or PoA.
- 2.16** Documental review: corroboration to verify that the documentation of the project fulfills the relevant audit requirements.
- 2.17** Forward Action Request (FAR): In the context of validation, it may be raised where certain issues related to project implementation should be reviewed during the first verification. In the context of verification is issued for actions which do not result in material impact on the estimation of emission reductions and applied for situations where the actual project monitoring and reporting requires attention and /or adjustment for the next verification period.

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2.18 Corrective action request (CAR): Non-compliance with project requirements, or the identification of a risk to successful fulfillment of the project's objectives.

A Corrective Action Request is used in the framework of the validation, where:

- Mistakes have been made in assumptions, application of the methodology or the project documentation which will have a direct influence on project results;
- The requirements deemed relevant for validation of a project with certain characteristics have not been met, or
- There is a risk that emission reductions would not be able to be verified and certified.

In verification a CAR will be issued when:

- Nonconformities are found or sufficient evidence has not been provided that the monitoring and reporting have been conducted in accordance with the monitoring plan and the methodology. Mistakes have been made in applying assumptions, data, or calculations of emission reductions, which will impact the estimation of emission reductions.
- Issues identified at validation as a Forward Action Request to be verified at the verification have not been resolved by the project participants

2.19 Clarification request (CR): it is issued where information is insufficient, unclear or not transparent enough to establish whether a requirement is met.

2.20 Note. Other types of clarification applications are presented when the project participants request a revision, deviation or explanation of an approved methodology.

2.21 Sink or reservoir of greenhouse gases: unit or physical process that removes a GHG from the atmosphere.

2.22 Submission and consideration of a proposed new or revised methodology: operation carried out before the Methodology Panel seeking the approval of new methodologies or the modification of those already existent.

2.23 Validation: it is the process of independent assessment of a project activity by the Designated Operational Entity (DOE) against the applicable requirements of the specific GHG program, based on the project design document.

2.24 Verification: the periodic independent review and the ex post determination by the Designated Operational Entity (DOE) during the defined verification period, of:

- monitored reductions in GHG emissions, or
- Net anthropogenic GHG removals by sinks achieved.

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As a result of the registered activity under a GHG Program.

3. DUTIES OF THE CONTRACTING ENTITY

- 3.1 The Contracting Entity must meet the greenhouse gases program frameworks or requirements for which it is requesting an audit service as well as any requirements established by this regulation.
- 3.2 Acting though a project participant, the Contracting Entity must accurately and reliably provide the necessary information required by ICONTEC on the request form related to: scope in terms of the type of PA or PoA; location and address of the permanent sites where activities are conducted; designated national authority (DNA) or other information required in the request form to request an audit service.
- 3.3 Based on this information, and as needed, ICONTEC may request an extension or clarification thereof in order to decide on service times and prepare a service proposal.
- 3.4 An authorized legal representative must sign the contract to indicate acceptance of the proposal and conditions of the service provision described in this regulation.

Note: For CDM projects, a legal representative shall be part of a project participant.

- 3.5 Provide the documented information required by the lead auditor and/or auditing team needed to prepare the audit and the audit plan in the required timeframe prior to each audit, and moreover, to present valid evidence that will demonstrate compliance of the requirements demanded by the greenhouse gases program frameworks.

Note: In no case and under no circumstances is ICONTEC obliged to prove or verify the authenticity of any documentation submitted by the Organization. In keeping with its corporate nature and in virtue of the principle of good faith, ICONTEC receives documents from the Organization with the only objective of comparing them to the provisions of the regulatory document, which is the basis for issuing the certification.

- 3.6 Allow the audit team the access to all processes and departments, as well as documented information and personnel in PA or PoA for which it requests the service provision, and appoint a party responsible for coordinating all the activities with ICONTEC.
- 3.7 Notify the auditing team of the risks it is exposed to, based on the nature of the Organization's, PA or PoA, as well as the procedures the auditing team must conduct at the Organization's facilities in order to prevent any damage to its integrity or that of the persons or teams in the Organization.
- 3.8 Allow audit teams from accreditation bodies to participate as observers in witnessed audits selected by said bodies as part of their accreditation activities.

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- 3.9** Allow all persons in the audit team and observers designated by ICONTEC to participate in audits in accordance with the concepts established in section 2 of this regulation.

