Natural Climate Solutions Alliance

A Buyer's Guide to **Natural Climate Solutions Carbon Credits**

Edition 3, 2026

World Business Council for Sustainable Development

Natural Climate Solutions Alliance (NCSA)

The Natural Climate Solutions Alliance (NCSA) is a multistakeholder coalition that brings together public and private sector stakeholders to identify opportunities and barriers to investments in carbon credits in new and existing markets to scale up financing for climate solutions. The Alliance also serves as a forum for knowledge sharing and technical capacity building to ensure climate solutions reach their full potential in abating climate change. The Alliance is a collaboration between the World Business Council for Sustainable Development (WBCSD) and the World Economic Forum.

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Preface

As the world grapples with the immense challenge of climate change, businesses have an increasingly critical role to play in driving solutions. The use of natural climate solutions (NCS) carbon credits is one way that companies can take meaningful action to address climate change while also generating important biodiversity and social benefits.

However, the voluntary carbon market (VCM) is a complex and rapidly evolving market and the procurement of high-quality NCS carbon credits can present challenges for businesses. We recognize that the carbon credit market is not without its challenges, including concerns about the integrity of climate change mitigation outcomes. We have designed this guide to provide practical information to support businesses as they navigate the procurement process for NCS carbon credits that meet the tripartite goals of climate change mitigation, biodiversity gains and benefits to people. While we do not address the integrity of climate change mitigation outcomes in detail in this guide, we provide references for companies on existing and ongoing work in this area.

As the VCM and the field of NCS continue to evolve, we have updated this guide, originally published in March 2023, and revised in 2024 and 2026 to reflect the latest market developments. This updated version provides readers more in-depth guidance on select topics, including:

- Expanded due diligence criteria and questions related to benefits for people, including specific criteria for health and gender and updated guidance on revenue sharing and rights-based approaches for projects
- Updated guidance for mandatory and voluntary reporting guidelines, disclosure of procurement activities, and claims based on carbon credit procurement
- Updated guidance regarding Article 6, reflecting the most recent policy developments.
- Additional appendices detailing considerations for how to incorporate carbon ratings, carbon credit insurance, and policy risk into procurement decision-making processes
- Updated guidance on managing risks associated with natural climate solution carbon credits.

Both the guide and the NCS Procurement Hub builds on the NSCA's earlier work, including Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives, which provides decision-makers with guidance to drive demand for high-quality NCS projects and urges companies to mitigate their emissions beyond their value chains, and Natural Climate Solutions for the Voluntary Carbon Market: An Investor Guide for Companies and Financial Institutions, which provides insights to investors on how to identify and invest in high-integrity NCS projects..

We hope that this guide will provide valuable support to companies as they work to integrate NCS carbon credits into their climate strategies. As the market continues to evolve, we will update and expand this guide to address emerging issues and concerns.

Why use this guide?

This guide aims to support businesses that purchase natural climate solutions (NCS) carbon credits as they manage the demand- and supply-side risks associated with the integration of the voluntary carbon market (VCM) in their climate strategies. The goal is to help companies navigate the procurement of NCS credits in the VCM. See Figure 2 for further explanation of the VCM.

This guide helps procurement officers identify and purchase NCS carbon credits that fulfill the tripartite NCS goals of climate change mitigation, biodiversity gains and benefits to people. NCS projects or programs need to put high integrity with respect to climate change mitigation first, delivering emissions reductions or removals. High-quality[1] NCS also deliver biodiversity and people benefits, which are vital in their own right, and underpin climate benefits. Given the extensive and ongoing efforts dedicated to defining integrity for climate change mitigation, this guide does not focus on this element.[2] Rather, it focuses on the biodiversity and people benefits required for the procurement of high-integrity NCS. It does provide references on existing and ongoing work for companies to assess the integrity of NCS climate change mitigation outcomes. See the Climate Change Mitigation Quality Criteria section for more detail.

Specifically, readers will find practical information to guide them step by step through the entire purchase process for NCS credits. The guide identifies the key players across the value chain and ongoing work on improving quality in the market to help buyers in their due diligence. Included in this guide is a list of criteria and associated questions that procurement officers can use in conversations with NCS projects, program developers and intermediaries to assess whether people and biodiversity outcomes qualify as “high-quality”.

This guide helps procurement officers identify and purchase NCS carbon credits that fulfill the tripartite NCS goals of climate change mitigation, biodiversity gains and benefits to people.

The guide provides information on corporate action and commitments to net-zero emissions, why businesses may choose to purchase NCS credits, and the role they play in delivering on a corporate climate strategy in the section in Appendix 1 on The Role of NCS in Beyond Value Chain Mitigation. More information is also available in previous publications on Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives and A Guide for Leaders on Carbon Removal.

Additionally, this guide provides information and resources that go into more depth on key topics in the Appendix. For a deeper dive on the topics covered in the guide, an expanded set of materials and information is available on the NCS Procurement Hub.

The context for this guide

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Even with full implementation of conditional Nationally Determined Contributions (NDCs), a 20 Gt CO_2e gap remains. Nature will have a crucial role in closing this gap.

Limiting global warming to 1.5°C requires achieving net-zero greenhouse gas (GHG) emissions by 2050. Even with full implementation of conditional Nationally Determined Contributions (NDCs), a 20 Gt CO2e gap remains.[3] Nature will have a crucial role in closing this gap. For instance, Conservation International's Exponential Roadmap for Natural Climate Solutions highlights how natural climate solutions can help the world move from 12.5 Gt of emissions from land each year to net-zero emissions by 2030, with land acting as a 5 Gt sink by 2040 and a 10 Gt sink by 2050.

Natural Climate Solutions (NCS) are a subset of nature-based solutions (NbS) that address climate change. Nature-based solutions are defined as:

"...actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits."[4]

Our guide reflects the complexity and richness of NCS. As The Nature Conservancy outlines in its paper 'The Principles of Natural Climate Solutions', to qualify as a high-integrity NCS, these solutions must be designed to deliver benefits across ecosystems, sustainability, additionality, measurability, and equity (see Figure 1). By generating biodiversity gains and benefits for people, NCS deliver climate mitigation outcomes. This combination has the potential to drive meaningful, widespread impact, as long as financing is sufficient and projects and programs are executed correctly. By investing in high-quality NCS carbon credits, companies can address material and physical risks posed by nature loss and improve their relations with major stakeholders that are demanding leadership from companies on climate.

One way that companies can close the funding gap[5] is by purchasing NCS carbon credits on the VCM. One NCS carbon credit represents 1 metric ton of CO_2e either reduced (emission reduction) or removed (emission removal) from the atmosphere. For more information, see Appendix 1 on the role of NCS beyond value chain mitigation.

Projects and jurisdictional programs that deliver on climate mitigation while also putting biodiversity and people at the center of the solution, especially Indigenous Peoples and local communities (IPs and LCs) generate high-quality NCS carbon credits, the focus of this guide.

The primary difference between projects and jurisdictional programs is that programs cover a larger area (typically national or large subnational scale), the main program stakeholders are often public entities (mostly ministries and their line agencies) that oversee policy and program design and implementation, and programs tend to be based on historical baselines (as opposed to projections). For this reason, programs often include significant policy changes and actions, whereas projects tend to focus on specific actions at a more local level.

NCS interventions are diverse – spanning the protection and conservation, sustainable management and restoration of ecosystems across geographies and socio-economic contexts (see Figure 2). These characteristics are important to understand as they ultimately influence the potential biodiversity gains and benefits to people that projects and programs can achieve. For examples of a diverse range of NCS projects, please see Natural Climate Solutions in Action.

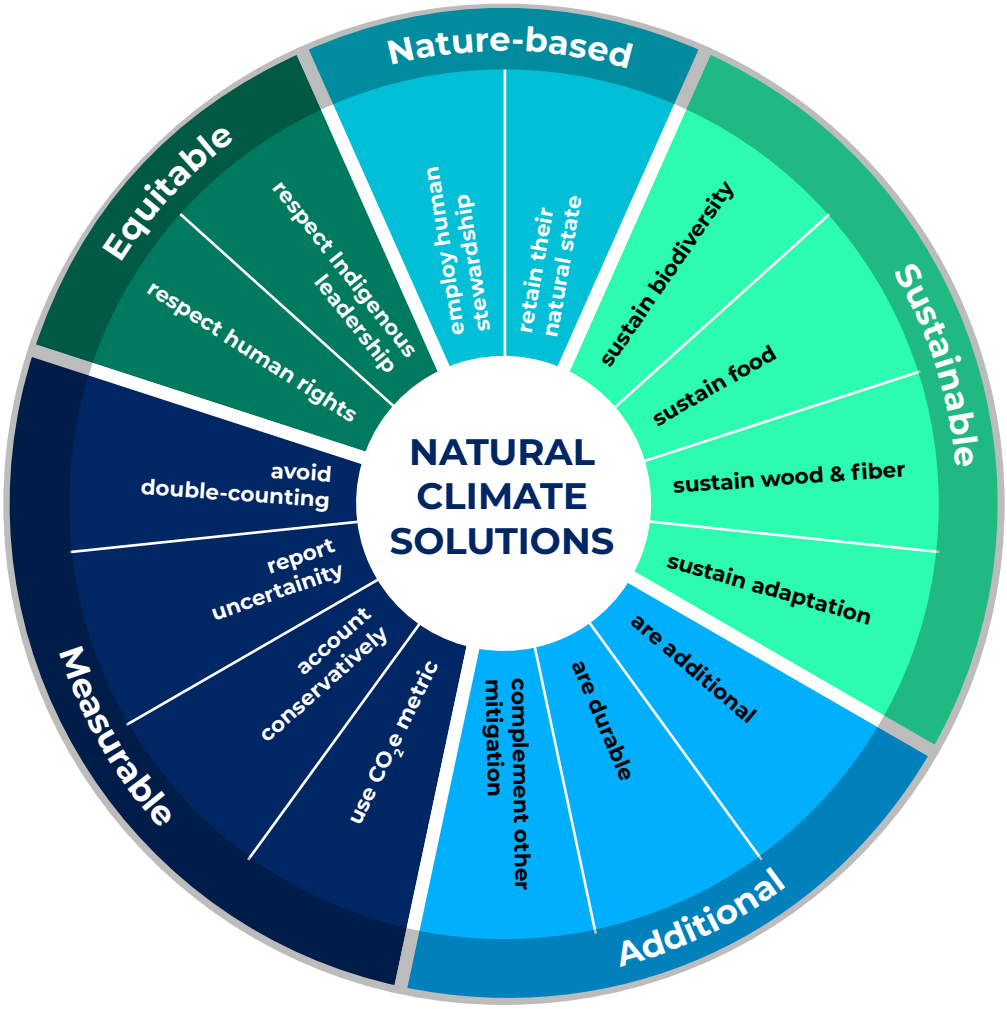

Figure 1. Foundational Principles of Natural Climate Solutions

This infographic is adapted from Ellis, P.W., Page, A.M., Wood, S. et al (2023). "Principles of natural climate solutions". Nature communications, 5 (547)

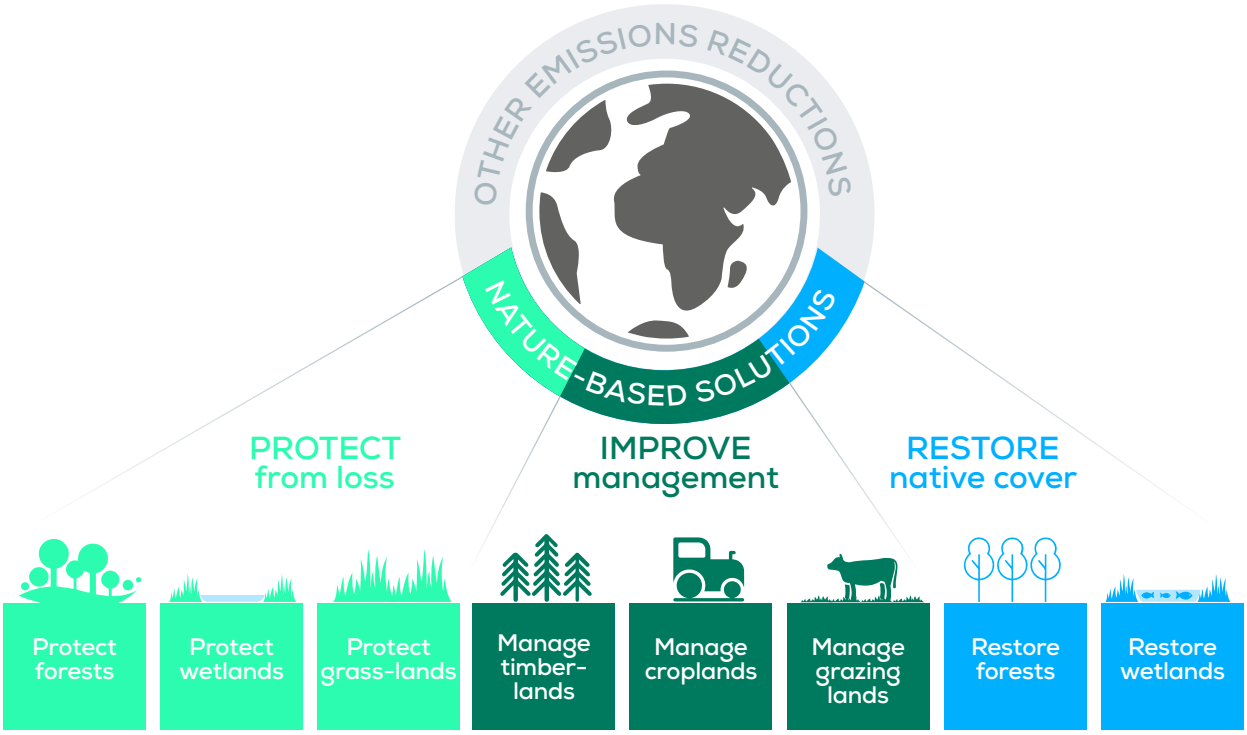

Figure 2. Understanding compliance markets and the voluntary carbon market (VCM)

This infographic is adapted from Griscom, B.W., et al. (2019). "We need both natural and energy solutions to stabilize our climate". Global change biology, 25(6), 1889–1890

Understanding the marketplace

Companies can purchase carbon credits on compliance markets or on the voluntary carbon market (VCM) (see Figure 3).

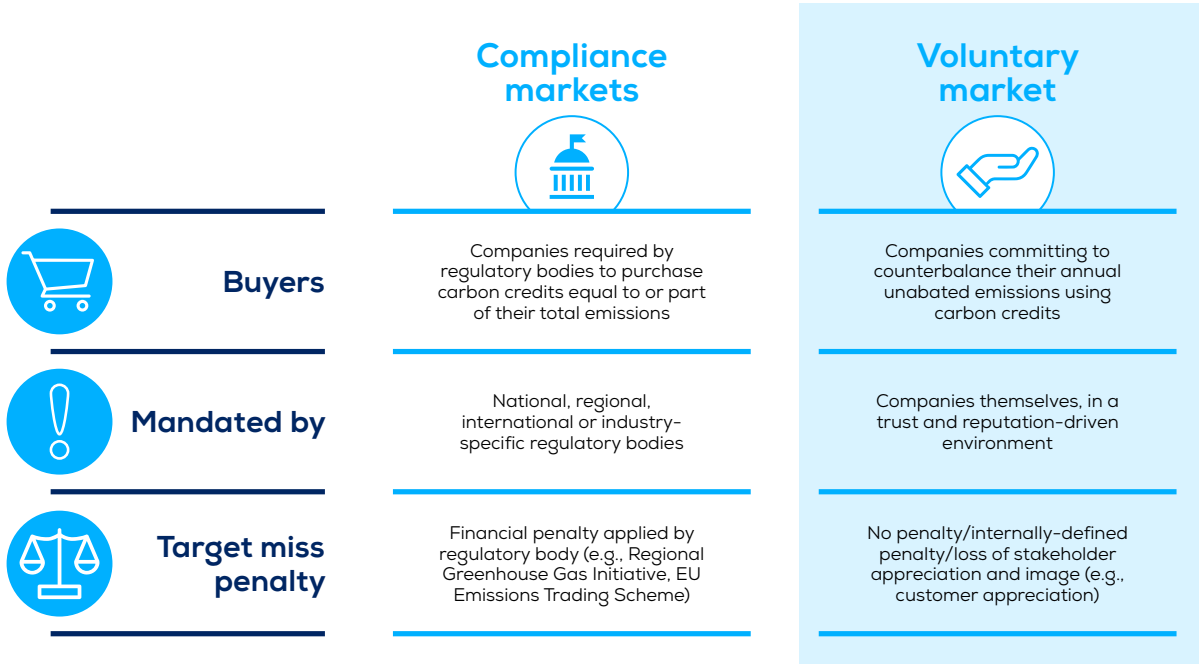

Figure 3: Understanding compliance markets and the voluntary carbon market (VCM)

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

The VCM is complex and evolving quickly[6] and some stakeholders hold multiple roles in the procurement process. Across the VCM, six main groups of stakeholders play important roles (see Figure 4).

1. **Land stewards and carbon rights holders**, especially IPs and LCs, are central to the delivery of high-quality NCS projects and programs. If IPs and LCs are not the ones spearheading the NCS project or program, developers must ensure their full and effective participation from initiation – as central rights holders in their territories – and must ensure the fair, equitable and transparent distribution of associated benefits and revenues. No organization should implement a project or program without the full and active participation of IPs and LCs and their free, prior and informed consent.[7] In some cases, land stewards and carbon rights holders may overlap with the government.

2. **Project developers** design and implement projects in collaboration with partners on the ground, land stewards, carbon rights holders and local communities. If project developers are not the carbon rights holders, they must have the agreement of the carbon rights holders before initiating a project. Once independent third-party auditors validate and verify the projects

to standards and a carbon crediting program certifies them, projects can receive tradeable carbon credits issued by a registry. Project developers may also provide integrated support services, such as supporting buyers with emissions calculations, strategic advisory and legal claims support. In addition, many project developers also have a consumer-facing operation (that is, they provide end-to-end services) and sell credits from the projects they support (along with other credits).

3. **Non-governmental organizations (NGOs)** often provide technical support to local communities, work in partnership with project developers, and can act as project developers themselves. As NCS projects and programs have conservation actions as their basis, conservation NGOs routinely promote high-integrity standards and offer technical assistance to ensure the integration of these standards into project planning and delivery phases. Human rights NGOs also play an important role in supporting the consultation processes and in ensuring IPs and LCs receive a fair share of the revenues.

4. **Governments** can also act as program developers. The role of governments can include setting and enforcing regulation – particularly for larger-scale programs – issuing forest carbon management permits, approving the transfer of carbon credits from land users to project proponents, overseeing the carbon asset creation value chain, and supporting the nesting of projects within jurisdictional programs. Additionally, governments can support specific programs and projects through in-country tax initiatives. As the implementation of Article 6 of the Paris Agreement advances, governments will be critical in establishing or approving registries to track projects. While this is still an evolving topic under the latest version of Article 6.4, governments will approve projects (along with the UN Supervisory Body) before UN-recognized credits (known as A6.4ERs) can be issued and

Land stewards and carbon rights holders, especially IPs and LCs, are central to the delivery of high-quality NCS projects and programs.

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countries, companies or even individuals can buy them. See the section on Article 6 for more details.

5. **Intermediaries** facilitate transactions between project developers and end-buyers. They include portfolio managers, consultants, brokers, wholesalers and marketplaces. This group also includes finance, which is often critical to move projects forward. Companies can and do use intermediaries as needed to augment their internal capabilities to procure carbon credits.

6. **End-buyers** purchase NCS carbon credits to counterbalance their annual unabated residual emissions, neutralize their residual emissions, and compensate for historical emissions (See Figure 7).

Additionally, other actors play a critical role in the facilitation of the VCM. Notable types of organizations and programs that will be particularly relevant for procurement officers as they look to identify, select and purchase high-quality carbon credits are as follows:

7. **Carbon crediting programs** define the rules and methodologies for different types of mitigation activities and issue credits to the developers of mitigation activities once the activity has gone through validation and verification.

8. **Validation/verification bodies (VVB)** conduct third-party assessments to provide independent confirmation that projects and programs are in line with requirements from carbon crediting programs.

9. **Registries**, through public-facing databases of all the projects and programs registered and credits issued, allow the public to transparently access project documentation and track issuance and retirement of credits to ensure one credit is associated with a single emission reduction or removal. Organizations can use the registry to ensure that credits are not double counted or double claimed. In many cases, the carbon crediting programs also act as the registries.

10. **Governing bodies** are independent bodies that aim to drive a credible voluntary carbon market. These bodies set and, in some cases, enforce standards for stakeholders in the voluntary carbon market, including buyers, project and program developers and carbon crediting programs.

11. **Carbon credit rating agencies** rate the quality of NCS projects based on independently acquired data**.** They are independent from carbon crediting programs and generally are hired by intermediaries or directly by prospective buyers. See Appendix 5 for more information on carbon ratings.

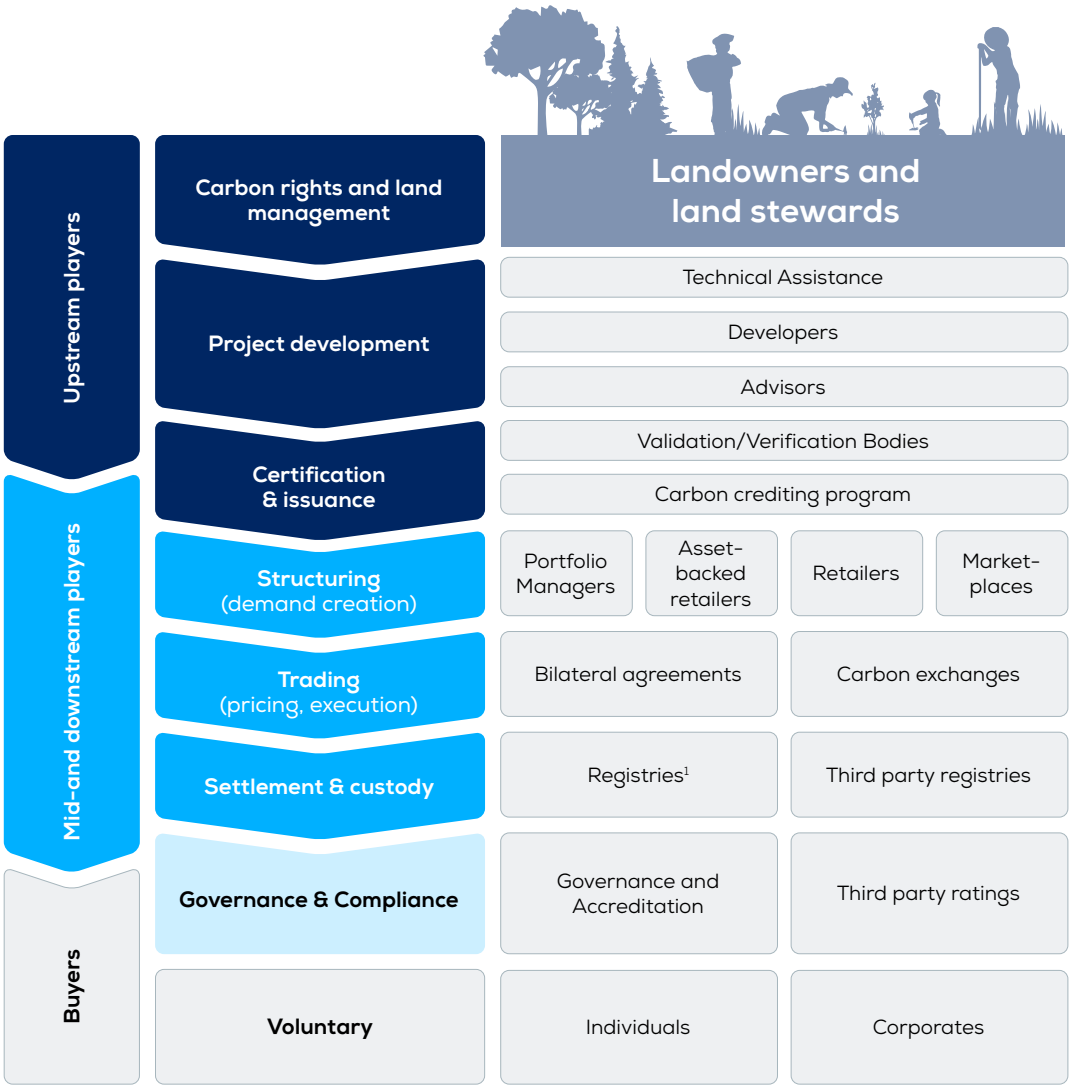

Figure 4: The key players in the voluntary carbon market

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

Understanding and managing risk in NCS carbon credit procurement

The voluntary carbon market presents real and varied risks. But the greatest risk of all is **inaction.** Organisations that do not engage with credible climate mitigation activities may struggle to demonstrate a track record of climate leadership or preparedness for evolving climate policy frameworks. As regulatory expectations and transition planning requirements increase, companies without experience in sourcing high-quality carbon credits may face greater transition risk and reduced strategic flexibility. This section is therefore designed not to deter buyers, but to empower them to make informed, resilient procurement decisions. In practice, reducing risk in carbon credit procurement often involves trade-offs. Some safeguards are non-negotiable. For example, respecting the rights of Indigenous Peoples and local communities an ensuring clear land and carbon rights. Other risk management choices depend on a buyer's strategy, budget and risk tolerance. Projects that invest heavily in safeguards, monitoring systems or community engagement may therefore command higher prices but also provide greater confidence in long-term delivery and social integrity.

Key risk categories for buyers

When purchasing NCS carbon credits, buyers face six primary categories of risk. These risks can emerge at any point across the procurement lifecycle – from selecting a project through to reporting on retired credits.

1. **Natural hazards**

NCS projects are exposed to acute and chronic natural events that can threaten or reduce the delivery of carbon credits. Examples include:

- **Acute events:** wildfires, cyclones, floods and earthquakes can rapidly destroy sequestered carbon, triggering 'reversals' whereby previously credited carbon is released back into the atmosphere.
- **Chronic events:** prolonged drought or sustained temperature increases can reduce a project's capacity to grow biomass, limiting credit issuance below expected volumes.

2. **Counterparty shortcomings**

As shown in the previous section, buyers rely on a chain of actors. Failures at any point in this chain can undermine credit integrity and delivery. Key counterparty risks can include:

- **Misconduct or poor oversight**: a project developer or other actors may intentionally misrepresent project information or misuse funds. For example, a developer may overstate baseline emissions reductions, misreport forest cover data or fail to pass agreed benefit-sharing payments to local communities.

