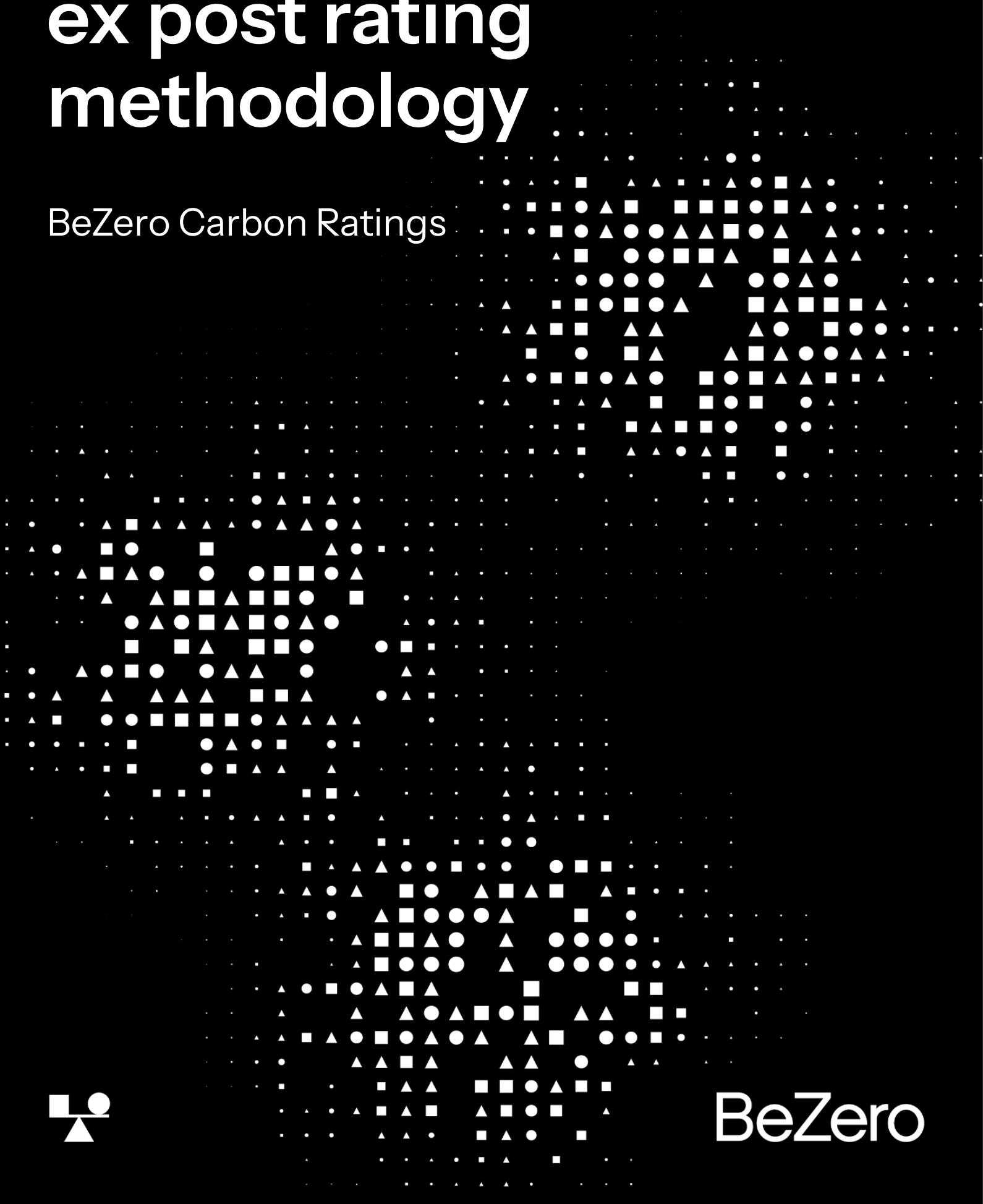
BeZero Carbon ex post rating methodology

BeZero Carbon Ratings



BeZero

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Introduction

BeZero Carbon is a global ratings agency for the carbon markets. Our ratings are a publicly available, risk-based framework for assessing carbon efficacy. We rate qualifying carbon credits in all sectors.

We take a research-first mindset, fusing traditional capital markets research practices with expertise in environmental sciences and technology. We think creatively about climate problems and build solutions the whole market can use.

We have developed extensive analytical frameworks to rate carbon credits on their likelihood of delivering on their promised carbon emissions avoidance or removal. These analytical frameworks are deeply sector-nuanced and bring to the fore our extensive experience in rating hundreds of projects across dozens of sub-sectors.

Our Ratings, Geospatial, Data, and Research teams are made up of dozens of climate and data scientists, geospatial experts and financial market analysts. They bring with them the highest academic and industry credentials, a tenacious approach to scientific inquiry and a dedication to climate action through science. They hold PhDs and qualifications in disciplines from remote sensing, forest ecology, ecosystem disturbance, peatlands, and blue carbon to statistics, machine learning, artificial intelligence, financial research, industrial engineering, and public policy. And they have published hundreds of academic papers and have been cited tens of thousands of times in peer-reviewed scientific academic literature.

The market's number one risk metric, our ratings, are available on our website and dozens of marketplaces and alongside extensive analysis and research on our BeZero Carbon Markets platform.

BeZero Carbon Rating analytical framework and process

A carbon credit is a contract certifying a commitment that a tonne of CO_2e (i.e. a tonne of carbon dioxide or an equivalent amount of other greenhouse gases) has been removed or avoided for a given period of time as a direct result of carbon project activities.

This commitment typically relies upon third-party verification and validation and ongoing monitoring of a project's adherence to a given methodology for a given activity. Methodologies are designed and maintained by standard bodies and, in some instances, have additional validation by industry initiatives such as the ongoing Integrity Council for the Voluntary Carbon Market. Some standard bodies also act as registries for the issued credits. This process, known as accreditation, is binary by design. It results in a standardised unit of account, i.e. a tonne of CO_2e avoided or removed, and credits are transacted and eventual climate claims made upon that basis.

However, in our view, solely relying on a binary assessment to understand carbon efficacy, or carbon credit quality, is insufficient. Whether or not a whole tonne of CO_2e has been achieved cannot be verified with absolute accuracy. Assessing the quality of carbon projects involves counterfactual analysis, a mix of subjective and objective parameters that change over time. The heterogeneous nature of engineered and nature-based avoidance and removal projects also prohibits perfect fungibility.

In order to assess the CO_2e achieved with confidence, we believe all carbon market participants (e.g. developers, investors, intermediaries, and end buyers) need information and tools to understand the risks and uncertainties present. This is equally important before and after a project issues credits.

We have designed an approach to assessing the carbon efficacy risk for issued carbon credits. This framework is applicable to any project type in any sector accredited by any standards body and

leverages a blend of qualitative and quantitative factors; financial, environmental, and policy assessment techniques; and primary and secondary data sources.

BeZero Carbon Rating Methodologies

We have designed an approach to assessing the carbon efficacy risk for issued carbon credits. This framework is applicable to any project type in any sector accredited by any standards body, and leverages a blend of qualitative and quantitative factors; financial, environmental, policy assessment techniques; and primary and secondary data sources.

Our BeZero Carbon ex post Rating Methodology, described in this document, details our risk based assessment for understanding and interrogating the efficacy of issued carbon credits of any type, in any sector and country.

The BeZero Carbon ex ante Rating Methodology similarly describes our framework for assessing carbon efficacy of credits yet to be issued from projects of any type, in any sector and country. Ex ante ratings will also consider project execution risk.

BeZero Carbon Sector Classification Methodology

BeZero classifies projects by project type using the proprietary BeZero Carbon Sector Classification system, a hierarchical sector classification system for verified carbon markets. The classification is periodically reviewed and the BeZero Carbon Sector Classification Methodology is publicly available.

In addition to overarching ex post and ex ante rating methodologies BeZero also provides sector specific methodology documents. Sector methodologies can be seen as nested within the overarching ex post or ex ante methodologies. The overall rating definitions, risk factors and risk driver categories are common across all projects while the sector methodologies complement the overarching methodologies. It is recommended that users consult both the main and sector methodologies for a complete overview of the rating frameworks.

BeZero Carbon Rating definition

A BeZero Carbon Rating (BCR) represents our opinion on the likelihood of a verified (ex post) carbon credit achieving a tonne of CO_2e avoided or removed. It is an opinion on the greenhouse gas efficacy of a carbon credit. Since this is an opinion specifically on the carbon efficacy of a carbon credit, it does not assess environmental impact and risks according to the double materiality principle.

The BCR provides an ordinal ranking of carbon efficacy – i.e. a focus on the relative likelihood of achieving a tonne of CO_2e rather than on the absolute (or cardinal) likelihood.

The BCR is conveyed using an eight-point alphabetical scale ranging from ‘highest’ to ‘lowest’ likelihood.

Ex post ratings are applicable to carbon credits that have been issued. And ex post ratings are valid at all times and are monitored and reviewed on an ongoing basis. Ratings are vintage specific, meaning the rating is assigned to a specific vintage range. Projects can have more than one rating for different vintage ranges, if the fundamentals or risk profile warrant it.

BeZero Carbon ratings are assessed with reference to the time period committed to by the project. This is particularly relevant for the Permanence risk factor (see below). The rating incorporates both backward looking and forward looking analysis. Backward looking analysis includes all known project activity, reporting and documentation, and relevant contextual data and information. Forward looking analysis considers how project and contextual information is likely to change and whether and to what

extent that impacts our assessment of carbon risk factors and overall carbon efficacy. This is particularly relevant to the Permanence risk factor.

Table 1. BeZero Carbon Rating scale and definitions.

