



METHODOLOGY OF THE FINANCIAL TRANSPARENCY AND SUSTAINABLE DEVELOPMENT REPORTING FRAMEWORK FOR ENVIRONMENTAL PROJECTS

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I. INTRODUCTION

Cercarbono is an international certification standard that has voluntary carbon and circular economy certification programs and is developing a biodiversity conservation and restoration certification program.

ALLCOT is a developer of innovative solutions to combat climate change and promote sustainable development, this through the development of mitigation projects, participation in carbon markets and advice to various sectors, whose vision is to lead and accelerate the global transition towards a climate neutral society by 2050.

To provide a **conceptual framework** for environmental projects, including those for climate change mitigation, **consisting of a guide to prepare a report and a tool to streamline the process**, and suitable for them to disclose their financial and sustainable development information, Cercarbono and ALLCOT jointly developed a **Financial and Sustainable Development Transparency Reporting Framework for Environmental Projects**.

Disclosure of financial information in environmental projects is crucial for several reasons, as it encourages transparency, accountability, and informed decision-making. Between them:

Transparency: Financial disclosure ensures that all financial transactions related to an environmental project are openly communicated and accessible to interested parties, including the public. Transparent financial information allows stakeholders to understand how funds are being used and whether they align with project goals and objectives.

Accountability: By disclosing financial information, project implementers and organizations involved in environmental initiatives are held accountable for their actions and expenditures. It allows stakeholders to monitor the financial performance of the project and ensures that resources are used efficiently and effectively.

Prevention of corruption and misuse of funds: Disclosure of financial information acts as a deterrent to corruption and misappropriation of funds. When project finances are open to scrutiny, it becomes more difficult for individuals to divert funds for personal gain or engage in fraudulent activities.

Trustworthiness: Transparent financial reporting fosters trust among stakeholders, including investors, donors, governments, and local communities. When people can see how funds are used and the results achieved, they are more likely to support and commit to the project.

Efficient resource allocation: Access to financial information helps evaluate resource allocation within the project. It allows stakeholders to identify areas where resources are lacking or underutilized, allowing for better management and optimization of resources.

Learning and improvement: Disclosure of financial information facilitates learning from previous projects and experiences. By examining financial data from successful and unsuccessful projects, organizations can identify best practices, potential pitfalls, and areas for improvement in future initiatives.

Trust from investors and donors: For projects seeking funding or investment, transparency of financial reporting is crucial. Investors and donors are more likely to support projects where they can clearly see how their contributions are used and the impact they have.

Legal and regulatory compliance: In many cases, there are legal and regulatory requirements for financial reporting on environmental projects. Compliance with these requirements ensures that the project operates within the limits of the law and maintains its legitimacy.

Environmental impact assessment: Disclosure of financial information complements environmental impact assessments by providing a complete view of the project's operations, costs, and benefits. It allows decision makers to evaluate the overall sustainability and effectiveness of the project.

Sustainable Development: The sustainable development of environmental projects, including those for the mitigation of greenhouse gas emissions, offers not only emphasis on the evaluation of the performance of environmental aspects, but also on the social and governance performance of the project. , fundamental aspects to ensure the transparency of the allocation of economic and material resources, which strengthen the benefits and mitigate the impacts on the planet and the most vulnerable communities.

El **Marco de Reporte de Transferencia Financiera y de Desarrollo Sostenible para Proyectos Ambientales** (De aquí en adelante Marco de Transparencia) puede ser utilizado por cualquier proyecto de tipo ambiental, a lo largo de su ciclo de vida y de forma independiente:

The **Financial Transfer and Sustainable Development Reporting Framework for Environmental Projects** (hereinafter Transparency Framework) can be used by any environmental project, throughout its life cycle and independently:

- **It is used throughout its life cycle**, from its initial stages of design, validation, first verification, and for each year of verification or accountability, to guarantee interest groups, with emphasis on investors and communities beneficiaries, the appropriate management of financial flows, identifying financial and non-financial risks, and the quantitative impact on the sustainable development goals (SDGs) and environmental, social and governance indicators on sustainability (ESG) established in the planning, and in the project monitoring plan. The application of this Transparency Framework will allow access to a financial transparency certificate of a compensation project validated or verified by third parties.
- **It is used as an independent report of any type of certification of results**, whether they are biodiversity, carbon, circular economy or environmental or social performance. In the case of projects registered for certification in Cercarbono, its use is mandatory for projects implemented on community lands and options for other types of projects. Projects registered in Cercarbono that apply the Transparency Framework must report only the required complementary information that is not reported for the corresponding certification in Cercarbono. For this purpose, they will have specific formats in which the complementary information required is indicated.

Therefore, in this document, the Methodology of the **Financial Transparency and Sustainable Development Reporting Framework for Environmental Projects**, which is shared with all those users or developers of environmental projects, including those for mitigating greenhouse gas emissions, is shared. suggests using throughout the life cycle of projects that seek to make compensations due to their environmental impacts, to guarantee all interest groups, with emphasis on investors and beneficiary communities, the adequate management of financial flows, identifying financial risks and non-financial, and the quantitative impact on the sustainable development goals (SDG) and environmental, social and governance indicators on sustainability (ESG) established in the planning, and in the project monitoring plan.

The application of **this methodology** and for the development of the corresponding **report** in **the Transparency Framework** will allow access to a **Financial Transparency Certificate** of a compensation project validated and/or verified by third parties. Therefore, the application of this methodology, to generate the transparency report and obtain said certificates, is totally independent of any other type of certificates generated by CERCARBONO or any other International Standard.

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V. ACRONYMS

AFOLU	Agriculture, Silviculture and Other Land Uses.
ESG	Aconym of Environmental, Social and Governance
GHG	Green Houses Emissions.
SDG	Sustainable Development Goals
REDD+	Reducing Emissions from Deforestation and Forest Degradation plus

VI. TERMS AND DEFINITIONS

Accountability: It is the responsibility of the project developer to disclose necessary project information clearly and effectively upon request of interested parties regarding financial and non-financial matters of the project.

Environmental projects: These are all those initiatives that try to improve the environment, that contribute to conserving ecosystems and propose means to avoid or reduce negative effects.

Reliability: Characteristic of information by which society in general accepts and uses information to make decisions by calculating it.

Transparency: Characteristic of project reporting to provide clear and understandable information to society at large.

Indicators: Quantitative information used to evaluate the characteristics and intensity of an action to determine its future evolution.

1. ABOUT THIS METHODOLOGY

Starting from the relevance of **accountability** in all types of environmental projects and the reliable interest in having instruments that allow **ensuring the reliability** of the results presented by organizations regarding the financial performance and sustainable development of said projects in the **Framework of Transparency**, ALLCOT and Cercarbono propose this methodology as a guide to generate the **Financial Transparency and Sustainable Development Report**.

This methodology has already been applied to real projects and in different stages of their life cycle, the results of which allow defining a report in a simple and intuitive format, for the presentation of the results at any stage of development.

Likewise, the methodology proposes to assist users to identify the main indicators that they should report regarding their projects, in simple language, and accessible to the community in general, investors and decision makers, and in accordance with the **productive sector of the project** and the **stage of development** they are in, allowing each project to show its progress with respect to the circumstances of the sector and the stage they are reporting on.

The way to explain the criteria for **selecting indicators by sector and by stage** of the methodology is like that of a security system that, according to the desired level of security, must increase the level of protection layers to ensure the integrity of the system. Where the simile of the concept of “system integrity” corresponds in the methodology to ensuring “transparency of accountability.” So for the initial stages of the project (prefeasibility, design, etc.) there will be a smaller number of indicators to report with respect to the more mature stages of the project (5th year or 10th year of project verification by a third party), However, it is not intended that a report in the initial stage will only have 10 indicators and a 10-year report will have to report 200 indicators. This is why the methodology: 1. Tries to limit and reserve the total number of indicators that are relevant to consider due to the type of stage and sector, and 2. Tries to provide the necessary information to interest groups in accordance with the stage and sector of the project.

The transparency framework mainly proposes to encourage users to report the reality of their projects when it is necessary to have a retrospective regarding the performance of their project in accordance with the management of **economic resources** and the benefit that it can add to **sustainability of the planet** and the **beneficiary communities**.

Finally, it is emphasized that the **Methodology of the Financial Transparency Reporting Framework and Sustainable Development of Environmental Projects** has the purpose of contributing to building an instrument for users that allows them to transmit confidence to their different interest groups regarding their environmental project, regardless of the productive sector and the stage of development in which it is located. Therefore, it is considered a link of interest for accountability in terms of financial transparency and sustainable development of environmental projects.

1.1. ELEMENTS OF THE TRANSPARENCY FRAMEWORK

The Transparency Framework has been suggested to encourage developers of environmental projects to disclose financial performance during the life cycle of the projects. As is known, accountability is intrinsically linked to organizations. But currently the management of environmental projects, such as compensation projects, are of great relevance since they are projects that include strategic actions that will address the mitigation of environmental impacts and address the main climate risks of the planet of the first half of the 21st century.

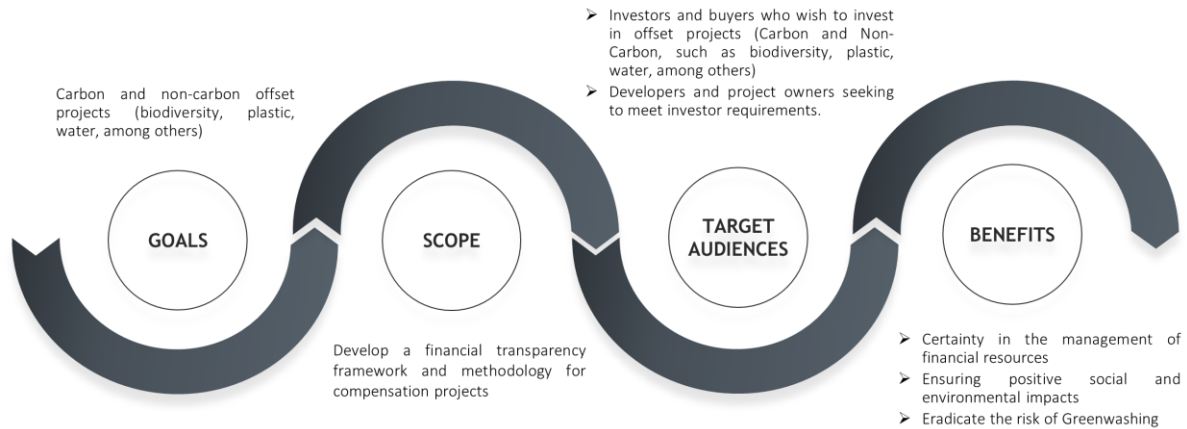
For this, there is a great diversity of methodologies and standards focused on developing the main objectives of mitigating these impacts. The **Financial Transparency and Sustainable Development Reporting Framework (The Transparency Framework)** seeks to join efforts so that project developers and related interest groups materialize the objectives of reducing the impact on the climate and therefore on the most vulnerable communities. Therefore, the accountability of these projects must be linked to the transparency with which the main metrics of economic and governance performance are measured and reported, with equal relevance and in an integrated manner, with which the metrics are measured and reported. of environmental and social performance that describe how the management of environmental projects is performing from their initial stages and throughout their entire life cycle.

- When projects are evaluated and reported from their initial stage, the aim is to reinforce planning so that their performance is successful and meets its objectives throughout the entire life of the project.
- When projects are evaluated in intermediate or mature stages, the aim is to strengthen monitoring and control so that their performance is successful and meets its objectives throughout the entire life of the project.

Therefore, the **objective** of the Transparency Framework is aimed at offset projects to mitigate environmental impacts, which include both coal and non-coal projects. Since they are the projects with which the greatest need is identified for having reports focused on disclosing financial and non-financial risks, in a transparent and simple way to all interest groups of said projects. Likewise, it is aimed mainly at project developers to consider the key aspects to be considered within the projects, as well as investors who will support the execution of the projects, and the beneficiary communities, who are the main driving force for the design of said projects. .