- **Methodology or design limitations**: While projects undergo validation and verification by independent VVBs, certain design limitations or risks may only become apparent over time as projects are implemented and additional data becomes available. For instance,

assumptions about forest growth rates or deforestation baselines may later prove inaccurate, reducing credit issuance.

- **Abandonment and insolvency**: if a developer ceases operations or a carbon standard dissolves, the project may stall or be invalidated. In practice this may mean monitoring activities stop, verification cannot occur, or credits already contracted cannot be issued.

- **Operational mismanagement**: failure to implement a project as designed can result in significantly fewer credits than planned - or none at all.Examples include failure to plant trees at the expected scale, inadequate fire prevention measures, or breakdowns in monitoring systems required for verification.

- **Registration and issuance delays**: backlogs at registries can create uncertain timelines, disrupting buyers' climate planning or the timing of corporate climate claims.

3. **Changing political and regulatory landscape**

The policy environment governing both voluntary carbon markets and the host countries of NCS projects is rapidly evolving (see Appendix 3). Changes that may affect buyers include:

- Revisions to carbon standard or registry rules that affect credit eligibility for issuance or retirement, potentially limiting the availability of credits or affecting whether previously purchased credits can be used for specific claims.

- Host country policy changes - nationalization of carbon projects, new authorization requirements, or additional taxes and fees under Article 6 of the Paris Agreement, which may affect project viability, delay credit issuance, increase project costs or restrict the transfer of credits to international buyers.

- Shifts in voluntary standards governing the acceptable use of carbon credits for corporate climate claims (e.g. guidance from the Science Based Targets initiative), which may affect whether and how companies can use purchased credits to support climate strategies or public claims.

4. **Unsecured carbon and/or land rights**

The legal right to sell carbon credits rests on secure land tenure and clearly defined carbon rights - both of which vary significantly by country and jurisdiction. Root causes of carbon and land rights disputes relevant to buyers include:

- Local disputes, absence of formal land titles, or failure to engage with customary land tenure practices of Indigenous Peoples and local communities.
- Lack of clarity on whether carbon rights are held by the landowner, the state, or another party.
- Government expropriation or failure to enforce existing rights.
- Competing land uses or overlapping carbon project boundaries.

5. **Lack of local support for project / programme**

The creation of climate benefits and the durability of project/programme impacts is dependent on the continued implementation of project activities by landowners and land stewards. Examples of issues that may affect buyers include:

- Changes in local economic incentives i.e. food insecurity or shifts in commodity prices may alter land-use decisions, potentially undermining climate benefits.

- Dissatisfaction with project/programme benefits. If communities perceive that project benefits are insufficient or inequitably distributed, local support for project/ programme activities may erode.

Protection of the carbon credit asset therefore require sustained engagement withlandowners and land stewards, particularly IP and LCs, throughout implementation.

High-quality approaches to community partnerships – including meaningful participation, fair benefit sharing and long-term engagement – can strengthen project durability and reduce the risk of implementation failure. These approaches require sustained investment in local capacity and governance and projects that allocate sufficient resources to community engagement may therefore have higher operating costs – which can be reflected in higher credit prices. However, such investments can significantly reduce risks related to implementation failure, land disputes, or reputational damage.

For buyers, using the due diligence process to understand the quality of stakeholder participation is the primary mitigation strategy.

6. **Market price volatility**

The voluntary carbon market remains relatively nascent, with limited public pricing data and rapidly evolving demand signals, regulation, and perceived credit quality. These factors can contribute to greater price uncertainty compared with more established commodity markets. For buyers integrating carbon credits into long-term climate strategies, price volatility can affect procurement planning, budgeting and contractual commitments.

Buyers face two opposing price risks:

- **Price increases:** sudden rises in carbon credit prices can make future purchases cost-prohibitive or render previously set budgets insufficient.
- **Price decreases:** buyers who have committed to long-term offtake agreements at higher prices may find their investments devalued if market prices fall sharply.

When risks are most relevant

Buyer exposure to these six risk categories is not uniform - it varies significantly depending on when in the project lifecycle a purchase is made and what type of transaction is involved.

Spot purchases of already-issued credits typically carry lower delivery risk because the credits have already been independently verified and issued. However, they may still carry other risks – in particular related to project integrity or methodological limitations – as many older projects were developed under earlier market rules with less available data. In contrast, direct investment in a project at concept stage carries the highest risk exposure across all categories - though it may also offer buyers greater influence over project design, implementation approaches and potential co-benefits, particularly where buyers provide early-stage financing or direct project investment.

The degree of exposure to these risks varies significantly depending on how and when buyers engage with a project.

Table 1. How buyer risk exposure varies by transaction type

Transaction Type	Natural Disasters	Counterparty	Political / Regulatory	Land / Carbon Rights	Weak Local Support	Price Volatility
Spot Purchase	Medium	Low-Medium	Low	Low-Medium	Medium	High
Offtake (Payment on Delivery)	Medium	Medium	Medium	Medium	Medium	Low
Offtake (Pre-Pay)	High	High	High	High	High	Medium
Direct Project Investment	High	High	High	High	High	High

While spot purchases carry lower exposure to project development and delivery risks, they provide limited ability to influence project quality or secure future supply. Many buyers therefore combine spot purchases with forward offtake agreements or project investments to balance risk and support the development of high-quality projects.

Structural safeguards in the voluntary carbon market

Many risks in carbon credit procurement are partly mitigated through structural safeguards embedded in voluntary carbon market standards and governance frameworks. These mechanisms provide a baseline level of oversight and risk management across projects and programmes.

Examples include:

- **Independent validation and verification:** accredited VVBs review project design, monitoring data and emissions calculations before credits are issued.
- **Standards and registry oversight:** carbon standards establish methodological rules and project requirements, while registries track credit issuance, ownership, and retirement to ensure transparency and prevent double counting.
- **Buffer pools:** many standards require projects to contribute credits to shared buffer pools that compensate for unintentional carbon reversals (e.g. natural disturbances).
- **Safeguards and stakeholder consultation requirements:** standards typically require stakeholder engagement and safeguards to reduce risks related to land rights and community impacts.

These structural mechanisms provide an important foundation for market integrity, though buyers typically complement them with their own risk management practices.

Risk management tools for buyers

Four practical tools are available to buyers to reduce the likelihood of risks materialising and limit their financial and reputational impacts. These tools are complementary - using them in combination provides the most robust protection.

Table 2. Effectiveness of risk management tools by risk category

Risk Category	Due Diligence	Portfolio Approach	Carbon Contracts	Insurance
Natural Disasters	✓ Moderate	✓ Moderate	Limited	✓✓ Strong
Counterparty Shortcomings	✓ Moderate	✓ Moderate	✓ Moderate	✓ Moderate
Political / Regulatory	✓ Moderate	✓ Moderate	✓✓ Strong	✓ Moderate
Unsecured Carbon / Land Rights	✓ Moderate	✓ Moderate	Limited	✓ Moderate
Weak local support	✓ Moderate	✓ Moderate	Limited	✓ Moderate
Market Price Volatility	✓ Moderate	✓ Moderate	Limited	Limited

The effectiveness ratings reflect the extent to which each tool can mitigate the underlying risk category. In practice, buyers often combine multiple tools - including diversification, contractual protections, and insurance - to manage risk across a portfolio of carbon credit purchases.

Tool 1: Due diligence

Due diligence is a systematic process to evaluate the integrity, feasibility, and likely performance of a carbon project and the developer behind it. It is the most universally applicable risk management tool and should be conducted on every prospective purchase. While some buyers conduct due diligence internally, many rely on external expertise to support this process. Step 5 of this guide covers due diligence in more detail.

Limitation: Due diligence cannot eliminate all risk. Complex legal dynamics, data gaps, and inherently unpredictable risks (e.g. political instability) may persist despite thorough review.

Tool 2: Portfolio approach

A portfolio approach involves diversifying purchases across multiple project types, geographies, developers, and vintages, rather than concentrating procurement with a single project or supplier. This can help distribute exposure to certain project-level risks and supports alignment with emerging best practice on balancing reductions and removals.

A diversified portfolio helps buyers manage:

- **Natural hazard risk:** spreading projects across geographies limits exposure to any single region's climate vulnerabilities.
- **Counterparty risk:** sourcing from multiple developers means insolvency or failure of one does not undermine the entire supply.
- **Regulatory risk:** mixing project types and jurisdictions limits the impact of any single policy change.
- **Price volatility:** combining project types with different price dynamics, and mixing spot and forward purchases, smooths exposure to market fluctuations.

Limitation: A portfolio approach increases operational complexity and internal resource requirements. It does not provide protection against systemic risks that affect the entire voluntary carbon market, such as a major market-wide reputational event. It also does not directly address land and carbon rights risks. For corporate buyers whose primary objective is to secure a specific volume of credits to meet climate targets, diversification also has limitations. If one project in a portfolio fails to deliver, diversification alone does not

guarantee that the buyer will still receive the credits required to meet their commitments. Buyers may therefore combine portfolio diversification with other risk management tools, such as contractual protections, delivery buffers, or insurance.

Read WBCSD's How-to guide for voluntary carbon credit portfolio design for more information

Tool 3: Carbon contracts

A well-structured carbon contract is a critical tool for buyers, enabling the transfer of specific risks to the party best placed to manage them, and providing clear remedies when sellers fail to deliver.

Key contractual protections for buyers include:

- **Performance-based payment:** linking payments to delivery of credits meeting pre-agreed criteria reduces the risk of paying for underperformance.
- **Collateral credits:** some contracts allow buyers to hold a reserve of credits that can be transferred upon first payment, providing a buffer against non-delivery.
- **Specificity on remedies:** clearly defining what happens if the seller fails to deliver - replacement credits, price adjustments, or termination rights - protects buyers from ambiguity.
- **Disclosure and cooperation clauses:** requiring developers to proactively notify buyers of material project events (e.g. regulatory changes, land disputes) enables timely response.
- **Fixed vs. variable pricing:** fixed-price structures provide budget certainty; variable structures allow buyers to benefit from market price movements but increase financial exposure.

Limitation: Contracts cannot protect against risks beyond the seller's control, including natural disasters, broader political upheaval, or government action. Buyers are encouraged to review IETA's standardised Emission Reduction Purchase Agreements as a starting reference.

Tool 4: Carbon insurance

Carbon insurance transfers specific, hard-to-control risks to a specialist (re)insurance provider. It is best suited to high-impact, low-frequency events - those that cannot be adequately managed through contracts or due diligence alone. For more information, see Appendix 6 on carbon credit insurance.

Relevant cover for buyers includes:

- **Natural disaster cover:** insurance against wildfires, cyclones, floods, and droughts that destroy sequestered carbon - risks the broader insurance industry has covered for centuries.
- **Counterparty protection:** cover against fraud, negligence, abandonment, and insolvency on the part of project developers, standards bodies, or VVBs.
- **Political risk:** protection against discriminatory government actions, expropriation, or loss of project authorisations.

Limitation: Carbon insurance does not effectively manage market price volatility. Claims processes can take three to six months, meaning insurance is most appropriate for catastrophic risks rather than frequent, smaller disruptions. Insurance can also add complexity to transactions, including additional underwriting requirements, documentation, and coordination between buyers, developers, and insurers. While insurance involves a premium, it functions as a risk transfer mechanism - exchanging exposure to uncertain losses for a known cost. Depending on the circumstances, this

may increase or decrease overall transaction costs relative to the realised risk of remaining uninsured. As a result, carbon insurance is most commonly used in larger-scale or longer-duration purchase agreements or project investments, where the potential financial exposure justifies the additional structuring and underwriting effort. The carbon insurance market is still evolving, and product availability continues to develop.

Managing reputational risk

Even with rigorous due diligence and strong contracts in place, buyers may face reputational scrutiny if a project encounters difficulties - be it a land conflict, safeguarding incident, or delivery failure. Reputational risk management is therefore a distinct and important layer of buyer preparedness.

Key recommendations for buyers include:

- **Establish a crisis readiness framework:** develop holding statement templates, identify spokespeople, and clarify internal approval processes before a crisis occurs.
- **Map stakeholders in advance:** identify which internal and external audiences would need to be engaged in the event of a project incident.
- **Include reputational clauses in contracts:** require developers to disclose material events promptly and maintain their own crisis response protocols.
- **Maintain regular communication with project developers:** avoid surprises by staying informed about project developments and aligning messaging in advance.
- **Prioritise community-centred communications:** in any public response, centre the perspectives of affected communities; avoid defensive or reactive messaging.
- **Document and learn:** conduct post-crisis reviews to improve future preparedness and share learnings internally.

Robust due diligence, documented prior to purchase, provides buyers with a credible basis to demonstrate responsible decision-making if a project issue arises - even if some risks materialise despite best efforts.

How to purchase high-quality NCS carbon credits

To help companies procure high-quality NCS carbon credits, this guide lays out eight steps (see Figure 5). These steps are critical to ensuring high quality and avoiding the reputational risks associated with purchasing low-quality carbon credits. For more information on the various risks associated with purchasing credits, see the due diligence section. Transparency is fundamental across these steps, including from project developers on quality and price and from companies on how credits factor into their net-zero transition plan.

Projects or programs generate high-quality NCS carbon credits when they are of high-integrity – meaning they address the permanence, additionality, leakage, double-counting, robust quantification and verification of the NCS climate mitigation activities implemented. In addition, high-quality NCS carbon credits should measurably improve biodiversity integrity, use robust and verifiable biodiversity monitoring methods, and provide social and economic benefits for IPs and LCs.

To help companies procure high-quality NCS carbon credits, this guide lays out eight steps. These steps are critical to ensuring high quality and avoiding the reputational risks associated with purchasing low-quality carbon credits.

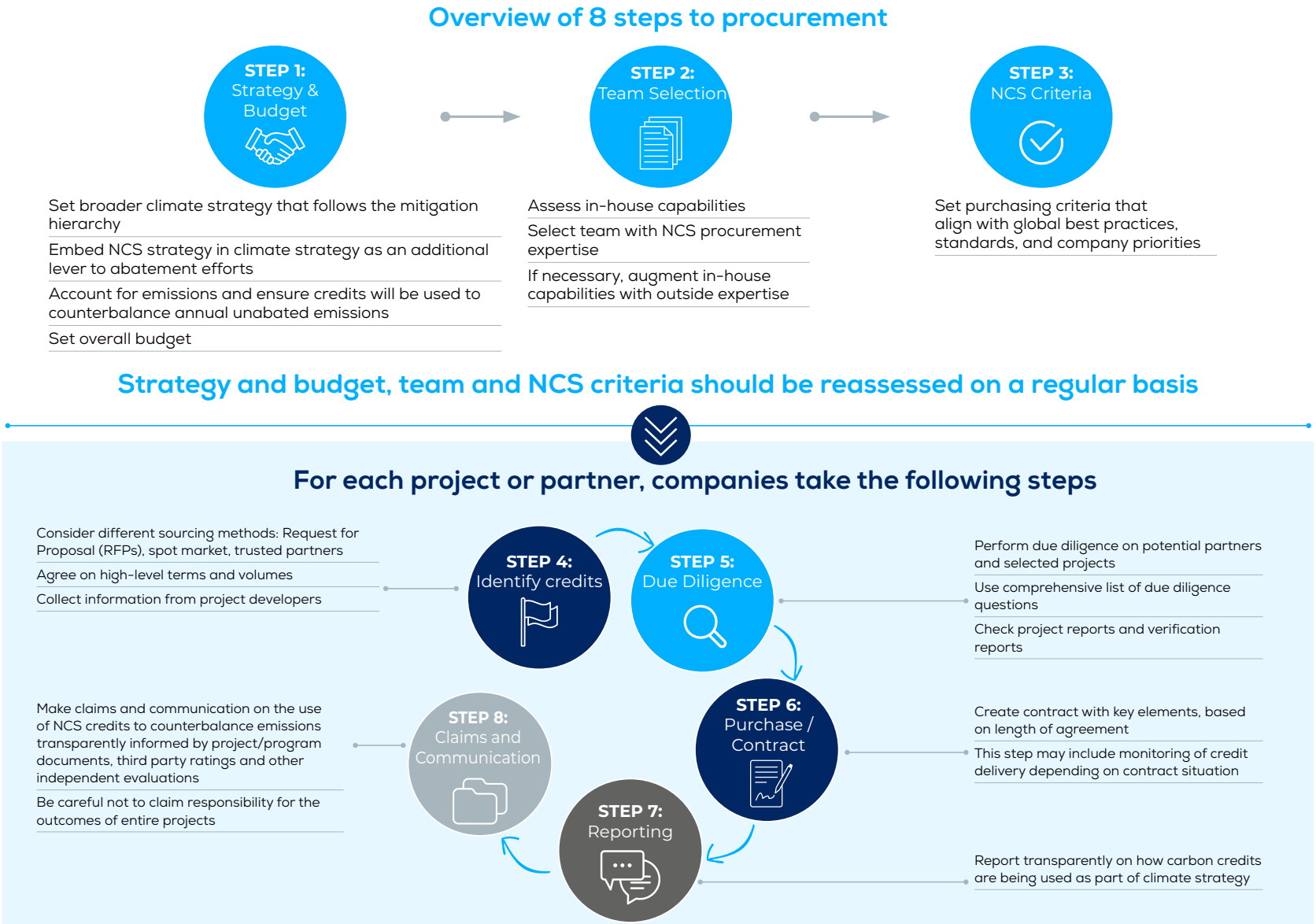

Figure 5: Eight steps for purchasing high-quality NCS carbon credits

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

Step 1.
Integrate NCS in the corporate climate strategy and budget

Companies should first set a broader climate strategy that follows the mitigation hierarchy. There are a variety of resources companies can use to set and begin to implement this strategy, including The Climate Drive and the WBCSD Academy. Once they have developed this overall climate strategy, they can set their strategy and budget for the use of NCS, including NCS credits. NCS carbon credits can serve as a complementary tool within a company's broader climate strategy, provided their use does not detract from efforts to reduce emissions within the value chain. For example, companies may use NCS credits as beyond value chain mitigation to counterbalance[8] unabated emissions after implementing abatement measures in line with their science-based targets.[9] Companies may also choose to use credits to address emissions that remain difficult to abate, emissions not fully covered by target boundaries, or to support progress towards broader climate and nature goals. The budget allocated to NCS credits should be informed by the scale of a company's yearly unabated emissions. They may also go beyond this to address historic emissions or contribute to global climate mitigation beyond their own value chains. By engaging with the VCM and purchasing NCS credits now, companies can also gain experience and build a supply pipeline to better prepare for procuring credits to neutralize the emissions once they reach net zero (see Figure 6).[10]

NCS carbon credits should be used by the company as beyond value chain mitigation (BVCM) to counterbalance their annual emissions that remain unabated after the abatement measures in line with their science-based targets.

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	In-value chain	Beyond value chain
APPLICATION	Reduce Scope 3 emissions from supply chain activities	Compensate company's existing residual unabated emissions
PURCHASER	Company within the same value chain as where the emissions reductions / removals occur	Business of any sector, e.g., airlines, tech via the voluntary or compliance market

Figure 6: NCS in-value chain and beyond value chain interventions

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

It is important to acknowledge that companies can deploy NCS projects and programs as an in-value chain solution to mitigate emissions.

For example, companies in the agriculture, forestry and other land use (AFOLU) sector could invest in improved agricultural land management or agroforestry projects to reduce emissions within their own value chain. In these cases, companies should follow relevant carbon accounting guidance from the Greenhouse Gas Protocol[11] and other emerging standards addressing land-sector interventions.

According to the Forest, Land and Agriculture Science Based Target-Setting Guidance (FLAG) from the Science Based Target Initiative (SBTi),[12] companies operating in land-intensive sectors may count certain in-value chain NCS reductions or removals as abatement. However, accounting frameworks for these interventions are still evolving. Several standards and initiatives are working to provide clearer guidance on how companies can account for climate interventions within, adjacent to, and beyond their value chains, and how these may contribute to progress toward corporate climate targets.

Strategy setting

A company's NCS-specific strategy should be a coherent component of its journey to net-zero emissions as captured by its overall climate strategy and in broader nature-positive strategies (see Figure 7).

This is because the climate strategy provides information that shapes the company's perspective on a number of key questions and considerations related to the purchase of credits. The strategy should be adaptive to respond to evolving standards and regulations, as well as a changing market.

How much of the annual unabated emissions should a company counterbalance?[13] As companies set their climate strategy, one important question they face is how much of their annual unabated emissions they should counterbalance.

There is currently no universal guidance on the percentage of the yearly unabated emissions they should counterbalance with carbon credits. However, several initiatives provide frameworks to guide companies on the responsible use of carbon credits within broader climate strategies.

For example, the VCMI's Claims Code of Practice provides guidance on how companies can make credible claims associated with carbon credit use, while ensuring that companies continue to prioritise emissions reductions within their value chains. Similarly emerging guidance such as SBTi's work on "Taking Responsibility for Ongoing Emissions" and broader discussion are exploring how companies can contribute to climate mitigation beyond their direct emissions reductions. See the Claims chapter for more detail.

In general, companies should prioritize the quality NCS credits over quantity, understanding that there is a premium on high-quality credits. It is important to only buy high-quality NCS credits, even if this results in purchasing fewer credits.

Companies should follow the NCS hierarchy: protect and conserve, then sustainably manage and finally restore nature.

What types of NCS carbon credits should a company invest in? The ideal investment is in a portfolio of different NCS and other carbon credit types, as this approach helps mitigate risks and maximize the opportunities associated with the different types of NCS carbon credits.

The first consideration is whether to invest in reduction or removal NCS credits. In fact, companies should follow the NCS hierarchy: protect and conserve, then sustainably manage and finally restore nature (see Figure 8). Therefore, they should prioritize investments in reduction credits[14] as they are associated with projects and programs designed to protect and conserve remaining intact ecosystems. Scaling up investments in removals is also necessary as a second priority since restoration interventions take longer to generate climate mitigation outcomes. Some project types, such as improved agricultural land management and improved forest management, result in a mix of reduction and removal credits.

Within reduction credits, different credit types have different risk and benefit levels. REDD+ projects designed to reduce emissions associated with deforestation are essential for the preservation of forest carbon stocks, but they are controversial due to the difficulty in establishing reliable baselines. Another example is jurisdictional-scale high-forest, low-deforestation (HFLD) credits, which provide near-term incentives to maintain remaining forests intact against the ever-growing threats of deforestation and degradation and to support recognition of the ongoing activities required by Ips and LCs in forest conservation. However, HFLD credits are on the higher end of complexity for the demonstration of their additionality.[15] Despite these complexities, the implications associated with the further loss of forest coverage make the protection and conservation of nature – hence reduction credits – a must-have component of a balanced portfolio mix.

The ideal investment is in a portfolio of different NCS and other carbon credit types, as this approach helps mitigate risks and maximize the opportunities associated with the different types of NCS carbon credits.

Read WBCSD's How-to guide for voluntary carbon credit portfolio design for more information.

A company's carbon credit portfolio may also factor in diversity in biomes, levels of maturity, geographies and approaches, as well as cost differentials across regions and the availability of supply. As projects and programs do not currently exist in all countries, local projects or programs may not be an option.

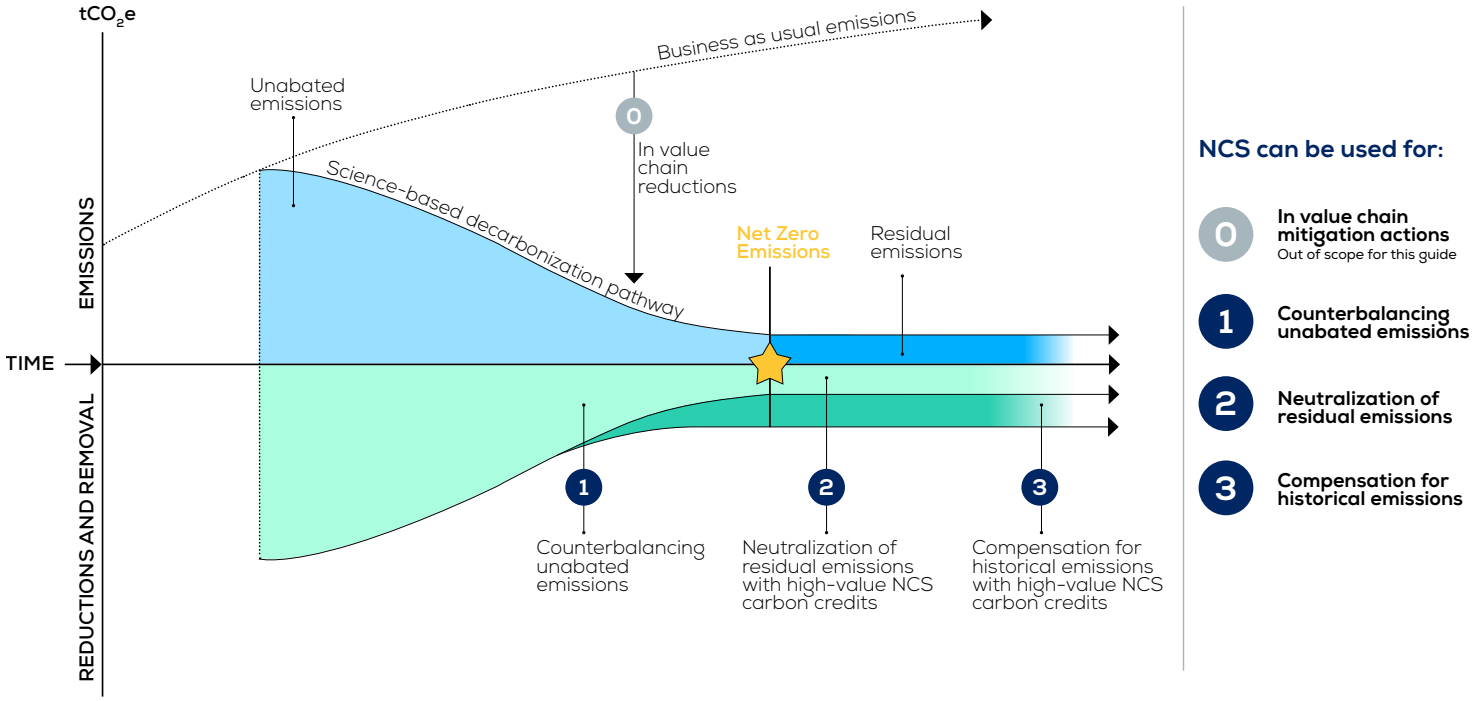
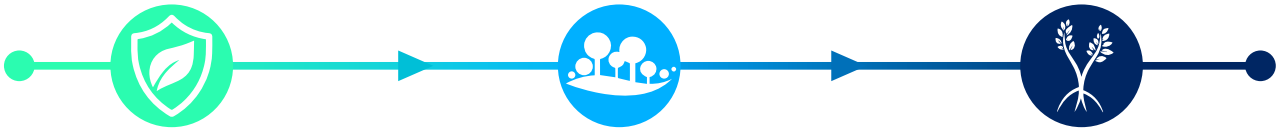


Figure 7: The role of NCS voluntary carbon credits in a net-zero emissions journey

Source: Natural Climate Solutions Alliance and ERM (2022). Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-Suite Executives.

