



METHODOLOGIES PROGRAM, V2.0
PROCESS FOR METHODOLOGY REGISTRATION
TERO CARBON AVALIAÇÕES E CERTIFICAÇÕES S.A.



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VERSION 2.0
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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,

A handwritten signature in black ink that reads "Francisco Higuchi". The signature is written in a cursive, flowing style.

Francisco Gasparetto Higuchi, Phd.
CEO, Tero Carbon



IDENTIFICATION

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PROGRAM	All
SECTOR	All
TYPE	All

LIST OF ACRONYMS

ER	External Reviewer
GHG	Greenhouse Gas
MCTI	Ministry of Science, Technology, and Innovation, In Portuguese, <i>Ministério da Ciência, Tecnologia e Inovação</i>
ME	Ministry of Education
MRV	Measurement, Reporting, and Verification
SDG	Sustainable Development Goals
VVB	Validation/Verification Body



LIST OF COMPLEMENTARY PROGRAMS

Certification Program
Assets Program



LIST OF SUPPORTING DOCUMENTS

NAME	PROGRAM
Definitions	All
Methodology Acceptance Criteria Analysis Tool	All
Methodology Structuring Tool	All
VVB Selection Criteria	All
Response to Public Consultation Comments	All
Fee Schedule	All

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1. INTRODUCTION

The Tero Carbon Methodologies Program is a strategic initiative aimed at developing and reviewing methodologies tailored to the Brazilian reality for greenhouse gas (GHG) mitigation projects. We recognize that Brazil's climatic, environmental, and socioeconomic conditions require specific, localized approaches to ensure the effectiveness and relevance of mitigation projects. In this context, collaboration with local research and development institutes, as well as Brazilian companies operating in the sector, is essential for the program's success.

As a Brazilian environmental asset certification body, Tero Carbon is committed to democratizing the voluntary carbon market, ensuring that projects of different scales in Brazil have equitable access to climate change mitigation opportunities. Our program is based on transparency, independent third-party analysis, and alignment with the Sustainable Development Goals (SDGs), ensuring that certified projects generate positive environmental and social impacts.

2. OBJECTIVE

The objective of the Tero Carbon Methodologies Program is to outline the process for reviewing and registering methodologies tailored to Brazilian specificities, ensuring the environmental and social integrity of GHG mitigation projects. Grounded in widely accepted principles, our program ensures that issued credits represent emission reductions/avoidances or removals that:

1. Are additional and generate impacts aligned with the SDGs;
2. Are based on a realistic and credible baseline, accurately reflecting local conditions;
3. Are measured, reported, and verified (MRV) in a transparent and precise manner;
4. Have a transparent chain of custody, ensuring traceability and credit credibility;
5. Represent permanent emission reductions, with guarantees that the reductions are long-lasting;
6. Include measures to evaluate and mitigate risks of emissions displacement to other locations;

7. Are accounted for only once toward a mitigation obligation, preventing double counting of credits; and
8. Do not result in net negative impacts, ensuring that projects contribute positively to the environment and local communities.

This document describes the rigorous procedures established by Tero Carbon for the reception, internal and external review, public consultation, and publication of methodologies within 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 estimated average times for each stage.

