

# THE VALPARAISO PROJECT VCS CCB VERIFICATION REPORT FOR CARBON CO



Rainforest Alliance

Klaus Geiger - [kgeiger@ra.org](mailto:kgeiger@ra.org)

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| <b>Project Title</b> | The Valparaiso Project                 |
| <b>Version</b>       | 2.0                                    |
| <b>Report ID</b>     | RA-VER-VCS-022981<br>RA-VER-CCB-022982 |

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|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Report Title</b>  | CarbonCO Valparaiso VCS CCB Verification Final Report 17                                                                                                                 |
| <b>Client</b>        | CarbonCO                                                                                                                                                                 |
| <b>Pages</b>         | 142                                                                                                                                                                      |
| <b>Date of Issue</b> | 30 November 2017                                                                                                                                                         |
| <b>Prepared By</b>   | Rainforest Alliance                                                                                                                                                      |
| <b>Contact</b>       | Klaus Geiger<br>+1 (802) 923-3766 / <a href="mailto:kgeiger@ra.org">kgeiger@ra.org</a><br>Rainforest Alliance<br>65 Millet Street, Suite 201 Richmond, Vermont 05477 USA |
| <b>Approved By</b>   | Klaus Geiger, Senior Forest Carbon Projects Auditor, Rainforest Alliance                                                                                                 |

|                            |                                                                   |
|----------------------------|-------------------------------------------------------------------|
| <b>Work Carried Out By</b> | Bruno B. Souza - Lead Auditor, Imaflora certification coordinator |
|                            | Diego Serrano - Audit team member, Imaflora consultant            |
|                            | Mauro Isler - Audit team member, Imaflora consultant              |
|                            | Renan A. Kamimura - Audit team member, Imaflora consultant        |
|                            | Bruno Matta - Desk reviewer, Imaflora consultant                  |
|                            | Isabel G. Drigo – Desk reviewer, Imaflora consultant              |
|                            | Rogério Marinho - Desk reviewer, Imaflora consultant              |
|                            | Roberto Sartori - Desk reviewer, Imaflora consultant              |

## Summary

This report shows Valparaíso Project VCS/CCB verification process final results. This is the project second verification audit. Field activities were conducted to evaluate the project activity implementation and project monitoring during the period of 01 January 2014 to 31 December 2016. This verification audit assessed in a systematic way the project's conformity to indicators and requirements of the applicable standards and pointed out nonconformity reports (NCRs), forward action requests (FAR) and Observations (OBS). The verification evaluation happened through interviews, documents analysis and direct measurements. Five people formed the audit team, three auditors participated in the field audit and two participated remotely through desk reviews. The field audit lasted seven days, four of which were at the project area.

This REDD+ project aims to reduce GHG emission by avoiding unplanned deforestation on private lands. The project was developed based on the VM0007 v.1.4 methodology and has estimated it will avoid the emission of 590,954 tCO<sub>2</sub>e over this monitoring period after accounting for project emissions, leakage, and the project contributions to the buffer account. The audit team has raised 15 NCRs, 10 FARs and 05 OBSs. All of the 15 NCRs identified have been closed as of the issuance of this final report. In summary, open FARs point to potential issues related to the degree of project implementation, project boundaries and ex-post GHG reduction estimates, effective consultation processes with communities, worker training, health and safety and compliance with labor legislation in the country, the maintenance of free, prior and informed consent about the activity of land titling to the communities, the presentation of specific data and parameters requested by the methodology and related to remote sensing and the promotion of exceptional benefits to the communities.

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## 1 INTRODUCTION

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2013 accredited validation and verification body; additionally, Rainforest Alliance is a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved validation and verification body with a number of other forest carbon project standards.

For a complete list of the services provided by the Rainforest Alliance, see [http://www.rainforest-alliance.org/climate.cfm?id=international\\_standards](http://www.rainforest-alliance.org/climate.cfm?id=international_standards).

The *Instituto de Manejo e Certificação Florestal e Agrícola* - IMAFLORA works in partnership with the Rainforest Alliance under its accreditation, delivering certification, validation and verification services of forest enterprises and carbon projects in Brazil.

For a full list of services offered by Imaflora visit: [http://www.imaflora.org/certificacao-socioambiental\\_carbono.php](http://www.imaflora.org/certificacao-socioambiental_carbono.php).

**Dispute resolution:** If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact the local Rainforest Alliance regional office or the RA-Cert Division headquarters directly. Formal complaints or concerns should be sent in writing.

### 1.1 Objective

The purpose of this report is to document the conformance of Valparaiso project with VCS Version 3 and CCB 2nd ed. (2008) requirements. The three “project proponents” are CarbonCo, LLC (“CarbonCo”), Freitas International Group, LLC (“Freitas International Group or Carbon Securities”), and Manoel Batista Lopes ME. 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). Rainforest Alliance was commissioned to conduct the second GHG emissions reductions monitoring period verification from this unplanned deforestation project.

## 1.2 Scope and Criteria

**Scope:** To assess project conformance with the CCB/VCS standards and VM0007 - REDD+ Methodology Framework (REDD-MF) v. 1.4. This conformance assessment will involve all relevant standards criteria and methodology steps and requirements. The audit team focuses on the project activities implementation, the monitoring tasks and the non-permanence risk analysis elaborated for this monitoring period, among other relevant aspects for verification.

The project covers an area of 28,096 ha. The land is private. The project has a lifetime of 60 years, has estimated it will avoid the emission of 590,954 tCO<sub>2</sub>e, over the last monitoring period. All material GHG reservoirs sinks and sources and sinks were evaluated following the VCS standard and methodology requirements, and all will be expressed in values of metric tons of CO<sub>2</sub>e.

The project was evaluated to a reasonable level of assurance.

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

- Verified Carbon Standard Program Guide 2017 v.3.7;
- Verified Carbon Standard 2017 v.3.7;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2013 v.3.6;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2016 v.3.3;
- VM0007, v1.4;
- CCBA. 2008. Climate, Community & Biodiversity Project Design Standards Second Edition. CCBA, Arlington, VA. December 2013. At: [www.climate-standards.org](http://www.climate-standards.org).
- CCBA. 2013. Rules for the Use of the Climate, Community & Biodiversity Standards (December 2013). CCBA, Arlington, VA, USA. December 2013. At: [www.climate-standards.org](http://www.climate-standards.org).

**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. The project cannot be considered as a VCS large project because the avoided GHG emissions will not exceed 300,000 t CO<sub>2</sub> yr<sup>-1</sup>.

### 1.3 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.

### 1.4 Summary Description of the Project

This REDD+ Project advocates the creation of a Payment for Ecosystem Services (PES) mechanism through conservation actions in 28,096 ha of private area, located at Cruzeiro do Sul (AC) municipality in Brazil, recognized as “Seringal” Valparaíso. In a broad way, the Project concerns carbon stock determination through inventory, deforestation modelling according to the adopted methodology on its design, surveillance actions *in situ* and forest cover monitoring by remote sensing, according to its validated description. Beyond this, the Project intends to perform social program achievements related to health, rural extension, capacitation and training, productive chain structuring (açaí and manioc flour) and local community associations, and supporting local co-ops. In addition, the Project advocates for profit distribution originating from the commercialization of carbon credits and the support to land regularization for communities. Regarding biodiversity, the proponent organizations, according to the project’s validated description, mainly propose the monitoring actions, drawing upon partnerships with local institutions.

The project proponents are CarbonCo, LLC (“CarbonCo”), Freitas International Group, LLC (“Grupo Internacional de Freitas” or “Carbon Securities”) and Manoel Batista Lopes ME. CarbonCo is a Carbonfund.org subsidiary, responsible for proceedings associated with the project’s certification and the financing of its initial stage. Carbon Securities acts as a connecting link between CarbonCo and Manoel Batista Lopes ME, implementing translation actions and giving logistic support to field visits. Manoel Batista Lopes ME is an organization created by Manoel Batista Lopes, “Seringal Valparaíso” owner and the main responsible party for the project’s management, along with its activities’ implementation.

## 2 VERIFICATION PROCESS

### 2.1 Audit Team Composition (*Rules 4.3.1*)

| Names and roles                                   | Auditors qualifications                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bruno B. Souza – Lead auditor                     | Climate and Environmental Services Coordinator at Imaflora. Senior lead auditor. Forest Engineer graduated by Escola Superior de Agricultura "Luiz de Queiroz" (ESALQ). Biologist graduated by Universidade de São Paulo (USP). Bruno was empowered by the Instituto Floresta Tropical (IFT) and Imaflora through intensive evaluations in FSC Forest Certification and Reduced Impact Exploration. He was trained as lead auditor of management systems by ATSG (Lead Assessor ISO 14001:2004). He has six years of work experience in FSC, when he worked with forest management and chain of custody certification, which has included promotional statements and trademark approval processes. He was trained to be a carbon auditor by Rainforest Alliance and currently integrates Imaflora's climate team. He has technical expertise on VCS and CCB standards and is also experienced on the development of REDD+ policies social and environmental safeguards. He has three years of work experience with climate changes, payment for environmental services and environmental services certification schemes, when he had audited several projects in Brazil. |
| Diego Cerrano – Field auditor (carbon specialist) | Is forest engineer graduated at Superior School of Agriculture "Luiz de Queiroz." - University of São Paulo (ESALQ / USP). Diego has master degree in Energetic System Planning - forest residues and biofuel by the State University of Campinas (UNICAMP). His abilities include coordination and elaboration of PDD's in the scopes 1, 4, 13 and 14. His most relevant professional abilities include technical coordination for rural projects under European Union Program in Mozambique (2005), consultancy for                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                 | <p>Extractive Reserves in Amazon basin under the UNDP Program (2004) and participation on the Brazilian Biofuels National Programme (2006). In the ambit of GHG projects, in private sector, he was technical coordinator of LULUCF PDD's, as afforestation, reforestation and REDD projects, also in charge of biodiversity and protected areas programs, forestry management and forest inventory in different South American biomes (2007). Also, in the private sector he was technical manager for more than seventy CDM and voluntary carbon projects, including 8 LULUCF PDD (2008-2009). From 2009 until 2014 he worked for in the Bureau Veritas (BVC) as specialist for CDM and voluntary carbon projects and methodologies with focus in AFOLU. In 2009, he founded the C3 – Floresta, Meio Ambiente &amp; Energia a consulting company focused in forest carbon projects (A/R and REDD+). Diego has completed the Lead Verifier Training Course GHG and the Environmental Management Systems Auditor/Lead Auditor Training Course (Based on ISO 14001:2004).</p> |
| Mauro Isler – Field auditor (social specialist) | <p>Agronomist with experience in GMP, GLOBALGAP, organic audits and systems of production and quality management in agricultural and forestry production, acting as auditor since 1997. Lead auditor ISO 9000: 2000 conferred by ATSG / INMETRO in 2004. Specialist in Tourism and Environment. Has training in FSC certification audit of forest management conferred by IMAFLORA in 2013.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Renan Kamimura – Field auditor (GIS specialist) | <p>Forest Engineer graduated by Lavras Federal University (UFLA) in 2009. Renan has a strong working experience with environmental conservation and rural socioeconomic development projects. He is a specialist in GIS and forest biomass inventory, having worked on several REDD+ projects and PES initiatives as a consultant, developer and manager in Brazil. Renan has a comprehensive field experience in Amazon, Cerrado, Caatinga and Mata</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        | Atlântica biomes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Bruno Matta – Desk auditor (carbon and GIS specialist) | <p>Master degree in Biodiversity and Sustainable Development Conservation by the School of Environmental Conservation and Sustainability (ESCAS / IPÊ) with research related to the development of a deforestation baseline using methodology VM0015. He has experience in valuing Environmental Services and in the use of tools and mechanisms to support management and environmental planning.</p> <p>He has strong expertise in Geoprocessing, Remote Sensing and Geographic Information Systems, experience in the development, validation and verification of AFOLU projects. He has extensive knowledge in the certification process, especially for forest carbon standards (VCS and CCBS).</p> <p>He has worked in the different Brazilian biomes: Amazon, Caatinga, Cerrado and Mata Atlântica, in public, private and third sector institutions, always in matters related to environmental services, with emphasis on forest carbon.</p> |
| Isabel G. Drigo – Desk auditor (Social specialist)     | <p>PhD in Environmental science by PROCAM/USP/AgroParisTech/França, with thesis about barriers on implantation of forest concessions in Latin America. Author of a dissertation about impacts of FSC forest certification over two communities in the state of Acre. She was trained to be an internal auditor of FM-06, April 19th, 2012 ISO 9001:2000. She has seven years of experience in audit team's administration at organic certification processes. Since 2008 she executes audits over the social principle and criteria in community forest management and in forest management enterprises. She was also trained as lead auditor of management systems by ATSG (Lead Assessor ISO 14001:2004) and to be a</p>                                                                                                                                                                                                                            |

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|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        | carbon auditor by Imaflora.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Rogério Marinho - Desk auditor (Carbon specialist)     | Geographer graduated by Universidade Federal do Amazonas and Master in Remote Sensing by Instituto Nacional de Pesquisas Espaciais (INPE). Has training in Carbon Projects and Modeling of Environmental Systems by Instituto Nacional de Pesquisas da Amazônia (INPA). He has ten years of experience in geoprocessing, orbital environmental monitoring in the Amazon. He coordinated the baseline design of five REDD+ projects certificated in the VCS and CCB Standards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Roberto Sartori – Desk auditor (Economist)             | Economist and Master in Forestry Resources, Doctorate in Energy and Environment. Lead Auditor with recognition by RABQSA. He has been working in Forestry Economics for 12 years, integrating Imaflora chain of custody and forest management audit teams since March 2013. Experience in projects in the Amazon, forestry and forest-based industry in private, public and third sector initiatives.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Klaus Geiger - Senior Internal Reviewer (RRA Reviewer) | Klaus Geiger is a forester with professional experience in Latin America. As Carbon Services Staff Auditor with Rainforest Alliance Klaus conducts and leads carbon field audits for projects under six different carbon standards, including AFOLU, REDD+, and the VCS Double Approval Methodology. Prior to working with Rainforest Alliance, Klaus researched Sri Lankan non-timber forest products by documenting species composition and mapping spatial distribution in traditional agroforestry gardens, co-managed the 8,000 acre FSC-Certified Yale School Forest, promoted sustainable agriculture techniques for over three years with the Peace Corps in Panama, and, among other experiences, cruised timber with the U.S. Forest Service in Tahoe National Park. Klaus received his Masters of Forestry from the Yale University School of Forestry and Environmental Studies, and holds a Bachelors of Forestry from University of Missouri-Columbia. Klaus is fluent in |

|  |                                        |
|--|----------------------------------------|
|  | Spanish and conversational in Sinhala. |
|--|----------------------------------------|

## 2.2 Method and Criteria

This document is the final Verification Audit Report conducted against the CCB and VCS Standards using a desk and field based audit. Eight auditors from Imaflora, a Rainforest Alliance sub-contractor, were involved in the preliminary (desk) assessment of project's monitoring report and its annexes. Four of them conducted interviews and made direct observations during the field audit in the project area. The auditing team reviewed several technical reports and legal documentation provided by the project proponent to conduct the verification process. The auditors crosschecked the deforested areas through an independent GIS analysis and reviewed assumptions, parameters and formulas used to determine the GHG reduction estimates. No inventory plots were re-measurement, because the carbon stocks were already validated in previous audits. The audit team carried out an independent check on the occurrence of deforestation with the use of data from PRODES (Monitoring of the Brazilian Amazonian Forest by Satellite) provided by INPE (National Institute of Space Research). This check was aimed at an expeditious evaluation of the GIS data polygons made available by the Proponents, check the consistency of the values presented in the "Parameters Monitored" tab in the "2016\_ValparaisoMonitoring 2017.05.26" worksheets as well as support the Field audit. During the field audit, the audit team split in two groups to cover a larger proportion of the project area and the project zone. These two groups were focused on direct observations, "ground truthing" analysis and onsite interviews with riverine community representatives. In this sense, the audit team has checked twenty different sites where unplanned deforestation has occurred during the monitoring period undergoing verification and visited and interviewed fifty local community representatives of "seringal" Valparaiso. The team also contacted governmental agencies representatives in Rio Branco and organized a public meeting with members from the Cruzeiro do Sul municipality community. Ten representatives of public agencies such as SEMA, INCRA, IMC, IMAC, CEVA, the CAR office, among other relevant stakeholders such as CEVA, CPT and local unions were interviewed. More than twenty stakeholders from different local organizations, including seringal Valparaiso community representatives attended the public meeting and discussed the project activities with the auditors.

## 2.3 Document Review

As part of the processes involving the project conformity analysis to the standard requirements and applicable methodologies, the following documentation was revised. The table below shows numeric and specific references to the analysed documents. The same references are used in the report's body to demonstrate how the documents were used for the monitoring report review and comparative analysis that support the audit team's decision-making relating to the project's conformity implementation to the methodologies and standards in question, and last instance, its verification.

| Ref. | Title, Author, Version, Date                                                                                                                                                                  | Eletronic filename                                                                                                                                                                                                                |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | MIR 2014–2016 MONITORING & IMPLEMENTATION REPORT FOR THE VALPARAISO PROJECT. James Eaton and Brian McFarland                                                                                  | Valparaiso Project 2014-2016 VCS CCB Monitoring & Implementation Report (6-2-17).pdf                                                                                                                                              |
| 2    | MIR 2012-2013 VALPARAISO PROJECT MONITORING REPORT. Rebecca Dickson, James Eaton and Brian McFarland.                                                                                         | MONIT_REP_1112_17MAR2011_31DEC2013.pdf                                                                                                                                                                                            |
| 3    | PD, v1.2. THE VALPARAISO PROJECT A Tropical Forest Conservation Project in Acre, Brazil. James Eaton, Rebecca Dickson, Brian McFarland, Pedro Freitas, and Ilderlei Souza Rodrigues Cordeiro. | PROJ_DESC_1112_13MAR2014.pdf                                                                                                                                                                                                      |
| 4    | VCS Standard, v3.7, 21 junho 2017.                                                                                                                                                            | VCS Standard, v.3.7                                                                                                                                                                                                               |
| 5    | Forest biomass carbon inventory for the Valparaiso and Russas Properties, Acre State, Brazil, James M. Eaton, TerraCarbon Igor Agapejev de Andrade, TECMAN. 2014                              | Valparaiso Valparaiso Forest Inventory 2014.06.25 FINAL.docx                                                                                                                                                                      |
| 6    | VCS MODULE VMD0001 REDD METHODOLOGICAL MODULE: ESTIMATION OF CARBON STOCKS IN THE ABOVE- AND BELOW GROUND BIOMASS IN LIVE TREE AND NON-TREE POOLS (CP-AB) Version 1.1 11 October 2013         | Estimation of carbon stocks in the above- and belowground biomass in live tree and non-tree pools (CP-AB), v1.1.pdf                                                                                                               |
| 7    | PEARSON, T; WALKER, S; BROWN, S. <b>Source book for LULUCF projects</b> . Winrock International, Arlington, 2005                                                                              | <a href="http://documents.worldbank.org/curated/en/285391468335978463/pdf/795480WP0Source0CF0Projects00PUBLIC0.pdf">http://documents.worldbank.org/curated/en/285391468335978463/pdf/795480WP0Source0CF0Projects00PUBLIC0.pdf</a> |
| 8    | VCS Module VMD0002 Version 1.0 REDD Methodological Module: Estimation of carbon stocks in the dead wood pool (CP-D)                                                                           | VMD0002 CP-D Dead wood_1.pdf                                                                                                                                                                                                      |
| 9    | Tabela excel: 2016_ValparaisoMonitoring 2017.05.26                                                                                                                                            | 2016_ValparaisoMonitoring 2017.05.26.xlsx                                                                                                                                                                                         |
| 10   | Tabela excel: RusVal_Data_2014.02.19                                                                                                                                                          | RusVal_Data_2014.02.19.xlsx                                                                                                                                                                                                       |
| 11   | VCS MODULE VMD0007 REDD METHODOLOGICAL MODULE: ESTIMATION OF BASELINE CARBON STOCK CHANGES AND GREENHOUSE GAS EMISSIONS FROM UNPLANNED DEFORESTATION (BL-UP), v 3.2, 3 May 2013.              | VMD0007 BL-UP v3.2.pdf                                                                                                                                                                                                            |

