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Rainforest Alliance
SmartWood Program

Validation Assessment
Report for:

Reduction of deforestation and degradation in Tambopata National Reserve and Bahuaja-Sonene National Park within the area of Madre de Dios region - Perú
in
Madre de Dios, Perú

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AIDER VCS VALIDATION

Document Prepared By Rainforest Alliance

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Summary:

The validation process started on November 2011, when the Project Description (PD) and relevant annexes were submitted to Rainforest Alliance. The audit team made a desk review of PD to identify some major gaps that could prevent a field visit. The field visit to validation took place on January 2012 in which the audit team visited the project zone, interviewed staff, key stakeholders, and other related experts, and also reviewed the PD and supporting documents. The purpose of the field visit was to verify the conformance of the AIDER VCS project against the Verified Carbon Standard according completeness, transparency and verifiability. The scope of the validation was to assess the conformance of AIDER VCS project in Madre de Dios against the VCS Standard V.3, the VCS AFOLU Requirements, REDD-MF methodology and supporting modules. The audit team completed a draft report with 19 Non Conformance Report but the project proponent submitted evidence to close the NCR. This evidence was revised and the audit team has found conformance with VCS standard.

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1 Introduction

The Rainforest Alliance's SmartWood program was founded in 1989 to certify forestry practices conforming to Forest Stewardship Council (FSC) standards and now focuses on providing a variety of forest auditing services. In addition to being an ANSI ISO 14065:2007 accredited validation and verification body, Rainforest Alliance SmartWood program is also a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by Rainforest Alliance see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact the SmartWood program headquarters directly. 611 5757 - 605757

1.1 Objective

The purpose of this report is to document the conformance of Reduction of deforestation and degradation in Tambopata National Reserve and Bahuaja-Sonene National Park within the area of Madre de Dios region - Perú with the requirements of the Verified Carbon Standard (VCS). The project was developed by Asociación para la Investigación y Desarrollo Integral - AIDER, hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

1.2 Scope and Criteria

Scope: The scope of the audit is to assess the conformance of AIDER REDD project in Madre de Dios, Perú against the Verified Carbon Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 556 849,56. The land is a National Protected Area - ANP. The project has a lifetime of 20 years, and estimates it will reduce 454 827,46 tCO_2e per year over the course of the project lifetime.

Standard criteria: Criteria from the following documents were used to assess this project:

- Verified Carbon Standard Program Guide 2011 v3;
- Verified Carbon Standard 2011 v3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2011 v3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2011 v3;
- Verified Carbon Standard Program Updates (please see VCS website for the latest updates); and as applicable,
- The VCS approved methodology/modules used by the project.

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion unless otherwise defined by the standard criteria.

1.3 Project Description

The project purpose is to conserve forest against deforestation imminent advance in Tambopata National Reserve and the sector of Bahuaja-Sonene National Park located in Madre de Dios region. Both Natural Protected Areas (ANP) belong politically to Tampopata province, Inambari and Tambopata districts, and have a combined area of 573 387,53 hectares. The project proposes to reduce pressure to change land-use at the ANPs Buffer Zone by promoting sustainable economic activities and establishing conservation agreements at previously identified critical areas. Both actions are looking forward to consolidate a "barrier" against expansion of economic frontier (agricultural and mining activities), with alliance and permanent coordination with institutions that are currently doing conservation activities in the area. Additionally, RNTAMB and PNBS control and surveillance system will be strengthened, even more on conformation and operation of community committees of surveillance with official recognition, as a strategy for local communities to participate in ANPs management. The project will provide technical support to regional forest authority and National Service of Natural Protected Areas –SERNANP for forest and environmental governance of Madre de Dios region, enhancing State participation on ANPs and optimizing coordination and collaboration between authorities and local population on ANPs management. The project comprises benefits for local population and for biodiversity conservation, beyond benefits of GHG emissions reduction.

With these actions, the project expects to avoid a net emission rate of 454 827,46 **tCO_2-e** annually in comparison with baseline scenario projected during the first 10 years.

1.4 Level of assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

2 Audit Overview

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Validation approved: The project conforms with the audit criteria, and is likely to achieve estimated GHG emission reductions and/or removals. *No NCRs issued*	
☐	Validation not approved: The project has not demonstrated conformance with the audit criteria. *Conformance with NCR(s) required*	
Draft Final Report Conclusions		
☒	Validation approved: *No NCRs issued*	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time.
☐	Validation not approved: *Conformance with NCR(s) required*	
Draft Report Conclusions		
☐	Validation approved: *No NCRs issued*	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of an assessment statement.
☒	Validation not approved: *Conformance with NCR(s) required*	

2.1 Audit Conclusions

Summary of project conformance with VCS Criteria:

Rainforest Alliance Report Criterion	Draft Report Project Conformance	Final Report Project Conformance
1 General Requirements	☒ Yes ☐ No	☒ Yes ☐ No
2 Project Design	☐ Yes ☒ No	☒ Yes ☐ No
3 Application of Methodology	☐ Yes ☒ No	☒ Yes ☐ No
4 Additionality and baseline selection	☐ Yes ☒ No	☒ Yes ☐ No
5 Quantification of GHG emissions	☐ Yes ☒ No	☒ Yes ☐ No
6 Leakage	☐ Yes ☒ No	☒ Yes ☐ No
7 Net emission reductions and removals	☐ Yes ☒ No	☒ Yes ☐ No
8 Monitoring plan	☐ Yes ☒ No	☒ Yes ☐ No
9 Environmental Impact	☒ Yes ☐ No	☒ Yes ☐ No
10 Comments by stakeholders	☒ Yes ☐ No	☒ Yes ☐ No
11 Non-permanence Risk Assessment	☐ Yes ☒ No	☒ Yes ☐ No

The proponent has successfully met the VCS requirements for the REDD-MF methodology. The draft report contained several non-conformances that required an update of the documentation to address certain critical assumptions regarding the baseline scenario, justify appropriate methodological deviations that related to the design of the reference area and leakage calculations. Certain steps within the BL-UP module had to be also be re-addressed. The documentation submitted for the draft final report successfully clarified, revised, and adequately addressed all outstanding issues. Therefore the draft final report has demonstrated that the proponent has successfully met the VCS requirements and the project is suitable for validation.

2.2 Non-conformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that in all probability materially affects carbon credit claims. Non-conformance Request (NCR) language uses "shall" to suggest its necessity but is not prescriptive in terms of mechanisms to mitigate the NCR. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

NCR#:	01/12
Standard & Requirement:	VCS Standard v3.1 Sec. 3.4; REDD-MF Sec 1
Report Section:	3.4, 4.2, 4.4
Description of Non-conformance and Related Evidence:	
Section 4.3 of the PD states that the baseline will be revised every 5 years by saying "El escenario de referencia será revisado cada 5 años.", while Annex 23 states that it shall be revised after 10 years. According to the specifications outlined in VCS REDD-MF baselines shall be renewed every 10 years, and cannot be renewed more frequently. The differing statements cause confusion to the reader and create uncertainty as to whether the proponent will be adhering to the requirements of the methodology. The proponent shall ensure that written documents do not specify baseline renewal more frequently than 10 years.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated the text in various parts of the PD, including section 1.1, 4.3, tables 40, and 42, which are sections that make reference to the 10 year baseline.
Findings for Evaluation of Evidence:	The proponent has removed any inconsistency that may have appeared in the PD regarding the baseline revision interval. The updates made in the identified sections all clearly state that the baseline will not be revised sooner than 10 years from the project start date. This is in accord with the requirements set by the VCS standard, therefore this NCR is CLOSED.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	02/12
Standard & Requirement:	VCS v3.1 Sec. 4.1; VCS T-ADD v.1 Sec 2.2.2.1a
Report Section:	4.1, 4.2, 4.3
Description of Non-conformance and Related Evidence:	
T-ADD Step 1. The proponent has completed the necessary sub-steps and has successfully selected a baseline scenario. Although the proponent has selected scenario (i), it has not fully articulated or demonstrated the threat of deforestation coming from cattle, even though it figures prominently in its baseline model. The case for associating an increasing cattle production with a rising population, and therefore deforestation, has not been clearly developed or justified even though it is crucial aspect of the proponent's baseline model (refer to section 1.1.3 of the VCS Tool, and section 3.14 of the VCS Standard). The proponent shall more fully develop its assessment of the link between a rising population in the region and the deforesting effects of cattle production so that the rational for the baseline scenario is sufficiently justified and matches and supports the logic of its baseline model more closely and clearly.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated the text to section 2.5 of the PD and provided "Productospecuarios(carne)_MD_2004-2011.xlsx".
Findings for Evaluation of Evidence:	The updated text presents new statistical information gathered from the "Compendio estadístico 2011 del departamento de Madre de Dios" which the proponent says was gathered by the Oficina de la Direccion Regional Agraria of Madre de Dios. The following web page, which was provided by the proponent and confirmed valid by the audit team: http://www.agromadrededios.gob.pe/?q=node/15. The proponent placed information taken from this Compendio estadístico into summarized tables within the section 2.5 of the PD, and indicates that these values were analyzed using EViews7 to perform basic statistical regressions on the data. Specifically the proponent has presented information on beef production in Madre de Dios from 2004-2011. The proponent then performed a regression between this data and hectares deforested during the same time period. The proponent uses screenshots from the EViews7 to walk the auditor through the set-up of the regression, which shows statistical tests such as the r^2 value. The proponent also presents a table showing population figures from 2004-2011 in Madre de Dios along with the beef production figures mentioned earlier. Again, the proponent indicates that it performed a simple regression analysis between these two variables using EViews7, and has included the screenshot to document the outcome of this process as performed by EViews7. The proponent provided the excel documents that were obtained directly from the Oficina de la Dirección Regional Agraria, in the archive "Produccion Pecuaria 2004-2011 MD.rar". This archive contained excel sheets from 2004-2011 that were compiled by the government office and which document beef, chicken, and pork production in Madre de Dios. The proponent included an excel sheet that aggregated these data titled "Productospecuarios(carne)_MD_2004-2011.xlsx". The figures that were input into EViews7, and which are contained in "Productospecuarios(carne)_MD_2004-2011.xlsx." could easily be traced back to the original spreadsheets obtained from the government. The data used to perform the correlations, which consisted of annual deforestation vs. annual beef production, and annual population vs. annual beef production, Cuadro 29 and Cuadro 30, suggest that they are statistically significant and highly correlated with one another, thus supporting the baseline scenario. Furthermore, the sources from which these were obtained (Recavarren and Angulo 2012, INEI, and the Dirección Regional Agraria Madre de Dios were deemed to be acceptable. The deforestation figures used in table 29 come from Recavarren and Angulo 2012, who are staff members of the proponent, and were derived from a remote sensing analysis, which is described in the same reference. The deforestation figures from Recavarren and Angulo 2012 were obtained using remote sensing conventions and the individuals are known by the audit team to be competent in geospatial analysis. Therefore these figures are deemed acceptable and the figures used in section 2.5 of the PD match those produced in the analysis by Recavarren and Angulo (Table 8). The other two sources mentioned were generated by governmental sources and are therefore considered official and acceptable data. Since the proponent has demonstrated competence with statistical software, and has used acceptable data to perform its analysis, the results from the analysis are considered acceptable. These results suggest a significant connection between the demand for beef due to an increasing population, which in turn appears to be linked to increased deforestation in Madre de Dios. This is a major assumption of the proponent's baseline deforestation projections, which

	as been acceptably demonstrated. Therefore this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	03/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 1.1.1.1; 2.1.2
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
1. Figure 1 in Annex 23 shows a reference region, which according to BL-UP Step 1.1.1.1 must be the RRD, however that map appears to clearly encompass the leakage area and the project area, which is not allowed by the methodology. 2. Step 1.1.1.1 of BL-UP requires an explicit calculation of MREF to clearly determine the minimum size of the reference area. The proponent has not explicitly met this criteria or shown how it was incorporated into the determination of the RRD. 3. The proponent identifies soil type as an "agent" of deforestation, and it is the only agent mentioned. This is an incorrect characterization of what an agent of deforestation is within the VCS definition since the term "agent" refers to the "who" of deforestation. In this methodology, soil type is classified as a landscape factor. The proponent shall provide an assessment of the agents of deforestation within the larger RRD. 4. Items "b" and "c" of this step provide users of the methodology with specific guidelines for similarity thresholds of landscape factors and transportation networks that must be shown between the reference area and the project area. The proponent has provided brief descriptions for each of these items but has not explicitly demonstrated how the larger RRD area compares against the project area using each of the similarity thresholds. One such example is that the proponent does not provide an analysis that "The ratio of slope classes "gentle" (slope <15%) to "steep" (slope ≥15%) in the project area shall be the same as the ratio in the RRD (±20%). " (BL-UP pg 6). 5. It is unclear how the proponent's analysis of item d, Social Factors, clearly addresses the requirement that asks the proponent to show that social factors in the broader RRD are the same or are having the same effect as in the project area. The proponent mentions the dispersion of mining across Madre de Dios but this is an agent of deforestation as opposed to a social factor such as similar ethnic groups and economic similarities, etc. 6. Based on the proponent's description for Item e) the proponent has not properly explained or referred to other assessments that serve as an analysis of whether the RRD and the project area share equivalent land-use policies. Therefore the proponent's current assessment does not meet the requirements of Item e). 7. Regarding Item f). The proponent indicates that few studies exist regarding areas of planned deforestation in the area, however elsewhere in Annex 23 the proponent indicates that it has GIS files for the location of mining and forestry concessions outside the project area. Further the proponent appears to have information regarding harvest volumes in forestry concessions based on an analysis viewed by the audit team "Analisis del Aprovechamiento forestal maderable". Therefore it appears that areas of planned deforestation may be known which could be included in this assessment.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated the text in section 1.1.1.1, Annex 23.
Findings for Evaluation of Evidence:	**1.** This text makes the case that considering the various unique factors in Madre de Dios that the reference region should be drawn in the same area . The text then defers to section 2.6 of the PD where it has provided updated text that justifies the proponent's design of the RRD as a

	methodological deviation. Section 2.6 of the PD states that the proponent has deviated from the methodology by having the RRD include the project area and leakage belt, and that it is the same as the RRL in which deforestation will be projected into the future. Several justifications are given for this deviation and are as follows: A). The reference region should capture similar patterns and conditions leading to deforestation, as well as have similar ecological characteristics. Therefore the reference region should be in Madre de Dios and not outside of it. As an example the proponent cites Madre de Dios as one of the few instances of sub-tropical forest in the country leading to a unique ecology that shapes land-use patterns. Examples include the high density of Brazil Nut trees, which heavily shape local livelihood patterns and zoning in the area. B). The relative isolation of the region is owed to the fact that it does not connect it to other parts of the country via rivers. The recent paving of the interoceanic highway has opened up Madre de Dios to immigrants whose economies depend largely on cattle ranching. C). The hydrological and geological characteristics of Madre de Dios have led to relatively rich deposits of gold that have helped fuel a rush of small-scale mining . The rate of extraction is positively correlated to the rising price of gold. This has lead to rampant deforestation in the area and is a unique driver that acts upon the region that should be captured in the RRD. D. If the RRD did not include the project area and leakage belt and either excluded them or were drawn along a different section of highway some of the main agents and drivers of deforestation would not be adequately represented in the baseline model. This includes opportunity cost, which is lower near the project area in south Madre de Dios; the higher presence of indigenous territories near the project area and their role as actors in the landscape; the mining areas and concessions, which are more concentrated by the leakage belt and project area; the geological formation in the south that accounts for the higher incidence of gold near the project area; and the increased number of navigable rivers. Points A, B, C made by the proponent suggest that any reference region that is selected should be within Madre de Dios due to the unique conditions of the area. The audit team agrees with this assessment, especially given the dynamic created by the paved highway and the mining activity. Point D makes the case the RRD should include the project area and leakage belt. The audit team agrees with this assessment. The proponent's models suggest that the opportunity cost is along the stretch of road along the project area. By drawing the area in the northeast of Madre de Dios this factor might be overestimated by the baseline model and would be less conservative. The audit team also agrees with the proponent that the role of indigenous communities on the landscape would not be captured as effectively given that there are many in the leakage belt and project area, some of which were visited by the audit team. But perhaps the strongest evidence for including the project area and leakage belt in the RRD is that by not doing so the model would not be as accurate since deforestation attributable to mining appears to be more concentrated along the project's leakage belt. The proponent' GIS data also suggest that there is a higher incidence of navigable rivers in the leakage belt/project area than other parts of Madre de Dios, possibly leading to a different deforestation dynamic as a result of increased accessibility to the area's forests. After having considered the proponent's justifications the audit team agrees that designing an RRD that excludes the project area, and especially the leakage belt, would severely impact the overall accuracy of the model by overestimating the opportunity cost and therefore the deforestation rate, and drastically reducing the important role of mining, which is heavily concentrated in the leakage area. The proponent has presented a sufficient explanation to justify including the project area and leakage belt into the RRD, and the deviation would this quality as measurement deviation,

	therefore this aspect of the NCR is considered **closed**. **2.** The proponent has presented its calculation of MREF in section 1.1.1.1, Annex 23, and since RAF is less than 0 (.7269), its value is set to "1" as per the methodology. This results in MREF being required to be at least the same size as the project area. The computation for RAF was found to have been executed correctly, leading to the value of 0.7269, which the methodology then specifies must be set to 1. The proponent has utilized this value in its computation of MREF, which leads to the correct conclusion that the reference area must be at least the size of the project area. Since the proponent has demonstrated the calculation has been included and computed correctly, this aspect of the NCR is considered **closed**. **3.** The proponent has presented a completed assessment of the main agents of deforestation. It has relied on census data gathered by Peru's INEI since 1940 until 2007 which is the date of the most recent census. The proponent uses INEI data to estimate the number of agriculturalists in 2007 at 17%. But the proponent notes the difficulty in separating agriculturalists from pastoralists given that they often occupy the same area or are the same individuals. The INEI does not distinguish between the two in the census. An assessment regarding the status of legal rights comparing the RRD to RRL was not presented or discussed. The proportion of immigrants to residents is estimated using time-series population from the INEI. These INEI data are summarized and their original sources are fully referenced. Approximately 18% of the population is estimated to be immigrants, while the number of individuals contributing to deforestation as agriculturalists/pastoralists and who are probably recent immigrants is estimated using this same percentage, multiplied by the estimated number of individuals engaged in agriculture and pastoralist. The proponent appears to have conducted a reasonable assessment of population flux in the area considering that recent data has not been generated, and that the population of the area is experiencing large amounts of immigration. The proponent has thoroughly referenced all the data used and the audit team verified that the INEI sources do exist and are the most recent data available. It should be noted that that since the projects RRL and RRD are the same, it is not clear that there is a need to perform the analysis of the main agents of deforestation because its purpose was to compare the agents of deforestation in the RRL and RRD to ensure comparability. Since they are the same in this case the analysis provided by the proponent is deemed sufficient since a comparison between the RRL and RRD is no longer relevant, however the analysis is helpful for the baseline determination. Therefore this aspect of the NCR is considered closed. **4**. . The proponent has altered aspects of its description of item b). Landscape factors in section 1.1.1.1, Annex 23. Its assessment of forest classes has not changed, however the discussion on soils has been updated, and an analysis of elevation has been added. The soils assessment in the RRD now provides a table listing the types of soils and their areas within the RRD and the project area, which is based on the soil classification performed by the IIAP. A soils map is provided for the entire RRD based on this same information. A brief analysis of the slope classes in the reference area and project area has been provided and is demonstrated in table 6. Table 6 shows land area and the percentage of land in the reference and the project area that falls in either a slope class of 0-15%, or >15%. 99% of the RRD's land falls between 0-15%. An assessment of elevation classes of the area has also been provided for the reference area and project area. This assessment is presented in table 7 , and shows the percentage of land area in the reference area that falls in various elevation classes ranging from 100m to >3000m categorized into six 500m classes. 75% of the land in the RRD is listed as being between 100-600m. Table 8 Is similar to Table 7 except that it focuses on the similar information for the project area. 99% is listed as falling between 100-600m. The proponent indicates that slop and elevation data were produced using ASTER images and DEMs from NASA available at https://wist.echo.nasa.gov/~wist/api/imswelcome/. With respect to item c), the proponent has added a new section to address the transportation networks and human infrastructure. The proponent presents information on navigable rivers, road density, and settlement density. The navigable rivers assessment presents table 9 as a

	summary of the area and length of navigable rivers which leads to a calculation of density of 41.82m/km2. The road density description contains an explanation regarding the nature of the oceanic highway and the pattern of secondary roads that emanate from it. Figure 5 is provided, which is a map of the main road as well as secondary roads in the RRD. No quantitative assessment is made regarding road density. Finally, table 10 presents summary data of a settlement density assessment of settlements in a 1km buffer around the project area versus the density of non-forested areas in the reference area. The former is calculated at.015 settlements/km2, while the latter is 0.036 settlements/km2. The assessments required in Items b and c of BL-UP are primarily meant to establish a comparison between the RRD and project area. Since an approved deviation was made in section 2.6 of the PD that allowed the RRD to encompass the project area, a comparison between the two leads to illogical results. Considering that the deviation that was approved, the comparisons made serve to highlight differences between the RRD and project area, however their results will not negatively affect the selection of the RRD since this would be illogical. The forest class analysis was already determined to have been based on a reputable government study that stratified the reference region and formed the basis for the stratification of the project area. Therefore this classification is considered to be appropriate. The soil assessment is also based on a reputable government assessment and is considered acceptable since it demonstrates that the RRD and the project area share a majority of soil classes. The slope assessment shows that a vast majority of the land in the Reference Area falls below 15%, and is even higher in the project area. The elevation assessment also shows that there is relatively little variation in elevation across the reference region and that the project area's elevation profile matches up well against it. These assessments were done by the proponent and the audit team observed that the GIS operator was competent to perform the analysis. Therefore results of these analyses are considered acceptable and help show that the project area's features match up well to the rest of the region. In item c). The navigable river density appears to have been calculated correctly. The road density assessment contains a quantitative assessment since the road density of the project area and the reference area are significantly different because the project area is a protected area. Therefore this assessment is considered appropriate. The settlement density was conducted using GIS processes. The proponent has demonstrated competence with GIS therefore this assessment is considered appropriate. Overall the proponent has provided assessments of items b and c. Since the RRD contains the project area due to an approved deviation, the results of items b and c are helpful but ultimately immaterial to the project. Therefore this aspect of the NCR is considered **closed**. **5.** The proponent has presented updated text to address the social factors component. The proponent indicates that the project area and the RRD share most of the same socioeconomic factors since they have been subject to the same policy decisions that have led to population growth in the area. Section 1.10.2 of the PD is referred to for supporting information on the region. It also cites similar land-uses, which revolve around agriculture, mining, brazil nut harvesting, livestock production, and forest management. The proponent asserts that the region's economy is generally defined by extraction and use of the existing natural resources and that this trait is pervasive throughout the RRD. Based on the audit team's experience in the area, the analysis in section 1.10.2 of the PD, and the updated text in Annex 23, the audit team has determined that the proponent's conclusion supporting the similarity of the social factors between the RRD and project area is sufficient and appropriate. Although there may be sub-regional differences, the relatively recent colonizing influence of governmental incentives and infrastructure initiatives appear to have created a similar set of conditions throughout the area, which was observed during the field audit and corroborated by local members of the audit team. Therefore the proponent has adequately

	demonstrated the similarity of social factors shared between the RRD as whole and the project area, and therefore this aspect of the NCR is **closed**. **6.** The proponent has presented updated text and has provided figure 6 and table 11. The text explains that the governance structure of Peru is arranged so that the RRD and project area correspond to the same administrative unit and related policies. Specifically, SINANPE must approve land-uses within the project area, as well as relevant land-uses in the RRD such as forestry, and brazil nut harvest are also supervised and approved by the same authority. Table 11 shows the approximate spatial extent of various land uses and Figure 6 expresses the information in Table 11 as a map. The proponent's analysis including evidence from Figure 6 and Table 11 suggests that a majority of the RRD is subject to regulation by SINANPE due to the overwhelming amount of land-uses that fall under its jurisdiction, such as forestry concessions, protected areas, and brazil nut harvesting (approximately 60% of the RRD). The proponent obtained these data through geospatial analysis using government data, which are the same data used in other parts of Annex 23. Overall, the proponent appears to have provided a suitable assessment that shows that the RRD and project area have similar regulations, policies and levels of enforcement. Therefore this aspect of the NCR is considered **closed**. 7. The proponent has provided new text to this section of Annex 23, as well as figures 7 and 8, and tables 12 and 13. The text describes how any of the forestry or mining concessions occur on small scales, and that mining is informal and cannot be considered planned deforestation. Table 12 and 13 show the number of individual mining "concessions" where complaints have been raised due to the presence of illegal mining. Figures 7 and 8 overlay mining concessions and forestry concession boundaries over the historical deforestation map from 2008. The proponent has sufficiently demonstrated that mining cannot be considered planned due to its highly informal nature. It has also showed that in areas of forestry concessions the volume extracted has been too low to register on it deforestation map, thus signalling a low and insignificant harvest volume. Annex C further contributes to this point by showing the relatively small harvest amounts that occur on forestry concessions. Annex C was prepared by staff members of AIDER trained in forestry which strengthens the quality of the assessment. Therefore proponent has sufficiently demonstrated that there are no areas that should be excluded from the RRD due planned deforestation. Therefore this aspect of the NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	04/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 1.1.3
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
1. The proponent claims that the leakage area contains the same strata as the project area, but has not shown how the leakage area compares to the project area using the similarity criteria given in items d and e of section 1.1.3 of BL-UP. Although the audit team's field visit suggests that the forest strata in the leakage area are similar to those in the project area, the proponent has not analyzed the leakage area against the similarity thresholds provided by BL-UP. 2. To the best knowledge of the auditors the leakage area and the project area are classified legally in very different ways and have different land-use policies officially in place. The proponent has not clearly articulated or referenced supporting evidence regarding what these differences are from a legal perspective, what the implications are for land-use patterns, or that the impact on land-use change patterns within the leakage belt and the project area are "of the same type or have the same effect, taking into account the current level of enforcement" (refer to item f. in BL-UP section 1.1.3).	