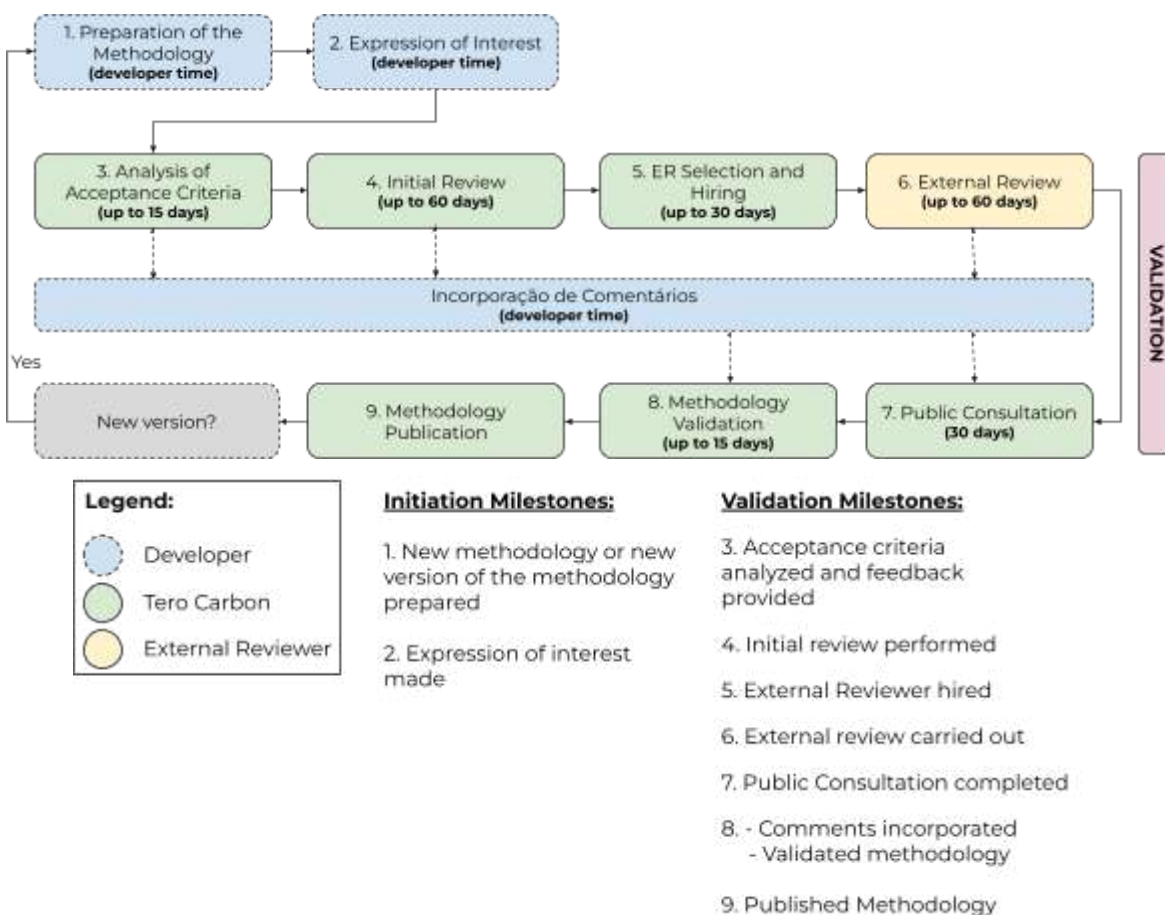


Figure 1: Flowchart of the steps and processes required for the review and registration of methodologies at Tero Carbon..

4. INITIATION STAGES

4.1 Methodology Development

The first step of the Tero Carbon Methodologies Program is the development of a new methodology or a new version of an existing methodology previously published by the same Developer. This phase is the responsibility of the Methodology Developer/Author.

Entities eligible to develop or author methodologies include legal entities (individual or collective), such as:

- Educational, research, innovation, and training institutions, whether accredited or not by the Ministry of Education (ME), the Ministry of Science, Technology, and Innovation (MCTI), or equivalent bodies;
- Civil society organizations; and

It is mandatory to designate a professional as the "Technical Responsible," preferably with a technical-scientific background relevant to the methodology's area of focus.

The developed methodology must meet fundamental technical and scientific requirements, ensuring Measurement, Reporting, and Verification (MRV).

Additionally, it must be original and not constitute a copy of methodologies already existing and published by other Standards¹.

4.2 Expression of Interest

The second step of the Methodologies Program is the Expression of Interest. At this stage, the Developer formally expresses 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 potential integration into the portfolio of certified methodologies.