Note: During the audit process, members of the accreditation body's evaluating team shall not conduct activities such as: interventions related to the audit process; nonconformity reports; decisions related to audit reports and audit results reports to the Organization.

- 3.10** Allow the participation of ICONTEC auditors and technical experts who are in the process of qualification.
- 3.11** Allow activities to maintain the competence of the ICONTEC auditors. These activities may include: carrying out monitoring or testifying, during on-site audits.
- 3.12** Pay all invoices submitted by ICONTEC to the Contracting Entity for audit services, by the due dates.

ICONTEC may abstain from issuing final documents to the Contracting Entity if the Contracting Entity is not up to date on the payments owed.

ICONTEC reserves the right to increase the costs during the contract's validity period, considering that the initially stipulated amount is based on the rate in effect on the audit date at the contract signing date. Any increase in the certification amount will be reported to the Contracting Entity.

The amount specified in the invoices may increase because of the following:

- a. Due to changes in agreements as initially negotiated in the service contract.
 - b. If there are differences in the information initially submitted to ICONTEC regarding the audit time and the terms of service.
 - c. By a repetition of any part of the audit, or the entire audit, or of the service activities, due to non-compliance by the Organization of any applicable requirements.
- 3.13** Documents provided by ICONTEC shall not be either partially or totally reproduced, neither shall third parties be allowed access thereto other than the competent authorities or according greenhouses gas program regulations.
- 3.14** When CARs, FARs or CRs are found during an audit, the Contracting Entity shall present a new set of documents that resolves the causes of the non-compliance, which shall be delivered to ICONTEC's lead auditor no later than thirty (30) calendar days from the audit closure meeting. In cases when the lead auditor requests adjustments to the documents presented by the Contracting Entity, these shall be reviewed and presented again within thirty (30) calendar days.
- 3.15** If the Contracting Entity does comply with the times set in numeral 3.13, ICONTEC can increase the costs of the audit according to numeral 3.11, presenting a proposal

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in time to the Contracting Entity required to finalize the document review and approval.

- 3.16** When CARs, FARs or CRs are found during the technical review stage, and the Contracting Entity is required to resolve the causes of the non-compliance, the Contracting Entity shall present a new set of documents that resolves the causes of the non-compliance, which shall be delivered to ICONTEC's lead auditor no later than thirty (30) calendar days from the notification of new non-compliance. The lead auditor will revise the Contracting Entity's and ICONTEC'S documents to present them for technical review's approval.
- 3.17** Definite approval of the action plans for findings takes place no later than sixty (60) calendar days from the audit closure meeting or thirty (30) calendar days from the notification of new non-compliance during the technical review stage. If the deadlines described above are not met or an agreement in, ICONTEC shall proceed to send the service documents to the review and decision stage with a negative decision as applicable.
- 3.18** The Contracting Entity must inform ICONTEC once the auditing team is presented in the commercial proposal, if any impediments or inabilities related to the audit team is known. ICONTEC will address the objections that are presented to the members of the audit team, in case one or more of them present a conflict of interest.
- 3.19** The Contracting Entity, and not ICONTEC, is responsible for compliance with the GHG program requirements. A positive outcome from an auditing process does not exempt the Organization and the PA or PoA from its responsibility to comply with the legal requirements in force. A positive outcome from service provision listed in numeral 1 is not a guarantee of compliance with legal or regulatory requirements, or contractual requirements for the PA or PoA in charge of the Contracting Entity.

4. DUTIES OF ICONTEC

- 4.1** To manage in a strictly confidential way all the information and the documents provided by the Contracting Entity regarding the activities developed for the service and to use it only for the purposes related to it. In case the Designated National Authority (DNA) requires this information, ICONTEC will deliver it and will inform in writing to the Contracting Entity and to the project owner. When this application originates from third parties, it is previously requested from the Contracting Entity and from the project owner an authorization in writing to be able to offer this information.
- 4.2** ICONTEC must evaluate the evidence that supports its decision on audit services.
- 4.3** ICONTEC must deliver the reports of the audits carried out, according to the date of completion of each service according to their results and communicate to the representative of the Contracting Entity the decision taken, in relation to the audit services.