Rating symbol	Definition
BeZero Carbon Rating **AAA**	The credit issued by the project has the **highest** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **AA**	The credit issued by the project has a **very high** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **A**	The credit issued by the project has a **high** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **BBB**	The credit issued by the project has a **moderate** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **BB**	The credit issued by the project has a **moderately low** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **B**	The credit issued by the project has a **low** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **C**	The credit issued by the project has a **very low** likelihood of achieving 1 tonne of CO_2e avoidance or removal.
BeZero Carbon Rating **D**	The credit issued by the project has the **lowest** likelihood of achieving 1 tonne of CO_2e avoidance or removal.

The rating is not an assessment of:

- The broader risks faced by a carbon project, e.g. fraud, negligence, default risk, political interference, or business interruption, other than the extent to which such risks may inform our assessment of carbon efficacy.

- Other specific elements of the credit's quality other than how they relate to carbon efficacy, such as potential co-benefits from broader ecological and social impacts. These could include biodiversity effects; social, health, or economic impacts on local communities; or actual or potential SDG claims. To the extent that such effects may compromise carbon efficacy, they would be taken into consideration, e.g. when considering stakeholder relations and the effect on permanence or carbon accounting risk.

Steps in the rating process

The BeZero Carbon ratings analytical framework encompasses three broad elements:

- **Project governance assessment**: This pre-rating project analytics and governance screening includes a review and standardisation of project data, governance screening of carbon accounts and issuance, verification against double counting, assessment of project claims, and application of our qualifying criteria to test eligibility for a BCR.
- **Carbon efficacy assessment**: A holistic review of all evidence across all risk factors in the BCR methodology.
- **Aggregated risk assessment**: including rating assignment and ongoing monitoring.

The following diagram shows our analytical framework.

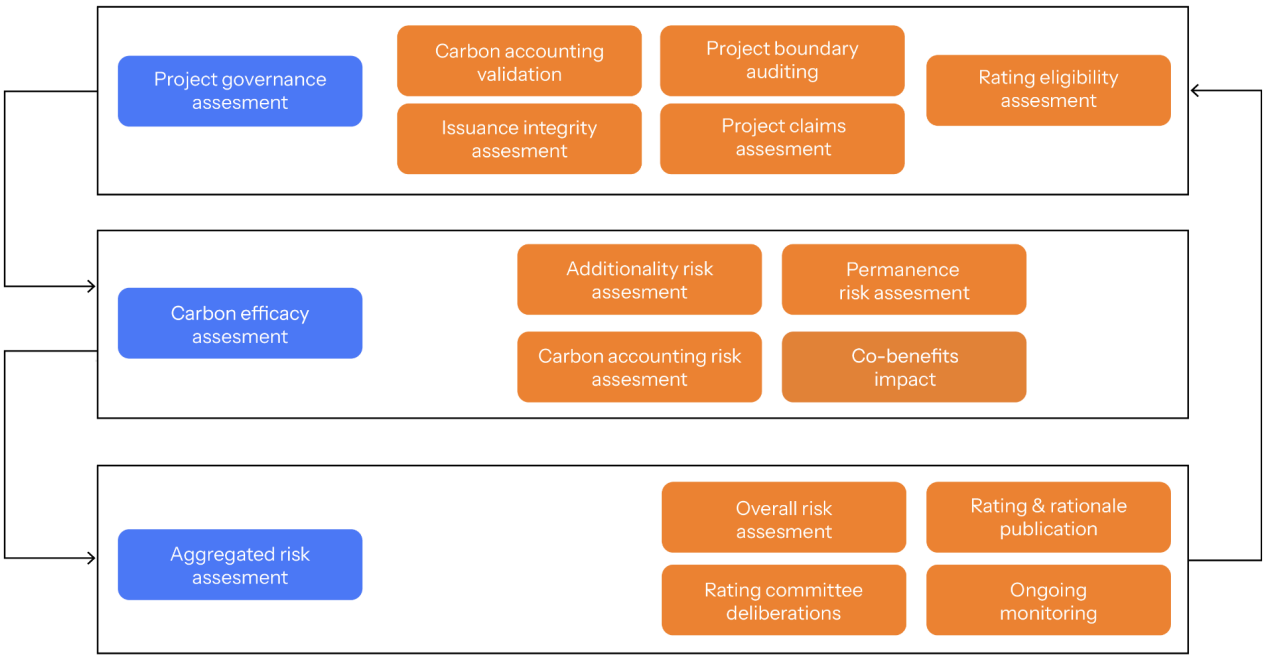


Figure 1. The various stages of the analytical framework that lead up to a BeZero Carbon Rating.

Introduction to risk factor framework

The BCR follows a robust analytical framework involving a detailed assessment of three critical risk factors affecting the quality and carbon efficacy of credits issued by the project:

Additionality: The likelihood that a project's activities are materially different from the counterfactual or business-as-usual activities.

Carbon Accounting: The likelihood that or degree to which climate benefits are accurately or conservatively quantified.

Permanence: The likelihood that the climate benefits of the project will persist for the time committed.

Across a carbon credit's lifecycle, BeZero Carbon's assessment of carbon efficacy risk looks at the same risk factors for ex post ratings and ex ante ratings.

Holistic assessment

The assessment of a carbon credit's efficacy includes a detailed, project-specific, bottom-up, and top-down analysis to provide a comprehensive assessment of risk. This assessment is grounded in scientific evidence, taking into account multiple data sources and with reference to a comprehensive range of scientific research and literature, and the scientific consensus.

BeZero Carbon ratings are not explicitly defined or calibrated with reference to the targets and objectives of the Paris Agreement or other relevant international agreements. However, such agreements may be relevant when assessing certain risk drivers, such as Policy risk within Additionality.

To make their assessment, BeZero Carbon analysts use a broad range of qualitative and quantitative inputs including, but not limited to, financial, environmental, and policy assessment techniques based on primary and secondary data sources. Such inputs will be reviewed for their reliability and applicability to the project conditions.

BCR opinions, therefore, incorporate a comprehensive review of the fundamental drivers of risks associated with carbon efficacy at a project and vintage level, including, inter alia, natural, technological, economic, social, legal, and regulatory factors. The rating will also incorporate any information risk, defined as the risk posed by the reliability or robustness of the information available. The assessment will consider the extent and implications of any information risks, and - where appropriate - will reflect that in the relevant risk factor.

Data source and limitations

Our assessments are based on a comprehensive review of relevant data, information and evidence. This includes but is not limited to:

- All available project documentation such as Project Design Documents, Monitoring or Verification reports and other related documents and datasets
- Standard body rules and criteria, methodology documents and any related supplements or datasets
- All relevant peer-reviewed literature and research
- Grey literature including industry research and research from civil society, governmental organisations, non-profits and other organisations deemed relevant
- Media and other articles or research
- BeZero in-house models, frameworks and databases. These include geospatial and Earth observation evidence and techniques where relevant (see below)

BeZero maintains and continuously expands a curated database from peer-reviewed literature, industry research and third-party datasets totalling more than 23,000 sources as of August 2026. Our team of scientists and experts routinely search for relevant research and literature as part of all ratings processes. This ensures that BeZero ratings are based on the latest scientific evidence and consensus.

Acceptance of additional information

BeZero Carbon's preference is for information to be publicly available where possible to limit information asymmetries in the market and promote transparency. However, we recognise that information may need to be private for legal, data protection, competitive, practical, or other reasons. Non-public information should be accepted where it improves the accuracy of our rating without violating transparency principles in the carbon market. Our conclusions will always be justified by analytical insights, and our ratings reports will indicate how the information helps our understanding of project fundamentals, but we will not disclose the specifics or details of the private information.

Limitations

Carbon projects and carbon credit issuance are all subject to uncertainty and imperfect information, meaning their performance can never be fully measured. Some sources of uncertainty may be (partly) reducible such as reported emissions calculated from measurement and monitoring data. Some sources of uncertainty are irreducible (i.e. can never be completely eliminated) such as calculations of baseline emissions (which are modelled and cannot be observed). BeZero ratings and risk factor scores take account of this limitation i.e. uncertainty and information risk of this nature and the extent to which data is likely to be accurate and / or conservative.

Note that while BeZero independently assesses the credibility and reliability of reported data it does not validate or audit that data. A carbon ratings agency is not a standards body, validation and verification body, or project design consultant. It offers third-party opinions expressed as ratings on the evidence provided by these entities to support a project's climate claims.

How BeZero Uses AI to Deliver Ratings

BeZero uses artificial intelligence (AI) to support defined tasks in the production of BeZero Carbon Ratings, for example data collection and ratings analysis.

AI may assist with extracting and structuring information from project documents and other sources, locating and synthesising relevant evidence, supporting preliminary analysis (including the review of geospatial information) and preparing draft content for analyst review.

Core principles for AI usage

- BeZero's ratings process relies on a sub-sector specific methodology, including an underlying analytical framework ("operating manual"), and is led by a named analyst. The analyst is responsible for applying the operating manual, as well as evaluating evidence, exercising analytical judgement and determining rating conclusions where project level characteristics require inference, nuance, and idiosyncratic scientific analysis. Every rating is supported by senior scientific review and requires approval from the Ratings Committee. Every sub-sector methodology is updated on a regular basis. This approach reflects best practice in financial market bond ratings, because it balances the need for consistent outcomes based on a replicable framework, with the reality that every project is unique and expert judgement is required to most accurately appraise project-level conditions. A framework-only approach risks treating every carbon project as the same, and a judgement-only approach risks lack of consistency. Our primary use of AI is to support data collection and analysis as it pertains to our framework, rather than making analytical judgements or conclusions.
- Information produced or identified using AI is linked to its underlying source, enabling analysts to verify it.
- AI outputs may be incomplete, inaccurate or inconsistent, may not capture relevant context or nuance, and depend on the availability and quality of source information. BeZero treats AI output as supporting material and does not rely on it as the sole basis for a rating decision.
- BeZero limits rating-related AI use to approved services and configurations subject to security, privacy and contractual controls. Providers are not permitted to use BeZero inputs to train their models.

Sector and country analysis

Top-down analysis focuses on the market sector of a proposed project, the country and/or region where it is based, and the methodology and standards applied. Bottom-up analysis focuses on interrogating the project's claims and the extent to which top-down risks are mitigated. Risks to carbon efficacy take account of all available evidence from top-down and bottom-up, and how these interact with each other.

