Emission Reductions Payment Agreement

Guatemala Emissions Reduction Program

by and between

REPUBLIC OF GUATEMALA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AS TRUSTEE OF TRANCHE B OF THE CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

Dated September 13, 2021
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CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY
EMISSION REDUCTIONS PAYMENT AGREEMENT

("Agreement")

PARTIES: REPUBLIC OF GUATEMALA ("Program Entity"), REPRESENTED BY THE MINISTRY OF PUBLIC FINANCE

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("IBRD") IN ITS CAPACITY AS TRUSTEE OF TRANCHE B OF THE CARBON FUND ("Fund") OF THE FOREST CARBON PARTNERSHIP FACILITY ("Trustee") PURSUANT TO THE CHARTER ESTABLISHING THE FOREST CARBON PARTNERSHIP FACILITY ("Charter").

(hereinafter referred to together as "Parties" and individually as "Party")

RECITALS:

A. Pursuant to the Charter, the Executive Directors of the IBRD have established the Forest Carbon Partnership Facility ("Facility") for the following purposes:

(i) To assist Reducing Emissions from Deforestation and Forest Degradation ("REDD") Country Participants in their efforts to achieve Emission Reductions from avoided deforestation and/or avoided forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;

(ii) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD;

(iii) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and

(iv) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Preparation Proposals and ER programs.

B. The ER Program is intended to be developed, implemented and operated in the Republic of Guatemala subject to a Letter of Approval to be issued by the Host Country.

C. The Program Entity wishes to sell and the Trustee wishes to purchase and make payment, upon the terms and conditions in this Agreement, for transferred Emission Reductions from the ER Program.
D. The Program Entity will enter into a Subsidiary Agreement with the National Forest Institute ("INAB") as executing entity ("Executing Entity") of the ER Program ("Subsidiary Agreement"), in accordance with Article 5 of legislative Decree 20-2020 dated April 2020.

E. In addition to this Agreement, the Program Entity has entered into a separate Emission Reductions Payment Agreement with the IBRD, acting as trustee of Tranche A of the Fund of the Facility ("Trustee of Tranche A of the Fund"), around the date of this Agreement for the purchase, transfer and payment of Tranche A of the Fund’s pro rata share of 10,500,000 ERs to be generated and verified under the ER Program and offered to Tranche A of the Fund ("Tranche A ERPA").

NOW THEREFORE the Parties hereby agree as follows:

Article I
Application of General Conditions; Definitions

Section 1.01 Application of General Conditions

(a) The International Bank for Reconstruction and Development’s "General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs" dated November 1, 2014 ("General Conditions"), set forth the terms and conditions applicable to this Agreement and constitute an integral part of this Agreement.

(b) The following definitions shall be added to Section 2.01 of the General Conditions:

"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.

"Disbursement and Financial Information Letter" means the letter transmitted by the Trustee to the Program Entity, and/or if applicable, the ERPA Payment Receipt Entity, with instructions related to the application for payment under the ERPA.

"Environmental and Social Commitment Plan" or "ESCP" means the Program Entity’s environmental and social commitment plan, acceptable to the Trustee, dated June 15th, 2021, 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 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 prepared in accordance with the Environmental and Social Commitment Plan.


(d) The definitions of “Safeguards Plans” and “World Bank Operational Policies” in Section 2.01 of the General Conditions shall be deleted and replaced as follows:

“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 ER Program and the ER Program Measure(s) to eliminate, offset or reduce any adverse environmental and social impacts of the ER Program and ER Program Measure(s), in accordance with World Bank requirements.

“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 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.


(e) Section 9.01(a) of the General Conditions shall be deleted in its entirety and replaced as follows:

“(a) operate and implement the ER Program and the ER Program Measure(s) in accordance with the terms of the ERPA, the REDD Country Participant’s MRV System, the Methodological Framework, 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 ER Program) and any applicable laws and regulations and in accordance with sound engineering, financial and environmental practices”.

(f) Section 16.01(a)(vii) of the General Conditions shall be deleted in its entirety and replaced as follows:
“(vii) 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 (including any feedback and grievance redress mechanism provided for under the ER Program, the Benefit Sharing Plan, the Benefit Sharing Plan Operations Manual and/or a Safeguards Plan).”

(g) Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the General Conditions.

(h) Any reference made in this Agreement to a specific Article or Section shall, unless expressly provided for otherwise, be deemed to be a reference to the corresponding Article or Section in this Agreement.

Section 1.02 Inconsistency with General Conditions

If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall prevail to the extent of such inconsistency.