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- 4.4 To verify the implementation of the requirements demanded by the methodologies, protocols and procedures of the respective GHG program without exempting the Contracting Entity of its responsibility of completing this requirements and commitments. ICONTEC is only responsible with the Contracting Entity or with third parties up to the extent that the justice or the requirements of the GHG programs set up mandatory responsibility in cases of damage caused deliberately or by negligence. Any additional claims are excluded.
- 4.5 The final report is sent to the Contracting Entity maximum twenty (20) business days after having approved the action plan by the lead auditor to solve the non-compliances, complete the service and approve the audit process to satisfaction.
- 4.6 If non-compliances are detected at the technical review stage that requires intervention from the Contracting Entity, the final report is sent to the Contracting Entity maximum ten (10) business day after having approved the action plan by the lead auditor to solve the non-compliances, complete the service and approve the audit process to satisfaction.
- 4.7 To provide a response when the GHG programs raises concerns in relation to audit services. The response shall be prepared in conjunction with the Contracting Entity.
- 4.8 Conduct actions aimed at preventing and preserving the good name of ICONTEC's audit services and Contracting Entities in charge of PA or PoA.

5. SERVICE STAGES

- 5.1 The language of the documentation generated by the project and for the provision of the service will be the official of the specific GHG program.
- 5.2 For the submission and consideration of a proposed new or revised methodology the current and applicable procedure will be applied to the project type, approved by the GHG Program.
- 5.3 For Validation, Verification, Deviations and/or revisions of a registered Project Design Document (PDD), Programme of Activities (PoA) Design Document or Monitoring Plan, the following activities are part of the service provision:

5.3.1 Service proposal presentation and audit team designation

Once the Contracting Entity delivers the information needed to present a commercial proposal, Icontec will present an approved proposal according to the GHG program criteria and the designated audit team. The team shall be in compliance with the qualification and impartiality criteria defined for service provision.

Once the audit contract has been signed, the Contracting Entity shall proceed according to numeral 3.14. If the audit team is approved, ICONTEC through the lead auditor sets up an audit plan.

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5.3.2 Delivery of PA or PoA documentation and publication of PDD/MR for global stakeholder consultation.

According to the service proposal delivered by ICONTEC and accepted by the Contracting Entity, a set of documents shall be delivered from the Contracting Entity to ICONTEC.

ICONTEC shall upload the required documents for global stakeholder consultation when the GHG Program requires this activity.

According to GHG Program's rules, ICONTEC shall wait the compulsory time before entering in any audit activity.

Note: UNFCCC: Validation requires 30 days for non-afolu projects and 45 days for afolu projects, however, the DOE can proceed with the audit activities. Verification requires 21 days prior to undertake on-site inspection.

Once the global stakeholder consultation is finished, ICONTEC will start the next service activity.

5.3.3 Desk review and definition of an audit plan

The audit team, using the documentation deliver by the Contracting Entity, shall start the review according to the service to be provide and the service proposal. The audit team shall review the set of documents and if needed, should request more documents or clarifications to documents received.

Based in the documentation given by the Contracting Entity and the specific criteria of the GHG program, a documented audit plan is developed, which includes the activities, resources, sampling plan and designated audit team.

The audit plan is communicated to the Contracting Entity and it is reviewed, as necessary, during the audit process.

The audit team and according to GHG program criteria shall define whether the audit shall need an on-site audit or could be undertake as virtual audit.

5.3.4 On site or virtual audit

Once the audit team defines the audit plan and the need to visit the activity or not, the audit team executes the audit plan, principally through interviews the project owner and other relevant stakeholders to assess compliance of the PA or PoA with the GHG program's rules and regulations.

On site or virtual audit also includes supplement documentation provided by the Contracting Entity. The audit team will normally have to identify other sources

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that can provide background information for audit, as well as cross-check of PA or PoA documents with external sources if needed.

5.3.5 Preliminary audit report

The draft audit report includes a general discussion of details captured by the interviews, and clearly states the conclusions relate to each of the general issues required for successful audit. The audit team reports detected non-compliances (CR, CARs or FARs), which are reviewed with the project owner to obtain the recognition that the finding is exact and that CARs, and FARs or CR are understood by the Contracting Entity.

5.3.6 Resolution of nonconformities

After the non-compliances stated in the draft audit report are acknowledged by the Contracting Entity, these will have to be resolved in a timely manner.

Once the action requests have been received, the lead auditor verifies the appropriateness of the action and writes his/her conclusion on the audit report.

