
**International Bank for
Reconstruction and Development**

**General Conditions
Applicable to
ERPA Framework Agreements
and
ERPA Phase Agreements**

for

**BioCarbon Fund Initiative for Sustainable Forest
Landscapes Emission Reductions Programs**

Dated May 31, 2021

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ARTICLE I

Relationship with ERPA Framework Agreement and ERPA Phase Agreements

Section 1.01 *Application of General Conditions*

These General Conditions set forth the terms and conditions applicable to the ERPA Framework Agreement and each ERPA Phase Agreement, to the extent of and subject to any modifications set forth in the ERPA Framework Agreement and/or an ERPA Phase Agreement.

ARTICLE II

Definitions; Interpretation; Headings; Schedules

Section 2.01 *Definitions*

Unless the context otherwise requires, the following capitalized terms shall have the following meanings wherever used in the ERPA Framework Agreement, an ERPA Phase Agreement or in these General Conditions:

“**Action Plan**” has the meaning given to that term in Section 15.02(d);

"**Additional ERs**" means ERs that have been generated and Verified under the ISFL ER Program within the ISFL ER Program Area in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreement and for which the Grantee has been granted a Call Option, as specified in the respective ERPA Phase Agreement;

"**Affected Party**" means, with respect to a Force Majeure Event, the Party affected by that Force Majeure Event, as described in Section 12.01;

“**AFOLU**” means agriculture, forestry and other land uses;

“**Analysis and GHG Inventory Update**” means an update of the analysis of emissions, removals, Emissions Baseline and the ISFL ER Program GHG Inventory to be carried out prior to the end of each ERPA Phase for the respective subsequent ERPA Phase;

"**Assignee**" has the meaning given to it in Section 17.06(b)(i);

"**Beneficiary**" means a recipient of Monetary and Non-Monetary Benefits identified in the Benefit Sharing Plan which may include Sub-Project Entities and other relevant stakeholders, such as forest-dependent indigenous peoples, forest dwellers, affected communities or groups and local civil society organizations;

"**Benefit Sharing Plan**" means a plan developed by the Program Entity in accordance with the ISFL ER Program Document and the ISFL ER Program Requirements and submitted to the Trustee on how the Program Entity will share Monetary and Non-Monetary Benefits generated by the implementation and operation of the ISFL ER Program with Beneficiaries, as may be updated as a result of the GHG-ASIP and the Analysis and GHG Inventory Update for each ERPA Phase;

“Benefit Sharing Plan Operations Manual” means the operational manual developed for the implementation of the Benefit Sharing Plan setting forth the administrative, financial, accounting, internal control, auditing, and reporting procedures, as necessary and appropriate, for the proper flow of Monetary and Non-Monetary Benefits, as the same may be updated from time to time with the express prior written consent of the Trustee;

“BioCF T3” means Tranche 3 of the BioCarbon Fund established under the ISFL to receive funding from BioCF T3 Participants for which the World Bank is acting as Trustee;

"BioCF T3 Participants" means the entities which have signed participation agreements with the Trustee for participation in the BioCF T3;

"BioCF T3 Participant Payment Failure" has the meaning provided to that term in Section 17.08;

"Buffer ERs" means ERs that have been generated and Verified under the ISFL ER Program within the ISFL ER Program Area and are to be transferred to the ISFL Buffer in accordance with ARTICLE XI and the ISFL Buffer Requirements;

"Buffer Manager" means the Trustee or any other entity or registry, acceptable to the Trustee, that manages the ISFL Buffer on behalf and for the exclusive benefit of the BioCF T3 in accordance with these General Conditions and the ISFL Buffer Requirements;

"Call Option" means the exclusive right, but not the obligation, of the Grantee to require the Grantor to transfer Additional ERs to the Grantee or its nominees, as specified in the ERPA Framework Agreement and the respective ERPA Phase Agreement;

"Carbon Dioxide Equivalent" or **"CO₂e"** means the base reference for the measurement of Global Warming Potential of Greenhouse Gases whereby the radioactive forcing of one unit is equivalent to the radioactive forcing of one metric tonne of carbon dioxide emissions;

"Compliance Sub-Project" has the meaning given to that term in Section 9.04;

"Conditions Fulfillment Date" means the end date of the time period in which the Program Entity has to fulfill all Conditions of Effectiveness, as specified in the respective ERPA Phase Agreement;

"Conditions of Effectiveness" means the conditions that have to be fulfilled by the Program Entity by the Conditions Fulfillment Date, in form and substance satisfactory to the Trustee, in order for the obligations to sell, transfer and pay for ERs under the ERPA to become effective, as specified in the respective ERPA Phase Agreement;

"Confidential Information" has the meaning given to that term in the ERPA Framework Agreement, if either Party requests the terms of the ERPA Framework Agreement and the ERPA Phase Agreements to be confidential;

"Contesting Party" means a Third Party, community or group that undertakes a Title Contest;

"Contract ERs" means ERs that have been generated and Verified under the ISFL ER Program within the ISFL ER Program Area and have been contracted for under the ERPA Framework Agreement and each ERPA Phase Agreement, as specified in the respective ERPA Phase Agreement;

"**Cost Recovery Discount**" has the meaning given to the term in the ERPA Framework Agreement, if applicable;

"**Cumulative Amount**" means, for any Reporting Period, the sum of all the Minimum Reporting Period Amounts for the preceding Reporting Periods of the relevant ERPA Phase up to and including the relevant Reporting Period, as specified in each ERPA Phase Agreement;

"**Cure Period**" has the meaning given to the term in Section 15.02(c);

"**Debarred Entity**" means an individual or firm that has been declared ineligible in accordance with the World Bank sanctions procedures to be awarded a World Bank financed contract for the periods indicated at: <https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>;

"**Default Notice**" has the meaning given in Section 15.02(a);

"**Disbursement and Financial Information Letter**" means the letter transmitted by the Trustee to the Program Entity, and/or if applicable, another entity authorized by the Program Entity and acceptable to the World Bank, with instructions related to the application for payment under the ERPA;

"**Dispute**" has the meaning given to it in Section 17.03(a);

"**Distribution Letter**" means the letter which will be submitted to the Registry with each Verification Report and which instructs the Registry to issue and forward to the Registry Account(s) nominated by the Trustee or retire or cancel Contract ERs and/or Additional ERs;

"**Emission Reduction**" or "**ER**" means one metric tonne of Carbon Dioxide Equivalent reduced, avoided, removed or sequestered within the ISFL ER Program Area under the ISFL ER Program below the Emissions Baseline, as measured, reported and Verified in accordance with the ER Monitoring Plan, the ISFL ER Program Requirements and the terms of the ERPA;

"**Emissions Baseline**" means the GHG emissions baseline for the ISFL ER Program Area specified in the ISFL ER Program Document, as may be updated as a result of the Analysis and GHG Inventory Update for each ERPA Phase, and expressed in tonnes of Carbon Dioxide Equivalent per year, relative to which ERs are measured, reported and Verified in accordance with the ER Monitoring Plan, the ISFL ER Program Requirements and the terms of the ERPA;

"**Encumbrance**" means any claim, mortgage, charge, pledge, lien, assignment, security interest, title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favor of any person by way of security for the payment of a debt or any other monetary obligation and cognate expressions. "**Encumber**", shall be construed accordingly;

"**Environmental and Social Commitment Plan**" or "**ESCP**" means the Program Entity's environmental and social commitment plan, acceptable to the Trustee, as the same maybe amended from time to time in accordance with the provisions thereof, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the ISFL ER Program, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder;

"**Environmental and Social Instrument**" or "**E&S Instrument**" means any environmental or social document, plan or instrument submitted by the Program Entity and approved by the Trustee, that meets

the requirements of the applicable Environmental and Social Standards and is prepared in accordance with the Environmental and Social Commitment Plan;

“Environmental and Social Standards” or **“ESSs”** means, collectively: (i) “ESS 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “ESS 2: Labor and Working Conditions”; (iii) “ESS 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “ESS 4: Community Health and Safety”; (v) “ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “ESS 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “ESS 8: Cultural Heritage”; (ix) “ESS 9: Financial Intermediaries”; (x) “ESS 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the World Bank at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards>;

“ER Monitoring” means the measurement, collection, compilation and recording of all relevant data necessary for estimating ERs generated within the ISFL ER Program Area (including the occurrence of any Reversal Event(s)) in accordance with the ISFL ER Program Requirements and for conducting Verification in accordance with the ER Monitoring Plan;

“ER Monitoring Plan” means the plan referred to as such and incorporated in the ISFL ER Program Document that guides the Program Entity in its ER Monitoring activities and ensures that all data collection and management systems are in place to allow subsequent successful ER Monitoring and Verification of ERs generated under the ISFL ER Program Measure(s), as may be updated as a result of the GHG-ASIP and the Analysis and GHG Inventory Update for each ERPA Phase;

“ER Monitoring Report” means a report provided by the Program Entity, and in form and substance satisfactory to the Trustee, in accordance with the ER Monitoring Plan and the ISFL ER Program Requirements, setting out:

- (i) the number of ERs generated by the ISFL ER Program during the previous Reporting Period as monitored in accordance with the ER Monitoring Plan;
- (ii) the occurrence of any Reversal Event(s) (together with a detailed description of the cause and impact of such event(s) and the measures taken to minimize or mitigate the adverse effect of such event(s) on the ISFL ER Program and/or the Program Entity’s performance of its obligations under the ERPA);
- (iii) any inability, in full or in part, to transfer Title to ERs to the Trustee or any Title Contest by any Contesting Party (including the identification of the Contesting Party and a detailed description of the nature of the challenge, of the area in the ISFL ER Program Area that is affected by such challenge and of how the Program Entity endeavored to address and resolve such challenge) during the previous Reporting Period, and how and to which extent the Program Entity resolved such inability or Title Contest during the previous Reporting Period; and
- (iv) all other data as may be required to be collected and recorded by the ER Monitoring Plan.

“ERPA” means the Emission Reductions Purchase Agreement consisting of the ERPA Framework Agreement and each ERPA Phase Agreement between the Trustee and the Program Entity, including these General Conditions, providing for the sale, transfer and purchase of ERs generated under the

ISFL ER Program during all ERPA Phases and all schedules and agreements supplemental to each part of the ERPA;

“ERPA Phase” means two or more periods within the Term during which ERs are to be generated under the ISFL ER Program in accordance with the GHG-ASIP, the respective Analysis and GHG Inventory Update and any Updated ISFL ER Program Documentation, as set out in the ERPA Framework Agreement and specified in each ERPA Phase Agreement;

"ERPA Phase Agreement" means the ERPA Phase Agreement to be entered into between the Trustee and the Program Entity for each ERPA Phase during the Term for the sale, transfer and purchase of ERs generated under the ISFL ER Program during each ERPA Phase in accordance with the ERPA Framework Agreement and these General Conditions, and, in accordance with the Updated ISFL ER Program Documentation, as applicable;

"ERPA Phase Amount" means the total volume of Contract ERs to be generated during any given ERPA Phase and subsequently to be transferred, as set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements;

“ER Re-Transfer” means the re-transfer of a certain amount of previously transferred Contract ERs and/or Additional ERs, as applicable, through an ER Transfer contracted for under and in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements;

"ER Re-Transfer Form" means the form specified in the ERPA Framework Agreement, to be issued by the Trustee, on behalf of the relevant BioCF T3 Participants, that documents the ER Re-Transfer;

"ER Transfer" means the transfer of Contract ERs and/or Additional ERs, as applicable, contracted for under and in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements;

"ER Transfer Failure" means the Program Entity's failure, for any reason except a Force Majeure Event or otherwise provided in the ERPA Framework Agreement, to generate and transfer:

- (i) sufficient Contract ERs for any Reporting Period to fulfill the Cumulative Amount for that Reporting Period as set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements;
- (ii) to the Grantee the full number of Additional ERs over which the Grantee has exercised its Call Option under the respective ERPA Phase Agreement; or
- (iii) Contract ERs required to be transferred under Section 3.02(b);