3. The proponent has omitted discussion of Item g. 4. The area of the leakage belt appears to be less than 50% of the project area. This is less than the 90% requirement listed in BL-UP. It is understood that this is the buffer zone of the protected area however no discussion has been provided to justify the size of the leakage area.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	1. The proponent has added text and supporting tables to section 1.1.3, Annex 23.
Findings for Evaluation of Evidence:	The text and tables 14-18 address and present the similarity criteria for landscape factors required by the BL-UP including forest classes, soil types, slope classes, and elevation classes. The transportation factors are also discussed and the accompanying tables 19-20, plus figure 13 present the navigable stream density, road density, and settlement density. 1. Tables 14 and 15 present the forest classes in the project area and leakage belt as the area and percentage of land occupied by these classes. It is clear from this table and from the audit team's visit that the same strata are present in both areas. The audit team has reviewed the stratification methodology used by the proponent and verified that results were consistent with observations in the field. The tables allow the reader to determine whether forest types in the leakage belt are within 20% of the proportions found in the project area however, since this is the only area suitable for drawing the leakage area the assessment is considered appropriate regardless of whether differences greater than 20% were found in the assessment. Table 16 presents the soil types and their distributions in terms of area and percentages between the project area and leakage belt. The data is based on acceptable government data developed by the IIAP therefore the data presented is considered acceptable. The tables clearly allow the reader to determine whether soil types in the leakage belt are within 20% of the proportions found in the project area however this is the only area suitable for drawing the leakage area, the assessment is considered appropriate regardless of whether differences greater than 20% were found in the assessment. Table 17 presents two slope classes (0-15%, >15%) and how slopes are distributed between the project area and leakage belt. These classes are the ones required by the methodology. The analysis shows that both the leakage belt and project area contain 100% of their slope classes within the 0-15% range. This point was verified by the audit team, which saw that the elevation in the leakage belt and project area is relatively homogenous and consistent of gentle slopes. Table 18 presents two elevation classes, 100-300m and 300-600. It clearly shows that 100% of the two areas is between 100-600m. The proponent has broken up the 500m class into two smaller classes to demonstrate that the 500m class required by the methodology is too coarse to adequately assess the elevation classes. This analysis meets the methodology criteria and exceeds it. Table 19 shows the navigable river density and clearly demonstrates the results of the geospatial analysis. The GIS operator was determined by the audit team to be competent and therefore these figures are deemed to be accurate.

	Figure 13 shows the road network along and through the leakage belt including the oceanic highway and secondary roads. The proponent asserts that Dinamica Ego is capable of predicting road networks however this function is not fully developed, and there is little evidence to construct such a model for the project area. The audit team reviewed this difficulty with the proponent and found that Dinamica has difficulties predicting shape and direction of roads. Since the project area is a protected area the audit team acknowledges that this is a difficult task. Instead the proponent has quantified the amount of new roads in the leakage area at 54.19km, and Figure 3 shows few if any new roads extending into the project area due to its protected status. Considering the unique circumstances of the project area this approach was deemed acceptable by the audit team. Table 20 shows the outcome of a geospatial analysis showing settlement density differences between the project area and the leakage belt. This analysis appears to meet the analysis requirements as it clearly mentions the 1km buffer criteria set by the methodology. The results show a 32% higher difference between the numbers of settlements in the leakage belt than in the project area. The leakage belt is precisely the area of unplanned deforestation while the project area is a protected area. Therefore the audit team recognizes the difficulty of meeting the 20% threshold set by the methodology because the protected area (project area) by definition is managed to have low settlement densities. Therefore the audit team has found the project assessment to be appropriate. The proponent has provided information that satisfies the requirements set by items d and e to the degree that is possible given the unique zoning differences between the project area and the leakage belt. The audit team determined that some of the similarity thresholds must be relaxed since no other options exist for drawing the leakage belt otherwise. Therefore the project has met and satisfied the requirements set by items d. and e., therefore this aspect of the NCR is considered **closed**. 2. The proponent has presented new text to address the requirements set by item f). The proponent lists several laws and regulations that apply to protected areas and the leakage belt. In all cases, the proponent, explains, SINANPE is the agency responsible for enforcing these laws, and the furthermore, the project area and leakage belt are subsumed under the jurisdiction of Madre de Dios. The proponent has presented sufficient explanation detailing a variety of regulations that apply to both the project area and the leakage belt. Since the leakage belt corresponds closely with the boundaries of buffer zone to the protected area (the project area), SINANPE necessarily has regulatory jurisdiction over both the leakage belt and the project area. Therefore the proponent has sufficiently addressed the requirement set by item f, and this NCR is considered **closed**. 3. The proponent has provided text to address item g. The text explains that the decades-long history of colonization promoted the immigration of individuals who practiced and continue practicing agriculture, raising livestock, and mine. The huge influx of individuals following the construction of the highway has overwhelmed the resources of often underfunded regulatory agencies. These same actors are found throughout the leakage belt and in the project area. The audit team agrees with the proponent's assessment, which is confirmed by observations in both the leakage belt and project area, as well as through stakeholder interviews such as with local park rangers, and government officials. Therefore this aspect of the NCR is considered **closed**. 4. The proponent acknowledges that the size of the leakage belt is only 48.66% the size of the project area, but asserts that making it larger would complicate the ability to show attribution of leakage to the project activities. The proponent has identified this as a deviation and refers the reader to section 2.6 of the PD. The proponent gives three main points in Section 2.6 of the PD to justify a smaller leakage belt. First, it says that agents of deforestation are not displaced from one side of the Rio Madre de Dios to continue activities on the other side of the river. Rather, they begin deforestation activities with the idea of starting deforesting activities from

	one side of the river and deforesting away from it. Therefore there is a concern that this dynamic would penalize the project for deforestation that is independent of the project activities. This is supported by a reference to the results of a workshop conducted by the proponent (footnote 44). Second, the north-central section between the Rio Madre de Dios and the edge of the current leakage belt area has already been deforested, therefore bringing the leakage boundary to this section would not help monitor leakage attributable to the project. Annex 18 is cited as evidence of prior deforestation. Lastly, the northwest portion of land between the current leakage belt boundary and the Rio Madre de Dios has already experienced extensive deforestation due to mining, which has occurred independently of the project activities. The proponent asserts that these activities are not clearly attributed to the project activities and appear to be occurring independently of them. The assertion that agents of deforestation are not displaced from the south side of the river to the north side, was determined through a professional workshop to assess the mobility of deforestation agents. This source indicates that agents of deforestation are limited by the existence of roads; therefore areas to the north of the river have a minimized risk for deforestation and have no roads facilitating access. This evidence is considered acceptable. The proponent's second point is corroborated through Annex 18, which was developed using best-practices in remote sensing and verified by the audit team. The third point appears to be the strongest given that Annex 18 and other remote sensing analysis presented in person to the audit team, appear to clearly show that mining activity occurs quite independently of the anticipated project activities in this area. Therefore extending the leakage belt boundary would appear to cause an issue of attribution. The audit team was shown satellite imagery prior to 2010 which supports this point. In sum, the proponent has raised significant issues that suggest an issue with attributing deforestation activities in areas beyond the current leakage belt boundaries. Furthermore, this would qualify as a potential deviation since it pertains to changes in measurement and monitoring procedures. The proponent has sufficiently justified its position with evidence, therefore the size of the leakage belt and the location of its boundary has been deemed appropriate deviations. Therefore this aspect of the NCR is considered CLOSED.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	05/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 1.2
Report Section:	2.3, 4.2
Description of Non-conformance and Related Evidence:	
There is uncertainty regarding how the proponent has determined the crediting period. Section 1.6 of the PD states it as July 1 2010- June 2030. Given that a majority of GHG REDD activities appear to start in 2011 according to Cuadro 7 of the PD, it is unclear how the proponent has justified the start of the crediting period as July 1 2010 because the date of the proponent's control of the area appears to be different than when key REDD activities are shown to have started.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has indicated a start date of July 1, 2010 in section 1.6 of the PD. The proponent provided the auditors with the document "Levantamiento NCR y OBS -Reporte Validacion.docx".

Findings for Evaluation of Evidence:	A variety of pieces of evidence were cited to support the implementation of activities that were classified as leading to the reduction of GHG activities. Of the evidence listed in this document only the following were listed as possibly supporting the July 1, 2010 start date: a. June 3rd, 2010. – A workshop to inform members of APAYLOM regarding the legal situation pertaining to mining. Annex XII was provided which is a scanned copy of the agenda from this workshop, which is dated and contains the signatures all participants. Annex XII states that the workshop with members of APAYLOM occurred on June 3rd 2010. This document has not been verified by the audit team, however if it is accurate it could be considered as an acceptable example of a June 3rd, 2010 start date (but not June 1st), because an introductory workshop with miners is essential to begin the rest of the activities listed by AIDER in the supporting document. The proponent's documentation suggests consistent subsequent activity working with this group through August 2011. b. June 3rd, 2010 – A participatory rural appraisal of the Communities of Sonene, Virgen de las Mercedes, and San Bernardo to improve understanding of sources of community conflict, and a diagnostic of current resource use and land-use practices. These are contained in the documentation as Annex XXXIX, XXXII, XXXIII respectively. Annex XXXIX pertaining to the Sonene Community suggests that the event took place on May 4-5, 2010. The report is thorough and includes a variety of community-based data including dated photos and descriptions regarding current issues in community development and resource use. Annex XXXII and XXXII pertaining to the Virgen de las Mercedes and San Bernardo communities suggest that both events took place on July 3rd, 2010. The contents and purpose of these documents is similar to that of the document described for the Sonene Community. In sum, Annex XII, XXXII, and XXXIII form a body of evidence that suggests that activities relevant to GHG emissions reductions began on July 3rd, 2010, however the date of implementation stated in Annex XXXIX appears to be much earlier than June 1st, and appears to have been earlier than suggested in "Levantamiento NCR y OBS -Reporte Validacion.docx". This document appears to support a start date earlier than June 1, 2010. The three communities mentioned here appear to be in the buffer zone/leakage management area therefore these actions would constitute as valid actions to affect the emissions reductions in the project area since much of the deforestation threat seems to originate from actors within the leakage belt. Therefore these actions could constitute as the first actions that lead to the reduction of GHG activities. The June 1st, 2010 start date is therefore supported by the evidence provided. Since sufficient evidence was provided to support the start date this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	06/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 2.1.3
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
The proponent has presented tables for this step (2.1.3 in Annex 23) that summarize the outcome of the historical deforestation calculations. However it is not clear whether the deforestation figures are accumulating over time or whether they are a measure of gross deforestation occurring in a specific year of analysis. This creates difficulties when trying to accurately determine whether the proponent's analysis conforms with the requirements of the methodology and shall be corrected.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in

	evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent's tables in section 2.1.3 of Annex 23 have been updated.
Findings for Evaluation of Evidence:	The tables appear to show annualized deforestation for the years 2000, 2006, and 2008 for all of the reference region Madre de Dios, and for the Project area Tables 23 and 24 respectively. Table 23 also shows the size of the reference region and the size of the project area as being 5,638,200ha and 542, 078 ha respectively.The proponent presents the area of the reference area and project area (Tables 23). It also clearly demonstrates the available forest area at the beginning or end of the historical reference period. This table presents the information in a manner that is in conformance with the methodology.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	7/12
Standard & Requirement:	VCS AFOLU Requirements Section 4.5: Module BL-UP 2.2
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
The proponent shows in Table 14 that the regression's r^2 and p values exceed the minimum criteria relating deforestation to opportunity cost. However, it does not clearly or explicitly address how the model's p and r^2 values translate into predicting deforestation over time as requested in this step of methodology.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has added supplementary text near the end of section 2.2, Annex 23.
Findings for Evaluation of Evidence:	The new text contains a description regarding how the proponent developed various types of regression equations to fit against a sample of deforestation rates vs. computed opportunity costs. The proponent explains that Dinamica Ego was used to determine the deforestation rates and opportunity costs in the reference region. These results were output into a format accepted by the statistics program "R". The proponent says that it then took a systematic sample from these data points (244 points every 100m). This data set formed the basis for developing best-fit regression lines. Power, logarithmic, linear, and exponential functional forms were attempted, however the neither the sample data set nor the equations are listed. The program "R" was used to produce statistical tests to determine the quality of fit and level of significance. The proponent has pasted screenshots of how "R" was programmed to carry out the regression for each of the functional forms. Table 33, Annex 23, shows a matrix that lists each of the type of regression equations tested along with the outcome of statistical tests such as r^2, F-test, AIC, BIC, and residual standard error. The p-value is not listed in table 33. Based on the outcomes of this process the proponent indicates that it selected the regression based on a power function because of its high correlation, and significance. This function is listed as having an r^2 of 0.9095 in the table, and the proponent lists the p=value as being 0.001 (this value is listed in the text and is not shown in the table. The audit team reviewed the process of developing the opportunity cost model using Dinamica Ego, the operator exhibited competence with the software, and the process of using R to analyze the statistics was explained as well. The operator of "R" demonstrated competence in their knowledge of how to set up and test the validity of regression models. Therefore the audit

	team has observed that the proponent has competently generated deforestation and opportunity cost models that were necessary for developing and testing the various regression models that are identified in this section. The statistical tests appear to have been conducted appropriately using R software. The proponent clearly states that the power function regression model is the best fit because it had an r^2 value of 0.9095 and a stated p-value of 0.001. This value exceeds the BL-UP requirements of $r^2 \geq 0.75$ and $p \leq 0.05$. Power functions are one of the functions permitted by BL-UP v.1.0. The proponent's analysis has therefore met the requirements of the methodology and is considered appropriate. Therefore this NCR is considered **closed**.
NCR Status:	CLOSED

NCR#:	08/12
Standard & Requirement:	VCS AFOLU Requirements 4.5 ; BL-UP 2.3
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
This step appears to have been skipped in the section within Annex 23 pertaining to Step 2.3, but appears to be demonstrated later in Annex 23. Skipping steps in the methodology is not permitted, therefore the proponent shall include provide findings for this step section to conform to the requirements or properly refer the reader to the appropriate section of the documentation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has provided table 33 under section 2.3, Annex 23.
Findings for Evaluation of Evidence:	The table shows values for each of the following required variables during the first baseline time period from 2010-2020 $ABSL_{,RRD,unplanned,t(ha),}$ P_{RRL}, $ABSL_{,RR,unplanned,t(ha).}$. It appears that this calculation is contained in tab "formula 4" of spreadsheet "Hoja de calculo -BL-UP - Inconsistencia de paso 2.4.2.xlsx". The values used in the computation of $ABSL_{,RRD,unplanned,t(ha),}$ appear to be correct. As a result the values for $ABSL_{,RR,unplanned,t(ha).}$ appear to be incorrect. However, it appears that in the case where spatial modelling is utilized that $ABSL_{,RR,unplanned,t(ha).}$ should represent the results of the spatial analysis (i.e. Dinamica). Since the proponent is using a spatial model the computation outlined in formula 4 does not appear to apply. Therefore the illogical results appear to hold but because the proponent is using modelling software this outcome does not seem to have much of an effect on the final modelling results, therefore this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	09/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 2.4.1 + 2.4.2
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
The proponent has indicated that it has skipped sections 2.4.1 and 2.4.2 of the methodology on the basis that the equation 9 in 2.4.2 yielded unrealistic results and that in version 2.0 of BL-UP this equation has been removed. Skipping steps in the methodology is not permitted unless a revision to the methodology has been applied, and the proponent has not indicated that a revision was sought or approved. In addition, the proponent presents a table of land-use constraints, but it is unclear what relevance this or how this analysis contributes to the proponent's analysis.	

The proponent communicated to the audit team that it skipped the calculation in section 2.4.2 on the basis that the calculation gave improbable results and that it was subsequently removed in version 2.0 of BL-UP. The audit team checked these calculations and found some of the results to be unrealistic. However, the proponent cannot skip a step in the methodology and should clearly present the results of undergoing step 2.4.2 The proponent shall include findings related to the requirements of step 2.4.1 and 2.4.2 and shall also clearly explain and demonstrate how the land-use constraint analysis contributes to the analysis required in 2.4.1.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	Section 2.4.1: The proponent has provided text pertaining to sections 2.4.1 and 2.4.2 in BL-UP. Section 2.4.2 The proponent has provided text for section 2.4.2 of Annex 23 and has submitted “Hoja de calculo -BL-UP - Inconsistencia de paso 2.4.2.xlsx”.
Findings for Evaluation of Evidence:	Section 2.4.1 The text pertaining to step 2.4.1 asserts that there are no constraints in the RRL caused by slopes since gradients are relatively gentle, and that soil type do no appear to be a limiting factor either. Figure 6 in step 1.1.1.1 is used to illustrate this point. This map shows a comprehensive representation of a variety of land uses across the RRL showing forest concessions, mining concessions, agricultural and livestock use. The proponent instead cites opportunity cost as a function of distance and accessibility to suitable roads and navigable rivers. It explains that a buffer was created around roads and rivers and that the potential for mining as well as the location of actual mining was taken into account when developing LSC_{RRL}. The proponent has made this map available as a GIS file. The proponent appears justified in its assessment of biophysical and infrastructural constraints given that the referenced maps show a range of uses that suggest few limiting biophysical factors. During the field audit the auditors confirmed the relatively few biophysical constraints as well as the fact that road quality and quantity seem to be relevant issues to be considered. The proponent therefore appears justified in suggesting their role as infrastructural limitations. The value of LSC_{RRL} is clearly stated in the following section (2.4.2). The proponent appears to have fulfilled all the requirements of step 2.4.1 and has presented the required outcomes of this step. Therefore this aspect of the NCR is considered closed. Section 2.4.2 The text in section 2.4.2, Annex 23, the proponent expresses the value of LSCRRL as 2,303,967ha and provided the total area of the RRD as 5,638,200 ha. These lead to a calculation of PLSC, RRL, which is calculated as 0.408. The proponent then shows a table where these annual values are included along with ABSL,RR,unplanned,t, which allow for the computation of Ae.d.RRL,t . The proponent concludes that due to the negative results obtained by the equation that its results are invalid and that any subsequent areas of the methodology that rely on this outcome should be discarded. The accompanying excel spreadsheet contains these same tables and they are constructed in a transparent manner. The audit team inspected the calculations used to arrive at the claim that the proposed formula created a mathematical error and that it therefore created invalid results. In the tab, Formula 9 BL-UP in “Hoja de calculo -BL-UP - Inconsistencia de paso 2.4.2.xlsx”. “ the proponent appears to have utilized the appropriate figures in the computation. This in fact appears to lead to negative area, which is illogical. Therefore it appears that there is an issue with the equation, but since it does not appear to factor into the spatial modelling it does not appear to be a material issue, therefore this aspect of the NCR is considered **closed**.