In setting up a portfolio, other areas for consideration include:

- **NCS projects and jurisdictional programs**. Both solutions are needed and can produce high-quality credits and, in the case of nested projects,[16] can actively work together. This guide emphasizes purchasing credits from high-quality NCS projects (see NCS Criteria for further guidance) as there is not yet a large supply of high-quality jurisdictional credits in the market. To scale impact in the coming years, credits from jurisdictional NCS programs should become a growing part of an effective strategy. Each company must decide the appropriate balance in their portfolio between projects and programs, conducting due diligence as discussed in the due diligence section of this document.[17]
- **NCS and technological solutions**. Both NCS and technology-based[18] solutions are needed due to the scale of climate change. Over the next 10 to 30 years, experts expect that more technological solutions will emerge, becoming more accessible and affordable. The global goals of protecting, conserving, restoring and promoting the sustainable use of terrestrial ecosystems, sustainably managing forests, combatting desertification, and halting and reversing land degradation and biodiversity loss should continue to inform any mix of credits. In addition, even as technological solutions mature, there will still be a significant role for NCS as they are cost-effective and offer strong environmental and social benefits.



Protect and Conserve

Companies should prioritize protection and conservation measures and focus on projects that reduce emissions generated by the conversion of natural ecosystems. The importance of protection and conservation is driven by the urgency to prevent further loss of irrecoverable carbon stocks and to avoid reaching critical tipping points in nature, which would jeopardize our ability to limit global warming to 1.5 degrees.

Examples: Protection against deforestation and forest conversion, mangrove protection.

Sustainably Manage

Companies should then prioritize sustainable management measures, focusing on projects and programs that minimize and/or reduce emissions and can regenerate carbon pools.

Examples: Natural forest management, improved rice cultivation, and/or alternative agriculture techniques.

Restore

Companies should pursue restoration measures and focus on projects that remove and store CO_2 emissions through restoration.

Examples: Reforestation and afforestation; peatland or coastland restoration.

Figure 8: NCS hierarchy – protect and conserve, sustainably manage and restore nature

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

Budget setting

The price of high-quality NCS credits. Prices vary, driven by factors including geography, contract setup, type of project, cost to develop and manage the project, and more. For example:

- Market dynamics will have a greater impact on spot market purchase prices, whereas offtake agreements can create some price stability.[19]
- Projects still under development may have lower pricing to compensate buyers for the risk of non-delivery of the credits.

A real example can illustrate how price varies across project types: according to Sylvera, credits from IFM projects (improved forest management), where sustainable forest management practices are implemented to avoid over-harvesting, sell at an average of USD $15/t, reaching an average of USD $26/t for high quality IFM credits. In comparison, afforestation, reforestation, and revegetation (ARR) credits sell at an average of USD $22/t, USD $7/t higher than IFM credits.

For all the reasons stated above and more, prices are changing quickly, making it difficult to clearly establish a "minimum price" that signals quality. While a high price does not necessarily signal high-quality today, it is anticipated that, in the long term, high-quality carbon credits will and should command a premium.[20]

Online databases track the VCM and provide recent credit prices so that companies can verify their credit pricing. These include CBL Nature-Based Global Emissions Offset Futures, Platts Carbon Credit Assessments, Air Carbon Exchange (ACX), Viridios, Intercontinental Exchange (ICE), Trove Research, Sylvera and Ecosystem Marketplace. However, these databases may not capture prices paid in spot transactions or via bilateral offtake agreements. Alternatively, companies can conduct internal analyses with procurement experts, independently analyzing the market before purchasing. Companies can also choose to visit a project themselves for additional input into credit prices.

Financing the NCS credits budget. Currently, companies typically take one of the following approaches to budget for VCM investments:

- **Internal carbon pricing**. Companies can set an internal carbon price to raise funds to finance the purchase of NCS carbon credits, thereby informing their budget setting. To set an internal carbon price, companies can, via one methodology, forecast their emissions using reduction targets and then set a dollar-per-ton value per year.[21] [22] Companies can use the funds from the internal carbon price to drive decarbonization efforts and guarantee funding for years into the future, as opposed to setting budgets anew each year. In most cases, the price will gradually ramp up over time as emissions reductions are achieved and deep decarbonization is further incentivized. Although an internal carbon price can be flexible, companies with internal carbon prices may not meet their volume target when limited to purchasing high-quality NCS credits, as market prices move rapidly further underscoring the need for a diversity of credit types.[23]
- **External carbon pricing**. Companies can monitor the market and assess the range of carbon credit costs based on their desired portfolio mix, which will likely include a combination of NCS and technological solutions, reduction and removal credits, and a geographic spread. They can then develop a budget based on an average market price, their estimated ability to spend, and compensation needs.

Overall, it is recommended that companies determine a willingness to pay per credit, based on internal factors such as a carbon tax or credit quality criteria. Companies can then settle on a flexible (not fixed) approach to budgeting – mainly because it is likely that companies will have to adapt to a wide range of prices for NCS credits as well as the rapidly shifting NCS voluntary carbon market. One way to create flexibility is to combine a price scenario for the desired credit portfolio with internal carbon pricing. Internal carbon pricing guides a company's overall budget, which they can then use to purchase a variety of credits, as the budget will account for the range of prices across different types of high-quality NCS credits.

Building price resilience into your procurement strategy.

- Set carbon credit budgets using conservative price assumptions and stress-test financial models against a range of market scenarios.
- Consider combining spot purchases for near-term needs with longer-term offtake agreements to balance cost certainty with supply security.
- Fixed-price contracts offer cash flow stability; variable-price contracts allow buyers to benefit from potential price decreases but carry downside risk.
- Diversifying across project types (e.g. reductions and removals) with different price dynamics can reduce overall portfolio exposure to price swings.

Step 2.
Define roles and responsibilities

Companies that want to acquire NCS carbon credits will need certain expertise, including a good understanding of the standards, the workings of the voluntary carbon market, and knowledge across legal, finance, risk, sustainability, and aspects of biodiversity and social attributes.

To do this, companies can source internal support to advise and decide on NCS carbon credits, bringing together an internal team. Building internal capacity should include upskilling internal stakeholders, such as risk and legal teams, who need to understand purchases and the risks, and establishing roles and responsibilities for these stakeholders. Different team members can engage at the various stages, such as finance involvement when setting and approving budget, and legal and risk involvement when purchasing and contracting. This can be an opportunity for companies to develop a matrix approach across internal functions and learn to work collaboratively, pulling resources from different departments.

Companies may also choose external expertise, seeking third-party support or partnering with NGOs for knowledge on the VCM, NCS, biodiversity and working with local communities. Third-party support can also include advisors that scout for projects and programs, working closely with project developers to provide an additional layer of reporting on the project's impacts and quality of carbon credits. Seeking third-party support instead of dedicating funding to building an internal team may be a preferred financial decision for smaller companies.

Any internal or external support will be responsible for evaluating the quality of the credits and making decisions on how to use them. It is important to establish this team

Companies that want to acquire NCS carbon credits will need certain expertise, including a good understanding of the standards, the workings of the voluntary carbon market, and knowledge across legal, finance, risk, sustainability, and aspects of biodiversity and social attributes.

at the beginning of the process to ensure timely due diligence and contracting. Smaller companies or those with less experience in the VCM may not have the resources or expertise to establish a full team, so they should seek external support where needed.

Companies that elect to work with third parties must be sure to perform due diligence on prospective partners. This can be done through a streamlined know your customer (KYC) process. This process entails taking a close look at the third-party, scrutinizing expertise and capabilities, as well as observing specific aspects of the project that are important to the company, such as project history, partners, key risks, additionality, leakage, permanence, co-benefits, revenue sharing arrangements and negative press.

Don’t have an in-house expert? You don’t need to go it alone.

- Due diligence on NCS carbon credits requires expertise across carbon standards, legal frameworks, finance, and ecology. Buyers without dedicated internal capacity should consider:
- Engaging a specialist carbon advisory firm or independent verifier to conduct project-level due diligence on your behalf.
- Using carbon credit rating services (see Appendix 5) as a screening tool before deeper investigation.
- Reviewing the due diligence questions in Appendix 2 as a starting framework, particularly for biodiversity and people criteria.

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Step 3.
Set procurement criteria for NCS climate change mitigation, biodiversity and people

It's critical that companies have a clear set of NCS procurement criteria to assess the contributions of projects and programs to climate change mitigation, biodiversity gains and benefits to people. To do this, many companies use a combination of existing standards, which are increasingly going beyond climate change mitigation to cover many biodiversity and social components (see the Biodiversity and people criteria and due diligence questions in Appendix 2 for more information). Others go beyond and add incremental criteria based on their company values and biodiversity and social strategies. Regardless of the approach, criteria should align with global best practices, existing standards and company priorities, and should have the approval of the company's key decision-makers.

It's critical that companies have a clear set of NCS procurement criteria to assess the contributions of projects and programs to climate change mitigation, biodiversity gains and benefits to people.

©Photography of the Southern Cardamom REDD+ Project by Filip Agoo on behalf of Everland LLC

Setting procurement criteria correctly can create a lot of value for an organization beyond just reducing risk. For one, it helps companies operate with the speed necessary to participate in this fast-paced market. It does this by streamlining the procurement process – helping companies select long-term partners, projects and programs more quickly. Additionally, having criteria creates internal alignment and improves a company's external communication about impact reporting and measurement/management of the biodiversity and people contributions associated with the purchase of NCS carbon credits.

Setting procurement criteria correctly can create a lot of value for an organization beyond just reducing risk.

Climate change mitigation quality criteria

Though not the focus of this guide, NCS projects or programs need to deliver high integrity with respect to climate change mitigation first, delivering emissions impact through reductions or removals. Project and program design and implementation must carefully consider the following attributes of climate change mitigation integrity[24] [25] [26]:

- Additionality
- Permanence
- Robust quantification
- Leakage
- Double-counting[27]
- Transition to net-zero emissions

In addition, it is critical that the project or programmatic activity obtain independent validation and verification. For definitions, see the Glossary.

Carbon crediting programs certify that companies have met these criteria on climate change mitigation. Many also look to carbon credit rating agencies or the Carbon Credit Quality Initiative (CCQI) to get additional information and verification beyond carbon crediting programs. Some companies will also conduct additional due diligence to ensure that carbon credits achieve company-specific criteria.

In the context of carbon markets, standards refer to the overarching rules and criteria set by governance bodies that carbon crediting programs must follow to ensure high integrity and credibility. Methodologies, on the other hand, are specific procedures or protocols used within these programs to quantify and verify the emission reductions or removals associated with a particular project type. Standards ensure consistency and quality across the market, while methodologies provide the detailed steps necessary to implement projects under these standards.

The following frameworks can help identify credible carbon crediting programs.

Existing frameworks:

- The **Integrity Council for the Voluntary Carbon Market** (ICVCM) is an independent, non-profit governance body for the Voluntary Carbon Market, dedicated to maximising its potential to finance climate solutions. Their science-based Core Carbon Principles (CCPs) establish the first independent global threshold for high-integrity carbon credits.

  The CCPs, along with the CCP Rulebook (the Assessment Framework), define standards for the supply side of the market. These standards are grounded in the best available science and have been developed through extensive consultation.

  ICVCM continuously evaluates carbon-crediting programs and their methodologies to determine if they adhere to these standards. Carbon credits can only be tagged with a CCP label if they meet two criteria: they must be issued by a CCP-Eligible program and use a CCP-Approved methodology.

  The high-integrity CCP label assures buyers that these carbon credits are underpinned by the latest science and deliver genuine emissions reductions, alongside sustainable development benefits that support Indigenous Peoples and local communities.

- The **Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)** is a market-based international compliance mechanism to reduce emissions from international flights that allows airlines to use credits to meet mitigation goals. The International Civil Aviation Organization (ICAO) has developed Carbon Offset Credit Integrity Assessment Criteria to define CORSIA-eligible offset credit programs. It is important to note that, as a minimum requirement, CORSIA-approved standards should be the basis for credit accreditation.

  To minimize the burden on programs and promote harmonization, the ICVCM has determined that programs already eligible under CORSIA are also eligible under the Assessment Framework provided they meet additional, rigorous high-integrity CCP requirements as set out in the Assessment Framework, including a robust framework of safeguards, provisions related to sustainable development contributions and guidance for benefit sharing arrangements.

Guidelines

- The **Tropical Forest Credit Integrity Guide** published by the Coordinator of Indigenous Organizations of the Amazon River Basin (COICA) provides companies interested in purchasing carbon credits in the voluntary carbon market with

information on how to differentiate among forest carbon credits by impact, quality and scale. This will help move the market toward credits with high social and environmental integrity. The guide is designed to assist decision-making by individuals and teams responsible for developing and implementing corporate climate mitigation and net-zero strategies.

- The **Principles for Working with Forest Communities** developed by the Peoples Forests Partnership outline best practices for engaging with and supporting forest-dependent communities. These principles emphasize the importance of respecting the rights of Indigenous peoples and local communities, ensuring their participation in decision-making processes, and recognizing their contributions to forest conservation. They provide a framework for companies to build equitable partnerships that promote sustainable development and enhance the livelihoods of these communities while achieving carbon reduction goals.

- The **Principles for Investments in Natural Climate Solutions** developed by Conservation International guide companies in responsibly integrating NCS into their climate strategies. These principles ensure that NCS investments not only contribute to carbon sequestration but also equitably benefit local communities and Indigenous peoples, align with national policies, and meet rigorous standards for quality and additionality.

Currently, most NCS credits traded in the voluntary carbon market are issued under a small number of ICVCM approved carbon crediting programs,[28] including **Verra**, **Gold Standard program**, **American Carbon Registry (ACR)**, **Climate Action Reserve (CAR)**, **Architecture for REDD+ Transactions (ART)**, and **Equitable Earth**. New programs are under continuous review by ICVCM and continue to expand. These carbon crediting programs use methodologies that fall under the NCS type of interventions (protect and conserve, sustainably manage and restore). The methodologies, however, address benefits for biodiversity and people only in limited ways.

It is important to note that ICVCM approval operates at both the program level and the methodology level. While several crediting programs have been approved, only credits issued under specific methodologies that meet the CCP requirements are eligible to carry the CCP label. As a result, not all credits issued by these programs are automatically CCP-eligible. This is particularly relevant for NCS methodologies, where a limited number have completed the ICVCM assessment process to date.

Carbon crediting program*	Standard	Name of the unit**
Climate Action Reserve (CAR)	Climate Action Reserve	Climate Reserve Tonnes (CRT)
Verra	Verified Carbon Standard (VCS)	Verified Carbon Units (VCUs)
The Gold Standard Foundation	Gold Standard for Global Goals	Gold Standard Verified Emissions Reductions (VERs)
American Carbon Registry (ACR)	ACR Standard	Emission Reduction Ton (ERT)
Architecture for REDD+ Transactions (ART)	TREES – The REDD+ Environmental Excellence Standard	TREES Credits
Equitable Earth	Equitable Earth Standard (formerly the Ecosystem Restoration Standard)	Equitable Earth Credits (EECs)

**Programs approved by ICVCM as of March 2026*

***Although the units have different names, they are all equal to 1 tCO_2e reduced or removed.*

Derisking investments and understanding the positive contribution to biodiversity and people

The main contribution of this guide is its focus on biodiversity gains and benefits to people, and why and how companies can build these aspects into their procurement processes.

Biodiversity gains. NCS projects and programs must lead to biodiversity gains, including the socio-economic and biological value of ecosystem services,[29] which can impact project success.[30] The biodiversity gains will differ across different types of projects and programs (e.g., forest conservation, regenerative agriculture) in terms of both scale and type of impact; in all cases purchasing NCS credits provides direct finance to efforts to address the global loss of biodiversity. Additionally, a focus on biodiversity gains provides benefits to projects/programs and their buyers by:

- **Boosting resilience and capacity to adapt to climate change.** NCS projects and programs increase ecosystem resilience amid climate change, ensuring project longevity, as the prevention of climate change impacts increases the likelihood that projects will deliver on contract agreements and reduces the risk of credit non-permanence. Certain elements of biodiversity can protect against climate change risk, such as local vegetation in a mountainous project area, which can stabilize slopes, thus preventing landslides and avalanches during severe storms.

- **Supporting a nature-positive strategy.** A high-quality NCS strategy has strong synergies with corporate nature-positive targets, which are high-level goals and concepts that focus on a future state of nature that is improved from the current state.[31] Companies focusing on biodiversity in NCS get experience taking a holistic perspective to operate within the Earth's limits and effectively stabilize both nature and climate.

- **Enhancing project and program security.** Biodiversity also enhances project and program security by virtue of providing three broad benefits to people: vital ecosystem services, such as food and medicine; sustainable access to natural resources that underpin the livelihoods of local communities and can feed into sustainable regional economies and global supply chains; and gene pool diversity, which is critical for all species in order to adapt to changing conditions and maintain resistance to pests, diseases, viruses and other threats.

- **Offering enhanced carbon benefits.** Finally, biodiversity provides additional climate mitigation benefits beyond its articulated goals. For example, certain aspects of biodiversity do more than act as sinks for carbon sequestration and negate carbon effects. Forests, for instance, can help moderate local climate conditions and temperature increases. Tropical forests can provide a 50% cooling effect compared to carbon effects alone[32] while also minimizing the risk of drought associated with extreme heat.[33]

Creating benefits to people. High-quality NCS projects and programs provide benefits to people, particularly to IPs and LCs, and

NCS projects and programs increase ecosystem resilience amid climate change, ensuring project longevity, as the prevention of climate change impacts increases the likelihood that projects will deliver on contract agreements and reduces the risk of credit non-permanence.

low-income communities – their success also depends on people, as landowners and land stewards who play an integral role in conserving and restoring nature. Nature is generally declining at a slower rate in lands for which IPs and LCs hold stewardship rights, however, ecosystem destruction and climate change impact IPs and LCs and low-income communities the most as their livelihoods are so closely connected to the ecosystems they call home.[34] Thus, successful NCS projects strengthen the stewardship role of communities, which in return results in strengthened project and programs and nature conservation and restoration. A focus on benefits to people provides benefits to projects and programs by:

- **Enabling fair and equitable sharing of revenues and benefits** Projects and programs are more effective if communities who are affected - and often do the actual work on the ground - receive fair and equitable monetary compensation for their work. Local communities, and Indigenous Peoples who often hold rights to the land (legal and/or customary), play a critical role in ensuring the permanence of the NCS investment. Communities with rights to the land and/or monetized resources should be recognized as co-investors who take on a share of the investment risk, and consequently also receive a fair share of the revenue created. Governments and organizations can fund and set up NCS projects or programs, but should actively involve communities in the project planning and design from the outset. Those leading NCS projects and programs should also work to ensure fair distribution of benefits, with a particular focus on ensuring equity for marginalized groups within the community. The lack of such engagement and fair compensation puts the project or program implementation and operations at significant risk. This is especially important for projects and programs that reduce livelihood opportunities. Finally, NCS projects should have clear mechanisms for tracking and reporting revenue and benefit sharing.

- **Investing in local communities, creating jobs, and strengthening local capacity and community resilience** It is important to reinvest a portion of project revenues into local community development projects, such as education, healthcare, and infrastructure, to ensure long-term benefits and support for the communities involved. Successful NCS projects provide training and job opportunities to communities affected by the investment, making opportunities accessible to remote locations, women and the youth. Improvements on food security and nutritional sovereignty, as well as new technological advancements (particularly in impact monitoring), provide exciting opportunities for women and younger generations to take part in project implementation.

- **Allowing for active and meaningful community participation through early and full local people involvement.** Local buy-in and participation in decision-making processes – from local communities, local governments, and national governments – is important to ensure that NCS projects and programs are successful and sustainable. NCS impact is best achieved through active and meaningful participation from communities in design and implementation, as they are key stakeholders of the NCS activities and are stewards of valuable ecosystems. Local and Indigenous knowledge of landscapes, ecosystems and land-use practices can significantly strengthen project design, monitoring and long-term sustainability. It is critical that NCS projects adhere to the principle of Free, Prior, and Informed Consent (FPIC), meaning that Indigenous Peoples are fully informed and voluntarily consent to projects affecting their lands and resources.

- **Supporting, respecting and investing in Indigenous Peoples and local communities' land rights and their traditions to incorporate best practices.** Indigenous Peoples own or manage at least 25% of the Earth's land area, including approximately 35% of formally protected land and 80% of remaining global biodiversity. Indigenous Peoples and local communities live in reciprocity with nature and have applied NCS for centuries. Their local and traditional knowledge of ecosystems, land management and biodiversity is essential for designing effective and culturally appropriate NCS interventions. Projects and programmes should therefore recognize, respect and draw from their local and traditional knowledge, alongside scientific approaches, while strengthening communities' relationships with their lands and resources wherever possible.[35]

The assessment of project and program performance in generating biodiversity gains and benefits for people is more complex than the assessment of their contribution to climate change mitigation. There are standards and carbon crediting programs that cover positive environmental and social contributions by adding other certifications. For example, Verified Carbon Standard (VCS) credits issued by Verra may also include Climate, Community & Biodiversity (CCB) Standards, while a Gold Standard VER credit may also hold an additional certificate associated with a Sustainable Development Goal (SDG) impact and Forest Stewardship Council (FSC) certification.

The ICVCM Assessment Framework provides opportunity for CCP-approved carbon-crediting programs to have a unique tag for additional attributes for quantified positive SDG impacts. Carbon-crediting programs can refer to or be guided by existing methods of quantification including Gold Standard SDG Impact Tool (operated by the Gold Standard), Sustainable Development Verified Impact Standard (SD Vista) (operated by Verra), Climate, Community & Biodiversity Standards (CCB) (operated by Verra) or other relevant programs.

These additional labels are becoming more common as they help buyers identify credits generated by projects or programs that have systems in place to lead to positive impacts for biodiversity and people.

However, not all projects and programs carry additional labels. Given that current carbon crediting programs may not include standards that assess the full range of environmental and social benefits, **companies should define their own set of high-quality criteria based on their company's values and alignment with their environmental/ biodiversity and social strategies in order to assess the NCS project or program positive contribution to biodiversity and people.** Companies can use these criteria to initiate a conversation with project and program developers or in formal due diligence. More details are available in the NCS criteria list and Due Diligence Appendix.

Before assessing a project or program for their biodiversity gains and benefits to people, it is essential to ensure that the NCS credits have been issued by a credible carbon crediting program.

To support companies in defining a set of criteria to assess the positive contribution to biodiversity and people, the following section captures a suite of criteria based on existing carbon-crediting programs and table other sustainability standards. All criteria on the following pages are mapped to carbon crediting and sustainability standards (see Appendix 2). It is unlikely that any project or program will be perfect across all suggested criteria focusing on biodiversity and people; buyers should use these criteria to help them navigate a balance between outcomes for biodiversity and outcomes for people.

There is a sequence in the use of the criteria. Before assessing a project or program for their biodiversity gains and benefits to people, it is essential to ensure that the NCS credits have been issued by a credible carbon crediting program. If the selected NCS credits don't meet this criterion, do not proceed with any further steps. There are other critical criteria reflecting the "Do no harm" principle to biodiversity and people that must be in place to even consider purchasing; if a project/program does not meet the "Do not harm" biodiversity and people criteria, the recommendation is for companies to not continue with due diligence. See Figure 9 for a high-level overview.

For each criterion, the guide outlines due diligence questions and example answers in the NCS criteria question section in Appendix 2. Procurement officers should use the example answers provided as a guideline as they receive answers on the projects and programs they are purchasing from, to assess whether it meets high-quality requirements. In going through this process, companies will start with different levels of knowledge. The recommendation is therefore for companies to use the criteria to the best of their knowledge and seek external help when needed. The criteria are intended to be a starting point for a conversation and negotiation between the developer and a third party representing the project, and the buyer.

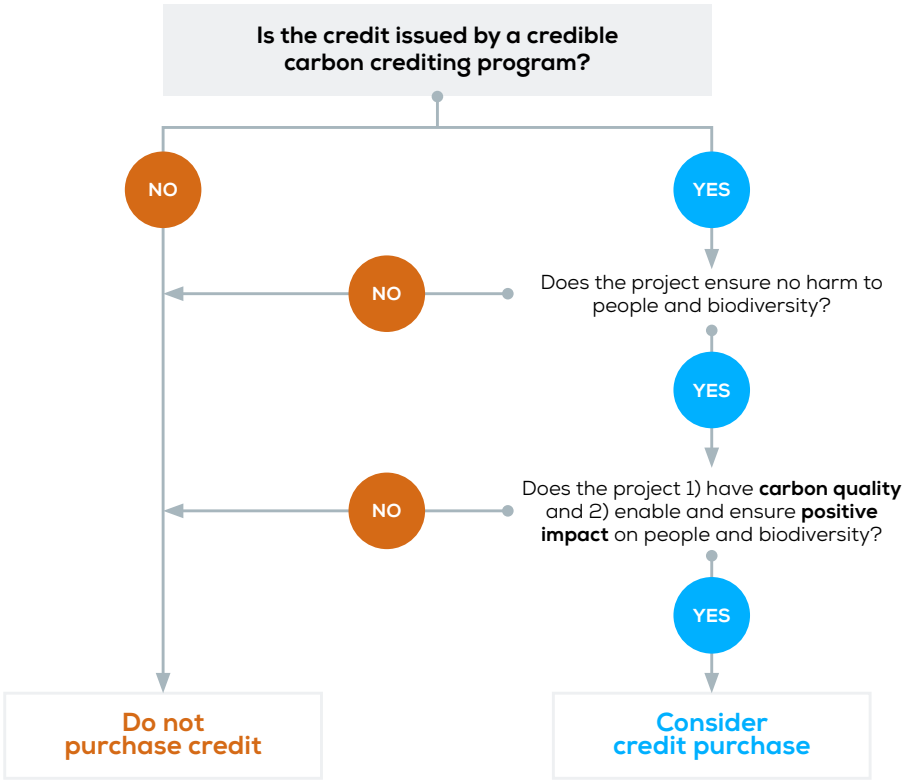

Figure 9: Suggested approach to criteria due diligence

Source: A Buyer's Guide to Natural Climate Solutions Carbon Credits, NCSA

BIODIVERSITY GAINS

Objective: The project/program leads to biodiversity gains (as described by SDGs) and contributes to SDG 14 (life below water) or SDG 15 (life on land).