"ER Transfer Form" means the form specified in the ERPA Framework Agreement, to be issued by the Program Entity, and in form and substance acceptable to the Trustee, that documents ER Transfers and related payment requests;

"Event of Default" means an event specified as such in Section 15.01 or in the ERPA Framework Agreement;

"Exercise Completion Date" means the date by which the Grantor of a Call Option must transfer Additional ERs, as nominated by the Grantee in an Exercise Notice;

"Exercise Notice" means a notice substantially in the form set out in a Schedule to the ERPA Framework Agreement by which the Grantee exercises its Call Option for a particular Reporting Period, as provided for under the ERPA Phase Agreements;

"Exercise Period" means the period defined as such in the respective ERPA Phase Agreements;

"Exercise Price" means the price(s) to be paid for each Additional ER transferred to the Trustee depending on the respective ER use modalities, as set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements;

"Focal Point" means the entity nominated as the point of contact with all relevant authorities, entities and registries for any communications in relation to the issuance, serialization, acquisition, holding, retirement, cancellation and/or transfer of ERs generated under the ISFL ER Program or the ISFL ER Program Measure(s) and the submission of the Distribution Letter in accordance with the ERPA Framework Agreement;

"Force Majeure Event" means an extraordinary and unavoidable event beyond the reasonable control of the Party affected by it, including but not limited to, cyclone, storm, flood, fire and insect plague, except that such an event will not be considered a Force Majeure Event if the occurrence of the event could have been prevented or mitigated by the Party affected by it;

"Force Majeure Notice" means a notice of a Force Majeure Event as required under Section 12.01;

"General Conditions" means these General Conditions;

"GHG Accounting Scope and Improvement Plan" or **"GHG-ASIP"** means a plan agreed between the Trustee and the Program Entity, as attached to the ERPA Framework Agreement, on how to carry out the Analysis and GHG Inventory Updates prior to the end of each ERPA Phase for the respective subsequent ERPA Phase in order to increase the completeness of the scope of accounting and improve related data and methods throughout the Term;

"Global Warming Potential" means the estimate of the atmospheric warming resulting from the release of a unit mass of a particular Greenhouse Gas, in relation to the warming resulting from the release of the same amount of carbon dioxide, as accepted by the UNFCCC or as subsequently revised as part of the UNFCCC process;

"Grantee" means the Party which is granted the Call Option pursuant to Section 4.01, as specified in the respective ERPA Phase Agreements;

"Grantor" means the Party which grants the Call Option under Section 4.01, as specified in the respective ERPA Phase Agreement;

"Greenhouse Gas" or **"GHG"** means any of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride and any other substance recognized as a greenhouse gas under the International Rules;

"Host Country" means the country in which the ISFL ER Program is located;

"IBRD" means the International Bank for Reconstruction and Development;

"IBRD Carbon Finance Anti-Corruption Guidelines" means the IBRD Anti-Corruption Guidelines for World Bank Guarantee and Carbon Finance Transactions, as set out in Schedule 3;

"Independent Reviewer" means an entity that is independent from the World Bank, the Trustee, the Program Entity, any BioCF T3 Participant and agreed on by the Program Entity and the Trustee to carry out an ex post Verification of the ER Monitoring Reports to verify the actual amount of ERs generated under the ISFL ER Program during a given Reporting Period in accordance with the ISFL ER Program Document and the ISFL ER Program Requirements;

"Indicative Total ERPA Value" means the expected indicative overall US dollar value of the ERPA during the Term for Contract ERs transferred to and paid for by the Trustee under the ERPA, as set out in the ERPA Framework Agreement;

"Initial Request" has the meaning given to it in Section 17.03(a);

"Instrument" means the Instrument Establishing the BioCarbon Fund, as amended from time to time;

"Intentional Breach" means a breach of obligations by a Party under the ERPA Framework Agreement or any ERPA Phase Agreement that is a result of:

- (i) the provision of false or misleading information or representations by that Party,
- (ii) an act or omission made with the intent to breach that Party's obligations under the ERPA Framework Agreement or any ERPA Phase Agreement, or
- (iii) conduct by that Party which recklessly disregards the rights of the other Party under the ERPA Framework Agreement or any ERPA Phase Agreement;

"International Rules" means the UNFCCC, UNFCCC Guidance on REDD+/AFOLU, any international climate change agreement(s) reached under the UNFCCC that are relevant to REDD+/AFOLU, including the Paris Agreement, and any decisions, guidelines, modalities and procedures relevant to REDD+/AFOLU and adopted thereunder;

"ISFL" means the BioCarbon Fund Initiative for Sustainable Forest Landscapes;

"ISFL Buffer" means one or more ISFL ER Program-specific buffer reserve account(s) in the Registry that serves as a mechanism to manage certain risks that may affect the existence and validity of transferred Contract ERs and/or Additional ERs during the Term, as further specified in ARTICLE XI and the ISFL Buffer Requirements;

"ISFL Buffer Requirements" means the requirements set up by the BioCF T3 which shall govern the establishment, operation and implementation of the ISFL Buffer and provide risk assessment tools for each risk category covered by the ISFL Buffer under an ISFL ER Program to help, among others, determine the amount of Buffer ERs to be deposited in the ISFL Buffer;

"ISFL ER Program" means the program described in the ISFL ER Program Document;

"ISFL ER Program Area" means the jurisdictional geographic area for which the Emissions Baseline is established and over which emissions and removals from AFOLU practices or ISFL ER Program Measure(s) are being measured, reported and Verified;

"ISFL ER Program Document" means the document that presents technical and organizational aspects of the ISFL ER Program and the ISFL ER Program Measure(s) in accordance with the ISFL ER Program Requirements, as may be updated as a result of the GHG-ASIP and the Analysis and GHG Inventory Update for each ERPA Phase;

"ISFL ER Program GHG Inventory" means the inventory of all AFOLU categories, subcategories, gases and pools in the ISFL ER Program Area using the methods and approaches from the most recent guidance and guidelines from the Intergovernmental Panel on Climate Change (IPCC), as specified in the ISFL ER Program Document;

"ISFL ER Program Measure(s)" means one or more planned actions and interventions to reduce GHG emissions from AFOLU practices, as described in the ISFL ER Program Document;

"ISFL ER Program Measure(s) Area" means the geographic area(s) (which may contain more than one discrete area of land) within the ISFL ER Program Area delineating the ISFL ER Program Measure(s), as described in the ISFL ER Program Document;

"ISFL ER Program Requirements" means the 'Requirements for ISFL Emission Reductions (ER) Programs' set up by the BioCF T3 and any related further written guidance and specifications by the BioCF T3, as modified, adjusted, updated or supplemented prior to signature of the respective ERPA Phase Agreements;

"ISFL ER Program Start Date" means the date on which the ISFL ER Program or ISFL ER Program Measure(s) (including any Sub-Project(s)) begins generating ERs contracted for under the ERPA Framework Agreement and the initial ERPA Phase Agreement;

"Land" means the land and territories within the ISFL ER Program Area;

"Letter of Approval" means a document issued by the government department of the Host Country responsible for approving ISFL ER Programs that approves the ISFL ER Program and the ISFL ER Program Measure(s) and authorizes the participation of the Program Entity in the ISFL ER Program and the ISFL ER Program Measure(s);

"Maximum Call Option Volume" means the maximum number of Additional ERs which the Grantee has the right to request transfer of under the Call Option as specified in the respective ERPA Phase Agreements;

"Minimum Reporting Period Amount" means the minimum number of Contract ERs which the Program Entity has to generate and transfer for each relevant Reporting Period, as set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements;

"Monetary and Non-Monetary Benefits" means, as specified in the ISFL ER Program Document, the Benefit-Sharing Plan and, as relevant, the Safeguards Plans, any (1) monetary or non-monetary goods, services or other benefits related to payments received under the ERPA Framework Agreement and the respective ERPA Phase Agreements by the Program Entity, or funded with such received payments, and (2) other monetary or non-monetary benefits which (i) are directly related to the implementation and operation of the ISFL ER Program, (ii) provide a direct incentive to Beneficiaries to help implement the ISFL ER Program, and (iii) can be monitored in an objective manner;

“Nationally Determined Contributions” or **“NDCs”** means the contributions determined by each party to the Paris Agreement in accordance with Article 4(2) of the Paris Agreement, communicated to and registered with the UNFCCC;

"Non-Affected Party" has the meaning given to that term in Section 12.01;

"Non-Carbon Benefits" means any benefits produced by or in relation to the implementation and operation of the ISFL ER Program, other than ERs and Monetary and Non-Monetary Benefits, as specified in the ISFL ER Program Document, and, as relevant, any Safeguards Plans, in accordance with the ISFL ER Program Requirements;

"Non-Compliance Notice" has the meaning given to that term in Section 9.03;

“Paris Agreement” means the agreement adopted at the 21st session of the Conference of the Parties to the UNFCCC in Paris, France on December 12, 2015;

"Parties" means the Program Entity and the Trustee, and each of them shall be individually referred to as a **"Party"**;

"Periodic Payment" means the payment by the Trustee to the Program Entity for Contract ERs and Additional ERs transferred to the Trustee for the relevant Reporting Period, calculated in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements;

"Post-ERPA Reversal Management Mechanism" has the meaning ascribed to the term in Section 11.04;

"Program Documents" means together or individually the ISFL ER Program Document and the ER Monitoring Plan;

"Program Entity" means the Party or Parties specified as such in the ERPA and who has or have been authorized by the Host Country, if applicable, to implement the ISFL ER Program and enter into the ERPA Framework Agreement and the respective ERPA Phase Agreements with the Trustee;

"REDD+" means reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks, as may be modified to be consistent with the UNFCCC Guidance on REDD+;

"Registration" means the formal acceptance by the Registry of the ISFL ER Program;

“Registry” means the registry set up by the IBRD or another registry, acceptable to the Trustee, to document and record, among others, the issuance, serialization, acquisition, holding, retirement, cancellation and/or transfer of ERs generated under the ISFL ER Program;

“Registry Account” means an account in the Registry capable of receiving, holding and transferring ERs;

"Reporting Period" means each time period during an ERPA Phase set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements for which the Program Entity has to measure and report on ERs generated under the ISFL ER Program in the form of ER Monitoring Reports;

"Reversal" means a situation at any given point in time during the Term where a Reversal Event has resulted in the aggregate amount of ERs measured and Verified within the ISFL ER Program Area for one Reporting Period being less than the aggregate amount of ERs measured and Verified within the ISFL ER Program Area for the previous Reporting Period;

"Reversal Event" means the occurrence of one or more events at any given point in time during the Term that may result in a Reversal;

"Reversal Risks" mean the risks associated with the occurrence of a Reversal after ER Transfer and its impact on the amount of Contract ERs, Additional ERs and Buffer ERs that have been transferred to the Trustee or deposited in the ISFL Buffer;

"Right of First Refusal" means the right of the Trustee to match or refuse to match a Third Party Offer, as specified in the ERPA Framework Agreement;

"Safeguards Plans" means, as applicable, the ESCP, the E&S Instrument(s) and any other environmental or social related plan or document required under the World Bank Operational Policies and Procedures and describing measures to be implemented by the Program Entity during the implementation and operation of the ISFL ER Program and the ISFL ER Program Measure(s) to eliminate, offset or reduce any adverse environmental and social impacts of the ISFL ER Program and ISFL ER Program Measure(s), in accordance with World Bank requirements;

"Sanctionable Practice" means any coercive, corrupt, collusive, obstructive or fraudulent practice, as defined in the IBRD Carbon Finance Anti-Corruption Guidelines, in relation to the ISFL ER Program;

"Sub-Project" means a sub-project or other set of activities implemented by a Sub-Project Entity as part of the ISFL ER Program Measure(s) in accordance with the terms of the ERPA Framework Agreement and the respective ERPA Phase Agreements;

"Sub-Project Arrangement" means an agreement or other arrangement between the Program Entity and a Sub-Project Entity which includes the principal terms provided for in a schedule to the ERPA Framework Agreement;

"Sub-Project Entity" means a private or public entity or other group or community owning and implementing a Sub-Project under the ISFL ER Program, as described in the ERPA Framework Agreement and/or the Sub-Project Inventory;