5.3.7 Final audit report

The audit report shall reflect the results from the dialogue between the audit team and the owner of the PA or PoA and any adjustments made to the PA or PoA after the draft PDD or PoA-DD was made publicly available to parties, stakeholders and NGOs for stakeholder consultation.

The audit report reflects the responses to nonconformities, discussions and revisions of project documents.

The audit report shall give the final conclusions regarding the project conformance with the relevant requirements of the GHG program for the type of service conducted.

5.3.8 Technical Review Stage and Final audit decision

Once the final audit report is finished, it is submitted to the technical review team assigned for final audits. This technical reviewer has the responsibility of providing the final opinion on the audit and reviewing whether the audit process fulfills the requirements of the specific GHG program. If observations are submitted by the technical reviewer, the lead auditor shall process them with the Contracting Entity.

Once technical review team presents the final opinion, the Technical Director provides a final decision after the review and confirmation of procedure compliance from Chief of Sustainable Development.

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A copy of the final approved report is sent to the Contracting Entity and the GHG program according to rules and regulations of the program.

5.3.9 Request for final decision from the GHG program

Upon successful completion of the audit and in accordance with the specific GHG program, the project registration procedure is carried out.

Most of the GHG programs conduct a review and approval where if possible a request of additional information. When this situation appears, ICONTEC and the Contracting Entity shall process them and present a revised set of documents to the GHG program.

6. Procedure for Reversals and Appeals (Appeals and Disputes)

6.1 The decisions made by ICONTEC regarding audit services are susceptible to the procedure of reversals¹, which must be submitted by the Contracting Entity to ICONTEC. This procedure is carried out according to the procedure established by ICONTEC. This reversal must be presented by the Contracting Entity, with the evidence that sustains it within the five (5) days following the notification receipt of the decision made. If after this time the Contracting Entity does not submit a reversal through written notice, it is understood that the Contracting Entity accepts these decisions without former judicial or extrajudicial claims. ICONTEC will respond to the reversal in a period of no more than thirty (30) days from having received communication of the reversal. While ICONTEC resolves the reversal, the terms are suspended to present the action plan and to resolve the nonconformities, which will continue once the reversal is decided upon.

6.2 The decisions made by ICONTEC regarding the audit services in the reversal procedure are susceptible to appeal² before the appeals committee, whose procedure will be carried out according to the procedure established by ICONTEC. This appeal must be presented by the Contracting Entity with the evidence that sustains it within the five (5) days following receiving notification of the decision that solves the reversal. If after this time the Contracting Entity does not present an appeal, it is understood that the Organization accepts these decisions without former judicial or extrajudicial claims. ICONTEC will respond to the appeal in a period of no more than thirty (30) days from having received communication of the reversal. While ICONTEC resolves the appeal, the terms are suspended to present the action plan and to resolve the nonconformities, which will continue once the reversal is decided upon.

¹ According to Accreditation Standard, appeal is a request made by a client for a formal review of a decision taken by a DOE in respects of its validations and/or verification/certification activities; equivalent as reversals according to Icontec's procedure.

² According to Accreditation Standard, dispute is a disagreement between a DOE and its client regarding the DOE's recommendation and/or opinions/decisions made at various stages in the course of its validation/certification functions; equivalent as appeals according to Icontec's procedure.

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7. Complaints or Claims for ICONTEC's Certification Services.

7.1 If, in the opinion of the Contracting Entity's representatives, there are unsatisfactory aspects with audit services of Climate Change that ICONTEC provides, the Contracting Entity can file the corresponding complaint or claim together with evidence that, in its opinion, supports the dissatisfaction to this e-mail cliente@icontec.org.

7.2 ICONTEC will investigate the complaint or claim according to the established procedures for such events and will formally respond to the Contracting Entity. If the investigation of the complaint or claim implies non-compliance of the requirements established by ICONTEC in its procedures, the corresponding corrections and corrective actions will be established.

8. Declaration of will

8.1 The Contracting Entity freely, voluntarily and spontaneously accepts that it has contracted ICONTEC's services without any type of pressure, constraint, condition or affectation against its will; additionally, it has not received any promise of remuneration, benefit, compensation, reward or preferential treatment in regards to the services procured from ICONTEC, and for that reason unconditionally and irrevocably waives claiming against ICONTEC the recognition of rights of any other compensation outside the provisions of the contracted service, both in and out of court. As such, any provision contrary to that described, even in internal documents of the Contracting Entity, is not opposable nor demandable of ICONTEC, unless prior, express and written authorization is given.