|    |                                                                                                                                   |                                                                                                                                   |
|----|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 12 | VMD0010 Estimation of emissions from activity shifting for avoiding unplanned deforestation (LK-ASU), Version 1.1<br>9 March 2015 | VMD0010 LK-ASU v1.1.pdf                                                                                                           |
| 13 | Global Forest Resources Assessment 2010 Brazil Country Report July 2009                                                           | <a href="http://www.fao.org/docrep/013/al464E/al464E.pdf">http://www.fao.org/docrep/013/al464E/al464E.pdf</a>                     |
| 14 | VCS MODULE VMD0015<br>REDD METHODOLOGICAL MODULE:<br>METHODS FOR MONITORING OF GHG<br>EMISSIONS AND REMOVALS (M-MON)              | VMD0015 M-MON, v2.1.pdf                                                                                                           |
| 15 | PRA Results for Valparaíso-Valparaíso Projects                                                                                    | PRA Results for Valparaíso-Valparaíso Projects.xlsx                                                                               |
| 16 | VMD0013 Estimation of greenhouse gas emissions from biomass and peat burning (E-BPB)                                              | VMD0013 E-BPB v1.1.pdf                                                                                                            |
| 17 | Global Forest Resources Assessment 2015 Brazil Country Report July 2014                                                           | <a href="http://www.fao.org/3/a-az172e.pdf">http://www.fao.org/3/a-az172e.pdf</a>                                                 |
| 18 | CCBA 2008. Clima, Comunidade & Biodiversidade. Padrões para Concepção de Projetos. Segunda Edição                                 | <a href="http://www.climate-standards.org/ccb-standards/">http://www.climate-standards.org/ccb-standards/</a>                     |
| 19 | Fotos de auditoria                                                                                                                | Fotos.zip                                                                                                                         |
| 20 | Planilhas Financeiras dos projetos Valparaíso & Valparaíso, CarbonCO, 27Jun17.                                                    | Updated Pro Forma for Valparaíso and Russas Projects (6-27-17) (2).xls                                                            |
| 21 | Relatório de risco de não permanência, v1.0 Carbon CO, 02Jun17                                                                    | 2016 Valparaíso Non-Permanence Risk 2017 05 26.pdf<br>2016 Valparaíso Non-Permanence Risk 2017.05.30.docx                         |
| 22 | PRA – Participatory Rural Appraisal, CarbonCO, Mar13                                                                              | PRA.zip                                                                                                                           |
| 23 | Mapas elaborados pelo time de auditoria                                                                                           | Figuras.zip                                                                                                                       |
| 24 | Trabalhos científicos: Cochrane M.A. & Laurance W.F., 2002; Cochrane M.A. & Schulze M.D., 1999.                                   | Papers.zip                                                                                                                        |
| 25 | Relatórios de monitoramento a cerca da biodiversidade, André Botelho, Dez2015                                                     | Relatório Valparaíso-Valparaíso Final - André L.M. Botelho (English).docx                                                         |
| 26 | E-mail de comunicação oficial do VCS/CCB, sobre comentários públicos                                                              | FW CCB Standards Public Comment Period Closed for The Valparaíso Project & The Valparaíso Project .msg                            |
| 27 | Acordo tripartite e adendum de acordo, firmado entre proponentes dos projetos                                                     | Addendum to Valparaíso Tri-Party Agreement, Fully Signed.pdf<br>Valparaíso Tri-Party, Fully Signed and Certified (Portuguese).pdf |
| 28 | Diário Oficial do Estado do Acre                                                                                                  | Diário Oficial do Estado do Acre.jpg                                                                                              |
| 29 | PDD CCB Valparaíso                                                                                                                |                                                                                                                                   |
| 30 | Censo da Secretaria Municipal de Saúde em Cruzeiro do Sul                                                                         |                                                                                                                                   |
| 31 | Photos_Community engagement                                                                                                       | Photos of Pub Comment.zip                                                                                                         |
| 32 | Atas_CarbonCO_2011_2013                                                                                                           | Valparaíso, Atas March 2011 to May 2013.pdf                                                                                       |

|    |                                                                                                 |                                                                                                                |
|----|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| 33 | Valparaiso Project 2014-2016 VCS CCB MIR 2017.08.31 (Tracked)                                   | Valparaiso Project 2014-2016 VCS CCB MIR 2017.08.31 (Tracked).pdf                                              |
| 34 | Experience and Voluntary Contracts                                                              | Fatima Volunteer Agreement.zip<br>Nagila Volunteer Agreement.zip<br>Hiring Document for Willyan dene Sarah.pdf |
| 35 | Updated NonPermanence risk report_CarbonCO                                                      | 2016 Valparaiso Non-Permanence Risk 2017.08.31 (1).pdf                                                         |
| 36 | Financial Sensitive documents_CarbonCO                                                          | VERPAs for Valparaiso and Russas.zip                                                                           |
| 37 | Select Expenses for Valparaiso and Russas                                                       | Select Expenses for Valparaiso and Russas.zip                                                                  |
| 38 | Financial Spreadsheet_CarbonCo                                                                  | Updated Pro Forma for Valparaiso and Russas Projects (6-27-17) (1).xls                                         |
| 39 | CarbonCO responses to Findings                                                                  | Responses to Valparaiso Findings.pdf                                                                           |
| 40 | Spatial data_CarbonCO                                                                           | 2014-2016 Monitoring.zip                                                                                       |
| 41 | Valparaiso project Non permanence risk assessment_CarbonCO                                      | 2016 Valparaiso Non-Permanence Risk 2017.08.31 (1).pdf                                                         |
| 42 | Letter to INCRA re Russas CCIR, Ilderlei Cordeiro, 17 Nov 2017                                  | INCRA Confirmation for Russas Project                                                                          |
| 43 | Letter IMAC re CAR, Ilderlei Cordeiro, 5 June 2017                                              | Initiation of CAR                                                                                              |
| 44 | Radio Announcement Receipt 1, Ilderlei Cordeiro, 13 June 2017                                   | Receipt of Radio Annoucement (1 of 4)                                                                          |
| 45 | Radio Announcement Receipt 2, Juniele Silva Santos, 16 Nov 2017                                 | Receipt of Radio Annoucement (2 of 4)                                                                          |
| 46 | Radio Announcement Receipt 3, Mauricio de Souza Filho, 16 Nov 2017                              | Receipt of Radio Annoucement (3 of 4)                                                                          |
| 47 | Radio Announcement Receipt 4, Rosilene M. Alves, 16 Nov 2017                                    | Receipt of Radio Annoucement (4 of 4)                                                                          |
| 48 | Terms and Conditions for Volunteers of the Valparaiso and Russas Projects (Fatima), 17 Nov 2017 | Terms and Conditions for Volunteers of the Russas and Valparaiso Project (Signed by Fatima)                    |
| 49 | Terms and Conditions for Volunteers of the Valparaiso and Russas Projects (Nagila), 17 Nov 2017 | Terms and Conditions for Volunteers of the Russas and Valparaiso Project (Signed by Nagila)                    |
| 50 | Trainings and Orientation for Russas and Valparaiso Projects, Brian McFarland, 17 Nov 2017      | Trainings and Orientation for Russas and Valparaiso Projects                                                   |
| 51 | Letter to VCS (ENG), Rege Ever C. Vasques, 17 Nov 2017                                          | Carta ao VCS                                                                                                   |
| 52 | Letter to VCS (POR), Rege Ever C. Vasques, 17 Nov 2017                                          | Carta ao VCS (English)                                                                                         |
| 53 | Email confirmation of CCIR application receipt (Russas), Dayany Nascimento, 16 Nov 2017         | Confirmation of INCRA Receipt - 11-16-17                                                                       |
| 54 | Packing List and Health and Safety for Brazilian Amazon Travel, CarbonCO LLC, 28 June 2017      | Packing List and Health and Safety for Brazilian Amazon Travel (Updated 6-28-17)                               |

|    |                                                                                              |                                                                                 |
|----|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| 55 | Emissions Reductions Purchase Agreement, 17 June 2015                                        | 2016-12-15 Deed of Variation - russas and valparaiso - Natural Capital Partners |
| 56 | Community training summary, SOS Amazonia, 1 Sept 2017                                        | DECLARAÇÃO PROJETO RUSSAS E VALPARAISO                                          |
| 57 | Letter on satellite imagery date of acquisition, Antonio Willian Flores de Melo, 21 Nov 2017 | Letter from Willian_Signed                                                      |
| 58 | Description of Occupational Risks and Mitigation, signed by Willyan Dene Sarah               | Perigos e Riscos Ocupacionais por Willyan dene Sarah                            |
| 59 | Basic Necessity Surveys, 31 Oct 2013                                                         | BNS for Russas and Valparaiso (2017)                                            |
| 60 | Basic Necessity Surveys, 31 Oct 2013                                                         | BNS for Russas and Valparaiso                                                   |
| 61 | Leakage Belt Basic Necessity Surveys, 30 Mar 2013                                            | Russas and Russas Leakage Belt BNS                                              |
| 62 | Basic Necessity Surveys, 8 May 2017                                                          | Russas-Valparaiso BNS (2017) 1 of 3                                             |
| 63 | Basic Necessity Surveys, 7 May 2017                                                          | Russas-Valparaiso BNS (2017) 2 of 3                                             |
| 64 | Basic Necessity Surveys, 8 May 2017                                                          | Russas-Valparaiso BNS (2017) 3 of 3                                             |
| 65 | Leakage Belt Basic Necessity Surveys, 26 June 2013                                           | Valparaiso and Russas Leakage Belt BNS                                          |
| 66 | 2016 Russas Non-Permanence Risk, 28 Nov 2017                                                 | 2016 Russas Non-Permanence Risk 2017.11.28 (Cleaned)                            |
| 67 | 2016 Valparaiso Non-Permanence Risk, 28 Nov 2017                                             | 2016 Valparaiso Non-Permanence Risk 2017.11.28 (Cleaned)                        |
| 68 | 2016 Russas Monitoring Report, 28 Nov 2017                                                   | 2016_RussasMonitoring 2017.11.28                                                |
| 69 | 2016 Valparaiso Monitoring Report, 28 Nov 2017                                               | 2016_ValparaisoMonitoring 2017.11.28                                            |
| 70 | Russas Project 2014-2016 VCS CCB MIR, 28 Nov 2017                                            | Russas Project 2014-2016 VCS CCB MIR 2017.11.28 (Cleaned)                       |
| 71 | Russas Project Summary Document (Final Version, English), 28 Nov 2017                        | Russas Project Summary Document (Final Version, English) 11-28-17               |
| 72 | Russas Project Summary Document (Final Version, Portuguese), 28 Nov 2017                     | Russas Project Summary Document (Final Version, Portuguese) 11-28-17            |
| 73 | Valparaiso Project 2014-2016 VCS CCB MIR, 28 Nov 2017                                        | Valparaiso Project 2014-2016 VCS CCB MIR 2017.11.28 (Cleaned)                   |
| 74 | Valparaiso Project Summary Document (Final Version, English), 28 Nov 2017                    | Valparaiso Project Summary Document (Final Version, English) 11-28-17           |
| 75 | Valparaiso Project Summary Document (Final Version, Portuguese), 28 Nov 2017                 | Valparaiso Project Summary Document (Final Version, Portuguese) 11-28-17        |
| 76 | Cruzeiro do Sul Census, 14 Aug 2017                                                          | Censo Cruzeiro do Sul                                                           |
| 77 | Russas Census, Nov 2013                                                                      | Censo por Russas Projeto                                                        |
| 78 | Russas Household Survey and Participatory Rural Assessment (PRA), 1 May 2013                 | Russas Project and Leakage Belt PRAs                                            |
| 79 | Valparaiso Household Survey and Participatory                                                | Valparaiso and Leakage Belt                                                     |

|    |                                                                                                                |                                                                              |
|----|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|    | Rural Assessment (PRA), 26 May 2013                                                                            | PRAs                                                                         |
| 80 | Valparaiso Census, Dec 2013                                                                                    | Valparaiso Censo                                                             |
| 81 | Catch Up Plan for Russas and Valparaiso Projects, Brian McFarland, 27 Nov 2017                                 | Catch Up Plan for Russas and Valparaiso Projects (Signed by Brian McFarland) |
| 82 | Ilderlei Cordeiro Letter Attesting to Monthly Meetings, Ilderlei Cordeiro, 27 Nov 2017                         | Ilderlei Cordeiro Letter Attesting to Monthly Meetings                       |
| 83 | Letter and work permit evidencing hiring of Project Manager Willyan Dene Sarah, Ilderlei Cordeiro, 27 Nov 2017 | Ilderlei's Attestation Letter and Willyan's Working Permit (Signed)          |
| 84 | Saymo Justiniano da Silva (CAR Technician) Contract, 1 June 2017                                               | Services Agreement with Saymo Justiniano da Silva (CAR Technician)           |
| 85 | Willyan Dene Sarah Administrative Assistant Training Certificate, 30 Aug 2011                                  | Willyan's Technical Training Certificate                                     |
| 86 | REDD Project Training Declaration, Francisca R do Nascimento, 27 Nov 2014                                      | Declaração Cursos RED do Willyan Dene Sarah                                  |
| 87 | Letter to INCRA re Valparaiso CCIR, Ilderlei Cordeiro, 28 Nov 2017                                             | REQUERIMENTO MANOEL BATISTA LOPES - SÓCIO PROPRIETÁRIO DA EMPRE              |
| 88 | Letter to INCRA re Valparaiso CCIR, Ilderlei Cordeiro, 28 Nov 2017                                             | REQUERIMENTO S.N MANOEL BATISTA LOPES - SÓCIO PROPRIETÁRIO DA E              |

## 2.4 Interviews

The auditing team conducted on-site interviews with local stakeholders, project staff and government representatives. 52 community members in 12 communities within the Project and its neighboring areas were also interviewed. Besides the actors linked to the Project, directly or indirectly, the audit team also interviewed public authorities, social support civil entity members and technical support/assistance officials that act in the region. Within the Project Zone, the audit team interviewed community members, union's representatives, and public school teachers. The subjects addressed with the different groups that were interviewed (Project managers, workers, local community and the ones benefited by the Project, social and technical support personnel), were previously established in function of CCB standards social indicators and the interviews were conducted in a way so the interviewees could explain their participation and give their impression of the project's development. A public meeting, which counted with the participation of about 25 people, was scheduled in addition to the interviews, on July 7th, 2017, in the Co-ops head office at Cruzeiro do Sul municipality. A second public meeting happened at Terra do Porfiro community, gathering about 25 people under a local leadership request, to discuss the Valparaiso and Russas projects.

Conducted interviews are listed in the following table:

| Interviewee | Location | Date (DD/MM/YYYY) | Number of participants |
|-------------|----------|-------------------|------------------------|
|-------------|----------|-------------------|------------------------|

| Elson Chaves Vieira         | INCRA - Certificações                      | 5/07/2017  | 03 |
|-----------------------------|--------------------------------------------|------------|----|
| Neurisetete Mota            | INCRA - Certificações                      | 5/07/2017  | 03 |
| Lindamaria Menezes          | INCRA - Fiscalização Cadastral             | 5/07/2017  | 03 |
| Alison Maranhão             | SOS Amazônia                               | 5/07/2017  | 01 |
| Joci Aguiar                 | Rede Acreana/GTA                           | 5/07/2017  | 01 |
| Claudio Cavalcante          | CAR - SEMA AC                              | 6/07/2017  | 02 |
| Fernando Lima               | CAR - SEMA AC                              | 6/07/2017  | 02 |
| Walter Barbosa              | INCRA - Obtenção                           | 6/07/2017  | 02 |
| Augusto Peiro               | INCRA - Obtenção                           | 6/07/2017  | 02 |
| Glenilson A. Figueiredo     | ITERACRE                                   | 6/07/2017  | 03 |
| Rossana C. M. Camargo       | ITERACRE                                   | 6/07/2017  | 01 |
| André V. S. Assis           | ITERACRE                                   | 6/07/2017  | 01 |
| Germano Siva Gomes          | Central de Cooperativas de Cruzeiro do Sul | 7/07/2017  | 01 |
| Lusivan M. Lopes            | CAMPRUCSUL                                 | 7/07/2017  | 01 |
| Darci Mendes                | Associação Igarapé Branco (Ramal 3)        | 7/07/2017  | 01 |
| Josefa Pereira Lucas        | CPT                                        | 7/07/2017  | 04 |
| Idalécio Silva Lima         | CPT                                        | 7/07/2017  | 01 |
| Karen Lima                  | CPT                                        | 7/07/2017  | 01 |
| Roberval Silva Pinho        | CPT                                        | 7/07/2017  | 01 |
| Maria A. Lopes              | SOS Amazônia                               | 7/07/2017  | 04 |
| Gleiciane Cruz              | SOS Amazônia                               | 7/07/2017  | 01 |
| Aligia Souza Alencar        | SOS Amazônia                               | 7/07/2017  | 01 |
| Adair Duarte                | SOS Amazônia                               | 7/07/2017  | 01 |
| Edmilson Carmo              | Foz Valparaíso                             | 8/07/2017  | 04 |
| Francisco Silva             | Foz Valparaíso                             | 8/07/2017  | 03 |
| Francisca Maciel            | Foz Valparaíso                             | 8/07/2017  | 02 |
| Mairton Silva               | Foz Valparaíso                             | 8/07/2017  | 01 |
| Antonio Cruz                | Foz Valparaíso                             | 8/07/2017  | 03 |
| Arnoldo Andrade             | Terra Firme de Baixo                       | 9/07/2017  | 02 |
| Maria Lineide               | Terra Firme de Baixo                       | 9/07/2017  | 02 |
| José S da Silva             | Foz Valparaíso                             | 9/07/2017  | 01 |
| Felix Melo Sarah            | Foz Valparaíso                             | 9/07/2017  | 01 |
| Francisco Lima              | Terra Firme de Baixo                       | 9/07/2017  | 01 |
| Francisco Gomes             | Terra Firme de Baixo                       | 9/07/2017  | 02 |
| João Gomes                  | Terra Firme de Baixo                       | 9/07/2017  | 01 |
| Assis de Lima               | Terra Firme de Baixo                       | 9/07/2017  | 01 |
| Maria Francisca             | Terra Firme de Baixo                       | 9/07/2017  | 03 |
| José Nilson                 | Terra Firme de Baixo                       | 9/07/2017  | 01 |
| Sebastião Barroso           | Terra Firme de Baixo                       | 9/07/2017  | 01 |
| Elisandro Lima              | Foz Valparaíso                             | 9/07/2017  | 01 |
| Davi L Alemão               | Foz Valparaíso                             | 9/07/2017  | 02 |
| Marcionize Silva Bernardino | Foz Valparaíso                             | 9/07/2017  | 01 |
| Damião Gonçalves            | Patuá                                      | 10/07/2017 | 01 |
| Maria E. A. Costa           | Patuá                                      | 10/07/2017 | 02 |
| Maria Benedita              | Patuá                                      | 10/07/2017 | 01 |
| Maria S. Romão              | Madeirinha                                 | 10/07/2017 | 01 |

|                           |                       |            |    |
|---------------------------|-----------------------|------------|----|
| Edmilson Casemiro         | Madeirinha            | 10/07/2017 | 01 |
| Nonato Silva              | Tartaruga             | 10/07/2017 | 01 |
| Jadson O. Silva           | Tartaruga             | 10/07/2017 | 02 |
| Sueli N Silva             | Tartaruga             | 10/07/2017 | 01 |
| Paulo J. A. Guedes        | 3 Bocas               | 10/07/2017 | 02 |
| Maria Conceição           | Igarapé Preto         | 10/07/2017 | 02 |
| José Manoel               | Igarapé Preto         | 10/07/2017 | 01 |
| Raimundo Ferreira         | Igarapé Preto         | 10/07/2017 | 01 |
| Maria da Gloria           | Igarapé Preto         | 10/07/2017 | 01 |
| Evangelina S. Souza       | 3 Bocas               | 11/07/2017 | 02 |
| Maiketele S. Rocha        | 3 Bocas               | 11/07/2017 | 01 |
| Raimunda A. Oliveira      | Boca do Igarapé Preto | 11/07/2017 | 02 |
| Maria Antonia S. Oliveira | Boca do Igarapé Preto | 11/07/2017 | 01 |
| Claudio                   | Boca do Igarapé Preto | 11/07/2017 | 01 |
| Maria Francisca           | Boca do Igarapé Preto | 11/07/2017 | 02 |
| José deusemar             | Boca do Igarapé Preto | 11/07/2017 | 01 |
| Dona Fátima               | Boca do Igarapé Preto | 11/07/2017 | 02 |
| Francisco S. Siva         | Terra do Profiro      | 10/07/2017 | 01 |
| Edilson S. Rocha          | Terra do Profiro      | 10/07/2017 | 01 |
| Leonilson                 | Terra do Profiro      | 10/07/2017 | 15 |
| Juliana G. Silva          | Terra do Profiro      | 10/07/2017 | 01 |
| Rosangela M. Fátima       | Terra do Profiro      | 10/07/2017 | 01 |
| Augusto B. Silva          | Terra do Profiro      | 10/07/2017 | 01 |
| Edilson A. Rocha          | Terra do Profiro      | 10/07/2017 | 01 |
| Barbiere                  | Terra do Profiro      | 10/07/2017 | 01 |
| Iralva                    | Terra Firme           | 11/07/2017 | 03 |
| Nicolau                   | Terra Firme           | 11/07/2017 | 01 |
| Camila                    | Terra Firme           | 11/07/2017 | 01 |
| Braz                      | Santa Luzia           | 11/07/2017 | 03 |
| Monica                    | Santa Luzia           | 11/07/2017 | 01 |
| Maria                     | Santa Luzia           | 11/07/2017 | 01 |