Our assessments are based on all available project documentation in combination with our in-house models, frameworks and databases. These include geospatial and Earth observation evidence and techniques where relevant, and a curated database from peer-reviewed literature, industry research and third-party datasets totalling more than 23,000 sources as of August 2026.

Beyond Carbon and ESG

The BeZero Carbon Rating is an opinion on the likelihood of carbon efficacy, meaning the rating scope is environmental (specifically climate impact) from an ESG perspective. The rating is not explicitly an opinion therefore on social or governance factors or other environmental factors.

Note also that carbon credits are not economic activities within the scope of the Taxonomy Regulation (EU) 2020/852, no taxonomy-alignment percentage attaches to a rated item, and no correlation therefore arises. Carbon credits and BeZero Carbon ratings are also not assessed with reference to topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU.

However, social, governance or other environmental factors may be relevant when assessing carbon efficacy. This reflects the frequent interaction effects between environmental, social and governance factors in the context of a carbon project. Such interaction effects are considered within our risk factor and risk driver framework.

For example, the Permanence risk assessment reviews anthropogenic risks in significant detail. This includes a review of project management and carbon rights which considers the existence and stability of rights, and the willingness and ability (legal, financial, or otherwise) to conduct project activities and to generate and commercialise the associated carbon credits.

Similarly, the BCR is not an opinion explicitly on social risk and impact but it will consider the extent to which they may influence carbon efficacy. Stakeholder engagement, for example, is assessed in detail for community based projects to review stakeholder incentives and relations. This evaluates the presence and success of stakeholder consultations, grievance channels, benet-sharing structures, and alternative livelihood activities through project-specific case studies, academic literature and project documents.

The BCR does not provide an opinion on governance directly. However, project governance is typically relevant when assessing a range of risk drivers such as project effectiveness and additionality, the reliability of monitoring protocols that underpin carbon accounting, and the mechanisms in place to ensure the long-term sustainability of the project.

Our review process also includes a project governance assessment that reviews the accuracy and reliability of project disclosures, carbon accounting data, project boundaries, and registry data and operations.

Standards and methodology screening

Our ratings are methodology-agnostic, meaning that we assess the carbon integrity of projects based on project-specific details irrespective of their choice of methodology.

The BeZero Carbon Rating is not an assessment of compliance with standards body rules or the accreditation process. As an assessment of carbon efficacy, the methodology and standards followed form only one part of the overall review. Nevertheless, the strength, effectiveness and scientific integrity of those methodologies and the rigour with which they have been implemented by each project form an integral part of our rating analysis. This reflects that it is not necessarily the methodology in isolation that drives credit quality, but how a project applies it (which can sometimes vary considerably).

Our analytical approach evaluates the rules of each standards body and each methodology on an individual basis. This screening includes an assessment of methodology development and consultation (for an overview of why this is important, see our Insight on carbon market methodologies). Further to this, we consider all deviations from methodologies exhibited by projects. Moreover, we consider the risks associated with projects that apply older or invalid methodologies, for example, due to outdated emission factors and global warming potentials.

Monitoring of registry operations and credit tracking also form part of our analytical process. We screen registry and standards body rules and processes, and take account of any strengths or weaknesses, in our assessment of relevant risk factors. This includes reconciliation of data and risk buffer rules (see our report on buffer pools) and their potential implications for carbon accounting and permanence risk respectively. Further details can be found in the section of this methodology on project governance assessment.

Project-and vintage-specific analysis

Our bottom-up assessment considers all publicly available project documentation and data, including that provided by the standards body, registry, or project developer, and any information from third-party sources, and data sourced using our internal models, notably including proprietary geospatial and Earth observation evidence and techniques where relevant.

A vintage is the time period to which a project's GHG emission reductions or removals are associated and is a subset of a monitoring, reporting and verification (MRV) period. BeZero has always rated projects at the vintage level with each rating clearly tied to a rated vintage range.

BeZero can issue multiple ratings per project which correspond to differences in the rated vintages that map onto a project's monitoring and verification periods. A monitoring and verification period is the specific time span, which determines which credits the rating applies to. Although the carbon market has historically referred to vintages by calendar year (e.g. "2021 vintage"), monitoring periods frequently do not align to calendar years. This period informs our assessment of a project's eligibility for a post-issuance rating. As projects transition to newer, more robust methodologies and market labels are associated with specific methodologies, we can expect the market to increasingly move toward more precise date-based identification of credits. BeZero's approach reflects this direction: using the monitoring period date range as the authoritative anchor for a rating, rather than a simplified calendar-year label.

Multiple ratings to a project may be issued due to systemic gaps in data availability that affect eligibility for a rating across vintages, or due to fundamental step changes in a project's risk profile across its lifetime. A vintage-based approach allows us to incorporate changes in project boundaries, baselines, issuance and buffer contributions over time. It also enables a dynamic process for assessing the role of policy, changes in forestry investment landscapes, and other exogenous factors in reducing forest loss and productivity relative to the project.

Geospatial and Earth Observation

For all NBS projects, data and analysis from our Geospatial and Earth Observation team forms a core part of the analytical process. The team draws on a diverse set of data inputs, drawn from a range of sources including publicly available, via partnerships and from our in-house databases. These include:

- Spaceborne LiDAR, synthetic-aperture radar, and multispectral measurements from space agencies such as NASA and ESA. These provide medium to coarse resolution data with repeat global coverage. Such datasets support large-scale monitoring, and analysis over long historical time periods.

- We work with commercial providers to access multispectral measurements at high spatial resolutions. These data are used for tree crown segmentation, for monitoring of low canopy density, planting, and degradation.
- Commercial and in-country partnerships also provide access to national and global carbon maps, which we assess and apply as appropriate for the project context, as well as airborne LiDAR, which provides dense point clouds for structural canopy measurement, contributing to the calibration and validation of models for canopy height, cover and biomass.
- Through partnerships and collaborations globally, BeZero is accumulating a rich database of in situ measurements and ground data. The BeZero Carbon Plots Database is growing constantly, and numbers over 350,000 plots (as of October 2026). This inventory data is sourced from across the world and referenced against LiDAR, satellite, and market data. These data are key for understanding uncertainties in satellite-derived biomass estimates, project carbon stocks, and biodiversity.
- Other geospatial inputs include data on road and river networks, human demographics, land ownership and governance, soil and climate data, and biodiversity.

Analytical techniques employed

Our geospatial data inputs are combined in statistical and machine learning frameworks to inform project- and vintage-level risk associated with common practice, over-crediting, leakage and non-permanence. Specific analytical techniques include the following:

- Auditing project boundaries. The reliability of publicly available boundary data can be patchy. To overcome this, BeZero Carbon checks, corrects or reconstructs digital boundary data. BeZero has built the most complete spatial database of nature-based projects in the voluntary carbon market - over 3,000 projects across 20+ registries.
- Visual and automated contextualisation of project area conditions and surrounding landscapes over time, using 2D and 3D maps.
- Using geospatial and Earth observation data to interrogate each component of emissions calculations, including carbon stock densities, baseline scenarios, assessment of forest cover (and other vegetation) change, and evidence of activity displacement (leakage).
- Carbon stock assessments combine our extensive ground data with satellite-derived carbon maps, sourced from space agencies, national research institutes, academic labs, and industry partners.
- Assessments of forest cover and change use a range of data including in-house machine learning models. We use local labels to train and validate canopy cover models to improve classification accuracy and reduce uncertainty. In grassland systems, we monitor vegetation changes using indices such as the Enhanced Vegetation Index and Normalized Difference Vegetation Index.
- For ex post baseline assessments, we use statistically-matched dynamic baselines. This involves the pairing of pixels using proprietary models, guided by machine learning and expert review of local factors. These methods are adapted in the ex ante context to provide an assessment of deforestation drivers and the appropriateness of the project's reference region, compared to our matched controls.
- Additionality assessments are assisted through geospatial analysis of the extent to which project activities (e.g., tree planting) are common practice in the region.

- BeZero Carbon's fire detection tools leverage data from NASA, to help assess permanence risk at the project level. BeZero is contributing to the next-generation models for fire risk and committed emissions, working with ESA, academia, and other partners.
- BeZero Carbon's drought monitoring tools integrate climate reanalysis data from European Centre for Medium-Range Weather Forecasts with soils data from the International Soil Reference and Information Centre. Our next iteration forecasts risk to 2050 using climate projections from the Intergovernmental Panel on Climate Change's 6th Assessment Report. We also use climate projections to assess future risks to coastal projects from sea level rise, such as in the Mangroves sub-sector.

The BeZero Carbon Rating reflects the balance of evidence across all types of information, geospatial or otherwise. Subject to project-specific characteristics and evidence, our geospatial analysis may not be paramount in the final rating view if, for example, financial, policy or other analysis is deemed more decisive. In all cases, non-spatial data (e.g. buffer pool contributions) provide essential context. Where the quality of matching or of the underlying data is insufficient to support a conclusion, we say so and weigh the evidence accordingly rather than relying on it.

Carbon efficacy assessment

Sector methodologies

In the following sections, we outline the overall approach we take to assess carbon risk factors. This lays out the overarching analytical framework. We have detailed sector-specific methodologies for each sector. For more detail on the specific analytical approach to different sectors please consult our Ratings resources page. These documents provide a more granular perspective on the analytical techniques employed to assess carbon risk factors within each sector.

Additionality

The likelihood that a project's activities are materially different from the counterfactual or business-as-usual activities.

Our additionality assessment is independent of the accreditation process or requirements of standards bodies. The ratings team undertakes its own research to assess additionality and how it relates to the quality of carbon credit projects.

We will consider any evidence from the proposed or actual accreditation process that seeks to demonstrate additionality. However, our assessment considers a much broader set of evidence and interrogates all aspects of additionality, regardless of how additionality is claimed under the rules of a standards body or methodology.

