

**CHARTER
for
ARCHITECTURE FOR REDD+ TRANSACTIONS (ART)**

ARTICLE I

Purpose and Immutable Principles

The purpose of the Architecture for REDD+ Transactions (“ART”) is to promote the environmental and social integrity and ambition of carbon emission reductions and removals from the forest and land use sector to catalyze new, large-scale finance for REDD+ and to recognize forest countries that deliver high quality REDD+ emission reductions and removals.

The ART has adopted the following statement of Immutable Principles to govern its operation:

The ART shall:

1. Recognize countries with quantifiable emission reductions that result from slowing, halting and reversing forest cover and carbon loss and maintaining forest carbon stocks
2. Be consistent with UNFCCC COP decisions including the Paris Agreement, Warsaw Framework for REDD+ and the Cancun Safeguards, which establish environmental, social and governance principles countries are expected to uphold when undertaking REDD+ activities, in particular to ensure the recognition, respect, protection and fulfilment of the rights of indigenous peoples and local communities.
3. Embody high environmental integrity, including accounting for the uncertainty of data and the risks of leakage and reversals, the avoidance of double counting, and result in issued units that are interchangeable with emission reduction units from other sectors.
4. Promote national ambition and contribute to Paris Agreement goals including progress toward the fulfillment of Nationally Determined Contributions.
5. Credit emission reductions at the national level, or at the subnational level as a time-bound interim measure only where it represents high ambition and large scale and is recognized as a step towards national-level accounting.
6. Set crediting baselines for reduced deforestation and degradation that initially reflect historical emission levels and thereafter decline periodically to require higher ambition over time.

ARTICLE II

Governance of the ART: Management, Advisory Board and the ART Secretariat

Section 1. Governance and Management of the ART.

The Art shall be governed by Winrock International's wholly owned subsidiary, the Environmental Resources Trust (ERT), which shall act as the Secretariat. The ART shall be overseen by the Managers of the ERT (ERT Board). The ART programs shall be executed by ERT employees, who shall be funded by the ART funding.

Section 2. The ART Advisory Board ("ART Board"). The ERT Board shall be advised by the ART Board. The ART Board is an advisory board that shall provide programmatic, but not fiduciary, oversight of the work. The ART Board will be responsible for overseeing the scope and ambition of the ART as embodied in the ART Immutable Principles, and for ensuring the overall integrity of The REDD+ Environmental Excellency Standard ("TREES") and its implementation including all program related activities and decisions. TREES will be an operational standard, incorporating verification procedures and comprehensive safeguards, that ensures environmental and social integrity and enables transactions of emission reductions, including in compliance markets.

The ART Board shall:

- i. Interpret and ensure the implementation of the ART Immutable Principles listed in Article 1 as needed to translate into operational policy.
- ii. Approve and ultimately govern TREES and associated program requirements.
- iii. Approve any changes to TREES and related protocols, while staying true to the Immutable Principles in Article 1.
- iv. Approve or disapprove the issuances of ART emissions reduction credits following receipt of such information and completion of such processes as it determines are required.
- v. Interact with key stakeholders, including government officials, governments, civil society, indigenous peoples and market regulators to solicit, broaden and solidify stakeholder support for ART and maintain ART's validity and value.
- vi. Take decisions on policy matters that may affect the direction of the ART Program such as those related to implementation rules under the Paris Agreement.
- vii. Ensure the integrity of the ART, including taking action, including corrective or

disciplinary action as it deems appropriate, to address any possible breach of ethics or conflict of interest standards.

- viii. Consider, and make final decisions on if deemed necessary, all ART appeals based on the recommendations of the Secretariat and appeals committee.
- ix. Review and comment on periodic ART operational information provided annually by the Secretariat or as specially requested by the ERT Board related to the management and implementation of ART and the TREES Standard.
- x. Report to the ERT Board and review ERT's performance as Secretariat and determine when / whether to create a stand-alone organization or otherwise separate from ERT and, if such decision is made by the ART Board, to take all necessary steps to effectuate the decision.
- xi. Advise the Secretariat, as necessary, on ART funding, e.g. a grant renewal or application submission, including any arrangement further vesting the relationship with ERT or the creation of relationships with additional donors.