NCR Status:	CLOSED
Comments (optional):	

NCR#:	10/12
Standard & Requirement:	VCS AFOLU Requirements Section 4.5: Module BL-UP 3.3
Report Section:	4.2
Description of Non-conformance and Related Evidence:	
Using the processes described in 3.2, the proponent has developed the most accurate deforestation risk map which is contained Annex 23. The validation process occurred within Dinamica and was assessed at three spatial scales. This process was reviewed in conjunction with the proponent in Lima, since it was a process contained within the model. At the smallest scale the model obtained greater than 61% accuracy prediction (1x1pixel at 71meters). The developer of the model has indicated that greater than 50% prediction is considered acceptable. Because the proponent has used the Dinamica model to validate the risk map with the historical deforestation maps in a manner consistent with the design of the model and has it's designer's opinion regarding its suggested accuracy threshold, the proponent has sufficiently demonstrated that it meets an acceptable level of accuracy for the model. However, the proponent has not demonstrated how it has calculated FOM as required by Step 3.5 of BL-UP. The proponent shall demonstrate an analysis of FOM in order to conform with the methodology.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has added to the text contained in section 3.3 of Annex 23.
Findings for Evaluation of Evidence:	The updated text contains a description of the process for determining the FOM, and it also provides a summary of the FOM results for seven (7) different models in Tabla 38, Annex 23. These results show the values used for each model as they correspond to the variables "Correct", Err_A, Err_B. The proponent indicates that it compared the simulated map from 2008 with the actual deforestation map from 2008, which corresponds to the end of the historical deforestation analysis. The computations for each model's FOM was determined to be correct. The proponent has made available its GIS Geodatabase, which contains GIS maps of each model superimposed over actual deforestation during the reference period, which was specified in section 1.2, Annex 23 as being from 2000-2008. The analysis from 2008 corresponds with the end of the reference period, which appears to be acceptable given the requirements in BL-UP section 3.3. The proponent indicates that it selected model 2, which has a FOM of 83.89%. BL-UP establishes an FOM minimum of 40%, for frontier deforestation, which was identified as such by the proponent in section 3.0 of the PD, and is considered the correct type of deforestation pattern to use. The proponent's chosen model exceeds this minimum requirement. The audit team was able to review the proponent's process for determining FOM by way of its GIS files and the proponent has presented accurate results of the FOM for each of its seven models, including its chosen model #2. Therefore the proponent has adequately addressed this requirement and this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	11/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 3.4.2
Report Section:	4.2
Description of Non-conformance and Related Evidence:	

Neither the REDD-MF or BL-UP VCS documents contain wording that allow proponents to exclude step 3.4 on the basis that a project's reference region demonstrates both frontier **and** mosaic deforestation patterns. In actual fact the methodology provides little guidance on this matter. The proponent's justification for omitting step 3.4 cannot be fully or partially based on a misinterpretation of the allowances given by the methodology to omit a procedure.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated the text in section 3.4.2, Annex 23.
Findings for Evaluation of Evidence:	The new text briefly explains the manner in which the modelling software Dinamica Ego was utilized to create the location analysis of predicted future deforestation. It summarizes the fact that pixels with higher risk values were determined and assessed within the software based on calculated opportunity costs of land. Deforestation rates attributable to each stratum, which were a result of the development of the historical deforestation, were applied to each stratum during annual instances of the modelling process. The proponent has also presented deforestation maps from 2010, 2015, and 2020, and presented projected deforestation areas within the project area from 2010-2020 (Table 39). The audit team reviewed the competency of the model's operator during the field visit in Peru whereupon the fundamental processes for creating the deforestation maps in Dinamica Ego were reviewed in detail. The proponent has only presented maps from 2010, 2015, and 2020 in the PD, however the audit team viewed the maps of projected deforestation with the proponent, and the proponent made all yearly projection maps available to the audit team in GIS format. The proponent has clearly presented a table showing the amount of projected annual baseline deforestation during the initial baseline period in the project area and it is in conformance with the requirement in BL-UP. The audit team has determined that all requirements posed in step 3.4.2 of BL-UP have been met by the proponent, therefore this NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	12/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 4.1
Report Section:	4.2, 5.1, 5.2, 5.3, 5.4
Description of Non-conformance and Related Evidence:	
Upon reviewing its sampling calculations in "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx" not all the coefficients of variations (CV) for each strata are supported or justified adequately. For example, the proponent used the same CV for four types of "Colina" strata, but it was not clear how this CV was computed. The proponent shall clearly reference and/or justify the source from which it determined the coefficient of variation for each stratum, so that the sampling intensity can be evaluated.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated Annex 22, Cuadro 2 and Cuadro 3 to clearly include and explain the coefficients of variation that were used to plan the sampling plan in the project area.

Findings for Evaluation of Evidence:	The proponent includes references to forest measurements performed by Winrock International, a forest inventory performed in Biabo Cordillera Azul near Ucayali, and other studies performed by the proponent. These references and their values were also included in the excel sheet used to calculate the sampling plan as well as the actual plot data from the inventory performed in the project area, which is contained in "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.xlsx". The sources used to plan the sampling intensity within each strata are based on studies performed in the region of the project area. For example the Winrock study was performed in Madre de Dios, and the proponent's own study for the Colina alta and baja strata was from Ucayali. The additional data used for the Terra Alta and Terraza Disectada utilized data from a forest inventory in the Biabo Cordillera Azul near Ucayali, which is considered acceptable since it is regionally specific. The proponent has adequately referenced the assumptions used to plan the sampling intensity for the project area, which are based from regional sources. Furthermore, the actual forest inventory results show that the data from the project area matched up closely to the data that was used to plan the sampling intensity. This helps show that the planned data was adequate for the project area. Since the proponent has clearly referenced its assumptions and the audit team was able to verify their appropriateness, this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	13/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 4.2.1
Report Section:	4.2, 5.1, 5.2, 5.3, 5.4, 6.6, 7.1
Description of Non-conformance and Related Evidence:	
The carbon calculations spreadsheet provided by the proponent (Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx) gives conflicting figures for the area occupied by each stratum (see sheet "Cuadro 1" versus "Area-REDD-Cuadro 7"). These inconsistencies create uncertainty about whether the calculations of total forest carbon stocks are correct and therefore also create uncertainty regarding overall GHG emissions reductions calculations. These inconsistencies shall be corrected to eliminate the uncertainty of whether GHG calculations have been computed accurately and consistently.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has placed labels in the sheet Cuadro 1 and Area-REDD_Cuadro 7 within the calculations spreadsheet "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls..xlsx"
Findings for Evaluation of Evidence:	The spreadsheet specifies that the calculations in Cuadro 1 pertain to the area occupied by each stratum in 2008, while the Area-REDD Cuardo 7 pertains to the area occupied by each stratum in 2010. The information contained in each worksheet signals a slight loss of forest cover between 2008 and 2010. Since the proponent has clarified the meaning of each the data presented in each sheet, the audit team was able to determine that the inconsistencies that were first raised in this NCR are actually attributable to diminishing forest cover in the project area between 2008 and 2010. Therefore the proponent has adequately explained the inconsistency that was identified in this NCR. This NCR is therefore considered **closed**.
NCR Status:	CLOSED

Comments (optional):	

NCR#:	14/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 4.2.2
Report Section:	4.2, 5.1, 5.2, 5.3, 5.4, 7.1
Description of Non-conformance and Related Evidence:	
Option 2 in 4.2.2 of BL-UP calls for an "area- weighted average of the mature carbon stock for each land use", however, it appears that the proponent calculated a simple arithmetic mean for the post-deforestation carbon content of areas subjected to cattle ranching, agriculture and secondary forest, and not an area-weighted mean of the mature carbon stocks for this land-use. This will change the post-deforestation carbon stock values for "actividad agropecuaria", and therefore the accuracy of GHG calculations are affected.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent included an updated copy of "Hoja de calculo-Post-desforestacion.xls". Text in the PD and Annex 23 has also been updated.
Findings for Evaluation of Evidence:	The proponent explains that data pertaining to general land-use categories and how they have changed is based on data from SINANPE that quantified these changes between 2000 and 2005. This study uses the following categories: Liveststock, mining, urban areas, landing strips, and roads. The proponent uses the land area of each of these categories to calculated the percentage distribution of these categories. (Table 46). The proponent then defines the vegetative conditions found in each of the categories mentioned above based on categories analyzed through 2000 by CONAM and INRENA, which include, agriculture, pasture, secondary forest, and secondary forest with agriculture. The proponent converted the land area that was calculated for each of the mentioned categories into a percentage distribution listed in Tabla 48, Annex 23. The proponent then supplied estimates of carbon per hectare for each of the vegetation types, which are a combination of IPCC values for pasture, and data from Lapeyre et al 2004 (data from San Martín). Belowground biomass was calculated IPCC expansion factors. The estimates of total carbon for each unit were multiplied by the percentage of land they typically occupy as determined by the studies mentioned above. This is presented in tables 50 and 51, Annex 23. The proponent has documented all sources, which are either sources that pertain to the project region or close to Madre de Dios. They are either academic studies or IPCC values and were found to have been used correctly. The computations are clearly and transparently presented in the excel sheet and the highlights of these calculations are presented in the PD. The calculations were determined to have been correctly computed and lead to the long-term carbon stock average of 31.19 tCO2 and 13.79 tCO2 per hectare, which is presented in table 51, Annex 23. These new values have been incorporated into the baseline GHG calculations as presented in "Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO-actualizada-20-4-12.xls". The proponent has presented a transparent and accurate calculation of post-deforestation carbon stocks using appropriate information, and has updated GHG calculations to reflect these changes. Therefore this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	15/12
Standard & Requirement:	VCS v3.1 Sec. 4.5; BL-UP 4.3
Report Section:	4.2, 5.1, 5.2, 5.3, 5.4, 7.1
Description of Non-conformance and Related Evidence:	
In the worksheet "Cambios de Stock" in "Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO. xls.xls" The proponent has calculated the projected deforestation in both the leakage area and the project area combined. It then uses the same the combined figure but subtracts it from both the project area and the leakage area to calculated CTOT(PA) and CTOT(LB) as evidenced by tables 33 and 34 Annex 23. This is an incorrect procedure that ultimately effects GHG emissions calculations. The proponent shall correct its computation of CTOT for both the project area and the leakage area to ensure that net emissions are calculated correctly.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has updated the excel spreadsheet "Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO-actualizada-20-4-12.xls".
Findings for Evaluation of Evidence:	The spreadsheet has included tabs 53 and 54 which show the summary computation for CTOT(PA), and CTOT(LB). These tables and their values have been updated in Annex 23. The new spreadsheet tables and their representations in Annex 23 have unambiguously separated the calculation of CTOT(PA), and CTOT(LB). Any computational errors that may have been present have been corrected since the proponent has very clearly computed each variable. Each summary table in the spreadsheet is fully transparent and every value can be traced to subordinate tables. These calculations appear to be correct. The proponent has correctly calculated CTOT(PA), and CTOT(LB) and no errors appear to be present. As a result this NCR appears to be CLOSED.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	16/12
Standard & Requirement:	VCS v3.1 Sec 4.6.3;
Report Section:	6.6
Description of Non-conformance and Related Evidence:	
Step 3 of LK-ASU requests that the % of deforestation expected to be displaced into the Leakage Belt should be estimated by the proponent. The proponent provides an estimate of 10% within Annex 24, however there is no discussion provided to help support this estimate or to support how this estimate is conservative.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent provided Annex C to Annex 24.
Findings for Evaluation of Evidence:	Annex C summarizes the results of an internal workshop held by the proponent regarding technical considerations pertaining to the implementation of the project. Section 4 of Annex C states that each workshop participant within the team of multidisciplinary professionals was asked to estimate the percentage of deforestation agents who would not participate in the

	leakage management activities due to either technical or social constraints. Each type of constraint was given a score pertaining to a particular location and the workshop average for each constraint (technical or social) was presented in Annex C. The total average for each type of was 8% or 10%. To be conservative the proponent selected a the higher rate. Estimating the effectiveness of leakage management activities ex-ante is a difficult task. However, the proponent has presented what appears to be a reasonable method of anticipating the effectiveness of the leakage management activities, based on professionals with experience in the area. In effect, the proponent relied on expert opinion to construct this estimate. Given the difficulty of performing this estimate and considering that this project has few comparable projects, the process given by the proponent appears to be acceptable considering the circumstances. The proponent has adequately presented its reasoning for estimating the effectiveness of leakage management activities, therefore this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	17/12
Standard & Requirement:	VCS v3.1 Sec 4.6.3; Sec 3.5
Report Section:	6.6, 11.6
Description of Non-conformance and Related Evidence:	
The proponent has not computed the variable TOTFOR correctly as required by the module LK-ASU. Step 4a of the module requires the proponent to "Define the total available national forest area (*TOTFOR*)." The proponent has only performed this analysis for one section of a river near the project area using an 8km buffer. This may constitute as an acceptable deviation from the LK-ASU methodology since it applies to monitoring a component, however it is not clear how the scope of the analysis is conservative. It does not capture the potential forest areas within Peru where deforesting activities could be displaced to should the project in MDD be successful. This issue negatively affects the accuracy of various computations required in step 4 of the module as well as the overall leakage calculations and net emissions reductions calculations.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent has provided updated text to Step 4 of Annex 24 and has provided spreadsheet "Hoja de calculo - Fugas por desplazamiento de actividades.xlsx".
Findings for Evaluation of Evidence:	The proponent explains that it has deviated from the LK-ASU requirement of assessing the total available national forest area in favor of restricting TOTFOR to 5km from navigable rivers and roads. The proponent justifies this using the following points: 1. The region is home to the headwaters of various rivers that do not connect to other parts of the country outside of the region, 2) the only way to access or leave the area for most immigrants is via the road from Cuzco, thus making it improbable for immigrants to easily translocate to other areas in Peru, 3) it is the only area in the Peruvian Amazon easily accessible via a paved road. The proponent has made its GIS shapefiles available to the audit team. The proponent has referenced "MINAM, 2009. Informe I: PATRIMONIO FORESTAL A NIVEL DE GRANDES PAISAJES - REGIÓN AMAZONICA" as the source for the strata used in the AVFOR calculation, which is contained in spreadsheet "Hoja de calculo - Fugas por desplazamiento de actividades.xlsx". The proponent has effectively categorized TOTFOR as a deviation. This deviation is appropriate because it relates to measurement and monitoring, but the proponent has not included this component as a deviation in section 2.6 of the PD. The proponent's reasoning makes a strong case for why considering the total national forest area is improbable. The

	argument focuses on the unique accessibility issues of Madre de Dios. Considering the difficulty in using rivers to navigate to areas outside Madre de Dios, and that the area is somewhat isolated, it seems more probable for leakage to be displaced internally within the region. The evidence provided by the proponent suggests that immigrants are likely to continue coming into Madre de Dios. In the event that the project area is well monitored due to the project activities then the area selected as TOTFOR is the next most likely area for deforesting activities to be displaced to. Since the rationale for a modified area for TOTFOR appears to have been adequately justified this NCR is considered **closed**. Further, the calculations for AVFOR appear to be correctly calculated and have adequate supporting references, which are reputable studies performed by the government.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	18/12
Standard & Requirement:	VCS Standard v3.1 Sec. 3.5.3, 3.17.1, 3.17.2, 3.17.3, 3.17.4 AFOLU Requirements Section 4.8.1, 4.8.2 M-MON 6.1
Report Section:	8.1, 8.2, 8.4
Description of Non-conformance and Related Evidence:	
The monitoring plan does not include all procedure, methods and analysis according to the methodology used.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent includes all the parameters monitored in section 4.2 of the PD.
Findings for Evaluation of Evidence:	The proponent has indicated that it is following M-MON v1.1 by adapting the steps of M-MON to specific steps used by the proponent. It has also presented a table where roles and responsibilities for monitoring are outlined. The descriptions provided by the proponent appear to be sufficient to meet the VCS requirements for a monitoring plan therefore this NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	19/12
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis
Report Section:	4.1, 11.5
Description of Non-conformance and Related Evidence:	
Various issues have been identified that pertain to the risk scores determined in the risk analysis. Several issues non-conformances have been identified in the following components: 1. Project management 2. Financial viability 3. Opportunity cost 4. Project Longevity	

5. Land and Resource Tenure 6. Community Engagement 7. Natural Risks (Fire + Pests and Disease) Please refer to table 11.5 for clarifying details.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to validation
Evidence Provided by Organization:	The proponent submitted "ANEXO 29 VCS Non-Perman Risk Report_24.05.12.doc" as well as supporting documents relevant to specific risk factors identified in the NCR. Those additional documents are listed below by risk factor. Financial Viability: Flujo de Caja_Tambopata 10 años INFORMACION COMERCIALMENTE SENSIBLE_25.04.12_3.xlsm; Dictamen Auditores Convenio AIDER – PROFONANPE 2009.pdf Dictamen Auditores Convenio AIDER – PROFONANPE 2010.pdf; BALANCE 2011 BAM.pdf; PC Price Report Feb 2012.pdf; Carta BAM.pdf. Community Engagement Carpeta Actividades del proyecto 2010-2011_Anexos ."Flujo de Caja_Tambopata 10 años INFORMACION COMERCIALMENTE SENSIBLE_25.04.12_3.xlsm" Natural Risks "PLAN OFICIAL DE PREVENCION Y CONTROL DE INCENDIOS FORESTALES.docx".
Findings for Evaluation of Evidence:	Project Management 1. 1. Regarding item e). the proponent has modified the text included in Annex A within the Risk Report. The modified annex clearly lists the various AFOLU projects the organization has been involved in. Further, the proponent has updated the CV's of project staff. The modified text in Annex A provides thorough descriptions of AFOLU projects but it does not associate specific individuals who are currently part of the project team with these projects. However the attached CV's identify at least one individual with significant AFOLU project experience. The audit team is aware that this individual continues to work for the proponent and is heavily involved in AFOLU project management, carbon accounting, and has undergone several validations under voluntary carbon accounting standards. Since sufficient evidence has been provided to support the involvement of individuals with significant experience in AFOLU project management, the mitigation credit of -2 has been substantiated and this aspect of the NCR is considered **closed**. Financial Viability 1. The proponent has clearly selected item c) and has assigned a risk score of "1". It has also added a description that explains how project revenue has been clearly separated from secured funding. It also clarifies the role of B.A.M as one involved in financing the project by way of carbon offset revenue, which is dependent on workplans developed by the proponent and approved by BAM and SINANPE. The proponent also references the following supporting documents: Flujo de Caja_Tambopata 10 años INFORMACION COMERCIALMENTE SENSIBLE_25.04.12_3.xlsm; Dictamen Auditores Convenio AIDER – PROFONANPE 2009.pdf Dictamen Auditores Convenio AIDER – PROFONANPE 2010.pdf; BALANCE 2011 BAM.pdf; PC Price Report Feb 2012.pdf; Carta BAM.pdf. Considering the comments made in #3 below, this aspect of the NCR is considered **closed**. 2. The documents "Dictamen Auditores Convenio AIDER - PROFONANPE 2009.PDF" and

	"Dictamen Auditores Convenio AIDER - PROFONANPE 2010.PDF" are scanned auditor statements that demonstrate secured funds by PROFONANPE in 2009 and 2010. Evidence of this financial support has been supplied therefore this aspect of the NCR is **closed**. 3. The proponent has provided an additional letter from BAM providing assurance that it will cover the costs necessary to fulfil the project's requirements. The original contract was already viewed by the audit team and determined to show commitment to finance the project costs. In addition, the proponent has indicated that it will develop yearly work plans and budgets that will be approved by SINANPE and BAM. These pieces of evidence are sufficient to close this NCR since assurance has been provided that project costs will in fact be covered by BAM should they increase. Therefore this aspect of the NCR is **closed**. 4. Given the point made above the proponent has presented a slightly modified cash flow that only shows the PROFONANPE monies as secured income, while showing that total estimated carbon income. Since the project costs are financed and assured by BAM the audit team determined that it was not necessary to show specific agreed upon financing costs by BAM in the cash flow analysis. The result is that the break even year remains at year 5 and therefore the risk score of "1" has been substantiated for item c), and thus this aspect of the NCR is considered **closed**. 5. The proponent has provided a financial statement by BAM valid as of Dec. 2011 "BALANCE 2011 BAM.pdf", which shows the proponent has sufficient funds to cover the anticipated project costs. Therefore this aspect of the NCR is considered **closed**. 6. The proponent has provided "PC Price Report Feb 2012.pdf;", which is a market report from point carbon, which suggests recent trading price of REDD projects at $8.50. Therefore the value of $6.00 used in the cash flow analysis is considered conservative and has been supported with a reputable source. Therefore this aspect of the NCR is considered **closed**. 7. The net GHG reductions used in the financial analysis was verified by the audit team to match the values generated in the baseline calculations spreadsheet "Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO-actualizada-20-4-12.xls" . Therefore this aspect of the NCR is considered **closed**. 8. Item g has been determined to have been appropriately calculated since the break-even point has been deemed acceptable. This aspect of the NCR is therefore considered **closed**. Opportunity Cost 1. The proponent asserts that an NPV analysis of agriculture, livestock production, and mining is not possible for the credit period since it is impossible to know with certitude the composition of these activities and their productivity, especially for illegal mining. No NPV is conducted and the proponent indicates that these producers are engaged in market activities and are therefore not exempt from the NPV analysis. However the proponent cites a recent study by Mosquera (2009) that estimates the overall revenue generated by illegal mining. The proponent cites these estimates which lead to the conclusion that the value of artisanal mining the area is many times that generated by the project. Although the revenue generated by illegal and informal mining may be difficult to estimate, it is not evident that an estimated NPV assessment cannot be performed. In the experience of the auditors other project developers have achieved this requirement in similar conditions. The proponent's selection of Item a) and its score of "8" is the most conservative possible. Although the proponent has not fulfilled a requirement of the methodology, because it qualifies for mitigation credit i), this non-conformity is ultimately immaterial. It should be noted that a new version of the Risk Tool (v3.1) was released in February. The proponent updated its risk report to the newest version. Since the scoring requirements for the opportunity cost table have been zeroed out by the use of the mitigation credits, this aspect of the NCR is considered **closed**. Project Longevity

