



Methodologies Program, v1.0
Process for Reviewing and Registering Methodologies
Tero Carbon Avaliações e Certificações S.A.



METHODOLOGIES PROGRAM
Process for Review and Registration
of Methodologies
Version 1.0

TERO CARBON AVALIAÇÕES E CERTIFICAÇÕES S.A.

Dear proponents,

It is with great enthusiasm that we present the Tero Carbon Methodologies Program, an essential initiative to guarantee the integrity and effectiveness of greenhouse gas (GHG) mitigation projects certified by us. At Tero Carbon, we deeply believe in the importance of "tropicalized" methodologies that faithfully reflect the Brazilian reality.

Our Program aims to review and register methodologies adapted to the particularities of Brazil, with the fundamental collaboration of universities, local teaching, research and development institutes, as well as companies that already operate in this market. These partners are crucial to ensuring that the methodologies are accurate, relevant and effective in the Brazilian context.

The importance of Brazilian methodologies goes beyond simple technical adaptation. It is about recognizing and valuing local knowledge, ensuring that mitigation projects are not only environmentally effective, but also socially fair and economically viable. This approach is vital to democratizing the carbon market, allowing a wider range of projects to participate and benefit from this market.

We are determined to work together with you to present methodologies that not only meet technical criteria, but also promote social and environmental justice. We believe that the integration of local knowledge and adaptation to Brazilian specificities are essential for the success and credibility of the global carbon market.

We count on your collaboration and expertise to move forward together with integrity and excellence. We are available to support and guide in any aspect of the development of methodologies, ensuring that our common objectives are achieved and that Brazil stands out in the global scenario of climate change mitigation.

Brazil, Manaus, August 19, 2024.

Yours sincerely,



Francisco Gasparetto Higuchi, PhD.
CEO, Tero Carbon

IDENTIFICATION

DOCUMENT	Methodologies Program - Process for Review and Registration of Methodologies
VERSION	1.0
SCOPE	Project-based
GOVERNANCE	Steering Committee
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PUBLIC CONSULTATION PERIOD	08/19/2024 to 09/17/2024 (30 days)

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ACRONYMS

ART	Technical Responsibility Note (<i>Anotação de Responsabilidade Técnica</i>)
CRBio	Regional Biology Council (<i>Conselho Regional de Biologia</i>)
CREA	Regional Engineering and Agronomy Council (<i>Conselho Regional de Engenharia e Agronomia</i>)
ER	External Reviewer
GHG	Greenhouse Gas
ME	Ministry of Education
MRV	Measurement, Reporting and Verification
NBS	Nature-Based Solutions
SDG	Sustainable Development Goals
VVB	Validation/ Verification Body

1. Introduction

The Tero Carbon Methodologies Program is a strategic initiative that aims to develop and review methodologies adapted to the Brazilian reality for greenhouse gas (GHG) mitigation projects. We recognize that Brazil's climate, environmental and socioeconomic conditions require specific and "tropicalized" approaches to ensure the effectiveness and relevance of mitigation projects. In this context, collaboration with local research and development institutes, as well as with Brazilian companies operating in the sector, is fundamental to the success of the program.

Tero Carbon, as a national certifier of environmental assets, is committed to promoting the democratization of the voluntary carbon market, ensuring that Brazilian projects, both small and large scale, have equitable access to climate change mitigation opportunities. Our program values a transparent process, with third-party analysis and adherence to the Sustainable Development Goals (SDGs), ensuring that certified projects contribute positively to the environment and society.

2. Purpose

The objective of the Tero Carbon Methodologies Program is to present the review and registration process of methodologies adapted to Brazilian specificities, guaranteeing the environmental and social integrity of GHG mitigation projects. Based on widely accepted principles, our program ensures that assets issued represent reductions or removals of emissions that:

1. They are additional, including the impact of the SDGs;
2. Are based on a realistic and credible baseline, reflecting accurate local conditions;
3. They are quantified, monitored, reported and verified (MRV) in a transparent and accurate manner;
4. They have a clear and transparent chain of custody, guaranteeing the traceability and credibility of credits;
5. They represent permanent reductions in emissions, with guarantees that the reductions are lasting;
6. Assess and mitigate the potential increase in emissions in other locations, avoiding unwanted displacement of emissions;

7. They are counted only once for a mitigation obligation, preventing double counting of credits; and
8. They cause no net harm, ensuring that projects contribute positively to the environment and local communities.