Article II
ER Program Details

Section 2.01 Description of the ER Program

(a) The ER Program is: Guatemala Emissions Reduction Program, as further described in the ER Program Document.

(b) The Host Country is: Republic of Guatemala

Article III
Conditions of Effectiveness of Sale and Purchase

Section 3.01 Conditions of Effectiveness to be fulfilled

The obligations regarding the sale, transfer and payment for Emission Reductions in Articles III and V of the General Conditions will not take effect until all of the conditions of effectiveness of sale and purchase included in Schedule 1 to this Agreement (“Conditions of Effectiveness”), in form and substance satisfactory to the Trustee following consultations with the participants of Tranche B of the Fund (“Tranche B Participants”), have been fulfilled.

Section 3.02 Conditions for benefit of Trustee

The Conditions of Effectiveness are for the benefit of, and may only be waived or deferred by, the Trustee.

Section 3.03 Termination of the Agreement

(a) If any of the Conditions of Effectiveness have not been fulfilled by the Program Entity within twelve (12) months from the date of this Agreement, as may be extended by the Trustee in
accordance with Section 3.03(a)(i) below ("Conditions Fulfillment Date"), the Trustee may, at its discretion:

(i) extend the Conditions Fulfillment Date and, possibly, reduce the Contract ER Volume and one or more Minimum Reporting Period Amount(s) by the amount of Emission Reductions that, in the Trustee’s reasonable opinion, can no longer be expected to be generated and transferred due to the delay in the Condition Fulfillment Date; or

(ii) terminate this Agreement by written notice to the Program Entity.

(b) In case of termination of this Agreement pursuant to Section 3.03(a)(ii), the Program Entity shall, within thirty (30) calendar days of receiving the request of the Trustee, repay to the Trustee any unrecovered Advanced Expense Payment.

Article IV
Purchase and Sale of Contract ERs

Section 4.01 Contract ER Volume and Unit Price

(a) Contract ERs are: Tranche B Pro Rata Share (as defined below) of the first 10,500,000 ERs generated by the ER Program as set out in Schedule 2 to this Agreement ("Contract ER Volume").

(b) The Unit Price is: USD 5.00 per transferred Contract ER

Section 4.02 Transfer of Contract ERs

(a) The Minimum Reporting Period Amounts and Cumulative Amounts of Contract ERs to be transferred to the Trustee each Reporting Period in accordance with Section 3.02 of the General Conditions are set out in Schedule 2 to this Agreement.

(b) From the first ERs that are being generated and verified under the ER Program during each Reporting Period, minus the ERs to be set aside as Buffer ERs in the ER Program Buffer, Tranche A of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 5.4%) ("Tranche A Pro Rata Share") and Tranche B of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 94.6%) ("Tranche B Pro Rata Share") as Contract ERs.

(c) Notwithstanding Section 3.02(b) of the General Conditions, in the event that the ERs generated and verified under the ER Program during Reporting Period 1 and/or Reporting Period 2 exceeds the aggregate of the respective Minimum Reporting Period Amounts under this Agreement and the Tranche A ERPA, such excess ERs will be transferred to the Trustee as Contract ERs ("Sweep Contract ERs"), subject to the following:

(i) Tranche B of the Fund shall receive its Tranche B Pro Rata Share and Tranche A of the Fund shall receive its Tranche A Pro Rata Share of the Sweep Contract ERs; and

(ii) The Sweep Contract ER amount shall be capped in aggregate for Tranche A and Tranche B of the Fund at 2,040,569 Sweep Contract ERs (for Reporting Period 1) and at 4,249,837 Sweep Contract ERs (for Reporting Period 2) ("Sweep Contract ER Caps").
(d) In the event that in Reporting Period 1 the Sweep Contract ER Cap amount is not exhausted in full any remaining Sweep Contract ER amount for Reporting Period 1 shall be carried over to, and thereby increase accordingly, the Sweep Contract ER Cap amount for Reporting Period 2.

(e) The Parties agree to grant the Program Entity a Put Option to sell to the Trustee the excess ERs above the Sweep Contract ER Caps as Contract ERs. This Put Option provides the Program Entity with a right, but not an obligation, to sell to Tranche B of the Fund the Tranche B Pro Rata Share of all or part of the excess ERs above the Sweep Contract ER Caps as Contract ERs and is subject to the following requirements:

(i) Maximum Put Option Volume: Tranche B Pro Rata Share of all excess ERs above the Sweep Contract ER Caps in Reporting Period 1 and/or Reporting Period 2 as Contract ERs;

(ii) Exercise Price per transferred excess ER: Unit Price for Contract ERs; and

(iii) Put Option Exercise Period: The Program Entity must notify the Trustee of its decision to exercise the respective Put Option ("Put Option Exercise Notice") – as per Schedule 6 to this Agreement - within thirty (30) calendar days following receipt of the final Verification Report for each Reporting Period. If the Program Entity fails to provide the Trustee with a Put Option Exercise Notice within this time period, the Put Option will lapse for that Reporting Period.