	The proponent has not changed its selection of item b) with score of 10. It has provided a letter from the head of SINANPE stating that after the proponent's first 20 year contract ends that it is eligible for renewal (Plazo de Vigencia Contrato.pdf). The letter provided by SINANPE demonstrates that the proponent has the ability to renew its contract for 20 additional years. Further, the proponent has signalled that it possesses the intent to renew its contract and continue its conservation activities. Lastly, as a protected area the project area is legally obligated to promote conservation activities. As such, the proponent has sufficiently demonstrated a project longevity period of at least 30 years, therefore this aspect of the NCR is considered **closed**. Land and Resource Tenure 1. Regarding Item c). the proponent has retained its risk rating of "0" and references land-area figures where possible land disputes might exist within the project area. These figures are given and the proponent references a shapefile that contains the geospatial analysis that created these figures. The proponent's land area figures of communities within the project area sums to 0.72% of the project area. This is well below the 5% figure given by the risk tool. The proponent's GIS operator was deemed competent by the audit team, therefore the results of the analysis are considered acceptable. Since the proponent has provided sufficient evidence to justify its risk score this aspect of the NCR is considered **closed**. Community Engagement 1. The proponent retains its risk rating of "0" and has provided additional evidence in the form of Annex C within the Risk Report, which indicates that these communities particpated in discussions regarding the protected area's managment plan. Annex C states that the community of Nueva America, the largest in the project area, was visited, and which constitutes over ½ of the households in the project area. The auditors visited Nueva America and passed by the majority of other communities in the project area. Nueva America appears to be the largest, therefore the proponent's statement is considered acceptable. The Area's Management Plan was referenced by the proponent as containing evidence that Nueva America and other communities were consulted. This source was located by the audit team and was deemed acceptable. Therefore this aspect of the NCR is considered **closed**. 2. The proponent retains its risk rating of "-5". The proponent indicates that the cash flow analysis shows budgeted amounts to productive activities that are expected to produce community benefits. The cash flow analysis does in fact have monies budgeted for the productive activities, and the proponent's PD contains descriptions of the project activities that will probably generate benefits to the communities. The carpeta "Carpeta Actividades del proyecto 2010-2011_Anexos" was reviewed by the audit team, which contains multiple files that contain, amongst other information, community diagnostic surveys, and agreements with communities in the project area. These documents collectively suggest net community benefits as a result of the project activities. Therefore this aspect of the NCR is considered **closed**. Natural Risks Fire: The proponent has provided a new description to this component that explains the degree to which AIDER and BAM have developed and implemented fire management protocols with success. It also references official fire management plans developed by BAM "PLAN OFICIAL DE PREVENCION Y CONTROL DE INCENDIOS FORESTALES.docx". The proponent's description suggests some experience implementing fire control measures. The two fire management plans provide more detail as to the level of planning undertaken by the proponent for fire prevention and control. BAM is recognized by the audit team as having some fire management experience due to its forestry property holdings. The plans themselves give sufficient guidance on how to prevent and approach fire management. AIDER's plan also assigns specific roles to certain individuals including an expert in fire management who is on staff. As result the audit team has sufficient assurance that the proponent has enough individuals with experience in fire management to help minimize the loss to fires. Therefore the

	risk mitigation credit of 0.25 is substantiated and this aspect of the NCR is considered **closed**. Pests and Disease: The proponent has changed the significance of this risk to "Insignificant" occurring less than every 10 years. This leads to an initial score of 2. However the proponent claims a mitigation credit of 0.5 due to its intention of planting native species such as pineapple and citrus plants in agroforestry systems, which will be naturally more adapted to the pests and disease of the area. The naturally derived insect repellent Biol is also anticipated to be used. The actions mentioned by the proponent would qualify as preventative measures and warrant the use of the mitigation credit since the proposed species are in fact native or naturalized to the area. In addition Biol appears to be an appropriate substance based on information gathered by the audit team during the field audit that suggests that it is naturally derived and biodegradable. The use of the mitigation credit appears to be appropriate therefore this aspect of the NCR is considered **closed**.
NCR Status:	CLOSED
Comments (optional):	

2.3 Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

OBS	01/12	Reference Standard & Requirement:	VCS Standard v3.1 Sec. 3.1; VCS AFOLU Requirements Section 3.5.4, 4.3.1, 4.3.5 – 4.3.20 4.6.2 4.6.4 and 4.6.15: Report section 2.9, 2.10, 3.1, 6.3, 6.4
Description of findings leading to observation:	Report Table 2.9+2.10 The carbon pools have been selected appropriately, according AFOLU Requirements (4.3.1), Table 22 provides the pools applicable to the type of project. In Table 23, VCS Methodology VM0007 is used to select carbon pools in the reference scenario of the project area that will be included or excluded. Are excluded carbon pools: litter, which is not significant, so it can be omitted conservatively; soil organic carbon, is not included because not subject to significant change and its exclusion is conservative. Also excluded are wood products, the PP makes a justification based on the source of timber production is illegal logging and could only get to 2 trees per hectare in areas with riots, also referred to studies that indicate the percentage of area that would be subject to illegal logging. In the Spreadsheet file - *Hoja de Calculo – Significacion de Reservorio Productos de Madera.xlsx*, procedures were detailed for determining the amount of carbon that would be stored in wood products (2030.30 tCO2) and compared with total estimates of avoided emissions (454,827.46 tCO2), resulting in 0.44%, it is not significant, therefore not included as carbon pools. The audit team's professional experience in the area suggests these assumptions are appropriate and the calculations were conducted to a satisfactory degree. However the proponent has not clearly mentioned the use of the T-SIG tool Report Table 3.1 The proponent appears to be using most of the modules required by the REDD-MF methodology, however it does not mention the use of T-SIG to assess the significance of de minimis carbon despite having had to demonstrate de minimis carbon Report table 6.3 and 6.4 The proponent asserts that market leakage is de minimis as demonstrated by calculations shown in "Hoja de Calculo - Significacion de Reservorio Productos de Madera.xlsx". The proponent supports this assertion through adequate sources, which were transparently presented and provided to the audit team. However the proponent has not incorporated a discussion of de minimis calculations in its PD and has not mentioned or demonstrated how that it followed the T-SIG module: "Tool for testing significance of GHG emissions in A/R CDM project activities" required by AFOLU Requirement 4.3.3. The proponent should mention that market leakage was found to be de minimis in the PD and demonstrate and mention its usage of the T-SIG module.		
Observation:	The proponent should mention and demonstrate the use of the T-SIG module with regards with the carbon pools determination.		

OBS	02/12	Reference Standard & Requirement:	VCS Standard v3.1 Sec. 4.5; REDD-MF Sec 1 Report section 3.4, 11.2
Description of findings leading to observation:	The proponent states that the project area has qualified as forest for at least 10 years prior to the start data and cites Annex 21 as evidence. Annex 21 explains the process of stratifying the project area's current forest cover but does not provide appropriate evidence to prove forest cover has existed for 10 years. Therefore it does not seem appropriate to cite Annex 21 as supporting evidence to fulfil this condition. However, the audit team has reviewed other documents such as Annex 23, as well as interview data with government officials such as SERNANP that indicate forest cover has been present for 10 years prior to the start date. Therefore the audit team has gathered sufficient evidence to determine that the proponent has satisfied this applicability requirement.		
Observation:	The proponent should ensure that a more appropriate type of evidence is cited in the PD to support the conformance with the applicability requirement that the project area has been forested for 10 years prior to the project start date.		

OBS	03/12	Reference Standard & Requirement:	VCS Standard v3.1 Sec. 3.4; REDD-MF Sec 1 Report Section 2.8, 3.4
Description of findings leading to observation:	In section 2.2 of the methodology the proponent acknowledges that the "Aguajal Mixto" stratum constitutes a type of water-saturated forest stratum with a potential for peat development. However, the proponent has not presented the actual results of the soil analysis nor has it clearly articulated the methods used to determine the characteristics of the soil samples taken. Given recent research in Peru showing that forested peatlands are present in the Peruvian Amazon (Lähteenoja et al. 2012), additional evidence is required to support claims concerning soil organic matter content to improve the transparency of this claim. However the audit team reviewed some of these areas during the field visit and the thickness of the organic layers appeared to be well below the thresholds for classification as peat.		
Observation:	The proponent should clearly present the methods and results of the soil analysis to support its claims concerning soil organic matter content to improve the transparency of the claim that the project does not contain peatlands,		

OBS	04/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 1.1.1 Report section 4.2
Description of findings leading to observation:	In Annex 23, Figure 1 defines the area as the "Reference Region", which by definition must be either the RRD or RRL and be labelled as such.		
Observation:	The proponent should clarify its labelling of Figure 1 so that it clearly shows it as the RRD.		

OBS	05/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 1.1.3 Report section 4.2
Description of findings leading to observation:	In Annex 23 the proponent says it has used LK-ASU as guidance for creating the leakage belt, however LK-ASU does not provide guidance for this procedure. Instead, BL-UP contains these guidelines, and it is evident that the proponent referred to it for this process based on having made brief analyses of how the proponent meets conditions a-g.		
Observation:	The proponent should refer to BL-UP as the document that guides the creation of the boundary of the leakage area.		

OBS	06/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 1.2 Report section 4.2
Description of findings leading to observation:	There are inconsistencies regarding how the proponent has determined the crediting period. Section 1.6 of the PD states it as July 1 2010- June 2030, while Annex 23 states it as extending from "01 de julio de 2009 – 30 de junio de 2029".		
Observation:	The proponent should ensure that the temporal boundaries of the project are consistent throughout the documentation.		

OBS	07/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 2.2 Report section 4.2
Description of findings leading to observation:	Step 2.2 does not clearly demonstrate to the reader from the very beginning which of the three approaches for modelling deforestation given by the methodology it is using, This makes it difficult for the reader to understand how the approach used by the proponent compares to the requirements of the standard. A demonstration by the proponent to the audit team showed that the model is based on non-linear regression, but as mentioned earlier, this is not clearly apparent in the discussion made in section 2.2 of Annex 23. The quantities of unplanned deforestation in the RRD or project area are not provided in these sections of Annex 23 but have been demonstrated in the deforestation maps.		
Observation:	The proponent should ensure that Annex 23 clearly and succinctly demonstrate how the model conforms to one of the three approaches offered by the methodology, and should also provide or reference where its estimates of annual areas of unplanned deforestation in the RRD and the project area.		

OBS	08/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 2.4.1 Report section 4.2
Description of findings leading to observation:	Within Annex 23 the proponent appears to have labeled section 2.4.1 in BL-UP as section 2.3.1 which causes some confusion when evaluating the document.		
Observation:	The proponent should fix the labelling of section 2.3.1 so that it is changed to section 2.4.1.		

OBS	09/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 4.3 Report section 4.2
Description of findings leading to observation:	It should be noted that in table 34 of Annex 23, CTOT for the leakage area is labeled as CTOT,PA instead CTOT,LK and should be corrected in the table to avoid confusion.		
Observation:	The proponent should appropriately label $CTOT_{,LK}$ in table 34, Annex 23.		

OBS	10/12	Reference Standard & Requirement:	VCS AFOLU Requirements Section 4.5; BL-UP Step 4.5 Report section 4.2
Description of findings leading to observation:	The proponent has included calculations from leakage due to the displacement of activities into the equations in Step 4.5 of BL-UP which do not call for the inclusion of leakage. This is not part of the procedure requested in this step by the methodology and should be corrected.		
Observation:	The proponent should present calculations in Step 4.5 for net emssions without deducting leakage estimates.		

OBS	11/12	Reference Standard & Requirement:	VCS Standard v3.1, VCS AFOLU 4.6.3 Report section 6.6
Description of findings leading to observation:	The calculations presented regarding projected deforestation in the Colina Baja Suave stratum present some uncertainty as to whether they were computed correctly or not because cells were numerous cells were left empty (see worksheets "Calculo Proyecto", and "Calculo-CF-Cuadro 2". They appear to indicate that no deforestation is projected to occur in that stratum, however the proponent should clarify the meaning of empty cells present within carbon accounting projections to avoid uncertainty when interpreting the table		
Observation:	The proponent should indicate whether empty cells present within carbon accounting worksheets are intentional so to avoid uncertainty when interpreting the calculations.		

OBS	12/12	Reference Standard & Requirement:	VCS Standard v3.1 Section 3.18 Report section 8.3, 11.5
Description of findings leading to observation:	The proponents successfully retrieved a variety of data at the field office in Puerto Maldonado through their in-house computer network. The data was deemed to be securely stored, however there is no indication of the proponent's long-term information management plan		
Observation:	The proponent should demonstrate a plan for keeping data retrievable over the project lifetime.		

OBS	13/12	Reference Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool Sec. 2.1.1 Report section 11.5, 11.6
Description of findings leading to observation:	Several observations were made pertaining to the determination of risk scores in the risk report. Please refer to table 11.5.		
Observation:	Please refer to table 11.5 of the audit report.		

OBS	14/12	Reference Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool Section 2.1.1 Report section 11.5
Description of findings leading to observation:	The proponent has not provided CV's of all the staff mentioned in the table, however the audit team established the experience of key staff through interviews.		
Observation:	The proponent should clearly identify all key field staff relevant to each major project activity and explicitly identify their level of experience in that field to allow the reader to assess the staff's level of experience		

2.4 Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy)

Action Taken by Project Proponent following the issuance of the Draft Report		Date
Additional documents submitted to audit team (additional documents listed below)	☒ Yes ☐ No ☐ N/A	May 25, 2012
Additional stakeholder consultation conducted (evidence described below)	☒ Yes ☐ No ☐ N/A	May 21, 2012
Additional clarification provided	☒ Yes ☐ No ☐ N/A	May 11, 2012
Documents revised (document revision description noted below)	☒ Yes ☐ No ☐ N/A	May 11, 2012
GHG calculation revised (evidence described below)	☐ Yes ☒ No ☐ N/A	

The proponent revised documentation, which was predominately associated with Annex 23 and the baseline deforestation model. The audit team consulted directly with the proponent following these submissions in order to obtain clarification regarding several issues regarding open NCRs. The proponent provided all clarification details required and updated all relevant documents to satisfactory levels. One additional stakeholder interview was conducted to verify data concerning cattle

production produced by a regional government office in Madre de Dios. In summary, all outstanding issues were succesfully resolved through consultations with the proponent and updates to essential relevant documents.

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

Ref	Title, Author(s), Version, Date	Electronic Filename
1a.	VCS Project DescriptionTambopata , AIDER, Verion n/a, May 2012.	VCS Project DescriptionTambopata - español (Mayo 2012).docx
2a.	ESTIMACION DE LOS CAMBIOS EN EL CARBONO ALMACENADO Y EMISIONES DE GASES EFECTO, AIDER, Version n/a, May 2012	ANEXO 23 Estimacion deforestacion no planificada de linea base RNTAMB y PNBS - BL-UP.docx
3a.	Hoja de calculo - Fugas por desplazamiento de actividades, AIDER, Version n/a, May 2012.	Hoja de calculo - Fugas por desplazamiento de actividades, AIDER, Version n/a, May 2012.
4a.	NON-PERMANENCE RISK REPORT: Reduced Emissions from Deforestation and Forest Degradation in Tambopata National Reserve and in Bahuaja-Sonene National Park, Madre de Dios region, AIDER, version n/a, May 25,2012	ANEXO 29 VCS Non-Perman Risk Report_24.05.12.doc
5a.	Estimación de las Fugas del Proyecto REDD en la Reserva Nacional Tambopata y Parque Nacional Bahuaja-Sonene – Ámbito de la Región Madre de Dios, AIDER, version n/a, May ,2012	ANEXO 24 - Estimacion de fugas por desplazamiento de actividades.doc
6a.	Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO-actualizada-20-4-12. AIDER, version n/a, May ,2012	Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO-actualizada-20-4-12.xls
7a.	Hoja de calculo-Post-desforestacion	Hoja de calculo-Post-desforestacion.xls

3 Audit Methodology

3.1 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site visit	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal Review
Violeta Colán	☒	☐	☒	☐	☒	☐	☒	☐
Ian Starr	☐	☒	☒	☒	☐	☒	☒	☐
Mateo Cariño Fraisse	☐	☐	☐	☐	☐	☐	☐	☒

Auditor qualifications:

Auditor(s)	Qualifications
Violeta Colán	Forestry Engineer with Master degree in Integrated Management of Renewable Natural Resources and a specialization in Natural Forest Silviculture. She has participated in formal FSC forest certification auditing courses, volunteer forestry certification, gradual approximation to certification system, chain of custody and environmental auditing ISO 14001. She has also been trained by Rainforest Alliance in carbon verification auditing. Violeta has, to date, participated in over 50 forest management evaluations, certification auditing for FSC P&C in Bolivia, Chile, Colombia, and Perú; and over 15 carbon validation processes in Colombia, Paraguay, Uruguay and Perú. Currently she is the Smartwood/Rainforest Alliance Program Representative for Andean Region.
Ian Starr	Ian is a consulting forester and resource manager with personal and professional experience in North America, Central and South America, and Africa. His principal interests lie in improving conservation and forest management practices related to tropical forests. Currently he is serving as an auditor for forest carbon offset projects with the Rainforest Alliance. He has also collaborated on a variety of forestry and natural resource management projects in both Amazonia, and the temperate hardwood forests of the Northeastern United States. These projects have included modeling the carbon sequestration potential of various tropical agroforestry systems in Brazil for the Nature Conservancy's Global Climate Change Team, and designing and participating in several forest inventories in New England to plan timber sales based on natural regeneration. His forestry work is complemented by his interest in performing social assessments pertaining to natural resource management. In addition, Ian has over five years of work experience related to conservation, cultural strengthening, and capacity building within indigenous lands in Brazil, Suriname and Colombia through his work with the Amazon Conservation Team. Ian received his Masters degree in Forestry from the Yale School of Forestry and Environmental Studies with a focus on tropical forest and resource management, and received his B.A. from Colgate University where he concentrated in Native American Studies. He is fluent in Spanish and proficient in Portuguese.
Mateo Cariño	Forest and Climate Services Coordinator for the Mediterranean and Africa. He has been lead auditor in certification/verification audit teams in Spain, Cameroon, Morocco, UK, Uruguay, Ethiopia, Madagascar, Italy, Portugal, México, Bolivia, Mozambique, and D.R. Congo, and has delivered trainings in Spain, Peru, Morocco, Paraguay, Brazil, Kenya, D.R. Congo, Cameroon, and Bolivia. Mateo's professional record includes the development of projects for International Development Agencies, the co-ordination of aerial means in the forest fires fight for the General Direction for Biodiversity (Spain), and several studies/field work in Management Planning (DAF, Comoros Islands/France),

	biomass (IRAD, Cameroun), ornithology (COCN, Spain), and Forest Certification (CATIE, Costa Rica and Guatemala). Mateo holds a double master's degree in Forestry from both Spanish and French institutions (Polytechnic University of Madrid (ETSIM, UPM), Spain; ENGREF, Montpellier, France). His working languages are Spanish, French, English and Portuguese. Mateo has completed a lead auditor training by SmartWood, both for Forest Certification and Carbon Projects auditing, as well as lead auditor to ISO 9001 and ISO 14001 standards.

3.2 Description of the Audit Process

The Project Description (PD) has been submitted to validation process on October 2011 by the Project Proponent (PP). Both PD and supporting documents were revised by audit team in pre-validation process and some major gaps were identified as observations. The PP made any corrective actions related to the observations and a new version of PD was prepared and it was used by audit team in the field visit. The validation process was realized in 2 steps: desk audit, field visit. According to stakeholders consult process, an agenda was prepared between PP and audit team considering NGOs, native organization, government institutions (local and national), and other interested (farmers and local people).

Desk audit. At the beginning of validation the Project Proponent – PP, made a general presentation about the project, and then explained the most important components such as: methodologies, forest stratification, additionality conditions, baseline, carbon quantification, leakage, and others. The audit team had available all support documents of PD in digital version (spreadsheeets, maps, etc) and other relevant publications in paper.

Field visit. According to the presentations and the PD, the audit team decided to evaluate the forest stratification: flood, dissected soft terrace, dissected high terrace, and high terrace, because those strata were more representative in the Project Area. Two inventory plots of carbon quantification were selected to evaluation. All sites to visit were selected in office before field trip. In the field visit were considered buffer zone in Interoceanic Road, and sites where there are activities in rehabilitation areas and sites with agroforestry activities.

At the end of field visit, the audit team and PP were closing meeting to require some additional explanations and preliminary finding.

Location/Facility	Date(s)	Length of Audit	Auditor(s)
Lima AIDER Central Office SERNANP, BAM, Profonanpe	January 9 -10	2 days	Violeta Colán, Ian Starr
Puerto Maldonado AIDER Office Stakeholders interview	January 11	1 day	Violeta Colán, Ian Starr
RN Tambopata La Torre Tambopata (TPL)	January 12	1 day	Violeta Colán, Ian Starr
RN Tambopata Nueva America Jorge Chavez Interoceanic Road, km 108	January 13	 5 hours 5 hours 4 hours	 Violeta Colán Ian Starr Violeta Colán, Ian Starr
Puerto Maldonado AIDER Office	January 14	5 hours	Violeta Colán, Ian Starr
Lima AIDER, Central Office	January 14	4 hours	Ian Starr

3.3 Review of Documents

The following documents were viewed as a part of the field audit:

Ref	Title, Author(s), Version, Date	Electronic Filename
1	Reducción de la deforestación y degradación en la Reserva Nacional Tambopata y en el Parque Nacional Bahuaja-Sonene del ámbito de la región Madre de Dios – Perú, AIDER, Version 1 Jan. 20th 2012	VCS Descripcion del Proyecto Tambopata (22 Enero 2012).pdf
2	"CONVENIO ENTRE EL INSTITUTO NACIONAL DE RECURSOS NATURALES – INRENA, LA ASOCIACIÓN PARA LA INVESTIGACION Y EL DESARROLLO INTEGRAL –AIDER Y SFM BAM S.A.C.", author unknown, version unknown, date unknown.	CONVENIO INRENA-AIDER-SFM.doc
3	Contrato de Administración Parcial parcial de los componentes de monitoreo biológico e investigación sobre el area natural RNTAMB y PNBS, author unknown, version unknown, 2008	Contrato de Administracion PNBS RNTamb.pdf
4	Contrato complementario entre AIDER y BAM, author unknown, version unknown, Dec. 2010	Convenio complementario AIDER -BAM S.A.C.
5	Addendum al Contrato de Administracion parcial de los componentes de monitoreo biológico e investigación sobre el area natural RNTAMB y PNBS, author unknown, version unknown, Oct. 2010.	Addendum al Contrato de Administracion parcial RNTAMB y PNBS.pdf
6	"ESTRATIFICACIÓN DE LOS BOSQUES DE LA RESERVA NACIONAL TAMBOPATA Y EL PARQUE NACIONAL BAHUAJA-SONENE ÁMBITO DE LA REGIÓN MADRE DE DIOS", AIDER, version unknown, Jan 2012.	ANEXO 21 Estratificacion del area del proyecto 22-01-12 OK.docx
7	Estimación del Carbono Almacenado en la Biomasa de los Bosques de la Reserva Nacional Tambopata y el Parque Nacional Bahuaja-Sonene - Ámbito de la región Madre de Dios, Percy Recavarren Estares et. al, version unknown, January 2012.	ANEXO 22 - Estimacion de carbono almacenado (22-1-12) OK.docx
8	ESTIMACION DE LOS CAMBIOS EN EL CARBONO ALMACENADO Y EMISIONES DE GASES EFECTO, AIDER, version unknown, Jan 2012.	ANEXO 23 Estimacion deforestacion no planificada de linea base RNTAMB y PNBS - BL-UP -(22-01-2012)V1 OK.docx
9	Hoja de calculo-Pos-desforestacion, AIDER, version unknown, date unknown.	Hoja de calculo-Pos-desforestacion.xls.xls
10	Hoja de calculo-LINEA BASE Y CASO DEL PROYECT AIDER, version unknown, date unknown.	Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO. xls.xls
11	Base de datos del calculo de carbono almacenado, AIDER, version unknown, date unknown.	Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx
12	Estimación de las Fugas del Proyecto REDD en la Reserva Nacional Tambopata y Parque Nacional Bahuaja-Sonene – Ámbito de la Región Madre de Dios,	ANEXO 24 Estimacion de FUGAS por desplazamiento de actividades - (22-12-11).docx

	AIDER, version unknown, Jan 2012.	
13	Hoja de calculo - Fugas por desplazamiento de actividades, AIDER, version unknown, date unknown.	Hoja de calculo - Fugas por desplazamiento de actividades .xls. (22-1-12).xlsx
14	NON-PERMANENCE RISK REPORT Reduced Emissions from Deforestation and Forest Degradation in Tambopata National Reserve and in Bahuaja-Sonene National Park, Madre de Dios region – Peru. AIDER. Version 3, January 2012.	ANEXO 29 VCS Non-Permanence Risk Report22.01.12 (version 3).doc
15	Hitos KML Coordenadas del área del proyecto: Area del Proyecto, Area de exclusión, Hitos Area Exclusion, Hitos Area Proyecto AIDER, version unknown January 2012	Hitos KML
16	Coordenadas Area del Proyecto. AIDER, version unknown January 2012	ANNEX 2 Project area coordinates.docx
17	Coordenadas de Areas Excluidas del Proyecto AIDER, version unknown January 2012	ANNEX 3 Coordinates of exclusión areas.docx
18	Significacion de Reservorio Productos de Madera. AIDER, version unknown January 2012	Hoja de Calculo – Significacion de Reservorio Productos de Madera.xlsx
19	Cálculos de incertumbre AIDER, version unknown January 2012	Hoja de Calculo – Incertidumbre 22.01.12.xlsx
20	Estimación de la incertidumbre en las emisiones y remociones en actividades de proyectos REDD en la Reserva Nacional Tambopata y el Parque Nacional Bahuaja Sonene-Ambito de la región Madre de Dios. AIDER, version unknown Dec 2011	Anexo 25 Estimacion de incertidumbre 22.01.12 OK.docx
21	Impacto ambiental de las actividades productivas propuestas por el proyecto REDD. Reserva Nacional Tambopata y el Parque Nacional Bahuaja Sonene-Ambito de la región Madre de Dios. AIDER, version unknown 2010	Anexo 26 – Estudio de Impacto Ambiental OK.docx
22	CV Equipo Tecnico AIDER AIDER, version unknown January 2012	CV Equipo Tecnico AIDER.doc

3.4 Interviews

The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in

some cases indirectly, involved and/or affected by the project activities.