This is a document which presents the rigor of Tero Carbon's procedures for reception, internal and external review, public consultation and publication of methodologies in Tero Carbon.

3. Process Flow (Step by Step)

The validation process (review and registration) of methodologies at Tero Carbon follows a sequential flow of macro-activities, as illustrated in **Figure 1**, with average times indicated for each stage.

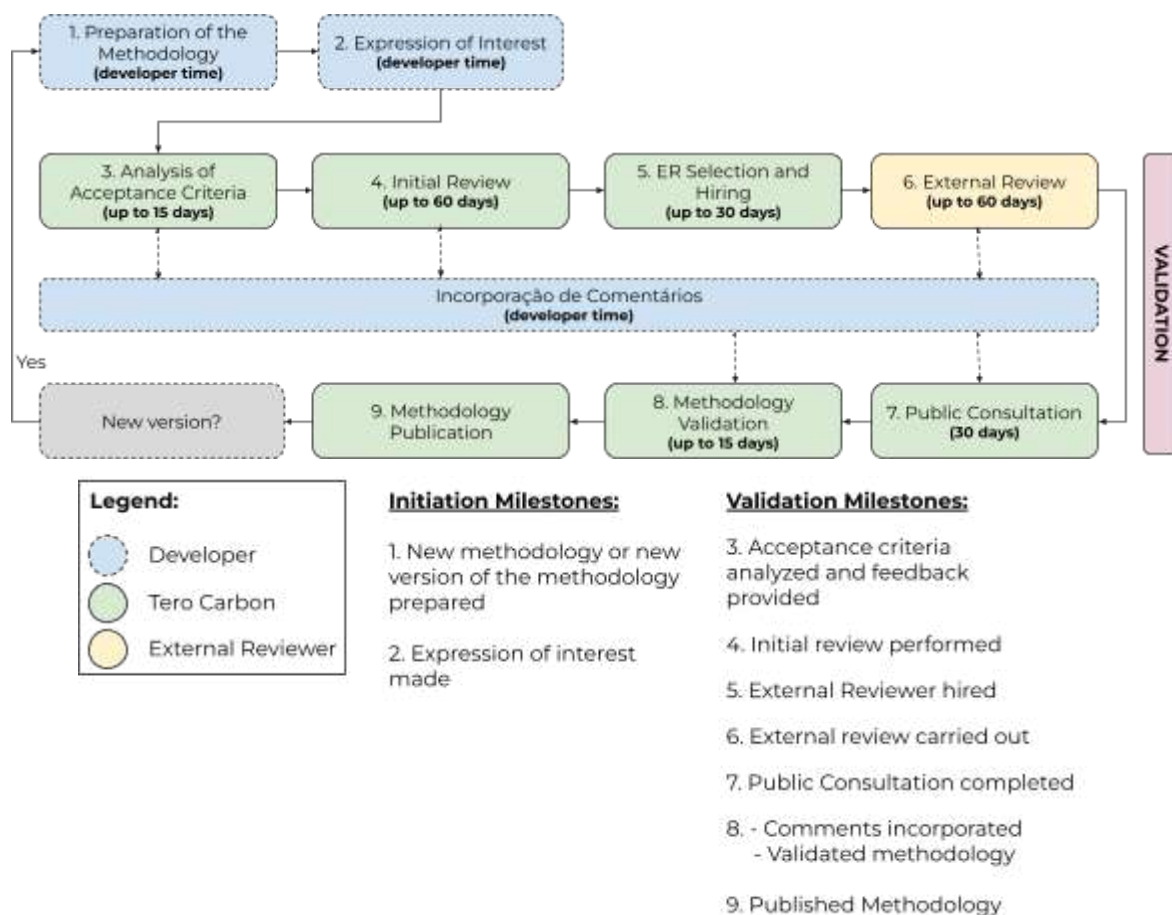


Figure 1: Flowchart of the steps and processes necessary for reviewing and registering methodologies at Tero Carbon.