Section 4.03 Periodic Payment and Taxes

(a) The Periodic Payment for transferred Contract ERs and/or Additional ERs, if any, shall be calculated in the following manner:

Periodic Payment for transferred Contract ERs and/or Additional ERs (as applicable):

\[
\text{Unit Price} / \text{Exercise Price} \times \frac{\text{The number of Contract ERs / Additional ERs transferred to the Trustee (as Verified in the respective final Verification Report)}}{\text{Any Advance Payment(s) made in accordance with Section 4.05}} \times \frac{\text{Any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions}}{\text{Any Advance Payment(s) made in accordance with Section 4.05}}
\]

(b) In the event that any deduction of any Advance Payment installments, made in accordance with and subject to Section 4.05, or any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions would make the Periodic Payment for that Reporting Period a negative number, the Trustee will carry forward any amounts not deducted in that Reporting Period to the following Reporting Period.

Section 4.04 Re-transfer of ERs

(a) Notwithstanding Section 5.02(g) of the General Conditions, the Trustee shall re-transfer to the Program Entity all Contract ERs and Additional ERs that have been transferred to and paid for under this Agreement by Tranche B of the Fund ("ER Re-transfer") and shall not prevent the
Program Entity from using such re-transferred Contract ERs and Additional ERs to meet its nationally determined contributions ("NDCs") under the Paris Agreement, as may be appropriate and as consistent with the applicable modalities, procedures and guidelines under the Paris Agreement. Such re-transferred Contract ERs and Additional ERs should contribute to the highest possible ambition of the Host Country in the implementation of its NDC and not lead to double claiming of emission reductions.

(b) Any ER Re-transfer shall include the transfer of all rights, titles and interests attached to such re-transferred ERs, provided that the Program Entity may use such re-transferred ERs for the purpose of achievement of the Host Country's NDCs only. In particular, the Project Entity is prohibited from selling such re-transferred ERs again to any Third Party or from using them for any other purpose.

(c) Within thirty (30) calendar days following the Periodic Payment, the Trustee shall provide the Program Entity with a signed ER re-transfer form ("ER Re-transfer Form") to document the ER Re-transfer of previously transferred and paid for Contract ERs (in the form attached in Schedule 4 to this Agreement). The ER Re-transfer shall be free of charge to the Program Entity.

(d) In the event that a Registry system has not been set up or has not been determined at the time of the ER Re-transfer, any ER Re-transfer will be deemed completed upon receipt by the Program Entity of the ER Re-transfer Form.

(e) In the event that a Registry system has been set up or has been determined at the time of the ER Re-transfer, any ER Re-transfer will be deemed completed upon:

(i) receipt by the Program Entity of the ER Re-transfer Form; and

(ii) crediting of such re-transferred ERs to the Registry Account nominated by the Program Entity, as specified in the ER Re-transfer Form and in accordance with the rules of the respective Registry system.

(f) The Program Entity shall take all reasonable steps required to assist the Trustee in the ER Re-transfer.

Section 4.05  Advance Payments

(a) If requested by the Program Entity, through the Executing Entity, the Trustee may make advance payments on behalf of the Program Entity in the amount of the Tranche B Pro Rata Share for any fees, charges, costs or other expenses charged by a Registry system or any other relevant authority or entity in relation to Registration, issuance and forwarding of Contract ERs or Additional ERs or the ER Transfer, payable by the Program Entity in accordance with Section 5.04(a) of the General Conditions ("Advanced Expense Payment").

(b) In addition to Section 4.05(a) and starting after Verification of ERs generated during Reporting Period 1, the Program Entity may request the Trustee to make one or more interim advance payment(s) ("Interim Advance Payment"), provided that any payment by the Trustee of any Interim Advance Payment shall be subject to the following conditions:

(i) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants;
(ii) A final Verification Report has been submitted to the Trustee for the Reporting Period preceding the respective Interim Progress Reporting Period (as specified in subparagraph (iii) below) and the Program Entity, through the Executing Entity, has monitored ERs generated under the ER Program ("Monitored ERs") during each such Interim Progress Reporting Period and has documented its monitoring results by submission of an interim progress report ("Interim Progress Report") to the Trustee, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants. As a separate annex to the Interim Progress Report, the Program Entity shall provide:

(A) evidence satisfactory to the Trustee that the Program Activity is 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 described in any of such documents); and

(B) information on the generation and/or enhancement of Priority Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) under the ER Program;

(iii) Interim Advance Payment instalments to be made by Tranche B of the Fund shall be limited to the Tranche B Pro Rata Share of the following amounts:

(A) For Interim Progress Reporting Period 1 (January 1 – December 31, 2021):

50% of the value of Monitored ERs (i.e. Unit Price times Monitored ERs times 50%), unless the first Verification of monitored ERs during the Reporting Period 1 verifies less than 50% of ERs previously monitored and reported for Reporting Period 1 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 1; and

(B) For Interim Progress Reporting Period 2 (January 1 – December 31, 2023):

50% of the value of Monitored ERs (i.e. Unit Price times Monitored ERs times 50%), unless the second Verification of monitored ERs during the Reporting Period 2 verifies less than 50% of ERs previously monitored and reported for Reporting Period 2 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 2.

(iv) The sum of all Interim Advance Payment installments made under this Agreement and the Tranche A ERPA shall not exceed USD 12,665,625 ("Interim Advance Payment Cap").

(v) Upon all conditions for each Interim Advance Payment instalment under subparagraphs (i), (ii), (iii) and (iv) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche B Pro Rata Share of the Interim Advance Payment installment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification.

(c) In addition to Section 4.05(a) and Section 4.05(b) above, the Program Entity, through the Executing Entity, may request the Trustee to make an ER advance payment ("ER Advance Payment") to the Program Entity for Contract ERs and/or Additional ERs generated by the ER Program during a
Reporting Period, as evidenced in the ER Monitoring Report for that Reporting Period and pending subsequent final Verification and ER Transfer, provided that any payment of any ER Advance Payment shall be made by the Trustee subject to the following conditions:

(i) The Trustee determines, in its sole and absolute discretion following consultations with Tranche B Participants, whether it is willing to make an ER Advance Payment;

(ii) The ER Advance Payment to be made by Tranche B of the Fund shall be limited to the Tranche B Pro Rata Share of such payment;

(iii) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche B Participants;

(iv) Upon all the conditions for the ER Advance Payment under subparagraphs (i), (ii) and (iii) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche B Pro Rata Share of the ER Advance Payment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification; and

(v) In the event that the subsequent final Verification Report for that Reporting Period verifies an ER amount that is less than the amount that was reported in the ER Monitoring Report and the value of such Verified amount of Contract ERs and/or Additional ERs (i.e. Unit Price/Exercise Price (as applicable) X Contract ERs/Additional ERs (as applicable) generated during that Reporting Period (as evidenced in the final Verification Report)) is less than the ER Advance Payment, the Trustee shall be entitled to recover the Tranche B Pro Rata Share of the overpaid amount from any future Periodic Payment to be made to the Program Entity under this Agreement for transferred ERs or, if no such subsequent Periodic Payment will be due, request prompt repayment of such overpaid amount from the Program Entity.

(d) The Trustee shall be entitled to deduct in full any Advance Payment(s) made to the Program Entity by Tranche B of the Fund, as applicable, from Periodic Payments for transferred Contract ERs/Additional ERs under this Agreement.

(e) In the event that any outstanding Advance Payment made under this Agreement cannot be recovered in full from the last Periodic Payment due for transferred Contract ERs/Additional ERs to be made under this Agreement, the Trustee may request prompt repayment of the outstanding Advance Payment amount from the Program Entity to the Trustee.

(f) Notwithstanding Section 5.03(c) of the General Conditions, legal title to any Contract ERs and/or Additional ERs for which an Advance Payment has been made shall transfer to the Trustee upon completion of the ER Transfer of such ERs to the Trustee.

Section 4.06 Application for Payment

(a) Any Periodic Payment or Advance Payment to be made by the Trustee under and subject to Section 4.03 (in conjunction with Section 5.03 of the General Conditions) and Section 4.05 of this Agreement shall require the Program Entity to submit, through the Executing Entity, an application for payment electronically or otherwise to the Trustee, in form and substance satisfactory to the Trustee, in accordance with the Disbursement and Financial Information Letter ("Application for
Trustee, in accordance with the Disbursement and Financial Information Letter ("Application for Payment"), and such additional instructions as the Bank may specify from time to time by notice to the Program Entity.