For every rated project in every sub-sector of the carbon markets, we assess three risk driver categories of additionality (see Table 2).

Table 2. Definitions of BeZero Carbon risk driver categories for additionality assessment.

Risk driver category	Definition
Activity analysis	The prevalence and effectiveness of project activities within its anticipated scale and region.
Financial analysis	The accuracy and robustness underlying the project's financial claim, barriers, incentives, and benefit-sharing structures.

Legal and policy	Risks to additionality arising from a lack of regulatory surplus.

Within each risk driver category, we consider several risk drivers, depending on the sector group (see Table 3), typically between seven and ten. Certain risk drivers may be specific to a project type or may be deemed not relevant to individual projects. However, the three risk driver categories are assessed in all cases. Risk driver analysis in turn considers multiple sub-drivers, and dozens of parameters as required related to project activities, legal backdrop, finances, and policy.

Table 3. Typical risk drivers of additionality assessed.

Activity analysis

Risk driver	**Definition**
Common practice	The pervasiveness of the project activities or technology at the project's scale within the region and sector, without the use of carbon finance.
Alternatives to the proposed project	Assessment of alternatives in the absence of the project, and their credibility and/or likelihood relative to the proposed project.
Project effectiveness	The degree to which the project activities are effective in achieving emissions reductions or removals.

Financial analysis

Risk driver	**Definition**
Prior consideration of carbon finance	Consideration of carbon finance prior to project implementation.
Investment analysis	The importance of carbon finance to the project's investment case and how well the case is supported.
Barrier analysis	The extent to which the project faces obstacles that may impact the implementation of project activities or technologies, and the role of carbon finance in overcoming them.
Benefit sharing	The incentive structure the project provides to achieve the necessary buy-in from local stakeholders.

Legal and policy

Risk driver	**Definition**
Land and carbon rights	The rights to access and manage the project area, and to generate carbon credits.
Policy support	The attractiveness of legislative support mechanisms that are designed to promote or mandate project activities.
NDC and Article 6	The extent to which the project activity aligns with the host country's NDC and Article 6 strategy, and supports increased mitigation ambition by the host country.

Carbon accounting

The likelihood that or degree to which climate benefits are accurately or conservatively quantified.

Our carbon accounting assessment considers the risk or extent to which the carbon accounting underlying a credit does not quantify the climate benefits accurately or conservatively. Our analysis assesses the core building blocks of a carbon project's proposed credit issuance, interrogating how appropriate the calculations and assumptions are. This review includes an assessment of both over-crediting and leakage risks:

- Over-crediting: the risk that more credits are issued than tonnes of CO_2e achieved (or proposed to be achieved) by a given project due to factors such as unrealistic baseline assumptions or employing data with large uncertainties.

- Leakage: the risk that the carbon avoided or removed by a project is pushed beyond its boundaries, thereby undermining the degree of carbon efficacy. The two sources of leakage are market leakage and activity displacement.

Our assessment of carbon accounting is driven by the accuracy and appropriateness of each of the four components of credit calculation: baseline carbon stocks, project carbon stocks, leakage emissions and non-permanence deductions.

The relative contribution of each of the four components toward credit calculations depends on the project type and context. Such variability in the composition of credit calculations requires bespoke assessments of over-crediting, which take into account both top-down sectoral and national trends, and bottom-up project specifics.

Reconstructing the project's crediting structure

Our assessment of carbon accounting begins by reconstructing how a project arrived at its net issuance across the rated vintage period, so that the effect of each subsequent finding can be located within that structure.

Using project-reported values, we establish the project's total gross emissions reductions or removals as the difference between project-area carbon stocks or emissions under the baseline and project scenarios.

Separately, we construct the equivalent quantities on our own terms to obtain our best estimate range for comparison. Where our analysis of the risk drivers below leads us to a different view, we quantify the emissions reductions that our own assumptions would imply, and arrive at a BeZero view of net emissions reductions or removals for the rated vintages. The proportion of the project's claimed net issuance that our analysis does not support is the central output of our carbon accounting assessment, and the primary determinant of the risk factor score.

Three points of method follow from this. First, quantification is attempted wherever the evidence permits it, including where we conclude that a project's accounting is conservative rather than aggressive. Second, non-trivial assumptions are sometimes unavoidable. Third, in many cases we also need to consider the range and shape of uncertainty, strength of the scientific consensus that underpins the estimations, the likelihood of other unknowns, and other more qualitative considerations. Where the evidence supports a range rather than a point estimate, we present a range, and in conditions of material uncertainty we prefer to do so.

For every rated project in every sub-sector of the carbon markets, we assess two risk driver categories (see Table 4), with at least five risk drivers of carbon accounting, and further components are considered for certain individual sub-sectors. These include analysis of the components, drivers and

assumptions that underpin the baseline used, the reported greenhouse gas flows, and drivers of leakage.

Table 4. Definitions of BeZero Carbon risk driver categories for carbon accounting assessment.

Risk driver category	Definition
Direct accounting	The accuracy and robustness of emissions accounting within the project boundary.
Leakage accounting	The accuracy and robustness of emissions accounting beyond the project boundary.

Within each risk driver category, we consider several risk drivers, depending on the sector group (see Table 5), typically between five or six. Our baseline scenario analysis (where relevant) may evaluate multiple parameters related to the baseline, including the baseline model used, relevant reference data, and the drivers and agents of resource use, project activities and related emissions.

The leakage accounting assessment will consider activity displacement, market leakage and any ecological leakage.

Table 5. Typical risk drivers of carbon accounting assessed.

Direct accounting

Risk driver	Definition
Baseline scenario	The appropriateness of the modelling, monitoring, and characterisation of the baseline.
Project scenario	The appropriateness of the modelling, monitoring, and characterisation of project activities.
GHG conversions	The appropriateness of the variables used to convert the primary activities in the baseline and project scenarios into carbon dioxide equivalents.

Leakage accounting

Risk driver	Definition
Activity displacement	The extent to which emissions may arise through the displacement or transfer of activities outside of the project boundaries as a result of project enforcement.
Market leakage	The extent to which emissions may arise due to the project's activities altering the supply and demand equilibrium.
Ecological leakage	The extent to which emissions may arise due to the project's activities and/or technologies altering ecological processes in the surrounding area.

Permanence

The likelihood that the climate benefits of the project will persist for the time committed.

Our Permanence rating assessment considers the risk that the carbon a project avoids or removes will not remain so for the project's commitment period. This includes credit issuance adjustments for non-permanence, such as allocations to a risk buffer pool.

Our analysis of this risk factor considers the permanence of the contractual commitment of a given project and its proposed credits. A full assessment of these risks requires an understanding of: a) how long a project commits to ensuring the carbon avoided or removed remains so, b) the mechanisms in place to guard against any losses, and c) the strength and accuracy of the claims made.

Key factors when assessing risk of permanence

To break down our assessment of permanence, we lay out the primary considerations and how they vary across different sectors and registries: commitment periods, risks, and employed safeguards.

- Commitment periods

In order to make an assessment of a credit's permanence risks, it is first necessary to determine the time period a credit commits to, and then whether the credit faces reversal risks. Commitment periods are the duration over which sequestration or abatement activities have permanence horizons, and differ from crediting periods (the timeframes during which reductions or removals are eligible for issuance as verified carbon credits).

Across standards bodies rules on commitment periods vary and there is a lack of standardised terminology relating to how measurement, reporting, and verification (MRV) is conducted over multi-decadal timescales.

- Risks and safeguards: sectoral variation

We assess natural risks, anthropogenic risks–including legal risks–and mitigation as the three major components of permanence risk for NBS projects. For non-NBS projects, technical risks are the major considerations for permanence (see Table 6).

Table 6. Definitions of BeZero Carbon risk driver categories for permanence assessment.

Risk driver category	Definition
Natural risks	Risks to the permanence of project activities related to natural phenomena.
Anthropogenic risks	Risks to the permanence of project activities related to human activities.
Risk mitigation instruments	The mechanism or tools implemented to reduce risk to the permanence of project activities.
Technical risks	Risks to the permanence of project activities related to durability and crediting structures (only for non-NBS projects).

Within each risk driver category, we consider several risk drivers, depending on the sector group (see Table 7), up to as many as ten. Certain risk drivers may be specific to a project type or may be deemed not relevant to individual projects.

Table 7. Typical risk drivers of permanence assessed.

Natural risks

Risk driver	Definition
Fire	Exposure and vulnerability of carbon stocks to fire events.
Extreme weather	Exposure and vulnerability of carbon stocks to extreme weather events.
Pests and diseases	Exposure and vulnerability of carbon stocks to pests and diseases.
Sea level change	Exposure and vulnerability of carbon stocks to sea level change.
Geological hazards	Exposure and vulnerability of carbon stocks to geological hazards.
Other natural risks	Exposure and vulnerability of carbon stocks to other natural risks.

Anthropogenic risks

Risk driver	Definition
Project management and carbon rights	The existence and stability of rights, and the willingness and ability (legal, financial, or otherwise) to conduct project activities and to generate and commercialise the associated carbon credits.
Encroachment risk	Unplanned or unanticipated human intrusion into the project area that leads to a loss of climate benefits claimed by the project.

Risk mitigation instruments

Risk driver	Definition
Risk buffer and mitigation	Mechanisms in place to safeguard climate benefits.
Stakeholder engagement	Measures employed to involve and include individuals and/or groups who may be affected by the implementation and activities of a project. This includes mechanisms to ensure landholder contentment and continued enrolment.

- NBS buffer pool requirements

Procedures for assessing and mitigating permanence risks also vary across the main market accreditors. GS requires all NBS projects to make a fixed contribution of 20% towards a pooled risk buffer. VCS, on the other hand, requires that such projects undertake an independent and bespoke risk assessment to determine the proportion of credits which must be transferred to a global buffer pool.