## 2.5 Site Inspections

The objective of the site inspections was to evaluate the implementation of project activities, in accordance to the monitoring report, during the second monitoring period. Inspections also served to understand the land-use/cover change dynamics in the region. Conducted site inspections are listed in the following table:

| Location                                            | Date        |
|-----------------------------------------------------|-------------|
| SEDE INCRA - Dep. Certificações - Rio Branco AC     | 5 July 2017 |
| SEDE INCRA - Fiscalização Cadastral - Rio Branco AC | 5 July 2017 |
| SOS Amazônia - Sede Rio Branco AC                   | 5 July 2017 |
| Rede Acreana/GTA                                    | 5 July 2017 |
| CAR - SEMA AC - Rio Barco                           | 6 July 2017 |
| Sede INCRA - Dep. Obtenção - Rio Branco AC          | 6 July 2017 |
| ITERACRE - Rio Branco AC                            | 6 July 2017 |

|                                                                 |              |
|-----------------------------------------------------------------|--------------|
| Central de Cooperativas de Cruzeiro do Sul - Cruzeiro do Sul AC | 7 July 2017  |
| CAMPRUCSUL - Cruzeiro do Sul AC                                 | 7 July 2017  |
| Associação Igarapé Branco (Ramal 3) - Cruzeiro do Sul AC        | 7 July 2017  |
| CPT - Cruzeiro do Sul AC                                        | 7 July 2017  |
| SOS Amazônia - Cruzeiro do Sul AC                               | 7 July 2017  |
| Comunidade Foz Valparaíso                                       | 8 July 2017  |
| Comunidade Terra Firme de Baixo                                 | 9 July 2017  |
| Comunidade Foz Valparaíso                                       | 9 July 2017  |
| Comunidade Terra Firme de Baixo                                 | 9 July 2017  |
| Comunidade Patuá                                                | 10 July 2017 |
| Comunidade Madeirinha                                           | 10 July 2017 |
| Comunidade Tartaruga                                            | 10 July 2017 |
| Comunidade 3 Bocas                                              | 10 July 2017 |
| Comunidade Igarapé Preto                                        | 10 July 2017 |
| Comunidade 3 Bocas                                              | 11 July 2017 |
| Comunidade Boca do Igarapé Preto                                | 11 July 2017 |
| Comunidade Terra do Profiro                                     | 10 July 2017 |
| Comunidade Terra Firme                                          | 11 July 2017 |
| Comunidade Santa Luzia                                          | 11 July 2017 |

## 2.6 Resolution of Findings

This is a final report. The NCRs resolution processes are highlighted over this report in annex 1. 15 NCRs were raised by the audit team in function of the project's verification audit. All 15 of the NCRs been closed at the time of this report's issuance. The verification result is positive. For more information see Annex 1.

### 2.6.1 Forward Action Requests

The audit team raised 10 FARs based on the project verification audit. Such notes should be resolved by the project proponent by the next verification period or during the baseline re-validation steps. Such FARs are currently open. The resolution of these FARs is not a precondition for the project verification. Validation and verification bodies are encouraged to verify aspects described as FAR in this report at subsequent audit events. In summary, open FARs pointed to problems related to the degree of project implementation, project boundaries and ex-post GHG reduction estimates, effective consultation processes with communities, worker training, health and safety and compliance with labor legislation in the country, the effective functioning of the project's grievance mechanism, particularly in relation to the activity of land titling for the communities, the presentation of specific data and parameters requested by the methodology and related to remote sensing and the promotion of exceptional benefits to the communities. For more information see Annex 1.

## **2.7 Eligibility for Validation Activities**

Rainforest Alliance is a validation and verification body, accredited by ANSI under the standard/regulation ISO 14065:2013, for sectoral scope 14 – AFOLU. Imaflora is an organization sub-contracted by the Rainforest Alliance and operates within its accreditation in a way to offer carbon validation and verification services in Brazil under the same scope.

## **3 VALIDATION FINDINGS**

### **3.1 Participation under Other GHG Programs**

Valparaiso project is registered in CCBS and VCS platforms and it is not registered nor looking to register under any other GHG program, according to the project documentation (ref. 1, section 3.4).

### 3.2 Methodology Deviations

The analysis of methodology deviations adopted by the proponent is described below:

| ID | Methodology Deviation                                                                                                                                                                                                                                                                                                                                                                                | Verification Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | Trees in the Cecropia genus will not be included as part of the forest inventory. This has been proposed as a deviation as it stands in conflict with the CP-AB requirement that "all the trees above some minimum DBH in the sample plots" be measured.                                                                                                                                             | The audit team understands that exclusion of the Cecropia genus from the forest inventory is a conservative approach, as it underestimates the carbon stocks over the areas subject to deforestation in the baseline scenario and leakage zone, being then in accordance with the VCS standard, section 3.5.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 2  | While sampling lying dead wood using the line intersect method:<br><br>Two 92-meter transect lines were used rather than two 50-meter transect lines;<br><br>The sampling lines did not bisect each sample plot, but rather ran from one plot center to the next; and<br><br>Sampling lines were oriented to the north and east, and no randomization in the bearing of the first line was employed. | The project proponent adopted a methodological deviation in relation to VMD0002 module, v1.1 (ref.8), which establishes that: "Lying dead wood must be sampled using the intersect line method (Harmon and Sexton 1996). Two 50-meter lines (164 ft) are established bisecting each sample plot and the diameters of the lying dead wood ( $\geq 10$ cm diameter $\approx 3.9$ inches+) intersecting the lines are measured. The first line is oriented along a random bearing, the second line is oriented perpendicular to the first."<br><br>A justification to the methodological deviation was not presented nor mentioned any study, research or article in where the same method used by the proponent had been employed for the definition of a new transect size. Re-measurements of carbon stocks were not part of this verification scope. The audit team raises this note as an observation, to indicate the risk of potential impacts over the GHG reduction estimates (OBS#02/17). |

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | <p>Rather than using a root to shoot ratio to estimate belowground biomass as per the CP-AB module, belowground biomass was estimated using an allometric equation developed by Cairns et al.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Based on the GHG emission reduction estimates spreadsheet (ref.9), under the tab "calculation parameters", the audit team has calculated the ratio between biomass above and below ground for all the strata and for all of the existent vegetation at the project's area. The value reached was superior to 0.22.</p> <p>In the case of alluvial FAP, the average ratio of below-ground biomass to above-ground biomass was 0.231, while the average ratio of below-ground biomass to above-ground biomass for all vegetation types was equal to 0.228.</p> <p>The CP-AB module, v1.1, part 2 and section 6 (ref.6), guides the adoption of IPCC indicators for the below-ground biomass ratio. The audit team understands the parameter review in question as an opportunity for improvement for the project. OBS#01/17 was applied.</p> |
| 4 | <p>The forest inventory has deviated from the criteria for selection (i.e., the equation is based on datasets comprising at least 30 trees, with an <math>r^2</math> that is <math>\geq 0.8</math>) and validation of the allometric equation related to palm biomass, however the equation used is likely to result in a conservative estimate of palm biomass for the following reasons:</p> <ul style="list-style-type: none"> <li>-Volume is calculated as the volume a paraboloid rather than the volume of a cylinder;</li> <li>-Only stem biomass is estimated, thus conservatively excluding other aboveground biomass; and</li> <li>- A conservative measure of basal</li> </ul> | <p>The project's proponent has adopted a method deviation on the document ref. #1 in relation to the palm tree biomass estimates.</p> <p>The audit team has used different allometric equations to independently calculate the forest biomass based on the project proponent forest inventory spreadsheet and found this methodology deviation conservative.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

|   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | diameter (i.e., dbh) was used.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 5 | <p>Dead wood collected for density determination was opportunistically sampled from within the project area. The forest inventory collected a total of 13, 17, 13 samples for the sound, intermediate, and rotten classes, respectively. While the minimum number of samples, twenty, as stated in the CP-D module of the methodology was not collected for each class, the sample was still sufficient for a robust estimate of the mean as indicated by the low coefficient of variations for each of the classes (i.e., less than 20% for each class).</p> | <p>The methodology deviation refers to a minimum number of samples by sound class, for the determination of the wood degradation; Independently of the sampling effort, which was close to the stipulated minimum, the tab "Dead Wood Density data" (ref. 10) shows to a 90% confidence interval, low levels of variation (&gt;10%), what shows that the sampled average is representative of the population average and accurate.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 6 | <p>The similarities of the project boundaries were assessed using population density rather than settlement density. This methodological deviation is warranted due to obvious inconsistencies in the available data on the location of settlements within the state. Use of population density data still meets the intent of the methodology as both population and settlement density reflect the relative density of resident populations (and level of pressures associated with those populations).</p>                                                 | <p>The audit team has identified inconsistencies between the agents and deforestation drivers, observed at the project's area (family agriculture and manual deforestation with the "coivara" techniques), and the agents and drivers assumed for the baseline's reference region (Large deforestation polygons, with access by paved roads and with probable use of track tractors).</p> <p>The validated PD and MIR define the following: "The main deforestation agents in the RRD are small scale farmers who intend on establishing or expanding pasture and croplands through conversion of forest...". However, by the deforestation dynamics over the reference region in the analyzed period (from 1999 to 2010), mainly along the BR 364 highway and the surrounding areas of Rio Branco, it can be noted a prevalence of large polygons cleared in a year interval, in a</p> |

|   |                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                                                                                                                                                                                                                                                                    | <p>way that is very unlikely to be cleared by the same agents and drivers that happen at the project area (ref. 23, figs.5 &amp; 7). The speed and size of the areas opening at the reference region, suggests the use of track-type tractors, driven by cattle ranching activities, which is very different from the deforestation drivers existent at the project area (cassava plantations for means of subsistence living, as well as slow forest conversion to grassland from pre-existent pasture areas).</p> <p>Moreover, with evidence obtained during interviews with the community members and direct observations at the projects sites, the deforestation trend for cassava plantations was mainly noted (the main deforestation driver in the project's area) at dry and higher lands, which remain dry all year long, suggesting that the flood lands are not subjected to the same deforestation pressure from those specific deforestation agents.</p> <p>Based on the previous discussion, the audit team understands the need to revise, during the baseline revalidation, the deforestation rate (RRD) as well as deforestation location (RRL) established as baseline for the period of 2011 to 2021.</p> <p>The audit team raised FAR#01/17 in a way to highlight this analysis review during the stages of the baseline revalidation.</p> |
| 7 | <p>The parameter TOTFOR has not been "limited to forest areas within 5km of roads and rivers suitable for conversion to agriculture / livestock" as mentioned in the methodology. As the resulting TOTFOR value is greater, the AVFOR value is also greater. The PROPLB parameter is therefore</p> | <p>The project proponent adopted a methodological deviation (ref # 1) that brought a more conservative approach to the project's emission reduction calculations. In this way, the audit team understands that this approach is in accordance with the VCS rules.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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|    | smaller thus resulting in more leakage outside the leakage belt and hence a conservative estimate. This deviation results in conservative accounting of leakage outside the leakage belt.                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 8  | The parameter $COLB$ has not been “limited to areas demonstrated to be suitable for agriculture or livestock ranching” as mentioned in the methodology. $COLB$ has conservatively been set to the largest forest aboveground tree carbon stock rather than the area-weighted average aboveground tree carbon stock. This deviation results in conservative accounting of leakage outside the leakage belt. | The methodological deviation in relation to LK-ASU v1.1 (ref.#12) and specifically to area-weighted average aboveground tree carbon stock for forests available for unplanned deforestation outside the Leakage Belt. The proponent’s approach was to use FAO data of 458 tCO <sub>2</sub> e/ha, for Amazon biome which is the largest forest aboveground tree carbon stock. Which is conservative because increases $COLB$ and therefore, $PROPcs$ and $LK_{PROP}$ .                                                                                                                                                                                                                        |
| 9  | The AVFOR parameter used in leakage estimation will be stratified using information and data derived from official (government) publications, peer-reviewed published sources, or other verifiable sources. Stratification is not limited to the delineation of different strata where contiguous areas of at least 100 ha differ in stocks by $\geq 20\%$ .                                               | The project proponent has considered AVFOR equal to TOTFOR, with TOTFOR as the total available national forest area (according to FAO), and all the forest as Amazon Biome, which is conservative, because it increases leakage. The FAO Forestry Department report shows the forest cover for Brazil in its different Biomes, referring to data from the PROBIO project carried out by the Brazilian Ministry of the Environment in different periods from 1990 to 2010. The audit team understands however that the FAO report and the data from the PROBIO project are reliable sources of information and that its use has not violated the conservativeness of the reduction estimates. |
| 10 | Parameter $UP,SS,i,pool\#$ will be monitored at least once every 10 years, on re-measurement of forest carbon stocks. While module X-UNC                                                                                                                                                                                                                                                                   | The approach adopted by the proponent is coherent to the modules requisites CP-AB and CP-D and does not affect the ex-post estimates’ conservativeness. Therefore, the audit team                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

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|  | requires that monitoring of this parameter occur every < 5 years, this requirement is inconsistent with the VM0007 pools modules, which specify that stock estimates (from which uncertainty is calculated) are assumed valid for 10 years. Therefore, a deviation to module X-UNC is applied to permit parameter UP,SS,i,pool# to be monitored every < 10 years, putting it into alignment with modules CP-AB and CP-D. | understands that this deviation method is in accordance to the VCS rules. |
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### 3.3 Project Description Deviations (*Rules 3.5.7 – 3.5.10*)

The project monitoring and implementation report (ref. 01) presents two deviations from the project description. The deviations in question were discussed in the table below.

| Project Description Deviation | Verification Findings |
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|-------------------------------|-----------------------|

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <p>Rather than initially assessing the significance of illegal logging using temporary sample plots covering 1% of the potential degradation area (ADegW,i) as proposed in the project document and monitoring module of the VM0007 methodology, information gathered during the course of the participatory appraisals included amounts of fuelwood, charcoal, and timber collected by communities members will be used along with conservative assumptions to assess whether emissions due to degradation are significant using the T-SIG tool, and plot level monitoring of degradation is warranted. This deviation may be used for the first and each subsequent monitoring period. This deviation was added during the course of the first verification event. This deviation was included as it was the project proponent's understanding that T-SIG could be used to determine the significance of any with-project emission. Further, this deviation was warranted due to the significant amount of work necessary to monitor degradation using temporary plots and the likely insignificant amount of</p> | <p>In MIR section 2.9.2, the proponent introduces a methodological deviation in order not to monitor the forest degradation caused by wood extraction using samples, as oriented by VMD0015 v.2.1, (ref. 14).</p> <p>Field observations taken by the audit team show evidence of timber extraction in the project area. The existence of a road was observed at the east portion of the Valparaiso's project, coming from ramal 3 (ref. 23, figs. 01 e 02).</p> <p>Besides this, the PRA (Participatory Rural Appraisal, ref. 22) pointed to the existence of timber activity. The PRA results are supported by the evidence of timber being sawn, dry or stocked to construction and restoration of houses, boats and fuelwood. Furthermore, the audit team diagnosed different wood extraction points in the forest, through the occurrence of stumps and logs cut and displayed at the forest as access bridges in marshy lands and sawn timber through direct field observation (ref. 19). Moreover, through interviews with the environmental agency (IMAC) responsible staff at Cruzeiro do Sul municipality, the audit team has verified the occurrence of charges related to unauthorized timber extraction at the project areas.</p> <p>The project proponent presented the results of the PRA and the associated significance calculation to demonstrate that the emissions related to forest degradation from the logging activity of the communities inserted in the project area can be proven as minimal and insignificant. Based on the results of the PRA, the proponent determines the average emission per family based on the consumption of fuelwood and the construction of houses and boats. The value found was compared to the project and leakage emissions in the same period, to test its significance. The project proponent estimates that forest degradation in the project area accounts for about 1.41% of total emissions in the same period and is thus negligible. The audit team reviewed the calculations presented, input data, formulas and default values used and agrees with the result. It is worth noting that during the audit, the</p> |
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| <p>emissions resulting from degradation. The section on "Monitoring Illegal Degradation" in the monitoring plan has been updated to reflect this deviation.</p>                                                                                                                                                                                                                                                                                                                                                                                                   | <p>uncertainty about the correct number of families living in the project area was characterized, due to the disagreement between the values presented by the proponent in the project description, values obtained by a census of the municipal health department, and also by values mentioned in interviews with the communities. Assuming the census data as official, it is estimated that 195 families lived along both sides of the Valparaiso River. Assuming a fair division of families at both margins, it is understood that about 100 families lived in the Valparaiso project area over the monitoring period covered by this verification. In response to this, the proponent performed an additional calculation, considering, based on the calculated emission factor per family and 5% of the total volume of emissions reported by the project in the monitoring period, what would be the estimated number of families needed to reach a significant value of emissions related to forest degradation, reaching a value of 135. Thus, the audit team agrees with the exposed arguments and with the insignificance of the emissions in question.</p> |
| <p>Rather than monitoring Cpost using modules CP-AB and CP-D as described in the MON modules, C(post) can conservatively be assumed to be zero in the with-project case, not only for natural disturbance (CP,Dist,q,i , as stated in Section 5.2.3 of the M-MON module) but also for deforestation (CP,post,u,i). This deviation is conservative because subtracting zero from the baseline stocks, leads to the conclusion that <math>\Delta C_{pools,Def,u,i,t}</math> is equal to <math>C(BSL,i)</math>, which leads to the maximum emission in the with-</p> | <p>The project deviation is related to carbon stock monitoring. The audit team recognizes the approach as conservative for the ex-post estimates. Determining Cpost parameter as zero, secures max emissions in the project scenario and reduces ex-post estimates.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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| project case, which is conservative. This deviation may be used for the first and each subsequent monitoring period. |  |
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### 3.4 Minor Changes to Project Description (*Rules 3.5.6*)

No minor changes were presented by the project proponent to the community and biodiversity elements of the project design in the monitoring report. The audit team has identified shortcomings in the project implementation schedule and reported them in the appendix 01, through NCR#01/17. The project responded with corrective actions to successfully close this NCR, resulting in FAR#06/17 being raised in its place and to be closed by the next verification. One specific modification in the project implementation schedule was reported by the project proponent and is related to profit sharing on the commercialization of carbon credits. It is the audit team's understanding that this change in the project description implementation schedule can be considered as minor. The proponent presents a justification related to the downturn observed in carbon markets. FAR#03/17 was raised.