4. Description of the Initiation Steps

4.1 Preparation of the Methodology

The first stage of the Tero Carbon Methodology Program is the development of a new methodology or a new version of a methodology already published by the same Developer. This phase is the responsibility of the Developer/Author of the Methodology.

Eligible to develop/author methodologies may be:

- Natural Person, individual or collective;
- Legal entity, individual or collective, being:
 - Education, Research, Innovation and Training Institution, accredited or not to the Ministry of Education (ME), Ministry of Science, Technology and Innovation and/or similar;
 - Institution of civil organization; and
 - Private companies.

It is mandatory to appoint a professional as “Technical Responsible”, preferably with technical-scientific training corresponding to the area of concentration of the proposed methodology.

A proposed developed methodology should meet the basic technical-scientific requirements of measurability, reportability and verifiability.

It must be original and not be a copy existing methodologies published by others *Standards*¹.

4.2 Expression of Interest

The second stage of the Methodologies Program is the Expression of Interest. At this stage, the Developer formalizes its interest in submitting a methodology for review and registration with Tero Carbon. This process is essential to ensure that the proposed methodology is considered for evaluation and possible integration into our portfolio of certified methodologies.

¹ Standard or Certifiers are entities similar to Tero Carbon.

4.2.1 Required Documentation

Along with the expression of interest, we expect to receive the following documentation:

- Public: Methodology document (Portuguese and English).
- Private: Detailed additionality thesis.
- Private: Detailed Baseline.
- Private: “Spreadsheet with calculation memory of estimated reduced and/or removed emissions for a pilot project”.
- If applicable, in the case of nature-based solutions (NBS), private: “Spreadsheet with Carbon Stock calculation memory in areas where the allometric equation was developed”.
- Private: “Technical Responsibility Note (ART)²” or equivalent document, issued by the competent body, in which a technical person from the Developer is designated as technically responsible for the methodology.

4.2.2 Supplementary Documentation

It is optional for the Developer to present additional documents (studies, diagnoses, etc.) to be attached and analyzed by the Tero Carbon team and External Reviewer (ER).

5. Description of the Validation Steps

5.1 Analysis of Acceptance Criteria

In the Acceptance Criteria Analysis stage, an initial assessment of the information submitted is carried out to verify whether the methodology is ready to begin the validation process. This analysis is crucial to ensure that the methodology meets basic requirements and complies with international voluntary carbon market practices.

The “METHODODOLOGY ACCEPTANCE CRITERIA ANALYSIS TOOL” presents a set of points to guide the Developer in preparation for the methodology validation phase.

Analysis Objectives:

² In Brazil, they are issued by CREA, CRBio and equivalent component bodies.

1. Compliance Check: Assess whether the methodology meets the methodology acceptance criteria. This includes the uniqueness, structuring and clarity of the wording of the methodology document, compliance of the Developer, among others.
2. Documentation Assessment: Examine submitted documentation, such as the Methodology Document and other supplementary materials submitted, to ensure they are complete and adequate.
3. Identification of Deficiencies: Identify any gaps or deficiencies in the documentation or methodology approach that may impede its acceptance. This may include missing information, inconsistencies or non-compliance with good international market practices.
4. Feedback and Corrections: To supply feedback to the Methodology Developer regarding any adjustments or corrections necessary for the methodology to be ready for validation. This may involve the need for more details, revisions or improvements to documentation.

After Analysis of the Acceptance Criteria, the Developer will receive detailed feedback, containing comments and suggestions for possible adjustments. The methodology will remain at this stage until all adjustments are carefully analyzed and properly incorporated.

5.2 Initial Review

In the Initial Review stage of the methodology, the Tero Carbon team conducts a thorough review of the information provided. In addition to analyzes relating to methodology, the process involves conformity analyzes (compliance) in more depth, bibliographical research to identify the originality of the proposal, analysis of the calculation spreadsheets provided, among others.