Audit Date	Name	Title
9th Jan 12	Renzo Barron	Specialist SERNANP
9th Jan 12	Ruben Paitan	Specialist SERNANP
9th Jan 12	Carlos Hernandez	Monitoring Consult, PROFONANPE
9th Jan 12	Jorge Torres	Project Manager, BAM
9th Jan 12	César Seminario	Manager BAM
9th and 14th Jan 12	Alejandro Leon	GIS Specialist, AIDER
9th Jan 12	Marco Antonio Llanos	Economist, AIDER
9th – 14th Jan 12	Percy Recavarren	Environmental Services, AIDER
9th – 14th Jan 12	Alonso Castro	Environmental Services, AIDER
9th – 14th Jan 12	Miriam Delgado	Environmental Services, AIDER
11th – 14th Jan 12	Carlos Sánchez	Environmental Services, AIDER
11th and 12th Jan 12	Deyvis Huaman	Biodiversity, AIDER
11th Jan 12	Jhon Flores	Manager RN Tambopata
11th Jan 12	Víctor Zambrano	Leader of Management Forest Committee RN Tambopata
11th Jan 12	Martin Huaypuma	Leader AFIMAD
11th Jan 12	Cesar Huisa	Manager of Natural Resources – Madre de Dios Region Government
11th Jan 12	Federico Duran	Native Community Infierno
13th Jan 12	Silvia Lobaton	Rural Development, AIDER
13th Jan 12	Danis Del Aguila	Community Development, AIDER
13th Jan 12	German Calvo	Leader Nueva America
13th Jan 12	Edmundo Vásquez	Leader Nuevo Arequipa

APPENDIX A: Field Audit Findings

Note: Findings presented in this section are specific to the findings resulting from the field audit as presented in the Draft Audit Report. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 2 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, are included within section 2 of this report.

1 General Requirements

1.1 VCS Standard Section 3.2 and VCS AFOLU Requirements Section 3.1.7: Multiple project activities

Projects may include multiple project activities where the methodology applied to the project allows more than one project activity and/or where projects apply more than one methodology. Such projects shall comply with the respective project requirements of each included AFOLU category. For example, projects that combine agroforestry or enrichment planting with community forestry in a single project where farmers integrate these activities within a single landscape shall follow an ARR methodology for planting activities and an IFM methodology for community forestry activities (except where the activities have been combined in a single methodology). For each activity covered by a different methodology, the geographic extent of the area to which the methodology is applied shall be clearly delineated. Where more than one methodology has been applied to a project with multiple project activities, the requirements outlined in Section 3.2 of the VCS Standard must be met.

Findings from Review on Field Validation			
The project is not multiple project activities. In item 1.2 the PD explain that is Reduced Emissions from Deforestation and Degradation-REDD (AFOLU project category) and Avoiding Unplanned Deforestation and Degradation (activity type).			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCR or OBS were raised		

1.2 VCS Standard Section 3.4 and VCS AFOLU Requirements Section 3.7: Grouped projects

Grouped projects are projects structured to allow the expansion of a project activity subsequent to project validation. Validation is based upon the initial project activity instances identified in the project description. The project description sets out the geographic areas within which new project activity instances may be developed and the eligibility criteria for their inclusion. New instances meeting these pre-established criteria may then be added to the project subsequent to project validation, as set out in the sections below. Section 3.4 of the VCS standard provides the requirements for all grouped projects, which are further expanded upon in VCS document AFOLU Requirements Section 3.7.

Findings from Review on Field Validation			
The project is individual not grouped project (item 1.2 PD).			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCR or OBS were raised		

1.3 VCS Standard Sections 3.12.2 – 3.12.5: Linkage to other GHG programs and trading schemes

For those projects previously or currently involved in other GHG program or emission trading schemes, the project shall document how it meets the requirements of the VCS Standard Sections 3.12.2 thru 3.12.5.

Findings from Review on Field Validation			
The project mention in the PD (item 1.12.2) that it has not been registered under another GHG program.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCR or OBS were raised		

1.4 VCS AFOLU Requirements Section 3.1.1: Data requirements

As set out in the *VCS Standard*, standards and factors used to derive GHG emissions data as well as any supporting data for establishing baseline scenarios and demonstrating additionality shall be publicly available and derived from a reputable and recognized source, such as *IPCC 2006 Guidelines for National GHG Inventories or the IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry*.

Findings from Review on Field Validation
The PP has detailed methodologies, tools and procedures like a supporting data for baseline scenarios and additionality

assessment. The PD (item 2.1) mention that the PP has used REDD Methodology Modules version 1. In general, all the supporting documents and the information stated in the PD are derived from the use of VCS methodological tools, procedures and guidance. Some other sources were considered, such as scientific literature and personal experience of the PP staff and other participants.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

1.5 VCS AFOLU Requirements Section 3.1.2: Compliance with applicable laws and regulations

Implementation of the project activities shall not lead to the violation of any applicable law, regardless of whether or not the law is enforced.

Findings from Review on Field Validation
Several environmental laws are current in the project zone because it is in an area of the Peruvian State. The PP explains how project activities are limited in the current legal framework. - Law 28611, General Environmental Law, which instructs the State to establish mechanisms to enhance, compensate and maintain the provision of environmental services (including climate change mitigation) preserving ecosystems and other natural resources, through the Ministry of Environment - Law 27308, Law of Forestry and Wildlife in force, which mentions that the State establish mechanisms for compensation for environmental pollution effects of financing activities of conservation, rehabilitation of natural areas. - The National Environmental Policy, has as policy guideline regarding forests that include privilege the integrated utilization of forest resources, supporting initiatives in respect of non-wood resources, wildlife and environmental services. The PD (item 1.11) explains that the project activities meet the current legal framework, in addition to the project area is in a protected natural area, with Law 26834, Law on Protected Natural Areas, states that such areas should be maintained in perpetuity and the management contract that has the PP recognizes and promotes these activities for the management of the Tambopata National Reserve and Bahuaja Sonene. In addition the Master Plan of the National System of Protected Areas and the Master Plan of the Tambopata National Reserve provide general guidelines for activities in the buffer zone. The PP has presented attached a package of laws and regulations in force at the project area and in similar areas nationally. The audit team interviewed key personnel in SERNANP (Ministry of Environmental) and discussed about some relevant laws and local regulations. The PP has demonstrated understanding and applicability of each law (environment, social or technical aspects).

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

1.6 VCS AFOLU Requirements Section 3.1.3: Identification of Project Proponent

Where an implementation partner is acting in partnership with the project proponent, the implementation partner shall be identified in the project description. The implementation partner shall identify its roles and responsibilities with respect to the project, including but not limited to, implementation, management and monitoring of the project, over the project crediting period.

Findings from Review on Field Validation
The PD (item 1.3) includes a description of the Project proponent and roles as follows: AIDER, Executor of the Servicing Agreement and Partial RNTAMB PNBS. Design, implementation and monitoring of the project. Bosques Amazónicos SAC Amazonian, REDD project financing and marketing of VCUs. It also has the participation of the National Protected Areas (SERNANP), to conduct the management of the National System of Protected Natural Areas by the State - SINANPE and which are part of the Headquarters of the Tambopata National Reserve and Bahuaja Sonene. Its role is political support, monitoring and supervision of commitments to the project, as the State entity responsible for the management of ANP. The Pontifical Catholic University of Peru, complementing the efforts of AIDER as executor of the Servicing Agreement providing extensive experience in research in the RNTAMB, through the participation of professionals in the development of academic and research activities. It also advises AIDER Management of the research component of the contract, specifically in promoting new research and improving conditions for research. An example of this collective effort is the construction and operation of a tower of 45 meters for continuous measurements of CO2 on the forest into the RNTAMB.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

1.7 VCS Standard Section 3.19.2: Commercially sensitive information

All information in the project documents shall be presumed to be available for public review, though commercially sensitive information may be protected, as set out in VCS document *Registration and Issuance Process*, where it can be demonstrated that such information is commercially sensitive. The validation/verification body shall check that any information designated by the project proponent as

commercially sensitive meets the VCS Program definition of commercially sensitive information. Information in the project documents related to the determination of the baseline scenario, demonstration of additionality, and estimation and monitoring of GHG emission reductions and removals shall not be considered to be commercially sensitive and shall be provided in the public versions of the project documents.

Findings from Review on Field Validation			
The PP has presented to the audit team during the field trip all information used to elaborate the project, including information about determining baseline scenarios, the analysis of additionality, emission calculations, among others. The PP has defined cash flow as commercially sensitive information (Flujo de Caja VCS-PD Tambopata 10 años INFORMACION COMERCIALMENTE SENSIBLE.xlsm).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2 Project Design

2.1 VCS Standard Section 3.19.1: Project description

The project shall include at a minimum all requirements outlined in section 3.18.1 of the VCS Standard. Additionally, section 3.19 of the VCS Standard notes that project and its context shall be described in the project description using the VCS Project Description template (or approved GHG program description template where the project is requesting registration under an approved GHG program).

Findings from Review on Field Validation			
The PD contains all the information required in the indicator 3.19.1, the PD has been developed using the VCS Project Description Template. The register is kept in secure site.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.2 VCS Standard Section 3.8.2 and VCS AFOLU Requirements Section 3.2.1: Project start date

Project shall include a project start date in conformance with section 3.8.2 of the VCS Standard, where specific requirements for AFOLU projects are outlined. As set out in the *VCS Standard*, the project start date of an AFOLU project shall be the date on which activities that lead to the generation of GHG emission reductions or removals are implemented. Such activities may include preparing land for seeding, planting, changing agricultural or forestry practices, or implementing management or protection plans.

Findings from Review on Field Validation			
The PD (item 1.5) indicates that the Project start date was July 01, 2010. Item 1.8, in Project Description, the table 7 includes carry on Activities 2010. The monitoring and control, interagency agreements, the coordination, project presentations, and contract administration of the Tambopata National Reserve and Bahuaja Sonene - Sector Madre de Dios were implemented in 2010.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.3 VCS Standard Section 3.9 and VCS AFOLU Requirements Section 3.3: Project crediting period

Project shall include a project crediting period in conformance with section 3.9 of the VCS Standard. In general, for all AFOLU projects (ALM projects are an exception to this requirement) a crediting period of 20-100 years shall be used. Project crediting periods shall be equal to the project lifetime. The earliest project crediting period start date for AFOLU projects shall be 1 January 2002. Renewal of project crediting period shall follow requirements outlined in section 3.9.1 of the VCS Standard.

The project crediting period rules are set out in the *VCS Standard*. Projects shall have a credible and robust plan for managing and implementing the project over the project crediting period. For ARR or IFM extension of rotation age or low-productive to high-productive projects with harvesting, the length of the project crediting period shall be set to include at least one complete harvest/cutting cycle. In the case of selectively cut IFM projects, where trees are individually selected for harvest, the harvest/cutting cycle is the allowable re-entry period into the harvest area as determined by legal and regulatory requirements, and common practice.

Findings from Review on Field Validation
The PD (item 1.6) indicates that project crediting period will be 20 years with a first period of quantified GHG emission reductions of 10 years. Four strategies of project are described in item 1.8 like Avoiding unplanned deforestation and degradation AUDD: Conservation agreements. The audit team has reviewed the administration contract between AIDER and SERNANP for Tambopata and Bahuaja Sonene in Madre de Dios area and was successfully verified. The partnership between PUCP AIDER and has been reviewed and is expected to assist in scientific aspects. There are also agreements with the Management Committees of the ANP, the audit team interviewed them and found that these committees are aware of the agreements. All these documents were available to the audit team during the field visit. Productive activities. The proponent proposes agroforestry, aquaculture, gold production with low-impact, forest management timber, nut processing and marketing, management and conservation of palms. For each the PD proposed technical options that could be developed in the project area. The audit team visited some of the options for agroforestry, palm trees and chestnut management that the PP has

established itself in the project area. Surveillance and control. Both the PP and the SERNANP and Management Committees, are repairing infrastructure and implemented at the posts at the Tambopata and Malinowski Rivers. During the field visit, the audit team visited the posts Jorge Chavez and La Torre and verified infrastructure and equipment. Forest governance. In interviews with public and private institutions and to associations of producers, it was confirmed that the PP is working to improve the management of the actors in the project area. However there is insufficient justification to support a crediting period beginning in July 2010. (**Refer to NCR 05/12**)			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	Refer to NCR 05/12		

2.4 VCS Standard Section 3.11 and VCS AFOLU Requirements Section 3.4: Project location

Project location shall follow requirements outlined in section 3.11 of the VCS Standard and 3.4 of the VCS AFOLU Requirements. Project location for AFOLU projects shall be specified using geodetic polygons to delineate the geographic area of each AFOLU project activity and provided in a KML file.

Findings from Review on Field Validation			
The PP has submitted a folder which KML files of project area, area of exclusion, exclusion of the area landmarks and milestones of the project area, following the requirements of VCS Standard. AFOLU requirements are included in item 1.9 of the PD, which states that the area under the administration of PP is 573 299.97 ha, however the project area is 556 849.56 ha, which includes courses and water bodies (not include in quantified for the calculations of carbon). Figures 3 and 4 show the geographic location of the ANP in the project zone and the base map of the project area respectively. Additionally, Annex 2 and 3 shows the coordinates of the project and areas of exclusion. The project area includes the area contained in the management contract with the Peruvian Government. The audit team reviewed the management contract stating that the area is owned by the state and the PP has the functions of administration with all the powers, duties and obligations to develop and implement the project in this area.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.5 VCS Standard Section 3.12.1: Proof of title

Project description shall be accompanied by proof of title as outlined in section 3.12.1 of the VCS Standard.

Findings from Review on Field Validation			
Item 1.12.1 in the PD indicates that the Project area belongs to the Peruvian State. The Annex 27 shows copy of public register about the titles that established the project area as national protected areas owned and managed by the government of Peru.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.6 VCS AFOLU Requirements Section 4.2: Eligible AFOLU project type

The project is an eligible AFOLU project type, as per the guidance set out in the VCS AFOLU Requirements Section 4.2. Note project types can be combined as outlined in 4.2.12.3 of the AFOLU Requirements.

Findings from Review on Field Validation			
According to requirements and qualifies project, it is defined as REDD project and Avoiding Unplanned Deforestation and Degradation (AUDD) category.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.7 VCS Standard Section 3.13: Project boundary

The project boundary shall be described (using diagrams, as required) and GHG sources, sinks and reservoirs shall be identified and assessed in accordance with the methodology applied to the project. The project shall justify not selecting any relevant GHG source, sink and reservoirs.

Findings from Review on Field Validation			
In Table 22 of the PD, the project proponent has identified the project boundary following AFOLU methodological (4.3.1). The table 23 shows the selection of carbon pools and Table 24 shows the sources of GHG emissions del PD.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

2.8 VCS AFOLU Requirements Sections 3.1.6 and 3.1.10: Project activities on peatlands

Where ARR, ALM, IFM or REDD project activities take place on peatland, the project shall adhere to both the respective project category requirements and the PRC requirements, unless the expected emissions from the soil organic carbon pool or change in the soil organic carbon pool in the project scenario is deemed below *de minimis* as set out in Section 4.3.3, in which case the project shall not be subject to the PRC requirements.

Findings from Review on Field Validation			
The project proponent has analyzed the soils of all categories of forests in the project area. The "aguajal mixto" has been identified as forested wetlands and it was also seen in the sample and found to not have the characteristics of peatlands. Figures 8 and 9 of PD show the type of sampling performed, however the actual sampling method and its results are not indicated in the documentation (**see OBS 03/12**). Annex 22 shows the categorization of the project areas (Table 01, page 5), and location of sample plots (Table 14, page 34).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**see OBS 03/12**		

2.9 VCS AFOLU Requirements Section 4.3.1 and VCS AFOLU Requirements Sections 4.3.5 – 4.3.20 (Project type specific carbon pools): Relevant carbon pools

The relevant carbon pools for AFOLU project categories are aboveground tree biomass (or aboveground woody biomass in ARR and ALM projects), aboveground non-tree biomass (aboveground non-woody biomass in ARR and ALM projects), belowground biomass, litter, dead wood, soil (including peat) and wood products. Methodologies shall include the relevant carbon pools set out in Table 2 of Section 4.3.1 of the VCS AFOLU Requirements.

The VCS AFOLU Requirements contain project type specific requirements for all AFOLU project types, the following criteria shall be me for each project type:

- ARR: VCS AFOLU Requirement 4.3.7
- ALM: VCS AFOLU Requirements 4.3.8 – 4.3.11
- IFM: VCS AFOLU Requirements 4.3.12 – 4.3.15
- REDD: VCS AFOLU Requirements 4.3.16 – 4.3.17
- PRC: VCS AFOLU Requirements 4.3.18 – 4.3.20

Findings from Review on Field Validation			
The carbon pools have been selected appropriately, according AFOLU Requirements (4.3.1), Table 22 provides the pools applicable to the type of project. In Table 23, VCS Methodology VM0007 is used to select carbon pools in the reference scenario of the project area that will be included or excluded. Are excluded carbon pools: litter, which is not significant, so it can be omitted conservatively; soil organic carbon, is not included because not subject to significant change and its exclusion is conservative. Also excluded are wood products, the PP makes a justification based on the source of timber production is illegal logging and could only get to 2 trees per hectare in areas with riots, also referred to studies that indicate the percentage of area that would be subject to illegal logging. In the Spreadsheet file - *Hoja de Calculo – Significacion de Reservorio Productos de Madera.xlsx*, procedures were detailed for determining the amount of carbon that would be stored in wood products (2030.30 tCO2) and compared with total estimates of avoided emissions (454,827.46 tCO2), resulting in 0.44%, it is not significant, therefore not included as carbon pools. The audit team's professional experience in the area suggest these assumptions are appropriate and the calculations were conducted to a satisfatory degree. However the proponent has not clearly mentioned the use of the T-SIG tool (**See OBS 01/12).**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**Refer to OBS 01/12**		

2.10 VCS AFOLU Requirements Section 4.3.3 and 4.3.4: De minimis carbon pools and conservative exclusion of carbon pools

Specific carbon pools and GHG sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed *de minimis* and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than five percent of the total GHG benefit generated by the project. Additional information on *de minimis* carbon pools is available in section 4.3.3 of the AFOLU Requirements.

Specific carbon pools and GHG sources do not have to be accounted for if their exclusion leads to conservative estimates of the total GHG emission reductions or removals generated. The conservative omission of specific carbon pools should be outlined within the methodology, and outline process for determining the exclusion of pools shall be followed (see VCS AFOLU Requirements Section 4.3.4).

Findings from Review on Field Validation
In the PD the PP made an explain about exclusion of some carbon pools and in the file *Hoja de Calculo – Significacion de Reservorio Productos de Madera.xlsx*, show details of calculation, however they do not explicitly mention the use of the T-SIG tool (**see OBS 01/12).**

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**Refer to OBS 01/12**		

2.11 VCS AFOLU Requirements Section 4.3.5 and 4.3.6: Non-CO_2 GHGs

Reductions of N_2O and/or CH_4 emissions are eligible for crediting if in the baseline scenario the project area would have been subject to livestock grazing, rice cultivation, burning and/or nitrogen fertilization. Reductions of CH_4 emissions are eligible for crediting if fire would have been used to clear the land in the baseline scenario.

Findings from Review on Field Validation			
N2O and CH4 are conservatively omitted from biomass burning, fertilizers, fossil fuel combustion. CH4 and N2O from woody biomass burning are included ex post if applicable.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCR or OBS were raised		

3 Application of Methodology

3.1 VCS Standard Section 3.1: Use of approved methodology

Projects shall apply methodologies eligible under the VCS Program. Methodologies shall be applied in full, including the full application of any tools or modules referred to by a methodology.

Findings from Review on Field Validation			
The proponent has elected to use and has applied the approved VCS Methodology VM0007, REDD Methodology Modules (REDD-MF) version 1.0, along with the modules required by the methodology: - VCS Module VMD0001 **(CP-AB)** - VCS Module VMD0007 **(BL-UP)** - VCS Module VMD0010 **(LK-ASU)** - VCS Module VMD0013 **(E-BB)** - VCS Module VMD0015 **(M-MON)** - VCS Module VMD0016 **(X-STR)** - VCS Tool VMD0017 **(X-UNC)** - VCS Tool for Additionality VT0001 - AFOLU Non-Permanence Risk Tool version 3.0 The proponent appears to be using most of the modules required by the REDD-MF methodology, however it does not mention the use of T-SIG to assess the significance of de minimis carbon despite having had to demonstrate de minimis carbon **OBS 01/12.**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**OBS 01/12**		

3.2 VCS Standard Section 3.5: Methodology deviations

Deviations from the methodology applied to the project are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement (but not quantification) of GHG emission reductions or removals set out in the methodology. Deviations relating to any other part of the methodology shall not be permitted. Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emissions reductions or removals.