"Sub-Project Inventory" has the meaning given in Section 9.05;

"Substituting Party" has the meaning given to it in Section 17.06(b)(ii);

"Taxes" means any tax, duty, fee, assessment or charge of any kind imposed by any governmental entity, including a sales tax, purchase tax, turnover tax or value-added tax, whether in effect at the date of the respective ERPA Phase Agreements or thereafter imposed, together with any interest and any penalties, additions to tax or additional amounts with respect thereto;

"Term" means the term of the ERPA Framework Agreement, as specified in the ERPA Framework Agreement;

"Third Party" means an entity other than the Trustee or the Program Entity;

"Third Party Offer" means an offer from a Third Party to the Program Entity to acquire Contract ERs and/or Additional ERs generated under the ISFL ER Program in accordance with the terms of the ERPA Framework Agreement;

"Title Contest" means an event in which a Contesting Party contests the validity of any past or future transfer of Title to ERs, free of any interest, Encumbrance or claim of a Third Party other than in accordance with the ERPA, from the Program Entity to the Trustee during the Term;

"Title to ERs" means, subject to Section 3.01(b) and in accordance with all applicable laws, the full legal and beneficial title and exclusive right to any Contract ERs and/or Additional ERs generated under the ISFL ER Program within the ISFL ER Program Area and contracted for under the ERPA Framework Agreement and the respective ERPA Phase Agreements;

"Trustee" means the World Bank, acting as trustee of the BioCF T3;

"Uncertainty" means the level of uncertainties related to the estimation of ERs to be generated during each ERPA Phase under the ISFL ER Program which include, among others, uncertainties related to Emissions Baseline setting and ER Monitoring and reporting and its impact on the measurement and reporting of the amount of ERs generated under the ISFL ER Program;

"UNCITRAL" means the United Nations Commission on International Trade Law;

"UNFCCC Guidance on REDD+/AFOLU" means the body of rules, modalities, procedures and guidelines on REDD+/AFOLU that is adopted under the auspices of the UNFCCC;

"United Nations Framework Convention on Climate Change" or **"UNFCCC"** means the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992;

"Unit Price" means the price(s) to be paid for each Contract ER transferred to the Trustee depending on the respective ER use modalities, as set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreements;

"Updated ISFL ER Program Documentation" means the updated ISFL ER Program documentation for the subsequent ERPA Phase in accordance with the GHG-ASIP and the Analysis and GHG Inventory Update, in form and substance satisfactory to the Trustee, including updated Program Documents, Safeguards Plans, transfer of Title to ERs documentation and an updated Benefit Sharing Plan, as specified in the ERPA Framework Agreement;

"Verification" means the periodic assessment by an Independent Reviewer of the amount of ERs generated under the ISFL ER Program during each Reporting Period of an ERPA Phase since the last Verification Report or, in the case of the first Verification, since the ISFL ER Program Start Date in accordance with the ISFL ER Program Document and the ISFL ER Program Requirements, and includes the written assurance by the Independent Reviewer that during the relevant Reporting Period the ISFL ER Program Measure(s) have achieved the ERs as reported in the Verification Report and **"Verified"** shall have cognate meaning;

"Verification Report" means the document setting out the Verification and includes without limitation:

- (i) a statement of the amount of Verified ERs the ISFL ER Program has generated in the relevant Reporting Period since the previous Verification (or, in the case of the first Verification, since the ISFL ER Program Start Date); and
- (ii) information on such other matters as may be required by the ISFL ER Program Document and the ISFL ER Program Requirements;

"**World Bank**" means the International Bank for Reconstruction and Development; and

"**World Bank Operational Policies and Procedures**" means the environmental and social operational policies and procedures of the institution of the World Bank which conducts the environmental and social review of the ER Program and which are referred to by that name and are in effect at the time of such review, as well as other World Bank operational policies and procedures, when applicable.

Section 2.02 *Interpretation; Headings; Schedules*

- (a) In these General Conditions, unless the context requires another meaning, a reference:
 - (i) to the ERPA Framework Agreement, ERPA Phase Agreement, the Program Documents, Benefit Sharing Plan, Benefit Sharing Plan Operations Manual, Safeguards Plan, or the ISFL ER Program Requirements is to that document as varied, amended, novated, updated or replaced from time to time;
 - (ii) to any Party includes that Party's executors, administrators, successors and permitted assigns, including any person who is Party to the ERPA Framework Agreement and an ERPA Phase Agreement by way of novation and, in the case of the Trustee, includes any substituted or additional trustee to the BioCF T3;
 - (iii) to the singular includes the plural and vice versa;
 - (iv) to a Party means a Party to the ERPA Framework Agreement and the respective ERPA Phase Agreements, and to an item, Section or Schedule is to an item, Section or Schedule of these General Conditions (unless specified to be a Section or Schedule of the ERPA Framework Agreement or an ERPA Phase Agreement or as otherwise specified);
 - (v) to any International Rule, or to any treaty or other international agreement includes any modification or re-enactment of it or any treaty or other international agreement substituted for it, and all protocols, rules, modalities, guidelines, procedures, ordinances and regulations (however described) issued under it; and
 - (vi) to a word or phrase with a defined meaning incorporates any other part of speech or grammatical form of that word or phrase as having a corresponding meaning.
- (b) The terms of these General Conditions shall be interpreted in a manner that is consistent with the Instrument and the ISFL ER Program Requirements.
- (c) The headings of the Articles and Sections are inserted for convenience of reference only and do not affect the interpretation of these General Conditions.

ARTICLE III

Sale and Purchase of Emission Reductions

Section 3.01 *Sale and Purchase*

- (a) The Program Entity agrees to generate, sell and transfer and the Trustee agrees to purchase and pay for:
 - (i) the Contract ERs; and
 - (ii) the Additional ERs in respect of which the Grantee has exercised its Call Option, in accordance with the terms of the ERPA Framework Agreement and the respective ERPA Phase Agreements.
- (b) The sale, transfer and purchase of ERs under the ERPA Framework Agreement and the respective ERPA Phase Agreements shall relate to ERs only and shall not affect any beneficial, legal or customary interests or rights in the Land.
- (c) Buffer ERs shall not count as Contract ERs or Additional ERs.

Section 3.02 *Transfer of Contract ERs*

- (a) The Program Entity shall generate and transfer, or cause to be transferred, the Minimum Reporting Period Amounts for the relevant Reporting Period of each ERPA Phase on a seniority basis in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements.
- (b) Unless agreed otherwise in the ERPA Framework Agreement and the respective ERPA Phase Agreements, if the ISFL ER Program generates more than the Minimum Reporting Period Amount in a particular Reporting Period of an ERPA Phase before the full ERPA Phase Amount of such ERPA Phase has been transferred, the Program Entity shall transfer, as part of the Contract ERs of such ERPA Phase Amount, all such excess ERs generated by the ISFL ER Program in that Reporting Period.

ARTICLE IV

Call Option

Section 4.01 *Grant of Call Option*

Subject to the respective ERPA Phase Agreements and in consideration of the Grantee entering into the ERPA Framework Agreement and each ERPA Phase Agreement, the Grantor may irrevocably grant to the Grantee a Call Option.

Section 4.02 *Exercise of Call Option*

To exercise the Call Option, the Grantee shall provide the Grantor with a duly completed Exercise Notice at any time during the Exercise Period in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements and the Grantor shall take any actions required of it under such agreements in order for the Grantee to do so.

Section 4.03 *Transfer of Additional ERs*

Following receipt of each Exercise Notice, the Program Entity shall transfer, or cause to be transferred, those Additional ERs nominated in the Exercise Notice to the Registry Account(s) of the person(s) named in the Exercise Notice by the Exercise Completion Date in accordance with Section 5.02, the ERPA Framework Agreement and the respective ERPA Phase Agreements.

Section 4.04 *Termination of Call Option*

- (a) If the Grantee does not provide the Grantor with an Exercise Notice within the Exercise Period, the right of the Grantee to exercise the Call Option shall lapse for that Reporting Period, and that Reporting Period only.
- (b) The Call Option shall terminate on the earlier of:
 - (i) expiry of the Term; or
 - (ii) written waiver of the Call Option by the Grantee for the remainder of the Term.
- (c) If the Option terminates under Section 4.04(b), then without prejudice to the rights and obligations of the Parties already existing under the ERPA Framework Agreement and the respective ERPA Phase Agreements, neither Party shall be liable to the other Party for any damages, expenses, losses, actions, claims or demands with respect to the Call Option arising after the date of termination of the Call Option.

ARTICLE V

Transfer and Payment

Section 5.01 *ER Monitoring Report and Verification Reports*

- (a) Unless provided for otherwise in the ERPA Framework Agreement, within one hundred eighty (180) calendar days following the end of each Reporting Period, the Program Entity shall provide the Trustee with an ER Monitoring Report for that Reporting Period, in form and substance satisfactory to the Trustee.
- (b) As a separate annex to the ER Monitoring Report, the Program Entity shall provide
 - (i) evidence satisfactory to the Trustee that the ISFL ER Program Measure(s) are being implemented in accordance with the Safeguards Plans and that the Benefit Sharing Plan has been implemented in accordance with its terms (including any feedback and grievance redress mechanism set up under any of such documents); and

- (ii) information on the generation and/or enhancement of Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) under the ISFL ER Program.
- (c) The Party responsible for arranging Verification in accordance with Section 8.02(a) and the terms of the ERPA Framework Agreement shall request the Independent Reviewer to start Verification within forty-five (45) calendar days of the Trustee's receipt of the final ER Monitoring Report from the Program Entity.
- (d) In addition to Section 5.01(b)(i), the Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans and the Benefit Sharing Plan during the Reporting Periods in each ERPA Phase. The Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of the ERPA Framework Agreement throughout the Term. The Program Entity shall first monitor and report to the Trustee on the implementation of the Benefit Sharing Plan six (6) months after receipt of the first Periodic Payment and annually thereafter. The Program Entity may coordinate the annual monitoring and reporting of the Safeguards Plans and the Benefit Sharing Plan, provided that the Program Entity notifies the Trustee and the Trustee accepts such coordinated timelines. The Trustee reserves the right to initiate a separate monitoring of the implementation of the Safeguards Plans and/or the Benefit Sharing Plan annually after the date of the ERPA Framework Agreement by an independent Third Party monitor. Sections 9.01(g) and (k) as well as Section 9.05(d) shall apply to such Third Party monitor *mutatis mutandis*.