4.2.1 Required Documentation

Along with the Expression of Interest, the documentation specified in the "**Methodology Acceptance Criteria Analysis Tool**" must be submitted.

¹ Standard or Certifiers are entities similar to Tero Carbon.

4.2.2 Additional Documentation

The Developer may optionally submit additional documents (such as studies, diagnostics, etc.) to be attached and reviewed by the Tero Carbon team and the External Reviewer (ER).

5. VALIDATION STAGES

5.1 Acceptance Criteria Analysis

During the Acceptance Criteria Analysis stage, an initial assessment of the submitted information is conducted to determine whether the methodology is ready to begin the validation process. This analysis is crucial to ensuring that the methodology meets basic requirements and aligns with international best practices in the voluntary carbon market.

The “**Methodology Acceptance Criteria Analysis Tool**” provides a set of guidelines to support the Developer in preparing for the methodology validation phase.

Analysis Objectives:

1. **Compliance Verification:** Assess whether the methodology meets the acceptance criteria, including uniqueness, document structuring according to “**Methodology Structuring Tool**” and clarity, Developer compliance, among others.
2. **Documentation Review:** Examine the submitted documentation, such as the Methodology Document and supplementary materials, to ensure completeness and adequacy.
3. **Identification of Deficiencies:** Identify any gaps or deficiencies in the documentation or methodology approach that may prevent its acceptance, such as missing information, inconsistencies, or non-compliance with international best practices.
4. **Feedback and Corrections:** Provide the Developer with detailed feedback on necessary adjustments or corrections for the methodology to be ready for validation. This may involve adding further details, making revisions, or improving documentation quality.

After the Acceptance Criteria Analysis, the Developer will receive a detailed feedback report containing comments and suggestions for potential

adjustments. The methodology will remain in this stage until all necessary corrections are thoroughly reviewed and properly incorporated.

5.2 Initial Review

During the Initial Review stage, the Tero Carbon team conducts a thorough review of the provided information. In addition to the analysis of the methodology, the process includes more in-depth compliance analysis, bibliographic research to verify the originality of the proposal, analysis of the provided calculation spreadsheets, among other activities.

After the Initial Review, the Developer will receive a new feedback report containing comments and suggestions for potential adjustments. The methodology will remain in this stage until all necessary adjustments are thoroughly reviewed and properly incorporated.

5.3 Selection and Hiring of VVB

The hiring of an External Reviewer (ER), or Validation/Verification Body (VVB), is a critical step in the methodology validation process, 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 takes the responsibility for the selection, hiring, and payment of the ER, thereby ensuring the impartiality and integrity of the methodology validation process.

Candidates for External Reviewer (or VVB) for methodologies must meet the minimum criteria for methodology review, as outlined in the “**VVB Selection Criteria**” document.

5.4 External Review

The External Review stage is carried out by the hired ER. At the end of this process, the Developer will receive a feedback report containing comments and suggestions for potential adjustments. The methodology will remain in this stage until all necessary adjustments are thoroughly reviewed and properly incorporated.

5.5 Public Consultation

The public consultation of a methodology aims to promote transparency, active participation, and engagement of stakeholders in the development of environmental assets. This process provides an opportunity for civil society, experts, and other stakeholders to express their opinions, concerns, and suggestions regarding the methodology in question.

Tero Carbon will create a dedicated web page for the Methodology Public Consultation, along with an online form to collect comments from civil society. This page will be available for access, and the form will remain open to receive comments throughout the consultation period.

Tero Carbon will promote the public consultation of the methodology through its communication channels. However, it is the Developer's responsibility to further amplify this communication, aiming to reach potential stakeholders and expand its scope.

It is essential that the Developer demonstrates that the Public Consultation was widely disseminated using their own communication channels. Broad dissemination of the Public Consultation aims to ensure effective stakeholder participation, thus promoting transparency and legitimacy of the process.