(b) The Program Entity, through the Executing Entity, may apply for Periodic Payments or Advance Payments, in accordance with the terms of this Agreement and the Disbursement and Financial Information Letter to finance eligible expenditures consisting of payments for transferred Contract ERs under this Agreement in the maximum amount specified and, if applicable, up to the percentage set forth against the category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Maximum allocated amount**</th>
<th>Percentage of expenditures to be financed (exclusive of Taxes)***</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Transferred Contract ERs* (Tranche B Pro Rata Share)</td>
<td>USD 49,684,825</td>
<td>100%</td>
</tr>
<tr>
<td>Total Amount</td>
<td>USD 49,684,825</td>
<td>100%</td>
</tr>
</tbody>
</table>

* For the avoidance of doubt, no payment will be made for Contract ERs generated but not transferred prior to the date of this Agreement.

** This maximum amount is the Tranche B Pro Rata Share of the total value of Contract ERs contracted for under this Agreement and the Tranche A ERPA (Tranche B Pro Rata Share of 10,500,000 Contract ERs X Unit Price), subject to the actual Contract ER amounts generated and transferred in accordance with the terms of this Agreement.

*** For the avoidance of doubt, any Taxes, if applicable, shall be borne by each Party in accordance with Section 5.04(b) of the General Conditions.

(c) In addition, in the event that the Trustee exercises a Call Option under Article V, the Program Entity may apply for Periodic Payments for such amount of transferred Additional ERs for which the Call Option has been exercised for Tranche B. For the avoidance of doubt, in the event that the Trustee exercises a Call Option, the table in Section 4.06(b) above may be amended to include the allocated amount for such Additional ERs.

(d) Any time period provided for in this Agreement or the General Conditions for such payment to become due shall not start running before such Application for Payment has been submitted by the Program Entity.

Article V
Call Option

Section 5.01 Call Option Specifications

(a) The Grantee is: Trustee

(b) The Grantor is: Program Entity

Section 5.02 Call Option Volume and Exercise Price

(a) The Additional ERs are: In the event that the ER Program generates in a Reporting Period ERs in excess of the Contract ER Volume the Parties agree to grant the Grantee a Call Option to purchase such additional ERs ("Additional ERs").
Subject to the Maximum Option Volume (see below), the Grantee may exercise the Call Option for all or part of the Tranche B Pro Rata Share in Additional ERs and, if applicable, for any additional amount of Additional ERs for which the Trustee of Tranche A of the Fund has not exercised its call option in full after a Reporting Period under the Tranche A ERPA.

(b) Maximum Option Volume is: Tranche B Pro Rata Share of all Additional ERs

(c) Exercise Price is: The Exercise Price per transferred Additional ER as part of the Tranche B Pro Rata Share shall be negotiated and agreed within sixty (60) calendar days following receipt of a final Verification Report indicating that Additional ERs have been generated under the ER Program during a Reporting Period. If the Parties cannot agree on an Exercise Price within such time period, the Call Option shall lapse upon the end of such time period for that Reporting Period.

(d) Exercise Period: The Trustee must notify the Seller of its decision to exercise the Call Option within sixty (60) calendar days following agreement between the Parties on an Exercise Price for Additional ERs ("Exercise Notice").

(e) Exercise Completion Date is: The Grantor must complete the transfer of Additional ERs for which the Call Option has been exercised within ninety (90) calendar days following receipt by the Grantor of the Exercise Notice.

(f) Increase of Maximum Option Volume: In the event that the Maximum Option Volume is increased by the Trustee under Sections 13.02(c) and/or 16.03 of the General Conditions, the Grantee may exercise the portion of the Call Option increased due to the exercise of the remedies first before it exercises the portion of the Call Option granted under Section 5.02(a). For the avoidance of doubt, the Exercise Price payable for the Additional ERs increased due to the exercise of the remedies will be the Unit Price.

Article VI
ER Program Development and Focal Point

Section 6.01 ER Program Development

The ER Program Start Date is: January 1, 2020

Section 6.02 Focal Point

Both the Trustee and the Program Entity shall serve as joint Focal Points for communications with respect to the ER Program Activity. The Trustee shall be responsible for preparing and submitting the Distribution Letter.
Article VII
Additional Covenants

Section 7.01 Additional Covenants

(a) In addition to Section 5.01(b)(i) of the General Conditions, the Program Entity, through the Executing Entity, shall monitor and report to the Trustee on the implementation of the Safeguards Plans and Benefit Sharing Plan during Reporting Periods. The Program Entity, through the Executing Entity, shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of this Agreement. The Program Entity, through the Executing 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, through the Executing 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 this Agreement by an independent Third Party monitor. Sections 9.01(g) and (k) as well as Section 9.05(d) of the General Conditions shall apply to such Third Party monitor mutatis mutandis.