Section 5.02 *Transfer of ERs*

- (a) Within thirty (30) calendar days following receipt of the final Verification Report and subject to ARTICLE XI and Section 14.01(c), the Trustee, following consultations with the Program Entity, shall determine, or have the Buffer Manager determine, as applicable, in accordance with the ISFL Buffer Requirements and notify the Program Entity of (i) the amount of generated and Verified ERs that the Program Entity has to transfer and deposit into the ISFL Buffer as Buffer ERs for each covered risk category in accordance with the ISFL Buffer Requirements and (ii) the amount of generated and Verified ERs for which the Program Entity has demonstrated its ability to transfer Title to ERs and which may form part of the ER Transfer.
- (b) Within thirty (30) calendar days following the later of (i) confirmation by the Buffer Manager of receipt of the Buffer ERs in the ISFL Buffer, (ii) the Trustee's exercise of a Call Option, if applicable, or (iii) the Trustee's exercise of its Right of First Refusal regarding any Third Party Offer for Contract ERs and/or Additional ERs, if applicable (as per the terms of the ERPA Framework Agreement and the respective ERPA Phase Agreements), and subject to Section 5.02(a) and Section 15.02(e), the Program Entity shall provide the Trustee with a signed ER Transfer Form.
- (c) Any ER Transfer will be deemed completed upon:
 - (i) receipt by the Trustee of a final Verification Report verifying the amount of ERs generated and measured under the ISFL ER Program during a given Reporting Period and contracted for under the ERPA Framework Agreement and the respective ERPA Phase Agreement, and an ER Transfer Form; and

- (ii) crediting of the amount of such Verified ERs that are to be transferred to the Trustee as Contract ERs and/or Additional ERs to one or more Registry Account(s) nominated by the Trustee in accordance with the rules of the Registry.
- (d) The Trustee shall take all reasonable steps required to assist the Program Entity in the ER Transfer.
- (e) Subject to Section 3.01(b), any ER Transfer shall include the transfer of all rights, titles and interests attached to such transferred ERs.
- (f) Contract ERs and Additional ERs, as well as any underlying reduced tonnes of CO₂e, may only be used or claimed once. The Program Entity shall not use any Contract ERs and/or Additional ERs that are transferred to the Trustee, as well as any underlying reduced tonnes of CO₂e, for sale or public relations (as far as such latter use implies or suggests the Program Entity's continued ownership of or right to claim such ERs), unless such Contract ERs and/or Additional ERs are re-transferred to the Program Entity in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements in which case the Program Entity shall use such re-transferred ERs only for the purposes expressly provided for therein.
- (g) In the event that Contract ERs and/or Additional ERs transferred to the Trustee can be converted into any other form of right, credit, offset or similar unit created under any voluntary or regulatory system or scheme or existing or future compliance carbon market and the Trustee elects to effect such a conversion on behalf of one or more BioCF T3 Participant(s), the Program Entity shall cooperate with the Trustee, any BioCF T3 Participant and other relevant authorities and entities to help the Trustee or BioCF T3 Participant convert such transferred ERs into other ER credits that may be used by BioCF T3 Participants. If the conversion process requires changes to any Program Document, the ERPA Framework Agreement or any ERPA Phase Agreement, the Parties shall work together in good faith to change the relevant documents accordingly, provided that such changes do not adversely affect the Program Entity's rights under the ERPA Framework Agreement or any ERPA Phase Agreement.

Section 5.03 *Payment and Transfer of Legal Title*

- (a) The Trustee shall make the Periodic Payment to the Program Entity in accordance with the ERPA Framework Agreement and the relevant ERPA Phase Agreement.
- (b) The Periodic Payment shall be calculated in accordance with the formula established in the ERPA Framework Agreement and in accordance with the terms of the respective ERPA Phase Agreement.
- (c) Legal title to any transferred Contract ERs or Additional ERs shall transfer to the Trustee at the time of payment of the Periodic Payment for the relevant transferred ERs.

Section 5.04 *Costs and Taxes*

- (a) The Program Entity shall bear any fees, charges, costs or other expenses charged by the Registry (if any) or any other relevant authority or entity in relation to Registration, issuance and forwarding of Contract ERs or Additional ERs or the ER Transfer.

- (b) Any Taxes that may be payable with regard to the operation of the ISFL ER Program, the sale of ERs under the ERPA Framework Agreement, an ERPA Phase Agreement or the transfer of Contract ERs or Additional ERs imposed by the Host Country shall be borne by the Program Entity and, if such Taxes are payable in the first instance by the Trustee, the Trustee shall deduct such Taxes from any Periodic Payments to be made to the Program Entity. The Trustee shall not deduct any other Taxes from Periodic Payments to be made to the Program Entity.

ARTICLE VI

ISFL ER Program Development

Section 6.01 *ISFL ER Program Development*

The Program Entity shall notify the Trustee of any material delays or problems in the development, operation and implementation of the ISFL ER Program and/or the ISFL ER Program Start Date no later than thirty (30) calendar days after the occurrence thereof.

Section 6.02 *Benefit Sharing*

- (a) The Program Entity shall share a significant part of the Monetary and Non-Monetary Benefits achieved in connection with the implementation of the ISFL ER Program (including received payments for transferred Contract ERs and Additional ERs) with Beneficiaries. For this purpose, the Program Entity shall develop and submit to the Trustee a Benefit Sharing Plan.
- (b) The Benefit Sharing Plan shall be in full compliance with applicable World Bank Operational Policies and Procedures, the International Rules and any relevant domestic laws and regulations.
- (c) The Benefit Sharing Plan shall be consistent with the ISFL ER Program Document and shall be developed in accordance with the ISFL ER Program Requirements.
- (d) Any material changes, modifications or updates of the Benefit Sharing Plan (including the exclusion of categories of Beneficiaries or the inclusion of additional categories of Beneficiaries) are subject to the Trustee's prior written consent, not to be unreasonably withheld.

Section 6.03 *Non-Carbon Benefits*

- (a) The Program Entity is encouraged to generate and/or enhance Non-Carbon Benefits under the ISFL ER Program.
- (b) The Program Entity shall provide information on its efforts to generate and/or enhance Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) as part of each ER Monitoring Report.

Section 6.04 *ISFL ER Program Requirements*

- (a) The measurement, monitoring, reporting and Verification of any Contract ERs and/or Additional ERs generated under the ISFL ER Program during any given Reporting Period within an ERPA Phase shall be based on and comply with the ISFL ER Program Requirements and the Program Documents.
- (b) The Parties agree to cooperate in good faith to prepare and finalize the Updated ISFL ER Program Documentation for each ERPA Phase in accordance with the terms of the ERPA Framework Agreement.

ARTICLE VII

Distribution Letter

Section 7.01 *Distribution Letter*

- (a) The Trustee shall prepare the Distribution Letter in accordance with the Trustee's entitlements under the ERPA Framework Agreement and the respective ERPA Phase Agreements and shall ensure that such Distribution Letter is submitted by the Focal Point(s) to the Registry.
- (b) If the Program Entity is required to sign the Distribution Letter as joint Focal Points it shall, within fifteen (15) calendar days of the Trustee's written request, sign and return such Distribution Letter to the Trustee.

ARTICLE VIII

Registration and Verification

Section 8.01 *Registration*

- (a) If and as far as required under Registry rules and procedures, the ISFL ER Program and/or the ISFL ER Program Measure(s) shall be submitted to the Registry for Registration. Unless agreed otherwise in the ERPA Framework Agreement or any ERPA Phase Agreement, the Trustee, shall, if applicable, in consultation with the Program Entity and any other relevant authorities and entities, submit or arrange for the submission of the ISFL ER Program and/or the ISFL ER Program Measure(s) for Registration.
- (b) The Parties agree to cooperate in order to obtain Registration and all other approvals of the ISFL ER Program and/or the ISFL ER Program Measure(s), as deemed necessary for this purpose.

Section 8.02 *Verification*

- (a) All ERs generated by the ISFL ER Program during each Reporting Period shall be subject to Verification by an Independent Reviewer. Unless agreed otherwise in the ERPA Framework Agreement or any ERPA Phase Agreement, the Trustee shall, in consultation with the Program Entity, arrange for such Verification and shall contract an Independent Reviewer for Verification purposes.

- (b) The Party responsible for arranging Verification shall ensure that each Verification Report shall verify all ERs generated under the ISFL ER Program within the ISFL ER Program Area during each Reporting Period.

ARTICLE IX

ISFL ER Program Operation and Management

Section 9.01 *ISFL ER Program Operation and Implementation*

The Program Entity shall:

- (a) operate and implement the ISFL ER Program and the ISFL ER Program Measure(s) in accordance with the terms of the ERPA, the ISFL ER Program Requirements, the Benefit Sharing Plan, the Benefit Sharing Plan Operations Manual, the Program Documents (including any feedback and grievance redress mechanism set up under and in connection with the ISFL ER Program) and any applicable laws and regulations and in accordance with sound engineering, financial and environmental practices;
- (b) promptly notify the Trustee of the occurrence of any event that makes it unlikely that the Program Entity will be able to comply with its obligations under the ERPA Framework Agreement or any ERPA Phase Agreement, including, but not limited to, its obligation to transfer the Minimum Reporting Period Amounts and Cumulative Amounts of Contract ERs for each Reporting Period in accordance with the ERPA Framework Agreement and the respective ERPA Phase Agreements, or any actual breach of such obligations;
- (c) inform the Trustee of any modification envisaged to the ISFL ER Program that would require a modification of any Program Document;
- (d) provide to the Trustee all information requested by the Trustee in respect of the operation of the ISFL ER Program;
- (e) operate and implement the ISFL ER Program and carry out and manage the ISFL ER Program Measure(s) in compliance with the World Bank Operational Policies and Procedures and any Safeguards Plans provided for under the ERPA Framework Agreement and any ERPA Phase Agreement;
- (f) ensure installation, operation and maintenance of the facilities and equipment and retention of staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary;
- (g) provide the Trustee and its nominees or use all reasonable efforts to ensure that the Trustee and its nominees are provided with access to the Land and all relevant records without interference for the purposes of the ERPA Framework Agreement and any ERPA Phase Agreement;
- (h) if gaining knowledge of any change to the policies, laws and regulations of the Host Country that could materially affect the legal status, including tenure, of any part of the Land and thereby adversely affect the Program Entity's ability to perform its obligations under the

ERPA Framework Agreement or any ERPA Phase Agreement, promptly notify the Trustee of such event;

- (i) comply with all obligations under all licenses, permits, consents and authorizations granted to the Program Entity that are required to operate and implement the ISFL ER Program;
- (j) permit the Trustee and its representatives to inspect all of the Program Entity's accounts and records and other documents in relation with the ISFL ER Program and for the purposes of the ERPA Framework Agreement or any ERPA Phase Agreement and to have them audited by, or on behalf of, the Trustee and for the cost and account of the Trustee;
- (k) cooperate fully with the Trustee and the Independent Reviewer in respect of the implementation of the ER Monitoring Plan and the periodic Verification of ERs;
- (l) cooperate fully with the Trustee and other relevant registries, entities and authorities regarding the issuance, transfer and forwarding of Contract ERs and Additional ERs to any Registry Account(s) nominated by the Trustee and the conversion of any transferred Contract ERs and/or Additional ERs into any ER credit that may be used by BioCF T3 Participants for compliance purposes under any existing or future compliance carbon market or for resale purposes; and
- (m) not engage in, or authorize or permit any affiliate or any other person acting on its behalf to engage in, any Sanctionable Practice. The Program Entity further covenants that should the Trustee notify the Program Entity of its concerns that there has been a violation of the provisions of this Section or of Section 13.02(g), it shall cooperate in good faith with the Trustee and its representatives in determining whether such a violation has occurred, and shall respond promptly and in reasonable detail to any notice from the Trustee, and shall furnish documentary support for such response upon the Trustee's request.

