**Guidance Note on**

MRV PROTOCOL SETUP AND APPLICATION

This Guidance Note complements the KPI Framework (also called Impact Framework) and related SOPs on specific KPIs. It provides an outline of the MRV process within the Investment Process of &Green as well as specifying the procedure of data collection, aggregation and output within the MRV system. This protocol does not cover the target setting and performance monitoring process, these are addressed in the Portfolio Monitoring Protocol.

1. Components of the MRV system

Measurement, Reporting, and Verification (MRV) refers to the multi-step procedure which ensures a consistent process of collection, aggregation and output of quality data for the Impact Framework of &Green.

The MRV System is the data management system of &Green, composed of standard data collection protocols, templates and the MRV database with an automated data aggregation feature. The inputs to the MRV database can be of three types: *datapoints* (data collected by clients and subject to external review)*, sector indicators* and *emission factors* (collected from credible sources by the &Green team), see Figure 1.

Figure 1. Components of the MRV system in terms of data input, output and usage..

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There is a standard set of datapoints that are collected by &Green’s clients. This standard list can be complemented with client-specific datapoints, defined in order to capture performance of specific targets which are not reflected in the standard datapoints, but are essential to support the transformational change pathway of the client.

&Green collects these data to evaluate impact performance at the fund level, as well as at the client level.

The fund level calculations are based on aggregated data from all portfolio clients, informing the fund’s Operational Performance Indicators (OPIs) and Key Performance Indicators (KPIs). These outputs are used for the fund’s impact reporting.. Certain OPIs are scoped differently at the request of some stakeholders (e.g. FMO) and are used for stakeholder-specific reporting, but they still rely on the same datapoints as the KPIs.

The datapoints are also used to track the performance of the clients against their annual contractually binding targets. The client-specific data points are used only for client performance overview, and are not aggregated to inform OPIs and KPIs at the fund level.

The annual performance tracking of the clients and the fund as a whole is addressed in a separate Portfolio Monitoring Protocol which outlines how the data is analyzed. The concepts of the targets used by &Green are summarized in the box below.

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| Box 1. Measuring the performance of &Green Fund: targets, transaction and fund performance. The details on target setting and performance measurement are set in the Portfolio Monitoring Protocol.Graphical user interface, text, application  Description automatically generated |

The MRV system utilises a number of templates and standard processes to maintain quality and ensure reporting consistency. These include:

**MRV datapoints template**: a template containing the list of standard datapoints with description of the scope of each, measurement units, frequency of data collection, means of verification (data sources, reporting figures and scope of verification). The client-specific datapoints will be described by the Deal Team, when applicable. The resulting MRV datapoints list is included as part of a clients loan documentation package. Preparation of the MRV datapoint list is the final step of the LPP design process (see the “LPP Process” of ESMS Manual).

Figure 2. A sample view of the MRV template that is sent to the client.

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**MRV database**: an excel database that combines all transaction data, LPP targets and integrates all formulae necessary to produce OPIs, KPIs and performance data.

Figure 3. The MRV database contains all types of inputs as well as LPP-defined targets and allows for both impact and performance tracking. The data from the MRV template is inserted into this database.

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**MRV dashboards**: dynamic dashboard that allows for the graphical representation of OPIs and KPIs.

Figure 4. Sample of transaction-level dashboards.

Chart

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**IFC PS Compliance Matrix:** a spreadsheet that allows for a detailed, qualitative and quantitative gap assessment against the IFC Performance Standards, generating compliance scores in percentages per Performance Standards, and against the IFC PS as a whole. IFC PS compliance scores are another type of data covered by the MRV system. They are used not for the impact measurement, but rather for the transaction performance in terms of risk management.

1. MRV process within the Investment Process of &Green

The MRV process is an integral part of &Green Fund’s Investment Process.

It starts with the customization of the MRV datapoint template to reflect the scope, context and targets of a client’s LPP. This is done by the deal team, as part of the LPP design prior to investment. Upon investment, the customized MRV datapoint list is annexed as part of the loan documentation package for the client.