The main **benefits** provided by the Transparency Framework are to provide certainty in the management of financial resources throughout the life cycle of the projects, as well as to ensure that the environmental and social impacts of the project are positive, and of course to encourage organizations to transparently disclose financial and sustainable development performance.

Figure 1. Elements of the Transparency Framework



The bases of this conceptual framework, whose purpose is to provide a guide to evaluate and report on the financial performance and sustainable development of environmental projects, consisted of 4 development phases. Where the first phase consisted of the review of various international standards that are focused on certifying the presentation of results of environmental projects, and mainly carbon mitigation projects. Its second phase consisted of the development of the methodology for reporting the main performance indicators in financial and non-financial matters. The third phase consisted of the validation of said methodology when applied and applicable to real environmental compensation projects, both coal and non-coal, and the fourth phase, which is where this first version of the Methodology is located, which consists of the graphic edition and public consultation so that it is after having feedback from society in general and the main interest groups related to compensation projects.

The Transparency Framework Methodology mainly consists of 7 steps that are grouped into three blocks grouped as follows:

Block 1. Description of the Environmental Project and the Presenting Organization, to identify the relevant indicators and required documentation that provides support for the presentation of results in financial and non-financial matters, in the stage corresponding to the life cycle of the project. This block consists of 2 steps.

- Step 1. Project Characterization
- Step 2. Definition of the Current Stage of the Project

Block 2. Selection and presentation of relevant financial and non-financial indicators according to the sector and stage of the project. Where the financial indicators to be reported are those that were included to develop the Financial Feasibility Analysis of the environmental Project. And the non-financial indicators to report correspond to both relevant indicators in matters of Governance, Environment and Social, and indicators that measure the quantitative impact of the Sustainable Development Goals of the 2030 Agenda.

- Step 3. Report of Indicators of the financial feasibility of the project
- Step 4. Report on Sustainable Development Indicators in Environmental, Social and Governance (ESG) Matters

- Step 5. Report of indicators that measure the quantitative impact of the Sustainable Development Goals of the 2030 Agenda (SDG).

Block 3. Consolidation of the Report on Financial Transparency and Sustainable Development of Environmental Projects, regarding the good execution of the project resources, to be Verified by third parties, to obtain a Certificate of Financial Transparency and disclosed to its Stakeholders.

- Step 6. Development of the Financial Transparency Report
- Step 7. Verification of the Report and obtaining certificates

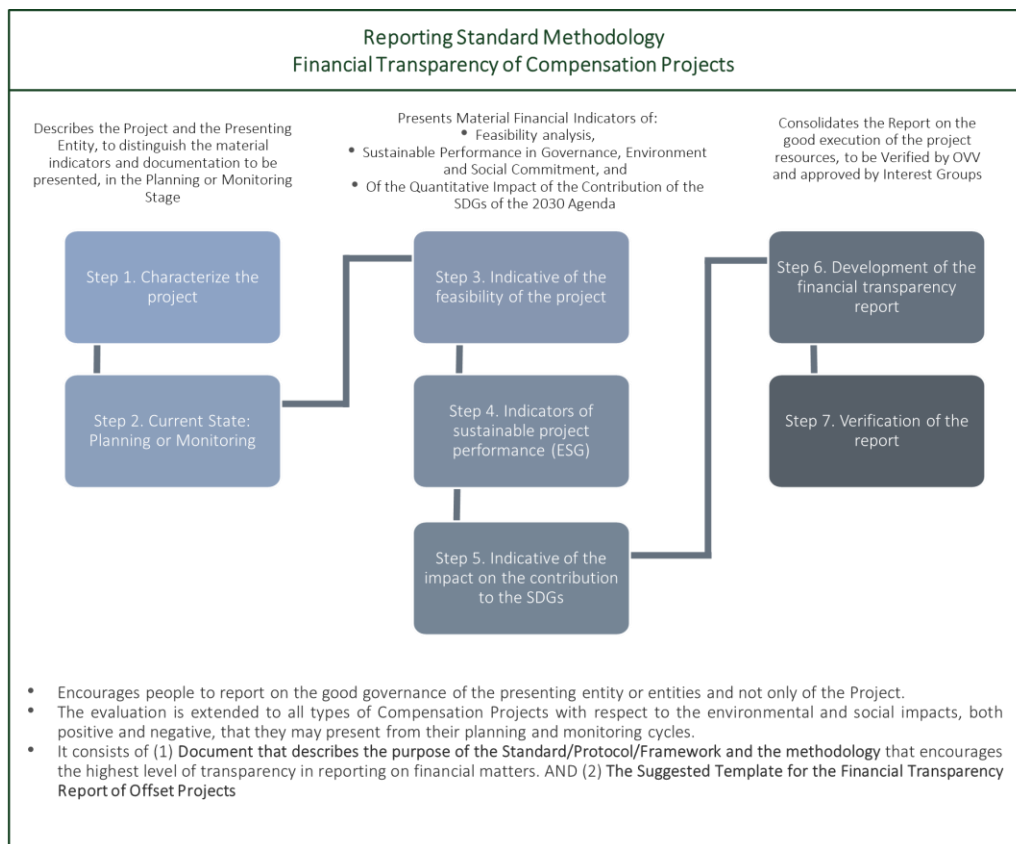
The exhaustiveness with which the methodology is applied encourages reporting on the good governance of the entity or entities presenting the accountability of environmental projects, and extends the evaluation to all types of environmental projects for compensation regarding environmental and social impacts. , both positive and negative, that may arise from their planning and monitoring cycles.

For this, this methodology consists of:

- This document describes the purpose of the Transparency Framework and the methodology that calls for the highest level of transparency in reporting on financial matters and sustainable development of environmental projects.
- The Suggested Template (Template) for the Financial Transparency Report of Compensation Projects

In the following sections of the document, the description of the 7 Steps that make up the Transparency Framework methodology is presented, and the suggested template is presented as its Annex to said document.

Figure 2. Transparency Framework Methodology



2. CHARACTERIZATION OF THE PROJECTS

Within the great diversity of environmental projects and presentation of reports to various bodies, such as local Authorities or International Standards, in every **Methodology of the Financial Transparency Reporting Framework and Sustainable Development of Environmental Projects**, it is required to present a brief characterization of the project, as a first step, according to the elements listed in the subtitles below, in order to be able to identify the minimum reporting aspects in financial and development matters. sustainable. Among these elements is a brief description of the project, including the productive sector and the main characteristics of the developers involved.

2.1. BRIEF DESCRIPTION OF THE PROJECT

Every report must present a brief description of the project (paragraph no longer than 2000 characters), including its location, duration, initial conditions, planned activities and expected impacts.

2.2. SECTOR IN WHICH THE PROJECT IS CLASSIFIED

It is understood that, as there is a great diversity of environmental projects, including carbon and non-coal offset projects, it is required and recommended to identify the category to which the sector of your project would correspond according to the Transparency Framework methodology. For this purpose, a sector is defined as the economic sector to which the main activity of the environmental project corresponds. In the following table you can identify the sector to which the environmental project to be characterized in the Transparency Report belongs:

Table 1. Classification of Environmental Projects by Sector

ILO Sectors	IPCC Sectors	Sectors of International Standards
<i>Agriculture</i>	AFOLU	AFOLU
<i>Industry</i>	Energy	Energy
	Industry	Industry, Construction and Mining
<i>Services</i>	Waste	Waste
	Services	-
	Transport	Transport

At Cercarbono there is a great diversity of environmental programs, therefore the classification of the Sectors for the characterization of environmental projects would correspond as indicated in the following figure:

Table 2. Environmental Projects by Sector at Cercarbono

CERCARBONO	ECONOMIC SECTORS (ILO, IPCC, INTERNATIONAL STANDARDS)
Forest Land Use, Agricultural Land Use, Mixed Land Use	AFOLU
Power generation, Power distribution, Energy demand, Combustible fugitive emissions	Energy
Manufacturing industry, Chemical industry, Construction, Mining and mineral production, Metal production, Fugitive emissions of halocarbons and SF5	Industry and Construction
Waste management _	Waste
-	Services
Transport	Transport

2.3. PROJECT PARTICIPANTS

The Transparency Framework encourages reporting both relevant project information and relevant information from the organization or organizations that are related to the project, mainly the project developers, but also the organizations participating in the environmental project. To do this, it is necessary to provide information on the natural or legal person who has the legal representation of the project, issued by its owner, according to the format presented in the following tables, and to do so, legal evidence of their representation must be attached when the report is submitted. be verified by Certification Bodies.

2.3.1. REPORTING ENTITIES

Information must be presented regarding the organizations or entities that report, indicating for each of them the contact information of their focal points for this report. To do this, it is required to report a single table with the corresponding data for the entity that reports as the main person responsible for the project.

Table 3. Entities Reporting on their Project

Full name(s)	
Name of institution (if applicable)	
Roles or responsibilities	
ID	
Location	
Telephone (s)	
Email	

2.3.2. ENTITIES PARTICIPANTS IN THE PROJECT

If there are other relevant entities participating in the project, then they must be listed, indicating for each of them the contact information of their focal points. Duplicate this table as many times as necessary.

Table 4. Reporting Project Participants

Full name(s)	
Name of institution (if applicable)	
Roles or responsibilities	
ID	
Location	
Telephone (s)	
Email	

2.4. PROJECT DEVELOPER EXPERIENCE

Complementing the various reports with which organizations certify the project, in the Transparency Framework, it is required to briefly describe the experience that the presenter of the project report has, regarding the application of compensation projects. The possible presenters can be either the Developer or one of the Project Participants. It is recommended that the entity description does not exceed one thousand characters.

2.5. UNFORESEEN EVENTS RELATED TO THE PROJECT

The Transparency Framework calls for recounting the strengths and weaknesses that developers and/or project participants had to face in the reporting stage of the project. This allows sharing the experience and challenges overcome, and mainly providing the context of financial performance and sustainable development in the report. For this reason, it is necessary to identify the main limitations or particularities that the presenters of the project report have incurred and how they faced said eventuality. It is recommended that the description of unforeseen events or particularities of the project in the reporting stage does not exceed 500 characters.

3. DEFINITION OF THE CURRENT STAGE OF THE PROJECT

In the second step to follow for the development of the Transparency Report, the object of this report is according to the stage of development in which the environmental project is, which may be initial stages (feasibility, validation, or verification), stages intermediate or maturity stages of the project. To do this, the organization that presents the Financial Transparency and Sustainable Development Report must specify at what stage of the project it presents said report and attach the corresponding documentation.

For initial stages of the project, such as pre-feasibility, feasibility, planning and design: the Report has the objective of capturing the interest and commitment of the participating community, potential investors and participating interest groups, so the level of exhaustiveness of the Project Report Financial Transparency will prioritize Financial and Sustainable Development Indicators in the initial stages before any external validation of the project, whether by an Auditor or Certification Body.

For intermediate stages of the project, such as the validation or approval stages: the Report has the objective of capturing the attention of investors and regulators, so the level of exhaustiveness of the financial transparency report will prioritize financial and sustainable development indicators in stages. initials before project verification.

For Project Maturity Stages, from the 1st year of verification, follow-up or monitoring of the project before the conclusion of the project cycle: the report has the objective of reporting the performance of the project with respect to the registered project design, so The level of exhaustiveness of the Financial transparency report will prioritize the progress of the execution of the resources assigned to achieve the objectives of the compensation project, such as its contribution to sustainable development.