The use of a buffer pool can mitigate against unforeseen losses in carbon stocks. We consider projects registered under VCS to follow best practice, given the requirements that both internal risks (e.g., project management) and external risks (e.g., natural hazards) are quantified and accounted for. Projects registered under Climate Action Reserve also require an independent risk assessment,

however this involves many 'default' risk factors which can lead to project-specific details not being considered. Meanwhile, the American Carbon Registry has a buffer pool, yet also permits the use of a variety of insurance mechanisms. These can include bonds and letters of credit, and are designed to act as proof that a project developer could cover the costs of sufficient credits to offset a reversal event.

For NBS projects, understanding how and why buffer pool contributions are made is vital for making permanence assessments, especially since there is strong evidence that risk buffer rules are not always fully implemented.

Risk factor conclusions

For each risk factor, Ratings Analysts propose risk levels from 'aaa' to 'd'. This assessment is based on a holistic review of all evidence. Conclusions will reflect the assessment of relevant risk drivers highlighted above. Here we have outlined the overall approach we take to assess carbon risk factors. This lays out the overarching analytical framework.

Table 8. Risk factor definitions and analytical framework matrix

Risk factor	**aaa**	**aa**	**a**	**bbb**	**bb**	**b**	**c**	**d**
Likelihood	*Highest*	*Very high*	*High*	*Moderate*	*Moderately low*	*Low*	*Very low*	*Lowest*
Additionality The likelihood that a credit purchased and retired leads to a tonne of CO_2e being avoided or sequestered that would not have otherwise happened.	The credit has the highest likelihood of being additional.	The credit has a very high likelihood of being additional.	The credit has a high likelihood of being additional.	The credit has a moderate likelihood of being additional.	The credit has a moderately low likelihood of being additional.	The credit has a low likelihood of being additional.	The credit has a very low likelihood of being additional.	The credit has the lowest likelihood of being additional.
Carbon Accounting The likelihood of having accurate carbon accounting (consistent with fully achieving a tonne of CO_2e avoided or removed).	The credit has the highest likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a very high likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a high likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a moderate likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a moderately low likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a low likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has a very low likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.	The credit has the lowest likelihood of having accurate carbon accounting consistent with achieving a tonne of CO_2e avoided or removed.
Permanence The likelihood that the carbon avoided or removed by a project will remain sc for the time committed.	The carbon avoided or removed by the credit has the highest likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a very high likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a high likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a moderate likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a moderately low likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a low likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has a very low likelihood of remaining permanent for the time committed.	The carbon avoided or removed by the credit has the lowest likelihood of remaining permanent for the time committed.

Specific analytical techniques are tailored to each sector of the carbon market. We have detailed specific methodologies for each sector. For more details on the specific analytical approach to different sectors please consult our Ratings resources page. These documents provide a more granular perspective on the analytical techniques employed to assess carbon risk factors within each sector.

Project governance assessment

Data collection, assessment, and governance

A historical lack of top-down market standardisation on the reporting structure of carbon accounting has led to each project's public data and methods being reported in a unique way. Further, we find multiple examples where the calculations behind vintage-level credit issuance cannot be recreated from the information available in the public documentation.

To enable better governance of crediting data that is also fungible across the market, we have built a standardised model that can be applied to any project type, and any standards body. The BeZero Carbon Accounting Template is a simple but powerful tool. It consists of the four key components required to calculate issuance:

- Baseline assumption
- Project net emissions
- Leakage
- Risk buffer allocation

In certain cases, a fifth component accounts for uncertainty discounts applied by a project, which is often the case for NBS projects. These building blocks are designed to be the highest level of categorisation that captures all elements that feed into the calculation of potential issuance while being applicable to all project types in the market.

Underlying each component are calculations ranging in complexity and depth depending on the project. For example, a zero baseline is assumed for many removal projects, whereas baseline assumptions for NBS projects may require multiple stages of cleaning and structuring by our data collection team. We collect each component at a vintage level given that variations can occur within a project's lifetime.

Aggregating these data is the first step to enable downstream assessments of project claims, auditing of project boundaries across the various vintages, verification of registry-reported data, and assessments of double counting.

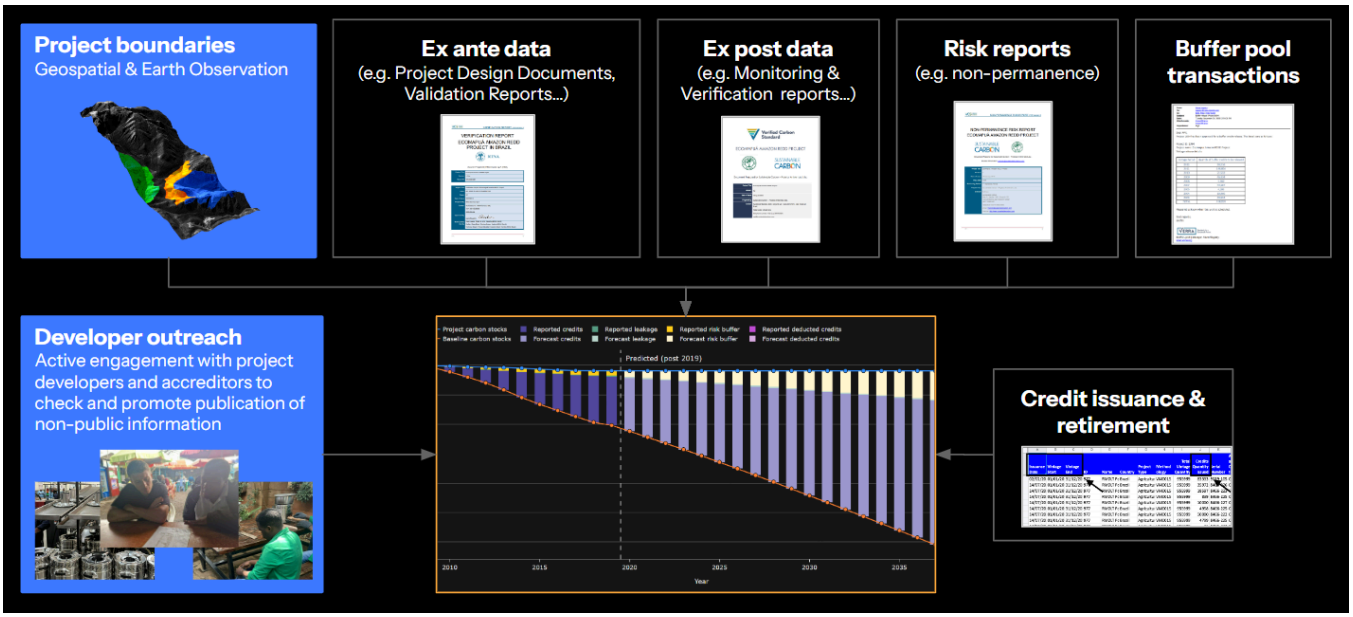


Figure 2. Aggregation of data to BeZero's standardised data template.

For each sub-sector, BeZero Carbon has built additional modules that supplement the basic Carbon Accounting Template.

For every project, we impose a strict governance structure that ensures data integrity. First, all project documentation is labelled according to its version and vintage. The project data are then cleaned and structured to fit the key components underlying potential issuance and the sub-sector Carbon Accounting Template modules. Data validation checks are made against the registry-reported issuance (see Registry issuance), and a developer outreach process is initiated in cases where reported data do not reconcile or are poorly disclosed. Finally, each project's individual Carbon Accounting Template and associated modules are peer-reviewed by two data analysts, and the underlying data are stored in a central data store. Each project's Carbon Accounting Template is subject to continual updates to reflect changes in project documentation, new issuance, and cancellation of credits, for example, and, at each instance, subject to peer review.

For every project, BeZero assigns a credit type label of 'Avoidance', 'Removal', or 'Both'. The credit type label is not a scientific assessment of the carbon stocks and flows that underpin the carbon credit. Rather it is assigned with reference to a number of factors, including project activities, market definitions and conventions. BeZero Carbon assesses the quality and carbon efficacy of all credits on their own merits and is agnostic to sector or credit type classifications. BeZero does not have a predetermined view on the quality of credits based on credit type.

BeZero has developed an automated system that monitors existing, new, and deleted documents within four major standards bodies: American Carbon Registry, Climate Action Reserve, Gold Standard, and Verra. Changes are detected within 24 hours, and a notification to review the project and its documents is triggered. For rated projects beyond those of the above-mentioned standards bodies, a monthly manual check is performed.

Assessment of project claims

Once the project Carbon Accounting Template is created and approved at review, the data are used to assess project claims of emissions removals or avoidance. This step of our assessment is entirely project-specific, and we assess claims at the vintage level. For example, we assess whether credits reported for each vintage within monitoring and verification documents correctly detail the baseline, leakage, and permanence assumptions laid out by the project and accurately reflect Registry issuance.

Where project claims cannot be verified or are incorrect, this informs our risk factor assessments and drives lower ratings. Where project claims deviate from ex ante forecasts, we identify the drivers of change.

Project boundary auditing

For all NBS projects, digital information on the spatial extent of carbon accounting is important for our independent assessment of carbon efficacy, both historically and in our assessment of future risk. Digital boundaries (e.g. KML, Shapefile, GeoPackage, GeoJSON) are required for the project area and may also be required for the leakage belt and/or reference region(s), depending on the methodology.

To obtain these boundaries, we first check if they are published on the registry or elsewhere in the public domain (e.g. on a project proponent's website). We continuously monitor registry websites for updates (see Data collection, assessment and governance section). Where available, we audit the boundaries by comparison to images embedded in project documentation for the relevant vintage, and by reference to area units and locations stated in project documents.

We find that around 30% of nature-based projects do not make their project area boundaries available in digital formats, either on the registry or through the project proponent. Of those that do, around 20% require correction by BeZero, for example, because the project area has reduced or been extended since publication of the boundaries. Moreover, we find that over 90% of REDD projects do not make leakage belts and/or reference regions available in digital formats.