### 3.5 Monitoring Plans (CL3.2, CM3.3, B3.3)

The project design is validated and verified against the CCB standard. This section is to be considered as not applicable, following the specific verification report template orientations.

## 4 VERIFICATION FINDINGS

### 4.1 Public Comments (*Rules 4.6*)

No public comments were received during the official period reserved for public comments through the CCB website, according to an official standard communication (ref.26).

## 4.2 Summary of Project Benefits

The project's monitoring and implementation report was presented according to version 3.1 of the CCB + VCS joint monitoring template, drafted for the CCB second edition. This template does not present a specific section named "Project benefits summary", in consideration of the theory of change model developed under the latest monitoring version launched by CCB on June 21<sup>st</sup>, 2017. It is worth noting that the document elaborated by the proponent was officially launched for public consultation through the CCB website on June 6th, 2017, prior to the latest report template version be released by the standard.

## 4.3 General

### 4.3.1 Implementation Status (G3.4, CL1.5)

The following activities were planned to be implemented at the project's areas: "Raise Project Awareness; Hire Project Manager; Patrol and Monitor Deforestation; Provide Agricultural Extension Services; Support Local Farmers Association; Help Communities Obtain Land Tenure; Profit-Sharing of Carbon Credits; Establish a Project Headquarters" (ref.#3, section 1.8).

The audit team has not observed evidence of full project activity implementation at the field nor has proved the existence of records documenting the project's activities' full implementation records during monitored period, as described in the validated PD (ref. 3) and MIR (ref. 1), such as:

1. Increase of community awareness relating to the project;
2. Hiring of a project manager;
3. Patrolling;
4. Social programs implementation;
5. Agriculture extension services implementation;
6. Support to local farm associations;
7. Support to regularization of land tenure;
8. Profit sharing on the commercialization of carbon credits;

Overall, the community interviewees demonstrated lack of knowledge or a negative perception regarding the project and some aspects of planned project activities. The proponent highlights the work carried out by project collaborators such as the individuals Marmude (through September 2014) and the new project manager Willyan (beginning in 2017) to raise awareness of the communities around the project and presented photos, meeting minutes and results of social assessments carried out with communities to corroborate the implementation of this activity from the project. The audit team evaluated these documents and concluded that most of the documents refer to events prior to the monitoring period in question. The meeting minutes presented date from 2011, the results of the social diagnoses (PRA and BNS) date from 2013. However, there are also activities related to raising community awareness of the project that occurred within the monitoring period. On page 18 of MIR 2014-2016 (Ref. 1), the proponent lists the visits with relevant stakeholders and with the communities made in May and August 2014. The proponent also stated that consultation visits occurred in January 2014, July 2014 and March 2016. Nevertheless, the effectiveness of these visits is not well recorded, and audit team interactions with community stakeholders show a need for continued community engagement. The audit team visited the project areas and interviewed 52 people in 12 different communities. During the interviews in the communities, it was verified that community members who know about the project still have many questions related to the project's planned activities, as well as details of the execution and information about their rights and duties in relation to the project. Two of the ten schools in the project area were visited by the audit team, their teachers were interviewed and denied receiving copies of the project description or other key documents, however the audit team concedes it is possible that the community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. The audit team considers the interaction of Willyan, who in 2017 replaced the original project manager Marmude in his assignments after his death, regarding the interlocution with the communities. However, given the delay in hiring a replacement project manager, the audit team considers the degree of implementation of this project activity as demonstrative of the need for continued community engagement in 2017 and going forward (NCR#01/17 was raised, closed after additional evidence by the project proponent, and FAR#06/17 raised in its place).

Evidence of formally hiring an employee as the project's official manager during the monitoring period was not presented at the time of the field audit. The original onsite project manager, Marmude, passed away in September 2014, and there were no apparent efforts to find a replacement until 2017. The audit team believes a significant determining factor in the project's failure to fully implement project activities according to their implementation schedule was precisely due to the inaction regarding securing a qualified replacement project manager. Marmude's replacement, Willyan, was, in 2017, awarded a temporary 45-day contract, later being hired as the full-time project manager for both the Russas and Valparaíso twin projects, documentary evidence for which was presented after the field audit. The proponent first presented an "experience contract", providing for the temporary hiring of Willyan Dene Sarah for 45 days, after the field audit. The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaíso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring period covered by this verification, the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the validated project description and that this action was planned not only for coordinating field activities but also for promoting social benefits to the local communities (through creating sources of income, training, etc), the audit team considers the corrective action taken as sufficient for the moment. However, FAR#02/17 is raised, to highlight the need to avoid further significant lapses in employing a local project manager over the next monitoring period.

Limited patrolling activities occurred during the assessed monitoring period, according to the party who was responsible for this specific activity. The audit team understands from its field observations that the boat patrolling throughout the Valparaíso river that did occur, does not serve the purpose of effectively monitoring the identified deforestation agents' activity in the project area, as the families are not exclusively allocated along the river, nor their "farm plots" found exclusively at the river's immediate surroundings. In fact, it is common that the new farm plots areas – read, according with the project's scope, unplanned deforestation – to happen further inside the areas of the projects Valparaíso and Russas, being largely imperceptible to the river patrols. According to the project monitoring and implementation report (ref. 01), terrestrial patrol activities have been operated by Marmude since 2011 until most of the year 2014. No records of patrol activity carried out during 2014 were submitted. The audit team understands that there were were patrol activities conducted by boat along the rivers running between the communities, but that these are not completely effective for the purpose of monitoring deforestation agents' activity and mitigating against it. The project team also interviewed Willyan, the project's current local manager, who stated that he had not received specific training or guidance in this regard and, in the last resort, had not done any coordinated or systematized action to verify the occurrence of deforestation in the project area during the monitoring period covered by the audit. The project has included in its "Catch Up Plan" (Ref. 81) tasks related to this, such as a patrol monitoring template that project manager Willyan Dene Sarah will complete, along with an assessment for the identification of areas in greatest need of patrol beyond the river banks to monitor the deforestation agents' activity. (FAR#06/17).

The proponent did not report support actions to the local association of cassava flour producers during the period covered by this verification. The audit team interviewed one of the association's representatives in the field, who claimed that they had not been contacted by the project proponent to build a plan for supporting association actions. The audit team understands that the proponent has failed to implement this specific aspect. As a result, the project has included this activity as one that will take place beginning in December 2017, as stated in the 'Catch Up Plan' (FAR#06/17).

The audit team also found limited evidence of implemented actions linked to social programs, including agricultural extension services, local farmers association support, during the monitoring period covered by this verification process. The few trainings that were provided were evidenced through photographs, attendance sheets, and a summary of trainings and their contents provided by local NGO SOS Amazonia.

To demonstrate the implementation of social programs, the proponent presents photos and attests the expenses related to the construction/improvement of a health clinic, distribution of "dental kits", construction of public restrooms and "facilitation" of the public health boat visits by Ilderlei, project proponent and mayor of the municipality of Cruzeiro do Sul, to the communities in the project area. The photos presented were indexed to the process as evidenced by the proponent. The expenses reported for the health center construction/improvement were close to USD \$10,000 and were executed by the proponent in the years 2016 and 2017, according to the project financial spreadsheet. The health clinic observed by the audit team was only beginning to stockpile equipment and supplies, accounting for the reported investment, and thus slowly increasing the health center's effectiveness at providing the intended services. During the field visit, the audit team witnessed new public restrooms in the communities that were still under construction, as well as the distribution of dental kits, and arranged visits of a 'health boat'. There are also evidences of old public restrooms being out of use due to lack of maintenance (ref. 19), which supports the notion that there has been limited effectiveness to promote benefits over the social sphere. The audit team understands the actions reported as beneficial and acknowledges their contribution to demonstrating a positive net impact, but one which shows room for greater potential impact than has yet been realized (FAR#06/17).

The proponent presents the organization of five courses conducted in 2013 as a project action aimed at rural extension, to prove the implementation of this specific action in the monitoring period covered by this verification. The courses were on the cultivation of banana, graviola, passion fruit, cassava, corn and crop rotation. These courses were not carried out during the 2014-2016 monitoring period. The proponent also mentions potential future actions in partnership with a local NGO, to increase rural extension actions. The audit team considers that the impact of specific training may manifest itself over time in the implementation of the techniques taught, but did not verify the use of the techniques in question, such as graviola, corn, and passion fruit, or even the use of crop rotation techniques that transcend traditional practice. Similar reasoning can be considered in relation to banana and cassava crops, which are part of the local culture and cannot be attributed to the project in a simplistic way. Finally, the audit team concludes that specific rural extension actions were not taken during the years 2014 to 2016 and that the benefits derived from the actions taken in the year 2013 are not proven (FAR#06/17).

The audit team recognizes the proponent's effort in supporting the regularization of land to the communities, which is materialized by demarcation actions on behalf of the preparation of CARs (In Portuguese: Cadastro Ambiental rural) for the families. Such measures, however, by the way they are currently planned, have been identified by communities as a potential negative future impact to the same communities. This subject will be addressed in detail in this report in relation to NCR#07/17, which was closed by the project proponent and FAR#09/17 was raised, to be closed by the next verification. It is found here referenced, drawn from an implementation perspective.

Evidence of income distribution resulting from carbon credits commercialization was not presented. The proponent did not implement such action during the monitoring period covered by this verification, stressing that it is a long-term action and pointing to the year 2017 as the focus for accomplishing this. The CCB validated project description, established that this action would be taken on the project's 5th year, which would be 2016. The audit team issued a FAR#03/17 to highlight the need to verify this specific action at the next audit event.

Regarding the last foreseen activity, Marmude's house was set as the project's initial operational base and remained as such during the monitoring period covered by this verification. The project proponent states the intention of building another by the time the project gets sufficient financial resources (FAR#06/17).

The audit team recognizes the extenuating circumstances presented by the sudden and unexpected death of the original project manager, and the challenges posed by a period of deficient revenue from the sale of carbon credits for the complete implementation of project activities as was planned in the validated PDD, owing to the downturn in the market price for a tonne of CO<sub>2</sub>e. Specific actions have been taken by the project to demonstrate progress for fulfilling planned project activities and to close the NCR, while others have been planned for the project to keep on track for delivering the intended benefits. The audit team therefore considers the NCR closed, and raises FAR#06/17, to be closed by the following verification.

According to the proponent, the Project has not been registered nor rejected by another GHG program, nor has it generated environmental credits during the monitoring period covered by the present verification.

The project is not part of any other GHG emission trading program or any other mechanism that includes GHG allowance trading. The Valparaíso project remains as a stand-alone project in the state, despite the existence of the Jurisdictional REDD+ program. The State of Acre presents a jurisdictional REDD+ program called “ISA Carbono”, a constituent part of a public policy attested by law N° 2.308 of October 2010 (ref. 30). The jurisdictional REDD+ program is managed by IMC, Instituto de Mudanças Climáticas do Acre. The audit team interviewed IMC technicians, as well as project staff, to evaluate the project approval process and the status of its homologation in the jurisdiction program scope. It stayed characterized that the project proponent has started the homologation process but IMC has not presented a definitive answer on this regard. Until the audit date, the project has not been rejected under the jurisdiction. The homologation processes are currently on hold. The GHG emission reductions or removals generated by the project have not become included in the Acre jurisdictional REDD+ program or any other emissions trading program and any other mechanism that includes GHG allowance trading.

The Project catalogues the United Nations’ Office of Sustainable Development and correlates them with the intended project activities, independently of its implementation status. The audit team understands the project can potentially contribute with UN’s sustainable development goals through its implementation.

#### **4.3.2 Risks to the Project (G3.5)**

The proponent identifies potential natural, or induced, risks to the project’s pursued benefits and mitigation measures to the same, according to the previously validated project description.

Relevant and identified natural risks are mainly related to extreme climate events, droughts and floods, forest fires and invading species. Regarding such aspects, the proponents mainly discuss risks associated to forest natural fire incidence. The risk is justified as being low to the project’s objectives on its climate sphere. The justification is supported by scientific research relevant to the Amazon biome. The proponent also identifies the risk of human induced activity in the project area. In an overall sense, the project’s mitigation plan is related to offering agricultural extension training courses.

The proponent also offers to mitigate the occurrence of invading species through monitoring actions. The audit team understands that the monitoring actions, in this sense, can be viable up to a point, in function of the forest inventory activity.

Beyond forest fires, the occurrence of illegal hunting and illegal fishing, wood theft and bio-piracy over the project area are identified as potential human induced risks to biodiversity conservation. The proponent points to monitoring actions around the project’s objectives as a mitigation measure to the identified risks.

During field incursions, the audit team has identified, along with the communities, evidence of illegal hunting (ref.19) and has gathered many testimonials that support evidence of significant hunting activities in the region. Moreover, through interviews with the consultant responsible for biodiversity monitoring and also through the monitoring report analysis presented (ref.25), the audit team understands being characterized the absence of large size mammals, such as the tapir (*Tapirus terrestres*) and the spotted jaguar (*Panthera onca*) on the Project areas. According the hired consultant and also the presented report, the absence of these species demonstrates hunting activity in the region. In interactions with the audit team after the field work, the project proponent discusses the issue of illegal hunting in the territory, focusing on the inherent complexity of the subject, stressing that it is difficult to distinguish between illegal activity and traditional activity and pointing to the lack of evidence that qualifies hunting in the territory as illegal. The proponent also points out that large mammals may have simply been missed because it is a first monitoring event, thus attributing their apparent absence to the uncertainty associated with any sampling method. The proponent also discusses what would be the applicable mitigation measures, pointing to continuous monitoring, focused on endangered species, raising awareness of communities on the issue and implementing agreements with a focus on delineating areas free of hunting.

The audit team agrees with the proponent about the inherent complexity of the topic and its considerations. The audit team also agrees with the proponent on the proposed risk mitigation measures, but stresses that, 1) considering the lack of regular systematic terrestrial patrolling activities in the project area during the 2014-2016 monitoring period, such measures would plausibly reduce the risk of hunting of endangered species only in cases where hunting activity was carried out by communities living within the project area and not by persons outside the boundaries of the project area and 2) the mitigation measures presented and their stepwise logic have not been recorded in the updated version of the monitoring report. However, although the associated mitigation measures have not been clearly reported in the project implementation and monitoring report, the audit team understands that the necessary and possible actions to mitigate the problem are placed in one form or another in the project activities. That is, the proponent foresees monitoring of biodiversity, interaction with communities and surveillance actions. Based on the above, the audit team considers has raised an observation as an opportunity for improvement in project description OBS#04/17.

In addition to the previously mentioned risks, the proponent identifies the expansion of the “branch Lua Clara” road within the Valparaíso project area. This branch was identified by the audit team while in field work, as “ramal 03”. The road already gives access to Seringal Valparaíso on its NE portion (ref.23).

An array of other potential risks to the project are also identified by the proponent, among which is highlighted the associated risks to the planned activity supporting the land regularization, through the donation of fixed size plots to the families that live within the rubber plantations. On the project description, the proponent recognizes that the activity can cause conflicts among the community locals. At the field, the audit team verified the existence of community concerns regarding the planned project activity. The question was addressed by the audit team through NCR#07/17, which was closed by the project, and FAR#09/17 raised in its place, to be closed by the next verification audit.

Finally, the proponent points to the risk that the project may not be able to implement its social programs because of insufficient financial resources. The audit team verifies the risk as real and addresses the question through NCRs #01/17, which has been converted to FAR#06/17.

#### 4.3.3 Enhancement of High Conservation Values (G3.6)

The monitoring and implementation report (ref. 1, section 2.5) presents measures to maintain and improve the high conservation value attributes, as initially envisaged in the project description (ref. 3). Through the implementation of the project activity the proponent will be avoiding unplanned deforestation in the project area, thus promoting the conservation of sensitive ecosystems and threatened, rare and endemic species. The use of camera traps, according to the biodiversity monitoring plan, will aid the project proponent in secure the maintenance of the identified HCVs in the project area. The proponent meets the CCB standards, being in conformity in this aspect.

#### 4.3.4 Benefit Permanence (G3.7)

The project proponents have an agreement, where the parties commit to the project activities implementation and thus, the implementation of conservation efforts and the promotion of social benefits by the minimum term of 60 years, anticipating the possible extension to up to 110 years (ref.27). The agreement also states that the obligation of conserving the land will pass to the next owner in case the land is sold. The proponent also points to the creation of “Manoel Batista Lopes ME” as a way to perpetuate the project benefits beyond its duration period. This organization is owned by a project proponent associate and it is responsible for the project activity implementation and management of practical issues at the field, such as the implementation of foreseen social programs, educational activities and finally, actions related to support land regularization on the project’s area. The audit team agrees with the logic and arguments brought up by the project proponent. However, the perceived benefits reached by the project, mainly related to its social sphere, on its 6th year of implementation, are still low. See FAR#06/17.

#### 4.3.5 Stakeholder Engagement (G3.8 – G3.9)

During the audit process, through the analysis of minutes and interviews with project staff, the audit team evidenced that the proponents visited the project area and met with local communities in June 2012, March-April 2013, June 2013, August 2013, May 2014, August 2014 and May 2017. Also included in the monitoring report are listed the visits by Ilderlei Cordeiro to the communities in January 2014, July 2014 and March 2016.

In interviews, the proponent has informed that folders containing the complete PDD, monitoring plans and MIR was distributed over the communities and over the 10 schools within the two project areas. Additionally, that the project's headquarters keeps a copy of the project description to further clarify community questions. There is no registry of the execution of other activities that reportedly occurred. At the communities, it has been verified that the community members who know about the project have many questions on its conception, execution details, and information over rights and duties. The audit team visited two out of the ten schools, where teachers were interviewed and denied having received copies of the project description as well as other key documents, though the audit team concedes it is possible that community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. The audit team received a release from two community representatives, which was distributed to locals to disseminate the CCB public consultation period that would occur from June 6th to July 6th of 2017. The release asks for the contribution with suggestions, comments or grievances from the interested community and society. The release only presents two hyperlinks over the internet for the same, which, although required by the CCB to be included in notifications, in this case cannot be considered as a culturally appropriate method for communication, considering that the local population does not have computers at home nor access to the internet, and that a significant portion of the local population cannot read, either. However, as previously indicated, community members demonstrated that they were aware of how to contact project representatives, and the process by which to submit a grievance (discussed further in report section 4.3.6). During an interview, a community member that received the notification reported not knowing what the release was about, and he also stated that nobody had explained the document contents to him. Interviews with the community members suggested that they did not have an intimate understanding of the project's purpose or details, despite having demonstrated some awareness of project activities and evidently provided consent for the project to undertake its planned activities

The photographic records and attendance lists presented by the proponent, taken alone, did not effectively demonstrate how the consultation processes were effective and how they allowed the communities to influence the development and implementation of the project during the monitoring period, following an adaptive management plan (G3.8). The project asserts that the communities consulted during these visits effected the project design in that certain requests made by them, such as for the project to place a focus on health when developing and implementing the project's community activities (i.e. social programs), were considered and eventually adopted by the project, and that the communities are already benefitting from the implementation of these activities, thereby demonstrating effective consultation and participation. Interviews with community members suggest this to be true, though, on the other hand, the interviews conducted during the fieldwork also show the opposite, that is, that the project proposal is not fully understood by those potentially affected by its actions.