Table 5. Development stages of Environmental Projects

PROJECT DEVELOPMENT STAGES GROUP	PROJECT DEVELOPMENT STAGES
Initial	Prefeasibility, Feasibility , Planning , Design
Intermediate	Validation or Approval by External
Maturity	1st year and the "nth" year of Verification or the "nth" year of Monitoring
Closing	Not contemplated in the Initial version of the Transparency Framework

3.1. STAGE OF THE PROJECT

According to the previous table, it is necessary to identify the stage in which the project is at, in which the accountability is planned to be carried out. It is understood that in the initial stages the periods can range between months or one or two years, as well as it is understood that projects in stages of maturity, whether monitoring or verification, may be reported in annual, biannual, or even five-year periods, but not necessarily full calendar years (for example, October 2019 to October 2021). Therefore, the Transparency Framework encourages accountability in the period in which the project requires accountability, however it urges that they adhere as closely as possible to calendar years and periods included within that calendar year. That is, it is recommended to report by quarters, semesters, years within corresponding calendar years, this to provide

information to decision makers regarding performance results throughout the project life cycle. That is, although projects are not usually measured in annual periods or in calendar years, it is necessary to describe the activities that are being carried out in the period required for reporting according to the reporting stage, prioritizing periods as much as possible. or to years, corresponding to a calendar year. It is required that the Project Stage be indicated in the report according to the main activities that are declared in the format of the following table, in which the start period and the final period of each stage are indicated.

Table 6. Typical activities of Initial Stages

ACTIVITY	START	ENDING
Identification of the geographic area of the project	Day/ Month /Year	Day/ Month /Year
Compilation of information for project development	Day/ Month /Year	Day/ Month /Year
Establishment of the project organizational structure	Day/ Month /Year	Day/ Month /Year
Project Design Document Development	Day/ Month /Year	Day/ Month /Year

Table 7. Typical activities of Maturity Stages

ACTIVITY	START	ENDING
Results of the Verification Opinion of the first year of monitoring	Day/ Month /Year	Day/ Month /Year
Number of people benefited in the fifth reporting year	Day/ Month /Year	Day/ Month /Year
Reduction of 40% of planned emissions	Day/ Month /Year	Day/ Month /Year
Carbon certificates sold in the 3rd year of the project	Day/ Month /Year	Day/ Month /Year

Once the main activities in which the project is in have been defined, the project developer can define or confirm the stage in which it is feasible to complete its financial transparency and sustainable development report, whose period will be defined by the oldest date and the most recent date declared in the main activities that correspond to the defined or confirmed project stage.

Below is a suggestion for reporting project periods:

Table 8. Examples of Reporting Periods

Stage	START	ENDING
Design	1/Oct/2021	31/ Jan /2022
Validation	1/May/2022	31/May/2022
1st Verification or 1st year of Monitoring	1/Oct/2022	1/Oct/2023

3.2. PROGRESS CORRESPONDING TO THE PROJECT STAGE

In the Transparency Framework it is relevant to establish the stage of the project in accordance with the main development activities in which the environmental project is located, and the corresponding progress with respect to the project planning with which it is implemented. The following table suggests as an example some of the activities that are usually reported in the initial stages of the project. It is recommended that these do not exceed a list of 15 activities per Reportable Stage. To complete the filling of said table, the following is recommended:

1. Once these activities have been listed, it is required to report the percentage of progress in accordance with the original planning. This percentage must be able to be evidenced with respect to the supporting document of each activity or the proposed achievements of each activity during its planning.
2. Once the percentages per activity are available, the total average percentage per reporting stage must be tallied.
3. For reports in initial stages, only the first 2 columns of the following table should be presented, for reports in intermediate stages the first 3 columns and for verification stages as many columns will have to be added for each year of report prepared under this methodology.

Table 9. Progress corresponding to the project stage

Information Required for Initial Stage (Prefeasibility, Feasibility, Planning or Design)	Stage of Design	Stage of Validation	Verification and Monitoring Stage
Project Design	%	%	%
Project socialization workshops with communities and interest groups	%	%	%
Binding agreements with communities and interest groups	%	%	%
Approach to the organizational structure of the project and assignment of responsibilities	%	%	%
Project risk identification and risk mitigation plan	%	%	%
Design of the project's sustainability action plan	%	%	%
Design of follow-up/monitoring indicators	%	%	%
Social investment planning design (investment in communities)	%	%	%
Project Registration with International Standards	%	%	%
Monitoring of material indicators and implementation of the monitoring plan	%	%	%
Public consultation of the project	%	%	%
Total Progress of Project Implementation	%	%	%

4. FINANCIAL FEASIBILITY ANALYSIS

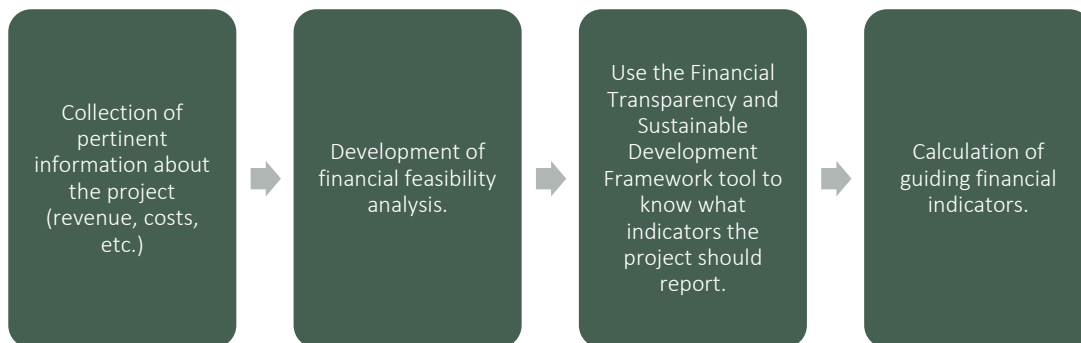
Every **Environmental Project** from its initial stages requires having had a financial feasibility analysis for its implementation, this to make investment decisions in the project in accordance with the expected resources and benefits. In the Transparency Framework, it is relevant that only projects that have said analysis can complete the Transparency Report under this methodology. That is why, for the third step of the Transparency Framework methodology, it is suggested to have these studies fully documented and present the following sections.

4.1. DEVELOPMENT OF FINANCIAL FEASIBILITY ANALYSIS

With the objective of generating a robust transparency methodology that provides reliability to interested actors, the development of a **financial feasibility analysis is considered essential**. In this section, apart from the fact that the reporting entity must show its corresponding financial indicators, it must also generate a document in which all the information and all the calculations developed are supported. This document must be attached and audited in conjunction with the Financial Transparency and Sustainable Development Report.

Below, some indications and suggestions will be proposed to consider in the process of creating this document.

Figure 3. Process for financial feasibility analysis



Within this diagram, the basic steps are proposed to illustrate the process of developing the necessary information that must be included in the Financial Transparency and Sustainable Development Report.

The purpose of generating the feasibility analysis is to be able to capture in one exercise all the pertinent information about the project and to be able to see how it will behave throughout its entire duration. Furthermore, given that this information is gathered, some indicators can be calculated that will provide key information to the actors interested in the project.

It is suggested that the document have the following sections or sections described below: Inputs, Income, Costs, Cash Flows, Results, and indicators. These sections will be explained below.

Supplies

In this section it is essential that all the information that will be necessary to carry out the financial feasibility analysis is clearly shown. Ideally, this information would be expressed clearly and in detail, including the source from which it comes. One aspect to keep in mind is that by the time the financial feasibility analysis is developed, not all values will be known, which is why it is important to list all the assumptions that are being considered.

Among the inputs that may appear, it is expected to see some of the following aspects:

- Project start date
- Project duration
- Project location
- Project type
- Project stage
- Methodology for project development
- Actors involved
- Inputs for calculating project income (e.g. prices, quantities, etc.)
- Inputs for calculating project costs (e.g. prices, quantities, etc.)
- Macro information (e.g. currency, inflation, devaluation, exchange rate, etc.)

Income:

Through this section, the income of the project must be clearly shown, whether calculated from the inputs shown in the previous section, or with real data if the project is in an advanced stage. In addition, it is important to differentiate between the different sources of income that the project may have.

Costs:

This section should present all costs that the project is responsible for covering over its entire duration. These must be broken down enough to understand where the project is investing flows. Within this analysis it can also be included which of the actors is responsible for covering each of the costs.

Cash flow:

This section is one of the most practical options for projecting the project for its entire duration. In this, it is proposed to consider both the income and the costs of the project to achieve a balance between them for a specific duration, whether on a monthly, annual, or other level.

If it is useful for the analysis, different cash flows can be included for the relevant actors in the project. If you want to develop this section, it is important that the project's inputs include the distribution of project benefits, so that it is clear which actors are going to receive what.

Results and indicators:

Within this section, it is intended that when making the report, the Financial Transparency and Sustainable Development Framework Tool is reviewed to be informed of which indicators must be reported according to the stage and sector of the project.

4.2. MAIN FINANCIAL INDICATORS

Below is a list of the financial indicators that must be reported by projects, regardless of type.

Table 10. Main financial indicators

ID	Name of the Key Indicator for the Project Stage	Indicator Description	Unit	Comment
F1	Income project totals	Identify the total income of the project, differentiated by its source.	Currency	
F2	Total project costs	Identify the total costs of the project, differentiated by their source.	Currency	
F3	Income distribution	Identify the income for each of the relevant actors in the project.	Currency	
F4	Cost distribution	Identify the costs for each of the relevant project actors.	Currency	
F5	Investment necessary for the project to become sustainable	Identify the amount to consider taking the project to the point where an additional investment to its income is not necessary.	Currency	
F6	Investment insured	Identify the amount that the project has already secured for its development.	Currency	
F7	Impact investing	Identify the amount that the project will allocate directly to impact activities.	Currency	
F8	Investment necessary for impact activities	Identify the amount necessary to make it possible to carry out impact activities.	Currency	
F9	Payback	Identify the time in which the project can be sustained with its own income.	Years	

4.3. SPECIFIC FINANCIAL INDICATORS BY PROJECT TYPE

Below is a list of the financial indicators that must be reported depending on the type of project. This information must be consulted in the Transparency Framework tool.

Table 11. Specific financial indicators

ID	Name of the Key Indicator for the Project Stage	Indicator Description _	Unit	Calculation comments _
EF1	Carbon credit origination cost	Identify the cost of generating each of the carbon credits.	Currency / Carbon credit	
EF2	Biodiversity credit origination cost	Identify the cost of generating each of the biodiversity credits.	Currency / Biodiversity Credit	
EF3	Plastic credit origination cost	Identify the cost of generating each of the plastic credits.	Plastic Currency /Credit	
EF4	Origination cost of the compensation mechanism	Identify the cost of generating each of the compensation units.	Currency / Clearing Unit	

5. ANALYSIS OF THE SUSTAINABLE DEVELOPMENT

As is well known, for more than two decades the **sustainability** reporting standard for organizations has been strengthened to provide confidence and transparency regarding good practices in **economic, environmental, and social matters**. Most of the guidelines agree on the principles that should govern them to be mainly consistent with the actions and results of the organizations, as well as considering the relevance of comparable reports to be able to identify their performance among peer processes. Given that the management of large-scale environmental projects, such as offset projects, given their development through methodologies accepted by **international standards** and even due to their life cycle, up to 30 years for example, is that these projects begin to take a great interest in **their own accountability** by various stakeholders from investors to the community that will participate or obtain the benefits of the project.

5.1. CARRYING OUT THE ANALYSIS OF THE SUSTAINABLE DEVELOPMENT

Within the Transparency Framework, it is required to add to the effort of sustainable development reporting as an accountability exercise, for environmental projects that due to their objectives to curb the impact on the planet (both to its various ecosystems, as well as depletion of natural resources and even global warming mainly), should have a great relevance in the transparent disclosure of the allocation of economic and material resources, and therefore in **governance practices**, as well as other environmental aspects that are not specific to the environmental compensation project, but its integral vision evaluates all **environmental components** that may affect or be related to the project; and of course all those **social aspects** that are not only related to the direct **beneficiary communities**, but also to other **interrelated communities** and of course to **the internal or external workforce** involved in the development, implementation and monitoring of the project.

For those organizations that develop environmental projects can show quantitative information regarding the indicators that concern the project in economic matters including those of governance, as well as environmental and social matters, it is urged to present the organization's own with a focus on project activities, which are certainly relevant to the management of the project itself and of course to show transparency. Undoubtedly the Sustainability Reports or Certifications in environmental, social or both matters form the necessary documentation for the disclosure of such indicators. Therefore, to evaluate the sustainable development of environmental projects, it is suggested to review the following flowchart that will show an example of the process to extract the necessary information for the project.