Methodology deviations shall be permitted at validation or verification and their consequences shall be reported in the validation or verification report, as applicable and all subsequent verification reports. Methodology deviations are not considered to be precedent setting.

Findings from Review on Field Validation			
The proponent has identified one deviation in section 3.5 of the PD, which states that it shall use periodic park guard reports issued from the within the project area to assist in determining the ongoing risk for illegal timber extraction. This is permissible under VCS standard section 3.5 since it applies to a monitoring procedure rather than deviation in the methods for quantification of GHG emission reductions.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

3.3 VCS Standard Section 4.2: Methodology revisions

Methodology revisions are appropriate where a project activity is broadly similar to the project activities eligible under an existing methodology and such project activity can be included through reasonable changes to that methodology. Methodology revisions are also appropriate where an existing methodology can be materially improved. Materially improving a methodology involves comparing the existing and proposed methodologies so as to show that the changes will deliver material improvements that will result in greater accuracy of measurement of GHG emissions reductions or removals, improved conservatism and/or reduced transaction costs. *Additional information on methodology revisions is available in the VCS Methodology Approval Process document.*

Findings from Review on Field Validation			
No methodology revisions have taken place.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS			

3.4 Conformance with methodology applicability conditions

The project shall demonstrate conformance with all methodology applicability conditions. A project cannot use a methodology unless it meets all applicability conditions. Any change in applicability conditions is considered a Methodology Revision and must be submitted for double approval under the VCS Methodology Approval Process.

Findings from Field Validation	
The project is not in conformance with all applicability conditions established by the REDD MF v1.0 module regarding the frequency of baseline renewal. **See NCR 01/12**	
Applicability Condition	**Finding**
Land in the project area has qualified as forest at least 10 years before the project start date.	The proponent states that the project area has qualified as forest for at least 10 years prior to the start data and cites Annex 21 as evidence. Annex 21 explains the process of stratifying the project area's current forest cover but does not provide appropriate evidence to prove forest cover has existed for 10 years. Therefore it does not seem appropriate to cite Annex 21 as supporting evidence to fulfill this condition. However, the audit team has reviewed other documents such as Annex 23, as well as interview data with government officials such as SERNANP that indicate forest cover has been present for 10 years prior to the start date. Therefore the audit team has gathered sufficient evidence to determine that the proponent has satisfied this applicability requirement. The proponent should ensure that a more appropriate type of evidence is cited in the PD to support the applicability requirement that the project area has been forested for 10 years prior to the project start date. **(OBS 02/12)**
The project area can include forested wetlands (such as bottomland forests, floodplain forests, mangrove forests) as long as they do not grow on peat. Peat shall be defined as organic soils with at least 65% organic matter and a minimum thickness of 50 cm3. If the project area includes a forested wetlands growing on peat (e.g. peat swamp forests), this methodology is not applicable.	In section 2.2 of the methodology the proponent acknowledges that the "Aguajal Mixto" stratum constitutes a type of water-saturated forest stratum with a potential for peat development. It indicates that the specifications regarding soil organic matter content and depth were not met based on an analysis of 13 soil samples dug 80cm deep, and therefore indicates that the project does not include forested wetlands growing on peat. However, the proponent has not presented the actual results of the soil analysis nor has it clearly articulated the methods used to determine the characteristics of the soil samples taken. Given recent research in Peru showing that forested peatlands are present in the Peruvian Amazon (Lähteenoja et al. 2012), the proponent should clearly present the methods and results of the soil analysis to support its claims concerning soil organic matter content to improve the transparency of this claim (**OBS 03/12).**
Project proponents must be able to show control over the project area and ownership of carbon rights for the project area at the time of verification.	The proponent has demonstrated control over the project through the signed contracts with INRENA/SERNANP that

	authorize the proponent to realize biological monitoring and research objectives. The government has approved the use of REDD as a long-term financing mechanism to meet these objectives for the project area and the proponent has demonstrated this approval through the following documents: "Contrato de Administracion PNBS RNTamb.pdf", "CONVENIOINRENA-AIDER-SFM.doc ". "Convenio complementario AIDER -BAM S.A.C." The audit team's interviews suggest that these contracts are valid based on interviews with representatives from SERNANP and PROFORNANP. It should be noted the audit team was only able to speak with lower level staff who did not raise objection to the AIDER-BAM-SERNANP contract. The audit team tried multiple times to verify the contract with the head of SERNANP but received no response. Therefore the audit team can only give a reasonable level of assurance that it has successfully demonstrated control over the project area and ownership of carbon rights. This condition has been met.
Baseline deforestation and baseline forest degradation in the project area fall within one or more of the following categories: o Unplanned deforestation (VCS category AUDD); o Planned deforestation (VCS category APD); o Degradation through extraction of wood for fuel (fuelwood and charcoal production) (VCS category AUDD).	The proponent has identified the project as avoided unplanned deforestation (AUDD). The audit team affirms this selection based on observed evidence from the VCS field visit which suggests large areas of unplanned activities leading to deforestation. This condition has been met.
Baselines shall be renewed every 10 years from the project start date.	Section 4.3 of the PD states that the baseline will be revised every 5 years by saying "El escenario de referencia será revisado cada 5 años.", while Annex 23 states that it shall be revised after 10 years. According to the specifications outlined in VCS REDD-MF baselines shall be renewed every 10 years, and cannot be renewed more frequently. The differing statements cause confusion to the reader and create uncertainty as to whether the proponent will be adhering to the requirements of the methodology. The proponent shall ensure that written documents do not specify baseline renewal more frequently than 10 years and that this shall not occur in actual practice either **(NCR 01/12).**
All land areas registered under the CDM or under any other carbon trading scheme (both voluntary and compliance-orientated) must be transparently reported and excluded from the project area. The exclusion of land in the project area from any other carbon trading scheme shall be monitored over time and reported in the monitoring reports.	The proponent has stated in section 2.2 of the PD the audit team has verified through the CDM registry that CDM projects in the same sector within Peru are not within the VCS project area. There are no carbons trading schemes that appear to conflict with the project activities. This condition has been met.
If land is not being converted to an alternative use but will be allowed to naturally regrow (i.e. temporarily unstocked), this framework shall not be used.	Based on the field visit confirmed that the current the land use and proposed project activities suggest that land is being converted to agriculture and that upon its conversion natural regeneration does not occur effectively. Furthermore the proponent is not claiming emissions reductions through temporarily unstocked lands, which was verified by the auditors during the field visit through visual observation and stakeholder interviews. Therefore the project is in conformance with this condition and this condition has been met.
Unplanned deforestation	
Baseline agents of deforestation shall: (i) clear the land for settlements, crop production (agriculturalist) or ranching, where such clearing for crop production or ranching does	The proponent affirms that each of these conditions has been met. The observed evidence obtained during the audit team's field suggests that this assessment is accurate based on

not amount to large scale industrial agriculture activities; (ii) have no documented and uncontested legal right to deforest the land for these purposes; and (iii) are either resident in the reference region or immigrants. Under any other condition this framework shall not be used.	visible and improvised mining and cattle operations in the project's buffer zone. This condition has been met.
It shall be demonstrated that post-deforestation land use shall not constitute reforestation.	The proponent affirms that post-deforestation consists of mining activities or small-holder agriculture/cattle raising. The evidence gathered during the audit team's field suggests that this assessment is accurate based on the visibly deterioration and abandonment after mining, and the lack of reforestation following cattle ranching within the buffer and project area. This condition has been met.
Where, pre-project, unsustainable fuelwood collection is occurring within the project boundaries modules BL-DFW and LK-DFW shall be used to determine potential leakage	The field visit suggested that fuel wood collection from the project area did not constitute a major source of degradation based on the wide-spread use of natural gas. Furthermore, the proponent suggests that coal production is the created largely from the byproducts of sawmills using wood gathered from production forests. The audit team did not see obvious signs of unsustainable fuel wood collection. It does not appear that the project is required to utilize the BL-DFW and LK-DFW modules, therefore this applicability condition has been met.
Degradation (fuelwood / charcoal)	
Fuelwood collection and charcoal production must be "non-renewable" in the baseline period.	Refer to the previous statement.
If degradation is caused by either illegal or legal tree extraction for timber, this framework cannot be used.	The project has identified illegal logging as a cause of degradation in the project area but the proponent does not claim avoided degradation as per the requirements of the methodology, but shall be monitored. This project meets this condition.

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 01/12; OBS 02/12; OBS 03/12**		

4 Additionality and baseline selection

4.1 VCS Standard Section 3.15: Additionality

Additionality shall be demonstrated and assessed in accordance with the requirements set out in the methodology applied to the project.

Findings from Review on Field Validation
Step 1 The proponent has completed the necessary sub-steps and has successfully selected a baseline scenario. The continuation of the pre-project scenario has been selected and appears to be reasonable based on the fact: that the proponent followed the steps required by the tool, that REDD-MF actually lacks guidance on selecting the most plausible baseline scenario, and the audit team has exercised its professional judgment. Although the proponent has selected scenario (i), it has not fully articulated or demonstrated the threat of deforestation coming from cattle, even though it figures prominently in its baseline model. By comparison, the proponent has spent a considerable effort associating rising populations to the deforesting effects of mining, however, the case for associating an increasing cattle production with a rising population, and therefore deforestation, has not been clearly developed or justified even though it is crucial aspect of the proponent's baseline model (refer to section 1.1.3 of the VCS Tool, and section 3.14 of the VCS Standard). The proponent shall more fully develop its assessment of the link between a rising population in the region and the deforesting effects of cattle production so that the rational for the baseline scenario is sufficiently justified and matches and supports the logic of its baseline model more closely and clearly **(NCR 02/12).** Step 2 The proponent elected to perform Option 2, because the project generates other economic benefits aside from VCS income.

This appears justified based on the proposed project activities. The financial analysis appears to be based on GHG emissions reductions that are different from the final reductions stated in "Cuadro 45" of the PD. Furthermore, several NCRs have been raised concerning the emissions in the baseline scenario and those related to leakage (See sections 4, and 6 of this report). Also, there are some issues raised regarding the financial model according to VCS standards (**See NCR 19/12 in Section 11.5 of this report**). Until these issues are resolved the accuracy of the financial analysis cannot be determined. The proponent has completed a barrier and common practice analysis in a satisfactory manner.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 02/12; Refer to NCR 19/12 pertaining to Financial Viability**		

4.2 VCS AFOLU Requirements Section 4.5: Project conformance with methodology baseline selection

VCS AFOLU Requirements Section 4.5 includes project type specific guidance for the minimum baseline selection requirements for AFOLU project types. All approved methodologies shall be in conformance with these criteria, and projects must conform to the methodological approach for the baseline selection.

Findings from Review on Field Validation	
Baseline Determination Step	**Findings**
1.1.1 Reference region	The proponent has created overlapping RRD and RRL reference regions, which is allowed by the BL-UP methodology. The Reference Area was created based on a 50km buffer from roads (see Section 1.1.1 and Figure 1 and 2 of Annex 23). The justification for this buffer is based on multiple sources, which have been fully referenced by the proponent, and appear to be valid. However there appears to be an issue regarding the nature of the reference area. As per section 1.1.1 of BL-UP having one reference region under which the RRD and RRL are nested is not allowed. Instead, the "Reference Region" is comprised of potentially two types of regions: the RRD and the RRL. Therefore Figure 1 defines the area as the "Reference Region", which by definition should be labeled as either the RRD or RRL. Since Figure 1 likely refers to the RRD, it must adhere to the requirements for the RRD (please refer to comments pertaining to section 1.1.1.1) and be labeled as such to avoid confusion. The proponent should clarify its labeling of Figure 1 so that it clearly shows it as the RRD. **OBS 04/12**
1.1.1.1 Reference region for projecting rate of deforestation	The proponent has presented an analysis for this sub-step, however several issues were identified that merit clarification to demonstrate that the proponent has complied with the requirements of the methodology: 1. As mentioned above, the "Reference Region" mentioned in step 1.1.1 must refer to two types, the RRD or the RRL. Figure 1 shows a reference region, which must be the RRD, however that map appears to clearly encompass the leakage area and the project area, which is not allowed by the methodology. Alternatively, if this constitutes a purposeful deviation from the methodology it must be clearly stated in the documentation. The proponent shall follow requirements of BL-UP 1.0 that dictates how the RRD should be delineated (**NCR 03/12**). 2. The methodology requires an explicit calculation of MREF to clearly determine the minimum size of the reference area. The proponent has not explicitly met this criteria or shown how it was incorporated into the determination of the RRD (**NCR 03/12**). 3. The proponent identifies soil type as an "agent" of deforestation, and it is the only agent mentioned. This is an incorrect characterization of what an agent of deforestation is within the VCS definition since the term "agent" refers to the "who" of deforestation. In this methodology, soil type is classified as a landscape factor. The proponent shall provide an assessment of the

	agents of deforestation within the larger RRD. **(NCR 03/12).** 4. Items "b" and "c" of this step provide users of the methodology with specific guidelines for similarity thresholds of landscape factors and transportation networks that must be shown between the reference area and the project area. The proponent has provided brief descriptions for each of these items but has not explicitly demonstrated how the larger RRD area compares against the project area using each of the similarity thresholds. One such example is that the proponent does not provide an analysis that "The ratio of slope classes "gentle" (slope <15%) to "steep" (slope ≥15%) in the project area shall be the same as the ratio in the RRD (±20%). " (BL-UP pg 6). The proponent shall provide an analysis to demonstrate conformity with each set of similarity thresholds outlined by the module (**NCR 03/12**). 5. It is unclear how the proponent's analysis of item d, Social Factors, clearly addresses the requirement that asks the proponent to show that social factors in the broader RRD are the same or are having the same effect as in the project area. The proponent mentions the dispersion of mining across Madre de Dios but this is an agent of deforestation as opposed to a social factor such as similar ethnic groups and economic similarities, etc. The proponent shall provide an analysis that meets the definition of social factors set by the methodology. (**NCR 03/12**) 6. Based on the proponent's description for Item "e" the proponent has not demonstrated, described or referred to other assessments that serve as an analysis of whether the RRD and the project area share equivalent land-use policies. The proponent shall clearly support whether policies or regulations that operate differently within the RRD as compared to the project area, and whether land-use change is differently affected as a result of such differences. (**NCR 03/12**) 7. Within the proponent's description of Item f). it appears as though there are certain areas of planned deforestation, possibly forestry concessions where planned deforestation might occur within the RRD (but outside the project area), however the description does not address this point. Therefore the proponent may be including areas of planned deforestation within its analysis. The proponent indicates that few studies exist regarding areas of planned deforestation in the area, however elsewhere in Annex 23 the proponent indicates that it has GIS files for the location of mining and forestry concessions outside the project area. The proponent shall address the extent to which clear instances of planned deforestation (such as forestry concessions) can be identified, incorporated, and excluded from the definition of the RRD boundary. **(NCR 03/12)**
1.1.1.2 Reference region for projecting location of deforestation (RRL)	The boundary of the RRL was delimited by the proponent as being the same as the RRD, plus the leakage and project areas. Therefore additional proofs for comparing the RRL to the RRD based on similarity thresholds are logically not applicable. **Refer to the discussion of step 1.1.1.1 of this table for issues identified regarding the definition of the RRD.**
1.1.2 Project area	The proponent clearly shows the spatial extent and boundaries of the project area in Figure 3 of Annex 23. The boundary is consistent with the representation of the project area in other parts of the documentation. The proponent has completed this requirement in a satisfactory manner.
1.1.3 Leakage Belt	In Annex 23 the proponent says it has used LK-ASU as guidance for creating the leakage belt, however LK-ASU does not provide guidance for this procedure. Instead, BL-UP contains these guidelines, and it is evident that

	the proponent referred to it for this process based on having made brief analyses of how the proponent meets conditions a-g. The proponent should refer to BL-UP as the document that guides the creation of the boundary of the leakage area. **OBS (05/12)** 2. The proponent appears to meet the criteria a, b, and c based on the current design of the leakage area, which is depicted by Figure 4. 3. The proponent has demonstrated that the leakage area contains the same strata as the project area, but has not shown how the leakage area compares to the project area using the similarity criteria given in items d and e of section 1.1.3 of BL-UP. This constitutes a non-conformance against the requirements of the methodology. The project shall explicitly demonstrate how the leakage area compares to the project area using the similarity criteria defined in items d and e of section 1.1.3. (**NCR 04/12**) 4. To the best knowledge of the auditors the leakage area and the project area are classified legally in very different ways and have different land-use policies officially in place. The proponent has not clearly articulated or referenced supporting evidence regarding what these differences are from a legal perspective or what the theoretical implications are for land-use patterns, or that the impact on land-use change patterns within the leakage belt and the project area are "of the same type or have the same effect, taking into account the current level of enforcement" (see item f. in BL-UP section 1.1.3). The boundary of the leakage belt does not appear to cross into the project area based on the maps provided by the proponent. The proponent shall demonstrate an analysis of the leakage area that is in conformance with the requirements of Item "f" in BL-UP v1.0. (**NCR 04/12)** 5. The proponent has omitted discussion of Item g. **(NCR 04/12)** 6. The area of the leakage belt appears to be less then 50% of the project area. This is less than the 90% requirement listed in BL-UP. It is understood that this is the buffer zone of the protected area however no discussion has been provided to justify the size of the leakage area. The proponent shall provide an explanation that justifies the size of the leakage area since it is much smaller than the area required by the methodology. (**NCR 04/12**)
1.2 Temporal boundaries	There is uncertainty regarding how the proponent has determined the crediting period. Section 1.6 of the PD states it as July 1 2010- June 2030, while Annex 23 states it as extending from "01 de julio de 2009 – 30 de junio de 2029" (**OBS 06/12**). Given that a majority of GHG REDD activities appear to start in 2011 according to Cuadro 7 of the PD, it is unclear how the proponent has justified the start of the crediting period as July 1 2010. The proponent should ensure that the temporal boundaries of the project are consistent throughout the documentation. Also it shall ensure that the crediting period is adequately justified since the date of the proponent's control of the area may be different than when key REDD activities are shown to have started (**NCR 05/12**).
2.1.1 Collection of appropriate data sources	The proponent provides a list of LandSat 5 images organized by date and which are fully referenced to ensure transparency. The data used by the proponent appears to satisfy the requirements of the methodology.
2.1.2 Mapping of historical deforestation	The proponent has provided a description of the general remote sensing process used to map historical deforestation. The audit team visited several points within the project area using the deforestation map developed by the proponent and the vegetation cover corresponded closely with the

	deforestation map developed by the proponent. Therefore the proponent appears to have mapped historical deforestation according to standard remote sensing practices to a satisfactory degree. However, as mentioned in step 1.1.1.1 the methodology specifies that the RRD cannot include the leakage area or the project area, yet the proponent's deforestation map includes both due to its design. (**See NCR 03/12**).
2.1.3 Calculation of the historical deforestation	The proponent has presented tables for this step (2.1.3 in Annex 23) that summarize the outcome of the historical deforestation calculations. However it is not explicitly clear whether the deforestation figures are accumulating over time or whether they are a measure of gross deforestation occurring in a specific year of analysis. This creates difficulties when trying to accurately determine whether the proponent's analysis conforms with the requirements of the methodology. The proponent shall clearly label the historical deforestation tables so that there is no ambiguity as to whether the figures represent accumulated deforestation or the amount of deforestation calculated for a particular year of analysis (**NCR 06/12**).
2.1.4 Map accuracy assessment	During the January 2012 VCS validation field audit of the project proponent shared a deforestation map which was used to locate forested areas along deforested areas. This assessment in Annex 23 includes the use of a confusion matrix to evaluate deforestation map accuracy. The map appeared to match the reality on the ground. Review of this evidence confirmed that the project has completed a map accuracy assessment in accordance with the methodological requirements.
2.2 Estimation of the annual areas of unplanned baseline deforestation in the *RRD*	Although the proponent has used an approved deforestation model the description pertaining to step 2.2 does not clearly demonstrate to the reader which of the three approaches for modeling deforestation given by the methodology it is using from the very beginning, making it difficult for the reader to understand how the approach used by the proponent compares to the requirements of the standard. A demonstration by the proponent to the audit team showed that the model is based on non-linear regression, but as mentioned earlier, this is not clearly apparent in the discussion made in section 2.2 of Annex 23 (**OBS 07/12),**. Since calculations occurred within Dinamica EGO and the computations and model structure are complex, it is difficult to demonstrate how the model's calculations compare to the mathematical formulas allowed by the methodology (see items 3a and 3b of BL-UP), however it should be clear to the reader how it follows the methodology. The proponent shows in Table 14 that the regression's r^2 and p values exceed the minimum criteria relating deforestation to opportunity cost. However, it does not clearly or explicitly address how the model's the p and r^2 values translate into predicting deforestation over time as requested in this step of methodology. (**NCR 7/12**). The proponent shall clearly demonstrate how whether the model meets the statistical thresholds for predicting deforestation over time. The quantities of unplanned deforestation in the RRD are not provided in this section but have been demonstrated in the deforestation maps. The proponent should provide or reference where its estimates of annual areas of unplanned deforestation in the project area are located to improve clarity. (**OBS 07/12).**
2.3 Estimation of annual areas of unplanned baseline deforestation in the project area	This step appears to have been skipped in the section within Annex 23 pertaining to Step 2.3, however it may be demonstrated later in Annex 23. Skipping steps in the methodology is not permitted, therefore the proponent shall include provide findings for this step section to conform to the