Section 9.02 *Sub-Project Operation and Implementation*

- (a) Without prejudice to the Program Entity's responsibility for the operation and implementation of the ISFL ER Program and ISFL ER Program Measures(s) under the ERPA Framework Agreement and any ERPA Phase Agreement, the Program Entity may enter into Sub-Project Arrangements with Sub-Project Entities to help the Program Entity operate and implement the ISFL ER Program and ISFL ER Program Measure(s), as further specified in the ERPA Framework Agreement. Prior to signing the first Sub-Project Arrangement, the Program Entity shall provide the Trustee an opportunity to review and comment on the terms of the Sub-Project Arrangement, shall reflect such comments in the Sub-Project Arrangement and shall use such Sub-Project Arrangement as a sample for all other Sub-Project Arrangements.
- (b) The Program Entity shall take all necessary steps to ensure that the Sub-Projects are developed, operated and implemented in accordance with the Program Documents and the terms of the ERPA Framework Agreement and any ERPA Phase Agreement.
- (c) The Program Entity shall keep the Trustee informed about the progress of the implementation of the Sub-Projects and inform the Trustee immediately upon becoming aware of any delays which could materially and adversely affect the Program Entity's ability to perform its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement.
- (d) The Program Entity shall be responsible for ensuring that each Sub-Project Entity:

- (i) has implemented all applicable requirements of the ER Monitoring Plan;
 - (ii) implements its Sub-Project in accordance with the terms of the ISFL ER Program Document;
 - (iii) installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary;
 - (iv) transfers to the Program Entity, or provides the Program Entity with exclusive rights to transfer to the Trustee, Title to ERs generated by its respective Sub-Project(s) and to be transferred as Contract ERs and/or Additional ERs to the Trustee under the ERPA Framework Agreement and any ERPA Phase Agreement, free of any interest, Encumbrance or claim of a Third Party, prior to any ER Transfer under the ERPA Framework Agreement and any ERPA Phase Agreement;
 - (v) observes, implements and meets all other requirements contained in the ER Monitoring Plan, in particular those pertaining to environmental and social performance and operational management systems;
 - (vi) informs the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under a Sub-Project;
 - (vii) operates and implements its Sub-Project in compliance with the World Bank Operational Policies and Procedures and any Safeguards Plans provided for under the ERPA Framework Agreement and any ERPA Phase Agreement; and
 - (viii) maintains and prepares its Sub-Project to allow for Verification.
- (e) The Program Entity shall:
- (i) provide training to the Sub-Project Entities to ensure that each Sub-Project Entity is capable of complying with Section 9.02;
 - (ii) collect, compile and record in respect of each Sub-Project all information required under the ER Monitoring Plan;
 - (iii) retain full responsibility for the implementation of the ER Monitoring Plan;
 - (iv) take all necessary steps to ensure that the Sub-Projects are developed and implemented in accordance with the ERPA Framework Agreement and any ERPA Phase Agreement;
 - (v) provide the Trustee with copies of all Sub-Project Arrangements executed by the Program Entity in respect of the ISFL ER Program;
 - (vi) manage the administration of each Sub-Project Arrangement such that both the Program Entity and the relevant Sub-Project Entity fulfill their obligations under each such Sub-Project Arrangement;

- (vii) notify the Trustee of any actual or suspected breach of any Sub-Project Arrangement, whether such breach occurs in respect of the Program Entity or a Sub-Project Entity;
- (viii) maintain a database with technical and financial details of each Sub-Project, including the frequency of reporting and quality assurance standards for the Sub-Projects;
- (ix) ensure that each Sub-Project Entity satisfies any obligations in respect of applications for all licenses, permits, consents and authorizations required to operate and implement its Sub-Project; and
- (x) not enter into a Sub-Project Arrangement for such Sub-Project or any related agreement with a Sub-Project Entity or any other entity that is a Debarred Entity.

Section 9.03 *Non-Complying Sub-Projects*

- (a) If the Program Entity is unable to ensure that a Sub-Project complies with the requirements of Section 9.02, the Program Entity shall immediately provide notice to the Trustee to this effect ("**Non-Compliance Notice**").
- (b) The Program Entity shall also provide a Non-Compliance Notice to the Trustee:
 - (i) in the event of dissolution, liquidation, insolvency or bankruptcy (voluntary or involuntary) of the Sub-Project Entity;
 - (ii) in the event that the Program Entity or a Sub-Project Entity fails to perform its obligations under any executed Sub-Project Arrangement; or
 - (iii) if a Sub-Project Entity fails to enter into or obtain in a timely manner, or any default under, any material contract, permit, consent or license relating to the ownership, development, construction, finance, operation or maintenance of the relevant Sub-Project (or any portion thereof) that would materially and adversely affect its ability to perform its obligations under a Sub-Project Arrangement or prevent the Program Entity from fulfilling its obligations under the ERPA Framework Agreement or any ERPA Phase Agreement.

Section 9.04 *Addition of Compliance Sub-Projects*

- (a) If the Program Entity is of the reasonable opinion that it may not be able to generate the requisite number of Contract ERs and/or Additional ERs due to circumstances in relation to Sub-Projects with respect to which it has provided a Non-Compliance Notice within ninety (90) calendar days of the receipt by the Trustee of the Non-Compliance Notice, it may propose to the Trustee one or more Sub-Projects expected to individually or cumulatively generate at least the volume of ERs per year of operation indicated in this Agreement ("**Compliance Sub-Projects**").
- (b) The Trustee may, at its discretion, accept a Compliance Sub-Project and, upon such acceptance:
 - (i) the Parties shall modify the ISFL ER Program Document, if necessary, to include one or more Compliance Sub-Projects as part of the ISFL ER Program and take all

appropriate action required to include such Compliance Sub-Projects into the ISFL ER Program, as required by the rules of the Registry, applicable laws and regulations and, if applicable, the International Rules;

- (ii) such Compliance Sub-Projects shall be considered as Sub-Projects and part of the ISFL ER Program under the ERPA Framework Agreement and any ERPA Phase Agreement and the ERPA Framework Agreement and any ERPA Phase Agreement shall apply to the Program Entity in respect of such Sub-Projects *mutatis mutandis* as if they had originally been included in the ISFL ER Program; and
- (iii) any costs arising from activities identified in subparagraph (i) shall be borne by the Program Entity.

Section 9.05 *Sub-Project Inventory*

- (a) The Program Entity shall at all times maintain an inventory listing all Sub-Projects included in the ISFL ER Program ("**Sub-Project Inventory**"), including an identification of those Sub-Projects included in the ISFL ER Program.
- (b) The Sub-Project Inventory shall, for each Sub-Project;
 - (i) record the name and other relevant details of the Sub-Project and Sub-Project Entity;
 - (ii) record the date of the Sub-Project Arrangement and, if applicable, the date a Non-Compliance Notice was issued, including reasons for the Non-Compliance Notice;
 - (iii) record any other data for the Sub-Project required by the ER Monitoring Plan; and
 - (iv) contain a copy of the Sub-Project Arrangement for that Sub-Project.
- (c) In each ER Monitoring Report, the Program Entity shall provide a summary to the Trustee of any changes to the Sub-Project Inventory immediately preceding the ER Monitoring Report.
- (d) The Sub-Project Inventory shall be made available to the Independent Reviewer and the Trustee upon request.

ARTICLE X

Communication

Section 10.01 *Communication with Respect to ERs*

- (a) Unless agreed otherwise in the ERPA Framework Agreement or any ERPA Phase Agreement, the Trustee and the Program Entity shall serve as joint Focal Points, although the Trustee shall not be liable for any loss or damage caused to the Program Entity or any Third Party as a result of any acts or omissions with regard to such communications, unless such loss or damage was caused by the Trustee's Intentional Breach.
- (b) If for any reason any ERs that are not or cannot be issued, transferred and forwarded as directed by the Trustee or if the Trustee has not provided details of a Registry Account by the date on which such ERs are to be issued, transferred and forwarded, then the Program Entity

shall, at the request of the Trustee and at the expense of the Trustee, make reasonable endeavors to open an account in the Registry, if available at that time, and shall hold the relevant ERs on trust in that account for the absolute benefit of the Trustee or such other party as the Trustee shall direct, and shall:

- (i) deal with those ERs in accordance with any directions of the Trustee; and
 - (ii) give all assistance reasonably required to have those ERs transferred and forwarded to or to the order of the Trustee.
- (c) The Parties will cooperate in good faith with respect to how they communicate with the media and other Third Parties on issues related to the ISFL ER Program.

ARTICLE XI

ISFL Buffer

Section 11.01 *Establishment and Management of ISFL Buffer*

- (a) The Parties shall establish an ISFL Buffer to be managed by the Buffer Manager in accordance with these General Conditions and the ISFL Buffer Requirements.
- (b) Both Parties shall cooperate with each other and with the Buffer Manager in the establishment and management of the ISFL Buffer throughout the Term in accordance with the terms of these General Conditions and the ISFL Buffer Requirements.
- (c) The ISFL Buffer shall cover the following risk categories:
 - (i) Uncertainty; and
 - (ii) Reversal Risks.

Section 11.02 *Reversal Risks*

- (a) The Program Entity shall use the ISFL Buffer to manage Reversal Risks under the ISFL ER Program during the Term.
- (b) During the Term, the Program Entity shall apply and shall ensure that each Sub-Project Entity will apply all reasonable measures to prevent the occurrence of any Reversal Event, not cause, help cause, tolerate or authorize the occurrence of any Reversal Event and, if a Reversal Event occurs, undertake, in consultation with the Trustee, all reasonable measures to minimize and mitigate the adverse effect of such event(s) on the ISFL ER Program and/or the Program Entity's performance of its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement.
- (c) The Program Entity shall inform the Trustee of a Reversal Event within ninety (90) calendar days after becoming aware of the occurrence of such Reversal Event. The occurrence of a Reversal Event shall be identified in accordance with the ER Monitoring Plan and reported as part of the ER Monitoring Report. In the event that the Program Entity and the Trustee disagree on the occurrence, cause and/or scope of a Reversal Event, if requested by the

Trustee, the occurrence, cause and/or scope of a Reversal Event shall be assessed and Verified by an Independent Reviewer.

- (d) If a Reversal occurs during the Term, the ISFL Buffer shall be used to ensure that any Contract ERs and/or Additional ERs previously transferred to the Trustee under the ERPA Framework Agreement and any ERPA Phase Agreement remain unaffected by the Reversal and the Parties shall cooperate with each other to implement the ISFL Buffer.

Section 11.03 *Operation of ISFL Buffer*

- (a) The ISFL Buffer shall be operated in accordance with the terms of these General Conditions and the ISFL Buffer Requirements.
- (b) Prior to each ER Transfer and in addition to the amount of Contract ERs and/or Additional ERs to be transferred as part of such ER Transfer, a certain amount of Buffer ERs generated and Verified under the ISFL ER Program during the preceding Reporting Period shall be transferred and deposited for each covered risk category into the ISFL Buffer. The transfer and deposit of such Buffer ERs into the ISFL Buffer shall be free of charge to the Trustee.
- (c) The amount of Buffer ERs to be transferred and deposited into the ISFL Buffer for each covered risk category shall be determined in accordance with the ISFL Buffer Requirements and shall have seniority over any Third Party rights towards ERs that have been generated by the ISFL ER Program.
- (d) Upon being transferred and deposited into the ISFL Buffer, Buffer ERs shall be non-tradable unless they have been released from the ISFL Buffer in accordance with the ISFL Buffer Requirements.
- (e) In the event that a Reversal occurs during the Term, the Trustee shall, in consultation with the Program Entity, calculate the amount of Contract ERs, Additional ERs and/or Buffer ERs that are affected by such Reversal, notify the Program Entity and the Buffer Manager, if applicable, of such amounts and, as applicable, cancel or request the Buffer Manager to cancel an amount of Buffer ERs in the ISFL Buffer that is equivalent to the amount of affected Contract ERs, Additional ERs and/or Buffer ERs.

Section 11.04 *End of Term and Post-ERPA Reversal Management Mechanism*

- (a) By the end of the Term, all remaining Buffer ERs transferred and deposited into the ISFL Buffer to cover Uncertainty shall be dealt with in accordance with the ISFL Buffer Requirements.
- (b) No later than one (1) year prior to the end of the Term, the Program Entity shall have in place a robust mechanism, in form and substance satisfactory to the Trustee, that allows the Program Entity to continue to manage any potential reversal risks under the ISFL ER Program beyond the Term (“**Post-ERPA Reversal Management Mechanism**”). In the event that such Post-ERPA Reversal Management Mechanism includes a buffer reserve or another mechanism which uses ERs from the ISFL ER Program to manage reversal risks, the Trustee shall, upon request by the Program Entity, transfer or allow for the transfer of the remaining Buffer ERs that have been transferred and deposited into the ISFL Buffer to cover Reversal Risks, as determined in accordance with the ISFL Buffer Requirements, to a registry account of such

mechanism under the Post-ERPA Reversal Management Mechanism nominated by the Program Entity. In the event that a Post-ERPA Reversal Management Mechanism is not in place one (1) year prior to the end of the Term and unless the Parties agree otherwise, all remaining Buffer ERs that have been transferred and deposited into the ISFL Buffer to cover Reversal Risks shall be cancelled.

ARTICLE XII

Force Majeure Events

Section 12.01 *Notice of Force Majeure Event*

- (a) If a Party ("**Affected Party**") is, or anticipates that it will be, unable to perform an obligation under the ERPA Framework Agreement or any ERPA Phase Agreement due to the occurrence of a Force Majeure Event, it shall provide the other Party ("**Non-Affected Party**") with written notice providing details of the Force Majeure Event ("**Force Majeure Notice**") within fifteen (15) calendar days of becoming aware of the relevant Force Majeure Event.
- (b) The Affected Party shall take all reasonable steps to remove or mitigate the relevant effects of the Force Majeure Event.