DO NO HARM CRITERIA

1. The project/program does no harm to biodiversity, including no conversion or degradation of natural habitat and no increase in species extinction risk.
2. The project/program performs environmental impact and risk assessments to prevent potential negative impacts.
3. The project/program has action and monitoring plans with clear roles and responsibilities.

POSITIVE CONTRIBUTION CRITERIA

4. The project/program uses recognized approaches to support ecosystems in adapting to climate change and is aligned with SDG 14 (life below water) or SDG 15 (life on land).
5. The project/program baseline characterizes the ecological state and drivers for ecosystem loss.
6. The project/program identifies clear and measurable outcomes and both anticipated and potential unanticipated risks to biodiversity, with an explicit objective of achieving positive impacts on biodiversity.
7. The project/program is designed with site specific or landscape context pressures taken into account to reduce threats to biodiversity.
8. The project/program evidences enhanced, positive biodiversity impacts and builds resilience.
9. The project/program prioritizes the maintenance and enhancement of ecosystem services such as soil protection, pollination, water sources and provision, soil fertility and air quality.

BENEFITS FOR PEOPLE

Objective: The project or program leads to positive social impact, contributing to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being) and SDG 5 (gender equality).

DO NO HARM CRITERIA

1. The project/program has identified and actively involved stakeholders whom the NCS directly and indirectly impacts in all processes of the governance structure and decision-making. Decision-making processes document and respond to the rights of impacted stakeholders.[36]
2. The IPs and LCs present in the project/program area support the project, as evidenced by free, prior and informed consent (FPIC).
3. The project/program protects the security of all stakeholders, including human rights defenders, complainants and community spokespersons.
4. The project/program performs social impact and risk assessments to prevent potential negative impacts of the project/program.
5. The project/program has action and monitoring plans with clear roles and responsibilities.
6. The project has identified health-focused stakeholders to understand the health context, priorities, and needs of IPs and LCs who are directly and indirectly impacted by the NCS.
7. The project understands IPs' and LCs' health needs priorities, and to the extent possible, avoids/minimizes unintended consequences for communities.
8. The project ensures safeguards to protect women in the community.

POSITIVE CONTRIBUTION CRITERIA

9. The project/program uses recognized approaches to support communities in adapting to climate change and is aligned with SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being) or SDG 5 (gender equality).
10. The project/program prioritizes the involvement and support of vulnerable groups, including women and girls.
11. The project/program invests in the livelihoods of IPs and LCs to ensure the uptake and sustainability of the project.
12. The project/program engages and protects marginalized and underrepresented groups, including low-income communities.
13. The project/program maintains and takes opportunities to improve stakeholder land and resource rights.
14. Revenue-sharing occurs in a transparent and equitable manner and the project/program has consulted IPs and LCs in the financial planning process.

15. The project has established a reference point (i.e., baseline) for health that can be used to measure health impacts, select KPIs, and identify further health challenges and risks (in a sensitive and appropriate manner).
16. The project was designed in a participatory manner to enable opportunities for codesign to enhance the health benefits of the NCS and mitigate any potential health risks.
17. The project governance provides efficient channels for stakeholder engagement to ensure that stakeholders remain involved throughout the project lifecycle, which supports with adaptive management and risk escalation to ensure that the project continuously meets the changing health needs and priorities of IPs and LCs, and that unintended health consequences are reported and managed.
18. IPs and LCs who are impacted by the project are involved in the project's financial planning processes and empowered to make decisions about benefit-sharing, which occurs in a transparent and equitable manner with ongoing consultations with IPs and LCs.
19. The project incorporates health as a core component of its broader MRV processes, continuously gathers information and tracks KPIs in relation to the health baseline to understand the impact that the project is making.
20. The project appropriately and credibly communicates the health outcomes of the project, checking with IPs and LCs before communicating, and not making any claims on benefits before they have happened, nor claiming responsibility for those health outcomes.
21. The project/program supports women's empowerment and gender equality.
22. The project/program has a gender focus and actively involves women in the community in all processes of decision-making (and the governance structure)
23. The project/program maintains and takes opportunities to improve women's land rights.
24. Revenue-sharing occurs in a transparent and equitable manner and project/program has consulted women and other marginalised groups in the financial planning process.

Step 4.
Identify sources of NCS carbon credits

Once they have set the NCS high-quality criteria, companies can begin identifying projects or programs issuing NCS carbon credits.

There are several options for identifying NCS projects and programs that will deliver carbon credits.

Source credits from previously assessed partners

Companies with established relationships with retailers and project developers can source credits directly from these parties. This option is particularly advantageous as it can accelerate the entire pre-purchase process, including due diligence. For guidance on due diligence for parties, see Step 5.

Source credits at early stage or via project development funding

Companies can choose to provide funding to projects under development, instead of sourcing from projects or programs that are already issuing credits. This provides project developers with needed finance while providing companies with a source of future credits.

Requests for proposal (RFPs)

Companies can use RFPs to solicit offers for carbon credits from a variety of sellers, such as partners or project developers. This process is useful for identifying, assessing and selecting potential projects/programs that will deliver credits. Once an RFP is submitted, it is important for the third party and the buyer to be in regular contact about the latest availability and pricing. It is important to note that the often-extended time frame for RFPs can make them less useful for individual projects and credits for purchase, given the fast-moving nature of the NCS credit market.

Search the spot market

Companies can also identify and purchase NCS carbon credits from the spot market (e.g., via a marketplace or exchange). This is a common method of procuring NCS given the speed of the market and the growing demand for NCS credits. Companies can also conduct spot purchasing “over the counter”, which gives more visibility into the underlying NCS project, allowing them to select for specific criteria.

Is your potential project exposed to climate hazards?

Before shortlisting a project, consider its geographic exposure to natural hazards. Coastal and tropical forest projects face higher risks from cyclones, flooding, and rising sea levels. Dryland and savanna projects are more vulnerable to drought and wildfire. Ask project developers:

What natural hazard risks does this project face, and how have they been modelled?

Does the project hold a buffer pool contribution to compensate for potential reversals?

What is the project’s track record of credit issuance relative to projections?

Digital MRV tools (e.g. satellite monitoring) can also provide buyers with independent real-time visibility on project health.

Choose your transaction type with your risk appetite in mind.

Not all buyers have the same risk tolerance or internal capacity to manage complex carbon transactions. Consider:

- If you are new to carbon markets, starting with spot purchases of verified, issued credits from established projects significantly reduces complexity and risk.
- If you have longer-term climate targets, offtake agreements can secure future supply - but require more rigorous due diligence and carefully drafted contracts.

Direct project investment is most appropriate for organisations with dedicated sustainability teams, strong risk management frameworks, and a genuine desire to shape project outcomes.

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Step 5. Conduct due diligence

Once companies have identified potential projects and programs, they must perform due diligence to identify which one(s) meet their high-quality climate, biodiversity and people criteria (see NCS Criteria section for guidance on carbon standards and biodiversity and people criteria). Companies may conduct due diligence internally or rely on specialised third parties to support the assessment. Before beginning due diligence, companies must confirm that credits are high integrity with respect to climate change mitigation and ensure no harm. If the project or program meets this requirement, the company can proceed with an iterative due diligence process.

Due diligence plays an important role in identifying and assessing the risks associated with carbon credit procurement, but it cannot eliminate all risks. As described in the section Understanding and managing risk in NCS carbon credit procurement, buyers may face several categories of risk across the procurement lifecycle, including:

- Natural hazards
- Counterparty shortcomings
- Political and regulatory change
- Insecure land or carbon rights
- Lack of sustained local support for the project or program
- Market price volatility

Due diligence helps buyers better understand how these risks may affect a specific project or program and evaluate whether they fall within the company's risk tolerance. In practice, buyers typically combine due diligence with other risk management approaches – such as diversification across projects and geographies, contractual protections, and insurance – to manage risk across their carbon credit portfolio.

Once companies have identified potential projects and programs, they must perform due diligence to identify which one(s) meet their high-quality climate, biodiversity and people criteria.

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Information gathering during due diligence

To guide their assessment of credits, companies can gather information on projects and programs through the following steps:

1. Agree on high-level terms, such as prefinancing or payment on delivery, and volumes with the stakeholder that the company is purchasing the credit from (who may or may not be the credit owner).[37] This is a first step to ensure shared expectations and avoid possible complications with project developers later in the contract process. For companies that are purchasing directly from project developers, provide transparency on company goals and priorities for supporting NCS projects and programs, as project developers may also want to do their own due diligence on the buyers.[38]

Who owns the carbon – and does the seller have the legal right to sell it?

Carbon and land rights disputes are one of the most complex risk areas for buyers. Before completing a purchase, ask:

- Has the project developer provided evidence of legal title or authorisation to develop the project on this land?
- Has a Free, Prior, and Informed Consent (FPIC) process been completed with any Indigenous Peoples or local communities affected?
- Has an independent legal review been conducted of the carbon rights ownership chain in the host country?
- Are there any active or historical disputes over land use or ownership at or adjacent to the project site?

Projects with weak land governance significantly elevate buyer reputational exposure - ensure these questions are addressed before purchase.

2. Limit the level of detail in the preceding step while the company is still determining the project list, only requiring:

    a. Price, acknowledging it may vary, depending on quality and project/ program operating cost
    b. Volumes
    c. Project IDs
    d. Verification standard(s)
    e. Existing marketing materials from the project developer
    f. Vintage[39]
    g. Information on how IPs and LCs are involved in revenue sharing agreements.

3. Rely on publicly available information from registries for initial assessment of projects and programs to limit additional work for project developers to the extent possible. For early-stage investments, the amount of publicly available information may be limited, so thorough due diligence involving the developer will be necessary to gain clarity on project needs, opportunities and risks. In the long-term, these demands will ideally become standardized and the market will grow more transparent. As buyers review project information, they can begin generating follow-up questions they would like to review with the developer.

4. Companies can then follow up with questions to close any gaps that need clarification due to the data available, using third parties as needed.

    Companies should perform due diligence on project developers and intermediary parties that they regularly work with to source and purchase credits in the following areas:

    - Climate targets
    - Legal action taken against the company in the past year(s)
    - Key partners and examples of collaboration
    - Experience and expertise
    - Financial stability and capacity to deliver
    - Policies on diversity, equity and inclusion (DE&I), discrimination, living wage and benefits
    - Negative press about seller or projects/ programs, with checks on reputability of press.

Vetting the people behind the project is as important as vetting the project itself.

When conducting due diligence, go beyond project documents to evaluate the reliability and track record of the project developer and key partners. Consider:

- Has the developer successfully delivered credits on prior projects of a similar type and scale?
- What is the financial stability of the developer - do they have sufficient capital to operate over the project's lifetime?
- How is the project structured to maintain continuity if the primary developer exits?
- Is the VVB used by the project independent and well-regarded within the standards community?

Including robust performance clauses and disclosure requirements in contracts can further protect buyers where counterparty risks are elevated.

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Step 6.
Make the purchase/sign the contract

Once the due diligence process is complete, the company can make a final decision on projects/programs whose credits they will purchase. At that point, contracting with the developer or intermediary begins. They can purchase credits directly from a project developer or through a portfolio manager, a broker, credit marketplace, credit exchange or carbon fund. These entities will have contract templates they can provide to the company to initiate the contracting process. As the company is reviewing the contract, there are some key elements and considerations to keep in mind, based on the length of the agreement.

- **Climate change mitigation integrity.** To ensure climate change mitigation integrity, the contract should contain guarantees on meeting standard requirements. In addition, it should state clearly that the credits purchased are guaranteed. Although companies can agree on contracts for carbon credits generated in the future, companies should not claim those credits in terms of carbon impact before they are issued. It is not required for the contract to guarantee retirement of the credit on behalf of the buyer; but the seller should pass on the credit certificate to ensure that they cannot sell the credit again to another buyer. The contract should guarantee credit delivery, with a variable time frame based on the purchase agreement. In addition, to make any claims on credits, companies must retire those credits.

- **Biodiversity**. To ensure continued high quality across nature attributes, the contract should guarantee to meet minimum standards and measure impacts.

- **People**. To ensure continued high quality across people attributes, the contract should guarantee compliance with stated financial distribution, which the project developer should produce in a participatory process with IPs and LCs.

- **Additional considerations**. Any contract should include several additional considerations, such as failure to deliver credits, commitments to anti-money laundering, clauses covering reputational risk, and any further contract elements put forward by the procurement team. Buyers may also want developers or third parties to agree to a supplier code of conduct attesting to their legal and ethical operations.

Purchase and offtake agreement structures

Companies can select from a variety of agreement structures, which typically include definitions, terms of the transaction, taxes and fees, representation, notices, governing law and dispute resolutions, default terms and remedies. Companies can execute these procurement options with different counterparties, including carbon credit project developers and other market intermediaries, such as brokers (both for and non-profit) and fund managers.

Spot market or over the counter purchases

Annual purchasing on the market through brokers or bilateral deals directly with project developers. Prices fluctuate over time and across brokers and vendors. For spot market purchases, companies should ensure that their contract requirements are present in the credits they have sourced.

Long-term purchase agreements

There is increasing interest and demand from buyers for long-term agreements to secure a supply of high-quality NCS. Project developers also seek long-term agreements – sometimes called advance purchase agreements – to ensure security for future credits. They usually don't expect a fixed price, given market volatility, but would prefer a price that is potentially indexed to the market for advance purchase agreements. Long-term purchase agreements can have a variety of structures, depending on whether buyers pay in advance or on delivery of credits.

Some agreements stipulate that buyers will make payments over a fixed period in the future, such as 3-5 years, in return for a specified number of carbon credits. Others may take the form of an investment, where buyers provide finance up front to support a project, typically recovering the fixed upfront costs from carbon credits issued in the first few years of the crediting period. Buyers can also invest directly in funds, joining coalitions such as the Lowering Emissions by Accelerating Forest finance (LEAF) coalition, the Symbiosis Coalition and the Beyond Alliance, which are designed to aggregate demand and funding to maximize the impact of selected projects and programs. The specifics of long-term purchase agreements will depend on the negotiations between the parties.

If companies opt for long-term purchase agreements, it is important to clearly define the contract expectations, including those stipulating ownership rights of credits, as the delivery of credits typically does not occur up front. In addition, companies will need to monitor credit delivery to ensure the delivery of the volumes agreed upon in the contract.

Partnership models

In addition to buying credits from high-quality projects or programs, a company could become an early investor to drive catalytic investment in early project development. Early stage financing is critical for project developers as they scale up to meet demand and can also provide benefits to buyers.

For more detailed information, please refer to **Natural Climate Solutions for the Voluntary Carbon Market: An Investor Guide for Companies and Financial Institutions.**

Equity investments in project developers

Companies can choose to invest in early-stage projects that need up-front funding to be built and then receive their portion of the credits as issued over time. Alternatively, the company may wish to invest in early projects without purchasing the credits if they simply like what the project is aiming to accomplish. This is particularly helpful during the beginning stages of project development, as many projects and programs require additional financial support. Equity investments can also help companies establish trust and build a long-term relationship with project developers.

Co-investing models

Companies can join funds that co-invest in NCS projects and programs, which can emphasize the impact of projects and programs while also helping companies select high-quality credits. For example, Hartree Partners and Wildlife Works partnered on a deal to generate increased private sector investment to protect biodiversity and address deforestation.

Capital investments

Companies can partner with and invest in conservation organizations to develop and manage NCS project portfolios. For example, The Nature Conservancy's in-house impact investing team, NatureVest, works with companies to invest in conservation projects.

Open calls for proposals

Companies can hold open calls for proposals from project developers. However, this approach requires that companies have developed pre-existing criteria for projects and programs.

The contract is your primary line of defence once due diligence is complete

Ensure your carbon purchase contract includes at a minimum:

- A clear description of the project, the credits to be delivered, and the vintage year(s).
- Payment terms explicitly linked to credit delivery or agreed milestones - not upfront and unconditional.
- Defined remedies for non-delivery, including replacement credits, price reduction, or contract termination rights.
- Reputational clauses requiring the developer to disclose material events (e.g. land conflicts, regulatory changes, safeguarding incidents).
- Provisions specifying whether and how Article 6 corresponding adjustments apply to the transaction.

Legal advice from a specialist in carbon markets is strongly recommended for offtake agreements and direct investment transactions.

Step 7.
Report transparently

It is important for companies to be transparent on credits used annually. Companies should disclose details of any carbon credits, including credit type, projects financed, process or policies for evaluating projects, practical concerns such as scalability and cost-effectiveness, and third-party verification. A number of organizations, including the Voluntary Carbon Market Integrity Initiative (VCMI), Glasgow Financial Alliance for Net Zero (GFANZ) and CDP recommend reporting about the use of annual credits and provide companies with guidelines for doing so.

Companies should disclose details of any carbon credits, including credit type, projects financed, process or policies for evaluating projects, practical concerns such as scalability and cost-effectiveness, and third-party verification.

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In their public communications regarding credit use, companies should include key information such as:[40]

- Project type and name of project/program from which credits are sourced (with link to the project/program)
- Type of mitigation activity
- Carbon-crediting program that issued the credits
- Project/program description
- Volume of credits retired per year
- Purpose of retirement and any claims made based on the use of credits
- Retirement information (retirement serial number and date)
- Whether credits have been authorized for corresponding adjustment under Article 6 of the Paris Agreement
- Volume of credits purchased but not retired per year
- Vintage of credits

- Key biodiversity and people contributions of the project.

As companies report on their NCS carbon credit use, they should ensure that they disclose the use and intended use of carbon credits separately from their gross emissions and gross emissions reduction targets.[41]

If companies provide customers with the opportunity to purchase credits, they should attribute the beneficiary of the use of credits to the customers and must report on them separately. Companies can claim the impact mobilized by the customers' actions.

Although external transparency is still complex, some companies are starting with internal transparency on their use of NCS credits. This can include making the above information on credit use available to their employees to increase employee engagement on sustainability efforts. Some companies also publicly report on NCS credit use.

Furthermore, in public communication, the recommendation is for companies to avoid communicating with an exclusive focus

on NCS credit use as opposed to a broader climate strategy due to the risk of obscuring their full climate ambition and failing to highlight the necessary mitigation work that carbon credits cannot replace.[42] NCS credits must complement a robust and ambitious climate strategy, so companies should demonstrate how carbon credits fit within their broader climate transition plans.[43]

Over the course of the past few years, there have been several regulatory as well as voluntary frameworks that have emerged for company disclosures of carbon credit purchases and usage. Companies are also facing increased pressure from various stakeholders - including regulators, shareholders, investors, customers, and the general public - to disclose climate risks, including their use of carbon credits.

Companies should first ensure they are meeting any regulatory obligations for reporting carbon credit purchases, retirements, and claims (which will be dependent on the jurisdictions they operate). Companies should also consider reporting additional information on carbon credit procurement on a voluntary basis using one or more of the voluntary frameworks. These disclosure frameworks are rapidly evolving, so companies should monitor changes closely to ensure they are meeting all requirements.

A summary of some of the main regulatory and voluntary reporting and disclosure frameworks for use of voluntary carbon credits and a sample of their reporting requirements can be found in Table 1.

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Table 1. A sample of some prominent regulatory and voluntary carbon credit reporting and disclosure frameworks. This table is not comprehensive.

Framework	Reporting Requirements
Voluntary Reporting Frameworks	
IFRS S2 - Climate-Related Disclosures	Disclose reliance on carbon credits for net GHG targets, third-party verification, type of credit (nature-based or technological), and credibility factors
CDP Questionnaire	Report plans for carbon credit use in net zero targets, including details on retired credits, and actions beyond the value chain.
Science-based Target Initiative (SBTi)	Taking Responsibility for Ongoing Emissions
Glasgow Financial Alliance for Net Zero (GFANZ)	Disclose carbon credits separately from GHG reduction targets, including credit type, project details, and verification processes.
EU: Commission Delegated Regulation 2023/2772 (ESRS E1)	Disclose GHG removals and carbon credits used for GHG neutrality claims, including quality and extent of credits.
GHG Protocol - Land Sector and Removals Initiative *(note this is still in draft format)*	Separate reporting of emissions and removals, with guidance on how to integrate removals into net-zero targets and track over time.
Voluntary Carbon Market Integrity Initiative (VCMI)	Disclose compliance with carbon credit quality criteria, public GHG inventory, and third-party assurance, aligned with Paris Agreement goals.
Carbon Markets Watch	Critically evaluates the integrity of carbon credit projects, focusing on transparency, environmental integrity, and social impacts. Encourages stringent criteria for credit quality and robust reporting.
Regulatory Reporting Frameworks	
California State Assembly Bill AB-1305	Requires businesses to disclose detailed information on voluntary carbon credits, including for carbon neutrality claims.
EU: Commission Delegated Regulation 2023/2772 (ESRS E1)	Disclose GHG removals and carbon credits used for GHG neutrality claims, including quality and extent of credits.

Step 8.
Claims and communications

The use of NCS carbon credits can trigger three types of claims: [44]

1. Claims associated with climate mitigation by counterbalancing annual unabated emissions in line with the company's science-based targets;

2. Claims associated with contributing to a country's or jurisdiction's commitment to decarbonization; [45]

3. Claims associated with the biodiversity and people benefits linked to the NCS carbon credits.

Making a claim about the use of NCS carbon credits to counterbalance annual unabated emissions can certainly help build the commercial business case for regularly purchasing NCS credits, but should be done with high-integrity. The Voluntary Carbon Markets Integrity Initiative (VCMI) has developed a Claims Code of Practice that companies can use to make credible and transparent claims about their net-zero emissions commitments (see "VCMI Claims" Box for further detail).

In making claims, there is some key guidance to keep in mind:

- **Standard-related claims guidance**. Some standards have specific claim guidelines that buyers must follow. For example, Gold Standard has Claims Guidelines for buyers on communicating accurately about the climate and development impacts derived from Gold Standard-certified projects and programs. Buyers should not make claims about purchased carbon credits outside those listed in accompanying standard claim guidance.

- **Implications of host country corresponding adjustments**. Organizations should transparently report on whether host country corresponding adjustments back transacted credits and should base associated claims on emerging best practices regarding the use of such adjustments. See Glossary for definition of corresponding adjustments. The relationship between the voluntary carbon market, compliance markets, host country Nationally Determined Contribution (country's commitment to decarbonization) ambition and achievement, and the role of corresponding adjustments is a complex, evolving topic that stakeholders should monitor over time to ensure their practices remain aligned with emerging standards/ policies. As this topic is evolving, there are few examples of the application of corresponding adjustments.

Counterbalancing claims about the use of voluntary carbon credits should be linked to the broader company decarbonization strategy, in line with science-based targets to reduce the risk of being perceived as "green washing".

Northern Kenya Rangelands ©Courtesy of NRT

However, best practice going forward for organizations purchasing credits without a host country corresponding adjustment is that they should communicate that the underlying mitigation also contributes to the host country's NDC (provided it occurs under a covered sector) and be transparent in all reporting and communications related to credit use.[46]

- **Ensuring claims build on implementing science-based decarbonization targets**. Counterbalancing claims about the use of voluntary carbon credits should be linked to the broader company decarbonization strategy, in line with science-based targets to reduce the risk of being perceived as "green washing"

- **Not claiming future credits**. Although companies can agree on contracts for carbon credits generated in the future, companies should not claim these credits in terms of carbon impact before they are issued. Companies can make a forward-looking statement that they intend to generate these credits by financially supporting the project, subject to project uncertainties and associated risks.

- **Claiming contribution to project or program biodiversity and social outcomes**. In making claims about biodiversity and people benefits associated with the NCS credits, companies should mention positive outcomes but not claim responsibility for the outcomes of an entire project or program when the company has only purchased a portion of the credits responsible for funding it. This is because there are no formal credits associated with biodiversity yet and companies can't claim attribution to their contribution. To understand the impact of their carbon credit purchases, companies can examine third-party ratings and other independent evaluations.[47] Buyers can also ask for support from the project developer or third party, who can often review claims language for accuracy. As a general rule, a company should word its contribution as support provided alongside other partners to achieve the objective and include, as far as possible, quantified descriptions of outcomes based on project or program monitoring results.

Greenwashing: The practice of companies falsely promoting or exaggerating their environmental efforts to appear more eco-friendly than they actually are.

Through transparent language, companies will be able to share their progress on their climate goals without making misleading and unverifiable claims.

Environmental claims regulations

Amid rising accusations of greenwashing and increasing litigation on environmental claims, there is a growing effort to strengthen policies governing environmental claims. Both non-governmental organizations and governments are now actively working to establish clear guidelines and regulations for credible and legally compliant environmental claims. These regulations primarily focus on the claims associated with carbon credit purchase and retirement, including claims related to carbon neutrality and net zero goals

Significant examples of these regulatory and policy efforts include the European Union's Empowering Consumers Directive; the United States' Federal Trade Commission Green Guides; and California's AB1305/2331.

These emerging regulations aim to ensure that environmental claims are transparent, truthful, and substantiated, providing a more robust framework for companies to follow.

VCMI Claims Code of Practice

The Voluntary Carbon Markets Integrity Initiative (VCMI) is the primary standard setter for the voluntary use of carbon credits by companies as part of their net-zero transition. Their Claims Code of Practice provides guidance for companies to make voluntary use of carbon credits as part of net-zero transitions and make claims about this use.

The "Carbon Integrity" Claims acknowledge organizations that go above and beyond science-aligned emissions cuts to accelerate global net zero.

The VCMI Claims Code of Practice was developed through an 18-month, deliberative process involving experts, governments, companies, and civil society actors from around the world, to provide a high-integrity standard with international recognition, so:

- companies can engage with confidence; and,
- governments can develop policy in a harmonized way.

By making a VCMI Integrity Claim, companies can communicate their climate achievements with clarity to key stakeholders including investors, customers, and employees. VCMI Claims also help companies counter legal and reputational risks associated with greenwashing and 'greenhushing,' and get ahead of the evolving regulatory landscape by following guidance that incorporates leading standards and frameworks.

Companies that are ready to make a claim are encouraged to do so through the Reporting Platform.

VCMI will continue to expand the Claims Code of Practice to ensure market needs and challenges are addressed. VCMI have also published a Scope 3 Action Code of Practice, which provides a high-integrity, practical solution for companies to close the scope 3 emissions gap.

Communication

Effective communication about the use of NCS carbon credits is crucial for businesses to showcase their commitment to sustainability while avoiding misleading or unverifiable claims. Transparent and strategic communication can help companies share their climate goals, counteract "greenhushing," and inspire other businesses to take action. Following established guidelines can help mitigate potential risks.