In relation to G3.9, the same is observed. In the response given to the audit team, the proponent reiterates the actions taken previously and without regard to the fact that in none of the points where the audit team passed were copies of the project documents found. The proponent informed the audit team in a post-field audit interview that there were also invitations for comment made by radio, which it evidenced through receipts presented to the audit team.

Due to the above, the audit team understood at the time of the field audit that the proponent had not demonstrated how the communities had been consulted effectively or promoted their effective participation within an adaptive management plan during the monitoring period. This understanding was later modified upon receiving additional evidence after the field audit. The project proponents, recognizing the interconnectedness between community awareness of the project, effective consultation and participation and how each can be improved, has a) hired Willyan Dene Sarah as the full-time project manager for the Valparaiso and Russas projects, who, in his duties, will be engaging with the communities for ensuring effective consultation and participation and b) included in the project's 'Catch Up Plan' several community engagement tasks to the same effect. The audit team considers corrective action to have been taken, and issues FAR#08/17 to be closed by the next verification.

#### **4.3.6 Stakeholder Grievance Redress Procedure (G3.10)**

The project documentation (page 60 of MIR, ref.1) explains the procedure for receiving and handling complaints, which is based on two points: 1) direct contact with the project proponent by telephone, e-mail (Contact details are found in the project description), as well as through the new project manager and volunteers and 2) through the SISA Ombudsman (in Portuguese: Sistema de Incentivo a Seriços Ambientais), which, through SEMA (in Portuguese: Secretaria do Meio Ambiente), has the competence to receive complaints about, in a broad sense, REDD + projects (ref. 27). In the interviews with the community members it is evidenced that they know the means to communicate with the project proponent. The audit team understands that the SISA ombudsman serves as part of the complaint protocol for other stakeholders, not necessarily the communities that live within the project area. All of this points to conformance of the project to the required standard indicators. However, the auditors pointed to an observation to highlight an opportunity for improvement on the project's documentation, which indicates the SISA ombudsman, as an IMC competence and not SEMA, as it highlights the official state diary on July 31st, 2014 (OBS#03/17).

Despite the above, the audit team's findings from the field audit evidenced potentially a serious issue that could arise during the project's future implementation of the project activity related to the demarcation and regularization of community land portions. These actions are further discussed under report section 4.3.10 below. As will be further illuminated in report section 4.3.10, there is an apparent need for the project to calibrate its approach to this planned project activity, without which will likely lead to grievances from community members, who could potentially withdraw their consent for the project in absence of further consultation from the project proponents in order to ensure their effective participation and maintain FPIC. FAR#09/17 has been raised.

#### **4.3.7 Worker Relations (G4.3 – G4.6)**

Through analysis of the project's documentation, field observations and also interviews with project staff, the audit team understood at the time of the field audit that 1) there was initially no orientation plan nor a complete training regime for project employees or relevant community stakeholders with the aim to build skills and increase local participation over the project's implementation; 2) it had not been demonstrated how equal opportunities are given to the communities to fill in the positions that are offered by the project (including management) during the monitoring period in question; 3) the compliance to labor legislation in the country was not characterized; and 4) an evaluation of situations in which occupational risks exist was not characterized, nor the existence of a plan, to inform workers over these risks, along with recommendations on how to minimize them.

The 2014-2016 monitoring report (page 25, ref. 1) mentions the hiring of a “local project manager” and two “local coordinators”. The professionals that were chosen by the proponent, and who occupied the positions, did not have the specific and necessary technical skills needed for the project implementation at the outset of their collaboration with the project. Within the period covered by the verification, specifically from September 2014 to December 2016, when there was a management change, the project started counting with a team formed by a general services assistant in the position of local project manager, a clinical analysis professional and an agricultural technician as local coordinators. During interviews, they informed that, despite having participated in a range of relevant trainings and held experiences both in and outside connection to the project, they had not yet having received formal capacitation training to fully qualify them to properly exercise all of the functions that are requested by the management and local coordinator positions. The three “collaborators” had not yet been formally hired by the project through the provision of services formalized by worker’s legislation (CLT), going against what was stated in the MIR 2014-2016 (page 28, ref. 1). Two of the three ‘collaborators’ alleged that they were volunteers and the third, at the time of the field audit, held the 45-day ‘experience contract’, being hired at a later time by the project as the full-time project manager. Lastly, a security plan was initially not presented to the project manager and the volunteers so they could exercise their activities in full safety.

In interviews with the project proponent after the field audit and in response to the field audit findings, the proponent claimed that, in addition to relevant experiences the project manager and two volunteers already held, the project staff was informally trained. In interviews conducted by the audit team during fieldwork, respondents Nagila, Willyan and Fatima said they had not received specific training for the full range of their purported duties. The training offered by / received from TECMAN, Sebastião, SOS Amazônia and Genildo, also referenced by the proponent to respond to these audit findings, show that the new project manager and the two volunteers did receive training and have some preparation for the fulfillment of their duties (Refs. 85 and 86), though these largely occurred outside the monitoring period covered by this audit. As part of the ‘Catch Up Plan’ (Ref. 81), the project proponent is first arranging monthly meetings (Ref. 82) during which informal training will be provided to project staff and volunteers (Willyan, Fatima and Nagila). This will also allow the project proponent to assess the extent to which additional and other formal trainings for project staff and volunteers are necessary. Further, the project proponent is in the process of arranging for trainings from the Secretary of Environmental Affairs for the Municipality of Cruzeiro do Sul, and for NGO SOS Amazonia will continue to carry out community agriculture trainings, for which project staff and volunteers are expected to be present, which will also benefit them for the delivery of consistent positive community livelihood impacts.

The proponent affirmed that the project staff in question—Nagila, Willyan, and Fatima—were informed about occupational risk situations and associated mitigation measures (TECMAN) or that advising on some aspects of the occupational risks is not necessary due to the employees' familiarity with the site and their intrinsic knowledge about occupational hazards. Regardless, the project has provided a list of occupational risks and mitigation measures that each signatory could take (Refs. 48, 49, 58). The audit team does not understand that these claims alone are sufficient to demonstrate compliance with the CCB standard, which states that a plan to inform employees about these risks and recommendations on how to minimize them should be considered. Further evidence was provided by the project to address this finding.<sup>F</sup> Additionally, the project description provides an assessment of occupational safety risks in section 2.7. It therefore considers this aspect of the non-conformance as a treaty and raises FAR#04/17, to emphasize that a guideline for all workers shall be implemented in accordance with the guidance provided in the monitoring report itself until the next project verification.

The project proponent provided clarifications regarding the contracting regime, aspect considered in this NCR. According to the proponent the project hired men and women without distinction as well as people and organizations in the period covered by this verification, to ensure the implementation of the project. The audit team recognizes the proponent's attention to gender, as well as their positive premises for hiring local people and institutions. The project proponent also described measures taken to demonstrate how the job opportunities created by the project were offered equally in all communities as requested by the CCB standard.

The proponent initially presented an "experience contract", providing for the temporary contracting of Willyan Dene Sarah for 45 days to address this aspect of the NCR. The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaíso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring period covered by this verification, that the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the PD validated not only for the conduction of field activities, but also for the promotion of social benefits to the person, the audit team considers the corrective action taken as sufficient for the moment, however, issues a FAR#02/17, to highlight the need to avoid further significant lapses in employing a local project manager throughout the next verification period.

Finally, the proponent initially submitted volunteer contracts to Nagila and Fatima, other collaborators of the project, for which they commit to work during the period of "03 days, for 36 hours, from February 7, 2014 until December 31, 2016", voluntarily, without receiving payments. First, the audit team 1) points out that the existence of such a contract was not characterized during interviews with employees during the field audit and 2) considered that the contract did not make it clear whether the period of "03 days, for 36 hours" is inserted in the space of a week, a month, a year or even 03 years. Having said this, it is finally pointed out that voluntary contracts are illegal outside public power or not-profit organizations in Brazil, according to the provisions of Law No. 9,608 of February 18, 1998, as amended by Law No. 13,297 of 16 June 2016. In response to this, the project proponent voided the volunteer 'contracts', and supplied the audit team with copies of the 'Terms and Conditions for Project Volunteers', sufficing to evidence conformance to relevant laws and the standard requirements (Refs. 48 & 49). (FAR#02/17)

#### **4.3.8 Technical and Management Capacity (G4.2, G4.7)**

The project proponent has the capacity to implement the project over the project lifetime. The previous project validation and verification, their partner's key technical and management skills and even its other REDD+ projects, also validated and verified at the same state supports this claim. However, the audit team has raised a Forward Action Request regarding local staff training. The discussion in this regard was presented in section 4.3.7 above (FAR#03/17).

The organization documents the financial condition of the proponent entity. The project proponent presented documents to prove sales of carbon credits and, from there, their financial health and the ability to ensure the continuity of the project activities, despite the setbacks experienced with respect to activity implementation owing to depressed carbon prices. In addition, the project submitted the income tax return receipt, which shows the total income, for the year 2016. The audit team evaluated the documentation and believes that the financial health of the institution and its financial capacity to implement the project has been demonstrated.

The organization presents an analysis that allows the project practicability evaluation along the period covered by this verification. The project proponent presented documents to prove costs related to service provider contracts as an example of expenses related to the monitoring period. The proponent stresses that it deals with the most representative costs. The audit team evaluated the documentation and concluded that 1) some of the expenses presented were not executed during the monitoring period evaluated (2014 to 2016), 2) the expenses executed and evidenced by vouchers in the period from 2014 to 2016 do not correspond to the expenses reported in the project financial worksheet, and in this period a higher amount was budgeted than the one executed for the same parameters considered as inputs for the analysis (based on receipts presented) and 3) expenses executed and evidenced by vouchers since 2013 (all receipts presented) do not correspond to the expenses reported in the financial worksheet of the project, and the expenses executed are higher than those budgeted for the same parameters considered as inputs for the analysis (due to the receipts presented). The audit team understands that the project proponent has demonstrated its financial capacity to implement the project (see NCR#11/17), however, that it has failed to present a financial spreadsheet that matches the actual costs incurred. The audit team issued an observation to point out the review of the project financial sheet as an opportunity for improvement (OBS#05/17).

#### 4.3.9 Legal Status (G5.1)

The audit team confirmed that the project proponent considers all relevant and existent legal framework in the State, taking as example:

- Law nº 1.117/1994, which establishes/provides the Environmental policy in the state of Acre.
- Law nº 1.904/1997, "Biodiversity Law", which establishes/provides the control and access tools to genetic resources.
- Law 1.904/2007, which establishes/provides the ecological and economic zoning map of the state of Acre.
- Decree nº 3.416/2008, which regulates the second stage of the ecological and economic zoning map of the state of Acre.
- Law Nº 2693 DE 17/01/2013. Alters the laws Nº 1.904/2007, which "Imposes the Ecological - Economic Zoning map of the state of Acre - ZEE"; and "Creates the State Program of Productive Family Unity Certification of the state of Acre", gives other arrangements.
- State deforestation prevention and controlling plan (PPCD/AC).
- Regulatory Ordinance Nº 004/2013, which implements the authorization of fires at family farming.

- Law 10267 of August 2001, which alters mechanisms of other laws referring to the registry of rural property certificate (CAR).

#### 4.3.10 Rights Protection and Free, Prior and Informed Consent (G5.3-G5.5)

The interviews with community members and social movement organizations confirm that the communities that live within the project are composed by old rubber collectors and their descendants. Traditionally, these communities lived off rubber collection from the Amazon forest native trees.

These communities, in addition to extracting the latex from the forests, opened clearings to grow maize, rice, beans, manioc and other important species for their isolated survival in the forest. With the fall in the price of rubber, the rubber tappers lost their main source of income, being forced to increase their planting areas and began to live from the manioc plantations and the manufacture of flour. The planting of cassava without the use of agricultural inputs required the rubber tappers to develop their own cultivation techniques based on the cutting of small "blocks" (approximately 1 ha), burning felled vegetation and fallowing of recently cultivated areas. This traditional technique of cassava cultivation requires periodic rotation of planting sites. This means a cycle between planted areas, fallow areas and regenerated areas that will be overturned. Without this temporal and spatial sequence, the site productivity declines and becomes infeasible.

According to the interviewed, the proposal given by the project's proponents is to demarcate 15 to 20 ha per family. However, the project description (ref. 3) does not mention the amount of land to be offered to these families at the end of the regularization process, nor the dimensions of the plot. In any case, it is understood by the communities that the amount of land offered is not enough to maintain their traditional farming ways, which would compromise their way of living and would reduce the land area they work on nowadays. The interviews with the communities reveal that there is not a consensus agreement over the adequacy of the proposed plot size, and that the communities do not agree to the planned restrictions to hunting rights, timber extraction and fishing, as the family's main income generation and way of life.

It was observed, during interviews with the community, a notable degree of ignorance with respect to the project's goals and wariness over certain planned project activities, particularly the land demarcation described above. Community members are readily familiar with some aspects of the project and its activities, but many of these stakeholders do not consciously connect them with the project. Community members allege that much of what was promised in the first meetings in 2011 and through 2013 has not been fulfilled, though, importantly, these same community members did not report any failed attempts to engage with the project proponent to discuss and seek resolution to any grievances. Beyond the dissatisfaction of most of the sampled interviews, a feeling of potential future loss of rights and damage to the community's way of living is conveyed.

The project, on the other hand, questions the communities' understanding of the amount of land offered through the land tenure activity, arguing that 15-20ha is in fact 2 to 4 times the size of the parcels currently occupied and cultivated by the community stakeholders for their subsistence agriculture lifestyle. As the activity has so far been planned and discussed, the action is recognized by the the audit team, the communities and the project proponents as having the potential to negatively impact the communities when it is implemented over subsequent monitoring periods. It is the audit team's understanding that community members would withdraw their consent from the project if the land demarcation project activity is carried out as currently planned. Thus, the audit team understands that such action is initiating implementation in accordance with the project description, but doing so has revealed the grievance mechanism to be not wholly effective.

In interactions with the audit team after the fieldwork, the project proponent pointed to meetings with the Union of Rural Workers and ITERACRE, attesting, from these meetings, the approval of these instances on the titling process. The project proponent also argued that the rights of communities on land are limited to areas open for clearing (without forest cover), that the area of 15 to 20 ha per family is higher than required by law and finally that the project activity is beneficial to the communities, taking into account an alternative scenario of conflict with the landowner, common in the Brazilian Amazon as a whole.

Although the audit team understands that the project proponent has received positive reactions from the Union of Rural Workers and ITERACRE, the audit team also takes the opportunity to point out that FPIC is not demonstrated if the project seeks to resolve the underlying issue with associations that do not, at least accurately, represent communities or even state government agencies, rather than with communities themselves. If this were the sole means of 'engaging' with the affected stakeholders, it is understood that the proponent would be imposing the activity of titling and not obtaining the consent on the activity of those who will be rightly impacted by it. Further, it should be noted that the community members were unanimous in opposing the idea of the titling activity as it is currently planned during the interviews conducted in the audit, believing that a fixed lot of 15 to 20 ha is not enough to feed their families. As such, it was characterized that there would be a feeling of opposition to the project as a whole in the majority of interviewees if the titling activity were undertaken without a readjustment by the project based on additional community consultation and effective participation by the affected stakeholders in order to resolve these foreshadowed grievances. The audit team understands that communities have the right to manage their clearing areas and forest in sufficient area to provide for their families and that this right is ensured by the laws of the country (in Portuguese: Estatuto da Terra, Lei n. 4.504 de 30 de novembro de 1964). Finally, the audit team understands that the fiscal module in the state of Acre is equal to 100ha. The fiscal module is defined by INCRA according to the average of the rural modules in the region. The rural module, in turn, is defined based on the minimum area required for family support, having been clearly influenced in the case by the size of the properties in the state, its demographic density and its productive potential.

In response to these findings, the proponent has taken corrective actions to demonstrate investment of time and resources in addressing community concerns and to ensure the proper functioning of the grievance mechanism. The project presented a 'Catch Up Plan', within which is described the plan to re-engage with community stakeholders to increase their awareness of the project, ensure their effective consultation, and ensure their effective participation, which, as a result will facilitate the grievance mechanism's effectiveness as well as the project's maintenance of FPIC among affected communities. Part of this community engagement process will involve consultant Saymo Justiniano da Silva, a technician who will be going from door-to-door to explain all aspects of land demarcation process, including discussions around the shape and size of the plots, the CCIR and CAR, land tenure laws and about what communities are able to do with their titles, as well as a discussion about REDD+ projects. As the community grievances are latent in nature and would become realized if the land titling activity were to proceed as planned, the audit team raises FAR#09/17, to be closed by the next verification.

#### **4.3.11 Identification of Illegal Activities (G5.5)**

The proponent identifies the occurrence of illegal activity over the project's area and foresees in the project description the execution of activities to combat and mitigate the same. The illegal activities in question mainly relates to unauthorized hunting and fishing, the unauthorized wood collection and vegetation suppression. The proponent foresees that, in a general sense the project implementation and its specific activities such as territory patrolling, monitoring actions over biodiversity and support actions to land regularization will help to reduce illegal activities in the project area. The audit team understands the measures ranked as consistent, thus emphasize the present project implementation status and the project's 'Catch Up Plan' to continue ensuring positive net impacts delivered through the accomplishment of the planned project activities (FAR#06/17 and FAR#09/17).