Section 12.02 *Effect of Force Majeure Event*

- (a) If the Affected Party is unable to perform an obligation under the ERPA Framework Agreement or any ERPA Phase Agreement due to the occurrence of a Force Majeure Event, such non-performance:
 - (i) will be permitted only during the time and to the extent that performance is prevented by the Force Majeure Event; and
 - (ii) will not give rise to any liability to the Non-Affected Party for any losses or damages arising out of, or in any way connected with, such non-performance during the occurrence of the Force Majeure Event.
- (b) No Party will be relieved by a Force Majeure Event from any obligation to provide any notice pursuant to the ERPA Framework Agreement or any ERPA Phase Agreement.
- (c) If the Program Entity fails to transfer Contract ERs due to a Force Majeure Event, then:
 - (i) the Maximum Call Option Volume shall increase by the number of ERs which the Program Entity failed to transfer as a result of the Force Majeure Event; and
 - (ii) the price payable by the Trustee for the ERs referred to in subsection (i) as Additional ERs shall be the price modalities for the Unit Price corresponding to the price modalities of the Exercise Price.
- (d) If by reason of a Force Majeure Event the Affected Party is unable to perform an obligation under the ERPA Framework Agreement or any ERPA Phase Agreement (including an obligation to transfer ERs), and that non-performance continues for a period of one hundred and eighty (180) consecutive calendar days after the date the Force Majeure Notice is received

by the Non-Affected Party without the Parties being able to negotiate a mutually acceptable alternative means of carrying out the intention of the ERPA Framework Agreement and any ERPA Phase Agreement by the end of that period, the Non-Affected Party may terminate the ERPA Framework Agreement and any ERPA Phase Agreement by written notice to the Affected Party and:

- (i) the Trustee shall pay the Program Entity for any Contract ERs and Additional ERs transferred to the Trustee for which no payment has been made; and
- (ii) the Trustee may recover from the Program Entity any Taxes paid, if any, in relation to the ISFL ER Program, which the Trustee has paid or incurred until the date of termination in accordance with the terms of the ERPA Framework Agreement and the respective ERPA Phase Agreements.

ARTICLE XIII

Representations, Warranties and Covenants

Section 13.01 *General*

Each Party represents and warrants to the other Party that:

- (a) the person signing the ERPA Framework Agreement and any ERPA Phase Agreement on behalf of that Party has been duly authorized to sign such agreements as representative and on behalf of that Party and the ERPA Framework Agreement and any ERPA Phase Agreement constitutes legal, valid and binding obligations of that Party, enforceable against that Party in accordance with its terms;
- (b) the execution, delivery and performance of the ERPA Framework Agreement and any ERPA Phase Agreement are within its powers, have been duly authorized by all necessary action and do not violate or conflict with, or require any consent or waiver under, any of its constitutional documents or any material contract to which it is a party or to which it or any of its assets is subject, or any law, regulation or permit applicable to it; and
- (c) it has taken all necessary action to authorize the entry into, and the observance and performance of, its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement.

Section 13.02 *Program Entity Representations and Warranties*

The Program Entity represents and warrants, as of the date of the ERPA Framework Agreement and any ERPA Phase Agreement, and again upon both the production of the ERs and any ER Transfer, that:

- (a) it is a financially viable entity and is not insolvent or at risk of becoming insolvent;
- (b) all of the information provided by the Program Entity to the Trustee regarding the ISFL ER Program and the ISFL ER Program Measure(s) and in particular, in the ISFL ER Program Document, is true and correct and may be relied upon by the Trustee;

- (c) there are no actions, suits or proceedings pending or, to the Program Entity's knowledge, threatened against or affecting the Program Entity, the ISFL ER Program or the Contract ERs or Additional ERs before any court or administrative body or arbitral tribunal which could reasonably be expected to affect materially and adversely the ability of the Program Entity to meet and carry out its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement;
- (d) it has no outstanding agreements or liabilities, contingent or otherwise (including Taxes), that could reasonably be expected to affect materially and adversely the ability of the Program Entity to meet and carry out its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement;
- (e) to the best of the Program Entity's knowledge, no litigation is pending or threatened against the Program Entity in respect of the ISFL ER Program which could materially and adversely affect the Program Entity's ability to fulfill its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement;
- (f) it has not sold, transferred, assigned, licensed, disposed of, granted or otherwise created any interest in the Contract ERs, Additional ERs or Buffer ERs generated by the ISFL ER Program and the ISFL ER Program Measure(s) to any Third Party other than in accordance with the ERPA Framework Agreement, any ERPA Phase Agreement and the ISFL Buffer Requirements;
- (g) it has not, and to the best of its knowledge and belief (after due diligence and due enquiry in accordance with those employment, management and supervisory practices and policies which would reasonably be expected of an internationally reputable person engaged in the same type of undertaking as the Program) none of its shareholders, directors, officers, employees, agents, affiliates nor any Sub-Project Entity, has engaged in any Sanctionable Practice.

Section 13.03 *Sub-Project Representations and Warranties*

- (a) In addition to the representations and warranties made by the Program Entity in Section 13.02, the Program Entity represents and warrants in respect of each Sub-Project, as of the date of the ERPA Framework Agreement and any ERPA Phase Agreement, and again upon both the production of the ERs and any ER Transfer, that:
 - (i) to the best of the Program Entity's knowledge, no litigation is pending or threatened against the Sub-Project Entity in respect of the Sub-Project which could materially and adversely affect the Program Entity's ability to fulfill its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement;
 - (ii) to the best of the Program Entity's knowledge, there are no outstanding agreements or liabilities that could materially and adversely affect the ability of the relevant Sub-Project Entity to meet its obligations under a Sub-Project Arrangement executed pursuant to the ERPA Framework Agreement and any ERPA Phase Agreement; and
 - (iii) to the best of the Program Entity's knowledge, the Sub-Project Entity has not committed itself to any other program or project developer to generate ERs on the respective part of the ISFL ER Program Measure(s) Area and transfer such ERs to any Third Party that could materially and adversely affect the ability of the relevant Sub-

Project Entity to meet its obligations under a Sub-Project Arrangement executed pursuant to the ERPA Framework Agreement and any ERPA Phase Agreement.

- (b) If the Program Entity is no longer able to make the representations and warranties in Section 13.03(a) in respect of a Sub-Project, the Program Entity shall provide the Trustee with a Non-Compliance Notice with respect to the relevant Sub-Project.

Section 13.04 *Sanctionable Practices*

The Program Entity shall not engage in, or authorize or permit any affiliate or any other person acting on its behalf to engage in, any Sanctionable Practice. The Program Entity further covenants that should the Trustee notify the Program Entity of its concerns that there has been a violation of the provisions of this Section or of Section 13.02(g), it shall cooperate in good faith with the Trustee and its representatives in determining whether such a violation has occurred, and shall respond promptly and in reasonable detail to any notice from the Trustee, and shall furnish documentary support for such response upon the Trustee's request.

ARTICLE XIV

Transfer of Title to ERs

Section 14.01 *Title to ERs*

- (a) The Program Entity shall ensure throughout the Term and in accordance with the ISFL ER Program Requirements that the Program Entity has the ability to transfer Title to ERs to the Trustee, free of any interest, Encumbrance or claim of a Third Party other than in accordance with the ERPA Framework Agreement and any ERPA Phase Agreement.
- (b) In the event that the Program Entity becomes aware during any given Reporting Period (i) of its inability, in full or in part, to transfer Title to ERs to the Trustee or (ii) of any Title Contest by any Contesting Party, regarding any ERs that have been transferred or are to be transferred to the Trustee under the ERPA Framework Agreement and any ERPA Phase Agreement as Contract ERs and/or Additional ERs, the Program Entity shall endeavor to resolve such inability or Title Contest (potentially by using an available grievance redress mechanism under the ISFL ER Program) within the same Reporting Period and report any remaining inability to transfer Title to ERs or any remaining Title Contest as part of its ER Monitoring Report. Together with the ER Monitoring Report, the Program Entity shall also provide the Trustee with documentary and other evidence demonstrating the Program Entity's ability to transfer to the Trustee Title to ERs regarding ERs that have been generated during the preceding Reporting Period.
- (c) In the event that, prior to an ER Transfer, the Trustee, in its reasonable opinion, determines that the Program Entity has failed, in full or in part, to demonstrate its ability to transfer Title to ERs, the Trustee shall determine, following consultations with the Program Entity, the amount of Contract ERs and/or Additional ERs that are affected by such failure and notify the Program Entity accordingly. The Program Entity shall not transfer and the Trustee shall not be obligated to accept the transfer of and make payment for such affected Contract ERs and/or Additional ERs.

- (d) In the event of a Title Contest regarding any previous transfer of Title to ERs, and provided that such Title Contest cannot be resolved between the Program Entity and the Contesting Party within a reasonable time period, to be determined by the Trustee following consultations with the Program Entity, the Trustee shall assess or have assessed, on a prima facie basis, whether the Title Contest may have any merit. If such assessment concludes that the Title Contest may have merit, the Trustee shall, in consultation with the Program Entity, calculate the amount of previously transferred Contract ERs and Additional ERs that are affected by such Title Contest, and notify the Program Entity of such amounts.

ARTICLE XV

Events of Default and Remedies

Section 15.01 *Events of Default*

- (a) Each of the following events are Events of Default on the part of the Program Entity:
- (i) ER Transfer Failure;
 - (ii) the occurrence of a Reversal, as determined by the Trustee, and failure by the Program Entity to ensure through the ISFL Buffer, within ninety (90) calendars days following the Trustee's determination of the occurrence of a Reversal, that any Contract ERs and/or Additional ERs previously transferred to the Trustee under the ERPA Framework Agreement and any ERPA Phase Agreement remain unaffected by such Reversal;
 - (iii) the occurrence of a Title Contest, as determined by the Trustee pursuant to Section 14.01(d), and failure by the Program Entity to ensure, within ninety (90) calendars days following the Trustee's determination of the occurrence of a Title Contest, that the transfer of Title to ERs regarding any Contract ERs and/or Additional ERs previously transferred to the Trustee under the ERPA Framework Agreement and any ERPA Phase Agreement remain unaffected by such Title Contest;
 - (iv) failure to undertake and submit to the Trustee an Analysis and GHG Inventory Update prior to any ERPA Phase (except the final ERPA Phase), in form and substance satisfactory to the Trustee;
 - (v) the dissolution, liquidation, insolvency or bankruptcy (voluntary or involuntary) of the Program Entity or change in the ownership structure of the Program Entity in a manner that adversely affects its ability to perform its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement in the reasonable opinion of the Trustee;
 - (vi) material delay in the development and implementation of the ISFL ER Program or other materially adverse change in the status of the ISFL ER Program which adversely affects the Program Entity's ability to perform its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement in the reasonable opinion of the Trustee;
 - (vii) material breach by the Program Entity of any other term of the ERPA Framework Agreement or any ERPA Phase Agreement;

- (viii) failure to observe, implement and meet all requirements contained in the ER Monitoring Plan, the Benefit Sharing Plan, the Benefit Sharing Plan Operations Manual or a Safeguards Plan provided for under the ERPA Framework Agreement and the respective ERPA Phase Agreements (including any feedback and grievance redress mechanism provided for under the ER Program, the Benefit Sharing Plan and/or a Safeguards Plan); and
 - (ix) determination by the World Bank that the Program Entity has engaged in, or has authorized or permitted any affiliate or any other person acting on its behalf to engage in, a Sanctionable Practice.
- (b) Each of the following events are Events of Default on the part of the Trustee:
- (i) subject to Section 17.04 and Section 17.08, failure to make payment when due under the ERPA Framework Agreement and the respective ERPA Phase Agreements, which is not reasonably in dispute (“**Payment Failure**”); and
 - (ii) material breach by the Trustee of any other term of the ERPA Framework Agreement or any ERPA Phase Agreement.