	requirements or properly refer the reader to the appropriate section of the documentation **NCR 8/12.**
2.4.1 Identification of land-use constraints	The proponent appears to have labeled this section as section 2.3.1 within Annex 23, which causes some confusion and should be corrected **(OBS 08/12).** However, the proponent has indicated that it has skipped sections 2.4.1 and 2.4.2 of the methodology on the basis that the equation 9 in 2.4.2 yielded unrealistic results and that in version 2.0 of BL-UP this equation has been removed. Skipping steps in the methodology is not permitted unless a revision to the methodology has been applied, and the proponent has not indicated that a revision was sought or approved. In addition, the proponent presents a table of land-use constraints, but it is unclear what relevance this or how this analysis contributes to the proponent's analysis. The proponent shall include findings related to the requirements of step 2.4.1 and clearly explain whether the land-use constraint analysis is still relevant to its modeling and if so it shall indicate how it relates to its baseline model (**NCR 09/12**)
2.4.2 Identification of forest land that is suitable for deforestation	The proponent communicated to the audit team that it skipped the calculation in section 2.4.2 on the basis that the calculation gave improbable results and that it was subsequently removed in version 2.0 of BL-UP. The audit team checked these calculations and found some of the results to be unrealistic. However, the proponent cannot skip a step in the methodology and should clearly present the results of undergoing step 2.4.2 (**NCR 09/12**)
3.0: Determination of whether location analysis is required	The proponent has identified the deforestation configuration as a frontier configuration. This assessment appears to be accurate based on the VCS definition, and therefore a spatial analysis is required. The proponent has conducted a spatial analysis and meets this requirement.
3.1.1 Requirements of spatial models	The Dinamica model appears to meet the criteria met by the standard as it is a widely used model for projecting deforestation based on multiple data sets. This requirement has been met.
3.1.2 Preparation of spatial datasets	The proponent has used at least one factor from the list provided by the methodology, and in fact surpasses the minimum requirements. All datasets have been cited and fully referenced, and are therefore verifiable. This requirement has been met.
3.2 Preparation of deforestation risk maps	Sections 3.2 and 3.3 describe the process of preparing the deforestation risk maps in a manner that was specific to the Dinamica model and which appears to adequate for creating a risk map. In addition the proponent reviewed the model's processes with the audit team to demonstrate how risk maps were prepared. They were deemed to have been prepared in a logical manner. This requirement has been met.
3.3 Selection of the most accurate deforestation risk map	Using the processes described in 3.2, the proponent has developed the most accurate deforestation risk map which is contained Annex 23. The validation process occurred within Dinamica and was assessed at three spatial scales. L This process was reviewed by the audit team with the proponent since it was a process made possible by the model. At the smallest scale the model obtained greater than 61% accuracy prediction (1x1pixel at 71meters). The developer of the model has indicated that greater than 50% prediction is considered acceptable. Because the proponent has used the Dinamica model to validate the risk map with the historical deforestation maps in a manner consistent with the design of the model and has it's designer's opinion regarding its suggested accuracy threshold, the proponent has sufficiently demonstrated that it meets an acceptable level of accuracy for the model. However, the proponent has not demonstrated how it has calculated FOM as required by Step 3.5 of BL-UP (**NCR 10/12**). The proponent shall demonstrate an analysis of FOM in order to conform with the methodology.
3.4.2 Where location analysis (Steps 2.1, 2.2, 2.3) has been conducted	The proponent states that step 3.4 (mapping location of deforestation) was omitted on the basis that the modelling process had already generated a

	location analysis as a result of undergoing steps 3.1, 3.2, and 3.3,. The proponent adds that "El siguiente paso no se realiza por ser un tipo de análisis de localización de deforestación por tipo de frontera y mosaico." - in other words, that the step was omitted because the deforestation scenario pertained to a combination of a frontier and mosaic configuration. The proponent has adequately refers the reader to look at steps 3.1-3.3, which in fact contain the location analysis there and which is the result of the model's processes. Neither the REDD-MF or BL-UP VCS documents contain wording that allow proponents to exclude step 3.4 on the basis that a project's reference region demonstrates both frontier **and** mosaic deforestation patterns. In actual fact the methodology provides little guidance on this matter. The proponent's justification for omitting step 3.4 cannot be fully or partially based on a misinterpretation of the allowances given by the methodology to omit a procedure, therefore the proponent shall ensure that this aspect of its justification for excluding step 3.4 is removed (**NCR 11/12**).
4.1: Stratification	The proponent has adequately stratified the total area of vegetation in the project and leakage area that are subject to deforestation including non-forest land-use classes as demonstrated by figure 40 in Annex 23 and by the processes outlined in Annex 21. However upon reviewing its sampling calculations in "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx" not all the CV's for each strata have a supporting reference. In addition, the proponent used the same CV for four types of "Colina" strata, but it was not clear how this CV was computed. The proponent shall provide evidence to support the usage of each CV used to establish the sampling intensity of the inventory and therefore to ultimately determine GHG emissions reductions **(NCR 12/12).** The proponent shall clearly reference and/or justify the source from which it determined the coefficient of variation for each stratum, so that the sampling intensity can be evaluated. The proponent has presented a table where the areas of projected deforestation are organized by the expected proportions of land-use types . This aspect is in conformance with the methodology.
4.2.1 Forest carbon stocks	The proponent has accurately determined the carbon content of the various strata identified in the both the project and leakage area based on review of "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx" . The proponent has omitted deadwood since it will logically be higher in the with-project scenario due to burning for agricultural clearings in the with-out project due to. It has also omitted soil carbon and litter on the grounds that they are not required and are conservative to omit. Wood products were omitted because of a significance test that adequately showed its insignificance to GHG accounting. However in the carbon calculations spreadsheet provided by the proponent gives conflicting figures for the area occupied by each stratum (see sheet "Cuadro 1" versus "Area-REDD-Cuadro 7"). These inconsistencies create uncertainty about whether the calculations of total forest carbon stocks are correct and therefore also create uncertainty regarding overall GHG emissions reductions calculations. The inconsistencies in the area occupied by each stratum that appear within "Hoja de calculo-Base de datos del calculo de carbono almacenado. xls.(22-1-12).xlsx" shall be corrected to eliminate the uncertainty of whether GHG calculations have been computed accurately and consistently (**NCR 13/12**).
4.2.2 Estimation of post-deforestation	The proponent selected an analysis of post-deforestation carbon stocks using

carbon stocks	option 2 in section 4.2.2, which uses a historical weighted average. The proponent provided the calculation sheet "Hoja de calculo-Pos-desforestacion.xls.xls" to support the narrative in section 4.2.2, Annex 23. The proponent determined the likely proportion of non-forest land-uses based on data within the historical reference period, and utilized secondary source data including secondary forest data from San Martin in order to inform the post-deforestation carbon content. All data was transparently calculated and assumptions were fully referenced and found to appropriate. Option 2 in 4.2.2 of BL-UP calls for an "area- weighted average of the mature carbon stock for each land use", however, it appears that the proponent calculated a simple arithmetic mean for the post-deforestation carbon content of areas subjected to cattle ranching, agriculture and secondary forest, and not an area-weighted mean of the mature carbon stocks for this land-use. This will change the post-deforestation carbon stock values for "actividad agropecuaria", and therefore the accuracy of GHG calculations are affected. The proponent shall calculate the historical area-weighted average using the mature carbon stocks present within the post-deforestation land-uses (**NCR 14/12**)
4.3: Estimation of the sum of baseline carbon stock changes	The proponent has submitted GHG calculations regarding carbon stock changes. Due to issues identified in **NCR 12/12, NCR 13/12, and NCR 14/12** that affect the accuracy of both forest carbon stocks and post-deforestation stocks, the accuracy of these calculations is affected. These issues must be corrected before the accuracy of the calculations can be properly assessed. **Refer to NCR 12/12, NCR 13/12, and NCR 14/12.** Furthermore in the worksheet "Cambios de Stock" in "Hoja de calculo-LINEA BASE Y CASO DEL PROYECTO. xls.xls" the proponent has calculated the projected deforestation in both the leakage area and the project area combined. It then uses the same the combined figure and subtracts it from both the project area and the leakage area to calculated CTOT(PA) and CTOT(LB) as evidenced by tables 33 and 34 Annex 23. This is an incorrect procedure that ultimately effects GHG emissions calculations. It should be noted that in table 34 CTOT for the leakage area is labelled as $CTOT_{,PA}$ instead $CTOT_{,LK}$ and should be corrected in the table to avoid confusion (**OBS 09/12**). The proponent shall correct its computation of CTOT for both the project area and the leakage area to ensure that net emissions are calculated correctly **(NCR 15/12).**
4.4: Estimation of the sum of baseline greenhouse gas emissions	The proponent has purposefully excluded this step on the basis that non CO2 gases were insignificant. It has included non-CO2 gas monitoring for ex-post quantification – refer to Cuadro 24, Section 2.3 of the PD which adequately explains that non-CO2 gases can be conservatively omitted either because it is conservative to do so, or because they were not included in the baseline scenario. This step has been adequately determined.
4.5: Calculation of net emissions	The proponent has presented calculations associate with equations 18, 19, 20 of section 4.5 in BL-UP in section 4.3, Annex 23. Because it has adequately expluded step 4.4, the proponent by default has already completed the calculations required by step 4.5 in section 4.3, so please refer to section 4.3 regarding these computations. However the proponent included calculations from leakage due to the displacement of activities into these equations. The proponent should present calculations in Step 4.5 for net emissions without deducting leakage estimates.**OBS 10/12.**

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	NCR 01/12, NCR 02/12, NCR 03/12, NCR 04/12, NCR 05/12, NCR 06/12, NCR 07/12, NCR 08/12, NCR 09/12, NCR 10/12,NCR 11/12, NCR 12/12, NCR 13/12, NCR 14/12, NCR 15/12 OBS 02/12, OBS 03/12, OBS 04/12, OBS 05/12, OBS 06/12 , OBS 07/12, OBS 08/12, OBS 09/12, OBS 10/12		

4.3 VCS Standard Section 3.14: Baseline scenario selection

The baseline scenario for the project shall be determined in accordance with the requirements set out in the methodology applied to the project, and the choice of baseline scenario shall be justified.

Equivalence in type and level of activity of products or services provided by the project and the baseline scenario shall be demonstrated and, where appropriate, any significant differences between the project and the baseline scenario shall be explained.

In developing the baseline scenario, assumptions, values and procedures shall be selected that help ensure that net GHG emission reductions and removals are not overestimated.

Findings from Review on Field Validation			
The proponent has selected a baseline scenario which is the result of completing the VT0001 additionality tool. It has indicated that the most likely baseline scenario is a continuation of pre-project activities. The baseline scenario must be sufficiently justified according to the VCS standard section 3.14. In the PD the proponent does not adequately address the potential for an increase in cattle production using an argument with supported by adequate evidence. Please refer to **NCR 02/12** for details.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to NCR 02/12**		

4.4 VCS AFOLU Requirements Section 3.1.9: Baseline reassessment

For all IFM, REDD and PRC project types, the project proponent shall, for the duration of the project, reassess the baseline every 10 years and have this validated at the same time as the subsequent verification. Baseline projections for deforestation and/or degradation, forest management plans, and peatland drainage beyond a 10 year period are not likely to be realistic because rates of change in land-use and/or land management practices are subject to many factors that are difficult to predict over the long term, hence the need for periodic reassessment of the baseline. This reassessment will capture changes in the drivers and/or behavior of agents that cause the change in land use and/or land management practices and changes in carbon stocks, all of which shall then be incorporated into revised estimates of the rates and patterns of land-use change and estimates of baseline emissions.[2] Ex-ante baseline projections beyond a 10 year period are not required.

Findings from Review on Field Validation			
See findings related to NCR 01/12			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to NCR 01/12**		

5 Quantification of GHG emissions

5.1 VCS Standard Section 3.16: Quantification of GHG emission reductions and removals

GHG emissions and/or removals shall be estimated for each GHG source, sink and/or reservoir relevant for the project (including leakage) and the baseline scenario.

Findings from Review on Field Validation			
The proponent has presented analyses that quantify GHG emission reductions as represented in the PD and Annex 23 along with supporting documentation for all calculations. Several issues have been identified regarding the quantification of GHG emissions calculations in table 4.2 of this report. Please refer to (**NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**)			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**		

5.2 The correctness and transparency of formulas and factors used

Findings from Review on Field Validation			
All formulas and factors presented in the various excel sheets that contained the calculations were found to be highly transparent. However various issues were identified in table 4.2 concerning the correctness of these calculations. Please refer to **(NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**).			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**		

5.3 Calculation of emissions in the baseline scenario (ex-ante estimate)

Findings from Review on Field Validation			
The actual mathematical operations between the various variables that lead to calculations of baseline emissions appear to be correct, however the several issues have been identified regarding the determination of several variables required to execute this calculation. Please refer to NCRs presented in table 4.2 of this report.			
Conformance	Yes ☐	No ☒	N/A ☐

NCR/OBS	**Refer to NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**

5.4 Calculation of emissions reductions or avoided emissions due to the project (ex-ante estimate)

Findings from Review on Field Validation			
The actual mathematical operations between the various variables that lead to calculations of baseline emissions appear to be correct, however the several issues have been identified regarding the determination of several variables required to execute this calculation. Please refer to NCR's listed in table 4.2 of this report.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to NCR 12/12. NCR 13/12, NCR 14/12, NCR 15/12**		

5.5 Calculation of emissions from project activities (ex-ante estimate)

Findings from Review on Field Validation			
The proponent has stated that emissions from project activities are negligible, which was reviewed to be a satisfactory assessment based on evidence from section 2.3 of the PD.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

5.6 VCS AFOLU Requirements Sections 3.1.8 and 4.5.3: ARR and IFM Long-term average calculation

ARR or IFM projects with harvesting activities shall not be issued GHG credits above the long-term average GHG benefit maintained by the project. The long-term average GHG benefit shall be calculated as set out in Section 4.5.3 of the VCS AFOLU Requirements.

Findings from Review on Field Validation			
Not applicable			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	Not applicable		

5.7 The assumptions made for estimating GHG emission reductions

Findings from Review on Field Validation			
In general assumptions used to determine GHG reductions are transparent and verifiable.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

6 Leakage

6.1 VCS AFOLU Requirements Section 3.5.1: Identification of leakage

The potential for leakage shall be identified, and projects are encouraged to include leakage management zones as part of the overall project design. Leakage management zones can minimize the displacement of land use activities to areas outside the project area by maintaining the production of goods and services, such as agricultural products, within areas under the control of the project proponent or by addressing the socio-economic factors that drive land use change.

Findings from Review on Field Validation			
The proponent has identified the potential of leakage and describes a variety of activities in section 1.8 of the PD that will be implemented in the leakage area to mitigate leakage. These activities appear to adequately address leakage concerns.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

6.2 VCS AFOLU Requirements Section 3.5.2: Leakage mitigation

Activities to mitigate leakage and sustainably reduce deforestation and/or degradation are encouraged and may include the establishment of agricultural intensification practices, lengthened fallow periods, agroforestry and fast-growing woodlots on degraded land, forest under-story farming, ecotourism and other sustainable livelihood activities, and/or sustainable production of non-timber forest products. Leakage mitigation activities may be supplemented by providing economic opportunities for local communities that encourage forest protection, such as employment as protected-area guards, training in sustainable forest use or assisting communities in securing markets for sustainable forest products, such as rattan, vanilla, cacao, coffee and natural medicines.

Findings from Review on Field Validation			
See findings from table 6.1 above.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

6.3 VCS AFOLU Requirements Section 3.5.4, 4.6.4 and 4.6.15: Market leakage

Market leakage assessments shall occur at validation and verification. The rules and requirements for the assessment of market leakage are set out in Section 5 of VCS AFOLU Requirements. Projects shall account for market leakage where the production of a commodity (eg, timber) is significantly affected by the project. The significance of timber production is determined as set out in Section 4.3.3 above or as set out in Section 4.6.15 below.

Findings from Review on Field Validation			
The proponent has determined that the use of module LK-ME is not required for the project according to AFOLU Requirement 4.6.16. The audit team has determined that this decision is correct since degradation effects in the project area have not been modelled in the baseline scenario and GHG benefits are not claimed. However it should demonstrate that de minimis leakage has been calculated using the T-SIG tool. **Refer to OBS 01/12**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**OBS 01/12**		

6.4 VCS AFOLU Requirements Section 4.6.2: De minimis leakage

Leakage that is determined, in accordance with Section 4.3.3, to be below *de minimis* (ie, insignificant) does not need to be included in the GHG emissions accounting. The significance of leakage may also be determined using the CDM A/R methodological tool *Tool for testing significance of GHG Emissions in A/R CDM Project Activities*.

Findings from Review on Field Validation			
The proponent asserts that market leakage is de minimis as demonstrated by calculations shown in "Hoja de Calculo - Significacion de Reservorio Productos de Madera.xlsx". The proponent supports this assertion through adequate sources which were transparently presented and provided to the audit team. However the proponent has not incorporated a discussion of de minimis calculations in its PD and has not mentioned or demonstrated how that it followed the T-SIG module: "Tool for testing significance of GHG emissions in A/R CDM project activities" required by AFOLU Requirement 4.3.3. The proponent should mention that market leakage was found to be de minimis in the PD and demonstrate and mention its usage of the T-SIG module. **(Refer to OBS 01/12)**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	**OBS 01/12**		

6.5 VCS AFOLU Requirements Sections 4.6.8 – 4.6.21: Project type specific leakage requirements

The VCS AFOLU Requirements includes the following project type specific criteria (see VCS AFOLU Requirements for complete reference of criteria requirements):

- ARR: VCS AFOLU Requirements Sections 4.6.8 – 4.6.9
- ALM: VCS AFOLU Requirements Sections 4.6.10 – 4.6.12
- IFM: VCS AFOLU Requirements Sections 4.6.13 – 4.6.14
- REDD: VCS AFOLU Requirements Sections 4.6.15 – 6.6.16
- PRC: VCS AFOLU Requirements Sections 4.6.17 – 4.6.21

Findings from Review on Field Validation			
See findings in 6.3.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

6.6 VCS AFOLU Requirements Section 4.6.3: Quantification of leakage

GHG emissions from leakage may be determined either directly from monitoring, or indirectly when leakage is difficult to monitor directly but where scientific knowledge provides credible estimates of likely impacts. The GHG credit calculation table provided below in Section 4.7 includes an example of indirect leakage accounting.

Findings from Review on Field Validation
The proponent has submitted Annex 24, which demonstrates a step-wise determination of leakage from displaced activities. The calculations were reviewed in the associated file "Hoja de calculo - Fugas por desplazamiento de actividades .xls. (22-1-12).xlsx". Calculations between the two documents were found to be consistent. However several issues were identified with the calculations: a. Step 3 requests that the % of deforestation expected to be displaced into the Leakage Belt should be estimated by the proponent. The proponent provides an estimate of 10%, however there is no discussion provided to help support this estimate or to support how this estimate is conservative. The proponent should explain how the estimate was determined. (**NCR 16/12**) b. The proponent has not computed the variable TOTFOR correctly as required by the module LK-ASU. Step 4a of the module

requires the proponent to "Define the total available national forest area (*TOTFOR*)." The proponent has only performed this analysis for one section of a river near the project area using an 8km buffer. This may constitute as an acceptable deviation from the LK-ASU methodology since it applies to monitoring a component, however it is not clear how the scope of the analysis is conservative. It does not capture the potential forest areas within Peru where deforesting activities could be displaced to should the project in MDD be successful. This issue negatively affects the accuracy of various computations required in step 4 of the module as well as the overall leakage calculations and net emissions reductions calculations. Other calculations in the remainder of the document appear to have been computed correctly, however the issue with TOTFOR affects the accuracy of many of the final variables determined in the module and therefore the remaining calculations must also be revised. The proponent shall perform a national-level analysis of available forest lands available in Peru as required by step 4 of the module to properly determine the TOTFOR variable required in the module LK-ASU (**NCR 17/12**).

c. The surface area of the leakage area appears to differ from the figures presented in the carbon accounting documentation for the CCB standard, which uses the same VCS methodologies. This creates uncertainty regarding carbon calculations because these area values have fluctuated. The proponent shall justify the observed fluctuations to the audit team pertaining to the surface area of the leakage area in order to determine the source of this fluctuation and assess whether it is expected to continue to fluctuate (**See NCR 13/12**).

d. The calculations presented regarding projected deforestation in the Colina Baja Suave stratum present some uncertainty as to whether they were computed correctly or not because cells were numerous cells were left empty (see worksheets "Calculo Proyecto", and "Calculo-CF-Cuadro 2". They appear to indicate that no deforestation is projected to occur in that stratum, however the proponent should clarify the meaning of empty cells present within carbon accounting projections to avoid uncertainty when interpreting the table (**OBS 11/12**).

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	NCR 13/12, NCR 16/12, NCR 17/12, OBS 11/12		

7 Net emission reductions and removals

7.1 VCS AFOLU Requirements Section 3.5.5: Accounting for leakage

Any leakage shall be subtracted from the number of GHG emission reductions and removals eligible to be issued as VCUs.

Findings from Review on Field Validation			
The proponent has accounted for leakage and subtracted these expected emissions from the expected GHG emissions reductions as supported by Cuadro 44 in the PD. However due to the issues identified in table 6.6 of this report there is uncertainty regarding the accuracy of these deductions. (**See NCR 13/12, 14/12, 15/12**)			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**See NCR 13/12 , 14/12, 15/12**		

7.2 Uncertainties assessment associated with the calculation of emissions

Findings from Review on Field Validation
The uncertainties assess was performed considering a buffer to the total roads in the region, approximately 5,638,200 ha for the Madre de Dios region, and having as the methodology VMD0017 VMD0007 X-UNC and BL-UP. Uncertainty in baseline estimates. Step 1. Annex 23 " *Estimación de la deforestacion no planificada de linea base RNTAMB y PNBS* doc" contains the analysis of deforestation. The calculations of the equation of uncertainties are in " *de Calculo – Incertidumbre 22.01.12*.xlsx " 2.79% indicating the ratio of uncertainty for projection of deforestation in the baseline scenario. Step 2. The PP has analyzed the information generated in Annex 22 " *Estimación de carbono almacenado (22-1-12) OK*.docx " on sheet uncertainty calculations and found a ratio of 7.98% uncertainties for the content of carbon and GHG sources. Step 3. The estimated total uncertainties of baseline were calculated at 4.414% for the total uncertainty of carbon, GHG sources in the baseline scenario. Ex post uncertainties in the baseline scenario gives a total uncertainties in the project scenario of 5,689%. The total error in the activities of the project was estimated at 7.2%. The result of analysis is within the allowable range using the

above methodology therefore not required to make deductions			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

8 Monitoring plan

8.1 VCS Standard Section 3.17.2 VCS AFOLU Requirements Section 4.8.1: Monitoring plan

The project proponent shall establish a GHG information system for obtaining, recording, compiling and analyzing data and information important for quantifying and reporting GHG emissions and/or removals relevant for the project (including leakage) and baseline scenario.

A monitoring plan for the project that includes roles and responsibilities shall be established.
Where measurement and monitoring equipment is used, the project proponent shall ensure the equipment is calibrated according to the equipment's specifications and/or relevant national or international standards.

Findings from Review on Field Validation			
PD (item 4.2) establishes parameters for monitoring forest cover of project area, cover of leakage, fire, deforested areas in the project area, area deforested in leakage, areas of forest in the area reference. Also set to be monitored sample plots of degradation and forest degradation emissions. The PD describes the monitoring plan (item 4.3) and mentions that use M-MON VMD0015 Monitoring V2.0, but does not describe all procedures: methods, procedures, calculation methods.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**NCR 18/12**		

8.2 VCS AFOLU Requirements Sections 3.5.3 and 4.8.2: Leakage monitoring

Leakage shall be monitored as set out in Section 4.6 of the VCS AFOLU Requirements. Where projects are required to account for leakage, such leakage evaluation shall be documented in the appropriate section of the project description and/or monitoring report, as applicable.