After the Initial Review, the Developer will receive additional feedback containing comments and suggestions for possible adjustments. The methodology will remain at this stage until all adjustments are carefully analyzed and properly incorporated.

5.3 ER Selection and Hiring

Hiring an External Reviewer, or validation body (VVB) is an important step in the process of validating methodologies, ensuring an impartial and objective evaluation. The ER serves as a neutral and independent third party, bringing a valuable external perspective to the review process.

Tero Carbon assumes full responsibility for the selection, hiring and payment of the ER, thus guaranteeing the impartiality and integrity of the methodology validation process.

Candidates for External Reviewer (or VVB) for methodologies must meet the minimum criteria for reviewing methodologies, listed in the “VVB SELECTION CRITERIA” document.

5.4 External Review

The External Review stage is carried out by the contracted ER. At the end of this process, the Developer will receive a report, containing comments and suggestions for possible adjustments. The methodology will remain at this stage until all adjustments are carefully analyzed and properly incorporated.

5.5 Public Consultation

Public consultation on a methodology aims to promote transparency, active participation and engagement of interested parties in the development of environmental assets. This process offers the opportunity for civil society, experts and other interested parties to express their opinions, concerns and suggestions related to the methodology in question.

Tero Carbon will develop a webpage dedicated to the Public Consultation of the Methodology, accompanied by a form (online) to collect comments from civil society. This page will be available for access and the form will be open to receive comments throughout the public consultation period.

Tero Carbon will publicize the Public Consultation of the methodology on its communication channels. However, it is the Developer's responsibility to expand this disclosure, seeking to reach potential interested parties and expand its scope.

It is essential that the Developer records³ that the Public Consultation was widely publicized, using its communication channels. The wide dissemination of the Public Consultation aims to guarantee the effective participation of interested parties, thus promoting the transparency and legitimacy of the process.

³ If the Developer does not present robust evidence of disclosure of the Public Consultation, it may be extended for another 30 days, until the Developer demonstrates effective engagement with the Parties Involved.

At the end of the Public Consultation period, the Developer will receive a report with questions and comments from civil society for their consideration.

After receiving the report with contributions from civil society, the Developer will have the opportunity to consider the suggestions and comments received. He may decide to accept the suggestions he deems pertinent and justifiable for improving the methodology, but he may also choose not to accept some suggestions, as long as he transparently justifies the reasons for this decision.

During this process of reviewing and responding to public consultation comments, Tero Carbon will be available to provide guidance and support. It is important to highlight that, depending on the contribution received, Tero Carbon may request that it be met, even if the Developer does not deem it necessary to incorporate it. At the end of the process, the document will be published in the webpage of Public Consultation.

5.6 Validation of the Methodology

After completing the public consultation and analyzing the responses to the comments, as well as incorporating the adjustments accepted by the Developer into the Methodology Document, the process moves to the validation phase.

Final approval for publication, or not, is carried out by the Committee Management, whose responsibility includes the careful analysis of the revised methodology, ensuring that all quality, compliance and effectiveness requirements are fully met before making it available to the public. The incorporated adjustments and comments are analyzed, as well as their possible impacts.

After successful completion of this phase, the methodology is validated and ready to be published.

5.7 Publication of the Methodology

In the Methodology Publication phase, Tero Carbon is committed to ensuring that the revised methodology is widely accessible and adequately disseminated to the market. If the methodology does not already have a dedicated page, we will create a detailed webpage that highlights the essential aspects, objectives and benefits of the updated methodology. For existing methodologies, we will make relevant updates to the existing page to reflect the new version.

Furthermore, Tero Carbon will use its established communication channels to inform the market about the availability of the revised methodology. This includes our digital media, such as the official website, social media and newsletters, ensuring that relevant stakeholders are aware of updates and improvements implemented.