&Green’s clients contract external experts to carry out an annual independent Environmental & Social (E&S) Review. The E&S Review covers an assessment of the client’s progress against the ESAP, assessment of their compliance with the IFC Performance Standards, as well as a verification of the MRV datapoints reported by the client. This review process is detailed in a standardized Terms of Reference. The external experts are expected to finalize the E&S Review by May 31st each year, and the final report is submitted to both the client and &Green’s Portfolio Monitoring Team (PMT). The PMT runs a quality check on the E&S Review reports from all clients, and the MRV datapoints lists in particular, in accordance with internal Quality Control (QC) Protocol (under development).

The data from the MRV datapoints lists from all clients are then copied into the MRV database, which automatically generates OPI and KPI values through pre-defined calculations.

These values are reported in annual report and, where relevant, other stakeholder reports by June 30th each year (see Figure 5).

Figure 6. Overview of the MRV process and responsibilities of the Deal Team and Portfolio Monitoring Team.

Deal Team responsibility

Timeline

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Portfolio Monitoring Team responsibility

1. MRV system structure

The standard MRV datapoints include both environmental and social impact datapoints:

The **environmental** datapoints are related to land cover and land use management. Environmental datapoints are categorized in three main variables, see Figure 2:

(1) control over the land (directly owned by the client, controlled by direct supplier, by indirect suppliers or under a specific program not belonging to any of the three previous categories),

(2) type of ecosystem/land use (forest, woodland, peatland or agriculture) and

(3) land use management (conservation, restoration, and in case of agriculture production, intensification or idle).

All land-related data points are measured in hectares. Depending on the theme, datapoints might differ in granularity. The “woodlands” and “peatlands” themes have 8 standard datapoints each. “Forest” has 12 standard datapoints, with 4 additional datapoints to reflect the status of the restoration against the national definition of forest. “Agriculture” has 9 data points, resulting in a total of 37 standard environmental datapoints.

Depending on the context of the project, the information can be further broken down into biomes, specific regions and similar geographical distinctions.

Figure 5. Structure and granularity of land cover and land use data.

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The **social** indicators are broken down by their gendered impacts. They include different beneficiaries of the transaction, the number of supported jobs and NDPE compliant producers. There are around 28 standard social datapoints, but their granularity will vary significantly depending on the project, applicability and available data. For example, the beneficiaries will be defined on a case-by-case basis following the climate vulnerability assessment (due diligence) and &Green’s potential contribution to the operation’s climate resilience. This will be further explained in the next item.

Only the standard datapoints feed into the fund level performance assessment through OPIs and KPIs. IFC PS compliance scores and client-specific datapoints are used only to evaluate performance at the client level.

1. Setting up the MRV datapoint list – customizing the MRV datapoints template

To customize the MRV datapoint template for the client, creating an MRV datapoints list, the PMT follows the following steps:

1. Download the MRV datapoint template from the ESMS Sharepoint and save it in the client’s folder.
2. Use the column “Applicability” to filter only the datapoints applicable to the transaction. The applicability will vary depending on the transaction context and circumstances: e.g. is this a site-based or supply transaction (or both), does it include restoration activities, does it entail other ecosystems such as woodlands and/or peatlands in addition to forest, the deals social impacts and similar. Delete the lines with non-applicable datapoints.
3. In case there are transaction-specific data points, add these to the list and fill “transaction” in the ID column (“AG ID”). Define the data points names and units , as well as the means of verification for each specific data point. Ensure that these are aligned with the targets set in the LPP.
4. Customize the “name” column, specifying the scope of the datapoints in terms of locations, program names or similar when applicable. This will ensure the consistency in scope during the monitoring period. The scope of each **social indicator related to the beneficiaries** must be clearly defined in the MRV datapoint template and linked to the relevant assessment findings. The numbers in blue brackets refer to the numbered definitions that can be found in the respective tab.
5. Fill out the column “Monitored”, providing the sources of information within the Client’s management system. E.g. where the template states “internal management system”, provide the name of the system, or file, or other source used for sourcing the information.
6. Receiving the data from Client

Once it received the MRV datapoint lists, reviewed by external experts in in the E&S Review, the Portfolio Monitoring Team (PMT) will run the quality check against the Quality Control (QC) Protocol. Afterwards, the MRV datapoints list of each client will be copied into the MRV database to proceed with data processing.

1. Aggregating the data

Once all the clients’ data for the reporting period have been copied into the MRV database, the OPIs and KPIs are ready to be extracted. The aggregation and calculation of the output indicators is done automatically.

The figure below provides an overview of the data aggregation process.

Figure 7. Overview of the data aggregation process within MRV

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