Section 3. ART Board Operational Characteristics. The number of voting ART Board members shall be not less than five (5) nor more than seven (7).

Term of the Initial ART Board members. The ART Board shall commence with an "Initial ART Board" whose terms are defined as follows. Two initial ART Board members will have terms of two years, three members will have terms of three years, and two (the Chair and Vice Chair) will have terms of four years. Members initially appointed for a term other than three years (i.e. those initially elected for two- or four-year terms and those replacing Directors who resign) will be eligible for election to an additional three-year term..

Subsequent Selection and Terms of ART Board members. After the initial ART Board, Board members shall be elected for a term of three years, and shall not serve in excess of two, three-year terms. Subsequent ART Board members will be nominated and selected by the ART Board. ART Board members who are replacing Board members who left the ART Board prior to the expiration of their terms (e.g. due to resignation, removal or death) will be elected for the remaining balance of the departing ART Board member's term. ART Board members who are leaving the Board due to expiration of their terms or resignation may vote on the selection of their successors. ART Board members removed for cause will not vote for their successors.

Qualification of ART Board members. For all Board members, initial and post-initial,

ART Board members will be distinguished individuals of the highest integrity with relevant experience or expertise to ensure the independence, professionalism and environmental and social integrity of the ART Board. The ART Board will seek to promote diversity in geography, gender and professional background in selecting members. No one will be selected as a member who would foreseeably face disqualification under the Conflict of Interest Policy. No individual may be elected to the ART Board who has previously served as a member for a period of more than 54 months that ended within the preceding two years. The ART Board members will serve solely in their individual capacities, not as representatives of their governments, employers or any other public or private entity or stakeholder group.

Non-voting ERT Board member. ERT will designate as a representative of ERT a, ERT Board Director as a fully participating, non-voting ART Board Member (“ERT Board Member”) who will attend ART Board meetings and receive all information provided to members. The ERT Board Member will maintain confidentiality of ART Board matters and communications as appropriate but will be authorized to discuss matters coming before the ART Board with the ERT Board. The ERT Board Member will not have a term of years and will serve until a substitution is made by ERT. Should the ART separate from ERT and ERT is no longer hosting the Secretariat, the ERT Board Member position to the ART Board will be abolished.

Section 3. Meetings. The ART Board will meet in person at least once annually (the annual meeting), which shall be one of the regular meetings thereof, for the election of ART Board directors and members and for the conduct of such business as may come before the meeting and at such time and place, as are designated by the Board or the Chairperson of the Board (the “Chair”). The ART Board will meet quarterly via telephone in quarters in which in-person meetings are not held. The Chair shall fix the time and place of other regular meetings as it may determine. The Chair or a majority of the ART Board acting together may call a special meeting on not less than ten days’ notice, given by telephone, or thirteen days’ notice, given by mail. All meetings shall be held at such place as shall be designated in the notice.

Section 4. Notice of Meetings. Notice of regular meetings of directors shall be given by the Secretariat to each director in writing, such as via email, and shall set forth the place, date and hour of the meeting. Notice of the annual meeting shall be given not less than sixty

days before the meeting and notice of other regular meetings shall be given not less than thirty days before the meeting. In the event of change in meeting date or venue, notice can be shorter as agreed by a quorum of directors. In the case of a special meeting, the purpose or purposes of the meeting shall be designated in the notice.

Section 5. Quorum and Vote. A majority of the voting ART Board members then in office shall constitute a quorum for the transaction of all business at meetings, and the act of a majority of the members present at any meeting, a quorum being present, shall be the act of the ART Board. In the absence of a quorum those present at the time and place set for a meeting may take an adjournment from time to time, without further notice, until a quorum shall be present. The ART Board Member shall not be considered in determining a quorum.