## **4.4 Climate**

### **4.4.1 Accuracy of GHG Emission Reduction and Removal Calculations**

The audit team has assessed the carbon calculation spreadsheet conformity, all conversions, aggregations, and the proper use of data and parameters, all methods for calculating emissions in the baseline scenario, in the project scenario and emissions due to leakage, all default values used in the monitoring. The table below presents the discussion regarding each of the monitored parameters

| Parameter   | Verification Findings                  |
|-------------|----------------------------------------|
| $\Delta CP$ | Net carbon stock change as a result of |

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | <p>deforestation in the project case in the project area in stratum i at time t. Calculated from <math>\Delta CP, DefPA, i, t</math>, <math>\Delta CP, Deg, i, t</math>, <math>\Delta CP, DistPA, i, t</math>, <math>GHGP-E, i, t</math>, and <math>\Delta CP, Enh, i, t</math>. The parameter was calculated according to equation 1 from VMD0015 v2.1. The audit team has checked the equation used and the accuracy of the calculations over the carbon calculation spreadsheet (ref. 09). However, due to uncertainties related to the project area limits, characterized by the absence of a CCIR, it is impossible to determine if <math>ADefPA, u, i, t</math>, <math>\Delta Cp, DefPA, u, i, t</math>, and, therefore, <math>\Delta CP</math> are accurate (FAR#07/17).</p>                                                                                                                           |
| $\Delta CP, LB$               | <p>Net greenhouse gas emissions within the leakage belt in the project case. Calculated from the sum of <math>\Delta Cp, DefLB, u, i, t</math> according to equation 1 from VMD0015 v2.1. The audit team has checked the equation used and the accuracy of the calculations over the carbon calculation spreadsheet (ref. 09). The project proponent has considered that all biomass within the leakage belt was burnt, properly estimating the emissions from <math>CH_4</math> and <math>N_2O</math>. These emissions were calculated according to the equation 1 of E-BPB v1.0 and considering <math>N_2O</math> and <math>CH_4</math>, and the default values for <math>COMFi</math>, <math>GWP</math> from IPCC. The audit team has checked the equation used, the appropriateness of the default values used and the accuracy of the calculations over the carbon calculation spreadsheet (ref. 09)</p> |
| $\Delta Cpools, Def, u, i, t$ | <p>Net carbon stock changes in all pools as a result of deforestation in the project case in land use u in stratum i at time t. Considered equal to <math>CBSL, i</math> and in observation of equation 5 from VMD0015 v2.1. <math>CP, post, i</math> and <math>CWP, i</math> were considered zero,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              | leading to maximum emissions and conservative estimates (see methodology deviation section).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| CBSL,i                       | Carbon stock in all pools in the baseline case in stratum i. Estimated from the forest carbon inventory during the project validation. The calculation of this parameter is to be carried out every 10 years, thus, being out of the scope of this verification.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| ADefPA,u,i,t                 | Area of recorded deforestation in the project area stratum i converted to land use u at time t. Monitored at each monitoring/verification event using classified satellite imagery. The audit team cross-checked the values applied to this parameter, in each year using the values provided over the carbon calculation spreadsheet (ref. 09) and the spatial data provided by the proponent (ref. 40). The areas for the polygons mapped as deforestation were recalculated in GIS environment and these values agreed with those values presented by the proponent in the carbon calculation spreadsheet, tab monitored parameters, cells: C6-G8. However, due to uncertainties related to the project area limits, characterized by the absence of a CCIR, it is impossible to determine if ADefPA,u,i,t is accurate (FAR#07/17). |
| $\Delta C_p, DefPA, u, i, t$ | Net carbon stock change as a result of deforestation in the project area in the project case in stratum i at time t. Calculated from ADefPA,u,i,t and $\Delta C_{pools, Def, u, i, t}$ according to the equation 3 from VMD0015 v2.1 (ref. 9). The audit team has checked the equation used and the accuracy of the calculations over the carbon calculation                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            | spreadsheet (ref. 09). However, due to uncertainties related to the project area limits, characterized by the absence of a CCIR, it is impossible to determine if ADefPA,u,i,t, and, therefore, $\Delta C_{p,DefPA,u,i,t}$ are accurate (FAR#07/17).                                                                                                                                                                                                                                                                                                                                                                                                     |
| ADefLB,i,t                 | Area of recorded deforestation in the leakage belt stratum i converted to land use u at time t. Monitored at each monitoring/verification event using classified satellite imagery. The audit team cross-checked the values applied to this parameter, in each year using the values provided over the carbon calculation spreadsheet (ref. 09) and the spatial data provided by the proponent (ref. 40). The areas for the polygons mapped as deforestation were recalculated in GIS environment and these values agreed with those values presented by the proponent in the carbon calculation spreadsheet, tab monitored parameters, cells: C16: G20. |
| $\Delta C_{p,DefLB,u,i,t}$ | Net carbon stock change as a result of deforestation in the project area in the project case in stratum i at time t. Calculated from ADefLB,u,i,t and $\Delta C_{pools,Def,u,i,t}$ according to the equation 4 from VMD0015 v2.1 (ref. 9). The audit team has checked the equation used and the accuracy of the calculations over the carbon calculation spreadsheet (ref. 09).                                                                                                                                                                                                                                                                          |
| $\Delta C_{p,Deg,i,t}$     | Net carbon stock change as a result of degradation in the project area in the project case in stratum i at time t. Not calculated, emissions due to forest degradation were considered to be negligible. The project proponent has conduct and presented a                                                                                                                                                                                                                                                                                                                                                                                               |

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | significance assessment according to T-SIG (see NCR#02/17).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| ADistPA,q,i,t             | Area impacted by natural disturbance in postnatural disturbance stratum q in stratum i, at time, t. Measured as zero. All monitored deforestation was attributed to ADefPA,u,i,t. Emissions from biomass burning were applied to all ADefPA,u,i,t. Aburn,i,t was also considered equal to ADefPA,u,i,t.                                                                                                                                                                                                                                                           |
| $\Delta CP, DistPA, i, t$ | Net carbon stock change as a result of natural disturbance in the project case in the project area in stratum i at time t. Calculated from ADistPA,q,i,t and $\Delta CP, Dist, q, i, t$ . The proponent did not present the calculation of this parameter according to the equation 20 from VMD0015 v2.1 (ref. 09) and has presented it as zero, however, he has considered all monitored deforestation under ADefPA,u,i,t and also has applied the emissions from biomass burning to all monitored deforestation, what was considered as an acceptable approach. |
| GHGP E i t                | Greenhouse gas emissions as a result of deforestation and degradation activities within the project area in the project case in stratum i in year t. Calculated according to the equation 1 of E-BPB v1.0 (E BiomassBurn,t) and considering N <sub>2</sub> O and CH <sub>4</sub> , and the default values for COMFi, GWP from IPCC. The audit team has checked the equation used, the appropriateness of the default values used and the accuracy of the calculations over the carbon calculation spreadsheet (ref. 09)                                           |
| Bi,t                      | Average aboveground biomass stock before burning stratum i, year. Estimated from the forest                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

|                        |                                                                                                                                                                                                                                                                                                                                           |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        | carbon inventory during the project validation. The calculation of this parameter is to be carried out every 10 years, thus, being out of the scope of this verification.                                                                                                                                                                 |
| $\Delta CP, Enh, i, t$ | Net carbon stock change as a result of forest growth and sequestration during the project in areas projected to be deforested in the baseline in stratum i at time t; Conservatively set to be zero.                                                                                                                                      |
| ARRL, forest,          | Remaining area of forest in RRL at time t. Calculated in GIS environment. The proponent has submitted a GIS file representative of this parameter to the audit team. This data is necessary to confirm the reported value of 4,272,043 ha, and the compliance with the Post-processing and accuracy assessment steps of the VMD0015 v2.1. |
| PROPRES                | Estimated proportion of baseline deforestation caused by immigrating population; proportion (Calculated in LK-ASU). The project proponent has estimated this parameter through a PRA results conducted kilometers of the boundaries of the leakage belt and project area.                                                                 |
| PROPIMM                | Estimated proportion of baseline deforestation caused by immigrating population; proportion (Calculated in LK-ASU). The project proponent has estimated this parameter through a PRA results conducted kilometers of the boundaries of the leakage belt and project area.                                                                 |
| TOTFOR, AVFOR          | Total available national forest area. The project proponent provided the source of information used to calculate the parameter in question. The FAO                                                                                                                                                                                       |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Forestry Department report shows the forest cover for Brazil in its different Biomes, referring to data from the PROBIO project carried out by the Brazilian Ministry of the Environment in different periods from 1990 to 2010. The audit team understands however that the FAO report and the data from the PROBIO project are reliable sources of information and that its use has not violated the conservativeness of the reduction estimates. TOTFOR and AVFOR were considered equal, what represents a conservative approach. PROTFOR and MANFOR were considered to zero.</p> |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### 4.4.2 Quality of Evidence to Determine GHG Emission Reductions and Removals

To monitor and analyse changes in land use and cover in the spatial boundaries of the project area and leakage belt, and thereby determine the GHG emission reduction estimates over this monitoring period covered by this verification, the project proponent has used data from UCGEO, which is the Central Geoprocessing Unit in the state of Acre. UCGEO is linked with FUNTAC<sup>1</sup>, and gives support to IMC<sup>2</sup> in deforestation monitoring activity in the state. The audit team considers UCGEO as a reputable and reliable source of information which is used by the state government to determine land use and cover changes within its jurisdictional REDD+ program – “ISA Carbono”. To provide relevant information to the audit team assessment, the project proponent has presented shapefiles with deforestation polygons, project area limits, leakage belt limits, forest strata limits (ref. 40) and the document “METODOLOGIA DESMATAMENTO DO ACRE 2011.doc”. The proponent has submitted, among the GIS data, a file representative of the data f) ARR, forest (Remaining area of forest in RRL). This data was necessary to confirm the reported value of 4,272,043 ha and the compliance with the Post-processing and accuracy assessment steps of the VMD0015 v2.1. With that said it is concluded that there is enough documentary evidence available to the audit team to assess the appropriate sufficiency of quantity, and appropriateness of quality of the evidence used to determine the GHG Emission Reductions.

The audit team carried out an independent check on the occurrence of deforestation with the use of data from PRODES (Monitoring of the Brazilian Amazonian Forest by Satellite) provided by INPE (National Institute of Space Research). This check was aimed at an expeditious evaluation of the GIS data polygons made available by the Proponents, check the consistency of the values presented in the "Parameters Monitored" tab in the "2016\_ValparaisoMonitoring 2017.05.26" worksheets as well as to support the field audit. No relevant discrepancies were found among UCGEO and PRODES classification.

Monitoring reports do not specify the need for and frequency of calibration of the monitoring equipment used. The project proponent refers to the usage of images from Landsat 8, which is operated by the North American Spatial Agency and is currently functional.

#### 4.4.3 Non-Permanence Risk Analysis

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<sup>1</sup> In Portuguese: Fundação de Tecnologia do Acre.

<sup>2</sup> In Portuguese: Instituto the Mudanças Climáticas.

The project proponent uses the VCS non-permanence risk report (ref. 41) to identify risks, mitigation measures, and ultimately the percentage of credits designated for the buffer account. The risk report shows the risk factor scores for each category, subcategory and the overall risk rating of 26. The compliance of the proponent with the non-permanence risk assessment was demonstrated in the table below:

| Risk factor         | Score | Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | NCR/OBS |
|---------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Internal risks      |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |
| Project management  | 2     | <p>The proponent correctly assesses the risk associated with project management, and consider that:</p> <ul style="list-style-type: none"> <li>- The project does not provide for reforestation as part of its activities (a = 0).</li> <li>- Ongoing enforcement is required to prevent encroachment by outside actors (b = 2).</li> <li>- The local management team lacks experience on REDD+ (c = 2).</li> <li>- The proximity of Cruzeiro do Sul municipality from the project area (d = 0);</li> <li>- As a mitigation measure, the significant experience held by CarbonCO and their associate partners' degree of experience on REDD+ (e = -2).</li> </ul> | --      |
| Financial viability | 0     | <p>The proponent correctly assesses the risk associated with Financial Viability, and consider that:</p> <ul style="list-style-type: none"> <li>- The project cash flow breakeven point is 4 years or less from the current risk assessment (a to d = 0).</li> <li>- Project has secured 100% of funding needed to cover the total cash out before the project reaches breakeven (e to h = 0).</li> </ul>                                                                                                                                                                                                                                                         | --      |

|                   |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |
|-------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|                   |   | <ul style="list-style-type: none"> <li>- As mitigation measure, the project has available at least 50% of the total cash out before project reaches breakeven. (e = -2).</li> </ul> <p>The proponent presents a financial report (ref. 20) highlighting inputs and outputs, respectively originating from carbon credits and the implementation of the project's activities. The referred report serves as basis to the risk analysis (ref. 21) presented. The risk score attributed to these items characterizes the existence of enough financial volume for the implementation of the project's activities in up to 4 years, meaning up to the moment covered by the verification audit. The project proponent presented documents to prove sales of carbon credits and, therefore, the sufficiency, in terms of financial resources, for the implementation of the project activities, justifying the score zero attributed to the category of risk "Financial Viability" and specifically in its items d) and h), table 2.</p> <p>The score attributable to this risk factor may not be less than zero.</p> |  |
| Opportunity costs | 6 | <p>The proponent correctly assesses the risk associated with Opportunity costs, and consider that:</p> <ul style="list-style-type: none"> <li>- The higher possible risk rating category, related to the subsistence-driven characterization of the majority of baseline activities in the absence of demonstrated net positive community impacts (a to d = 8).</li> <li>- As a mitigation measure, the project areas are protected by legally binding commitment to continue management practices that protect the credited carbon stocks over the length of the project crediting period. (e = -2).</li> </ul> <p>The proponent conservatively considers the highest risk score associated with this specific component and also, correctly, the existence of a mitigation measure associated</p>                                                                                                                                                                                                                                                                                                              |  |

|                                         |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |           |
|-----------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
|                                         |    | with the existence of a triparty agreement that provides for the continuity of conservation efforts beyond the crediting period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |           |
| Project longevity                       | 0  | <p>The proponent correctly assesses the risk associated with Project Longevity, and consider that:</p> <ul style="list-style-type: none"> <li>- There is a legal contractual agreement with an addendum to maintain the project activities and maintain the project area as forest for at least a 60-year period from the project start date (b = 0).</li> </ul> <p>The project proponent presented a contractual addendum that provides for the maintenance of the project for a period of 60 years, justifying therefore the score zero assigned to the category of risk "Project Longevity" and specifically in its items b), table 4.</p>                                                             | --        |
| Total internal risk                     | 8  | The score associated with the project internal risk was evaluated by the audit team and considered to be according to the VCS tool.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |           |
|                                         |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |           |
| Land Tenure and Resource Access/Impacts | 11 | <p>The proponent assesses the risk associated with Land Tenure and Resource Access/Impacts, and consider that:</p> <ul style="list-style-type: none"> <li>- The landowner, Manoel Batista Lopes, owns the project area outright and has full resource access/use rights, who are not shared with anyone (a = 0).</li> <li>- The land title overlapping in the Northeast section of the Valparaíso Project (c = 10)</li> <li>- Disputes over rights (d = 5)</li> <li>- As mitigation measure, the existence of a legal contractual agreement to maintain the project area as forest for at least a 60-year period (i.e. greater than the length of the crediting period) from the project start</li> </ul> | FAR#10/17 |

|  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
|--|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  |  | <p>date (f = -2)</p> <ul style="list-style-type: none"> <li>- As a mitigation measure, the beginning of the CAR registry process to claim that the disputes over land rights are being resolved. (f = -2)</li> </ul> <p>In the first place, the proponent had assured that the properties of the project proponent and land owner of the seringal Valparaíso were officially registered on CAR, in a way to support the unquestionable rights over the project's area, and therefore, the choice to mark score Zero to risk associated to "resources and right over land", specifically item a) from table 6 (ref. 21). The audit team understood that the risk in question was underestimated. From cross checking CAR baseline at the state of Acre (ref.23, fig. 3), the audit team has noted that the seringal Valparaíso is not correctly registered on CAR. Then, after the field audit, the proponent has updated the project documents to show that the project is actually aiming to be registered on CAR database. The audit team recognizes that, by force of law, the dead line to register properties on CAR was postponed. Thus, considering that property rights were not part of this specific verification scope and also the previous validation results, the audit team agrees with the current risk score for this risk category, specifically, item a), table 06.</p> <p>The project proponent has recognized the risk related to land title overlapping in the Northeast section of the Valparaíso Project and that disputes over rights exist, attributing the correct and highest risk score to the category. As such, the project proponent has provided documented evidence that prove that the dispute is being resolved, as is required by the VCS tool (REFs. 81 and 84). Considering that the resolution of the overlapping boundary could potentially affect the carbon modelling of the project, FAR#10/17 is being raised, to be closed by the next</p> |  |
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|----------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
|                      |    | verification.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |    |
| Community Engagement | 5  | <p>The proponent correctly assesses the risk associated with Community Engagement, and consider that:</p> <ul style="list-style-type: none"> <li>- To the best of the Project Proponents' knowledge, all households living on the Valparaíso property directly adjacent to the project area have been consulted. However, a high-level survey by the Ministry of Health for the Municipality of Cruzeiro do Sul suggests there may be more households than previously thought (a = 10).</li> <li>- As mitigation measure, the Valparaíso Project has been validated and previously verified to the Climate, Community and Biodiversity Standard (c = -5).</li> </ul> <p>The proponent updated his risk analysis to consider the highest possible score in the category "Community Engagement", specifically in item a), table 7, being therefore conservative in this regard. The proponent also considered the applicable mitigation measure related to the previous validation and verification of the project against CCB standard, which was considered acceptable by the audit team.</p> | -- |
| Political Risk       | 0  | <p>The proponent correctly assesses the risk associated with Political Risk, using the World Bank's tool for determining political risk (a to e = 2). The proponent also considers the applicable mitigation measures, related to the participation of Acre in GCF, and the established DNA for CDM, with at least one AR registered project, referencing the specific project at the project documents (f = -2).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |
| Total External risk  | 16 | The project's total external risk score is 16.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |    |
| Natural risks        |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |    |

|                                                                                                             |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |
|-------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Natural risks</p>                                                                                        |  | <p>The proponent correctly assesses the Natural risks.</p> <p>In a first place, the proponent has relied on scientific studies (ref. 24) done at the Amazon to determine the risk of carbon stock losses due to fire events. The audit team understood that a fire incidence at the region is bigger than the one found by the proponent's risk evaluation, in function of an independent analysis done based on INPE data (Space Research Institute), which demonstrates the occurrence of heat spots in the project areas. This analysis revealed the occurrence at 187 heat spots over the project areas during the period covered by this audit, being 112 points only in 2016 (ref. 23, fig 4). The analysis of heat spots was corroborated through interviews with the community and direct observations made at the field, where it stayed characterized the use of fire for plot clearing and land management.</p> <p>2</p> <p>The proponent adjusted his risk analysis regarding the occurrence of fires, considering a greater frequency of events and the real degree of significance of the events. The audit team considers the adjustments made as pertinent, since they respect the data published by INPE (regarding hot spots, frequency of events) and PRODES (regarding area conversion, intensity of events - checked by the audit team). The adjustments made maintain the score assigned to the "Natural" risk category and specifically in relation to "fire", table 10. The audit team understands the risks associated with carbon stock losses in function of "natural events" such as "fire" (table 10), specifically in what relates to the event's probability or frequency, conforming to the applicable tool.</p> | <p>--</p> |
| <p><b>OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION:</b> The project's risk rating is 26.</p> |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |           |

#### 4.4.4 Dissemination of Climate Monitoring Plan and Results (CL3.2)

As discussed under report section 4.3.5, the project proponent reported to the audit team at the time of the field audit that the proponent had disseminated folders containing the PDD, monitoring plans and MIR throughout the communities and to each of the ten schools within the two project areas, as well as maintaining copies of the same at the project headquarters available upon request by community members. The delivery of these folders was apparently not well known by the communities, as the sample of interviewed community members claimed that they were unaware that this had occurred. From a total of ten schools present within the Project area, the teachers from the two schools visited by the audit team denied having received copies of the Project, monitoring results or other key project documents, though the audit team concedes it is possible that community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. By what was observed during field audit interviews, it has been concluded that the actions to continue the communication over the project's area, as well as effective distribution of key documents was not effective (FAR#08/17).

#### 4.4.5 Optional Gold Level: Climate Change Adaptation Benefits (GL1.4)

Not applicable. The proponent did not adopt this additional set of optional requirements of the standard.

### 4.5 Community

#### 4.5.1 Community Impacts (CM1.1)

The project description (Ref.03) states that Rural Participatory Assessment (PRA) and Basic Necessity Survey (BNS) will be used to as instruments of the community impact monitoring plan and, thus applied periodically to verify the reported impacts of the project activities on each identified community group. The audit team understands that these tools represent the methodologies used to estimate and assess the impacts on communities resulting from planned project activities. The documentation submitted in function of these monitoring instruments' application was limited to the years of 2013 and 2017, which are outside the scope of the monitoring period for the current verification. No documents or records of the monitoring carried out between 2013 and 2017 were presented. The project monitoring and implementation report 2014-2016 (ref. 1) affirms that the impact assessment will be carried out every 2 years. The proposed frequency in the community monitoring plan was not followed in that the 2015 survey was not conducted. The Rural Participatory Assessment (PRA) and the Basic Necessity Survey (BNS) were implemented in March and April 2013. The second PRA was administered in May 2014 and the third PRA was administered in March 2017. The second BNS was applied in May 2017, according to the MIR 2014-2016 (page 36, ref. 1). The proponent states that due to the insufficient flow of resources caused by the downturn in carbon markets, social monitoring actions were postponed to 2017 and will be reported in the next monitoring report. The proponent also provides some quantitative data regarding the number of mosquito nets distributed, number of contracts carried out (see FAR#08/17), number of people attending rural extension courses, among others, to prove some level monitoring of project actions. The audit team considers the argument to be plausible in view of the downward trend in the average value of the tonne of carbon in the voluntary market over the last few years. In addition, the monitoring efforts carried out in 2017 were characterized during the present audit. Thus, the audit team raises a FAR#05/17, to emphasize the need to report the results of community monitoring, using the methodology validated in the community monitoring plan, by the next verification.