Figure 4. Process for sustainable development analysis



5.2. GOVERNANCE PERFORMANCE INDICATORS

Regarding the economic indicators for sustainable development, mainly the governance indicators for accountability prevail for the Transparency Framework since the economic indicators for environmental projects are mainly presented in the financial feasibility analysis. In the Transparency Framework, governance is currently understood as the organizational structure and actions undertaken by management for the strategic management of environmental projects. It is therefore important to report whether this structure is comprised of members of the same organization or one or more members from different organizations, as well as to indicate whether, in the case of more than two organizations being involved, they have equal or different participation or responsibility for the project. The good governance of any organization and therefore the expected for the management of environmental projects includes being able to disclose information that is sensitive, from the actions to ensure transparency and ethics with which the resources and results of the project are declared, to the main stakeholders involved in the project.

Therefore, it is suggested to consider at least the following economic aspects with emphasis on the governance of the environmental project:

Governance

The project's governing body and the set of processes it employs for its operation and the strategic direction of environmental projects in an environment of economic and stable development.

Risk Management

This group of indicators identifies how the organizations related to the project have identified the main project risks (both financial and natural disasters, but also technological, market, among others) that may affect its results and of course which are the safeguards to mitigate them. Depending on the stage of development of the project, the safeguards already implemented will become more relevant.

Ethics and Integrity

This section is one of the most practical options for project projection for the entire duration of the project. In this section, it is proposed to consider both the income and the costs of the project to achieve a balance between them for a specific duration, whether monthly, annually, or otherwise.

Table 12. Example of economic and governance indicators

ID	Name of the Key Indicator for the Project Stage	Description of the indicator	Unit	Comments
G5	Percentage of executive members of the Community benefited	Percentage of project governance executives representing the project		
G2	Retained economic value (REV)	Indicate the result of subtracting the distributed economic value from the project's income		
G8	Risk Identification	Presentation of multi-criteria analysis, including risk and management value, and project life-cycle cost, for decision making		

5.3. ENVIRONMENTAL PERFORMANCE INDICATORS

Regarding the environmental indicators in terms of sustainable development, for the Transparency Framework, it is considered to evaluate those aspects that complement the project. Essentially the environmental project has an objective to mitigate some environmental aspect(s), for example, a climate change mitigation project (carbon project) mainly seeks to reduce or capture emissions related to greenhouse gases; a water development project mainly foresees the impact on the water resource, but also focuses on the biodiversity of the project area. Therefore, the environmental aspects to be evaluated in this report under the Transparency Framework include both the essential aspects of the project and those that may be involved with the project.

Therefore, the following economic aspects are suggested as a minimum to be considered with emphasis on the governance of the environmental project:

Use of material resources and waste management

This group of indicators is related to the use of natural material resources, which foresee the biocapacity they have for their natural regeneration and avoid their depletion. Materials are understood as all raw or recycled materials, mainly in solid form, which are required for processing or transformation in the environmental project. This group also includes waste management, which is also expected to be considered as raw materials for other processes within or outside the environmental project for their use.

Energy use and emissions management

This group of indicators evaluates all types of energy used by the project, both renewable and non-renewable, and of course includes emissions associated with energy generation, both atmospheric emissions and greenhouse gas emissions.

Use of water resources and wastewater management

This group of indicators calls for the disclosure of water consumption and use, no matter how small the amount. In environmental projects where water use is not considered for the main processes, it will undoubtedly address its use in buildings for personal consumption and sanitation. It will become more relevant for projects that process significant amounts of water resources, indicating the source from which it is obtained, its use and the treatment for its exploitation.

Biodiversity Conservation

This refers to the group of indicators that evaluate anthropogenic action to protect natural ecosystems or ecosystems that have been impacted or exploited by human activity, natural disasters, or erosion. This group of indicators identifies the sustainable use of resources and species obtained from different ecosystems, mainly those with a higher degree of vulnerability or where species extinction is identified.

Table 13. Examples of environmental indicators

ID	Name of the Key Indicator for the Project Stage	Description of the indicator	Unit	Comment
E1	Environmental impact management plan	Presentation of environmental impacts in addition to those contemplated in the compensation project.		
E2	Water management resources	Presentation of the results of the public consultation of the project and dissemination in strategic media of the related organizations.		
E3	Participation in local and global environmental initiatives	Evidence of the participation of social initiatives in environmental matters for the implementation of the strategic actions of the offset project.		

5.4. SOCIAL PERFORMANCE INDICATORS

Regarding the social indicators in terms of sustainable development, for the Transparency Framework, it is considered to evaluate those aspects that complement the environmental project, from those aspects related to people, both inside and outside the project. Some environmental projects have very clear objectives to benefit the community in the project area. When the project does not consider such social aspects (both internal and external), it is suggested that the Transparency Framework can be used to reevaluate its involvement with the communities. It is not mandatory to include them if the project did not consider them (whatever the stage of development), but it is encouraged to evaluate their inherence or to include them through alternative projects (by the same organization or others), which in turn can provide the respective information in the Transparency Framework report.

Therefore, it is suggested that the main social aspects include the identification of key stakeholders, beneficiary communities and project collaborators:

Identification and Relationship with Stakeholders

Regardless of the stage of development of the project, the identification of groups of people or groups of entities related to the project should be addressed, as they are affected or benefited by the environmental project, and therefore may have a great influence on the development of the environmental project. Stakeholders can be identified using various techniques, but they should mainly be linked to the identification of risks and management of the project to obtain results.

Beneficiary communities

This group of indicators allows to identify the degree of involvement of the environmental project with the people benefited at the community level. These can range from families to local suppliers living in the communities adjacent to the project area. The benefit can be tangible or intangible, however, it must be related to the improvement of the quality of life and economic development of these communities.

Project collaborators (contracted or subcontracted)

Every project is developed by people, until they are not developed by the intelligence activity. Undoubtedly, the predominant factor for obtaining results according to its planning is related to the workers or collaborators of the environmental project. These may be hired directly or indirectly by one of the organizations responsible

for or participating in the project. This group of indicators evaluates and reports on the work environment, the development of human capital due to the project and mainly the respect for the human rights of the project members.

Table 14. Example of social indicators

ID	Name of the Key Indicator for the Project Stage	Description of the indicator	Unit	Comment
S2	Social impact management plan	Presentation of social impacts in addition to those contemplated in the offset project.		
S3	Contracting of local services	Indicate the costs associated with the payment of professional services of personnel employed directly and indirectly in the project.		
S4	Health and safety plan for participants in project activities.	Percentage of the project's payroll with social security coverage and with civil liability and/or major expense insurance in case of accidents during project execution.		
S5	Equal opportunities	Percentage of participation in the project of vulnerable populations that are at risk due to their age, sex, marital status, and ethnic origin.		

6. QUANTITATIVE IMPACT ANALYSIS OF SDGS

The Sustainable Development Goals and the **Governance, Environmental and Social Indicators** (ESG Aspects) are intrinsically linked and are usually measured and reported by various entities at a global level. However, as is well known, they have specific and complementary approaches, which the Transparency Framework suggests evaluating separately as an exercise in transparency for the intended audience.

In the 17 Sustainable Development Goals (SDGs), the sustainability approach is evaluated in 5 dimensions (the 5Ps): **people, planet, prosperity, peace, and the pacts** made between the great diversity of organizations (partnerships). These are related to the dimensions of governance, environment and society as indicated in the table below, with respect to the dimensions assessed in the previous step of the Transparency Framework.

Table 15. Dimensions of the ESG and the SDGs

Sustainability in the 3 ESG Dimensions	Sustainability in the 5 Dimensions of the 17 SDGs
Economic Dimension (with emphasis on Governance))	Dimensions of Peace and Pacts (Alliances)
Environmental Dimension	Planet Dimension
Social Dimension	People and prosperity dimensions

The Transparency Framework is oriented to identify the main guidelines in terms of Sustainability, so it is expected that after the publication of its first version it will be updated periodically and consistently with the global objectives to eradicate **the risks faced by the planet and humanity**.

Mainly in the present decade in which the 1st version of the Transparency Framework for environmental projects is being published, the report is oriented to cover the main concerns of the 2030 Agenda, which correspond to the risks detected mainly since the 2nd half of the 20th century and until the 1st half of the 21st century, due to global warming and therefore the relevance of measuring and reporting on the contributions to the 17 SDGs.

However, not all environmental projects have the capacity to contribute to all 17 SDG targets. Therefore, the current good practice is to report the qualitative contribution of the SDGs to which the project can contribute, according to the guidelines of various International Standards.

Under this Transparency Framework, environmental project developers are encouraged to: **Quantitatively identify the impact** at different stages of development, that each contribution has to a specific SDG target that by the characteristics of the project can actively participate with relevant actions. Of course, this does not mean that organizations should be forced to contribute to all the goals, but it does encourage them to contribute significantly to the most relevant ones according to the expected results of the environmental project, but mainly to disclose the quantitative impact of the contribution to one or more SDGs.

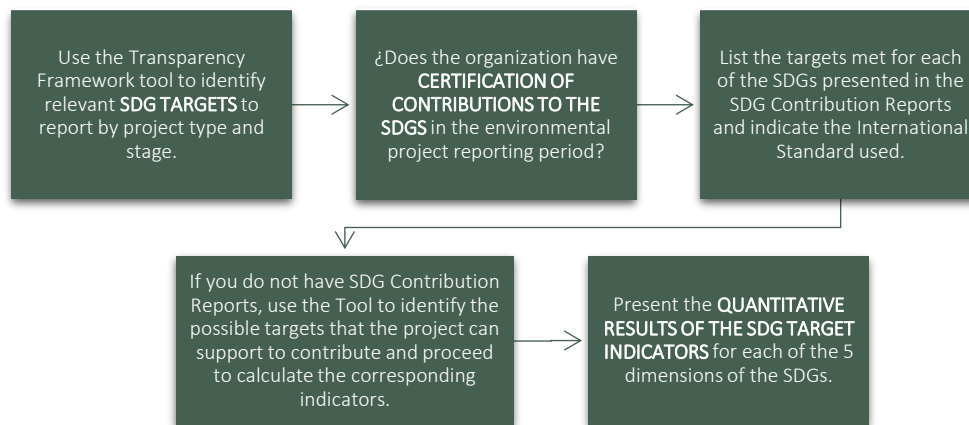
6.1. DEVELOPMENT OF THE ANALYSIS OF THE IMPACT OF THE ODS

If the environmental project has already considered SDG reporting under an International Standard to **certify SDG contributions**, it is important to indicate them in the report in Step 6 of this Transparency Framework, and under which International Standard they were measured and audited. Likewise, the Transparency

Framework seeks to complete the identification of the contribution of these objectives by reporting the quantitative impact that can be attributable and comparable with other indicators within the project itself, and of course with other environmental projects of similar characteristics in terms of sector and stage of development, regardless of the geographic region in which they are being measured.

The main objective of the **analysis of the impact of the SDGs** will be to measure the impact in terms of the planned results against the results obtained in the development stage in which the Transparency Report is made. The objectivity with which the quantitative contribution is assessed will lie in whether they complete most of the relevant targets that would correspond to the sector and stage of the environmental projects. The process for proceeding to quantitatively analyze the impact of the SDG contributions would then be as shown in the figure below:

Figure 5. Process for quantitative impact analysis of the SDGs



6.2. PROJECT'S MATERIAL SDG'S REPORT

The concept of relevance or materiality is fully identified in different International Standards, both financial and non-financial, which have given the guideline to discern the information that contributes significantly to the results of the projects, and in the Transparency Framework, to the results of environmental projects and decision-making to ensure their continuity. This is why it is identified that some SDGs are more relevant for certain types of environmental projects, and among all the targets that have been set out in the 2030 Agenda for each indicator, some are also applicable, and others are not for the environmental project. Mainly those targets that are aimed at regions or populations where the project has no way to contribute, or at least not in a significant way.