At the end of the Public Consultation period, the Developer will receive a report containing 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. The Developer may decide to accept those suggestions deemed relevant and justifiable for improving the methodology, but may also choose not to incorporate certain suggestions, as long as the reasons for the decision are transparently justified.

The Developer shall use the document “**Response to Public Consultation Comments**” as a reference to prepare a public version addressing the comments made by civil society during the public consultation

During the process of analyzing and responding to the public consultation comments, Tero Carbon will be available to provide guidance and support. It is important to note that, depending on the contributions received, Tero Carbon may request that certain suggestions be addressed, even if the Developer does not deem them necessary to incorporate. At the end of the process, the document will be published on the Public Consultation webpage.

5.6 Methodology Validation

After the completion of the public consultation and the analysis of responses to comments, as well as the incorporation of the adjustments accepted by the Developer into the Methodology Document, the process moves to the validation phase.

The final approval for publication, or rejection, is made by the Steering Committee, which is responsible for conducting a thorough review of the revised methodology, ensuring that all quality, compliance, and effectiveness requirements are fully met before it is made publicly available. The incorporated adjustments and comments, as well as their potential impacts, are assessed.

Upon the successful completion of this phase, the methodology will be validated and ready for publication.

5.7 Methodology Publication

In the Methodology Publication phase, Tero Carbon is committed to ensuring that the revised methodology is widely accessible and appropriately publicized to the market. If the methodology does not yet 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.

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

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

6. METHODOLOGY SUSPENSION

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

The methodology suspension phase is triggered to assess the raised issues and protect the quality of the services we offer to our clients and partners.

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

Our commitment to transparency and accountability guides us to promptly communicate any suspension of methodology to the relevant stakeholders, ensuring they are informed about the measures taken and the next steps planned. Throughout the entire process, we aim 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 event irregularities are identified, the assets already generated may also be suspended. This suspension may be temporary, with the assets being blocked until the investigations are completed and the irregularities clarified. In more severe cases, the assets may be permanently suspended, meaning they can no longer be used or traded in the market.

During the suspension period, transactions related to the carbon credits generated by the project are halted, and the assets become 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.

Once the investigations are concluded and the irregularities are resolved, the assets may be unblocked and regain their eligibility for market transactions, provided they are considered valid and compliant with the established requirements. However, if the irregularities are deemed severe enough, the

assets may remain permanently suspended and, in extreme cases, the related projects may be permanently closed.

7. FEES

Please refer to the Tero Carbon “**Fee Schedule**” for information on the costs of methodology review.

8. CLAIMS

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

The claim form is available online through Tero Carbon's main communication channels. It can be submitted anonymously and may include suggestions, complaints, or reports.

9. STEERING COMMITTEE

The Steering Committee of Tero Carbon's programs plays a key role in ensuring the integrity and effectiveness of the program. Composed of the certifier's administrators and its Advisory Board, the Committee is responsible for reviewing and adjudicating irregularities, claims, and requests within the program. Its duties range from assessing non-compliance cases 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 fairly and impartially. Additionally, the Committee plays a crucial role in communication with program

participants, ensuring that their concerns are heard and addressed appropriately. Its expertise and commitment are essential to the ongoing success of the program and to strengthening the trust of all involved stakeholders.

10. PROGRAM REVISIONS

Reviews of the Tero Carbon Methodologies Program are an ongoing 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 assess its performance against the best practices of the international carbon market, identify areas for improvement, and adjust strategies as needed to ensure the program remains aligned with the expectations of participants and stakeholders. These reviews not only promote the program's continuous excellence but also ensure its relevance and effectiveness in the dynamic context of the global carbon market, strengthening its credibility and trust among those involved.

Support:

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VERSION HISTORY

VERSION	DATE	NOTES
2.0	04/01/2025	Layout update and text adjustments to align with the new documentation standard.
1.0	08/19/2024	Initial version approved by the Management and released for public consultation.