Guiding Principles:

- **Clarity**: Simplify complex topics into clear, concise messages. Clear and transparent communication helps ensure that your audience fully understands your commitment and actions.
- **Positivity**: Focus on the benefits of various solutions without pitting them against each other. Given the urgency of climate and nature challenges, all viable solutions should be highlighted for their positive contributions. Emphasize that NCS are cost-effective, immediately available, and critical for preserving nature's ability to act as a carbon sink over the next decade.
- **Consistency**: Ensure that your messaging is aligned with that of other stakeholders and actors in the market to avoid confusion. Consistent, transparent communication across the board reinforces trust and credibility.

Challenges to Overcome:

- **Detractors**: Be aware that some oppose market-based solutions on ideological grounds. Address their concerns with evidence and transparency.
- **Reputation**: Reputational issues in the past have occurred from both supply side and from companies making unsubstantiated claims. The market has evolved significantly, moving towards what is now referred to as "VCM 2.0," with improved checks and balances. If necessary, emphasize the progress and increased due diligence in the current market.
- **Integrity:** Address valid concerns about the environmental impacts of some projects by highlighting the ongoing efforts to define and promote high-quality NCS. The market is increasingly incorporating initiatives such as the Voluntary Carbon Markets Integrity (VCMI) and the Integrity Council for the Voluntary Carbon Market (IC VCM) to ensure that integrity is built into every stage.
- **Confusion**: Combat the confusion caused by varied terminologies in sustainability claims and climate targets by adhering to clear and consistent messaging.

Greenhushing: The opposite of greenwashing, where companies deliberately underreport or remain silent about their genuine environmental initiatives, for fear of scrutiny or accusations of greenwashing.

An example narrative developed by Nature4Climate: The Power of Now

Carbon credits represent a rapid response to an urgent climate crisis, with NCS driving immediate action:

1. Corporate leadership is addressing emissions now.[68]

2. The Global South requires carbon finance now.[69]

3. Nature is a critical focus because its solutions are available now.[70]

- **Either/Or Narratives**: Counter the unproductive "either/or" mentality (e.g., deep decarbonization vs. NCS, tech vs. nature, reductions vs. removals) by emphasizing the necessity of all available solutions due to the severity of the climate crisis.

Corporate voices are essential in this dialogue. Transparency about current actions and their motivations can strengthen momentum, demonstrating that companies investing in NCS are decarbonizing faster and are more likely to meet climate targets by leveraging all available tools. Examples of leading companies' messaging and communications on their use of carbon credits can be found on the NCS Procurement Hub.

Conclusion

Natural climate solutions represent one of the best methods to address the gap in net-zero GHG emission targets that technology based solutions won't be able to fill. Their benefits extend far beyond climate change mitigation, promising lasting impact on local environments and communities.

The business sector has a clear role to play in providing the necessary funding that will give the NCS market the power to be this viable force.

Although the voluntary carbon market is developing rapidly and organizations are forging standards and verification mechanisms, companies cannot afford to wait to engage. By following a rigorous, disciplined approach, such as that delineated in this guide, and maintaining active involvement, companies can move forward in investing in high-quality projects and programs that will make a difference.

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Acronyms

BVCM	Beyond Value Chain Mitigation
FLAG	Forest, Land and Agriculture
FPIC	Free, Prior and Informed Consent
GHG	Greenhouse Gas
HFLD	High Forest Low Deforestation
IP	Indigenous Peoples
LC	Local Communities
NbS	Nature-based Solutions
NCS	Natural Climate Solutions
NDC	Nationally Determined Contribution
REDD+	Reducing Emissions from Deforestation and forest Degradation, plus the sustainable management of forests, and the conservation and enhancement of forest carbon stocks
SBTi	Science Based Targets initiative
VCM	Voluntary Carbon Market
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
ICVCM	Integrity Council for the Voluntary Carbon Market
ICROA	International Carbon Reduction and Offset Alliance
CCQI	Carbon Credit Quality Initiative
COICA	Coordinator of Indigenous Organizations of the Amazon River Basin
PFP	Peoples Forests Partnership
SDG	Sustainable Development Goal

Glossary[48]

Abatement. Measures that companies take to prevent, reduce or eliminate sources of greenhouse gas (GHG) emissions within their value chain.[49]

Additionality. Refers to emissions reductions from carbon credits that would not have occurred without the project or program activity. Carbon crediting only works if emission reductions and removals would not have taken place under the business as usual scenario, meaning they are "additional".[50]Additionality is fundamental to the quality and environmental integrity of a carbon credit, as additionality ensures that mitigation activities that would have happened otherwise do not receive carbon credits.

(Carbon) leakage. The process in which project or program actions displace or increase emissions elsewhere (outside of the project or program boundary).

Carbon credit. A tradable financial instrument that a carbon-crediting program issues. A carbon credit represents a GHG emission reduction or removal from the atmosphere equivalent to one metric ton of CO_2 equivalent, calculated as the difference in emissions from a baseline scenario to a project scenario. An electronic registry operated by an administrative body, such as a carbon crediting program uniquely serializes, issues, tracks and retires or administratively cancels carbon credits.[51]

Compensation. Measures companies take to prevent, reduce or eliminate sources of GHG emissions outside of their value chain; this action is also known as beyond value chain mitigation (BVCM).[52]

Corresponding adjustments. Accounting tool agreed upon in Article 6 of the Paris Agreement to avoid double counting of emissions between countries in tracking progress towards Nationally Determined Contributions (NDCs).

Double counting. A situation in which a single emission reduction or removal is counted more than once towards achieving mitigation targets or goals. Double counting can occur through double issuance, double use and double claiming.[53]

Ex-ante. Refers to reductions that are planned or forecasted but have not yet been achieved; the exact quantities of the reductions are therefore uncertain.

High forest, low deforestation (HFLD) jurisdictions. Generally defined as areas with high forest cover and low historical rates of deforestation.[54]

High-quality. Solutions that address the permanence, additionality, leakage, double-counting, robust quantification and verification of the NCS climate mitigation activities implemented and that measurably improve biodiversity and ecosystem integrity, providing substantive social and economic benefits for local communities and Indigenous Peoples, and offering protection from climate risk by boosting the land's resiliency and adaptive capacity.

Jurisdictional programs. Those where the issuance of independently verified carbon credits for forest-based emissions or removals use a baseline developed at the scale of an accounting area defined by a country or large subnational political/administrative unit. Programs are commonly based on

policy design and law enforcement measures identified by national or sub- national governments to reduce emissions compared to the baseline and enhance removals. The primary difference is that the main program stakeholders are public entities (often ministries and their line agencies) that are in charge of policy and program design and implementation. Typically, jurisdictional scale refers to including the entire country or subnational area in the accounting area.

Mitigation. A human intervention to reduce emissions or enhance the sinks of greenhouse gases.[55]

Net-positive emissions. When an entity removes more GHGs than it emits after having reduced emissions across all three scope levels to the level required by science-based pathways.

Net-zero emissions. Emissions achieved when anthropogenic removals balance anthropogenic emissions of greenhouse gases to the atmosphere over a specified period. At the individual actor level, a state of net-zero emissions is reached when an actor reduces its emissions following science-based pathways, with like-for-like removals (e.g., permanent removals for fossil carbon emissions) exclusively claimed by that actor, either within the value chain or through the purchase of valid credits, fully neutralizing any remaining GHG emissions attributable to that actor.[56]

Neutralization. Measures that companies take to remove carbon from the atmosphere and store it to counterbalance the impact of unabated residual emissions. They can take these measures inside and outside of the value chain.[57]

People value. Address societal needs and interests, particularly of Indigenous Peoples and local communities (IPs and LCs) within and around the NCS project area and deliver additional benefits.

Permanence. The degree of risk of reversal for carbon sinks. Reversal is a common occurrence, as it is impossible to guarantee that a carbon sink will last forever. Nature-based carbon sinks are particularly at risk from deforestation, degradation and events such as fires, floods, intense farming and the introduction of invasive species. To maintain carbon integrity, NCS projects or programs must account for the possibility of reversal events. Buffer pools, for example, provide insurance against such possibilities. The project or program sets aside a percentage of credits into a buffer pool; if a reversal event occurs, the buffer credits are canceled, thus preserving already-issued credits.

Projects. A set of activities to reduce emissions compared to the baseline and enhance removals tailored to a specific area and social context, commonly developed and implemented by local communities and Indigenous Peoples in partnership with government and non-government stakeholders. Within state-of-the-art, quality projects, IPs and LCs are direct project co-developers who take responsibility for activity design and implementation, as well as results delivery, together with chosen project development and investment partners. IPs and LCs are directly included in benefit sharing agreements, with full transparency along the investment process, and receive a fair share of the revenues. Crediting involves monitoring across an accounting area that includes a buffer zone to monitor leakage in the project vicinity, establishing a baseline or reference level against which ongoing performance is monitored as well as appropriate deductions for accuracy, leakage and the risk of reversals.

REDD+. Activities in the forest sector that reduce emissions from deforestation and forest degradation, and facilitate the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.

Reduction. Measures taken to reduce GHGs produced by the implementation of an activity, representing the difference between baseline or reference-level emissions and actual emissions. Often used interchangeably with avoidance, which refers to taking action that prevents carbon emissions from occurring, when measured compared with the most likely course of action – the baseline.

Removals. The process of removing CO_2 from the atmosphere. Since this is the opposite of emissions, practices or technologies that remove CO_2 are often described as achieving "negative emissions".

Robust quantification. Refers to assessing the emissions reductions or removals at the program level through three elements related to conservatives and uncertainty: the methodology approval process, requirements for quantification and ex-post determination of emissions reductions and removals. Accurate, robust and conservative GHG quantification is important to ensure that projects and programs do not overstate their benefits and address potential uncertainty associated with the sampling frame and calculations of carbon emissions.[58]

Sequestration. The process of capturing, securing and storing carbon dioxide from the atmosphere.

Appendices

Appendix 1
The basics

What are high-quality NCS credits?

First, what is a carbon credit? One credit represents a GHG emission reduction or removal from the atmosphere equivalent to one metric ton of CO_2e. Specifically, an NCS carbon credit is a credit generated by NCS projects or jurisdictional programs that address GHG emissions, either by reduction – such as preventing the loss and degradation of natural carbon sinks (for example, halting deforestation) – or by removing carbon (for example, through reforestation or ecosystem restoration).

NCS projects and programs span all ecosystems – from mountains to lowlands, tropical forests to agricultural lands (croplands or grazing land), coastal zones and wetlands to blue and green infrastructure in urban environments.

Well-designed and properly implemented NCS projects and programs deliver climate mitigation benefits and biodiversity gains, and generate socio-economic benefits in particular for Indigenous Peoples and local communities (IPs and LCs), who often in turn improve the effectiveness of NCS projects and programs.[59] These three objectives are critical, as any project or program that focuses solely on carbon is not a bona fide NCS. For example, a badly designed reforestation program that converts too much pasture to forest could cause food insecurity in local communities and could trigger deforestation elsewhere, while also undermining the long-term security of the carbon benefit.

The role of NCS beyond value chain mitigation in the journey to net-zero emissions

A company's first priority in the pathway to net-zero emissions should be reducing them within its value chain as much as possible. The Science Based Targets initiative,[60] the Race to Zero Campaign[61] and the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities[62] provide examples of clear guidance on emissions reduction pathways. As a second priority, and in concert with robust, transparent and science-aligned net-zero emissions targets and strategies, companies should reduce emissions outside of their value chain to counterbalance their unabated emissions. Together, these principles comprise what called the "mitigation hierarchy".[63]

Natural climate solutions can play an important role in the mitigation hierarchy. Specifically, NCS mitigation actions beyond the value chain can contribute to the following:

- *Counterbalance* all or, if not economically feasible, part of unabated residual emissions year over year.
- *Neutralize residual emissions,* which refers to high-quality removals that can address required long-term decarbonization.
- *Compensate for historical emissions*, which can play a role in a company becoming climate positive (or carbon

negative), meaning they absorb more emissions than they emit once they have reduced as much as possible.[64]

- *Go beyond net-zero emissions* and contribute additional reductions or removals towards the global goal to reduce emissions.

When companies do not focus on reducing their own emissions first and foremost, they may over rely on credits. This is costly and, more importantly, can prevent a company from being fully aligned with Paris Agreement targets and subject it to accusations of greenwashing – or actual greenwashing.

At the same time, many companies are finding that internal abatement alone is not always sufficient to meet near-term climate targets. Technological constraints, supply chain dependencies, and the pace of infrastructure transformation can make some emissions difficult or slow to reduce. In these cases, high-quality carbon credits can play a complementary role by enabling companies to contribute to additional climate mitigation beyond their value chains while continuing to pursue deep internal emissions reductions.

Companies should therefore view carbon credits as a supplement to – not a substitute for – ambitious internal decarbonization efforts, using them strategically to address residual emissions, support global mitigation, and contribute to the protection and restoration of natural ecosystems.

NCS carbon credits can help companies integrate nature and equity ambitions into corporate-level climate goals, as high-quality NCS projects and programs emphasize biodiversity and people along with climate values. Such carbon credits have the potential to drive differentiation and competitive advantage, enhance brand and contribute to the response to customer and investor pressure. Finally, investing early in the NCS voluntary carbon market can help businesses secure their supply of high-quality carbon credits as demand for them grows.[65]

Appendix 2
Biodiversity and people criteria and due diligence questions

This section expands on the criteria listed in Step 3. It includes suggested questions that companies can ask during due diligence on the criteria in Step 5 and provides some example answers.

The criteria and due diligence questions have been informed by the following standards and guidelines. It is important to note that standards vary in their implementation and some do not require quantification of biodiversity and people outcomes, which may make it more challenging to assess the scale of positive outcome. Furthermore, some standards may not fully address some topics (e.g. health or gender). These due diligence questions can enable buyers in the space to both support projects making strong social impacts as well as mitigate risks to projects.

- Architecture for REDD+ Transactions (ART) – The REDD+ Environmental Excellence Standard (TREES)
- Gold Standard
- Plan Vivo
- Verified Carbon Standard (VCS) Climate Community and Biodiversity (CCB) Standards
- Sustainable Development Verified Impact Standard (SD VISta)
- Botanic Gardens Conservation International (BGCI) Global Biodiversity Standard (GBS)
- International Union for Conservation of Nature (IUCN) Global Standard for NbS
- South East Asia Climate & Nature-based Solutions (SCeNe) Coalition's Criteria for High Integrity NBS
- Fauna & Flora's Position on High Integrity Implementation of Nature-based Solutions and Use of NbS Carbon Credits
- LandScale
- COICA's Tropical Forest Credit Integrity Guide (TFCI)
- World Resources Institute Guidance on Voluntary Use of Nature-based Solution Carbon Credits Through 2040
- Namati's *How to Negotiate with Carbon Project Developers: A Practical Toolkit for Grassroots Advocates*

In the use of these criteria, companies will need to **adapt due diligence questions if the credits they are considering are associated to a jurisdictional program**. For example, a company doing due diligence on a project might ask "Does the project incorporate local scientific understanding and traditional knowledge where possible?" In comparison, a company doing due diligence on a jurisdictional program should start by asking "Do you have any policies in place to ensure the participation and involvement of local scientific and customary experts?" before presenting questions on measures being taken at the intervention level within the jurisdictional program.

Before assessing a project or program for biodiversity gains and benefits to people, it is essential that a credible carbon crediting program issue the carbon credits. If a project or program does not meet this, do not proceed with any further steps.

Due diligence questions	Example answers
Has the project been certified by a carbon crediting program?	Yes, the project has been certified by *x* carbon crediting program. IC-VCM has recognized the program.

The due diligence questions in this appendix are organised around two tiers of criteria. Do No Harm (minimum) criteria set a floor: these are non-negotiable safeguards that every project or programme must meet before a buyer should proceed. They address the avoidance of negative impacts on biodiversity, people, and rights holders. Positive Contribution criteria go further, asking whether the project actively delivers measurable gains for nature and communities. Meeting the Do No Harm threshold is a prerequisite; the Positive Contribution criteria help buyers differentiate higher-quality projects that generate genuine, additional value beyond simply 'first, do no harm.'

BIODIVERSITY GAINS

Objective: The project/program leads to biodiversity gains (as described by the Sustainable Development Goals (SDGs)) and contributes to SDG 14 (life below water) or SDG 15 (life on land).

DO NO HARM (MINIMUM) CRITERIA WITH DUE DILIGENCE QUESTIONS AND EXAMPLE ANSWERS

1. The project/program does not harm biodiversity, including no conversion or degradation of natural habitat and no increase in species extinction risk.

Due diligence questions	Example answers
What internationally recognized environmental safeguards does the company assess the project against (e.g., Cancun Safeguards)? Are the frameworks appropriate for the nature, scale and context of the project?	Project assessment is against the Cancun Safeguards.
How has the project verified this adherence (e.g., is a third-party auditing adherence to internationally recognized safeguards)?	*X* third-party validation/verification body audited the project on a quarterly/biannual/annual basis.
Does the project avoid introducing non-native species when possible, understanding that some agricultural practices include introducing new species?	Yes, all species planted are native to the local ecosystem and aim to support biodiversity development, with consideration given to the planting season of each species.
Does the project provide justification for any non-native species introduced? How does it assess this justification?	Yes, the use of the non-native species *x* has clear objectives and is only done as a small proportion (<5%) of the overall plantation. Local environment experts have assessed this justification. Yes, non-native species can be introduced if the species are already locally established and of economic importance for project participants.

2. The project/program performs environmental impact and risk assessments to evaluate and prevent potential negative impacts of the project/program.

Due diligence questions	Example answers
How does the project demonstrate that it meets legal and institutional frameworks?	[Wide variety of answers – evidence of project working closely with host government, recognition of relevant laws and frameworks, etc.]
Does the project document biodiversity impact and risk? How does the project assess the quality of biodiversity impact and risk documentation?	Project design identifies potential risk to biodiversity, particularly risk to species and protected habitats, communities using the Integrated Biodiversity Assessment Tool (IBAT) and has instituted means to reduce this risk and monitor practices in surrounding areas to minimize any potential impacts.
Does the project document risk of leakage for biodiversity?	Project design identifies potential deforestation leakage risk and has instituted means to reduce this risk and monitoring practices in nearby areas to minimize any potential impacts.
Does the project have an impact report?	Yes, project reassesses biodiversity impacts and risks in an impact report.
Does the project factor the NCS hierarchy into its risk assessment?	Yes, project first invested in forest conservation prior to reforestation.

3. The project/program has action and monitoring plans with clear roles and responsibilities.

Due diligence questions	Example answers
Does the project have a long-term monitoring program that refers back to the biodiversity baseline to verify impacts both positive and negative?	Yes, project has a *x* year monitoring plan using baselining assessment measures with additional field surveys to verify impacts.
How frequently does the project monitor impacts and key performance indicators (KPIs)?	Project impacts and KPIs are monitored and reported on an annual/biannual/quarterly basis.
Has the project assigned responsibility for monitoring tasks?	Yes, clear allocation of responsibility for each project impact and KPI.

4. The project/program has systematically identified the key drivers of biodiversity loss before and during implementation

Due diligence questions	Example answers
Have key drivers of threats to priority species, habitats, and ecosystem services within the project zone been identified before interventions begin, using standard protocols?	Yes. A pre-intervention threat assessment using the IUCN threat classification identified the three primary drivers (agricultural encroachment, illegal logging, invasive species), documented in the project design document and validated by a regional ecologist.
Is there a static baseline or projected trend for threats (e.g., poaching pressure, deforestation risk) established at project scale?	Yes. A deforestation risk baseline was established using 10-year Hansen Global Forest Change data, showing a 2.3% annual loss rate in the project zone. Both a static snapshot and a business-as-usual projected trend were documented pre-intervention.

Advanced due diligence questions

Due diligence questions	Example answers
Were threats assessed using multiple counterfactual scenarios and high-resolution tools (e.g., camera/acoustic recorders, eDNA, LiDAR, satellite) alongside traditional ecological knowledge?	Yes. Two counterfactual deforestation scenarios were modelled. Camera traps, acoustic recorders, and eDNA sampling provided high-resolution species data; IP knowledge holders contributed observations on historical threat patterns not captured in remote sensing data.
Does threat analysis and mitigation planning extend to the surrounding landscape, with contributions to landscape-level conservation planning or policy?	Yes. Threat analysis covered a 50 km buffer beyond the project boundary. The developer contributes threat data to the regional conservation steering committee and the national REDD+ safeguard information system.
Is the biodiversity risk assessment updated at least every two years or upon material changes, with a tiered mitigation plan prioritising high-impact risks?	Yes. Updated every 18 months and immediately upon any material change. A three-tier priority system addresses critical risks within 30 days, high risks within 90 days, and medium risks within the next annual planning cycle.

POSITIVE CONTRIBUTION CRITERIA WITH DUE DILIGENCE QUESTIONS AND EXAMPLE ANSWERS

5. The project/program uses recognized approaches to support ecosystems in adapting to climate change and is aligned with Sustainable Development Goals (SDGs): SDG 14 (life below water) or SDG 15 (life on land).

Due diligence questions	Example answers
Does the project factor climate resilience into its approaches? How does it tailor climate resilience to select biomes or ecosystems?	**Poor answer**: No consideration of future climate change risks on the objectives of the project. **Answer needing improvement**: Management plan acknowledges the risks of climate change to the objectives of the tree planting project but does not detail plans to minimize these risks. **Strong answer**: Management plan takes into account how to mitigate the direct and indirect risks that climate change represents to the objectives of the project, e.g.: Project strategically selects location of mangrove restoration to reduce storm surgesand stabilize coastal shores, protecting coastalcommunities and infrastructure from climate change impacts. Project carefully manages vegetation in mountainous project area to stabilize slopes, which helps to prevent landslides and avalanches during extreme storms andprecipitation events. **Exceptional answer**: Management plan takes into account how to mitigate the direct and indirect risks that climate change represents to the objectives of the project. Management revises and recalculates risk scores for each risk category at least once every five years. Independent third-party auditors verify implementation and effectiveness of mitigation measures.
Which SDGs does the project specifically address and how?	The project has specific monitoring targets to track progress on improving life on land by restoring degraded land and soil.

6. The project/program baseline characterizes the ecological state and drivers for ecosystem loss.

Due diligence questions	Example answers
Does the project incorporate local scientific understanding and traditional knowledge where possible?	Project has consulted certified local experts on the project ecosystem or community members with traditional knowledge, focusing on native species and habitat restoration.
Does the project provide a relevant and up-to-date biodiversity baseline scenario report that indicates the area of influence and the larger baseline study area, as well as describes the methodology and criteria used to determine the baseline and the area of influence? What factors does the project consider when establishing the baseline (e.g., indicator species, forest cover, etc.)? How does it calculate the baseline and how does it incorporate uncertainty?	Project baseline report appropriately considers the biodiversity features in question, describing natural habitats, species and ecosystems within the area of study. Example methodologies that projects may use to determine the baseline include: • Field studies performed by local communities through non-invasive and easy to implement methods (e.g., eDNA, bioacoustics); • Field studies by local ecologists or regional experts; • Reputable global and regional databases like the Integrated Biodiversity Assessment Tool (IBAT), Protected Planet's World Database on Protected Areas (WDPA) and Ocean Data Viewer, combined with field surveys The project provides a baseline report that accredited third parties have vetted.
Does the biodiversity baseline correspond with jurisdictional baselines (where they exist)? What is the reason for any difference?	The project uses comprehensive field sampling to track biodiversity baselines (e.g., number of indicator species present across the ecosystem) and compare with jurisdictional baselines. There is a discrepancy between the project-scale data and the jurisdictional-scale data, as project-scale data is more detailed and site specific, which explains the difference.

7. The project/program identifies clear and measurable outcomes and both anticipated and potential unanticipated risks to biodiversity, with an explicit objective of achieving positive impacts on biodiversity.

Due diligence questions	Example answers
What biodiversity benefits and attributes does the project measure, how often and using what tools?	The [annual] assessment of biodiversity benefits measures 1) changes in the extent and condition of each ecosystem in the project area relative to trends in a reference area and 2) changes in the level of key impact drivers. The project performs the assessment through field studies conducted by regional experts, local ecologists or local communities. The project uses non-invasive methods, such as eDNA technology, in the landscape survey performed [annually] by local experts.
Does the project prioritize the protection and recovery of biodiversity at risk (e.g., species listed on the IUCN Red List of Threatened Species, the IUCN Red List of Ecosystems, Key Biodiversity Areas, species determined a priority by experts and stakeholders)?	Project protects *x* species on the IUCN Red List of Threatened Species. Project protects *x* species with restricted ranges as determined by a local expert. Project protects *x* species that use the site as a migratory site.
Does the project define specific biodiversity outcomes and targets for the priorities listed above? Is the project identifying and benchmarking clear and measurable biodiversity conservation outcomes? Have these integrated local community perspectives and priorities?	Increase number of hectares of non-forest land in which improved land management has occurred as a result of the project's activities, measured against the without-project scenario. Increase number of species on IUCN Red List of Threatened Species that are benefiting from reduced threats as a result of project activities, measured against the without-project scenario. Increase in number of native species, which is a priority to improve living conditions for IPs and LCs in the region.
Does the project directly respond to evidence-based assessment of the prevailing drivers of degradation and loss?	Project monitors risks identified through initial baseline assessment (e.g., using the Integrated Biodiversity Assessment Tool (IBAT) or other tools) throughout the project, with a focus on particular indicator groups through ground-truthed field sampling.

8. The project's/program's design takes into account site-specific or landscape context pressures to reduce threats to biodiversity.

Due diligence questions	Example answers
Are the project's interventions, including those that occur at single sites or small spatial scales, developed in the context of the larger landscape/seascape through landscape/seascape planning?	Yes, project interventions account for the broader environment (e.g., focus on deforestation reflects rising deforestation rates across larger landscape, rising prices for certain deforestation risk commodities, etc.).
How does the project identify landscape priority areas, culturally sensitive areas, and areas with potential for human-wildlife conflict? Does the project consider the high conservation value assessment to inform the selection of priority areas?	Project identifies landscape priority by measuring tree density and habitat fragmentation across ecosystems. Projects identifies conservation priorities by applying the High Conservation Values (HCVs) approach.
Does the design of the project incorporate risk identification and risk management for biodiversity?	Project design includes risk assessment (probability, impact, scale) and mitigation actions across different risk categories (natural disturbance, political, project management, financial and market risks).

9. The project/program enhances biodiversity impacts and builds resilience.

Due diligence questions	Example answers
What measurable co-benefits does the project deliver?	Project worked with farmers of upland agricultural plots to identify alternative methods of farming to prevent erosion, allowing them to maintain land ownership.
Does the project improve connectivity of the ecosystem?	Yes, the project improves and enables connectivity of the ecosystem by managing *x* surrounding natural ecosystems (within *x* km) for conservation outcomes.
Does the project implement practices that optimize biodiversity growth? How did it determine agricultural practices and is the local community educated on these practices?	Project limits the use of synthetic fertilizers, prioritizing natural fertilizers. Project limits the use of pesticides, keeping clear track of the kind and quantity of each pesticide used while prioritizing integrated pest management.