Therefore, the results of the indicators that correspond to contribute to a specific target, partially or completely, of a specific Sustainable Development Goal should be presented in the format of the following suggested table to identify the quantitative result of the expected indicator by GOAL and SDG. If the Tool suggests a specific SDG and the reporting organization does not have information on it, it should indicate why it does not have such information and whether it expects to integrate it for the following stages.

Table 16. Example of indicators to be reported by relevant target and SDGs.

SDG	Names of Key Indicator(s) by SDG identified in the Project Design Stage	Description of the indicator	Indicator report with <u>quantitative information</u>
SDG3 - Health and Wellness	3.9.6 Area of open burning reduced or avoided by burning biomass or crop residue	Indicate the m2 or km2 of burned area avoided because of actions implemented by the project.	<i>At the project design stage, the number of communities in the project area that have burned biomass or crop residues has not yet been quantified. However, it is estimated that 100% of the areas with burning prior to project implementation will eradicate this practice due to the waste management plan to be implemented.</i>
SDG5 - Gender equality	5.5.3 Proportion of women in committees or other governance bodies of the offset project. 5.a Proportion of women among owners or holders of agricultural land rights.	Number of women participating in the governance of the project. Number of women landowners from the local population in the project area.	<i>The project currently has no representation of women in its governance model. Likewise, no women landowners have been identified; however, it will be part of the project to identify this proportion.</i>

6.3. QUANTIFICATION OF THE IMPACT OF CONTRIBUTIONS FROM THE SDG'S

It is known that there is currently a great diversity of methodologies to identify how and/or how much organizations are doing to contribute directly or indirectly to the SDGs. The Transparency Framework suggests complementing such methodologies under the following two premises:

1. Can the project significantly impact one or some of the targets of one or some of the SDGs relevant to the type of project and its stage of development?
2. According to the stage of the environmental project, are tools available to quantify the level of impact?

Therefore, the less complex the quantitative identification of the impact of contributions to the SDGs, the less complex the quantitative identification of the impact of contributions to the SDGs, the more the intended audience of this Transparency Report will be able to conceive whether the information provided through this tool is consistent with the information disclosed by the Project Developer. Since these indicators can be verified or certified by third parties, the audience that will review the information in this report can perceive how the allocation of resources is being planned at different stages of the project and understand why significant changes are made or not made between each stage of project development. Therefore, while it is valuable to undertake any activity to address the main problems that impact the environment and humanity, it is also important to report on the extent to which they are contributing to it.

So, like most methodologies for measuring and assessing impacts, the Transparency Framework also proposes to quantitatively assess those impacts through an Impact Matrix suggesting how much is being contributed to a given SDG. In this first version of the Transparency Framework, three levels of impact are suggested: **low, medium, and high**, and the range for identifying the contribution is described as follows:

- **Low impact** corresponds to a percentage of the expected results of a given indicator, which corresponds to a performance equal to or less than 30%, and therefore to an impact of the SDG contribution equal to or less than 30%.
- **Medium impact** corresponds to a percentage of the expected results of a given indicator, which corresponds to a performance between 31% and 75%, and thus to an impact of the SDG contribution of 31% and up to 75%.
- **High impact** corresponds to a percentage of the expected results of a given indicator, which corresponds to a performance equal to or greater than 76% and therefore to an impact of the SDG contribution of less than 30%.

In other words, with respect to the total number of indicators evaluated, if an average performance of 56% is found, then the impact of the contribution is medium, or if it is 84%, the impact is high, and if it is 20%, the impact is low. The same assessment can be made by grouping the indicators by SDG dimension.

However, to identify the quantitative impact, this percentage of impact must be associated with or be a function of the expected income from the development of the environmental project (the project's utility), and thus have a metric that can be compared within the project or with other similar projects of other organizations. By following the formula below, the quantitative impact can be obtained by indicator, goals, SDGs, or SDG dimension.

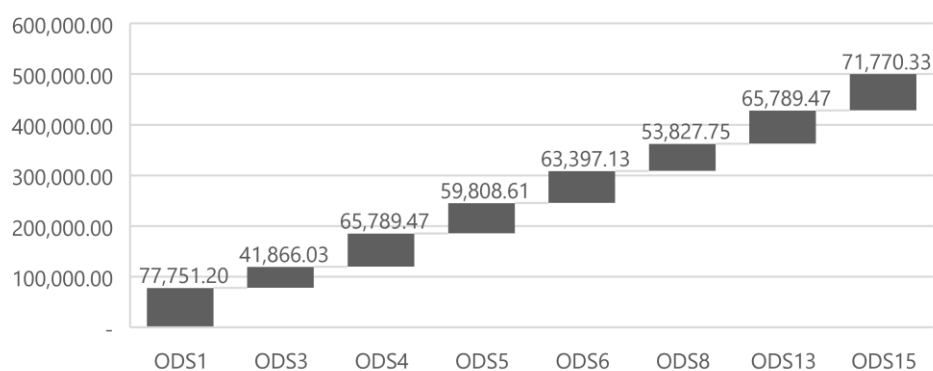
In the following two tables you will find **the level of impact** with which the SDG contribution is associated and **the quantitative impact of the SDG** in relation to the expected project income. It should be noted that the main functional unit for these transparency reports is proposed to be these profits, as it is the common metric among project developers, investors, and benefited communities, which they can identify to associate the success or deviation of the project according to the project's planning. However, it is also valid to associate such impact to other functional units, and perhaps add them to the reporting system in subsequent versions.

Table 17. Examples of performance evaluated by indicator (Level of impact)

ID Indicator	Name of the key indicator	Quantitative Indicator Result	Evaluated performance. (Level of impact) *
SDG1	1.4.1 Percentage of households benefited due to the implementation of basic services due to the project	A minimum of 50% of households benefited due to the implementation of basic services with project resources.	Medium (50%)
SGG5	5.5.3 proportion of women in committees or other governance bodies of the compensation project 5.a Proportion of women among owners or holders of agricultural land rights.	The project currently has no women participating in the governance of the project. Likewise, no women landowners have been identified in the project area.	Low (0%)
SDG15	15.8.4 Total area planted with tree species native to the project's ecosystem	It seeks to protect 215,782 hectares of natural forest. Note: which corresponds to 56% of the total of the Natural Park. However, 100% of the indigenous population benefited adds an inherent value to the contribution of the project and therefore a benefit of 78% is estimated.	High (78%)

Note: *Low performance below 30%, Medium performance between 31% and 75%, High performance above 76%.

Figure 6. Examples of the impact of the SDG on project profits (Quantification of impact)



7. STRUCTURE OF THE REPORT AND INDICATOR DASHBOARD

Since this document shows all the 7 Steps required for the development and presentation of the Report, in Step 7, it is suggested for the Transparency Framework to present all the information required to evaluate and present the results as an exercise of accountability, in a homogeneous format for all project developers and presentation of financial transparency and sustainable development reports. So, all the previous tables of STEPS 2, 3, 4, 5 and 6 will form the supporting information of the Transparency Report and as Step 7 will consolidate in a table the total of the evaluated indicators (Dashboard) which in turn will be presented graphically, to help the target audience visualize the main results in an accessible language.

7.1. INDICATOR CONTROL BOARD

Therefore, the results to be presented in the Transparency Report, in order for this report to be an instrument used for accountability and decision making, must be simple to interpret since the information contained is fully traceable because it is supported by documents that have been previously audited or certified by third parties, or in the case that they do not yet have such certifications or audits, they can do so with the assurance that the information presented is fully justified. The following are the main results to be included in the environmental project transparency dashboard. The last column indicates the evaluated performance of each indicator.

Table 18. Examples of the Transparency Framework Dashboard

ID Indicator	Name of the Key indicator	Quantitative Indicator Result	Evaluated performance*.
2.2	Project progress	37% in the Design Stage 12% with respect to the 1st year of monitoring	Medium (37%)
F1	Total project income	58,897,325 USD over the 30-year useful life of the project. Note: Representing 75% margin	Medium (75%)
F5	Investment required to make the project sustainable	2,165,966 USD to stand on its own. Note: Representing 15% of total costs.	High (85%)
G1	Economic value distributed	491 thousand USD annual average. Note: which corresponds to 23% of the investment needed to be sustainable.	High (77%)
G5	Percentage of executive members of the community benefited	60% is the representation of executive members (3 out of 5 executive members.)	Medium (60%)
G6	Costs associated with project feasibility analysis	45000 USD so far. Note: which corresponds to 2% of the investment required for the project to be sustainable by itself.	High (98%)
E1	Environmental impact management plan	The design stage of the current reporting period is estimated to be 20% complete.	Low (20%)
E2	Water resource management plan	At this stage of the project, the water resource management plan has not been completed. There is no % of progress	Low (0%)

E6	Wildlife conservation of natural ecosystems	The project currently estimates the protection of 215,782 hectares of natural forest. Note: which represents 56% of the total area of the Sierra Nevada natural park (383,000 ha).	Medium (56%)
S2	Social impact management plan	The estimated percentage of progress is 30%.	Low (30%)
S3	Contracting of local services	At the design stage, it is estimated that at least 60% of the employees will be hired locally.	Medium (60%)
S4	Health and safety plan for project activities for participants (internal and external staff).	The project proponents currently have health and safety plans in place for the personnel employed for the project design. Health and safety services for the project area population have not yet been identified. Note: An estimated 40% of this is covered by the proponents.	Medium (40%)
SDG3	3.9.4 Number of households that received treatment for water quality-related diseases. 3.9.6 Area of open burning reduced or prevented by burning biomass or crop residues.	Estimated minimum health care for 50% of households and 100% avoided biomass burning area once the project is implemented.	Medium (75%)
SDG5	5.5.3 proportion of women in committees or other governance bodies of the compensation project 5.a Proportion of women among owners or holders of agricultural land rights.	The project currently has no women participating in the governance of the project. Likewise, no women landowners have been identified in the project area.	Low (0%)

7.2. GRAPHIC INFORMATION OF THE PROJECT

Likewise, the Transparency Report is expected to present graphically the consolidated results of the Dashboard, whose explanation for the target audience can recognize the quantitative and relevant information of the project in financial and sustainability matters. For this purpose, below are some examples in which the performance of financial, governance, environmental and social indicators, as well as the quantitative impact of the SDGs, can be graphed. These can of course be grouped by indicators, targets, and dimensions.

Table 19. Examples of Transparency Framework Indicator Dashboard Charts

Illustration 1. Share of project revenues, % of project income

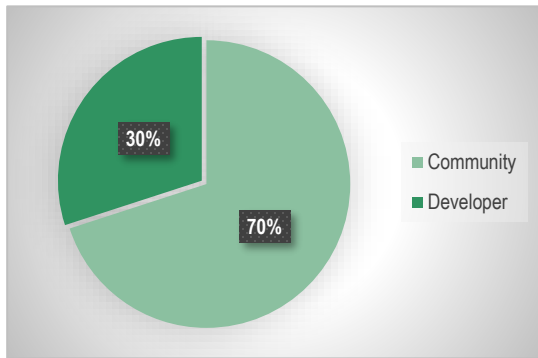


Illustration 2. Project costs by stage or key activity, USD

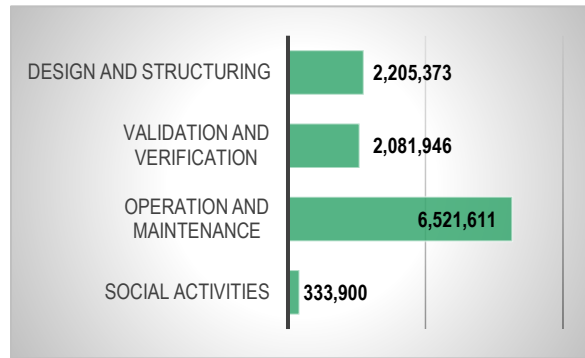


Illustration 3. Performance of Transparency and Sustainability Indicators, %.