8.2 The Contracting Entity will use the information that ICONTEC submits, including the audit report, according to the policies regarding intellectual and industrial property that ICONTEC has established, which includes the way and form in which audits are developed, the arguments are presented and the relevant information is submitted. In this sense, it is already prohibited and the Contracting Entity accepts that it will not copy or reproduce the audits, conferences or documents owned by ICONTEC in any audiovisual or photostatic way, making clear that any violation to this provision will generate in favor of ICONTEC and against the Contracting Entity in terms of judicial actions and compensation for damages that the law has established.

9. Parameters against money laundering and financing terrorism

9.1 By accepting and contracting the services offered by ICONTEC governed by this regulation, said services will be subject to these provisions that seek to benefit the country by countering the financing of terrorism and money laundering. The simple procuring of the services offered by ICONTEC entails that the procuring party immediately accepts that which is provided in this regulation, in a way in which it cannot claim ignorance or other reasons to abstain from compliance thereof.

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9.2 In consideration of the foregoing, ICONTEC is entitled to suspend or cancel the certificates it has issued at any moment, whenever it is aware that the Organization has been sanctioned or is linked to ongoing investigations by the judicial or competent administrative authorities due to said sanctions.

9.3 Provisions:

- a. The Organization expressly and manifestly states that its funds and resources are legal and legitimate, originating from operations executed in compliance with its business purpose within the legal and regulatory framework of the industrial and commercial activities that it develops. Furthermore, it states that it has verified the legality of the transfer and clearance of its properties or assets, determining that these have not been owned by people linked to crime related to money laundering and financing terrorism.
- b. The Organization expressly declares that it is not being investigated by the Financial Information and Analysis Unit (UIAF, for the Spanish original), or that in case of having been the subject of this investigation, it has been concluded with satisfactory results and no indictment of crime. In the event that there is an ongoing investigation, it must be reported expressly and prior to the provision of the service procured from ICONTEC, presenting all the relevant documentation and information so that it is evaluated by ICONTEC, who will be able to decide if it will execute the contract and provide the service to the Client, at its own discretion and free will.
- c. The Organization accepts that in the event of sustaining commercial operations directly or indirectly in countries considered as tax havens, it will be reported expressly and with anticipation to ICONTEC, punctually declaring of what these operations consist. In this case, ICONTEC will be able to decide if it will execute the contract and provide the service to the Client, at its own discretion and free will.
- d. The Organization expressly authorizes ICONTEC to inform the private and government entities charged to investigate and tackle money laundering and financing terrorism, any facts or circumstances suspected of being related to money laundering or financing terrorism, without violating the right to confidentiality or indemnities or payment for damages in favor of the organization.
- e. The Organization accepts that all the commercial transactions that it enters into with ICONTEC will be carried out using mechanisms of the financial system, and documenting each operation with contracts and receipts.
- f. Abstention by the organization in regards to any of the provisions contained within this chapter will imply that it does not procure the services offered by ICONTEC and it will be accepted as such.

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- g. The Organization states that it has verified the criminal records of all its employees, and therefore certifies that it has not contracted people that are or have been linked to administrative or judicial investigations for being related to money laundering or terrorism financing.
- h. The Organization states that it is clear about the identity of its clients, and in the case of knowing some suspicious operation of one of its clients, it will report it to the UIAF and to ICONTEC immediately. Furthermore, the organization states that it will conserve the record of the operations that it has with its clients.
- i. The organization declares that it has trained or will train its employees on the detection of operations suspected of being linked to money laundering and financing terrorism. Also, the Client states that it will prohibit its employees from informing its clients on the report made to the competent authorities regarding suspicious operations.
- j. The Organization states, accepts and recognizes that it will hold ICONTEC harmless from any investigation and operations regarding money laundering and financing terrorism, so that in the event ICONTEC results linked to one or several such investigations due to facts that are partially or totally the Client's responsibility, the Client will assume the costs and payments of the legal, judicial and technical defense that ICONTEC incurs to protect its interests. In the event that ICONTEC directly assumes its defense, it will be able to restate the corresponding values against the Client.

Approved by the Directive Council

July 18, 2018