10. The project/program prioritizes the maintenance and enhancement of ecosystem services such as soil protection, pollination, water sources and provision, soil fertility and air quality

Due diligence questions	Example answers
Does the project incorporate an ecosystem services focus by protecting and prioritizing provisions, habitats and cultural resources?	Yes, the project ensures plantings between habitats to prevent further fragmentation. Project also focuses on diversity of crop portfolios to increase food security.
Biome-specific questions	
Have the ecosystem services listed improved against project baseline?	Tree cover in project area has increased by *x*% from project baseline.
What practices is the project using to support the maintenance and enhancement of the above-mentioned ecosystem services? Why did it choose these? Was it via a participatory approach with project participants? What evidence does the project have to suggest that this was the correct approach for this region, local people, etc.?	Project uses natural fertilizers and legumes to help plants and crops grow. There is research to prove that this is indeed the best approach for this geography and the project has provided farmers with the necessary training and equipment to implement these practices.

11. The project/program has explicit conservation and restoration objectives

Due diligence questions	Example answers
Are species recovery plans in place for critically endangered or locally extirpated species, with evidence of increasing reproductive individuals and genetic diversity over time?	Yes. A recovery plan for one critically endangered species includes habitat management targets, supplemental food-plant planting, and annual population surveys. Non-invasive eDNA sampling every three years monitors genetic diversity; the most recent results show a 12% increase in haplotype diversity since baseline.
Are HCV/HCSA/KBA areas in the surrounding landscape being supported toward OECM or protected area status, where relevant and feasible?	Yes. The project is supporting a community-led OECM application covering x hectares of intact forest adjacent to the boundary, providing technical and legal assistance through a partner NGO.

BENEFITS FOR PEOPLE

Objective: The project or program leads to positive social impact, contributing to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being) and SDG 5 (gender equality).

DO NO HARM CRITERIA WITH DUE DILIGENCE QUESTIONS AND EXAMPLE ANSWERS

1. The project/program has identified and actively involved stakeholders who are directly and indirectly impacted by the NCS in all processes of the governance structure and decision-making. Decision-making processes document and respond to the rights of impacted stakeholders.

Due diligence questions	Example answers
Is the project located in an area that will have an impact on Indigenous Peoples or local communities (IPs and LCs)? Has the project considered negative impacts?	Yes, the project is located in an area that will have an impact on IPs and LCs and has conducted an impact assessment to identify potential negative impacts.
Has the project conducted a stakeholder analysis and consulted key stakeholders and representatives before and during the design phase? How did it identify stakeholders?	**Poor answer**: No evidence of the inclusion of local communities in the decision-making process or recognition of their needs. **Answer needing improvement**: Project incorporates some consultation with the local community; however, it may not consistently engage with the local community. **Strong answer**: Project developers have been in contact with members of the local community from the beginning to ensure the project supports their needs and that they have been involved in project design. Project works to support development and improve the livelihoods of local communities through food production and income-generating activities.
What role do IP and LC representatives play in the project governance structure?	IP and LC representatives are on an advisory board that performs ongoing reviews of project status and approves project continuation.
Is the project documenting decision-making processes? Do they respond to the stakes of all participating and affected stakeholders?	Yes, the project documents all decisions on a quarterly basis for reports and includes figures on number of stakeholders involved in each decision.
How does the project or program respect and implement traditional knowledge of local communities?	Project consulted community-appointed experts on local traditions at the initiation of the project and confirms any new actions with these experts.
Does project or program leadership transparently share proof of community benefit sharing through the duration of the project or program?	Yes, project or program leadership documents and shares updates and progress on community benefit sharing on a quarterly basis.

2. The IPs and LCs present in the project/program area support the project/program.

Due diligence questions	Example answers
Has the project obtained the free, prior and informed consent (FPIC) needed from community members, including marginalized and vulnerable groups, to operate? Did the FPIC process ensure translation of technical information and carbon market information to accessible languages and formats to obtain "informed" consent?	Project follows best practices for FPIC, including framing it as a human rights issue to ensure legitimacy and effectiveness, fulfill moral obligation and reduce reputational risk.
How frequently does the project reaffirm consent with a representative and diverse group of stakeholders? What is the process of determining community representatives?	Project informally reaffirms consent through a functioning grievance redress mechanism to identify and enable the timely response to issues arising at any moment during the project. Reaffirmation of FPIC occurs on a biannual basis and at specific decision moments that arise during the project and require consent.
What standards does the project use to assess proper protection of human rights?	Project respects and observes universal human rights and freedoms as defined by the UN Guiding Principles on Business and Human Rights.
Has this adherence been verified (e.g., by a third party)?	Yes, a third party has verified adherence.
Does the project respect right of IPs and LCs to self-determination, including their right to freely determine their political status and pursue their cultural, social and economic development?85	Yes, the project respects this right by protecting existing cultural, social and economic development.
Has the project provided sufficient human, financial, technical and legal resources for effective participation of IPs and LCs in all phases of impact assessment procedures?	Yes, the project has provided legal, technical and financial support for IPs and LCs across all phases of impact assessment procedures.

3. Stakeholder engagement

Due diligence questions	Example answers
Is there a documented stakeholder engagement plan that enables IPs/LCs, women, and vulnerable groups to inform and influence project design and governance throughout the project lifecycle?	Yes. A stakeholder engagement plan documents objectives, methods, frequency, and responsible parties for each group, with specific provisions for IPs, women, and elderly community members. Reviewed annually or following any significant change in project scope.
Are key social risks to equitable participation identified, with basic mitigation measures in place?	Yes. The social risk register identifies elite capture, language barriers, and women's limited mobility as the three main risks. Mitigations include rotating meeting leadership, translation into two local languages, and women-only sessions.

Advanced due diligence questions

Due diligence questions	Example answers
Is the stakeholder analysis disaggregated beyond gender (e.g., by youth, disability status, minority ethnic group), and are findings reflected in leadership opportunities and decision-making fora?	Yes. In year 2 the analysis was extended to include age, disability status, and minority ethnic group. The governance committee subsequently reserved seats for youth representatives and a minority ethnic group member.
Is there targeted capacity-building (e.g., governance training, financial literacy) to enable meaningful community leadership in governance structures?	Yes. A six-month governance and financial literacy programme trained 45 participants including 28 women. Graduates now hold the majority of seats on the community oversight committee.
Are perceptions of equity and stakeholder influence monitored with a broader indicator set, not just participation counts?	Yes. Annual perception surveys using a validated equity index are supplemented by quarterly focus group discussions with purposively sampled sub-groups. Results are shared back with communities before use in adaptive management.
Do stakeholder assessments cover historical grievances, intra-community power imbalances, and informal norms, with mitigations integrated into project design?	Yes. A contextual assessment documented land disputes between two clan groups and informal norms restricting women's public speech. Disputed areas are excluded from activity zones; women's views are solicited through separate written submissions in addition to open meetings.

4. Free, Prior and Informed Consent (FPIC) – process quality. These questions help buyers assess the quality of the FPIC process - pre-engagement rights recognition, financial disclosure, negotiation integrity, and agreement terms - not just whether FPIC was formally obtained.

Pre-engagement and rights recognition

Due diligence questions	Example answers
Had the developer identified and recognised all customary and statutory land and resource rights for the full project area before engaging communities on project terms?	Yes. A participatory land and resource rights mapping exercise, facilitated by an independent legal expert, was completed before any engagement on project terms. The resulting rights inventory was endorsed by community leaders and lodged with the relevant land authority.
Were all communities with overlapping or adjacent territorial claims included in outreach and initial decision-making, not just those within the formal project boundary?	Yes. Boundary consultations identified two adjacent communities with overlapping grazing and gathering rights. Both were included in all consultations from the outset and are co-signatories to a resource access protocol annexed to the project agreement.
Did the developer refrain from seeking access agreements until community land claims were clarified or documented?	Yes. Project activities were paused for four months while a contested area was subject to customary arbitration. The developer provided logistical support but sought no agreement or access rights until the process concluded.
Did the developer engage with legitimate, community-selected institutions rather than appointing or favouring ad hoc committees?	Yes. The developer engaged the formally recognised village council and IP territorial authority, both identified by community members as their legitimate representatives. No ad hoc committees were created.

Information disclosure

Due diligence questions	Example answers
Did the developer provide the Project Design Document, feasibility studies, and maps of proposed activity zones to communities for review before consent was sought?	Yes. Full project documentation was provided in digital and printed form at least 30 days before the first FPIC consultation. Maps were displayed at A0 scale in the community meeting hall throughout the consultation period.
Were projected credit volumes and revenue estimates disclosed to communities, including key assumptions and the break-even timeline?	Yes. A financial summary prepared by an independent accountant disclosed projected annual credit volumes, estimated revenue at three price scenarios, and the year in which community income payments were expected to begin.
Were all third-party contracts (investors, marketers) shared with communities for review before the project agreement was signed?	Yes. Contracts with the project investor and carbon credit marketing agent were shared for community review. An independent lawyer explained key terms to community representatives.
Were all community information requests fulfilled promptly, without overuse of confidentiality exemptions?	Yes. The developer committed to responding to all requests within 14 days. Only two items were withheld on confidentiality grounds; the community's lawyer confirmed both grounds were legitimate.

Negotiation process

Due diligence questions	Example answers
Did the developer negotiate with a team selected by the community itself, following the community's own agreed decision-making process?	Yes. The community selected a seven-person negotiating team by vote at a general assembly. The developer agreed to negotiate exclusively with this team and to observe the community's protocol requiring two-thirds majority ratification.
Did the developer avoid divide-and-conquer tactics such as side deals with individuals, hand-picked representatives, or payments to individuals?	Yes. An independent observer confirmed no side meetings were held with individual community members outside the formal process, and no payments or gifts were made to individuals.
Were negotiation timelines reasonable and not used to pressure a rapid signature?	Yes. When the community requested an extension for additional legal review, the developer agreed without condition. No deadline pressure was applied.
Were conflicts of interest among developer partners or advisors disclosed and managed transparently?	Yes. The developer disclosed that its financial advisor had a prior relationship with the marketing agent. The community was offered the option of a different advisor; they retained the same one on condition the conflict was noted in the agreement.
Were community counter-proposals formally received and responded to with written reasoned justifications?	Yes. The community submitted three counter-proposals, each acknowledged in writing within seven days and responded to with detailed justifications. Two were accepted in full; one was partially accepted with modifications agreed by both parties.

Agreement terms

Due diligence questions	Example answers
Is renewed FPIC required for any material change to the project (e.g., boundary expansion, new activity types, tighter access restrictions)?	Yes. The agreement defines material change and requires renewed FPIC, following the same process as initial consent, before any such change takes effect.
Is the community's revenue share defined as a percentage of gross revenue rather than net revenue?	Yes. The community share is x% of gross revenue from credit sales, calculated before operating costs are deducted. The formula cannot be altered without community consent.
Does the community share meet or exceed 50% of gross revenue for nature-based projects, or are deviations from this benchmark transparently justified?	Yes. The share is 60% of gross revenue, determined through open-book negotiation. The community's independent financial advisor confirmed this exceeds the 50% benchmark.
Are minimum annual payments in place to prevent zero community benefits in early project years before full credit issuance?	Yes. A guaranteed minimum annual payment of USD x,000 to the community fund is provided from year 1, funded from the developer's pre-agreed operational reserve.
Are audited financial statements, registry issuance records, and sales reports contractually required to be shared with communities on a regular basis?	Yes. The developer is contractually required to provide audited annual financial statements, registry issuance certificates, and sales price reports to the community oversight committee within 60 days of each fiscal year end.
Is the agreement duration reasonable, with review windows of 5-10 years and clearly defined termination triggers such as FPIC breach, non-payment, or fraud?	Yes. The 30-year agreement includes mandatory five-year review points. Termination triggers include three consecutive missed minimum payments, material breach of FPIC provisions, and verified fraud.

5. The project/program protects the security of all stakeholders, including human rights defenders, complainants and community spokespersons.

Due diligence questions	Example answers
Has the project established a culturally appropriate grievance mechanism for stakeholders that it has widely promoted and made accessible? How has it designed the grievance mechanism to be culturally appropriate?	Yes, the project has designed and implemented a grievance mechanism with the input of the local community.
Does the project ensure anonymity of all stakeholders if requested? If so, how?	Yes, all projects/programs allow stakeholders to submit complaints and comments anonymously prior to monthly community meetings.
What mechanism does the project have in place for anonymous feedback? Is there evidence that stakeholders have used this mechanism?	*X* stakeholders used the project mechanism for anonymous feedback over the past year.

6. The project/program performs social impact and risk assessments to prevent potential negative impacts of the project/program.

Due diligence questions	Example answers
Does the project area have any history of human rights violations? If so, how has the project design incorporated any context-specific safeguards to human rights?	The project has undergone a thorough assessment of rights violations in the project area and has partnered with IPs and LCs to implement safeguards to ensure protection of human rights.
How does the project demonstrate that it meets legal and institutional frameworks?	The project has documented recognition of relevant laws and frameworks and described actions taken to adhere to existing laws and frameworks (e.g., through working closely with local governments).
Does the project document social impact and risk? How does it assess the quality of social impact and risk documentation?	Project has implemented a social and impact risk assessment aligned with International Finance Corporation (IFC) performance standards and demonstrates evidence of risk assessment being performed in an effective and timely manner; this has been verified by a third party audit.
Does the project document risk of displacement for people?	Project identifies potential deforestation displacement risks and has instituted means to reduce this risk and monitoring practices in nearby areas to minimize any potential impacts.
Does the project have an impact report? How frequently does it monitor impacts and KPIs?	Project reassesses social impacts and risks on an annual/biannual/quarterly basis.

7. The project/program has action and monitoring plans with clear roles and responsibilities.

Due diligence questions	Example answers
How frequently does the project monitor project impacts and KPIs?	Project monitors and reports on impacts and KPIs on an annual/biannual/quarterly basis.
Has the project assigned responsibility for monitoring tasks?	Yes, there is a clear allocation of responsibility for each project impact and KPI.

8. The project has identified health-focused stakeholders to understand the health context, priorities, and needs of IPs and LCs who are directly and indirectly impacted by the NCS.

Due diligence questions	Example answers
Does the project have impacts on IPs and LCs, and if so, how far are IPs and LCs from the project area and buffer zone?	Yes, the project is located in an area that will have an impact on IPs and LCs. Indigenous People live within the project area, and the closest local communities live 10km away from the project area.
Has the project identified the ways in which stakeholders rely/depend on the ecosystem (including stakeholders in the project's buffer zone, as well as those beyond the project's buffer zone)? Has the project considered potential negative health impacts?	The project has provided a stakeholder identification visualization and a description of all key stakeholders, including an overview of how each stakeholder depends on the ecosystem (e.g., use of natural medicines from plants), where possible. Potential negative health impacts of the project have been considered and evaluated as a part of the project's stakeholder engagement, co-design, and health impact assessment.
Has the project mapped out health-related stakeholders (including health authorities, community leaders, health-focused community members, academics, NGOs, researchers, health clinics and hospitals) and understood how they have engaged with the project and IPs and LCs to date?	The stakeholder identification included health-related stakeholders, e.g. health clinics and NGOs who were engaged in other health-related projects in the project area. These health-related projects were associated with Water, Sanitation and Hygiene (WASH) and reproductive health.
Has the project identified all the relevant contextual factors (such as location and socioeconomic structure) that can impact health outcomes?	The project developers have understood the contextual factors that are relevant to this ecosystem, e.g. which includes being geographically close to a sewage treatment plant that has had incidents of accidental leaks.

9. The project understands IPs' and LCs' health needs priorities, and to the extent possible, avoids/minimizes unintended consequences for communities.

Due diligence example questions	Example answers
Did the project conduct interviews to understand how stakeholders (particularly IPs and LCs) define health? What are their specific health needs, priorities, challenges and concerns?	IPs and LCs impacted by the project define health as both physiological health and their cultural identity in relation to the ecosystem. Specific priorities highlighted by IPs and LCs include food and nutrition, where they have faced challenges with food security given frequent droughts in recent years, and concerns of lack of diversity of species for food sources which has impacts on nutrition.
Are the roles and responsibilities of all mapped stakeholders in relation to supporting health needs, priorities, and objectives clearly outlined?	The project developer has summarized [ten] health needs and priorities and has identified and consulted with stakeholders to understand their existing roles and responsibilities with regard to these priorities. For example, one of the priorities is food and nutrition, where smallholder farmers and health clinics play a key role in producing food and monitoring the local population's nutrition.

10. The project ensures safeguards to protect women in the community.

Due diligence questions	Example answers
Has the project put in place guidelines and regulations to safeguard women against gender-based violence?	PPD and project developer work policies scope out Do No Harm indicators, including a declaration of non-involvement in any form of discrimination, sexual exploitation, abuse or harassment (SEAH) or any violence or abuse against women.
Has the project established a culturally appropriate grievance mechanism for women that is promoted and made widely accessible? Is there evidence that stakeholders have used this mechanism?	Yes, the project has designed and implemented a grievance mechanism with the input of women in the local community. X stakeholders used the project mechanism for feedback over the past year.
Has the project considered positive and negative impacts on women in the community? Does it describe the impact the project has on them?	The project not only supports activities through which women can be positively impacted but ensures the mitigation of negative impacts. And describes the impact of its activities on women's empowerment and/or gender equality using quantitative indicators.

POSITIVE CONTRIBUTION CRITERIA WITH DUE DILIGENCE QUESTIONS AND EXAMPLE ANSWERS

11. The project/program uses recognized approaches to support communities in adapting to climate change and is aligned with Sustainable Development Goals (SDGs): SDG 1 (no poverty), SDG 2 (zero hunger) or SDG 5 (gender equality).

Due diligence questions	Example answers
Does the project combine resilience strategies and local community practices, if appropriate?	Yes, project has established several training programs on resilient agriculture for the local community.
Which SDGs does the project specifically address and how?	The project has specific monitoring targets to track progress on improving poverty, hunger, gender equality and quality of life within the ecosystem.

12. The project/program prioritizes the involvement and support of women and girls.

Due diligence questions	Example answers
How many women are involved in project governance and what leadership positions do they hold? What is the ratio of men to women involved in project governance? Are women included in a culturally acceptable way, considering local norms?	There is an equal gender split within governance structures, with *x* women appointed to community representative positions. In addition, the project has established *x* women's empowerment forums to increase their role in the community.
Has the project invested in employment opportunities for women? What are other ways in which the project has led to more opportunities for women?	The project employs *x* women in activities in a full-time role.
Do men and women have the same project rights?	Yes, project assesses roles of men and women on a quarterly basis to ensure men and women have equal access to opportunities and land ownership (in accordance with community practices).

13. The project/program invests in livelihoods of IPs and LCs to ensure uptake and sustainability of the project/program.

Due diligence questions	Example answers
Has the project carried out a participatory planning process in which communities define investment plans and governance models to manage land?	Project undertook consultations and workshops with community members to understand their plans and identify project priorities accordingly.
Does the project list the improved livelihoods practices for IPs and LCs it is incorporating into the project design? How many IPs and LCs are impacted?	Project has impacted *x* community members through income generated as a result of activities in the last year.
What is the monitoring plan for these activities and negative impacts?	Project reassesses activities on a quarterly basis, with results compared to without-project scenario.
Are new or improved livelihoods sustainable?	The project has invested in training programs for financial management to ensure longevity of livelihoods.
Does the project invest in capacity-building opportunities for households related to the climate solutions?	Project has funded education for IPs and LCs and established training programs equaling USD $*x*.
Does the project design, respect and incorporate traditional land management techniques?	Yes, project has avoided using land currently occupied by smallholder farmers.

Has a participatory environmental impact assessment informed the design of livelihood activities to minimise biodiversity harm, with high-biodiversity areas (HCV/HCSA/KBAs) identified and set aside from livelihood use?	Yes. A participatory EIA with community members and an independent biodiversity consultant assessed the ecological footprint of proposed livelihood activities. Activities were redesigned to avoid HCV/HCSA areas, limit NTFP harvesting to below sustainable yield thresholds, and concentrate infrastructure in already-degraded zones.
Are environmental risks from livelihood activities screened using an avoid-minimise-restore hierarchy, with the aim of achieving no net loss near critical biodiversity zones?	Yes. All proposed livelihood activities are screened against an environmental risk checklist applying a three-step hierarchy: avoid in sensitive zones; minimise residual impact; restore unavoidable damage. No activity within 1 km of an HCV area is approved without a full EIA.
Are biodiversity and socio-economic indicators tracked together, to capture trade-offs and synergies between conservation and livelihood outcomes?	Yes. The MEL framework pairs livelihood indicators (income, NTFP volumes) with biodiversity indicators (vegetation cover, species richness) at the same spatial units. Annual analysis assesses trade-offs and informs activity zoning.

Advanced due diligence questions

Due diligence questions	Example answers
Has the project developed spatially and temporally explicit scenarios for how livelihood development trajectories will affect biodiversity and ecosystem services over the project period?	Yes. A spatial scenario analysis modelled three livelihood pathways against projected biodiversity outcomes over 20 years. The NTFP-centred transition pathway was identified as optimal for both biodiversity and livelihood outcomes and informed the landscape zoning plan.
Are environmental and social risk plans updated at least every two years, and are harmful trade-offs (e.g., habitat simplification, monocultures) proactively identified and avoided?	Yes. The ESMP is reviewed every 18 months. A recent review identified a monoculture expansion risk following a commodity price spike; the project restricted planting to degraded areas only and offered a diversified income package to affected households.

14. The project/program engages and protects marginalized and underrepresented groups, including low-income communities.

Due diligence questions	Example answers
Does the project ensure the equitable representation of marginalized and vulnerable groups in project governance?	Project has identified all marginalized groups within the community and they have appointed representatives to project governance.
Has the project established revenue-sharing programs to prioritize marginalized and underrepresented groups? What is the revenue sharing mechanism?	The project has established a revenue-sharing program where village-level representative bodies or community-based organizations, including representatives from underrepresented groups, govern revenue sharing. Community consultation and consent was required to decide upon appropriate revenue sharing.

15. Socio-economic baselines are comprehensive and empowerment outcomes are genuinely tracked

Due diligence questions	Example answers
Has the project conducted a participatory rural appraisal (PRA) and a gender and social inclusion analysis to document community needs, priorities, roles, and barriers before project design?	Yes. A PRA across all project villages used wealth ranking, seasonal calendars, and focus groups. A gender and social inclusion analysis identified women's disproportionate dependence on NTFPs and exclusion of seasonal migrants from formal decision-making. Findings directly informed project design.
Are well-being indicators monitored (e.g., income, access to services, food security) with data disaggregated at least by gender?	Yes. Annual household surveys measure income from project activities, access to health and education services, food security, and asset ownership, disaggregated by gender and where sample sizes allow by age group and IP/non-IP status.

Advanced due diligence questions

Due diligence questions	Example answers
Was a comprehensive participatory socio-economic baseline, co-led by community members, completed before the project began and revisited periodically to guide adaptive management?	Yes. Community members co-designed and co-led baseline data collection. The baseline is revisited every three years; findings from the year-3 update adjusted the community development fund allocation priorities.
Are risks of backlash or social exclusion arising from empowerment activities assessed and mitigated, taking local power dynamics into account?	Yes. The social risk register includes backlash risks. Following reports of pressure on women in leadership training, the project convened dialogue with male community leaders, resulting in a public community statement of support.
Are indicators expanded to track changes in power, agency, and status among vulnerable groups, beyond basic well-being measures?	Yes. From year 3, the monitoring framework includes women's intra-household decision-making authority, youth engagement in community governance, and minority group representation in benefit flows, measured biennially.

16. The project/program maintains and takes opportunities to improve stakeholder land rights.

Due diligence questions	Example answers
Has the project addressed who owns, holds claims to, and uses the land? Have there been any disputes and how has the project addressed them?	**Poor answer**: No documentation is available on land rights. Project adversely impacts the local community through failure to engage in discussions of land rights and carbon rights. **Answer needs improvement**: Evidence of land rights and carbon rights documentation but this is done without discussion with locals. **Strong answer**: Land rights documentation is detailed and accessible. Project includes the community in land rights decisions, discussions and organization. An equitable and transparent benefit sharing plan is in place with local stakeholders, including Indigenous Peoples and local communities.[86]
Has the project evaluated options and pathways to support community rights claims?	Yes, the project has evaluated optionas and pathways (e.g. legal support for Indigenous Peoples and local communities' rights claims)
Have land rights holders granted projects permission to perform project activities on their land?	Yes, project respects land rights and has obtained permission from land rights holders to perform project activities on their land. Project does not acquire land or diminish local land rights.
Does the project strengthen and promote IP and LC rights to land?	Project has created *x* new Indigenous communal land titles.
Does the project invest in legal rights training and support for documentation of traditional land rights for IPs and LCs? Is the project using its own resources to promote and revive the sustainable land management practices of IPs and LCs?	Project has implemented legal rights training programs across *x* villages and *x* community members have completed at least one training program. Project has worked with IPs and LCs across *x* villages to implement their collective land management plans and practices.
Has the project mapped statutory and customary tenure and use rights through a participatory process, producing spatially explicit maps endorsed by rights-holders?	Yes. A participatory tenure mapping exercise produced georeferenced maps of all statutory and customary rights within and adjacent to the project boundary, endorsed at a community assembly and lodged with the national land registry.
Is a co-developed land-use plan in place, reviewed at least every five years?	Yes. A land-use plan jointly developed with community representatives and local government delineates zones for conservation, restoration, community use, and livelihoods. Reviewed every three years or earlier if material changes in land use or community needs arise.
Does the GRM explicitly accept tenure-related complaints through accessible, culturally appropriate processes?	Yes. The GRM includes a tenure complaints category. A customary dispute resolution pathway is available where parties prefer traditional mechanisms. All tenure complaints are tracked separately and reported to the oversight body.

Advanced due diligence questions

Due diligence questions	Example answers
Does the tenure assessment integrate independent legal reviews of contested areas and overlapping rights, used to inform project design and risk mitigation?	Yes. An independent land lawyer reviewed three areas of contested tenure. Legal opinions were shared with all claimants and used to inform project design: one contested area was excluded from the boundary pending resolution; overlapping rights in another were addressed through a negotiated resource access protocol.
Is there ongoing support for land titling or formal recognition of customary rights, and a local platform to resolve tenurial conflicts integrated with the GRM?	Yes. The project funds a paralegal training programme through which 12 community members now support land titling applications. A tenurial conflict resolution panel is integrated as a formal escalation pathway within the GRM.
Are participation levels in land-use planning tracked at least every two years, with indicators on tenure security disaggregated by gender?	Yes. Participation in land-use planning consultations is tracked biennially, disaggregated by gender, age, and clan group. An annual tenure security survey measures community perceptions of the security of their land and resource rights.