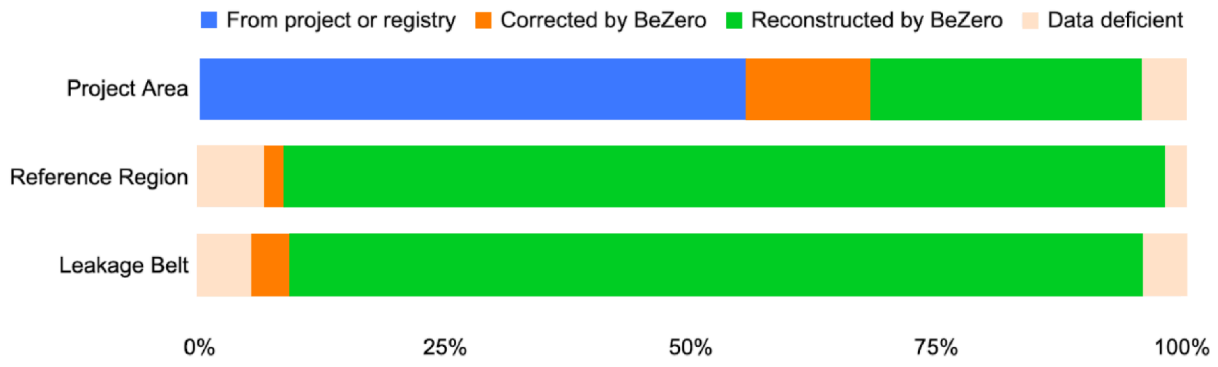


Figure 3. Public availability of digital boundary data for 177 nature-based projects rated by, or in the vicinity of projects rated by BeZero Carbon (as of August 2023). Many project areas, and the majority of leakage belts and reference regions, require in-house correction or reconstruction by our geospatial analysts.

Our method for the correction or reconstruction of project boundaries, where necessary, starts with georeferencing control points (e.g. map features such as graticules, natural features such as coastlines or rivers, or manmade features such as road junctions) in images embedded in project documents. Our team then applies graphical techniques to filter and sharpen the available imagery, followed by algorithms to extract the project boundaries in a digital vector format. Where these semi-automated procedures are insufficient, we may trace the boundary by hand. In some cases, sections of the boundaries may follow roads, rivers, political borders, concessions or easements, or other spatial data, in which cases we draw on our geospatial database of such features to assist in accurate delineation. Similarly, we use high-resolution satellite or aerial imagery where boundary demarcations are clearly visible from above. In all cases, we check our results for consistency with the area units and depictions in project documents.

Where it is not possible to reliably reconstruct project boundaries through the techniques described above, we contact the standards body and/or project proponents to request that the required information be made publicly available. Any remaining uncertainty regarding the exact location of the project is considered in our interpretation of geospatial evidence and may influence our assessment of information risk (and the extent to which it impacts either of the carbon efficacy risk factors).

Double counting

We audit project boundaries (for NBS) not only for the specific project being rated, but also for any project operating or under development within a radius of 50 km. This is important for the landscape context of common practice and baseline assessments and also provides a spatial check on whether the same land is or has previously been included by more than one project, or by the same project, across more than one standards body.

As part of BeZero's data collection, assessment, and governance process, we assess risks of double counting, which typically emanate from three key sources:

- **Transfer of projects between standards bodies:** Where projects transfer between accreditation entities, our data analysis evaluates whether credits have been accurately

cancelled to facilitate the transfer. This assessment checks for credit transfer and cancellation certifications by vintage and credit quantity.

- **Allocation of credits towards national registry or buffer structure:** In certain instances, for projects to participate in the carbon markets, a set allocation of their credits must be issued towards a national registry or buffer system to support national GHG targets or permanence safeguards, respectively.

- **Transformation of ex ante or provisional credits to ex post credits:** Under certain standards bodies, projects may be able to issue ex ante (also called provisional) credits and retire these. To ascertain that these credits are not double counted once project activities have materialised, we ensure that the credits associated with each vintage batch are retired in only a single instance.

Our double-counting risk assessments interrogate whether projects have accurately reported, issued and cancelled credits as part of the above three processes. Where there are data discrepancies or uncertainties, projects are deemed to have eligibility, carbon accounting and/or information risks. As part of our double-counting assessments, we scrutinise the unique serial codes of each credit (and credit batch) on the registry of each standards body.

Registry issuance

Another important aspect of our pre-rating analytics and data governance assessment is a review of the integrity of reported issuance. This includes validation checks of project-reported data against registry issuance. Here, we evaluate four key variables:

- Project monitoring reporting and verification (MRV) crediting volumes and vintages align with registry issuance towards the market
- Project-reported buffer credits have been accurately deposited towards the buffer pool
- Credit status within the buffer pool for cancellations or 'hold'
- Credit cancellations for the purpose of reversals or transfers

This step enables us to determine whether carbon accounting risk exists due to elevated and undocumented issuance, whether permanence risk exists due to under-resourcing of the buffer pool or credit cancellations or whether double-counting risks exist.

Rating eligibility

For projects to qualify for a BeZero Carbon Rating, they must meet our primary qualifying criteria. These criteria are centred around quality and transparency. These basic criteria, alongside the BeZero Carbon Accounting Template, allow us to build a standardised starting point for any project registered to any standards body.

A project must fulfil the following criteria to be eligible for a BCR:

1. The project must have applied an additionality test or provide sufficient information on how it is deemed additional.
2. The project must have sufficient publicly available information to enable BeZero Carbon to assign a rating (see Appendix I for more details)
3. The project must be audited by a recognised third-party auditor in order to ensure the robustness of the data and information published. **If the standards body considers a self-auditor as a valid auditor, this meets our criteria. Furthermore, we consider that all the**

documents available on the registry have been verified by the standard body; thus, Monitoring Reports with reported issuances can be used to extend our ratings.

Additionality–i.e. whether, in the absence of carbon revenues, the avoidance or removal activity would be viable–is the founding principle of a carbon credit project. Consistent with this, additionality is a limiting factor for the BeZero Carbon Rating from the outset of the analytical process: as of November 2024, 44 of 126 ineligible projects assessed to date were deemed not rateable due to poor additionality disclosure and/or reporting.

For all projects, sufficient public disclosure of project claims includes crediting calculations, registry issuance (inclusive of buffer pool allocations), project boundaries, and applied methodologies (and their versioning).

Through these primary eligibility criteria, we ensure that all project validation and verification documentation, as well as registry operations related to the project, are traceable and are governed by standards body processes for oversight. When a project fails to be sufficiently transparent or conduct a third-party audit, it is considered ineligible for a rating.

Continuous monitoring of eligibility criteria

To ensure that our ratings remain up to date, we monitor if a project meets our eligibility criteria on an ongoing basis. This ensures that minimum criteria around project transparency and disclosure are continuously met.

Should the availability of documentation change once a project has been rated, BeZero Carbon has a robust due diligence process to understand the reason and if such changes are permanent. This includes the following steps:

- BeZero Carbon will contact the registry, certification bodies and the project developer to identify underlying reasons for change in document disclosure, if data will be shared publicly again and within what timeframe.

- BeZero provides these organisations with two weeks to restore the availability and disclosure to levels consistent with our eligibility criteria.

- If documents remain unavailable after this two-week period, the rating will be placed on ‘rating watch’.

- BeZero will continue to make reasonable efforts to follow up with the project developer, registry and certification bodies to determine if and when the documents will be made available in the public domain. We will allow another four weeks for this process.

- If during this period, the relevant data and documents are shared again in the public domain, we will verify that these documents contain required information to meet our eligibility criteria. Where projects meet our criteria again, the rating will be removed from rating watch.

- If the relevant documents and information are not restored in the public domain within the aforementioned timeframe, the project will no longer be eligible for a BeZero Carbon Rating. Accordingly, BeZero Carbon will ‘withdraw’ the rating.

Aggregated risk assessment

Overall rating view and limiting factors

Rating Assignment

We make a preliminary view of carbon efficacy risks based on three core pillars (or risk factors). To assess the likely overall rating we combine the three risk factors multiplicatively and the Ratings Committee assigns a final rating with reference to the combined output score and rating boundary guidelines.

Steps in the rating assignment process:

1. For each risk factor, Ratings Analysts propose risk levels from 'aaa' to 'd'.
2. BeZero's rating model equates a numerical score to each proposed risk level and combines these scores multiplicatively to calculate an overall carbon efficacy score.
3. The BeZero Carbon rating committee assigns the final risk levels and overall carbon efficacy score, considering all available evidence presented by the analyst and discussed in committee.

It should be noted that assigning the rating is a deeply analytical process, wherein the sole objective is to assign ratings reflective of the carbon credit's efficacy or quality. Any risk factor can fundamentally limit the rating we assign to credits issued by that project if that is deemed appropriate.

Combining risk factors using a multiplicative approach

While the individual components of the rating are important indicators of project performance across our three core risk factors, the overall rating is not a simple average or linear combination of these. Instead, our rating methodology combines the underlying risk factor scores multiplicatively, which means that a lower score in any one area can exert a stronger downward influence on the overall rating.

Headline ratings coming out below any individual risk factor is not unusual - but it depends on the exact combination of risk factors. Importantly the relationship is non-linear i.e. in a multiplicative model risk compounds. To illustrate, consider the following mathematical comparison: 3 variables scored at 0.5 leads to a weighted average of 0.5. In a multiplicative model 0.5*0.5*0.5 equals 0.125. That's the logic of a model that is approximating to the probability or likelihood that a credit is achieving a tonne of CO_2e.

It is also worth noting that there are 512 potential permutations (or 56 possible combinations), when aggregating 3 risk factors with 8 possible scores each (aaa to d). This means there are multiple ways to achieve each headline rating. And there is an implicit range within each headline rating notch. Note the final rating, above all, reflects our opinion on the overall likelihood of the credit achieving a tonne (which is the rating definition).