After publication, the methodology is Registered and ready to receive projects, facilitating the practical application of established principles and guidelines. We are committed to ensuring that each step of this process is carried out with transparency and efficiency, providing our customers and partners with the confidence necessary to implement sustainable and effective solutions.

6. Suspension of the Methodology

In cases where irregularities or non-compliances with the established methodology are identified, Tero Carbon will adopt stringent measures to ensure the integrity and credibility of our processes.

The suspension phase of the methodology is initiated to analyze the issues raised and to protect the quality of the services we provide to our clients and partners.

During this period, we conduct a detailed analysis of identified irregularities, collaborating closely with involved parties to understand the underlying causes and develop an effective corrective plan. This plan may include extensive review of methodology, updates to quality control processes, or other actions necessary to mitigate risks and ensure compliance with required standards.

Our commitment to transparency and accountability guides us to promptly communicate any suspension of methodology to relevant stakeholders, ensuring they are informed about the measures taken and next steps planned. Throughout the process, we seek to maintain an open and constructive dialogue, prioritizing mutual trust and commitment to excellence in our services.

6.1 Blocking or Suspension of Assets

In the case of identifying irregularities, it is possible that the assets already generated may also be suspended. This suspension may occur temporarily, with the assets being blocked until the investigations are completed and the

irregularities are clarified. In more severe cases, the assets may be permanently suspended, meaning they can no longer be used or traded in the market.

During this period of asset suspension, transactions related to carbon credits generated by the project are interrupted, and the assets are inaccessible for any type of transfer or use. This measure aims to prevent the circulation of carbon credits that may have been obtained through an inappropriate methodology, ensuring the integrity and reliability of the market.

After the investigations are completed and the irregularities are resolved, the assets can be unlocked and regain their eligibility for market transactions, as long as they are considered valid and comply with the established requirements. However, if irregularities are considered serious enough, assets may remain permanently suspended and, in extreme cases, related projects may be permanently terminated.

7. Fees

Consult the Tero Carbon “FEE SCHEDULE” for information about the tariffs of review of methodologies.

8. Claims

Claims represent an essential channel for participants to express concerns, suggestions and feedback about various aspects of the program. The claim process is designed to be transparent, accessible and responsive to the needs of those involved. When a claim is presented, it undergoes careful evaluation by the Steering Committee, which analyzes its validity and relevance. If an irregularity is identified or a suggested improvement is found to be valid, the Committee will take appropriate action to correct the situation or implement necessary changes. This process demonstrates the Tero Methodologies Program's commitment to ensuring equity, quality and continuous improvement, while promoting an environment where participants' voices are heard and valued.

The claim form (claim) is provided online through Tero Carbon's main communication channels. It can be anonymous and can receive suggestions, reports or complaints.

9. Steering Committee

The Tero Carbon Program Steering Committee plays a key role in ensuring the integrity and effectiveness of the program. Composed of the certification body's administrators and its Advisory Board, the Committee is responsible for analyzing and judging irregularities, claims and requests within the program. Its role ranges from assessing cases of non-compliance to reviewing and approving new initiatives and guidelines. This body is vital for maintaining the highest standards of quality and transparency, ensuring that the Tero Methodology Program meets its objectives in a fair and impartial manner. Additionally, the Committee plays a crucial role in communicating with program participants, ensuring their concerns are heard and addressed appropriately. Their expertise and commitment are essential to the continued success of the program and to strengthening the trust of all stakeholders involved.

10. Program Reviews

Reviews of the Tero Carbon Methodologies Program are a constant activity, where improvements can be identified and proposed periodically. These reviews involve a detailed analysis of all aspects of the program, from its initial objectives to its practical implementation and achieved results. During these processes, those responsible for the program evaluate its performance against international carbon market best practices, identify areas for improvement, and adjust strategies as necessary to ensure the program remains aligned with the expectations of participants and stakeholders. These reviews not only promote the continued excellence of the program, but also ensure its relevance and effectiveness in the dynamic context of the global carbon market, strengthening its credibility and trust among stakeholders.

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11. Version History

VERSION	DATA	NOTES
1.0	08/19/2024	Initial version approved by Management and released for public consultation.