17. Formal identification, protection, and monitoring of cultural heritage and traditional ecological knowledge occurs

Due diligence questions	Example answers
Have cultural heritage sites, practices, and traditional ecological knowledge (TEK) been identified in partnership with communities, and are project activities designed to avoid harm to and where appropriate incorporate TEK?	Yes. A cultural heritage inventory was developed jointly with community elders and a heritage specialist. All identified sites are excluded from project activities; TEK-based planting calendars and species preferences are integrated into restoration protocols.
Are risks of misuse or harm to cultural heritage and traditional knowledge identified, with measures in place to prevent them?	Yes. The ESMP includes a cultural heritage risk register covering inadvertent disturbance of archaeological sites and unauthorised use of TEK in project communications. Community approval is required before any TEK is referenced externally.
Are monitoring indicators for cultural heritage protection included in the MEL plan, informed by community knowledge holders?	Yes. MEL indicators include: number of cultural heritage sites with active protection measures; community satisfaction with heritage management (annual survey); and instances of unauthorised access to sacred sites. Co-designed with knowledge holders.

Advanced due diligence questions

Due diligence questions	Example answers
Is there a community-led cultural heritage and TEK baseline documenting condition, threats, and intergenerational transmission, with community protocols governing access, use, and consent?	Yes. Community knowledge holders led baseline development documenting the condition of 23 heritage sites, threats to 8 traditional practices, and TEK transmission gaps across 5 categories. A community protocol endorsed by the traditional authority governs all access to and use of this information.
Are co-management or custodianship agreements in place for sacred or culturally significant sites, with a conflict-resolution pathway integrated into the GRM?	Yes. Custodianship agreements with traditional custodian families cover three sacred forest sites, giving custodians authority to approve or refuse any project activity near those sites. Disputes are handled through a cultural heritage mediation track within the GRM.

18. Revenue-sharing occurs in a transparent and equitable manner and project/program has consulted IPs and LCs in the financial planning process.

Due diligence questions	Example answers
Does the project establish equitable sharing of carbon benefits with all stakeholders to ensure complete participation of the community in the project? How did it determine the carbon benefit-sharing arrangement? How do benefits flow through to all community levels for equitable sharing?	If monetary: USD $*x* earned by forest communities through carbon finance in 20*xx*. Of this, USD $*x* invested in education and health initiatives, including an Improved Community Health Fund, to provide 8 services at biweekly frequency.
How does the project or program establish flows of funds to the community? How does it determine this?	Project follows best practice guidance from local NGOs to determine flows of funds to the community.
Is revenue-sharing with IPs and LCs transparent, if desired by IPs and LCs? How does the project assess transparency? Has revenue sharing model been shared with community representatives and transparently communicated with IPLCs? Please share specifics on revenue sharing model, with evidence of application.	Project has discussed transparency with IPs, transparently communicates revenue sharing model with IPs and LCs (including sharing in price structure and risk sharing),and LCs and undergone third-party assessment. Project provides clear explanation of revenue sharing model.
Is revenue-sharing with IPs and LCs equitable? How does the project assess equitability?	Project developers, external experts on IP and LC rights, and appointed members of the community assess equitability.
What is the project revenue split with IPs and LCs and where do the carbon rights sit? Please share specifics on benefit-sharing model, with evidence of application.	If monetary: Project follows best practices set by IPs and LCs and local NGOs of *x%* of revenue going to IPs and LCs.
How often does the project review and update revenue-sharing arrangement, who is involved and how is this done?	Project updates revenue-sharing agreement on a biannual basis and includes consultation of IPs and LCs by project developers.

If monetary: Has project provided proof of payment and proof of receipt (if applicable)?	Yes, project has provided proof of payment and receipt.
If monetary: How is the project administering the funds? How is it assuring the equitable representation of the community as a whole and that marginalized groups receive a share of the revenue?	Project has worked with local authorities to set up bank accounts in the name of the community. It has also worked with community members to develop an investment plan and has ensured that it accounts for the investment priorities of marginalized groups.

Advanced due diligence questions

Due diligence questions	Example answers
Have opportunity and implementation costs been analysed to ensure the BSM does not create harmful trade-offs for community members?	Yes. An opportunity cost analysis quantified income foregone through project restrictions and was used to calibrate the minimum annual community payment to exceed total estimated opportunity costs on a per-household basis for affected families.
Does the BSM baseline include ecosystem service use and access patterns, and model their evolution under a business-as-usual scenario to inform BSM design?	Yes. The baseline maps seasonal NTFP collection, water use, and grazing patterns. A business-as-usual model projects how these values would evolve absent the project, providing a counterfactual benchmark against which BSM equity is assessed.
Is there an adaptive BSM management framework with participatory monitoring and a mechanism for periodic adjustment as community contexts change?	Yes. The BSM is reviewed every two years through a participatory process assessing whether allocation rules remain equitable, whether opportunity cost estimates are still accurate, and whether development fund priorities reflect current needs.
Are BSM monitoring data further disaggregated (e.g., by youth, disability status, minority group) and communicated back to all stakeholders?	Yes. From year 3, BSM data are disaggregated by gender, age group, disability status, and minority group membership. Results are presented at an annual community benefit-sharing forum where disparities are discussed and allocation rules adjusted.

19. The project has established a reference point (i.e., baseline) for health that can be used to measure health impacts, select KPIs, and identify further health challenges and risks (in a sensitive and appropriate manner).

Due diligence example questions	Example answers
Has the project developer identified the key health needs and priorities KPIs of IPs and LCs, and what health data (quantitative and qualitative) should be collected, how, and why?	Based on the [10] health needs and priorities highlighted by IPs and LCs, projects have identified the key health KPIs that would be required to monitor progress. For example, iron deficiency was identified as a key concern, therefore the project is monitoring blood iron levels to monitor nutrition. For each KPI, the project developer has a clear rationale for why it needs to be collected.
How has health data been collected? Did the project collect health data in an equitable and sensitive way, being mindful of how much data is needed and the appropriateness and privacy required for collecting any personal or sensitive data? Has the data been managed in alignment with data privacy principles?	Health data was collected via the health clinic. The project developer has consulted with health experts on how health data should be collected, and has ensured that the data is assessed in aggregate (i.e., not individual data), by health professionals with medical knowledge, and is collected at a frequency that is not burdensome but allows for accurate tracking.
What are the potential adverse health impacts of the project and what KPIs are being used to baseline those?	The project is measuring some wider determinants of health, such as water access and quality, to understand IPs' and LCs' health beyond the specific health needs and priorities. The project is also looking at other health-related data, including life expectancy, infant mortality rate, and maternal mortality ratio.
Has the project conducted a health impact assessment for the project to inform how the project could be designed to meet IPs' and LCs' health needs and priorities?	Yes, the project has conducted a health impact assessment and identified potential ways for the project to be designed to meet IPs' and LCs' health needs and priorities.

20. The project was designed in a participatory manner to enable opportunities for codesign to enhance the health benefits of the NCS and mitigate any potential health risks.

Due diligence example questions	Example answers
Has the project defined its health specific theory of change and impact goals based on IPs' and LCs' health needs and the relevant contextual factors? What is the project's theory of change?	To meet the IPs' and LC's priorities for nutrition, and more specifically, the iron deficiency challenge that was previously highlighted, the project has identified three potential pre-conditions: • Access to plant-based vitamin A and iron sources (e.g., *Eru* or *Gnetum africanum)* • Avoiding food with anti-nutrients that reduce iron absorption (e.g., tannins) • Adequate financing support to buy iron-rich foods (e.g., fish and meat) The project has developed a theory of change for all [10] health needs and priorities highlighted by IPs and LCs.
Has the project developer consulted with health authorities, academics and researchers to understand the evidence between the respective ecosystem and health? Has this been incorporated into the project design to enhance potential health benefits and mitigate potential health risks in relation to the needs and priorities highlighted by IPs and LCs?	Yes, the project developer has connected with researchers from academic institutions to understand the potential links between the ecosystem and health. These insights have been factored into the design of the project, including planting mangroves in specific locations to provide shade, and providing mosquito repellent to project employees, IPs and LCs.
Did the project have a participatory design approach to ensure that the health needs and priorities of different stakeholders are addressed in the project design? If so, what was the project's approach to participatory design?	The project developer has involved the mapped stakeholders in the design of the project and has leveraged co-creation tools that could be designed with IPs and LCs and/or could be done online to co-design projects. The project's process documents were also submitted to relevant stakeholders for review and approval.
Does the project developer have the technical expertise to deliver on the health impact objectives? Have they previously delivered projects embedding health considerations? If so, how successful were these projects?	The project developer has technical expertise and has previously delivered projects with health considerations.
If the project does not have health specific expertise, and there are no existing health expert partners, does the project have a clear mitigating plan to address this capacity gap?	The project developer has identified the skills requirements for the project to meet its health impact objectives, e.g., local nutritionists.
Has the project identified partnerships (e.g., health authorities, academics, health-specific NGOs) to support implementation? Which health technical partners are already engaged with the project?	Based on the skills assessment, the project developer has shortlisted [five] potential local nutritionists to engage with in order to help with the communities' iron deficiency.

21. The project governance provides efficient channels for stakeholder engagement to ensure that stakeholders remain involved throughout the project lifecycle, which supports with adaptive management and risk escalation to ensure that the project continuously meets the changing health needs and priorities of IPs and LCs, and that unintended health consequences are reported and managed.

Due diligence example questions	Example answers
What is the project's governance structure? Is this a polycentric governance structure that considers complex relationships and autonomous decision-making?	The project has a tripartite governance structure with three centres for decision-making (project developer, communities, investors). No one party has the authority to make collective decisions, and the project has an overarching mechanism to solve conflicts and come to an agreement.
Does the project continue to host structured and inclusive meetings with key stakeholders? And is health a key topic on the agenda of these meetings?	Yes, the project hosts fortnightly meetings with representatives from all stakeholder groups, and health is included as a key topic for progress updates and knowledge sharing.
Do health-related community members and experts continue to engage in the project, and are they invited to regular meetings?	Yes, health-related community members and experts (including health nutritionists) are regularly consulted and invited to project meetings.
Does the project have a clear adaptive management approach, with a clear framework for continuous learning and improvements for health-related aspects of the project, allowing for priorities / actions to influence and update benefit sharing arrangements as needed?	Yes, the project has an adaptive management process which includes regular health impact assessments and consultations with IPs and LCs to identify evolving health needs and priorities, which are incorporated into the project activities. This includes adjustments to benefit-sharing arrangements as required.
Does the project have a clear health risk management approach? Can the project describe this risk management approach?	The project tracks potential adverse health consequences through metrics such as mortality rate and infant mortality, and when metrics indicate that there are negative health impacts, the project is able to bring together stakeholders to evaluate the risk and adapt the project to mitigate these health risks.
Does the project have a clear grievance mechanism in place that is accessible, predictable, equitable, transparent, and rights-compatible based on engagement? Does this mechanism clearly include health-related grievances?	The project has designed the grievance mechanism with IPs and LCs, which has formal processes for acknowledging, registering, reviewing and resolving complaints. Health-related grievances are mediated amongst those impacted and health-related community members.

22. IPs and LCs who are impacted by the project are involved in the project's financial planning processes and empowered to make decisions about benefit-sharing, which occurs in a transparent and equitable manner with ongoing consultations with IPs and LCs.

Due diligence example questions	Example answers
Has the project developer conducted a participatory identification of benefits, whereby IPs and LCs and beneficiaries have input into deciding the benefits that they receive?	Yes, the monetary and non-monetary benefits of the projects have been identified in collaboration with IPs and LCs and other beneficiaries, and their views on which benefits they would like to receive has been incorporated into the benefit-sharing mechanism.
Does the project have an equitable benefit-sharing mechanism in place? What is the structure of the arrangement?	The project has a benefit-sharing scheme predicated on monetary benefits: USD $x earned by forest communities through carbon credits in 2024. Of this, x% is invested in e.g. education and health initiatives, including a Food and Nutrition Fund, to support food security and nutritional diversity.
How do monetary and non-monetary benefits flow through to the intended beneficiary groups? Are there conditionalities associated with the benefits?	The monetary benefits of this project are shared through a community trust, which was set up in collaboration with IPs and LCs, who have appointed the trustees and beneficiaries. For non-monetary benefits, such as eru *(Gnetum africanum*) crops, the rights to harvest are clearly outlined to ensure that IPs and LCs have first right of access if desired.
How transparent is the benefit-sharing process, and can the project provide a proof of payment and receipt (if applicable)?	Proof of payment is recorded digitally and the information is made transparent to all relevant stakeholders.
Does the benefit-sharing arrangement clearly describe the timing, duration, and consistency of expected benefits?	Yes, the project benefits sharing arrangement outlines for non-monetary benefits such as *Gnetum africanum* are dependent on natural growth cycles for *Gnetum africanum* ~2 kg of leaves can be produced every six months.

23. The project incorporates health as a core component of its broader MRV processes, continuously gathers information and tracks KPIs in relation to the health baseline to understand the impact that the project is making.

Due diligence example questions	Example answers
Is the project tracking and monitoring health outcomes in relation to the health baseline established and health KPIs identified? If so, what are the sources of data for MRV and how credible are these sources of data?	Yes, for each health KPI identified, the measurement methodology has been defined with a health expert. Health data is being tracked, monitored and validated by health experts. For example, the levels of blood iron in IPs and LCs populations are measured regularly in health clinics using medical methods with high levels of confidence.
Is the project tracking against potential adverse health impacts?	The project is tracking the wider determinants of health to understand IPs' and LCs' health beyond the specific health needs and priorities, including life expectancy and malaria incidence. The project is also identifying additional KPIs that may need to be tracked.
In response to potential adverse health impacts, what are the mitigation strategies that will be put in place to address these potential risks?	The project found that there was a relatively high malaria incidence, so it co-developed a plan with community members to provide mosquito nets and malaria medication.
How frequently does health-specific monitoring occur? Are there project milestones that relate to health outcomes?	Health KPIs are measured regularly, with different cadences depending on the KPI measured. Health drivers (e.g., water quality) are typically monitored more frequently than health impacts (e.g. malaria cases per year).

24. The project appropriately and credibly communicates the health outcomes of the project, checking with IPs and LCs before communicating, and not making any claims on benefits before they have happened, nor claiming responsibility for those health outcomes.

Due diligence example questions	Example answers
Has the project developer engaged with, and received approval from IPs, LCs and other beneficiaries to communicate the health outcomes of the project?	Yes, the project developer has approval from IPs, LCs and other beneficiaries that they are able to communicate the health outcomes of the project, and the communication has been co-developed with the beneficiaries to ensure appropriateness.
Is the project making claims on potential outcomes before they have happened, or on actual outcomes after they have been achieved?	The project claims that it could enable a number of health outcomes, and is providing regular and transparent progress updates on each outcome, and adjusting communication on health outcomes progress and potential.

25. The project/program supports women's empowerment and gender equality.

Due diligence questions	Example answers
Does the project demonstrate intentionality for real empowerment of women within the community?	Project developers have demonstrated intentionality through a Gender Action Plan or Women's Empowerment Plan.
Does the project assess opportunities for improvement in women's lives/livelihood within the scope (project boundary) of the project? Does it list activities and expected benefits for women in the project community?	The project considers one or more of the following criteria (non-exhaustive) in women's empowerment: • Education & knowledge • Food security • Health • Time saved • Income & assets • Leadership

26. The project/program has a gender focus and actively involves women in the community in all processes of decision-making (and the governance structure).

Due diligence questions	Example answers
Does the project describe the number of women benefitting from activities associated with the project?	The project describes the number of women and girls who benefit from activities associated with the project.
Has the project consulted with women in the community? Has the project incorporated the input of gender experts?	The project consults with women in the community regarding how governance and activities within the project help to develop women's education, income, skills in decision-making and leadership/governance. The project includes input from gender experts.
How many women are involved in project governance? What role do women play in the project governance structure? What is the ratio of men to women involved in project governance?	There is a gender equity within governance structures, with at least 50% women appointed to community representative positions. In addition, the project has established or supported women's groups to engage in the project. The project has supported women's leadership training to assure women's active role in governance.1
Is the project women-led? Where have women played a leadership role in project design or are actively involved in decision making, including financial and non-financial benefit sharing?	The project is led by a women's organization or business. Or women's groups play a role in the decision making.
Has the project invested in employment opportunities for women? Are women paid the same wages as men?	The project employs *x* women in activities in part time or a full- time roles. Women receive equal pay as men.

Do men and women have the same project rights?	Yes, project assesses roles of men and women on a regular basis to ensure men and women have equal access to opportunities and land ownership (in accordance with community practices). In the cases where women do not own land and are therefore do not have equal rights to carbon benefits, the project has used another way to assure gender equity in benefits from the project. The project assesses the roles of men and women regularly to ensure this.

27. The project/program maintains and takes opportunities to improve women's land rights.

Due diligence questions	Example answers
Has the project assessed women's land rights? Do women in the community have rights to own land? Or use it as they like? How does this affect women's rights to obtain revenue from the sale of carbon credits?	Land rights documentation is available. The project includes both land rights holders as well as land-use rights holders in land rights and benefit sharing decisions, discussions and organization. An equitable and transparent benefit sharing plan is in place with women of the communities.

28. Revenue-sharing occurs in a transparent and equitable manner and project/program has consulted women in the financial planning process.

Due diligence questions	Example answers
Does the project establish equitable sharing of carbon / women's empowerment benefits with women in the project community? How did it determine the benefit-sharing arrangement? How do benefits flow through to all community levels for equitable sharing?	Women and/or women's groups in the project area receive a fixed portion of the revenue from the sale of the carbon credits. The mechanism for this arrangement has been determined with inputs from women in these groups.
Is revenue-sharing with women transparent? Where do the carbon rights sit? How does the project assess transparency?	Project has discussed transparency with women, has undergone third-party assessment and is able to share specifics about the revenue-sharing model, with evidence of application.
If monetary: Has project provided proof of payment and proof of receipt (if applicable)?	Yes, project has provided proof of payment and receipt from women and women's groups.
If monetary: How is the project administering the funds? How is it assuring the equitable representation of the community as a whole and that marginalized groups receive a share of the revenue?	Project has worked with local authorities to set up bank accounts in the name of the women's group(s). It has also worked with women's groups to develop an action plan for implementation of activities that are determined by the priorities of these groups.
Is gender and social inclusion (GEDSI) analysis integrated into adaptive management, with findings used to adjust project activities and benefit-sharing arrangements over time?	Yes. GEDSI findings feed directly into the adaptive management cycle. In year 4, monitoring showed widowed women were underrepresented in NTFP training due to childcare; the project introduced on-site childcare and adjusted session timing in response.

Appendix 3
Article 6 of the Paris Agreement

Article 6 of the Paris Agreement enables countries to cooperate with each other to make progress on their Nationally Determined Contributions (NDCs). To avoid double-counting between countries, Article 6 requires corresponding adjustments, an accounting tool where the project host country adds emissions to its GHG accounting in equal quantity to the credits authorized for A6 trade. This adjustment makes it so only one country, the buyer, counts the credited emission reductions towards its NDC.

Implementing Article 6 of the Paris Agreement is considered an opportunity to achieve national emissions reduction targets more cost-effectively, as it allows countries to voluntarily cooperate to reach more ambitious reduction targets by exchanging carbon credits.

As explained by the International Carbon Reduction and Offset Alliance (ICROA), the final Article 6 text requires that all Article 6 ITMOs have corresponding adjustments. However, the trading of these credits is allowed in the voluntary carbon market (VCM). While Article 6 does not regulate the VCM, decisions by Article 6 governance bodies may also affect VCM norms , such as by shifting the bench-mark expectations of credit quality. Countries may also increasingly regulate voluntary markets when implementing the necessary regulations to engage in Article 6.

Therefore, Article 6 is conducive to increased convergence of the Paris Agreement and voluntary markets.[66]

At present, host countries are not required to authorize carbon credits used for voluntary corporate purposes. However, Article 6 guidance allows host countries to authorize credits for international transfer and apply corresponding adjustments, including for voluntary uses such as corporate climate claims.

As a result, companies may choose to purchase carbon credits that carry a corresponding adjustment, although this is not currently required in the voluntary carbon market. Carbon standards commonly used in the VCM are already adapting their systems to enable host country authorization and to label credits that include corresponding adjustments.

While corresponding adjustments are mandatory for credits transferred under Article 6 between countries, their use in voluntary corporate claims remains optional and subject to evolving market norms. Companies should therefore monitor developments in host country policies, carbon standards, and corporate claims guidance when considering whether to prioritize credits with corresponding adjustments.

What happens to your credits if the rules change?

- When setting procurement criteria, assess the political stability of the host country and whether the project has received governmental authorisation for carbon credit issuance.
- For higher-value purchases, consider requiring sellers to include provisions in the contract that account for Article 6 corresponding adjustment risks and outline what remedies apply if new regulations render credits unusable.
- Stay informed about evolving claims guidance - standards for what constitutes a credible corporate carbon credit claim continue to tighten.

Appendix 4
Carbon credit policy risk

How can carbon policy risk affect companies?

As described in the Understanding and managing risk in NCS carbon credit procurement, changes in the political and regulatory landscape can affect both carbon projects and the voluntary carbon market more broadly .

Many countries hosting carbon projects are currently developing regulatory frameworks related to carbon markets, including the operationalization of Article 6 of the Paris Agreement. In most cases, this represents a positive development as it establishes a legal framework for projects to operate within and tends to elevate standards concerning environmental and social matters.

However, evolving policy frameworks can also create uncertainty for companies purchasing or investing in carbon credits, particularly when regulatory changes occur after a project has been developed or after companies have committed to future credit purchases.

Companies may encounter policy-related risks in several ways, including:

- **Host country authorization requirements:** Governments may introduce rules requiring projects to obtain authorization before credits can be transferred internationally, particularly where credits may be used under Article 6 mechanisms.
- **Export restrictions or moratoriums:** In some cases, governments may temporarily suspend credit issuance or restrict the export of credits while developing national carbon market regulations.
- **Taxes or benefit-sharing requirements:** Governments may introduce new taxes, levies, or revenue-sharing rules that affect the economics of projects or the price of credits.
- **National carbon accounting frameworks:** The establishment of national baselines or integration of projects into national climate strategies may affect the volume of credits that can be issued.
- **Changes in registry or standard requirements:** Evolving rules from carbon standards or registries may affect how credits are issued, authorized or used in claims.

Policy risk may be particularly relevant for forward purchases, offtake agreements, or direct project investments, where regulatory changes can occur between the time capital is committed and when credits are delivered or retired.

For companies purchasing already-issued credits, exposure to policy risk may be lower in terms of delivery, though broader market developments may still affect how credits can be used in corporate climate claims.

How can carbon policy risk be mitigated?

While policy risk cannot be fully eliminated, companies can take several steps to better understand and manage their exposure.

Monitor policy developments
Companies should assess the regulatory environment in host countries where they plan to source credits and monitor evolving policies related to carbon markets and Article 6 implementation.

Diversify procurement across geographies and project types
A portfolio approach that includes projects across multiple jurisdictions can reduce exposure to policy changes affecting a single country or regulatory system.

Work with experienced project developers and partners
Developers that maintain constructive relationships with national and local authorities are often better positioned to navigate evolving regulatory environments and adapt projects to new policy requirements.

Use contractual protections
Well-structured carbon contracts can help manage certain policy risks by specifying delivery obligations, remedies for non-delivery, or price adjustments if regulatory changes materially affect the project.

Consider risk transfer mechanisms
In some cases, insurance providers offer coverage for specific political risks, such as government expropriation or loss of project authorizations.

Appendix 5
Carbon credit ratings

What is the role of carbon ratings providers in the carbon market?

Purchasing carbon credits, which fund projects and large-scale programs around the world like protecting rainforests from deforestation or developing new technologies like direct air capture, is one of the most established and scalable ways to channel finance to effective climate outcomes. Buyers and investors require critical information and impact assessment of these carbon credits in order to ensure that their climate impact is as effective as claimed. However, it is important to note that accurate impact assessments are inherently based on counterfactuals, and no single approach to this assessment is definitive.

In a market where standardized, comparable data has historically been difficult to source, carbon credit ratings aim to provide transparency and analysis buyers can rely on (alongside other buyers due diligence) in order to invest in quality credits that advance their net zero progress.

Each firm has a different approach to evaluating the quality and risk of carbon projects, often making subjective decisions about how to weigh various elements of project quality, such as additionality, permanence and safeguards, however all align on the critical factors that define assessments. The unique approaches taken among ratings providers and the differences between their approaches and those of the verifying bodies may introduce a range of perspectives, but also highlight some inconsistencies across the market. However, together, they work to improve the integrity and impact of the market as a whole.

As the market matures, more standards emerge, and as transparency and data about the market increase, a relationship between price and quality may also develop, helping the market grow, stabilize, and deliver urgent capital to much-needed projects that would otherwise go unfunded. However, it is important to acknowledge that carbon credit ratings are not without their limitations and that buyers must remain vigilant about the subjectivity inherent in these ratings.

What do ratings providers do?

Based on independent and objective analysis, a carbon credit rating provider issues ratings - often in the form of letter grades - to assess the likelihood that a carbon project delivers real climate impact. Ratings assess the likelihood that the credits issued by a carbon project have delivered on their claims of:

- **Carbon**: Avoiding or removing one metric ton of carbon dioxide or other greenhouse gases;
- **Additionality**: The emissions reductions or removals would not have occurred without revenue from the sale of carbon credits;
- **Permanence**: The degree of confidence we have that a particular project will actually keep the carbon out of the atmosphere for a given period; and
- **Co-benefits**: Additional benefits beyond greenhouse gas emissions (GHGs) avoidance and removal, such as positively impacting communities and biodiversity.

Like debt ratings, carbon credit ratings help buyers understand the risk associated with a specific credit. For example, a low carbon credit rating would indicate the project is high risk, such as likely not delivering the claimed avoided or removed emissions or harming the community that lives in the project area.

What are the key benefits and considerations of using a carbon credit rating?

Carbon ratings providers may serve as catalysts for driving sustainable investments, making disparate investment types comparable and fostering a more robust and transparent carbon market.

Key benefits include:

- **Confidence**: Ratings providers can help you pick the best carbon credits to meet your needs, which means you don't waste money on bad investments or put your reputation at risk if you plan to make a claim. However, the confidence provided by these ratings should be weighed against subjectivity and potential conflicts of interest in the rating process.