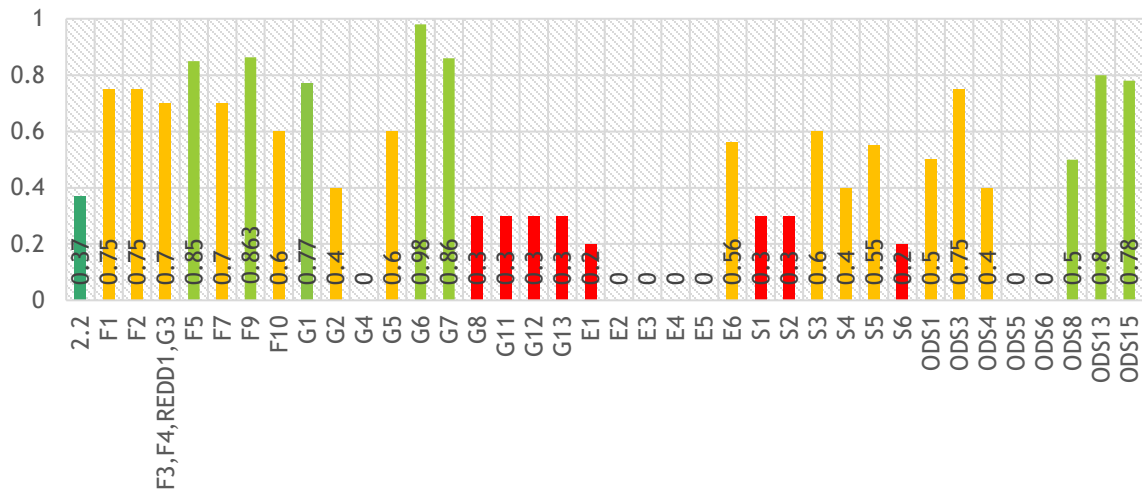
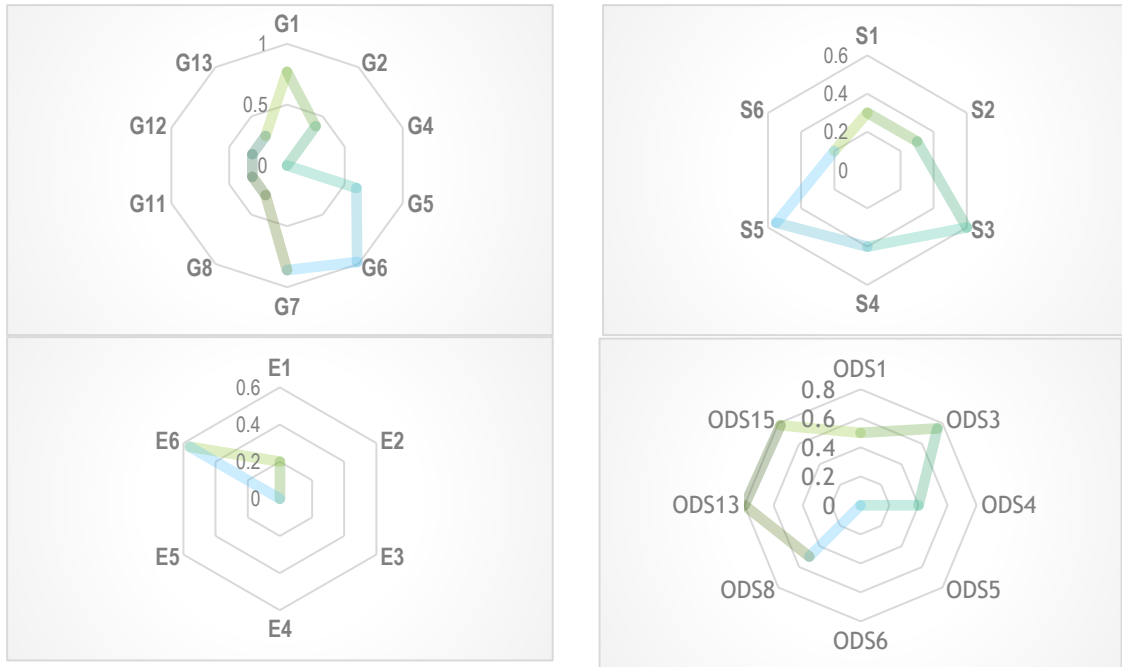


Illustration 4. Performance of ESG and SDG Indicators



8. REPORT VERIFICATION

As a last step, step 8 of the Transparency Framework methodology, it is suggested that the report may be audited by certification bodies to verify the information contained in the Transparency Report. The auditor shall verify the information presented in accordance with the suggestions of this methodology, whose opinion may be attached to this report or, if applicable, mentioned in accordance with the protocols indicated by the Certification Body.

It shall be the responsibility of the Certification Body to provide the corresponding Transparency Certificates for the results of this Report. Which shall correspond according to the stage and type of project, the performance of the indicators reported.

9. VERSIONS OF THIS DOCUMENT

This version is the first version of the document that will be put up for public consultation to generate the final version.

10. ANNEX 1. TRANSPARENCY REPORT TEMPLATE (TEMPLATE)



**REPORT ON FINANCIAL TRANSPARENCY AND SUSTAINABLE
DEVELOPMENT OF ENVIRONMENTAL PROJECTS**

PROJECT NAME:

PROJECT REPORTING PERIOD:

DATA OF REPORTING ENTITY

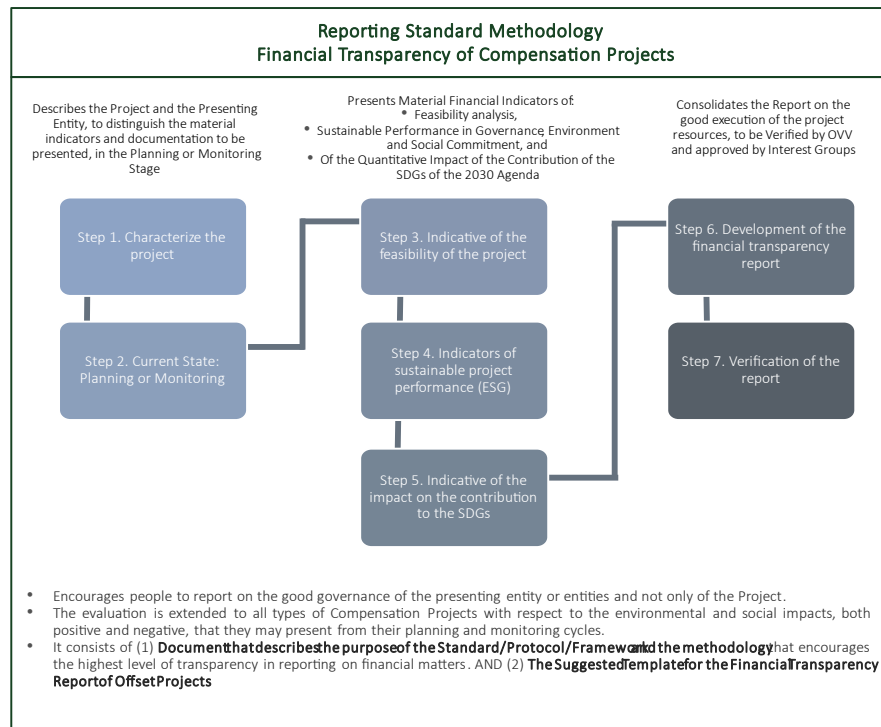
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DATA OF REPORTING ENTITY

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I. ABOUT THIS REPORT

Illustration 1. SDG Financial Methodology Disclosure Framework



Methodology Used

The methodology of financial transparency and sustainable performance of the project is encouraged to be used periodically (preferably once a year) throughout the life cycle of compensation projects, to guarantee interest groups, with emphasis on investors, the management of financial flows, financial and non-financial risks, and the quantitative impact on the sustainable development objectives (SDG) established in the planning and monitoring plan of the projects. The application of this protocol / framework / standard will allow access to a financial transparency certificate of a compensation project validated and/or verified by third parties.

The methodology consists of applying 7 steps to achieve the transparency certificate granted by an accredited Certification Body. Where the first and second step, as indicated in illustration 1, consists of describing the characteristics and status of the implementation of the project. And the core steps suggest reporting key indicators to demonstrate the financial and sustainable performance of the project at the reporting stage. Step 6 consists of generating this report, based on a template that is part of said protocol/ framework /standard. Finally, step 7 corresponds to its verification by independent auditors of the certification body, who would grant the transparency certificate.

The purpose of the Project Feasibility Indicators Report is the following under the suggested methodology:

- Establish opportunities for improvement in which the Compensation Project can strengthen its measurement, control, and corrective actions of the financial situation of the project.
- Identify the discrepancies that the different Types of Projects may incur during their Planning or Monitoring in terms of financial reporting.
- Establish the financial indicators of the current state in which the financial report is made, to differentiate the materiality of some indicators at the beginning of the project during planning, from the commitments made to evaluate during monitoring.

The purpose of the Report on the Sustainable Performance Indicators of the project is the following under the suggested methodology:

- Ensure the monitoring of the sustainable performance of projects under international evaluation standards on governance, environmental and economic issues not included in the Project Design (PDD), as well as social aspects, which together emphasize good management practices. the entities that develop and participate in the Project.
- Ensure that the direction of the projects and the management of their resources are executed by organizations that implement the best performance practices in terms of sustainability within their own organizations, to bring to fruition the commitments with their related parties and benefited communities.

The purpose of the Report on the quantitative impact of the contribution to the SDGs of the 2030 Agenda is the following under the suggested methodology.

- Have the quantitative impact report of the contribution of the SDGs and the 2030 Agenda, complementing the organizations that report, in strengthening the measurement of their contributions for decision-making during the planning and/or monitoring stage as appropriate.
- Ensure the contribution to the SDGs from the perspective of quantitative impact verified by certification bodies, increasing the rigor of transparency in resource management throughout the project life cycle.

Instructions for filling out the Transparency Report

This report is based on the template suggested to develop the **Transparency and Sustainable Development Report for compensation projects**. Each section must retain its structure and develop its content based on the instructions indicated at the beginning of each Chapter, Topic, or Subtopic to be developed.

The texts identified in green (either dark or light tone) are part of the explanations and instructions of the methodology to develop this report.

The texts in black and italic font identify the text that must be filled out by the entity presenting this report with respect to the information on the Compensation Project.

All tables are part of the report template, so their structure should not be modified. Information on the methodology will be indicated in normal font and in italic font the information that must be filled out by the entity presenting this report will be indicated.

Finally, the response of the presenters of the report indicated in the last column of the tables of the feasibility reports, ESG and SDG indicators, also filled out in italics, must mention all ASSUMPTIONS that they have had to make for the report of the corresponding indicators. If you do not have information, indicate the reason for the omission or exclusion.

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III. ACRONYMS

Instructions: Each report must report the acronyms used in this document.

1. Project Characterization

Instructions: In this first step of Project Identification¹ the organization that presents the Financial Transparency and Sustainability Impact Report, for which it must include information from the following sections 1.1 to 1.5.

1.1. BRIEF DESCRIPTION OF THE PROJECT

Instructions: In this step, a brief summary of the main information of the project should be developed. Included in this point, aspects can be mentioned such as: location, type of project, main impacts of the project, methodology that follows the project design, important dates, progress of the project, among other relevant ones.

1.2. SECTOR IN WHICH THE PROJECT IS CLASSIFIED

1.3. PROJECT PARTICIPANTS

Instructions: Indicate the project participants, indicating the role of each one within their organization, company name, legal representative of the participants, and contact information such as address, telephone number or email, if available.

1.3.1. Reporting Entities

Organization name's	
contact person	
Qualification	
Address	
Phone	
Mail	

Organization name's	
contact person	

¹Note: Having the Project identification allows you to discriminate the type of indicators to be reported, according to the Type of Project, Sector and Presenting Entity, and the exhaustiveness of the indicators and documentation to be presented.