Section 15.02 *Notice and Cure of Event of Default or Action Plan*

- (a) If either Party becomes aware or reasonably anticipates that any of the Events of Default specified under Section 15.01 has occurred or will occur, it shall notify the other Party of the Event of Default (“**Default Notice**”).
- (b) Any Default Notice shall include the following information, to the extent possible:
 - (i) full details of the Event of Default or anticipated Event of Default; and
 - (ii) where the Event of Default is an ER Transfer Failure, the expected shortfall of Contract ERs or Additional ERs, as applicable.
- (c) As of receipt of the Default Notice and provided that (i) in the reasonable opinion of the non-defaulting Party, such Event of Default is curable, and (ii) an Action Plan has not been requested or submitted in accordance with Section 15.02(d), the defaulting Party shall have a period of ninety (90) calendar days to cure the Event of Default (“**Cure Period**”).
- (d) As of receipt of the Default Notice, the non-defaulting Party may, at its own discretion and as an alternative to the Cure Period, request the defaulting Party to submit, within thirty (30) calendar days following such request, an action plan, acceptable to the non-defaulting Party, to implement specific measures to cure the Event of Default during a certain time period (“**Action Plan**”).
- (e) Without prejudice to Section 15.03(a)(iv), in the event of the Program Entity’s failure to observe, implement and meet all requirements contained in a Benefit Sharing Plan, a Safeguards Plan provided for under the ERPA (including any feedback and grievance redress mechanism provided for in a Safeguards Plan), the Program Entity’s rights to transfer any amount of ERs affected by such failure and to request payment for such affected ERs shall be suspended from the date of receipt of the Default Notice until such failure has been cured.

Section 15.03 *Trustee's Remedies for an Event of Default*

- (a) If the Program Entity is the defaulting Party and, if applicable, the Program Entity fails to cure the Event of Default to the reasonable satisfaction of the Trustee within the Cure Period or within the time period provided for in the Action Plan, the Trustee may, at its discretion:
- (i) if the Event of Default is an ER Transfer Failure which is not an Intentional Breach by the Program Entity:
 - (A) allow the Program Entity to submit another Action Plan; or
 - (B) allow the Program Entity to transfer any shortfall of ERs in the following Reporting Period(s); or
 - (C) reduce the ERPA Phase Amount and one or more Minimum Reporting Period Amounts (set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreement) equivalent to the shortfall in ERs, reduce the Indicative Total ERPA Value equivalent to the value of the shortfall in ERs (i.e. Unit Price X Contract ER shortfall), and, if the ERPA Framework Agreement or any ERPA Phase Agreement provides for a Call Option with the Trustee being the Grantee, increase the Maximum Call Option Volume by an amount equal to such reduction, provided that the price payable for those ERs subject to the reduction, if they are sold and transferred as Additional ERs, shall be the price modalities for the Unit Price corresponding to the price modalities of the Exercise Price; or
 - (D) in the event that the ER shortfall equals or exceeds 20% of the Cumulative Amount, terminate the ERPA Framework Agreement and any ERPA Phase Agreement and recover from the Program Entity, if applicable, any Taxes which the Trustee has paid until the date of termination.
 - (ii) if the Event of Default is a delay in the ISFL ER Program Start Date:
 - (A) allow the Program Entity to transfer any expected delay-related shortfall of ERs in the following Reporting Period(s); or
 - (B) reduce the ERPA Phase Amount and one or more Minimum Reporting Period Amounts (set out in the ERPA Framework Agreement and specified in the respective ERPA Phase Agreement) equivalent to the expected delay-related shortfall in ERs, reduce the Indicative Total ERPA Value equivalent to the value of the shortfall in ERs (i.e. Unit Price X Contract ER shortfall), and, if the ERPA Framework Agreement or any ERPA Phase Agreement provides for a Call Option with the Trustee being the Grantee, increase the Maximum Call Option Volume by an amount equal to such reduction, provided that the price payable for those ERs subject to the reduction, if they are sold and transferred as Additional ERs, shall be the price modalities for the Unit Price corresponding to the price modalities of the Exercise Price.
 - (iii) if the Event of Default (including, without limitation, an ER Transfer Failure) is a result of an Intentional Breach by the Program Entity, terminate the ERPA Framework Agreement and any ERPA Phase Agreement and recover from the Program Entity, if

applicable, any Taxes which the Trustee has paid until the date of termination, *plus* damages from the Program Entity in an amount that represents any losses, damages and costs suffered by the Trustee and/or the BioCF T3 Participants as a result of the Event of Default by the Program Entity.

- (iv) if the Event of Default is an event not described in subparagraphs (i), (ii) or (iii) above:
 - (A) allow the Program Entity to submit an Action Plan; or
 - (B) terminate the ERPA Framework Agreement and any ERPA Phase Agreement and recover from the Program Entity, if applicable, any unrecovered Taxes which the Trustee has paid until the date of termination.

Section 15.04 *Program Entity Remedies for an Event of Default*

- (a) If the Trustee is the defaulting Party and, if applicable, the Trustee fails to cure the Event of Default to the reasonable satisfaction of the Program Entity within the Cure Period or within the time period provided for in the Action Plan, the Program Entity may, at its discretion:
 - (i) if the Event of Default is a Payment Failure which is not an Intentional Breach by the Program Entity:
 - (A) require the Trustee to make any outstanding payments due; and/or
 - (B) terminate the ERPA Framework Agreement and any ERPA Phase Agreement.
 - (ii) if the Event of Default (including, without limitation, a Payment Failure) is a result of an Intentional Breach by the Trustee, terminate the ERPA Framework Agreement and any ERPA Phase Agreement and, if applicable, require the Trustee to make any outstanding payments due, *plus* damages from the Trustee in an amount that represents any losses, damages and costs suffered by the Program Entity as a result of the Event of Default by the Trustee.
 - (iii) if the Event of Default is an event not described in subparagraphs (i) or (ii) above, terminate the ERPA Framework Agreement and any ERPA Phase Agreement.

ARTICLE XVI

Other Termination Events

Section 16.01 *Termination of BioCF T3*

- (a) The Trustee may terminate the ERPA Framework Agreement and any ERPA Phase Agreement by notice in writing to the Program Entity if:
 - (i) the BioCF T3 is to terminate and the Trustee does not assign its rights or novate its obligations pursuant to Section 17.06; or
 - (ii) the World Bank or the International Development Association has declared the Program Entity ineligible to receive proceeds from the World Bank or the International

Development Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the World Bank or the International Development Association, as a result of: (i) a determination by the World Bank or the International Development Association that the Program Entity has engaged in a coercive, corrupt, collusive, obstructive or fraudulent practice in connection with the use of the proceeds of any financing made by the World Bank or the International Development Association; and/or (ii) a declaration by any multilateral development bank with which the World Bank or the International Development Association has entered into an agreement for the mutual enforcement of debarment decisions, that the Program Entity is ineligible to receive proceeds of any financing made by such multilateral development bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such multilateral development bank as a result of a determination by such multilateral development bank that the Program Entity has engaged in a coercive, corrupt, collusive, obstructive or fraudulent practice in connection with the use of the proceeds of any financing made by such multilateral development bank.

- (b) In any of the above cases, the Trustee shall:
 - (i) notify the Program Entity at least three (3) months prior to termination; and
 - (ii) if the termination event is an event described in Section 16.01(a)(i), shall pay or adequately provide for payment of all liabilities and receive all releases necessary prior to terminating the ERPA Framework Agreement and any ERPA Phase Agreement; or
 - (iii) if the termination event is an event described in Section 16.01(a)(ii), recover from the Program Entity, if applicable, any Taxes which the Trustee has paid or incurred until the date of termination.
- (c) In the event of termination under this Article, neither Party shall have surviving obligations or liabilities to the other Party under the ERPA Framework Agreement or any ERPA Phase Agreement following the date of termination except as provided for under Section 17.11.

ARTICLE XVII

Miscellaneous Provisions

Section 17.01 *Amendments to the ERPA Framework Agreement or any ERPA Phase Agreement*

Except as otherwise provided herein, the ERPA Framework Agreement and any ERPA Phase Agreement may not be amended except by a written agreement executed by the Parties.

Section 17.02 *Governing Law*

The ERPA Framework Agreement and each ERPA Phase Agreement shall be governed and construed in accordance with English law (without giving effect to the laws of England relating to conflict of laws which may lead to the choice of another body of law) and each Party agrees to submit to the jurisdiction of the dispute resolution body described in Section 17.03.

Section 17.03 *Dispute Resolution*

- (a) The Trustee and the Program Entity shall endeavor to settle amicably any dispute between them arising out of or relating to the ERPA Framework Agreement or any ERPA Phase Agreement or the breach, termination or invalidity thereof ("**Dispute**"). Upon the written request of either Party ("**Initial Request**"), the Parties shall meet promptly to consider the Dispute.
- (b) If the Dispute has not been resolved by the Parties within sixty (60) calendar days of the date of the Initial Request, the Parties may seek an amicable settlement of the Dispute by conciliation, which shall take place in accordance with the UNCITRAL Conciliation Rules as at present in force. The Parties shall endeavor to reach agreement on the name of a sole conciliator, failing which either Party may request the Secretary-General of the Permanent Court of Arbitration to appoint the sole conciliator. Unless agreed otherwise in the ERPA Framework Agreement or any ERPA Phase Agreement, the place of conciliation shall be the capital of the Host Country.
- (c) Should either Party refuse to seek an amicable settlement by conciliation, or should the conciliation proceedings be unsuccessfully terminated, either Party may, by notice in writing to the other, refer the settlement of the Dispute to arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The appointing authority shall be the Secretary-General of the Permanent Court of Arbitration, and the number of arbitrators shall be one. Unless agreed otherwise in the ERPA Framework Agreement or any ERPA Phase Agreement, the place of arbitration shall be London.

Section 17.04 *IBRD Capacity; Non-Recourse; Privileges and Immunities*

- (a) The ERPA Framework Agreement and any ERPA Phase Agreement is entered into by the IBRD, not personally or in its individual capacity, but as trustee of the BioCF T3.
- (b) The Program Entity agrees to look solely to the assets of the BioCF T3 for the enforcement of any obligations, claims or liabilities under or in connection with the ERPA Framework Agreement and any ERPA Phase Agreement or the ISFL ER Program, as neither the Trustee, IBRD, any of its affiliated entities, the BioCF T3 Participants, other beneficiaries of the BioCF T3, nor any of their respective officers, directors, employees, partners, members or shareholders, assume or shall be subject to any personal liability for any of the obligations, claims or liabilities entered into, or incurred hereunder, on behalf of the BioCF T3.
- (c) Nothing in the ERPA Framework Agreement or any ERPA Phase Agreement shall be considered to be a waiver of any privileges or immunities of the IBRD, the Trustee, or, where applicable, the BioCF T3 Participants or their respective officers, employees, representatives or agents, under the Articles of Agreement of the IBRD or any applicable law. All such privileges and immunities are expressly reserved.

Section 17.05 *Evidence of Authority*

The Parties shall furnish to each other sufficient evidence of the authority of the person or persons who will, on their behalf, take any action or execute any documents required or permitted to be taken or executed by the respective Parties under the ERPA Framework Agreement and any ERPA Phase Agreement.