#### 4.5.2 Net Positive Community Well-being (CM1.1)

The project monitoring and implementation report 2014-2016 (ref. 1) compares both scenarios “with and without the Project”. In this document specific section, the proponent presents a generalized and hypothetical comparison between scenarios with and without the project. In addition, the proponent also shows specific actions carried out during the monitoring period, namely: contracting a local project manager, reportedly providing medical services to more than 400 people from the communities, distributing “dental kits”, installing public restrooms, improving the health center, distribution of generators and solar panels and distribution of “cassava flour kits” (the latter, for 2017). The hiring of a local manager for the project and the distribution of “cassava flour kits” did not occur during the monitoring period, while the construction of public toilets is still underway (see NCR # 01/17). The distribution of generators and solar panels, although reported in the monitoring report, does not appear among the actions of the validated project description, but are agreed to present positive community impacts. Interviewed community members, who believe in the project’s proposal, admit that there is a general dissatisfaction caused by the small amount of information over the project and its purpose. However, the audit team understands that the project has a validated theory of change approach, impact assessment methodologies within a community monitoring plan in place and also that the root cause of the issue is related to delays in the project activity implementation. (FAR#06/17)

#### 4.5.3 Protection of High Conservation Values (CM1.2)

The proponent identifies food provision, medicinal plants, building materials (timber) and also “Traditional Cultural Significance” as HCVs to the communities. The audit team understands that the “Traditional Cultural Significance” are strictly linked to their traditional way of life, which encompasses their traditional management practices and their relation to the land itself. Considering this, the audit team understands that some aspects of the planned project activities have the potential to bring negative impacts to the identified HCVs. The audit team also understand that the root cause of this issue is directly related to the grievance mechanism in relation to the planned land demarcation project activity as discussed under FAR#09/17.

#### 4.5.4 Other Stakeholder Impacts (CM2.2-CM2.3)

The proponent satisfies these indicators. The project monitoring and implementation report (ref. 01, pg 166) lists possible impacts to other actors outside the project area. The proponent points to risks associated to the land opportunity costs, the competition for markets created by the structuring of productive chains in the project area, risks related to migration, risks related to leakage effect and finally, risks of conflicts among the communities living in and out of the project area, because of the access to social benefits sought by the project. The proponent presents mitigation measures to the identified risks. Such measures are mainly associated with the project potential benefits and to the stated objective of expanding the project activities to the neighboring areas. The audit team understands the strategy as plausible, judging the existence of the nearby Russas project. The audit team has visited traditional communities living out of the project area boundaries and within the project zone (Urubu community). This community has migrated from the project area in the past, has not claimed any relation to the project activity itself, and does not present any complaints.

#### 4.5.5 Community Monitoring Plan (CM3.1, CM3.2, GL2.5)

The project description (Ref.03) states that Rural Participatory Assessment (PRA) and Basic Necessity Survey (BNS) will be used as instruments of the community impact monitoring plan. The documentation submitted in function of these monitoring instruments application was limited to the years of 2013 and 2017. No documents or records of the monitoring carried out between 2013 and 2017 were presented. The project monitoring and implementation report 2014-2016 (ref. 1) affirms that the impact assessment will be carried out every 2 years.

The proposed frequency in the community monitoring plan was not followed in that the planned surveys were not carried out in 2015. The Rural Participatory Assessment (PRA) and the Basic Necessity Survey (BNS) were implemented in March and April 2013. The second PRA was administered in May 2014 and the third PRA was administered in March 2017. The second BNS was applied in May 2017, according to the MIR 2014-2016 (page 36, ref. 1). The proponent states that due to the insufficient flow of resources caused by the downturn in carbon markets, social monitoring actions were postponed to 2017 and will be reported in the next monitoring report. The proponent also provides some quantitative data regarding the number of mosquito nets distributed, number of contracts carried out (see FAR#08/17), number of people attending rural extension courses, among others, to prove some level of monitoring over the project actions. The audit team considers the argument to be plausible in view of the downward trend in the average value of the tonne of carbon in the voluntary market over the last few years. In addition, the monitoring efforts carried out in 2017 were characterized during the present audit. Thus, the audit team raises a FAR#05/17, to emphasize the need to report the results of community monitoring by the next verification.

Relating to project's intent for verification of Gold Level community requirements, the data presented capable of demonstrating that impacts, negative or positive, on the poorest residences or vulnerable groups (e.g. Women) were monitored in a specific manner in periodic surveys carried out in 2013 and 2017, allowing for the audit team to observe a overall positive trend in community socioeconomic and livelihood metrics. The audit team recognizes that the project is being carried out in a poor region of the country and that the effective implementation of the project is bringing exceptional benefits to communities, but stresses that: 1) the discrepancies associated with the number of families (identified in high-level municipal surveys compared with local surveys carried out within the project areas) are an impediment for the determination of the lowest quartile and 2) that the low degree of implementation of project activities puts the project's Gold Status for communities in the period covered by this verification at risk of failing to meet these optional criteria by the next verification.

#### 4.5.6 Community Monitoring Plan Dissemination (CM3.3)

As discussed under report section 4.3.5, the project proponent reported to the audit team at the time of the field audit that the proponent had disseminated folders containing the PDD, monitoring plans and MIR throughout the communities and to each of the ten schools within the two project areas, as well as maintaining copies of the same at the project headquarters available upon request by community members. The delivery of these folders was apparently not well known by the communities, as the sample of interviewed community members claimed that they were unaware that this had occurred. From a total of ten schools present within the Project area, the teachers from the two schools visited by the audit team denied having received copies of the Project, monitoring results or other key project documents, though the audit team concedes it is possible that community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. By what was observed during field audit interviews, it has been concluded that the actions to continue the communication over the project's area, and that distribution of key documents took place but was not well documented nor apparently effective (FAR#08/17).

#### 4.5.7 Optional Gold Level: Barriers to Benefits (GL2.3)

The proponent attests costs with fuel for boats that was offered to the most distant families so that they could attend the agricultural courses offered and also attend the doctor's visits, which was claimed to be facilitated by the project proponent in 2015 and 2016.

The project proponents presented the following arguments and evidence in order meet this indicator:

- First and foremost, project owner does not discriminate the distribution of project benefits based off one's income.
- All Project activities – from land titling, to agricultural extension courses, to being able to visit the health clinic – will be open to everyone. Being 'open' to everyone is one important piece, the other being accessibility—the project is going to make all reasonable efforts to continue to ensure that the project activities (e.g. agricultural extension courses) are accessible to all, including the poorest quartile. Some activities – such as agricultural extension courses and building toilets – will occur throughout the communities. The location of the toilets, for instance, was prioritized based off being installed first at the poorer communities. Some activities – such as granting official land titles – will be done on a house-by-house basis. Some activities – such as renovating the headquarters and renovating the health clinic – will be done in one specific location. To ensure, for instance, the headquarters and health clinic are accessible to all, Ilderlei provides gas

for their canoes, food while at staying at the headquarters and for their return canoe ride, and lodging at the headquarters (e.g., there are spare mattresses and hammocks) to anyone who needs such assistance, especially for poorer communities.

- The way the Projects specifically target the poorest quartiles at the communities is by providing gas and food for the poorest communities in order for them to visit the Project's headquarters to be seen by doctors. The project proponents believe the local census conducted by Ilderlei and Marmude in May 2013 was reliable and that the Basic Necessity Surveys provide reliable socioeconomic data. The original census, was a high-level census that included included communities outside of the project and leakage areas by the Municipality. Furthermore, as every community will be granted title and during the process of taking the measurements for the CAR, the project proponents will have an even better idea of the number of families living at the Russas and Valparaiso Projects.

Given the above, and the fact that the audit team recognizes that the project is being carried out in a poor region and that the effective implementation of the project *is bringing* exceptional benefits to communities, the audit team stresses that the optional gold status for communities in the period covered by this verification is demonstrated, yet reliant on successful demonstration of *continued* conformance by the project to related 'open' Forward Action Requests issued in this report.

#### 4.5.8 Optional Gold Level: Protections for Poorer and the more Vulnerable (GL2.4)

The project proponent constructs the reasoning (Ref. 33) that the BNS was used to identify the poorest quartile among the communities in the project area, but it should be emphasized that no special measures will be taken to favor a specific group, pointing out that the distribution of the beneficiaries originated implementation of project actions will be equitable.

Data from the Municipal Department of Health suggests the existence of approximately 200 families living at both “seringais”. It was characterized during interviews done at field with the project’s staff and also community representatives, a high degree of uncertainty over the real number of families living in the project’s area. Statements gathered from the stakeholders suggest a number that varies between 200 and 800 families. Either way, the proponent affirms having involved 50 families of both “seringais” in the project, through PRA and BNS.

Therefore, the project proponents report that they are able to determine the lowest quartiles based off a Basic Necessity Survey that was first conducted in March to May 2013, and then later in May 2017, and use this to direct their support accordingly. Ilderlei and Marmude did a local census and Basic Necessity Survey of the Russas and Valparaiso Projects in May 2013, which was provided to the initial verification auditor and to the current audit team. The Basic Necessity Survey from May 2017 was originally not provided to the next verification audit team (i.e. IMAFLORA) because it was outside of the MRV period, but it has since been provided because it does provide insight in to the local populations that are relevant to the monitoring period undergoing verification. Further, the differences between the population estimates are a result of a) The Ministry of Health included communities outside of the Project Area (i.e., along parts of the Jurua River, along the entire Jurua Mirim River, and areas such as P.A. Santa Luzia); b) additional population growth and in-migration; c) overestimates by the Ministry of Health (i.e., every community is assumed to have 5 people per household). Finally, as previously mentioned, every community will be granted title and during the process of taking the measurements for the CAR in 2017, allowing the project proponents to gain an even better idea of the number of families living at the Russas and Valparaiso Projects and continue to ensure positive net impacts for the poorest quartile of local community members.

## 4.6 Biodiversity

### 4.6.1 Biodiversity Changes (B1.1)

The proponent used the VM0007 v1.4 methodology for the estimate GHG emission reduction, thus monitoring the forest cover at the project area throughout the monitoring period covered by this verification. The proponent uses the forest cover monitoring as proxy for biodiversity, which is considered by the audit team as a plausible strategy, understanding that the availability of habitats is one of the main determining factor to biodiversity conservation.

Over and above the forest cover monitoring, the proponent invokes a biodiversity monitoring strategy through the use of camera traps (ref.25). The monitoring in question was done on August 2014 to July 2015. During this period, through a sample effort of 1644 traps/night, there were registered 483 vertebrates (95 are from birds and 388 are mammals of medium and large size, excluding certain commonly hunted species such as tapirs). Although the collector curves drawn by the hired consultancy have not assumed a perfectly asymptotic tendency, the audit team understands the sample efforts as enough for the monitoring that is proposed by the REDD+ Project. The audit team interviewed the person responsible for the job. The interview supports the discussion produced on the monitoring report, regarding the absence of certain species as an indicative to hunting activities in the region. In interactions with the audit team after the field work the project proponent discusses the issue of illegal hunting in the territory, focusing on the inherent complexity of the subject, stressing that it is difficult to distinguish between illegal activity and traditional activity and pointing to the lack of evidence that qualifies hunting in the territory as illegal. The proponent also points out that large mammals may have simply been missed because it is a first monitoring event, thus attributing their apparent absence to the uncertainty associated with any sampling method. The proponent also discusses what would be the applicable mitigation measures, pointing to continuous monitoring, focused on endangered species, raising awareness of communities on the issue and implementing agreements with a focus on delineating areas free of hunting. The audit team agrees with the proponent about the inherent complexity of the topic and its considerations. The audit team also agrees with the proponent on the proposed risk mitigation measures, but stresses that 1) considering the lack of regular systematic terrestrial patrolling activities in the project area during the 2014-2016 monitoring period, such measures would plausibly reduce the risk of hunting of endangered species only in cases where hunting activity was carried out by communities living within the project area and not by persons outside the boundaries of the project area and 2) the mitigation measures presented and their stepwise logic have not been recorded in the updated version of the monitoring report.

However, although the associated mitigation measures have not been clearly reported in the project implementation and monitoring report, the audit team understands that the necessary and possible actions to mitigate the problem are placed in one form or another in the project activities. That is, the proponent foresees monitoring of biodiversity, interaction with communities and surveillance actions. Based on the above, the audit team points to an observation as an opportunity for improvement in project description OBS#04/17.

Finally, the audit team understands that the monitoring efforts correspond to the first monitoring event and that its implementation is following, according to the validated project description (every 4 years), the frequency previously established. Therefore, at the present moment it is impossible to determine a relation of cause and consequence between the project's activities implementation and biodiversity conservation over the Valparaiso project area. Nonetheless, the project is in accordance to the CCB standard requirements

#### **4.6.2 High Conservation Values Protected (B1.2)**

Regarding its associated biodiversity, the project understands the sensitive ecosystem, rare, endemic and threatened species occurrence as HCVs and defends their conservation, mainly through forest cover maintenance on the project's area. Following the same logic, the audit team has used spatial analysis to prove the forest cover maintenance and evaluated the biodiversity monitoring report in a way to prove the occurrence of different species under any degree of threat, according to IUCN lists, evidencing then, the conformity of the project to the CCB standards on its implementation.

#### 4.6.3 Invasive Species (B1.3)

This conservation project does not have any activity related to exotic trees plantation, nor the plantation of any other species that could possibly assume an invasive behavior at the Amazon forest. The proponent identified the occurrence of reforestation initiatives of native tree species by the communities, for timber purposes.

#### 4.6.4 Impacts of Non-native Species (B1.4)

N/A. The project does not use exotic species.

#### 4.6.5 GMO Exclusion (B1.5)

N/A. The Project does not use GMOs, it is worth noting that this is a conservation project and that it does not foresee on its activities, aimed at rural extension, the use of GMOs. Keep in mind that the agriculture practiced by local inhabitants of the Seringais, is traditional (familiar character), for their livelihood and so, minimally technology dependent, which supports the previous claims.

#### 4.6.6 Negative Offsite Biodiversity Impacts and Mitigation (B2.2)

The proponent presents the logic that a conservation focused project would hardly bring about negative impacts to biodiversity at the project's zone, which is considered as plausible by the audit team. The project proponent points to the leakage effects as potential impact and lists mitigation measures related to leakage monitoring, expansion of the project activity to the neighbouring communities and alignment with the jurisdictional REDD+ program and associated public policies.

#### 4.6.7 Net Biodiversity Benefits (B2.3)

The audit team understands the project's impact as positive to biodiversity, analysing the effective deforestation reduction in relation to the baseline scenario, deforestation projection and also the absence of negative impacts to biodiversity that are potentially generated by projects of this nature.

With respect to Net Biodiversity Benefits, the Project was implemented according to its monitoring plan, which foresees the collection and analysis effort over the biodiversity status every 4 years. The proponent invokes a biodiversity monitoring strategy with the use of cameras trap (ref.25). The monitoring in question was done on August 2014 to July 2015. During this period, through a sample effort of 1644 traps/night, there were registered 483 vertebrates (95 are from birds and 388 are mammals of medium and large size, excluding commonly hunted species such as tapirs). Although the collector curves drawn by the hired consultancy have assumed a perfectly asymptotic standard, the audit team understands the sample efforts as enough for the monitoring that is proposed by the REDD+ Project. The audit team interviewed the person responsible for the job. The interview supports the discussion produced on the monitoring report, regarding the absence of certain species as an indicative to hunting activities in the region. In interactions with the audit team after the field work the project proponent discusses the issue of illegal hunting in the territory, focusing on the inherent complexity of the subject, stressing that it is difficult to distinguish between illegal activity and traditional activity and pointing to the lack of evidence that qualifies hunting in the territory as illegal. The proponent also points out that large mammals may have simply been missed because it is a first monitoring event, thus attributing their apparent absence to the uncertainty associated with any sampling method. The proponent also discusses what would be the applicable mitigation measures, pointing to continuous monitoring, focused on endangered species, raising awareness of communities on the issue and implementing agreements with a focus on delineating areas free of hunting.

The audit team agrees with the proponent about the inherent complexity of the topic and its considerations. The audit team also agrees with the proponent on the proposed risk mitigation measures, but stresses that 1) considering the lack of regular systematic terrestrial patrolling activities in the project area during the 2014-2016 monitoring period, such measures would plausibly reduce the risk of hunting of endangered species only in cases where hunting activity was carried out by communities living within the project area and not by persons outside the boundaries of the project area and 2) the mitigation measures presented and their stepwise logic have not been recorded in the updated version of the monitoring report.

However, although the associated mitigation measures have not been clearly reported in the project implementation and monitoring report, the audit team understands that the necessary and possible actions to mitigate the problem are placed in one form or another in the project activities. That is, the proponent foresees monitoring of biodiversity, interaction with communities and surveillance actions. Based on the above, the audit team considers the NCR to be closed and points to an observation as an opportunity for improvement in project description OBS#04/17.

The audit team understands, as mentioned before, that the forest cover monitoring, as inherent part of the monitoring tasks of the REDD+ Project, serves the purpose of monitoring over the identified and relevant to biodiversity's HCVs in the project area.

#### **4.6.8 Biodiversity Monitoring Plan Dissemination (B3.3)**

As discussed under report section 4.3.5, the project proponent reported to the audit team at the time of the field audit that the proponent had disseminated folders containing the PDD, monitoring plans and MIR throughout the communities and to each of the ten schools within the two project areas, as well as maintaining copies of the same at the project headquarters available upon request by community members. The delivery of these folders was apparently not well known by the communities, as the sample of interviewed community members claimed that they were unaware that this had occurred. From a total of ten schools present within the Project area, the teachers from the two schools visited by the audit team denied having received copies of the Project, monitoring results or other key project documents, though the audit team concedes it is possible that community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. By what was observed during field audit interviews, it has been concluded that the actions to continue the communication over the project's area, and that distribution of key documents had taken place but was not well documented and apparently not effective (FAR#08/17).

#### 4.7 Additional Project Implementation Information

The audit team evaluated the project's implementation according to the validated project description and its monitoring plans, in the light of all CCB standards requirements. For this purpose, the audit team has document analysed the project documents and supporting documentation, made direct field observations, utilized geoprocessing techniques as well as interviews with local stakeholders and government agencies representatives that are relevant to the subject, consultants, etc. According to the NCRs and FARs pointed out in appendix 1 and also the discussion carried out by the auditing team throughout the present report, a low level of project implementation compared with the implementation schedule in the validated PDD, mainly related to the social sphere, can be noted.

#### 4.8 Additional Project Impact Information

The audit team evaluated the theory of change matrix in the project description, the project activity, outputs, outcomes and impacts related to each activity, the financial planning and also the implementation chronogram. Based on the logic of analysis in question, the audit team understands that the project has generated an impact of low degree compared with the expected impacts resulting from the planned activities outlined in the validated PDD, particularly relating to the social sphere. Regarding biodiversity, the proponent is acting according to the previously validated monitoring plan. In relation to the climate axis, the project demonstrated positive impacts by reducing emissions forecasted on the baseline scenario during the monitoring period covered by the present verification.

### 5 VERIFICATION CONCLUSION

This is final report. Following the review of the monitoring report and supporting documents, the audit team has concluded with a reasonable level of assurance that the project implementation is in full conformance with the VCS standard and CCB requirements. However, the Forward Action Requests issued as a result of this audit should serve as an indication for the subsequent verification body areas of potential concern that should be evaluated during the project's next certification event.

Verification/monitoring period: From [01-January-2014] to [31-December-2016]

Verified GHG emission reductions and removals in the above verification period: 590,954 tCO<sub>2</sub>e

| Year | Baseline | Project | Leakage | Net GHG |
|------|----------|---------|---------|---------|
|------|----------|---------|---------|---------|

|              | emissions or<br>removals<br>(tCO <sub>2</sub> e) | emissions or<br>removals<br>(tCO <sub>2</sub> e) | emissions<br>(tCO <sub>2</sub> e) | emission<br>reductions or<br>removals<br>(tCO <sub>2</sub> e) |
|--------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------|---------------------------------------------------------------|
| 2014         | 337,529                                          | 60,784                                           | 24,205                            | 180,586                                                       |
| 2015         | 338,960                                          | 3,152                                            | 27,606                            | 220,892                                                       |
| 2016         | 298,566                                          | 12,570                                           | 22,161                            | 189,476                                                       |
| <b>Total</b> |                                                  |                                                  |                                   | 590,954                                                       |

## APPENDIX 1: 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. 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.