The ART Board will strive to make decisions by consensus. Consensus on a decision means all qualified to vote Board members can accept (i.e., will not block) the proposed decision. Therefore, no decision will enjoy consensus if one or more members cannot accept the proposed decision. Where consensus cannot be achieved, determinations will be made by majority vote. Notwithstanding this, any changes to the TREES standard (as referenced in Article II, Section 1. iii) will be adopted by consensus; if no consensus is possible, by supermajority vote¹.

Each ART Board member shall have one vote, and no member shall be entitled to vote by proxy. Should the ART Board have six or four voting members, due to vacancies or recusals, and the vote on a resolution is evenly divided, the position favored by the Board Chair will prevail.

Section 6. Vacancies. Any vacancy or vacancies created by the death, resignation or incapacity to act of any ART Board member before the expiration of such member's term, or by the creation of one or more new memberships, may be filled at any meeting by a majority of the directors then in office. A member elected to fill a vacancy shall hold office until the expiration of the term of the member for which such vacancy occurs and until the election and qualification of a successor.

Section 7. Resignation and Removal. Any ART Board member may resign by a

¹ A Supermajority requires one vote more than a simple majority; for example, with a 7-person board, a super majority would require 5 votes.

notice in writing to the Chair. The acceptance of any such resignation shall not be necessary to make the same effective. Any ART Board member may be removed at any time with cause² by the vote of a supermajority of the members then in office.

Section 8. Participation and attendance. Any one or more members may participate in a meeting of the ART Board in-person or by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Appointed and elected members of the ART Board of Directors, including officers, shall be permitted one absence from the regular Board meetings in one year, January 1 through December 31. A member is to notify the Chairperson of the Board prior to the called meeting. The Secretariat shall maintain an attendance record for each meeting, and absences will be recorded by the Secretariat in the minutes of the meeting. If a member is absent more than once in a twelve-month period, the other members shall evaluate and vote by a majority to retain or ask for the resignation of the member. In the event of no majority, the vote of the Chair will decide.

Section 9. Compensation of ART Board members. ART Board members may be paid an annual fee by the Secretariat for time devoted to ART business and will be eligible for reimbursement of travel and other ART-related and pre-approved out-of-pocket expenses as governed by travel policies of the Secretariat and any funders. An additional fee will be paid to Board members who attend the annual meeting in person.

Section 10. Duties of the ART Secretariat. The day-to-day affairs of the ART shall be managed by the Secretariat, as designated by the ART Board per Section 1, above. The ART Board will be responsible for any and all financial agreements for ART while ensuring the implementation of ART in a manner that meets ART's standards for quality and integrity, including its code of conduct standard, as applicable to ART, included as an exhibit to this Charter, and is consistent with the directions of the ART Board. The Secretariat shall have discretion to reject any grant, gift or bequest the conditions of which might conflict with or jeopardize the ART's charitable, scientific and educational purposes or which might conflict with ART's policies and mission.

² "Cause" is defined as any violation of the Winrock Code of Conduct, the ART Ethical Standards Policy, any provision of the Board Charter including attendance, and any behavior that the ART Board, by a supermajority, deems to undermine the reputation or mission of the ART.

Specifically, the Secretariat shall:

- i. Provide and oversee staffing to fulfill any financial agreement / arrangements for the ART including meeting all programmatic and financial reporting requirements including an annual project audit. Secretariat staff will also be subject to the ART Ethical Standards policy requirements.
- ii. Oversee operational responsibilities related to ERT/Winrock systems, policies & procedures for ART (finance & accounting / audit, procurement, legal/compliance, ethical, conflict of interest, communications, human resources, information technology).
- iii. Nominate an ERT Board member to serve on the ART Board as a fully participating non-voting member. The ERT Board member shall receive all information provided to the ART Board and may discuss matters coming before the ART Board with the ERT Board.
- iv. Oversee the provision of operational information to the ART Board through periodic updates or as requested by the ART Board. This would include financial, operational, and other documents relevant to the management and implementation of TREES such as complaints and appeals, the annual audited financial reports and semiannual unaudited financial statements of the ART as well as any material communications between the Secretariat and government authorities and carbon market regulators relating to the ART.
- v. Act as the Secretary of ART and maintain the ART programmatic documents, minutes of meetings, and all other necessary operational records.
- vi. Respond in a timely fashion in the event any concerns are formally raised by the ART Board regarding performance of the Secretariat.

ARTICLE III

Board Officers and Committees

Section 1. Election and Qualification. Following the service of the I officers' Initial Board terms, the ART Board shall elect at the annual meeting or at any adjournment thereof, the following officers: a Chairperson of the Board and a Vice Chairperson of the Board. Any such office not filled at the annual meeting or adjournment thereof and any vacancy in any office may be filled by the Board at any meeting. The ART Board may at any meeting by resolution elect and define the duties of such other officers as it may from time to time

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determine.

Section 2. Term. Following the service of the officers' Initial Board terms, officers shall be elected to serve, with total service (as Board members and/or officers) not to exceed two, three-year terms. The Chair and Vice Chair hold office at the pleasure of the Board.

Section 3. Resignation and Removal. Any officer may resign at any time by delivering a written resignation to the Chair or Vice Chair. The acceptance of any such resignation, unless required by the terms thereof, shall not be necessary to make the same effective. Any officer may be removed at any time with cause by a supermajority vote of the ART Board members. Any resignation as an ART Board member by a member who is also an officer shall be a resignation as such officer without any further action.

Section 4. Chairperson of the Board. The Chairperson of the ART Board shall convene meetings of the Board, set the agenda (noting that any member may add an item to the agenda), and preside over all meetings. The Chair shall also maintain liaison with the ART Secretariat between Board meetings and perform such other functions as the Board may determine. In the absence or disability of the Chair, the Vice Chair shall preside. In the absence or disability of all the foregoing, the Board shall designate one of the directors present to preside.

Section 5. Vice Chairperson of the Board. The Vice Chairperson of the Board shall preside at all meetings of the Board in the event of the absence, incapacity, recusal or resignation of the Chairperson of the Board. Where the Chair will no longer serve, the Vice Chair will act in that capacity until a new Chair is selected.

Section 6. Committees. The Board may form such Committees of the ART as it determines to be appropriate. The Board will designate the members of each Committee, who may be but need not be Board members, and the duration and role of each Committee. Initially, there shall be an Ethics Committee consisting of three Board members.

ARTICLE IV
Code of Conduct

Section 1. Conduct; Ethics; Conflicts of Interest. The ART Board members and the Secretariat shall be held to the highest standards for ethics and professional conduct and for avoidance of conflicts of interest. At all times during which the Secretariat is ERT, all ART Board members, Secretariat staff, and ERT staff supporting ART shall be subject to the ART Ethical Standards, appended to this Charter as Exhibit A. In addition, all ERT employees supporting ART shall be subject to Winrock's Code of Conduct , included as Exhibit B to this Charter. It is not anticipated that there will be any inconsistency between the ART Ethical Standards and the Winrock Code of Conduct but should an inconsistency emerge, the ART Ethical Standards will prevail.

ARTICLE V
Amendments

Upon notice as provided in Article III, Section 3 or 4, at any meeting of the ART Board any provision of this Charter may be amended or repealed by affirmative vote of a majority of the ART Board members then in office. No provision may be amended or repealed unless written notice of the proposed amendment or repeal has been contained in the notice of the meeting. Any amendments agreed by an affirmative vote of a majority of the ART Board members then in office will be deemed to be accepted by Board members who remain in service. No amendments may be inconsistent with or undercut adherence to the Immutable Principles.

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