

Compensate Foundation has, in co-operation and guidance with its Scientific Advisory Panel, formed a criteria for evaluating all projects from which it buys emission reduction units. This evaluation criteria is applied to all projects from February 2020 onwards, and projects are re-evaluated when new monitoring and verification reports are published, baseline is updated, or the project has been approved by the Panel for a fixed term to ensure their compliance to the following criteria.

**As a baseline, the projects must be certified with global, industry standards, ie. the Verified Carbon Standard (VCS) or the Gold Standard and in addition qualify for enough points according to Compensate's criteria.**

The criteria takes into account climate integrity, community wellbeing and biodiversity, and the long term viability of the project. The evaluation happens in three (3) phases.

## Phase 1: Screening Process

To be approved for Compensate's evaluation, the project must first fulfill the requirements at the screening stage. The screening is conducted by Compensate or its direct affiliates. The requirements are as follows:

- Project documentation. Project documentation must be available and up to date, including project description, monitoring and verification reports, preferably produced in the past 2 to 3 years.
- Updated baseline is available.
- Deforestation and possible carbon leakage evaluation: Report on whether significant deforestation within or in the close proximity of the project area has occurred immediately before or after the project has been initiated. If yes, the project is disqualified due to the high risk of carbon leakage and/or illegal logging.
- Conflict mapping. Report on whether land tenure conflicts, evictions, human rights violations have occurred due to, because of, or in direct effect of the project initiation. If yes, the project is disqualified.

## Phase 2: Pass/Fail Criteria

In phase 2, projects are evaluated on climate integrity, social impact, and biodiversity. The evaluation is conducted by Compensate or its direct affiliates. The requirements are evaluated as pass/fail as follows:

### Climate integrity

1. The project is financially additional and after Art. 6 of the Paris Agreement is operational the project must also be policy additional,
2. double counting is strictly prohibited,
3. the project has proof of clear carbon ownership,
4. and the project has a reliable baseline.

### Wellbeing of local communities

- The Project Developer and the Project respect internationally proclaimed human rights and shall not be complicit in violence or Human Rights abuses of any kind as defined in the Universal Declaration of Human Rights.
- The Project recognises possibilities for deterioration of livelihoods of local people and mitigate possible negative impacts to communities for example by respecting customary rights.

**Biodiversity**

- The project activities have a net positive impact on biodiversity.

**Phase 3: Points criteria (0-100 points)**

In phase 3, projects are evaluated in more detail on a points system. Projects with more than 50 points are considered for recommendation to Compensate. In addition, all projects that pass the phase 2, are evaluated and discussed by the Scientific Advisory Panel.

**Climate integrity (0-50 points)**

- Permanence (0-10p)
  - The project has a non-permanence risk analysis and consequent deductions for non-permanence risk when calculating net GHG emission reductions.
  - The project has a buffer account.
  - Upfront crediting is strictly limited or not allowed.
  - Mitigating the risk of non-permanence beyond the crediting period
- Leakage (0-10p)
  - The project assesses and manages activity leakage and implements consequent deductions when calculating net GHG emission reductions.
  - The project assessed and manages market leakage and implements consequent deductions when calculating net GHG emission reductions
- General carbon accounting quality assurance (0-20p)
  - The project has independently validated methodology for GHG accounting & The project has independent third party validation and verification of monitoring results (Yes/No)
  - The project has reliable baseline modeling, including analysis of reference situation, and has conducted uncertainty assessment when calculating net GHG emission reductions.
  - The project includes all relevant carbon pools and GHGs and has a reliable estimation of the carbon stock development under baseline scenario
- Project viability (0-10p)
  - The project has a detailed management plan to show how the drivers of deforestation and forest degradation are credibly addressed.
  - The project is successfully managing internal risks as described in the risk analysis and risk management plan.

**Wellbeing of local communities (0-25 points)**

- Community impacts (0-10p)
  - The project has the generation of additional measurable benefits for socio-economical community development including recognition of underlying causes of deforestation and forest degradation and improving livelihoods through adoption of alternative livelihoods, training and employment opportunities.

- Stakeholder & community process (0-15p)
  - The project has a public, inclusive and transparent process, applying free, prior and informed consent during project development and implementation
  - The project has set up a formal input, feedback and grievance mechanism for providing stakeholders with an opportunity to submit any feedback or raise grievances during the entire project life

### **Biodiversity (0-25 points)**

- The Project demonstrates no net degradation in existing landscape function and services, and is following High Conservation Value (HCV) approach. (0-5p)
  - E.g. The project does not cause direct/indirect erosion and/or water body instability, incl. 1) measures to ensure soil protection and minimise erosion, 2) measures to ensure that surface and ground waters are protected.
- Project's net impact on biodiversity is positive, compared to the biodiversity conditions under the without-project land use scenario. The Project has undertaken measures to mitigate negative impacts on biodiversity and for maintenance or enhancement of the high conservation value attributes. (0-20 points)
  - The Project has a positive impact on the habitat of naturally occurring species, the population trends of threatened and/or endemic species, threatened or rare ecosystems.
  - The Project demonstrates that no invasive species and/or GMO species are introduced into any area affected by the project.
  - Monitoring confirms the effectiveness of measures taken to maintain or enhance the population trends of endangered/vulnerable/trigger species in the project zone. The project ensures the accuracy of reported biodiversity changes in the project area by utilising appropriate monitoring methods, including remotely sensed and satellite images for monitoring and reporting changes in forest cover, consultation with biodiversity experts/scientists.
  - The Project takes actions to mitigate possible negative impacts on biodiversity outside the project area.

### **Monitoring and re-evaluation procedure**

Following the selection of projects, Compensate has the responsibility to monitor and ensure that the project continues to perform as intended. Projects will be re-evaluated according to the project evaluation criteria when:

- New monitoring and verification reports are issued (every 2 to 3 years depending on the project).
  - Based on the re-evaluation and how the project scores using the criteria, either the overcompensation will be adjusted or if the project scores lower than 50 points using the project will be discontinued.
- Projects are due to update their baselines. In most projects the baseline is updated every 10 years.
- The panel has approved a project for a fixed term.
  - Kariba REDD+ and the Southern Cardamom REDD+ projects have been approved until the end of 2020.

In addition

- Monitoring is also performed on an on-going basis through identifying recent news and media publications about the projects, enquiring additional information from the project developer or the affiliate body responsible for the marketing and sales of carbon credits, and re-evaluating the project in the light of new information.
- Compensate will consider organizing an independent verification when necessary or if requested by the Panel to address possible concerns discovered during the evaluation.
- Compensate will conduct site visits on a regular basis to conduct observations on project implementation.