Qualification	
Address	
Phone	
Mail	

1.3.2. Other entities participating in the project

Organization name's contact person	
Qualification	
Address	
Phone	
Mail	

Organization name's contact person	
Qualification	
Address	
Phone	
Mail	

Organization name's contact person	
Qualification	
Address	
Phone	
Mail	

1.4. PROJECT DEVELOPER EXPERIENCE

Instructions: You are encouraged to report **briefly** the experience that the report presenter has in the application of compensation projects (Possible presenters may be the Developer or any of the Parties involved with the Project).

1.5. EVENTS RELATED TO THE PROJECT

Instructions: It is required to identify some limitations or particularities that the presenters of the standard have incurred and how they faced this eventuality.

2. Definition of the current stage of the project

Instructions: In this second step of confirming the object of this report (FEABILITY, VALIDATION OR VERIFICATION) ², the organization that presents the Financial Transparency and Sustainability Impacts Report must specify at what stage of the project it presents said report, and attach the corresponding documentation:

For the Prefeasibility/Feasibility/Planning/Design Stage: The Report has the objective of capturing the interest and commitment of the participating community, potential investors and participating interest groups, so the level of exhaustiveness of the Transparency Financial Report will prioritize Financial and Sustainable Performance Indicators in the initial stages before project validation. **For the Validation Stage:** The Report in the Validation Stage has the objective of capturing the attention of investors and regulators, so the level of exhaustiveness of the financial transparency report will prioritize Financial and Sustainable Performance Indicators in initial stages before the project verification. **For the Verification/Monitoring Stage:** The Report in the Verification Stage has the objective of Reporting the Performance of the project with respect to the registered project design, so the level of exhaustiveness of the Financial transparency report will prioritize the Progress of the Execution of the Resources assigned to Sustainable Development.

2.1. STAGE IN WHICH THE PROJECT IS

ACTIVITY	START	ENDING

2.2. PROGRESS CORRESPONDING TO THE PROJECT STAGE

<i>Information Required for Initial Stage (Prefeasibility, Feasibility, Planning or Design)</i>	Stage of Design	Stage of Validation	Verification and Monitoring Stage
Project Design	%	%	%
Project socialization workshops with communities and interest groups	%	%	%
Binding agreements with communities and interest groups	%	%	%
Approach to the organizational structure of the project and assignment of responsibilities	%	%	%
Project risk identification and risk mitigation plan	%	%	%
Design of the project's sustainability action plan	%	%	%

² Having the identification of the Object of the Present Report allows us to discriminate the type of indicators to be reported, according to the Validation or Verification stage, and the exhaustiveness of indicators and documentation to be presented.

Design of follow-up/monitoring indicators	%	%	%
Social investment planning design (investment in communities)	%	%	%
Project Registration with International Standards	%	%	%
Monitoring of material indicators and implementation of the monitoring plan	%	%	%
Public consultation of the project	%	%	%
Total Progress of Project Implementation	%	%	%

3. Feasibility Analysis Report

Instructions: In this third step of the Feasibility Analysis Report, ³the organization that presents the Financial Transparency Report must specify all the key guiding indicators for all types of projects, and those that are specific to the type of project, for which it must include information of the following sections, and the corresponding filling of the required indicators:

3.1. GUIDING FINANCIAL INDICATORS

Instructions: Regardless of the type of project sector, in this section of indicators, those recommended for all types of compensation projects must be presented or those that must be a requirement to ensure the transparency of the project's financial report.

ID	Name of the Key Indicator for the Project Stage	Indicator Description	Indicator report with quantitative information (USD values are in nominal terms)
F1	Total project revenue	Identify the total income of the project, differentiated by its source.	
F2	Total project costs	Identify the total costs of the project, differentiated by their source.	

³ Having the identification of the Project Feasibility Analysis carried out by the Entity presenting the project is identifying the strengths and reporting opportunities. Depending on the methodology chosen by the Project Developer, the strengths and opportunities of the registry of key indicators will be evaluated according to the type of project. Standardize Feasibility Analysis report format.

F3	Income distribution	Identify the income for each of the relevant actors in the project.	
F4	Cost distribution	Identify the costs for each of the relevant project actors.	
F5	Investment necessary for the project to become sustainable	Identify the amount to take into account to take the project to the point where an additional investment to its income is not necessary.	
F6	Secured investment	Identify the amount that the project has already secured for its development.	
F7	Impact investing	Identify the amount that the project will allocate directly to impact activities.	
F8	Investment necessary for impact activities	Identify the amount necessary to make it possible to carry out impact activities.	
F9	Return time	Identify the time in which the project can be sustained with its own income.	
F10	Origination cost of the compensation mechanism	Identify the cost of generating each of the compensation units.	

3.2. SPECIFIC FINANCIAL INDICATORS BY PROJECT TYPE

Instructions: The recommendation of specific financial indicators is established by type of project (not all apply at the same level of relevance or circumstance).

ID	Name of the Indicator for the Project Stage	Key Indicator Description	Indicator report with quantitative information (USD values are in nominal terms)
REDD1	Cost distribution	Identify the costs for each of the relevant project actors.	

4. Sustainable Development Report of the organization reporting the project

Instructions: In this fourth step of the Institutional Sustainable Performance Report ⁴, the organization that presents the Financial Transparency Report must specify the sustainable performance of the project in terms of sustainability, for which it must include information from the following sections, and the corresponding filling out of the indicators required in sections 4.1, 4.2 and 4.3.

4.1. GOVERNANCE PERFORMANCE INDICATORS

Instructions: The compensation project itself has the analysis of financial indicators regarding the technical and financial feasibility of the project. However, this section reports on the indicators related to sustainable performance in terms of value generation and governance:

ID	Name of the Indicator for the Project Stage	Key the	Indicator Description	Indicator Report with quantitative information
G1	Distributed Value (EDV)	Economic	Identify the total value of the sum of operational costs, salaries and benefits of employees, payments to suppliers, investment in the community due to the project expected in the first year of reporting	
G2	Retained value (SEE)	economic	Indicate the result of subtracting the distributed economic value from the project income.	
G3	Investments communities	in	Indicate the total investments to the community that are related to the actual expenses incurred in the first year of project operations. This indicator can add or include voluntary donations or investment of funds for the benefit of communities.	

⁴ Having the evaluation of sustainable performance in terms of sustainability, considering ESG standards (ESG) allows evaluating good practices in governance, management of both material and human resources, the relationship with communities and various interest groups.

G4	Percentage of progress of investments in communities	Indicate the percentage proportion of the progress of investments in communities executed in the first year, with respect to investments in planned communities.	
G5	Percentage of executive members of the Community benefited	Percentage of project governance executives representing the project	
G6	Costs associated with the feasibility analysis of the project	Identify the amount of investment that the project has required to determine the technical and financial feasibility	
G7	Cost associated with the socialization of environmental, sustainability and social programs	Identify the amount of investment required for the pre-socialization of the project through socializing the project, its environmental, social and/or sustainability programs	
G8	Risk identification	Presentation of multi-criteria analysis, including risk and value management, and project life cycle cost, for decision making	
G9	Results of the Public Consultation of the project and main interest groups identified	Presentation of results of the public consultation on the project and dissemination in strategic media of related organizations	
G10	Stakeholder engagement approach	Evidence of call and sessions with interest groups for the dissemination of the project and strategic actions for project execution and distribution of benefits of related parties and project objectives in terms of compensation, sustainable performance and quantitative contribution to the SDGs of the 2030 Agenda	
G11	Measures that have been proposed to address anti-corruption practices	<i>Evidence of investment or implementation of procedures or protocols to safeguard the integrity of the project in terms of transparency initiatives and the fight against corruption</i>	

4.2. ENVIRONMENTAL PERFORMANCE INDICATORS

Instructions: The compensation project itself provides actions for the mitigation of environmental impacts; however, this report requires mentioning the different environmental aspects other than the main objectives of the project, which will also add to the improvement of the environmental environment of the area of the project. project

ID	Name of the Indicator for the Project Stage	Key the Indicator Description	Indicator Report with quantitative information
E1	Environmental impact management plan	Presentation of additional environmental impacts to those contemplated in the compensation project	
E2	Water resources management	Presentation of results of the public consultation on the project and dissemination in strategic media of related organizations	
E3	Participation in local and global initiatives on environmental matters	Evidence of the participation of social initiatives in environmental matters for the execution of the strategic actions of the compensation project	
E4	Waste management in the benefited localities		
E5	Implementation of renewable energies or energy efficiency		
E6	Conservation of fauna and flora of natural ecosystems		

4.3. SOCIAL PERFORMANCE INDICATORS

Instructions: The offset project itself provides actions to benefit communities in the project area, however, the project also addresses benefits for people within the project, primarily through local employability, therefore reporting is required. of both the social performance indicators of internal and external interest groups of the project.

ID	Name of the Indicator for the Project Stage	Key the Indicator Description	Indicator Report with quantitative information
S1	Human rights	<p>Number of employees trained in specialized training on human rights in the course of their normal work.</p> <p>Number of significant investment agreements and contracts with human rights clauses or subject to human rights evaluation</p>	
S2	Social impact management plan	Presentation of additional social impacts to those contemplated in the compensation project	
S3	Hiring local services	Indicate the costs associated with the payment of the professional services of the personnel employed directly and indirectly in the project	
S4	Health and safety plan in project activities for participants.	Percentage of the project's workforce with social security coverage and with civil liability insurance and/or major expense insurance in case of accidents during the execution of the project	
S5	Equal opportunities	Percentage of participation in the project of vulnerable population, who due to their age, sex, marital status and ethnic origin are at risk	
S6	Participation in local and global initiatives in social matters	Evidence of the participation of social initiatives in environmental matters for the execution of the strategic actions of the compensation project	

5. Report on quantitative impacts of material SDGs

Instructions: In this fifth step of the Quantitative Impact Report of the material SDGs of the project ⁵, the organization that presents the Financial Transparency Report must specify all the indicators it reports in accordance with the Standards that endorse the project methodology and its contribution to the SDGs. As well as the indicators that report the quantitative impact of said contributions, for which information from the following sections must be included, and the corresponding filling out of the indicators required in sections 5.1 and 5.2 if applicable.

5.1. IDENTIFICATION OF THE MATERIAL SDGS OF THE PROJECT

Illustration 2. SDG Materials for the Project Example



5.2. PERFORMANCE OF SDG CONTRIBUTIONS

Instructions: It is requested to include in a consolidated manner the SDGs that were reported or already reported in Standards (depending on the stage of the project in the issuance of this report), indicating dates of validation and verification of certification bodies planned or executed, and, if applicable, the manifestation of corrective action plans when requested.

⁵ Having the evaluation of sustainable performance in terms of sustainability, considering ESG standards (ESG) allows evaluating good practices in governance, management of both material and human resources, the relationship with communities and various interest groups.

SDG	Names of the Key Indicator(s) per SDG identified in the Design Stage of the project	Indicator Description	Indicator Report with <u>quantitative information</u>
SDG1 - End of Poverty	1.4.1 Percentage of households benefited due to the implementation of basic services due to the project	•	
SDG3 – Health and Wellbeing	3.9.4 Number of households that received treatment for diseases linked to water quality 3.9.6 Open burning area reduced or avoided by burning biomass or crop residues		
SDG4 – Quality Education	4.4.1 Number of employees who have received training to develop skills (with respect to the total population working on the project)		
SDG5 – Gender equality	5.5.3 Proportion of women in committees or other governance bodies of the compensation project 5.a Proportion of women among owners or rights holders of agricultural land		
SDG6 – Clean Water and Sanitation	6.1.1 Proportion of the population using safely managed drinking water services 6.4.4 Number of farmers or people applying water management practices as a result of the project activity		
SDG8 – Decent work and economic growth	8.5.1 Number of jobs created by the project 8.5.2 Proportion of local employees 8.8.2 Number of work accidents reduced by the		

	implementation of the project		
SDG13 – Climate Action	13.2.1 Amount of GHG emissions reduced or removed due to the project		
SDG15 – Life on terrestrial ecosystems	15.8.4 Total area planted with tree species native to the project ecosystem		

IV. Summary of Indicators (Dashboard)

Instructions: In this last section of the Transparency and Sustainable Project Performance Report, the report presenter can consolidate the reported indicators in a summary table to identify their level of performance and general status of project implementation.