This approach is designed to reflect the principle that a material weakness in any single pillar, even where the others perform relatively well, can materially impact overall credit quality. The final rating also reflects qualitative judgment by the Ratings Committee, incorporating all available evidence and discussion, to ensure we accurately reflect the risks according to the rating methodology.

Internal peer review

The lead analyst completes their analysis and prepares a draft report. The draft analysis incorporates detailed input from the Geospatial and Data Analytics teams. This draft report is also peer-reviewed by at least two other analysts who have not worked on the assignment.

Peer review is an interactive process aimed at ensuring uncertainties are investigated further and conclusions are stress-tested. Following completion of the peer review process, and consensus is reached among the lead analyst, geospatial analysts, and peer reviewers, a final draft rating report is prepared.

The report thus finalised is submitted to the Rating Committee for consideration, which is the sole body that can assign BeZero Carbon Ratings (ex ante or ex post).

Rating Committee

The Rating Committee is made up of members of the Ratings team. The committee is subject to quorum requirements and is chaired by one of the senior members of the Ratings organisation. Members of the Geospatial and Earth Observation team may attend in the case of NBS projects. Peer reviewers are also expected to attend committee meetings relevant to the projects to which they have been assigned.

All rating analysts are invited to attend and participate in the deliberations. At the committee, the lead analyst presents their analysis and rating recommendation. The Rating Committee's role is to interrogate their recommendation by asking questions and/or seeking clarifications. If the Rating Committee requires additional information or clarification which cannot be addressed at the meeting, the rating cannot be assigned until all outstanding issues are deemed resolved by the committee. Unanimous approval by the Rating Committee is required for a final rating to be assigned.

The Rating Committee deliberates on specific projects and assigns the final rating/rating action ensuring the consistency in the application of ratings criteria, methodologies, and comparability of ratings across sectors and countries.

Ongoing monitoring

Continuous monitoring

All BeZero Carbon ex post Ratings are valid at all times and are monitored on an ongoing basis. The assigned lead analyst is responsible for reviewing all new information pertaining to the project, sector and methodology. Such information includes new satellite imagery, new research, new project documents, including new monitoring reports, new or changed regulations, changes in methodology, and other information deemed relevant to the project or the rating. The analyst also monitors the continuing availability of information in the public domain, an essential criterion for a project to be eligible for the BeZero Carbon Rating. The analyst takes note of these developments and assesses their implications (if any) on the rating.

Rating reaffirmation

The publication of a monitoring report typically triggers a detailed review of the rating. At this point, the lead analyst will collate all the new information pertaining to the relevant project that has been published since the last Rating Committee Meeting in which that project was discussed, including information they have reviewed during their ongoing monitoring. They will reconfirm that the project continues to meet the eligibility criteria and that all information regarding the project remains available in the public domain.

A detailed review report is prepared and follows the same process of independent peer review before being presented at a forthcoming Rating Committee, along with the analyst's recommendation on the rating. The Rating Committee discussions and deliberations are similar to the process followed for assigning a new rating.

If the new information or information changes are not considered to have a material impact on the rating, the rating is reaffirmed following unanimous approval of the Committee. All reaffirmations, along with their rationale, are published on the BeZero website and the BCM platform.

Rating watch

As part of the monitoring process, if the lead analyst finds that the new information could potentially have a material impact on the rating, or that the publicly available information has been withdrawn/compromised, the lead analyst prepares a report with a recommendation to place the rating on 'watch'. This note goes through independent peer review and is then presented and discussed at the Rating Committee Meeting (similar to the process involved in assigning a new rating or a rating review).

If the Rating Committee unanimously believes that the new information (or the withdrawal of publicly available information) could affect the rating, the rating will be placed on 'watch'. The watch 'direction' will indicate the most likely outcome of the rating decision.

Ratings watch notifications can follow three 'directions' :

- A rating placed on ***'rating watch with positive implications'*** indicates that the rating is under review and BeZero believes the rating is likely to be upgraded or reaffirmed.
- A rating placed on ***'rating watch with negative implications'*** indicates that the rating is under review and BeZero believes the rating is likely to be downgraded, withdrawn or reaffirmed.
- A rating placed on ***'rating watch with developing implications'*** indicates that BeZero does not have enough information to indicate the likely direction and may be either upgraded, downgraded, withdrawn or reaffirmed.

All ratings placed on 'watch' are published on the BeZero website and the BCM platform.

The committee could also disagree with the analyst's recommendation and conclude that no action needs to be taken.

Once a decision has been made to place a rating on 'watch', the analyst will collect and analyse all new information, conduct additional research as required, and prepare a detailed report for Rating Committee consideration. This note will be independently peer-reviewed before it is presented and discussed at the Rating Committee. The Rating Committee could unanimously decide to:

- Upgrade the rating to a higher level
- Downgrade the rating to a lower level
- Reaffirm the rating

Immediately thereafter, the rating will be removed from 'watch'. The revised rating/reaffirmation and removal from 'watch' are published on the BeZero website and the BCM platform.

Rating watch actions are primarily applied for reviews triggered by external events or changes to a project and its operation. In cases where internal reviews drive ratings changes, they may be supported by external advisory notes for consumers of the rating. These notes will describe the internal change, the scope of impact, and the likely direction of the rating change if relevant.

BeZero's ongoing monitoring and 'rating watch' process is summarised in the diagram below.

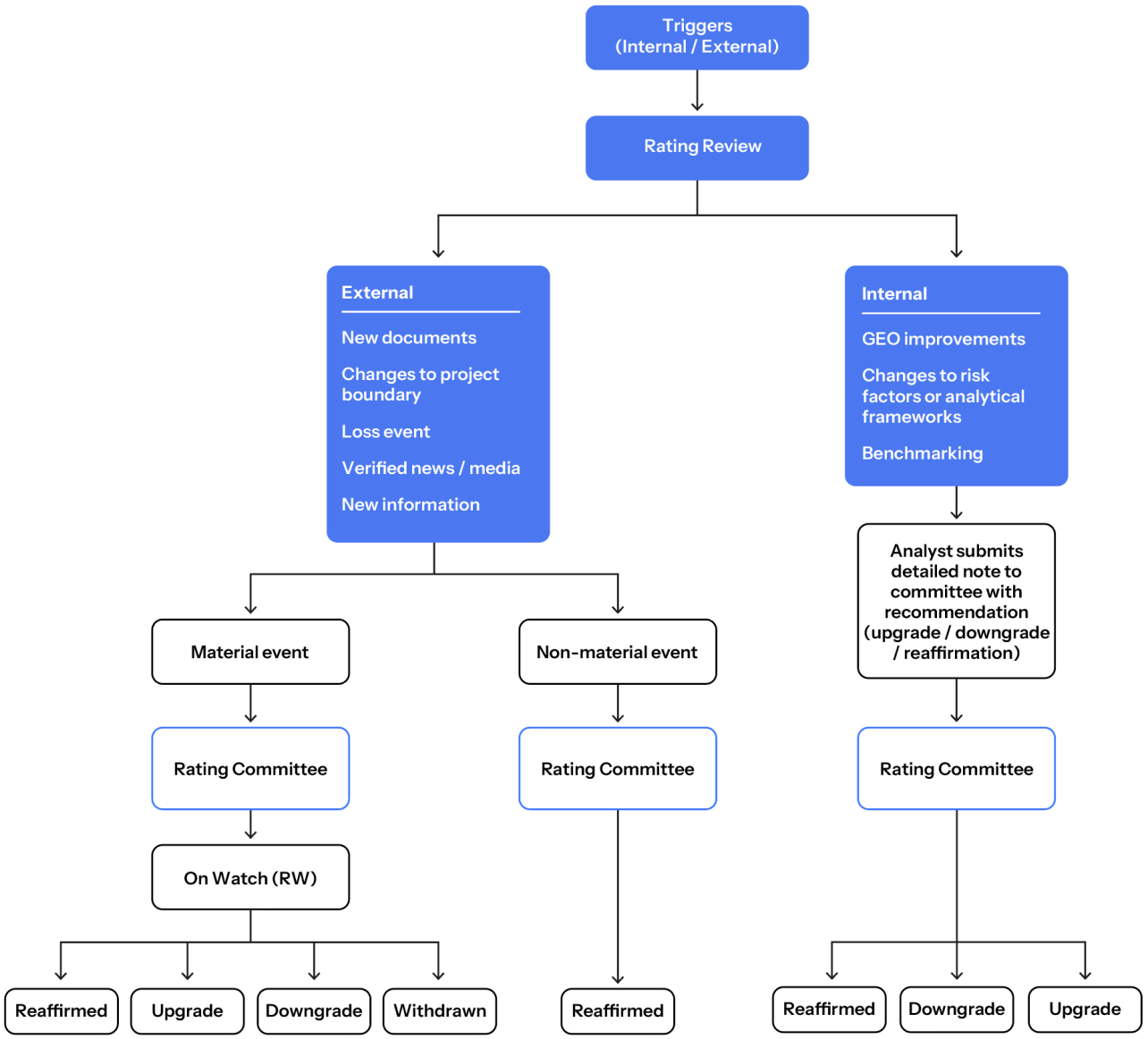


Figure 4. BeZero's ongoing monitoring and rating watch process.

Rating withdrawal

BeZero Carbon Ratings are assigned only to projects meeting predefined eligibility criteria. These include documented tests on additionality, formal audit processes, and continued public availability of all relevant information. BeZero Carbon Ratings may be withdrawn in the case of a material impairment in the project's ability to meet any of the eligibility criteria, including partial or complete withdrawal or unavailability of relevant information in the public domain. BeZero may also withdraw its ratings if BeZero Carbon becomes aware of any risks with respect to the ownership of the project and/or usage rights, etc. All rating withdrawals are published on the BeZero website and the BCM platform.

Sector and portfolio reviews

Portfolio reviews are an integral part of the continuous monitoring process carried out by BeZero. This process involves the simultaneous review of the ratings assigned to a homogeneous group of

projects/credits, either at a sector/sub-sector or at the country level (as compared to a review of one or two projects at a time).