- **Choice**: Ratings can support you no matter where you intend to buy carbon credits - whether directly from a developer, via a broker, or on an exchange. Many firms aim to give you a view of the whole market that you can trust regardless of your chosen purchasing channel.

- **Independence**: Some ratings firms, are independent assessors. They are not paid by developers to rate projects, they don't sell credits or make money helping connect carbon credit investors to suppliers. This allows for objective, unbiased assessments of quality, based on internal criteria. However, the business model for some ratings companies may be changing, with companies possibly charging developers for project ratings. If this comes into play it could reduce the claim of independence and introduce potential conflicts of interest.

- **Efficiency**: Ratings firms can streamline the due diligence process, saving businesses time and resources, and enabling them to act swiftly with a lean team. However, this efficiency may compromise thoroughness, as many ratings firms have conducted limited on-the-ground assessments, particularly when evaluating social and biodiversity benefits.

Key risks and considerations:

- **For-profit and unregulated**: It is important to recognize that ratings agencies are for-profit businesses operating in an unregulated environment. Ratings companies do not follow standardized criteria for evaluating the same project, leading to significant variation in ratings across different agencies. Buyers should be aware of these factors and exercise caution when relying on ratings to guide their investments.

Who are the key ratings providers?

Ratings providers, including Sylvera, BeZero, Calyx Global, and Renoster all offer these services. All provide global coverage of all types of carbon market projects located across the world. It's worth noting that while there is variation among major agencies in how they rate the same projects, this diversity of approaches can provide multiple perspectives on project quality. However, the lack of regulation in the industry means that ratings can differ significantly, and buyers should be cautious and informed to ensure they rely on assessments that align with accredited standards and support community well-being.

Appendix 6
Carbon credit insurance

What are the key risks in procuring carbon credits?

The voluntary carbon market (VCM) is a nascent and rapidly developing market. Therefore, engaging in the market can be deemed high risk. Four key risks associated with carbon credit transactions are:

1. Delivery risk – the risk that a project underperforms with regards to carbon credit issuance, as compared to carbon credits forecasted

2. Reversal risk – the risk that the greenhouse gas emissions are re-released back into the atmosphere

3. Resilience risk – the risk that events impact the carbon project's operational capabilities

4. Regulatory risk – the risk that carbon credits may become inaccessible or unusable due to changes in regulations

Currently, these risks are being taken on and passed between market participants, resulting in barriers to entry. Some market participants have introduced forms of self-insurance, such as buffers or contractual agreements, to manage the risk. These approaches can be practical but may not always be the most efficient or sufficient for all scenarios.

What is the role of insurance in the carbon market?

Insurance is a risk management mechanism which is common across standardized markets. It works by transferring risk to a specialized third party (an insurance company) who distribute the risk among a larger pool. This can enable parties to mitigate risks that might otherwise be challenging to manage. As an optional measure, insurance can help to reduce barriers to entry and support transactions.

Carbon insurance, although discussed for several years, is a relatively new concept. Insurers have innovated to release novel insurance products which are catered towards the specific risks associated with the carbon markets. For example, some emerging carbon insurance products can protect buyers of forward purchased carbon credits against the risk that the expected number of carbon credits are not delivered – whether that be due to unavoidable losses (such as fire, wind, or force majeure events); avoidable losses (such as fraud and negligence, abandonment and insolvency); or carbon risks (such as the carbon standard delaying verification or a change in methodology). Such insurance can provide buyers and investors with the confidence to make forward-purchases which otherwise may be deemed too risky. This can unlock significant upfront capital, which is vital for carbon projects to scale.

What can insurance provide the carbon market?

Insurance has the potential to reduce the risks associated with carbon credit transactions, thereby helping to unlock capital flows into carbon projects allowing them to scale. Insurance can provide four key benefits to the market:

1. A balance between traditional risk management practices and innovation

2. A stamp of confidence - risk management and regulatory expertise, honed over decades, can bring confidence to the market and its participants. This is

necessary in the VCM which currently lacks trust.

3. Detailed assessment of carbon project risk - highlighting areas of concern across the market and project types, indicating where broader risk management improvements may be required.

4. Encourage market participants to take informed risks with insurers take on responsibility when things go wrong, market actors may feel more secure in taking the necessary risks to release capital and scale carbon projects and their associated benefits.

To read more on this topic please see the following report on the three pillars of integrity, co-authored by BeZero and Kita.

What are the opportunities for carbon insurance in the VCM?

The carbon insurance sector is beginning to grow, with several organisations working in the space including Kita, Oka, MIGA and Howden. While there are currently a limited number of carbon insurance products in the market, product development is ongoing.

There are significant opportunities for insurance to influence and strengthen risk management within the VCM. For example, some insurance providers offer insurance products that offer protection for carbon credit purchases. This type of product protects project investors and buyers of forward purchased carbon credits against the risk the expected number of carbon credits are not delivered – whether that be due to unavoidable losses (such as fire, wind, or force majeure events); avoidable losses (such as fraud and negligence); or carbon risks (such as the carbon standard delaying verification or a change in methodology). This policy provides buyers and investors with the confidence to make forward-purchases which otherwise may be deemed too risky. This unlocks significant upfront capital, which is vital for carbon projects to scale.

These opportunities show the capabilities of insurance to strengthen the market and work alongside existing risk management mechanisms to improve market confidence.

How should I think about political risk?

As discussions of CORSIA and Article 6.2 transactions continue to become increasingly topical, it's important to flag the risks related to these topics and how they may impact carbon credit buyers. The focal point here is Host Country Authorizations, specifically the approvals required to secure carbon rights and assure validity under Articles 6.2 transactions (most notably the Letter of Authorization and Corresponding Adjustment). It's important to remember, if a carbon credit loses its Corresponding Adjustment, it's no longer eligible for the CORSIA.

Fortunately, some carbon insurance providers have released policies that protect against these risks. Some providers even protect against traditional political risk which could include nationalization, forced abandonment, and political violence, to name a few, that may prevent corporate buyers from receiving and/or using their purchased carbon credits.

Who provides carbon insurance?

The market of carbon insurance providers is growing, and includes including Kita, Oka, We2Sure, Carbonpool, Howden, AXA XL, Aon Climate, CFC, Chaucer, and Marsh. To learn more about the players, buyers may reference the Gross Written Carbon report by Kita and Oxbow Partners.

Appendix 7
Additional standards and guidelines

- BGCI GBS – The Botanic Gardens Conservation International Global Biodiversity Standard (BGCI GBS) combines biodiversity impact assessment and mentoring of restoration practitioners for better biodiversity outcomes

- Equator Principles – These principles outline a baseline and framework for financial institutions to identify, assess and manage environmental and social risks.

- International Finance Corporation (IFC) – Environmental and Social Performance Standards define responsibilities for their clients for managing environmental and social risks.

- International Union for Conservation of Nature (IUCN) – The IUCN Global Standard for Nature-based Solutions is a self-assessment consisting of eight criteria and associated indicators that address the pillars of sustainable development (biodiversity, economy, and society) and resilient project management.

- Fauna and Flora – This organization provides internal guidance on high-quality NbS in terms of net positives for biodiversity and social impact.

- International Labor Organization (ILO) Fundamental Convention – The document covers the ILO Governing Body's eight "fundamental" conventions. Companies can consider these conventions as they evaluate benefits to people.

- LandScale – Initiated by the Rainforest Alliance, Verra and Conservation International, LandScale is an all-in-one tool that allows users to assess risk and adaptively invest in, monitor and measure sustainability impact at the landscape level.

- Peoples Forests Partnership - The Peoples Forests Partnership is a partnership between forest communities and organizations committed to driving climate finance to driving climate finance to them. The partnership has developed nine guiding principles for participating organizations.

- United Nations Development Programme (UNDP) Social and Environmental Standards – The social and environmental standards of the lead agency of the United Nations on international development underpin the UNDP's goal of mainstreaming social and environmental sustainability in all of their programs and projects.

- World Resources Institute (WRI) Guidance on Voluntary Use of Nature-based Solution Carbon Credits Through 2040 – The guidance developed by a WRI working group focuses on nature-based solutions (NbS) and markets that provides the latest thinking on the voluntary use of NbS carbon credits.

Other relevant resources:

- The Tropical Forest Credit Integrity Guide, published by the Coordinator of Indigenous Organizations of the Amazon River Basin (COICA), shares more detailed guidance on additional due diligence requirements.

- The High-Quality Blue Carbon Principles and Guidance outlines five main recommendations to guide the development and procurement of high-quality blue carbon projects and credits.[67] Buyers looking to procure high-quality blue carbon credits can look to this guide for more specific considerations.

Appendix 8
Resources and references

Carbon mitigation background/net-zero emissions journeys (beyond voluntary carbon mitigation)

University of Oxford: *The Oxford Principles for Net-zero Aligned Carbon Offsetting*

Science Based Targets initiative (SBTi) Net-Zero Standard

Shopify: *Buying Carbon Removal, Explained*

Glasgow Financial Alliance for Net Zero: *Expectations for Real-economy Transition Plans*

Ceres guide on *Evaluating the Use of Carbon Credits*

General background on people and biodiversity

Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) *Global Assessment Report on Biodiversity and Ecosystem Services*

Definitions/NCS background

International Union for Conservation of Nature (IUCN) Resolution on NBS Definition

Natural Climate Solutions Alliance (NCSA): *Natural Climate Solutions for Corporates*

Natural Climate Solutions Alliance (NCSA): *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-Suite Executives*

WWF: Working with Nature to Tackle Societal Challenges and Benefit People, Nature and Climate

NCS-specific guidance/role of NCS in net-zero emissions journeys

Conservation International: *Exponential Roadmap for NCS*

Seddon et al.: "Getting the message right on nature-based solutions to climate change"

International Labour Organization report:

Decent Work in Nature-based Solutions

United Nations Environment Programme and International Union for Conservation of Nature (UNEP IUCN) report: *Nature-based solutions for climate change mitigation*

World Resources Institute: *Guidance on Voluntary Use of Nature-based Solution Carbon Credits through 2040*

Coordinator of Indigenous Organizations of the Amazon River Basin (COICA): *Tropical Forest Credit Integrity Guide*

Eco-Business: "Don't lock Indigenous Peoples into bad carbon deals: experts"

Cook-Patton et al.: "Protect, manage and then restore lands for climate mitigation"

Sylvera: The State of Carbon Credits 2022: Spotlight on REDD+

High-Quality Blue Carbon Principles and Guidance

World Economic Forum report: *Embedding Indigenous Knowledge*

Nature4Climate *Nature Tech Report*

Gold Standard Foundation: *Gold Standard Claims Guidelines*

NCS criteria

These additional resources provide further background and, in the case of Microsoft, an example of a corporation setting its own criteria.

Kew: "10 Golden Rules for Restoring Forests"
Ceres: *Evaluating the Use of Carbon Credits*

NCS investment flows/financing

United Nations Environment Programme:

State of Finance for Nature

World Economic Forum: *Nature Risk Rising*

World Economic Forum: *Scaling Investments in Nature*

Note: Organizations are developing request for proposal (RFP) platforms specific to carbon credit procurement as technological solutions for companies.

Jurisdictional NCS

World Economic Forum: *Forests for Climate: Scaling up Forest Conservation to Reach Net Zero*

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Endnotes

1 *High-quality NCS* are solutions that address the permanence, additionality, leakage, double-counting, robust quantification and verification of the NCS climate mitigation activities implemented and measurably improve biodiversity and ecosystem integrity, providing substantive social and economic benefits for local communities and Indigenous Peoples, and offering protection from climate risk by boosting the land's resiliency and adaptive capacity.

2 See the Integrity Council for the Voluntary Carbon Market (2023). "The Core Carbon Principles". Retrieved from: https://icvcm.org/the-core-carbon-principles/.

3 United Nations Environment Program (UNEP) Emissions Gap Report 2022. Retrieved from: https://www.unep.org/resources/emissions-gap-report-2022

4 United Nations Environment Program (2022). "UN Environment Assembly concludes with 14 resolutions to curb pollution, protect and restore nature worldwide". Retrieved from: https://www.unep.org/news-and-stories/press-release/un-environment-assembly-concludes-14-resolutions-curb-pollution.

5 Financing stands at approximately USD $154 billion compared to the estimated USD $674 billion needed by 2030 to achieve true mitigation potential. United Nations Environment Program (2022). State of Finance for Nature Report 2022. Retrieved from: https://www.unep.org/resources/report/state-finance-nature-2022.

6 For more detail on the history of the VCM, see International Carbon Reduction and Offset Alliance (ICROA) (n.d.). "Evolution of the Voluntary Carbon Market" timeline. Retrieved from: https://voluntarycarbonmarket.org/.

7 Land stewards do not always hold carbon rights due to rules of tenure and property rights in various countries.

8 Counterbalance refers to an organization's use of NCS credits to compensate for some or all of its unabated emissions over a given period while on a Paris Agreement-aligned, science-based emissions-reduction pathway. World Resources Institute (2022). "Guidance on Voluntary Use of Nature-based Solution Carbon Credits Through 2040".

9 The term "science-based" refers to those activities that use scientific methods and results to inform decisions. For the purposes of this guide, "science-based" does NOT specifically refer to the Science Based Targets initiative (SBTi) unless stated otherwise.

10 Science Based Targets initiative (SBTi) (2021). "Nature-based solutions in science-based targets". Retrieved from: https://sciencebasedtargets.org/blog/nature-based-solutions-in-science-based-targets.

11 Greenhouse Gas Protocol (2022). Draft Land Sector and Removals Guidance | Greenhouse Gas Protocol. Retrieved from: https://ghgprotocol.org/land-sector-and-removals-guidance.

12 Science Based Targets initiative (SBTi) (2022). Forest, Land and Agriculture Science Based Target-Setting Guidance. Retrieved from: https://sciencebasedtargets.org/resources/files/SBTiFLAGGuidance.pdf.

13 For companies at the neutralization stage, it is no longer a question of "how much". To reach net-zero emissions, they must neutralize all residual unabated emissions. For example, the Science Based Targets initiative states that exclusions in the GHG inventory must not exceed 10% of total scope 3 emissions.

14 World Resources Institute (WRI) (2022). *Global Forest Review – Forest Pulse: The Latest on the World's Forests*. Retrieved from: https://research.wri.org/gfr/latest-analysis-deforestation-trends.

15 For more on HFLD credits, see Coordinator of Indigenous Organizations of the Amazon River Basin (COICA) et al. (2023). *Tropical Forest Credit Integrity Guide for Companies*. Retrieved from: https://tfciguide.org/.

16 Nesting is when project-level emissions accounting and social and environmental safeguards are aligned with higher-level jurisdictional systems. (Source: Verra (2022). *VCS Jurisdictional and Nested REDD+ Framework*. Retrieved from: https://verra.org/programs/jurisdictional-nested-redd-framework/.)

17 For more detail on balancing projects and jurisdictional programs, see Coordinator of Indigenous Organizations of the Amazon River Basin (COICA) et al. (2023). *Tropical Forest Credit Integrity Guide*. Retrieved from: https://tfciguide.org/.

18 Technological solutions include carbon capture and storage methods, and will likely play an important role in carbon removal as they scale. Source: WBCSD (2022). Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives. Retrieved from:

19 An offtake agreement is an arrangement between a producer and buyer to purchase or sell a portion of the producer's upcoming carbon credits.

20 For an overview of the average price of different credit types see Ecosystem Marketplace (2022). *The Art of Integrity – Ecosystem Marketplace's State of the Voluntary Carbon Markets 2022 Q3*. Retrieved from: https://www.ecosystemmarketplace.com/publications/state-of-the-voluntary-carbon-markets-2022/.

21 Companies can also follow guidance from the UN Global Compact, which asks companies to set an internal price for carbon at a minimum of USD $100 per metric ton. UN Global Compact (n.d.). "Put a price on carbon." Retrieved from: https://unglobalcompact.org/take-action/action/carbon.

22 Analysis from CDP found the median internal carbon price disclosed by companies in 2020 was USD $25 per metric ton of CO_2e. CDP (2021). "Nearly half of world's biggest companies factoring cost of carbon into business plans". Retrieved from: https://www.cdp.net/en/articles/media/nearly-half-of-worlds-biggest-companies-factoring-cost-of-carbon-into-business-plans.

23 For more information on corporate internal carbon pricing, see Ecofys, The Generation Foundation and CDP (2017). *How-to guide to corporate internal carbon pricing – Four dimensions to best practice approaches*. Retrieved from: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/002/740/original/cpu-2017-how-to-guide-to-internal-carbon-pricing.pdf?1521554897.

24 Attributes are from: Integrity Council for the Voluntary Carbon Market (2023). "The Core Carbon Principles". Retrieved from: https://icvcm.org/the-core-carbon-principles/

25 It is important to note the different considerations for each of these attributes based on the ecosystem type in question. For example, in blue carbon ecosystems, sea level rise is an important consideration. For a detailed treatment of each of the attributes in the context of blue carbon, refer to Conservation International (2022). *High-Quality Blue Carbon Guidance and Principles*. Retrieved from: https://merid.org/wp-content/uploads/2022/11/HQBC-PG_FINAL_11.8.2022.pdf.

26 Fundamental in ensuring integrity is the project or program baseline, which companies must carefully consider to confirm that it is conservative and all assumptions made are transparent.

27 See Environmental Defense Fund (n.d.). *Meeting the climate change goals of the Paris Agreement: How to avoid double counting of emissions reductions*. Retrieved from: https://www.edf.org/sites/default/files/documents/double-counting-handbook.pdf.

28 International Carbon Reduction and Offset Alliance-endorsed standards can be found at https://www.icroa.org/standards.

29 The Millennium Ecosystem Assessment defines ecosystem services as "the benefits people derive from ecosystems." To derive this value, experts use biodiversity indices across ecosystems, species and genes.

30 Ecosystem services have been valued at between USD $150 trillion and USD $170 trillion per year (based on a currently accepted range of estimates), using discount rates at ~2.5-3.5%. Note: All values inflation-adjusted to 2019-dollar values.

31 Science Based Targets Network (n.d.). "SBTN Glossary". Retrieved from: https://docs.google.com/document/d/1jaBVIG54Fsqc0xRvy97U-aO8rCfAg1Xp5C95rUWEVoI/edit.

32 World Resources Institute (WRI) (2022). "Policies Underestimate Forests' Full Effect on Climate". Retrieved from: https://www.wri.org/insights/how-forests-affect-climate.

33 Lawrence, D. et al. (2022). "The Unseen Effects of Deforestation: Biophysical Effects on Climate". *Frontiers in Forests and Global Change*. 24 March 2022, Sec. Forest Disturbance, Volume 5 – 2022. Retrieved from: https://www.frontiersin.org/articles/10.3389/ffgc.2022.756115/full.

34 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) (2019). *Global Assessment Report on Biodiversity and Ecosystem Services*. Retrieved from: https://ipbes.net/global-assessment.

35 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) (2019). *Global Assessment Report on Biodiversity and Ecosystem Services*. Retrieved from: https://ipbes.net/global-assessment.

36 Many standards do have processes in place to involve IPs and LCs but may not go far enough to ensure that these groups are active parties in project development and management.

37 This can occur when retailers or brokers have purchased credits from project developers and then sell to end buyers.

38 Based on interviews.

39 Vintage refers to the age of the credit. However, older vintages do not always mean older credits, as the registry may have just issued some credits with an older vintage if the project is large and complex and had issuance delayed. Vintage has historically been used as a proxy for quality due to the fact that some older projects using older methodologies are low quality; but this is more the effect of poor methodologies, not vintage. Buyers should perform due diligence on all carbon credit purchases, regardless of vintages.

40 For more information on reporting on credit use, see:

Glasgow Financial Alliance for Net Zero (n.d.). *Expectations for Real-Economy Transition Plans*. Retrieved from: https://assets.bbhub.io/company/sites/63/2022/09/Expectations-for-Real-economy-Transition-Plans-September-2022.pdf.

CDP (n.d.). "Guidance for companies". Retrieved from: https://www.cdp.net/en/guidance/guidance-for-companies.

41 International Sustainability Standards Board (ISSB) (2022). *ISSB Update October 2022*. Retrieved from: https://www.ifrs.org/news-and-events/updates/issb/2022/issb-update-october-2022/#1.

42 For further guidance on communicating climate strategies that include NCS, see World Economic Forum and WBCSD (2021). *Natural Climate Solutions for Corporates*. Retrieved from: https://www3.weforum.org/docs/WEF_NCSA_NCS_for_Corporates_2021.pdf.

43 See Ceres (2022). *Evaluating the Use of Carbon Credits*. Retrieved from: https://www.ceres.org/resources/reports/evaluating-use-carbon-credits.

44 World Resources Institute cites the first two types of claims: World Resources Institute (WRI) (2022). *Guidance on Voluntary Use of Nature-based Solution Carbon Credits Through 2040*. Retrieved from: https://www.wri.org/insights/guidance-voluntary-use-nature-based-solution-carbon-credits-through-2040.

45 Also referred to as a Nationally Determined Contribution (NDC).

46 World Resources Institute (WRI) (2022). *Guidance on Voluntary Use of Nature-based Solution Carbon Credits Through 2040*. Retrieved from: https://www.wri.org/insights/guidance-voluntary-use-nature-based-solution-carbon-credits-through-2040.

47 World Economic Forum (2023). "Why you should consider adding carbon credits to your climate action plan". Retrieved from https://www.weforum.org/agenda/2023/01/consider-adding-carbon-credits-climate-action-plan/.

48 Definitions sourced from The Biodiversity Consultancy, CDR Primer, Climate Action Reserve, European Commission Climate Action, ICVCM, NCSA, SBTi, UN Climate Change (UNFCCC) and World Resources Institute, as well as from input from the NCSA taskforce.

49 Science Basted Targets initiative (SBTi) (2021). *SBTi Corporate Net-Zero Standard*. Retrieved from: https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf.

50 Demonstrating additionality is challenging because it requires testing; and testing itself is controversial because it is imperfect. Types of additionality tests include examining regulatory surplus, performing barrier analysis and looking at market adoption rates. REDD projects (projects that generate credits from Reduced Emissions for Deforestation and forest Degradation), for example, need to demonstrate that the rate of deforestation they achieve is lower than what would have happened without the intervention. If the REDD+ project is in an area where forest protection was already legally mandated, then there is no additionality as the reduction would happen anyway.

51 Natural Climate Solutions Alliance and ERM (2022). *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives*. Retrieved from: https://www.wbcsd.org/resources/natural-climate-solutions-and-the-voluntary-carbon-market/

52 Science Basted Targets initiative (SBTi) (2021). *SBTi Corporate Net-Zero Standard*. Retrieved from: https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf.

53 Integrity Council for the Voluntary Carbon Market (ICVCM) (n.d.). "Public Consultation | Key resources". Retrieved from: https://icvcm.org/public-consultation/#key-resources.

54 Coordinator of Indigenous Organizations of the Amazon River Basin (COICA) et al. (2023). *Tropical Forest Credit Integrity Guide*. Retrieved from: https://tfciguide.org/.

55 Natural Climate Solutions Alliance and ERM (2022). *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives*. Retrieved from: https://www.wbcsd.org/resources/natural-climate-solutions-and-the-voluntary-carbon-market/

56 Natural Climate Solutions Alliance and ERM (2022). *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives*. Retrieved from: https://www.wbcsd.org/resources/natural-climate-solutions-and-the-voluntary-carbon-market/

57 Science Basted Targets initiative (SBTi) (2021). *SBTi Corporate Net-Zero Standard*. Retrieved from: https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf.

58 Integrity Council for the Voluntary Carbon Market (ICVCM) (n.d.). "Public Consultation | Key resources". Retrieved from: https://icvcm.org/public-consultation/#key-resources.

59 Natural Climate Solutions Alliance and ERM (2022). *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives*. Retrieved from: https://www.wbcsd.org/resources/natural-climate-solutions-and-the-voluntary-carbon-market/

60 For example, the Science Based Targets initiative, International Carbon Reduction and Offset Alliance and Oxford Principles all provide guidance that promotes reductions first.

61 United Nations Climate Change (n.d.). "Race to Zero Campaign". Retrieved from: https://unfccc.int/climate-action/race-to-zero-campaign.

62 United Nations (n.d.). "Credibility and Accountability of Net-Zero Emissions Commitments of Non-State Entities". Retrieved from: https://www.un.org/en/climatechange/high-level-expert-group.

63 Science Based Targets initiative (SBTi). "Net Zero: Urgent Beyond Value Chain Mitigation is Essential". Retrieved from: https://sciencebasedtargets.org/blog/net-zero-urgent-beyond-value-chain-mitigation-is-essential.

64 Jorisch, D. (2021). "A simple guide to climate neutral, net zero and climate positive". Southpole. Retrieved from: https://www.southpole.com/blog/guide-to-climate-neutral-net-zero-climate-positive.

65 Natural Climate Solutions Alliance and ERM (2022). *Natural Climate Solutions and the Voluntary Carbon Market: A Guide for C-suite Executives*. Retrieved from: https://www.wbcsd.org/resources/natural-climate-solutions-and-the-voluntary-carbon-market/

66 International Carbon Reduction and Offset Alliance (ICROA) (2021). "Article 6 of the Paris Agreement and its implications for the voluntary carbon market (VCM)". Retrieved from: https://www.icroa.org/post/article-6-of-the-paris-agreement-and-its-implications-for-the-voluntary-carbon-market-vcm.

67 Companies can generate blue carbon credits from natural climate solutions in coastal and marine ecosystems, such as mangrove forests, seagrass meadows and tidal marshes.

68 We Mean Business Coalition, Accelerating Corporate Climate Finance Through Carbon Markets, (2024). Retrieved from: https://www.wemeanbusinesscoalition.org/wp-content/uploads/2024/03/Accelerating-Corporate-Climate-Finance-through-Carbon-Markets.pdf, Allied Offsets, High Integrity Demand in the VCM: Forecast Analysis (2024). Retrieved from: https://www.ieta.org/wp-content/uploads/2024/02/Report_AlliedOffsets-VCM-Forecast_150224.pdf Ecosystem Marketplace, All in on Climate, (2023). Retrieved from: https://www.ecosystemmarketplace.com/publications/2023-em-all-in-on-climate-report/,

69 Ecosystem Marketplace, Lucy Almond, Commentary Companies and Carbon Credits: From Anecdote to Evidence (2024). Retrieved from: https://www.ecosystemmarketplace.com/articles/commentarycompanies-and-carbon-credits-from-anecdote-to-evidence/

70 IPCC, Climate Change and Land, an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems. (2019). Retrieved from: https://wedocs.unep.org/20.500.11822/29261

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