(b) In addition to Section 5.01(b) of the General Conditions, the Seller shall also, as a separate annex to the ER Monitoring Report, provide information on emissions from deforestation in Triángulo de la Candelaria, Laguna del Tigre, outside the ER Program Accounting Area ("Outside Area") based on the national forest monitoring system. In the event that (i) such emissions from the Outside Area are significantly higher than the baseline emissions for the Outside Area at the time of first Verification, and (ii) the Buyer determines, in its reasonable opinion following consultations with the Seller, that such emissions have occurred as a consequence of land use activities moving from inside the ER Program Accounting Area to the Outside Area ("Displacement"), the Seller shall prepare a mitigation plan to improve the measures described in the ER Program Document that are taken to address the risk of Displacement ("Displacement Mitigation Plan"), reasonably satisfactory to the Buyer, within sixty (60) calendar days following the receipt of the Buyer’s determination and implement the Displacement Mitigation Plan in accordance with its terms. If the Displacement Mitigation Plan is not prepared by that deadline, or not implemented in accordance with its terms, this shall constitute a material breach by the Seller (Event of Default) under Section 16.01(a)(vi) of the General Conditions.

(c) In addition to Section 9.01 of the General Conditions, the Program Entity shall carry out the ER Program in compliance with the terms and conditions set out in Schedule 8.

Article VIII
Host Country Withdrawal from Facility

For the avoidance of doubt, the Host Country’s withdrawal from the Facility will not terminate this Agreement or alter in any other respect the Program Entity’s obligations under this Agreement.
Article IX
Sub-Project Arrangements

Section 9.01  Development of Sub-Project Arrangements

(a) The Program Entity shall ensure, with support of the Executing Entity, that any Sub-Project Arrangement contains the principal terms included in Schedule 7 to this Agreement and none of the terms of the Sub-Project Arrangements are inconsistent with the terms of this Agreement.

(b) The Program Entity shall ensure that any Sub-Project Entity complies with all of the requirements set out in the Sub-Project Arrangement.

Article X
Miscellaneous

Section 10.01  Term of the Agreement

This Agreement will become effective through execution by both Parties as of the date first above written. Unless terminated earlier in accordance with the General Conditions or Section 3.03, this Agreement shall terminate upon transfer of all the Contract ERs and Additional ERs, if any, the payment of Periodic Payments in respect thereof, and the repayment of any yet unrecovered and outstanding Advance Payment amounts, if applicable, subject to the survival of provisions as identified in Section 18.11 of the General Conditions, but in any event by no later than December 31, 2025.

Section 10.02  Notices

Any notice, communication, request or correspondence required or permitted under the terms of this Agreement shall be in writing, in the English language (it being understood that any such communication in a language other than English shall be of no force and effect), and shall be delivered personally, or via courier, mail, or facsimile to the address and telecopier numbers provided below.

For the Program Entity:

Ministry of Public Finance
8a Avenida 20-59
Centro Civico, Zona 1
Guatemala, Guatemala

Tel.: 2374 3000 ext. 11801

For the Trustee:

Carbon Fund of the Forest Carbon Partnership Facility
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Email: fcpfsecretariat@worldbank.org
Tel.: +1-202-458-4416
IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AS TRUSTEE OF TRANCHE B OF THE CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

(Authorized signatory)

By: Fernando Paredes
Title: Senior Operations Officer

REPUBLIC OF GUATEMALA, REPRESENTED BY THE MINISTRY OF PUBLIC FINANCE

(Authorized signatory)

By: Alvaro Gonzalez Ricci
Title: Minister, Ministry of Public Finance
SCHEDULE 1

CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE

(1) Submission of a final Benefit Sharing Plan which, based on the advance draft version of the Benefit Sharing Plan provided by the date of this Agreement, takes into account specific guidance to be provided by the Trustee, following consultations with Tranche B Participants, on the outstanding issues that need further clarification in the final version of the Benefit Sharing Plan;

(2) Submission of a Benefit Sharing Plan Operations Manual, in form and substance satisfactory to the Trustee and as updated from time to time with written agreement with the Trustee;

(3) Submission of evidence demonstrating the Program Entity’s ability to transfer Title to ERs, free of any interest, Encumbrance or claim of a Third Party;

(4) Submission of a Subsidiary Agreement between the Program Entity, through the Ministry of Public Finance, and INAB as the Executing Entity, specifying the role of INAB in the implementation of the ER Program on behalf of the Program Entity and subject to the Trustee’s prior review of and consent to the draft of such Subsidiary Agreement; and