Findings from Review on Field Validation			
The PD mentions that use M-MON to monitoring plan but in the item 4.2, there is not a methodology to describe leakage monitoring. See table 8.1			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**See NCR 18/12**		

8.3 VCS Standard Section 3.18: Data and parameters available at validation

The project proponent shall ensure that all documents and records are kept in a secure and retrievable manner for at least two years after the end of the project crediting period.

Findings from Review on Field Validation			
The proponents successfully retrieved a variety of data at the field office in Puerto Maldonado through their in-house computer network. The data was deemed to be securely stored, however there is no indication of the proponent's long-term information management plan (**OBS 12/12)**			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	OBS 12/12		

8.4 VCS Standard Section 3.17.1: Data and parameters monitored

Data and parameters used for the quantification of GHG emission reductions and/or removals shall be provided in accordance with the methodology. Quality management procedures to manage data and information shall be applied and established. Where applicable, procedures to account for uncertainty in data and parameters shall be applied in accordance with the requirements set out in the methodology.

Findings from Review on Field Validation			
In PD (item 4.2), there is not procedure accordance with module M-MON. The project proponent should demonstrate that explicit protocols for quality management procedures have been created and are enforced.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**See NCR 18/12**		

8.5 Applicability and eligibility of monitoring equipment and procedures

Findings from Review on Field Validation

The PP has demonstrated that the equipment mentioned in 4.2 is suitable and the audit team has verified that this is so through demonstrations in the field.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

9 Environmental Impact

9.1 VCS AFOLU Requirements Section 3.1.4: Negative environmental and socio-economic impacts

Project proponents shall identify potential negative environmental and socio-economic impacts and shall take steps to mitigate them. Additional standards such as the Climate, Community & Biodiversity Standards (CCBS) or Forest Stewardship Council (FSC) certification may be applied to demonstrate social and environmental benefits beyond GHG emissions reductions or removals. VCUs may be tagged with additional standards and certifications on the VCS project database where both the VCS and another standard are applied.

Findings from Review on Field Validation			
The PD in Annex 26 *Estudio de Impacto Ambiental*, identified several positive and negative impacts that project activities could generate in the environment, taking into account that these are productive activities, but these have no greater impact on the environment. PD (item 1.8) describes the production activities and how it minimizes the impact.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

9.2 VCS AFOLU Requirements Section 3.1.5: Conversion of native ecosystems

Project activities that convert native ecosystems to generate GHG credits are not eligible under the VCS Program. Evidence shall be provided in the project description that any ARR, ALM or PRC project areas were not cleared of native ecosystems to create GHG credits (eg, evidence indicating that clearing occurred due to natural disasters such as hurricanes or floods). Such proof is not required where such clearing or conversion took place at least 10 years prior to the proposed project start date. The onus is upon the project proponent to demonstrate this, failing which the project shall not be eligible. **Additional requirements for PRC project types** are outlined in VCS AFOLU Requirements section 3.1.6.

Findings from Review on Field Validation			
The PP have not considered a conversion of native ecosystems.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

10 Comments by stakeholders

10.1 Findings from stakeholder comments received

Findings from Review on Field Validation			
The PD is known by several government institutions because it will help address problems in RNTAMB and PNBS. The PP has been developed following the consultation process required by CCBA standard. The PP has created a relationship with civil society organizations (native communities, and producer). The consultation process on REDD is slow but the PP is explain the PD in all place.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

11 Non-permanence Risk Assessment

Note: Risk factors are determined through a qualitative analysis conducted, following the guidance of the VCS AFOLU Non-Permanence Risk Tool. As stated in Section 1.1.3 "Project proponents shall clearly document and substantiate the risk analysis covering each risk factor applicable to the project. During the analysis, the validation/verification body shall evaluate the risk assessment undertaken by the project proponent and assess all data, rationales, assumptions, justifications and documentation provided by the project proponent to support the non-permanence risk rating."

11.1 VCS AFOLU Requirements Section 3.6.1: Projects with tree harvesting

Projects with tree harvesting shall demonstrate that the permanence of their carbon stock is maintained and shall put in place management systems to ensure the carbon against which VCUs are issued is not lost during a final cut with no subsequent replanting or regeneration.

Findings from Review on Field Validation			
Not applicable. The project does not involve tree harvesting.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS			

11.2 VCS AFOLU Requirements Section 3.6.2: PRC project permanence

PRC Projects ONLY: PRC projects shall demonstrate that the permanence of their peat carbon stock will be maintained. The maximum quantity of GHG emission reductions that may be claimed by the project is limited to the difference between project and baseline scenario after a 100 year time frame, as set out in Section 4.5.18.

Findings from Review on Field Validation			
Refer to NCR 06/12 in table 3.4 of this report.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to OBS 02/12**		

11.3 VCS AFOLU Requirements Section 3.6.3 and VCS AFOLU Non-Permanence Risk Tool Sections 2.1.1: Use of the Non-Permanence Risk Assessment Tool

Projects shall prepare a non-permanence risk report in accordance with VCS document *AFOLU Non-Permanence Risk Tool* at both validation and verification. In the case of projects that are not validated and verified simultaneously, having their initial risk assessments validated at the time of VCS project validation will assist VCU buyers and sellers by providing a more accurate early indication of the number of VCUs projects are expected to generate. The non-permanence risk report shall be prepared using the *VCS Non-Permanence Risk Report Template*, which may be included as an annex to the project description or monitoring report, as applicable, or provided as a stand-alone document.

Findings from Review on Field Validation			
The proponent has prepared a risk report that follows the form of the AFOLU Risk Tool. However several NCR's have been issued regarding specific aspects of the report. Please refer to table 11.5 below for details.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

11.4 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk assessment time period

The potential transient and permanent losses in carbon stocks shall be assessed over a period of 100 years from the start of the current monitoring period, unless otherwise specified in Sections 2.2 to 2.4, to determine the appropriate risk rating.

Findings from Review on Field Validation			
The risk assessment time period appears to consider the 100 year time period based on the current knowledge regarding the periodicities of natural risks to this forest type.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

11.5 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-2	Item a). The proponent is not involved in plantation acitivities within the project area, therefore the risk rating of "0" is appropriate. Item b). The proponent does not appear to have any	NCR 19/12; OBS 14/12

		previously registered GHG credits in the project area, however illegal logging does take place in the project area and ongoing enforcement is required. The proponent has selected a risk rating of “0” because the wording of this item suggests that carbon credits would have had to have already been issued. Based on this fact the self assessed rating appears to be appropriate. <u>Item c).</u> The proponent has selected a risk rating of “0” based on the fact that its multidisciplinary team’s experience in each has sufficient experience. The auditors spoke and met numerous staff. Based on the audit team’s knowledge and observations of the experience of several key member’s of AIDER’s staff, it appears a majority of them have sufficient experience according the VCS definition although this assessment is limited to certain disciplines. The proponent has provided a table in the risk report Annex A to support its claim. However this table does not always explicitly show the number of years or type of experience for each staff member in the area of work relevant to the project. In addition, the proponent has not provided CV’s of all the staff mentioned in the table. Therefore it it is difficult to determine whether there are staff members with sufficient experience in implementing the key project activities, especially productive activities and improved mining practices aimed at reducing leakage or deforestation due to either missing CV’s or unclear information in Annex A. The proponent should clearly identify all key field staff relevant to each major project activity and explicitly identify their level of experience in that field to allow the audit team to assess the staff’s level of experience **OBS 14/12.** <u>Item d).</u> The proponent has determined a risk rating of “0” because it has offices in Puerto Maldonado. The auditors visited these offices and can affirm this risk rating is adequate. <u>Item e).</u> The proponent has determined a risk score of “-2” based on experience claimed in implementing AFOLU carbon projects in Annex A. However annex A does not present this information in a direct and explicit manner, making it difficult to assess the experience of the organization and of its staff with such projects. The proponent uses general and vague language to characterize its staff’s relevant experience such as **“Activa participación en el diseño e implementación de proyectos REDD y de las políticas nacionales. “** and **“Con experiencia en el diseño de proyectos forestales de carbono (REDD), con participación en dos procesos de validación bajo los estándares VCS y CCB.” (See Annex A).** Such statements do not demonstrate specific and substantial knowledge and experience with AFOLU projects. Although the audit team is aware of staff members with experience with several REDD projects the documentation does not	

		clearly communicate that the staff responsible for such projects continues to be involved with the current project, and what the nature of their AFOLU experience actually is. Because these points are not clearly to the reader, the justification of this mitigation score is weak. The proponent shall clearly and directly identify and describe the types of AFOLU projects and experience to such projects that current staff possess. **NCR 19/12** <u>Item f).</u> The proponent has deemed this item as not applicable and given a risk rating of 0. However it should be noted that wherever projects with social components are involved, adaptive management strategies can always be applied in theory.	
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	2	<u>Items a, b, c, d).</u> The proponent's break-even point appears to occur in year (5) based on the cashflow model provided: "Flujo de Caja_VCS-PD_Tambopata 10a-os I NFORMACION COMERCIALMENTE SENSIBLE.xlsm", and therefore it has issued risk ratings as follows for the following items, a = 0, b = 0, c = 1, d = 0. This determination may be true if the project costs and revenues are considered irrespective of who has rights to the carbon revenues. However the determination of the break-even point may be misleading because according to the audit team's understanding which is based on interviews with BAM and AIDER and a review of "Convenio complementario AIDER – BAM SAC.PDF" , the project costs are born by AIDER but the revenue from carbon offsets belong entirely to BAM. The contractual agreement between BAM and AIDER sets forth a pre-defined payment schedule that BAM shall pay AIDER, which in theory comes from the revenue BAM receives from carbon offsets. Based on conversations with BAM it is expected that actual project costs by AIDER will stay close to the projected costs upon which the fixed payment schedule was made and which apparently form the basis of the financial model in question. Although BAM has agreed to cover cost overruns the current cash model a). does not include, represent or characterize the nature of BAM's secured funding as required by section 2.2.2.2 of the AFOLU risk tool, and b). presents the impression that AIDER has full claim to the carbon revenues even though this right is exclusively granted to BAM, which is a critical assumption that was used to calculate the break even point . Essentially the issue is that the break-even point that was calculated is the break-even point for the project as a whole but loses a critical detail in that revenues are not necessarily guaranteed to AIDER to cover all costs under certain circumstances. Because of these issues identified there is uncertainty regarding when the break-even point occurs for AIDER therefore the rating scheme for items a, b, c, and d may be incorrect Furthermore, the proponent has not clearly demonstrated with evidence that funding from PROFONANPE is secured (refer to section 2.2.2.4 of	NCR 19/12

		the risk tool for the specific requirement). Also, the proponent has not demonstrated that BAM and PROFONANPE are in good financial standing (refer to requirement 2.2.2.4 of the risk tool). In addition, although $6USD/ton CO2 appears to be a conservative estimate for carbon offset the source of these values has not been clearly documented as per section 2.2.2.4 of the AFOLU Risk Tool. Lastly issues identified in table 4 of this report regarding emissions calculations may negatively affect the accuracy of the value of the emissions being used in the financial analysis. The proponent shall: a. Incorporate and identify the secured funding granted by BAM into the cash flow model because according to section 2.2.2 Item 2 it is considered "cash flow in". b. Provide appropriate evidence of PROFONANPE's commitment to provide financial support. c. Recalculate the break even point by adequately designing the cash flow model to represent the reality that BAM has exclusive rights to carbon revenues. d. Shall present evidence that the agreement counterparties are in good financial standing and are capable of meeting their financial obligations. e. Clearly document the source from which carbon values (and therefore revenues) were derived. f. Update the financial analysis after addressing issues with GHG calculations noted in Table 4 and 6 of this report. (**NCR 19/12**) <u>Items e, f, g, h).</u> The proponent has determined that the percentage of secured funding (53.61% from BAM), is above the thresholds set by items e and f and has issued ratings of e = 0 , f = 0, g = 1, h = 0 for these items. Assuming the percentage of secured funding is correct this would be a correct risk rating scheme, however due to the issues identified above this percentage may not be accurate and therefore there team is unable to evaluate the ratings for Items e, f, g, and h given the uncertainty regarding the break-even year. (see the NCR above). <u>Item i).</u> The project claims it does not have the callable resources needed to claim the mitigation risk score and has assigned a risk rating of 0.	
Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	The proponent has selected a scenario where item a) is selected. Therefore the proponent has issued the following risk ratings for each item: a = 8, b = 0, c = 0, d = 0, e = 0, f = 0. Assuming the scenario is correct this would be an appropriate rating scheme.	NCR 19/12 OBS 13/12 OBS 12/12

		To justify the selection of item a) the proponent states that **" si los usos de suelo de línea base se mantienen, el VAN de esas actividades representan mas del 100% en relación a las actividades del proyecto, esto se da principalmente por las actividades agrícolas y ganaderas, así como también a la actividad minera ilegal.".** This statement is the only statement made to support this risk rating and it is ambiguous about whether an NPV analysis is necessary or not. Furthermore in the event that an NPV analyisis is not required the proponent has not mentioned whether the net impact on social and economic well-being of the communities is available (see requirements 2.2.3.1 and 2.2.3.2 of the AFOLU Risk Tool). Since there already appear to be communities within the project area (which is a protected area) some kind of discussion on net community impacts is warranted in this section. Due to the issues mentioned above the audit team does not have sufficient input to determine whether it was appropriate to select Item a) or not. The proponent shall clearly indicate its reasoning for selecting Item a) based on the requirements set forth in section 2.2.3 of the AFOLU risk tool, and support it with transparent and verifiable evidence (**NCR 19/12)** Item g). AIDER is in fact a non-profit organization, so the the mitigation risk rating of -2 is correctly made. Although it is widely known PERU that AIDER is non-profit organization it may be useful it may be useful to cite documenation that corroborates this fact. **(OBS 13/12)** Item h). The project area is a protected area with a mandate for conservation that is articulated in the Contract for Partial Administration with AIDER and its addendum, for a period of 20 years. Therefore the risk rating of -2 is adequate. Item i). The project area is a protected area which is legally protected in perpetuity by the government . However the proponent does not provide a reference to demonstrate that this protected area is designated as such in perpetuity even though the same claim is made in the Land Tenure section of the Risk Report. **(OBS 12/12).** The proponent should ensure that evidence to justify the claim that protected areas are designated as such in perpetuity is consistently referenced with similar claims made in the Risk Report.	
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	10	Item a). The proponent has a legal agreement/requirement to continue the project activities for 20 years as illustrated in the Contract for Partial Administration between AIDER and the government o Peru. Therefore a risk rating of 0 if appropriate for this item.	NCR 19/12

		Item b). The proponent has selected a risk rating of 10 founded on a project longevity of 40 years. This is based on a 20-year contract between AIDER and the government to manage the project area (which is a protected area) with a possible renewal of 20 additional years. Therefore the project longevity has been determined as 40 years and the risk rating computed as: [10 = 30 – (40/2)]. However the because renewal of the contract for an additional 20 years is not guaranteed a project longevity of 40 years cannot be demonstrated. Additional evidence is necessary to support a project longevity period of at least 30 years (**NCR 19/12**).	
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	10	Several NCRs have been identified in the preceding sections therefore the accuracy of the total risk rating cannot be assessed until these issues have been addressed.	
External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 7 of the VCS Risk Tool.	0	Item a). The project area is a government protected area/national park but has some approved communities that live and use the land within the project area, and extraction of certain forest resources are also approved. Therefore fore the proponent's risk rating of 0 appears appropriate, although the proponent should provide a more a clear statement to clarify and justify why the risk rating is appropriate. (**OBS 13/12)** Item b). The proponent has assigned a risk rating of "2" based on the fact that the project area is government owned while the proponent has a contract that authorizes and entrusts it to manage the area with SERNANP. This arrangement is described in the Contract for Partial Administration. Therefore this risk rating appears appropriate. Item c). The proponent has selected a risk rating of "0" based on the fact that although some territory disputes exist within the project area as a result of communities that reside in the project area, and that this area is less than 5% of the total project area. The proponent has not justified the area figure and therefore the risk score is not supported with appropriate evidence as per requirement 1.1.3 of the AFOLU Risk Tool and the audit team cannot adequately assess this assertion. The proponent shall provide appropriate evidence to justify that disputes over land tenure apply to less than 5% of the area of the project area. **(NCR 19/12)** Item d). The proponent claims a risk rating for Item as " 0" due to the lack of disputes regarding use and access rights in the project area between the government and other stakeholders. The audit team recognizes that this is a difficult issue to provide evidence for, and the proponent has not done so as a result. However, information gathered by the audit	NCR 19/12 OBS 13/12

		team during the field visit interviews did not suggest any major use/access disputes with the government. On the contrary, the proponent has provided detailed explanations regarding the various zoning/access decisions that apply to the project area throughout the PD, but especially sections 1.11 and 1.10. Therefore the risk rating seems appropriate. Item e.) The proponent claims a mitigation risk rating of "-2" because Law N° 26834 ensures that carbon stocks should be protected. This appears to be an adequate rating. Item f.) The proponent claims a risk rating of "0" because it views this rating as dependent on the risk rating given in item d.). The proponent states **"No aplica, es excluyente con el factor d. Se le asigna un valor de cero (0) para este factor."** This assessment does appear to be correct since access issues (Item d) would have created a need address them (Item f). Therefore this score appears adequate.	
Community engagement: Shall be assessed using Table 8 of the VCS Risk Tool.	0	Item a). The proponent claims a risk rating of "0" because most of the communities within the project area were consulted. However the proponent's statement to justify this statement is vague and does not allow the auditors to assess whether the number of communities that have been consulted is less or more than 50%. The specific statement made is **" No aplica, se le asigna un valor de cero (0). Fueron consultadas casi todas las poblaciones que se encuentran dentro del área del proyecto (Loero, Jorge Chavez, Nueva América, Apaylom)".** Nothing more is mentioned therefore it is difficult for the audit team to verify this risk rating. The proponent shall provide transparent and verifiable evidence to allow the auditors to assess the claim that more then 50% of resident households in the project area were consulted. **NCR 19/12** Item b). The proponent claims a risk rating of "5" because 9 of the 53 communities in the project area were consulted. The proponent should provide clear and verifiable evidence to show how the VCS's buffer of 20 km relates to the number of communities present in this buffer. (**OBS 13/12)** Item c). The proponent claims a mitigation score of "-5" because of its leakage management activities within the leakage area, however it does not cite or provide relevant evidence to support this claim according to requirement 1.1.3 of the AFOLU Risk Tool. Because the proponent has not yet been CCB certified at the time of this audit it cannot serve as evidence. The proponent shall provide and reference evidence that demonstrate net positive benefits for households in the leakage area that participate in leakage management activities. **NCR 19/12**	NCR 19/12 OBS 13/12

Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.	0	Item c The proponent has calculated a score of - 0.31, selected item c accordingly, and given a risk rating of 2. This score was verified and the risk rating is appropriate. By definition all other Items except for the mitigation factors should be and were set to 0. Item f. The proponent claims a mitigation credit of -2 based on Peru's participation in REDD Readiness activities. The proponent has provided documentation and it is well known by experts in his field that Peru is participating in such activities. However the proponent should clearly state the source of the documentation provided in Annex C (**OBS 13/12).**	OBS 13/12
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0	Since NCRs have been issued in this section it is not possible to assess the total external risk score until these issues are addressed.	
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	1.5	Fire. The proponent indicates that losses from fire are likely to be insignificant, and are the result of periodic burns related to agricultural clearings, which occur at intervals less then every 10 years. A score of "0.5" is claimed. It is generally accepted that uncontrolled fires in the humid tropical rainforests are rare. It is clear that some burning does occur to clear land for agricultural activities, but due to climatic factors large losses are probably rare. Therefore the risk score is acceptable. The proponent claims a full mitigation credit of .25 however it provides no evidence to substantiate this claim as required in section 1.1.3 of the AFOLU Risk Tool. Instead the proponent gives this generalized statement that lacks specificity and supporting evidence: "…**el proponente del Proyecto tiene experiencia en control de fuego en proyectos de reforestación en la región de Ucayali.".** Therefore the proponent shall a clear narrative with verifiable and transparent evidence that supports its mitigation credit for fire management **NCR 19/12** Pest + Disease The proponent claims that this factor poses a "No Loss" risk to carbon stocks, since historically such risks have not had a large-scale effect on carbon stocks. It presents a verifiable government source to support this claim. However the proponent does not address the risk of pathogens to productive activities that comprise REDD activities either in or out of the project area. Therefore this evaluation has not been fully completed and cannot be evaluated by the audit team until it is complete. The proponent shall assess the risk posed by pathogens to the REDD activities that are theoretically subject to loss from such risks (see AFOLU Risk Tool Requirement 2.4.1.4). **NCR 19/12.** Extreme Weather The proponent has determined a risk score of "1",	NCR 19/12

		based on a significance rating of "Insignificant" and likelihood of 10-25 years. It does not claim a mitigation credit. The proponent asserts that extreme weather is not common and that instances of wind or flooding do not amount to much loss. This is supported by a reference to government report. It is generally accepted that this ecological zone has relatively few stand-clearing natural disturbances, therefore the rating seems appropriate. <u>Geological Risk.</u> The proponent claims a risk of 0 due to its distance from volcanoes and lack of significant elevation gradients. The audit teams agrees with this assessment.	

11.6 VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation

Note: As per VCS AFOLU Non-Permanence Risk Tool 2.5.2, the minimum risk rating shall be 10, regardless of the risk rating calculated using Table 11. Furthermore, where overall risk rating is greater than 60, project risk is deemed unacceptably high and the project fails the entire risk analysis (see VCS AFOLU Non-Permanence Risk Tool 2.5.3). For additional information on project risk assessment failure see VCS AFOLU Non-Permanence Risk Tool 2.1.2.5.

Risk Factor	Self Assessment Risk Rating	Findings	NCR/OBS
Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	11.5	The proponent has determined a risk rating of 11.5 but since various NCRs have been issued regarding many risk factors. Therefore this overall risk rating cannot be determined until NCRs are addressed.	NCR **17/12 and OBS 13/12** in Table 11.5 above.

11.7 VCS AFOLU Non-Permanence Risk Tool Section 2.5.4: Buffer determination

To determine the number of buffer credits that shall be deposited in the AFOLU pooled buffer account, the overall risk rating shall be converted to a percentage (e.g., an overall risk rating of 35 converts to 35%). This percentage shall be multiplied by the net change in the project's carbon stocks (stated in the verification report), as set out in the VCS document *Registration and Issuance Process*. Where a project is divided into more than one geographic area for the purpose of risk analysis, the overall risk rating percentage for each area shall be multiplied by the net change in the project's carbon stocks (stated in the verification report) in such geographic area.

Findings from Review on Field Validation			
Since various NCRs have been issued regarding many risk factors in the risk analysis this overall risk rating cannot be determined until NCRs are addressed in Table 11.5. The proponent should take special care to correct any documents or calculations that involve net GHG emissions reductions **Refer to section 5 of Appendix A.**			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	**Refer to section 5 of Appendix A.**		

APPENDIX B: Organization Details

Contacts

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