Section 17.06 *Assignment and Novation*

- (a) The Program Entity may not assign or transfer its rights or obligations under the ERPA Framework Agreement and any ERPA Phase Agreement to any Third Party without the prior written consent of the Trustee, such consent not to be unreasonably withheld, except that the Program Entity may assign its right to receive payments from the Trustee for transferred Contract ERs or Additional ERs to a Third Party without the consent of the Trustee, provided that such assignment continues to allow the Program Entity to implement the Benefit Sharing Plan and such Third Party is not barred or otherwise prevented from receiving payments from the World Bank. Any other such purported assignment or transfer without such consent shall be deemed ineffective and void.
- (b) The Trustee may at any time:
 - (i) assign all or a part of its rights under the ERPA Framework Agreement and any ERPA Phase Agreement (including, but not limited to, the right to receive ERs and its rights under the Option) to any one or more Third Parties ("**Assignee(s)**"); and
 - (ii) novate its obligations under the ERPA Framework Agreement and any ERPA Phase Agreement (including, without limitation, the obligation to make the Periodic Payments) to a BioCF T3 Participant or other Third Party whom the Trustee has reasonably determined has the skills and capacity (including financial capacity) to carry out the Trustee's obligations under the ERPA Framework Agreement and any ERPA Phase Agreement ("**Substituting Party**"),and the Program Entity irrevocably consents to such assignment and novation by the Trustee.
- (c) The Program Entity irrevocably appoints the Trustee, the senior management of the Trustee, and the legal counsel of the Trustee, severally, to execute on behalf of the Program Entity an assignment substantially in the form of Schedule 1 or a novation agreement substantially in the form of Schedule 2. The Trustee shall promptly notify the Program Entity of any assignment or novation.
- (d) In the event of such assignment or novation as described in paragraph (b) above, the Program Entity shall continue to perform its obligations hereunder for the benefit of such Assignee(s) or Substituting Party, it being understood that any reference to the Trustee, the BioCF T3, or the BioCF T3 Participants herein, shall, following such assignment or novation, be deemed to be a reference to such Assignee(s) or the Substituting Party, as the case may be.

Section 17.07 *Disclosure of information*

- (a) Unless the ERPA Framework Agreement or any ERPA Phase Agreement provides otherwise, all the terms of the ERPA Framework Agreement and any ERPA Phase Agreement shall be public (non-confidential) and be disclosed.
- (b) Notwithstanding Section 17.07(a), all reports (including, but not limited to, ER Monitoring Reports, Verification Reports, Interim Progress Reports) and plans (including, but not limited to, Benefit-Sharing Plans, Safeguards Plans, ER Monitoring Plans and Action Plans) to be issued under the ERPA Framework Agreement and any ERPA Phase Agreement as well as these General Conditions shall be public (non-confidential) and be disclosed.

Section 17.08 *BioCF T3 Participant Payment Failure*

In addition to Section 17.04, the Program Entity agrees and understands that:

- (a) the payment obligations of the Trustee under or in connection with the ERPA Framework Agreement and any ERPA Phase Agreement are limited to assets of the BioCF T3, which consist primarily of the funding to be provided to the Trustee by BioCF T3 Participants. Under the Instrument, BioCF T3 Participants are required to make payment to the Trustee up to their respective contribution to the BioCF T3 upon periodic demands for payment issued by the Trustee. In the event one or more BioCF T3 Participants fails to make payment to the Trustee for whatever reason ("**BioCF T3 Participant Payment Failure**"), the Trustee may not have sufficient funds available to meet its payment obligations when due under the ERPA Framework Agreement and any ERPA Phase Agreement, in which case the Trustee shall not have any liability whatsoever in connection with such lack of available funding; and
- (b) the payment obligations of each BioCF T3 Participant towards the Trustee under and in connection with the Instrument are separate and no BioCF T3 Participant is obliged to make additional payments to the Trustee in excess of its respective contribution to the BioCF T3 to compensate for any shortfall in funds available to the Trustee to make payments under or in connection with the ERPA Framework Agreement and any ERPA Phase Agreement.

The Program Entity represents and warrants that, prior to the execution of the ERPA Framework Agreement and any ERPA Phase Agreement, it has availed itself or has been provided with all the information which the Program Entity considered necessary to assess the risk of the occurrence of a BioCF T3 Participant Payment Failure, and that the Program Entity understands this risk.

Section 17.09 *Sale and Purchase Only*

The Trustee and the Program Entity irrevocably acknowledge that the relationship created pursuant to the ERPA Framework Agreement, any ERPA Phase Agreement and these General Conditions (including any terms implied by law) is one of buyer and seller on an arm's length basis. For the avoidance of doubt, the Parties agree (and have relied upon the agreement) that there are no fiduciary duties owed to one another by virtue of the ERPA Framework Agreement, any ERPA Phase Agreement or these General Conditions howsoever arising.

Section 17.10 *Third Party Rights*

The Parties do not intend that any term of these General Conditions, the ERPA Framework Agreement or any ERPA Phase Agreement shall be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person who is not a Party to the ERPA Framework Agreement and any ERPA Phase Agreement.

Section 17.11 *Survival of Provisions*

The respective rights and obligations of the Parties contained within ARTICLE I, ARTICLE II, Section 5.03(c) , ARTICLE XIII, ARTICLE XV, Section 16.01, Section 17.02, Section 17.04, Section 17.07, Section 17.08, Section 17.09 and Section 17.11 of these General Conditions will survive any termination under the ERPA Framework Agreement and any ERPA Phase Agreement, unless the Trustee provides notice in writing to the Program Entity to the contrary.

Section 17.12 *Entire Agreement*

These General Conditions, the ERPA Framework Agreement and any ERPA Phase Agreement together represent the whole and only agreement between the Parties in relation to the sale, transfer and purchase of the Contract ERs and the Additional ERs and supersede any previous agreement (whether written or oral) between the Parties in relation to the subject matter of any such document save that nothing in the ERPA Framework Agreement and any ERPA Phase Agreement shall exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

Section 17.13 *Execution in Counterparts; Language*

The ERPA Framework Agreement and any ERPA Phase Agreement shall be executed in two counterparts in the English language, each of which shall be an original.

SCHEDULE 1: ASSIGNMENT NOTICE

[IBRD LETTERHEAD]

To: [Program Entity]
[Address Details]

[date]

Assignment of Rights under BioCarbon Fund Initiative for Sustainable Forest Landscapes ERPA Framework Agreement and ERPA Phase Agreement

We refer to the BioCarbon Fund Initiative for Sustainable Forest Landscapes ERPA Framework Agreement dated [insert date] between [insert name of Program Entity] ("**Program Entity**") and the International Bank for Reconstruction and Development, as trustee for Tranche 3 of the BioCarbon Fund ("**IBRD**" or the "**Trustee**") ("**ERPA Framework Agreement**") and the BioCarbon Fund Initiative for Sustainable Forest Landscapes ERPA Phase Agreement(s) dated [insert date(s)] between the Program Entity and the Trustee ("**ERPA Phase Agreement(s)**") (together referred to as "**Agreements**"), each of which includes the International Bank for Reconstruction and Development General Conditions Applicable to ERPA Framework Agreements and ERPA Phase Agreements for BioCarbon Fund Initiative for Sustainable Forest Landscapes Emission Reductions Programs dated [insert date] ("**General Conditions**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the Agreements and the General Conditions.

By contract with [Third Party] dated [insert date] the IBRD has assigned the following rights under the Agreements to [Third Party]:

[insert rights: for example, the right to receive the Contract ERs, the right to exercise the Option etc]

A copy of the relevant provisions of the Agreements is annexed hereto.

The contact details for [Third Party] are:

[insert contact details]

Please copy any further correspondence regarding the Agreements to [Third Party] at the contact details provided above.

Please sign and return this letter as soon as possible to acknowledge the assignment.

Yours sincerely

**For and on behalf of
the International Bank for Reconstruction
and Development, as Trustee of Tranche 3
of the BioCarbon Fund**

Acknowledgement

The Program Entity acknowledges receipt of a letter from the IBRD dated [*date*] confirming assignment of certain rights under the Agreements to [Third Party].

Signature

For and on behalf of [Program Entity]

Date:

SCHEDULE 2: NOVATION AGREEMENT

This novation agreement (“**Novation Agreement**”) is made on [## specify date ##]

between

The International Bank for Reconstruction and Development, as Trustee for Tranche 3 of the BioCarbon Fund ("Trustee"),

The [Insert name of party to whom interest is being novated] ("Substituting Party")

and

The [Insert name of Program Entity] ("Program Entity")

Recitals:

- A. This Agreement supplements the BioCarbon Fund Initiative for Sustainable Forest Landscapes ERPA Framework Agreement dated [insert date] between [insert name of Program Entity] ("**Program Entity**") and the International Bank for Reconstruction and Development, as trustee for Tranche 3 of the BioCarbon Fund ("**IBRD**" or the "**Trustee**") ("**ERPA Framework Agreement**") and the BioCarbon Fund Initiative for Sustainable Forest Landscapes ERPA Phase Agreement(s) dated [insert date(s)] between the Program Entity and the Trustee ("**ERPA Phase Agreement(s)**") (together referred to as "**Agreements**"), each of which includes the IBRD’s General Conditions Applicable to ERPA Framework Agreements and ERPA Phase Agreements for BioCarbon Fund Initiative for Sustainable Forest Landscapes Emission Reductions Programs dated [insert date] ("**General Conditions**").
- B. The Trustee wishes to be released and discharged from the Agreements and the Program Entity has agreed to release and discharge the Trustee upon the Substituting Party undertaking to perform the Agreements and to be bound by its terms.
- C. The Substituting Party wishes to assume the Trustee's rights and obligations under the Agreements.

1. Assumption of obligations

1.1 The Substituting Party's performance

The Substituting Party:

- (a) is substituted for the Trustee as a Party to the Agreements on and from [date novation takes place] ("**Effective Date**"); and
- (b) undertakes to perform the Trustee's obligations and be bound by the Trustee's liabilities under the Agreements arising on and after the Effective Date.

1.2 The Trustee's performance

The Trustee:

- (a) consents to the Substituting Party's substitution as a Party to the Agreements on and from the Effective Date;
- (b) agrees to comply with all its obligations and be bound by all its liabilities due and arising under the Agreements up to but not including the Effective Date; and
- (c) agrees to execute any documentation necessary to add the Substituting Party as a program participant in the ISFL ER Program to which the Agreements relate.

2. The Program Entity's consent

The Program Entity:

- (a) acknowledges that the Agreements are in full force and effect;
- (b) accepts the Substituting Party's substitution for the Trustee as a Party to the Agreements on and from the Effective Date;
- (c) agrees that, on and from the Effective Date, the Substituting Party shall be bound by present and future obligations and liabilities and shall be entitled to present and future benefits of (and causes of action relating to) the Agreements, as if the Substituting Party had been originally named in the Agreements as the Trustee; and
- (d) acknowledges that the Substituting Party shall not be entitled to the benefits of, or be responsible for any obligations and liabilities, under the Agreements for the period before the Effective Date.

3. Releases

3.1 Program Entity

As from the Effective Date, the Trustee releases and discharges the Program Entity from all the Program Entity's obligations and liabilities to the Trustee under or in connection with the Agreements, except for:

- (a) any obligation, liability or cause of action arising under or in connection with the Agreements before the Effective Date which is unsatisfied; or
- (b) any default by the Program Entity under the Agreements which occurred before the Effective Date.

3.2 Trustee

As from the Effective Date, the Program Entity releases and discharges the Trustee from all the Trustee's obligations and liabilities under or in connection with the Agreements, except for:

- (a) any obligation, liability or cause of action arising under or in connection with the Agreements before the Effective Date which is unsatisfied; or
- (b) any default by the Trustee under the Agreements which occurred before the Effective Date.

Signatures:
[Trustee]
[Substituting Party]
[Program Entity]

SCHEDULE 3: IBRD CARBON FINANCE ANTI-CORRUPTION GUIDELINES

The purpose of these Guidelines is to clarify the meaning of the terms “Corrupt Practices,” “Fraudulent Practices,” “Coercive Practices,” “Collusive Practices” and “Obstructive Practices” in the context of World Bank project-based guarantee operations and carbon finance transactions, where the World Bank, as trustee of a carbon fund, acquires emission reductions under the ERPA Framework Agreement and any ERPA Phase Agreement.

1. CORRUPT PRACTICES

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

- A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.
- B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.
- C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.
- D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.
- E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. FRAUDULENT PRACTICES

A “Fraudulent Practice” is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial benefit or to avoid an obligation.

INTERPRETATION

- A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a “Fraudulent Practice” for purposes of World Bank Group sanctions.
- B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in World Bank Guarantee or carbon finance operations. Similarly, other illegal behavior is not condoned, but will not be sanctioned as a Fraudulent Practice under the World Bank sanctions program as applicable to World Bank Guarantee or carbon finance operations.

3. COERCIVE PRACTICES

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

- A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.
- B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An “Obstructive Practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing

its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the World Bank's access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.