(5) Submission of evidence, in form and substance satisfactory to the Trustee, demonstrating that the ER Program Measures that generated the ERs during the period from January 1, 2020 until the date of this Agreement were implemented in a manner consistent with the Safeguards Plans.
# SCHEDULE 2

## MINIMUM REPORTING PERIOD AMOUNTS

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>Minimum Reporting Period Amount of Contract ERs to be generated in this Reporting Period and subsequently transferred to the Trustee of Tranche B of the Fund</th>
<th>Cumulative Amount of Contract ERs which must be generated by the end of this Reporting Period and subsequently transferred to the Trustee of Tranche B of the Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 1, 2020 – December 31, 2020</td>
<td>Tranche B Pro Rata Share of 367,500 ERs (347,794 ERs)</td>
<td>Tranche B Pro Rata Share of 367,500 ERs (347,794 ERs)</td>
</tr>
<tr>
<td>2 January 1, 2021 – December 31, 2022</td>
<td>Tranche B Pro Rata Share of 1,732,500 ERs (1,639,599 ERs)</td>
<td>Tranche B Pro Rata Share of 2,100,000 ERs (1,987,393 ERs)</td>
</tr>
<tr>
<td>3 January 1, 2023 – December 31, 2024</td>
<td>Tranche B Pro Rata Share of 8,400,000 ERs (7,949,572 ERs)</td>
<td>Tranche B Pro Rata Share of 10,500,000 ERs (9,936,965 ERs)</td>
</tr>
</tbody>
</table>
SCHEDULE 3
ER TRANSFER FORM

[LETTERHEAD OF PROGRAM ENTITY]

TO: The International Bank for Reconstruction and Development as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility

ER Transfer Form for the Reporting Period from .......... [Date] ....... to .......... [Date] .......

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("Program Entity") and the International Bank for Reconstruction and Development, as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility ("IBRD" or "Trustee"), [as amended] ("ERPA"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

1. Notification of Transfer of ERs

In accordance with the ERPA, we hereby notify the Trustee that the following amount of Verified ERs has been transferred to the Trustee for this Reporting Period in accordance with the ERPA:

- [ ] ERs, as Verified by Verification Report dated [INSERT DATE] of which [ ] ERs are Contract ERs and, if any, [ ] ERs are Additional ERs.

For the avoidance of doubt, by having transferred the above ERs, we also have transferred and assigned to the Trustee the right to cause those ERs to be forwarded into any Registry Account(s) of the Trustee’s nominee(s) in accordance with any modality, procedure, process or mechanism established by any relevant authority, entity or registry.

2. Invoice and Periodic Payment

We calculate that the gross payment amount for transferred ERs for this Reporting Period, before deducting the Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA, is:

[US$] [ ] [Unit Price] X [Volume of transferred Contract ERs]

Plus (if any)

[US$] [ ] [Exercise Price] X [Volume of transferred Additional ERs]

Equals

[US$] [ ] [gross payment amount]

Please pay the gross payment amount, less any Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA (Periodic Payment) to the following bank account, in accordance with the ERPA:

Name of Payee’s Bank: XXX
Bank address: XXX
Bank Account Number: 123456789

Name of Intermediary Bank: XXX
Swift Code: XXX
Bank address: XXX

Dated: __________, 20[ ]

For and on behalf ___________________________ [Program Entity]

by its authorized Representative

Signature: _______________________________

Print Name: _____________________________
SCHEDULE 4
ER RE-TRANSFER FORM

[LETTERHEAD OF IBRD]

TO: Republic of Guatemala

ER Re-transfer Form for the Reporting Period from .......... [Date] ....... to .......... [Date] .......

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("Program Entity") and the International Bank for Reconstruction and Development, as Trustee of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility ("IBRD" or "Trustee"), as amended ("ERPA"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

1. Receipt of and payment for ERs

We acknowledge receipt from the Program Entity of and payment by the Trustee for the following amount of Verified ERs for this Reporting Period in accordance with the ERPA:

____________________ ERs ("Transferred ERs"), as Verified by Verification Report dated [INSERT DATE].

2. Re-transfer of Transferred ERs

In accordance with the ERPA, we hereby re-transfer, on behalf of the participants of Tranche B of the Carbon Fund of the Forest Carbon Partnership Facility and free of charge to the Program Entity, all Transferred ERs back to the Program Entity to the following registry account of the Program Entity:

[INSERT DETAILS OF REGISTRY ACCOUNT].