IV.1 INDICATORS OF FINANCIAL TRANSPARENCY AND SUSTAINABLE PERFORMANCE

Indicator ID	Key Indicator Name	Quantitative Indicator Result	Evaluated performance*
2.2	<i>Project progress</i>		%
F1	<i>Total project revenue</i>		%
F2	<i>Total project costs</i>		%
F3, F4, REDD1, G3	<i>Distribution of income between participants</i>		%
F5	<i>Investment necessary for the project to be sustainable</i>		%
F7	<i>Impact investing</i>		%
F9	<i>Return time</i>		%
F10	<i>Origination cost</i>		%
G1	<i>Distributed economic value</i>		%
G2	<i>Retained economic value</i>		%
G4	<i>Percentage of progress of investments in communities</i>		%
G5	<i>Percentage of executive members of the benefited community</i>		%
G6	<i>Costs associated with the feasibility analysis of the project</i>		%
G7	<i>Cost associated with the socialization of environmental and sustainability programs</i>		%
G8	<i>Risk identification</i>		%
G9	<i>Results of the public consultation</i>		%
G10	<i>Stakeholder engagement approach</i>		%
G11	<i>Measures proposed to eradicate anti-corruption practices</i>		%
E1	<i>Environmental impact management plan</i>		%
E2	<i>Water resources management plan</i>		%
E3	<i>Participation in local and global initiatives on environmental matters</i>		%
E4	<i>Waste management in the benefited localities</i>		%
E5	<i>Implementation of renewable energies or energy efficiency</i>		%

E6	Conservation of fauna and flora of natural ecosystems		%
S1	Human rights		%
S2	Social impact management plan		%
S3	Hiring local services		%
S4	Health and safety plan in project activities for participants (internal and external workforce)		%
S5	Equal opportunities		%
S6	Human resource management of participating organizations		%
SDG1	1.4.1 Percentage of households benefited due to the implementation of basic services due to the project		%
SDG3	3.9.4 Number of households that received treatment for diseases linked to water quality 3.9.6 Open burning area reduced or avoided by burning biomass or crop residues		%
SDG4	4.4.1 Number of employees who have received training to develop skills (with respect to the total population working on the project)		%
SDG5	5.5.3 proportion of women in committees or other governance bodies of the compensation project 5.a Proportion of women among owners or rights holders of agricultural land		%
SDG6	6.1.1 Proportion of the population using safely managed drinking water services 6.4.4 Number of farmers or people applying water management practices as a result of the project activity		%
SDG8	8.5.1 Number of jobs created by the project 8.5.2 Proportion of local employees 8.8.2 Number of work accidents reduced by the implementation of the project		%
SDG13	13.2.1 Amount of GHG emissions reduced or removed due to the project		%

*Low performance less than 30%, Medium performance between 31 and 75%, High performance greater than 76%

IV.2 INITIAL KEY INDICATORS CONTROL BOARD

Illustration 3. Project revenue share, %

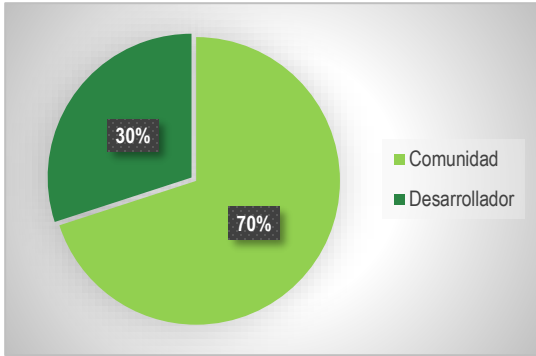


Illustration 4. Project costs by stage or key activity, USD



Illustration 5. Performance of Transparency and Sustainability Indicators, %

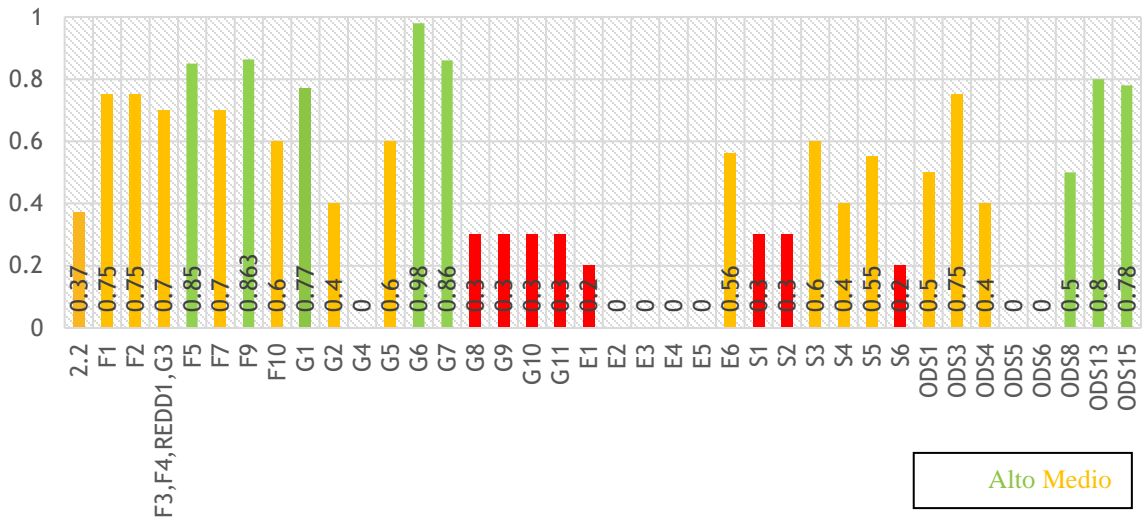


Illustration 6. Performance of ESG Indicators

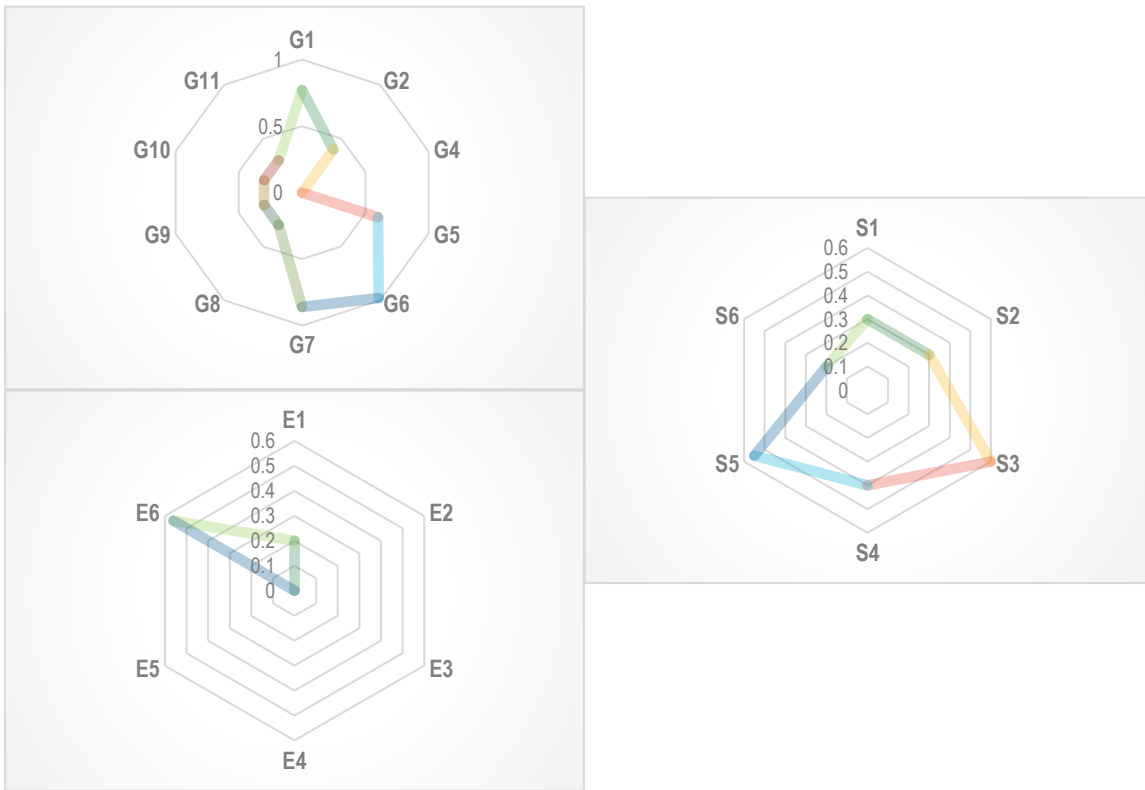


Illustration 7. SDG Performance

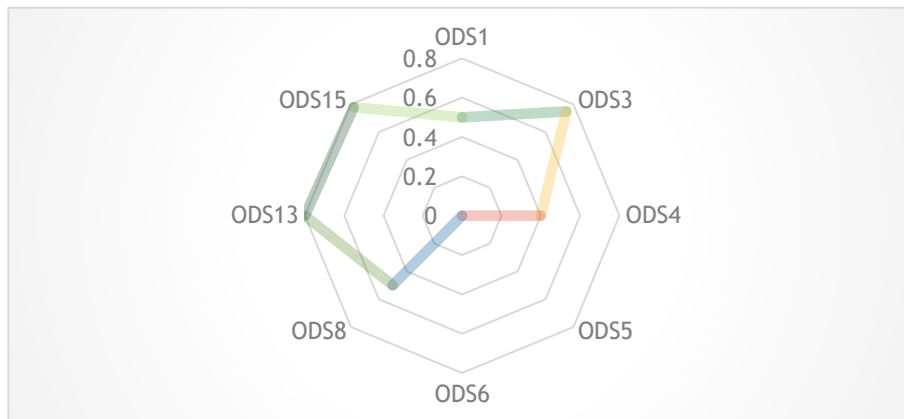
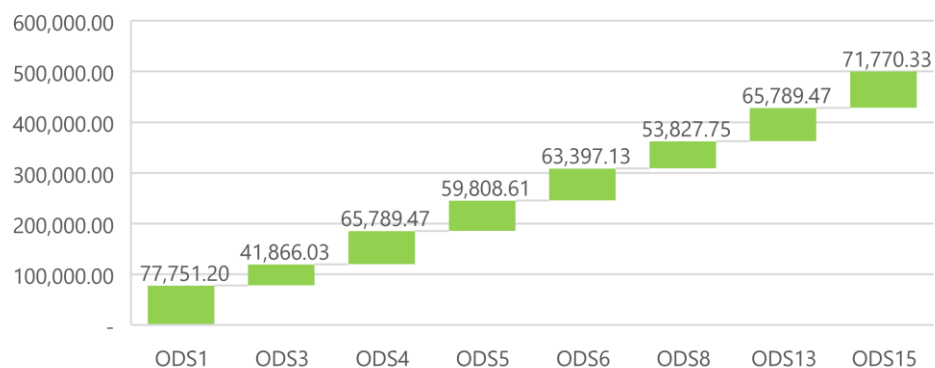


Illustration 8. Quantification of the impact of the SDGs per million of investment



SDG	Technological	Institutional	Economical	Cultural	Scientists	Total	Total Weighted	Investment, USD
SDG1	0.2	0.15	0.2	0.1	0	0.65	0.16	77,751.20
SDG3	0	0	0.2	0.05	0.1	0.35	0.08	41,866.03
SDG4	0.05	0	0.1	0.2	0.2	0.55	0.13	65,789.47
SDG5	0	0.2	0.1	0.2	0	0.5	0.12	59,808.61
SDG6	0.2	0	0.18	0.1	0.05	0.53	0.13	63,397.13
SDG8	0.05	0.2	0.1	0.15	0	0.45	0.11	53,827.75
SDG13	0.2	0.1	0.1	0	0.15	0.55	0.13	65,789.47
SDG15	0.1	0.1	0.2	0.1	0.1	0.6	0.14	71,770.33