Portfolio reviews can be triggered by macroeconomic events such as changes in sector dynamics, changes in regulation (global or country-specific) or incorporation of new elements of analyses applicable across a sector/sub-sector. Alternatively, it could be part of a periodic review process to reassess the appropriateness of the ratings in the context of updated methodology, sectoral developments, and comparison of the rating across similar projects.

These reviews can last anywhere from a few weeks to several months, depending on triggers, project-specific factors, and Rating Committee unanimity.

If BeZero believes that a portfolio review may have an impact on the published ratings, some or all ratings in the portfolio may be placed on 'rating watch' pending the completion of the full review.

This is particularly important as a portfolio review may involve a recalibration of ratings across the portfolio. The review process will follow the usual process of peer reviews, Rating Committee discussions and decisions. BeZero will publish the resolution of the 'watch' and updated ratings at the conclusion of the review process.

Appendix I: Public information requirements

To be eligible for a BeZero Carbon Rating, a project must have sufficient publicly available information to enable BeZero Carbon to assign a rating. The required information includes:

1. **Minimum public information**

In order for sufficient information to be gathered to rate a project, the following data elements must be available in the public domain for all ex-post vintages:

- Change in project carbon stocks
- Baseline assumptions
- Leakage assumptions (if any)
- Risk buffer allocation (if any)

Any retrospective changes to these data elements must be published, with the justification for any amendments and its impact on the credits issued clearly defined. Examples include but are not limited to any loss events, exceptions to leakage or buffer accountancy and credit cancellations.

2. **Further public information**

The transparency of project-related information is a critical pillar of our analytical approach. It follows, therefore, that projects sharing more information in the public domain will be viewed more favourably in the ratings process compared to those publishing the minimum information. The following additional information will contribute to a positive view of the transparency of the project developer:

- Any assumptions and calculations used to derive the data elements listed in the minimum public information
- Reconciliation between published calculation and assumptions and final total issuance
- Ex ante data for the elements listed in the minimum public information
- Data available at a reasonable frequency and presented on an annualised basis
- Data on credit retirements available from a single source and at a reasonable frequency.

Appendix II: Analytical independence

BeZero Carbon acts as an independent third party and is not conflicted in delivering the BCR for the following reasons.

- BeZero Carbon's analysis and the resulting rating are limited to our assessment of the risks associated with the information provided in the public domain and expressed as a risk metric.
- BeZero Carbon does not provide any recommendations or advice on how to change or improve the project.
- BeZero Carbon does not create standards for, develop, invest, or transact in carbon projects. The only exception is the retirement of carbon credits for the explicit purpose of compensating for its own carbon footprint.
- BeZero Carbon does not verify, validate, sanction or in any way influence the number of credits issued by the project.

- BeZero Carbon is not incentivised commercially or in any other sense to deliver a specific rating outcome at the time of the assignment or at any time in the future.
- All members of BeZero's analytical team, including the committee members, are commercially independent of the assigned ratings - i.e. their compensation, benefits, or performance measures are not in any manner linked to the ratings assigned.
- All BeZero staff, including all members of the Ratings team, adhere to strict compliance procedures, including, inter alia, prohibition from holding and/or dealing in carbon credits and annual reporting. These standards are akin to standards practised by financial market rating agencies.
- BeZero Carbon has implemented a Rating Committee process, which mitigates the undue influence of individuals on the overall ratings process outcome.

Appendix III: Additional reading

Check out the ratings resources page on our website to find links to all of our published methodologies, in addition to our series of risk factor assessment frameworks, our frameworks for assessing project methodologies and country-level risks, deep dives on factors influencing the carbon efficacy of projects in various sectors, and more.

Appendix IV: Methodology review policy

All BeZero methodologies are live and current, with versioning logs at the end of each document. The ex post rating methodology is comprehensive and holistic and is not knowingly subject to major or structural shortcomings.

The methodology is subject to periodic review, and at least once annually. The need for revisions will consider a range of factors including:

- Methodology review and evaluation. BeZero continuously reviews emerging data and research on the carbon market. BeZero will assess any evidence indicative of structural weaknesses in the framework or systemic risks that are not appropriately captured.
- Evolution in the market dynamics and scientific best practice. Evolutions in the scientific consensus and market infrastructure that underpin carbon markets may warrant methodological revisions (e.g. the definitions or conventions used for vintages).
- External regulatory and asset framework shifts where relevant. Shifts in the legal basis, regulatory architecture or accounting conventions that underpin carbon markets may warrant methodological revisions (e.g. the definitions or conventions used for risk concepts such as additionality, durability or permanence).
- Periodic review. All active frameworks are reviewed periodically (at least annually) to ensure continued robustness and effectiveness and to make analytical refinements.

Revisions to the methodology will be deemed material or non-material.

Non-material changes typically refer to minor updates such as administrative fixes, editorial clarifications that do not alter the underlying analysis. Other potential non-material changes may reflect an elaboration or expansion of the risk assessment framework. Non-material revisions are published routinely as needed.

Material changes typically refer to a fundamental shift in the analytical framework, scoring models, rating scope and definitions, or key rating assumptions that could reasonably alter an existing credit

rating outcome. BeZero will undertake an impact assessment when material revisions are proposed. Impact assessments will evaluate the expected portfolio-wide impact, estimating the proportion of ratings that might migrate (upgrade or downgrade) as a result of the revised criteria.

Any change to the rating methodologies are led by our Lead Analytical Officer and approved by a formal Analytical Committee composed of senior personnel from the analytical team. We also consult with our external advisory board on such matters as required.

Changes to methodologies are tracked and logged. The version history of this methodology is available at the end of this document.

Stakeholder consultation

BeZero engages regularly with a wide range of market stakeholders. Feedback is welcome and will be considered as part of the periodic review process. BeZero in some cases may consult with stakeholders via 'request for comment' or equivalent processes when considering material methodology revisions.

Appendix V: EU ESG ratings regulatory disclosures

The following summarises where in this document to find the minimum disclosure requirements under Regulation (EU) 2024/3005 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities. Information referenced below relates to the disclosures described in point 1 of Annex III to Regulation (EU) 2024/3005*.

Disclosure type	Disclosure requirement	Location(s)
Rating Product Disclosures	Ratings objectives	BeZero carbon rating definition (p4-5)
	Considering E/S/G factors	Beyond carbon and ESG (p9)
	Weighting E/S/G factors	Beyond carbon and ESG (p9)
	Topics included in E/S/G factors	Introduction to risk factor framework (p6); Holistic assessment (p7-8); Beyond carbon and ESG (p9); Carbon efficacy assessment (p12-18)
	Ratings values	BeZero carbon rating definition (p4-5)
	Considering international agreements (including the Paris Agreement)	Holistic assessment (p7-8)
General Methodological Disclosures	Overview of methodologies	BeZero Carbon Rating Methodologies, BeZero carbon rating definition (p4-5); Holistic assessment (p7-8); Project-and vintage-specific analysis (p10); Updates and reviews (p33)
	Industry classifications	BeZero Carbon Sector Classification Methodology (p4)
	Overview of data sources	Holistic assessment (p7-8)
	How we use scientific evidence	Holistic assessment (p7-8)
	How we use AI	How BeZero Uses AI to Deliver Ratings (p8)
Limitations in data sources,	Limitations in data sources and methodologies	Data source and limitations (p7-8)

methodologies and information	Limitations on information available to BeZero	Data source and limitations (p7-8)

*Note: Other disclosure requirements can be found here.

Updates and reviews

Version number	Date	Description
1.00	01/06/22	Initial release
1.01	06/07/22	Updated to reflect changes in individual method documents
1.02	31/08/22	Updated to reflect inclusion of sector and portfolio review process and modified Risk Scoring Bucket designation
1.03	24/10/22	Updated to reflect new risk factor terminology
1.04	07/11/22	Updated to reflect new disclaimer and rating process text
1.05	22/11/22	Updated contact details
1.06	13/03/23	Rating scale transition from seven-point scale to eight-point scale
1.07	03/08/23	Updated to provide more detail and granularity to the existing methodology
1.08	23/11/23	Formatting updates
1.09	21/12/23	Updated risk factors: removed weightings and perverse incentives. Introduction of the interaction between ex post and ex ante ratings
1.10	31/01/24	Formatting updates
1.11	15/05/24	Updates to application of rating watch
1.12	03/09/24	Added details on credit type labels
2.0	17/02/25	Updated risk factor framework
2.01	15/05/25	Inclusion of rating watch ‘direction’
3.00	05/05/2026	Added details on BeZero’s approach to vintage-based ratings
3.01	27/10/26	Formatting updates, edits and revisions to align with ESMA regulatory requirements including methodology review policy and required disclosures.

Disclaimer

The BeZero Carbon Rating of voluntary carbon credits represents BeZero Carbon's current opinion on the likelihood that carbon credits issued by a project achieve a tonne of CO_2e avoided or removed. The BeZero Carbon Rating and other information made publicly available or available through the BeZero Carbon Markets platform ("Content") is made available for information purposes only. The Content and in particular the BeZero Carbon Rating sets out BeZero Carbon's opinion on a particular carbon credit or project based on publicly available information as at the date expressed and BeZero Carbon shall have no liability to anyone in respect of the Content, opinion and BeZero Carbon Rating. The Content is made available for information purposes only and you should not construe such Content as legal, tax, financial or investment advice. The Content is a statement of opinion as at the date expressed and does not constitute a solicitation, recommendation or endorsement by BeZero Carbon or any third party to invest, buy, hold or sell a carbon credit. The Content is not a statement of fact and should not be relied upon in isolation. The Content is one of many inputs used by stakeholders to understand the overall quality of any given carbon credit. BeZero Carbon shall have no liability to you for any decisions you make in respect of the Content. If you have any questions about BeZero Carbon, the BeZero Carbon Rating, the BeZero Carbon Rating methodology, qualifying criteria, rating process, any element of Content, the BeZero Carbon Markets platform or otherwise please contact us at: commercial@bezerocarbon.com.