By: __________________________

(Authorized Signatory)

Name: __________________________

Title: __________________________

Date: __________________________
SCHEDULE 5

EXERCISE NOTICE

[LETTERHEAD OF GRANTEE]

TO: [Grantor]

Exercise Notice for [insert Reporting Period]

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("ERPA") between [ ] ("Program Entity") and the International Bank for Reconstruction and Development ("IBRD"), as trustee of Tranche B of the Carbon Fund ("Fund") of the Forest Carbon Partnership Facility ("Trustee"), which includes the International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs’ dated November 1, 2014 ("General Conditions"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Grantee hereby exercises its Call Option from the Grantor on the same terms and conditions as set out in the ERPA and transferred in accordance with the following:

Grantor: [Program Entity]
Grantee: Trustee of Tranche B of the Fund
Registry Account: [insert if known]
Quantity of Additional ERs: [insert]
Exercise Price: [insert price per ER as specified in ERPA]
Exercise Completion Date: [Insert date [90] calendar days from the date of this Notice]

Dated:

For and on behalf of
[insert legal name of Grantee] by its Authorized Representative

Authorized Representative

Please print name
Put Option Exercise Notice for [insert Reporting Period]

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("ERPA") between [ ] ("Program Entity") and the International Bank for Reconstruction and Development ("IBRD"), as trustee of Tranche B of the Carbon Fund ("Fund") of the Forest Carbon Partnership Facility ("Trustee"), which includes the ‘International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs’ dated November 1, 2014 ("General Conditions"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Program Entity hereby exercises its Put Option on the same terms and conditions as set out in the ERPA and transferred as Contract ERs in accordance with the following:

- Grantor: Trustee of Tranche B of the Fund
- Grantee: Program Entity
- Registry Account: [insert if known]
- Quantity of ERs: [insert Tranche B Pro Rata Share]
- Exercise Price: [insert price per ER as specified in ERPA]
- Exercise Completion Date: [Insert date [90] calendar days from the date of this Notice]

Dated:

For and on behalf of
[insert legal name of Grantee] by its Authorized Representative

________________________________________
Authorized Representative

Please print name
SCHEDULE 7

PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS

Any Sub-Project Arrangement between the Program Entity, through the Executing Entity, and any Sub-Project Entity shall include, but not be limited to, the following principal terms:

1. The Sub-Project Entity shall:

   (a) Implement all applicable requirements of the ER Monitoring Plan, including those pertaining to environmental and social performance and operational management systems (unless the Program Entity exclusively monitors the data/info required to be included in the ER Monitoring Report in which case this obligation does not need to be included).

   (b) 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 (unless the Program Entity exclusively 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 in which case this obligation does not need to be included).

   (c) Implement its Sub-Project/ER Program Measures (as specified in the ERPD) in accordance with the terms of the ERPD.

   (d) For the avoidance of doubt, authorize the Program Entity to transfer any ERs generated from such Sub-Project/ER Program Measures to the FCPF Carbon Fund free of any third party interest or encumbrance.

   (e) Inform the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under a Sub-Project/ER Program Measure.

   (f) Operate and implement its Sub-Project/ER Program Measures in compliance with the World Bank Operational Policies and any Safeguards Plans provided for under the ERPA.

   (g) Maintain and prepare its Sub-Project/ER Program Measures to allow for Verification.

   (h) Satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the Sub-Project/ER Program Measures.

2. The Program Entity, through the Executing Entity, shall:

   (a) Provide the Sub-Project Entity with the ERPD, the ER Monitoring Plan (if needed), the Safeguards Plans and any other information relevant to the implementation of the Sub-Project/ER Program Measures (including relevant communication between the Trustee and the Program Entity in relation to the ERPA).

   (b) Collect from the Sub-Project Entity, and, if necessary, confirm the accuracy of, all information required to be collected under the Monitoring Plan and the applicable Safeguards Plans.
SCHEDULE 8

ENVIRONMENTAL AND SOCIAL STANDARDS

1. The Program Entity shall ensure, through the Executing Entity, that the Program is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Trustee.

2. Without limitation upon paragraph 1 above, the Program Entity, through the Executing Entity, shall ensure that the Program is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Trustee. To this end, the Program Entity shall, and shall ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

   (b) sufficient funds are available to cover the costs of implementing the ESCP;

   (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

   (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Trustee shall otherwise agree in writing and the Program Entity has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Program Entity, through the Executing Entity, shall ensure that:

   (a) take all measures necessary on its part to collect, compile, and furnish to the Trustee through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Trustee, information on the status of compliance with the ESCP, all such reports in form and substance acceptable to the Trustee, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

   (b) promptly notify the Trustee of any incident or accident related to or having an impact on the Program which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

4. The Program Entity, through the Executing Entity, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Program-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner satisfactory to the Trustee.