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| NCR#:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 01/17                                                                                                                  |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | VCS Standard v3.7, requirement 3.1.3<br>VM0007 v1.4, section 9.3.1<br>CCBS, 2a ed. (2008) G.3.4, CL 3.1, CM 3.1, B.3.1 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4.3.1, 4.5.2                                                                                                           |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                        |
| <p>The audit team did not observe evidence of full project activity implementation at the field nor has proved the existence of records documenting the project activities' full implementation during the monitored period, as described in the validated PD (ref. 3) and MIR (ref. 1), such as:</p> <ol style="list-style-type: none"> <li>1. Increase of community awareness relating to the project;</li> <li>2. Hiring of a project manager;</li> <li>3. Patrolling;</li> <li>4. Social programs implementation;</li> <li>5. Agriculture extension services implementation;</li> <li>6. Support to local farm associations;</li> <li>7. Support to regularization of land tenure;</li> <li>8. Profit sharing on the commercialization of carbon credits;</li> </ol> <p>Overall, the community interviewees demonstrated to the audit team a lack of knowledge or negative perception with respect to the project and some aspects of planned project activities. These perceptions are discussed at greater length in relation to NCR#07/17.</p> <p>Evidence of a formal hiring of an official project manager was not presented at the time of the field audit. The original onsite project manager, Marmude, passed away in September 2014, and there were no apparent efforts to find a replacement until 2017. The audit team believes a significant determining factor</p> |                                                                                                                        |

in the project's failure to fully implement project activities according to their implementation schedule was precisely due to the inaction regarding securing a qualified replacement project manager. Marmude's replacement, Willyan, was, in 2017, awarded a temporary 45-day contract, later being hired as the full-time project manager for both the Russas and Valparaíso twin projects, documentary evidence for which was presented after the field audit.

Limited patrolling activities occurred during the assessed monitoring period, according to the party who was responsible for this specific activity. The audit team understands from its field observations that the boat patrolling throughout the Valparaíso river that did occur, does not serve the purpose of effectively monitoring the identified deforestation agents' activity within the project area, given that the families are not exclusively allocated along the river, nor are their "farm plots" found exclusively at the river's immediate surroundings. In fact, it is common that the new farm plots areas – in accordance with the project's scope, unplanned deforestation – to happen further inside the areas of the projects Valparaíso and Russas, being largely imperceptible to the river patrols.

The audit team also found limited evidence of implemented actions linked to social programs, including agricultural extension services, local farmers association support, during the monitoring period covered by this verification process. The audit team noted the existence of measures linked to construction of public bathrooms at some communities, as well as the distribution of dental kits, and arranged visits of a 'health boat'. There is evidence of the public bathrooms being out of use due to lack of maintenance (ref. 19), which supports the notion that there has been limited effectiveness of the measure to promote benefits over the social sphere.

Evidence of income distribution resulting from carbon credits commercialization were not presented.

Finally, the audit team recognizes the proponents' effort in supporting the regularization of land to the communities, which is materialized by planning demarcation on behalf of the preparation of CARs for the families. Such measures, however, by the way they are currently planned, have been identified by communities as a potential negative future impact to the same communities. This subject will be addressed in detail in this report in further NCRs (#07/17) and it is found here referenced, drawn from an implementation perspective.

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

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|                                      | to eliminate and prevent recurrence of the non-conformance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Evidence Provided by Organization:   | <ul style="list-style-type: none"> <li>- Ref. 31: Photos of Pub Comment.zip</li> <li>- Ref. 22: PRA</li> <li>- Ref. 32: Atas_CarbonCO_2011_2013</li> <li>- Ref. 29: PDD CCB Valparaiso</li> <li>- Ref. 01: MIR</li> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 81: Catch Up Plan for Russas and Valparaiso Projects</li> <li>- Ref. 83: Letter and work permit evidencing hiring of Project Manager Willyan Dene Sarah</li> <li>- Ref. 56: Community training summary, SOS Amazonia</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Findings for Evaluation of Evidence: | <p>The project proponent recognizes that the project has not implemented its planned activities to the extent outlined in the validated and verified PDD. The proponent presented 1) clarifications to justify that the implementation of some of the project activities as satisfactory, i.e. in a way that caused positive impacts to communities and biodiversity in the project area during the monitoring period and 2) evidence of actions taken since the field audit to demonstrate progress and that the project is 'on track' to fully implement planned activities, and 3) measures to be taken as corrective actions in the future, as outlined in the "Catch Up Plan for Russas and Valparaiso Projects" (Ref. 81). The justifications presented and the evaluation of the audit team are presented below:</p> <p><b>Increase of community awareness relating to the project:</b> the proponent highlights the work carried out by project collaborators such as Marmude (through September 2014) and Willyan (beginning in 2017) to raise awareness of the communities around the project and presents photos, meeting minutes and results of social assessments carried out with communities to corroborate the implementation of this activity from the project. The audit team evaluated these documents and concluded that most of the documents refer to events prior to the monitoring period in question. The meeting minutes presented date from 2011, the results of the social diagnoses (PRA and BNS) date from 2013.</p> |

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|  | <p>However, there are also activities related to raising community awareness of the project that occurred within the monitoring period. On page 18 of MIR 2014-2016 (Ref. 1), the proponent lists the visits with relevant stakeholders and with the communities made in May and August 2014. The proponent also stated that consultation visits occurred in January 2014, July 2014 and March 2016. Nevertheless, the effectiveness of these visits is not well recorded, and audit team interactions with community stakeholders show a need for continued community engagement. The audit team visited the project areas and interviewed 52 people in 12 different communities. During the interviews in the communities, it was verified that community members who know about the project still have many questions related to the project's planned activities, as well as details of the execution and information about their rights and duties in relation to the project. Two of the ten schools in the project area were visited by the audit team, their teachers were interviewed and denied receiving copies of the project description or other key documents, however it is possible that faculty that was aware of these documents were not interviewed by the audit team. The audit team considers the interaction of Willyan Dene Sarah, who in 2017 replaced the original project manager Marmude in his assignments after his death in 2014, regarding the interlocution with the communities. However, given the delay in hiring a replacement project manager, the audit team considers the incomplete degree of implementation of this project activity as demonstrative of the need for continued community engagement in 2017 and going forward.</p> <p><b>Hiring of a project manager:</b> the proponent first presented an "experience contract," providing for the temporary hiring of Willyan Dene Sarah for 45 days to address this aspect of the NCR. The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaíso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring</p> |
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|  | <p>period covered by this verification, the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the validated project description and that this action was planned not only for coordinating field activities but also for promoting social benefits to the local communities, the audit team considers the corrective action taken as sufficient for the moment. However, FAR#02/17 is raised, to highlight the need to avoid further significant lapses in employing a local project manager over the next verification period.</p> <p><b>Patrolling:</b> according to the project monitoring and implementation report (ref. 01), terrestrial patrol activities were operated by Marmude since 2011 through most of the year 2014. No records of terrestrial patrol activity carried out beyond 2014 were submitted. The audit team understands that there were were patrol activities conducted by boat along the rivers running between the communities, but that these are not completely effective for the purpose of monitoring deforestation agents' activity and mitigating against it. The project team also interviewed Willyan, the project's current local manager, who stated that he had not received specific training or guidance in this regard and, in the last resort, had not done any coordinated or systematized action to verify the occurrence of deforestation in the project area during the monitoring period covered by the audit. The project has included in its "Catch Up Plan" (Ref. 81) tasks related to this, such as a patrol monitoring template that project manager Willyan Dene Sarah will complete, along with an assessment for the identification of areas in greatest need of patrol beyond the river banks to monitor the deforestation agents' activity.</p> <p><b>Social programs implementation:</b> To demonstrate the implementation of social programs, the proponent presents photos and attests the expenses related to the construction/improvement of a health clinic, distribution of "dental kits", construction of public toilets and "facilitation" of the public health boat visits by Ilderlei,</p> |
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|  | <p>project proponent and mayor of the municipality of Cruzeiro do Sul to the communities in the project area. The photos presented were indexed to the process as evidenced by the proponent. The expenses reported for the health center construction/improvement were close to \$10,000 and were executed by the proponent in the years 2016 and 2017, according to the project financial plan. The health clinic observed by the audit team was only beginning to stockpile equipment and supplies, accounting for the reported investment, and thus slowly increasing the health center's effectiveness at providing the intended services. The audit team understands the actions reported as beneficial and demonstrates a positive net impact, but one which shows room for greater potential impact than has yet been realized. During the field visit, the audit team witnessed public restrooms in the communities that were still under construction..</p> <p><b>Agriculture extension services implementation:</b> the proponent presented the organization of five courses conducted in 2013 as a project action aimed at rural extension, to prove the implementation of this specific action in the monitoring period covered by this verification. The courses were on the cultivation of banana, graviola, passion fruit, cassava, corn and crop rotation. The majority of these courses were not carried out during the 2014-2016 monitoring period, though it is plausible that the recipients of the training did benefit from them during the monitoring period. The proponent also mentions future actions in partnership with a local NGO, SOS Amazonia, to increase rural extension actions, and presents a training summary to date along with an open-ended agreement (Ref. 56) to demonstrate continued collaboration up to 2016 and beyond. The audit team considers that the impact of specific training may manifest itself over time in the implementation of the techniques taught, but was not able to verify the use of the techniques in question, such as graviola, corn, and passion fruit, or the use of crop rotation techniques that transcend traditional practice. Similar reasoning can be considered in relation to banana</p> |
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|  | <p>and cassava crops, which are part of the local culture and cannot be attributed to the project in a simplistic way, except for the use of advanced techniques, which the audit team did not witness. Finally, the audit team concludes that continued agricultural extension services are needed to prove the effectiveness of such actions taken in the year 2013 and beyond, as planned in the SOS Amazonia document and 'Catch Up Plan'.</p> <p><b>Support to local farm associations:</b> the proponent did not report support actions to the local association of cassava flour producers during the period covered by this verification. The audit team interviewed one of the association's representatives in the field, who claimed that they had not been contacted by the project proponent to build a plan for supporting association actions. The audit team understands that the proponent has failed to implement this specific aspect. As a result, the project has included this activity as one that will take place beginning in December 2017, as stated in the 'Catch Up Plan'.</p> <p><b>Support to regularization of land tenure:</b> Throughout the monitoring period covered by this verification, the proponent began community engagement efforts to demarcate an area of 15 to 20ha per family, which would in the future be titled on behalf of its representatives. During the audit team's interviews with the communities in the field, the communities expressed concerns over the adequacy of the planned plot sizes offered by the proponent. The communities carry out a type of land management that involves the periodic rotation of the planting sites, where the cropping cycle involves felling and burning of small plots, planting, harvesting, followed by a fallow period, and so on. The interviewees were unanimous in stating that they believed the area offered by the proponent would not be sufficient to provide food for their families, since, along with the offer of titling, there is also a need to stop the use of these management techniques outside the polygon offered. The audit team understands that the project activities have been designed in a way that recognizes the</p> |
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|                             | <p>traditional right to occupy the land and also to reduce GHG emissions from the activity. The project also questions the communities' understanding of the amount of land offered, arguing that 15-20ha is in fact 2 to 4 times the size of the parcels currently occupied and cultivated by the community stakeholders for their subsistence agriculture lifestyle. In any case, as the activity has so far been planned and discussed, the action is recognized by the communities and the audit team as having the potential to negatively impact the communities when it is implemented over subsequent monitoring periods. Thus, the audit team understands that such action is being implemented in accordance with the project description, but doing so has revealed the grievance mechanism to be not wholly effective (see NCR#07/17).</p> <p><b>Profit sharing on the commercialization of carbon credits:</b> the proponent did not implement such action during the monitoring period covered by this verification, stressing that it is a long-term action and pointing to the year 2017 as the focus for its accomplishment. The audit team issued a FAR#03/17 to highlight the need to verify this specific action at the next audit event.</p> <p>The audit team recognizes the extenuating circumstances presented by the unexpected death of the original project manager, and the challenges posed by a period of deficient revenue from the sale of carbon credits, owing to the downturn in the market price for a tonne of CO<sub>2</sub>e. Specific actions have been taken by the project to demonstrate progress for fulfilling planned project activities and to close the NCR, while others have been planned for the project to keep on track for delivering the intended benefits. The audit team therefore considers the NCR closed, and raises FAR#06/17, to be closed by the following verification.</p> |
| <b>NCR Status:</b>          | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Comments (optional):</b> | FAR#06/17 has been raised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | VMD0015 v2.1, step 2<br>VCS standard v3.7, requirement 3.5.1                                                                                                                                                                                                                                                                         |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 3.2                                                                                                                                                                                                                                                                                                                                  |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                      |
| <p>In MIR section 2.9.2, the proponent suggests a methodological deviation in order not to monitor the forest degradation caused by wood extraction using samples, as oriented by VMD0015 v.2.1, (ref. 14).</p> <p>Field observations made by the audit team evidence timber extraction in the project area. The existence of a road was observed at the east portion of the Valparaiso's project, coming from <i>ramal</i> 3 (ref. 23, figs. 01 e 02).</p> <p>Besides this, the PRA (Participatory Rural Appraisal, ref. 22) pointed to the existence of timber activity (93% of interviewees in Valparaiso and 100% in Russas). The PRA results are supported by the evidence of timber being sawn, dry or stocked for construction and restoration of houses, vessels and fuelwood. Furthermore, the audit team was able to identify several wood extraction points in the forest, through the occurrence of stumps and logs cut and displayed at the forest as access bridges in marshy lands and sawn timber through direct field observation (ref. 19). Moreover, through interviews with the environmental agency (IMAC) responsible staff at Cruzeiro do Sul municipality, the audit team has verified the occurrence of charges related to unauthorized timber extraction at the project areas.</p> <p>Even with the reported evidences above, the proponent has chosen not to carry out the preliminary inventory on 1% of the area subject to degradation (Adeg), with posterior significance assessment through significance tool (T-SIG), as it is determined by the methodology. The significance analysis based on PRA results was also not presented, in accordance to the deviation proposed by the proponent. The proponent failed to follow the protocols established by the adopted methodology, and also failed to demonstrate that the proposed deviation can be considered as conservative, in disagreement then, with the VCS standard requirements.</p> |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Prior to project verification                                                                                                                                                                                                                                                                                                        |
| Evidence Provided by Organization:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>- Ref. 33 Degradation Survey</li> <li>- Ref. 30: Censo SMS Cruzeiro do Sul</li> </ul>                                                                                                                                                                                                         |

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|                                      | <ul style="list-style-type: none"> <li>- Ref. 15: PRA</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Findings for Evaluation of Evidence: | <p>The project proponent presented the results of the PRA and the associated significance calculation to demonstrate that the emissions related to forest degradation from the logging activity of the communities inserted in the project area can be proven as minimal and insignificant. Based on the results of the PRA, the proponent determines the average emission per family based on the consumption of fuelwood and the construction of houses and boats. The value found is compared to the project and leakage emissions in the same period, to test its significance. The project proponent estimates that forest degradation in the project area accounts for about 1.41% of total emissions in the same period and is thus negligible. The audit team reviewed the calculations presented, input data, formulas and default values used and agrees with the result. It is worth noting that during the audit, the uncertainty about the correct number of families living in the project area was characterized, due to the disagreement between the values presented by the proponent in the project description, values obtained by a census of the municipal health department, and also by values mentioned in interviews with the communities. Assuming the census data is official, it is estimated that 195 families lived along both sides of the Valparaiso River. Assuming a fair division of families at both margins, it is understood that about 100 families lived in the Valparaiso project area over the monitoring period covered by this verification. In response to this, the proponent performed an additional calculation, considering, based on the calculated emission factor per family and 5% of the total volume of emissions reported by the project in the monitoring period, what would be the estimated number of families needed to reach a significant value of emissions related to forest degradation, reaching a value of 135. Thus, the audit team agrees with the arguments presented and with the insignificance of the emissions in question.</p> |
| <b>NCR Status:</b>                   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

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| Comments (optional): | None |
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| NCR#:                   | 03/17                    |
| Standard & Requirement: | CCBS, 2a ed. (2008) G5.1 |
| Report Section:         | 4.3.9                    |

**Description of Non-conformance and Related Evidence:**

The audit team confirmed that the project proponent does not consider all relevant and existent legal framework in the State, taking as example:

1. Law nº 1.117/1994, which establishes/provides the Environmental policy in the state of Acre.
2. Law nº 1.904/1997, "Biodiversity Law", which establishes/provides the control and access tools to genetic resources.
3. Law 1.904/2007, which establishes/provides the ecological and economic zoning map of the state of Acre.
4. Decree nº 3.416/2008, which regulates the second stage of the ecological and economic zoning map of the state of Acre.
5. Law Nº 2693 DE 17/01/2013. Alters the laws Nº 1.904/2007, which "Imposes the Ecological - Economic Zoning map of the state of Acre - ZEE"; and "Creates the State Program of Productive Family Unity Certification of the state of Acre", gives other arrangements.
6. State deforestation prevention and controlling plan (PPCD/AC).
7. Regulatory Ordinance Nº 004/2013, which implements the authorization of fires at family farming.
8. Law 10267 of August 2001, which alters mechanisms of other laws referring to the registry of rural property certificate (CAR).

The proponent announces adherence to the new forestry code referring to native vegetation protection (Federal Law Nº 12.651/2012), however, the project's properties do not have a CAR, which is requested by the same law. Other articles of the same legislation that are not being observed refer to the rights that small family farmers have. Art. 3º, paragraph V which defines agro-forestry exploitation at small rural tenure, the paragraph X line j) defines family or community agro-forestry exploitation, the sole paragraph of Art. 3º, addresses the intervention and suppression of vegetation in family agriculture. During the interviews with community members within the scope of the project, it is observed that they do not understand the legislation, which guarantees their rights to clear the land for crops. Many of the farmers interviewed were concerned about losing such rights with the implementation of the project.

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. |
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|                                      | 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. |
| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                     |
| Evidence Provided by Organization:   | - Ref.33: Updated MIR<br>- Ref. 39: Responses to Findings                                                                                                                                         |
| Findings for Evaluation of Evidence: | The project proponent has reviewed the project description to consider the relevant legal framework in the country, including those laws.                                                         |
| <b>NCR Status:</b>                   | CLOSED                                                                                                                                                                                            |
| Comments (optional):                 | None                                                                                                                                                                                              |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 04/17                                                                                                                 |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | VM0007 v1.4, section 5.1<br>VCS standard v3.7, requirement 3.11.1<br>CCBS, 2a ed. (2008) G1.3<br>VMD0015 v2.1, step 2 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 4.3.10 and 4.4.2                                                                                                      |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                       |
| <p>Through evidence analysis in office and through field work, the audit team has verified uncertainties with respect to the project boundaries which, in turn, affects directly the GHG emission reduction estimates during the monitoring period in question. During public consultation stages directed to relevant parties, the audit team along with INCRA have noted that the rural property, referring to the projects, does not have a registered Cadastro e Certidão de Imóvel Rural (CCIR) document, meaning then that the properties limits are not proven equal to what has previously been validated and verified.</p> <p>Moreover, it has been verified that the rural properties do not have CARs, and in public consultation on SICAR open data source, the existence of a geographical limit overlap with a third property, located NE of the Valparaíso Project (ref. 23, fig.03) has been noted.</p> <p>Finally, stakeholder interviews reveal uncertainty in respect to the Valparaíso project boundaries. In these statements, community representatives of seringal Valparaíso, claimed to be actually in a third party's rural property. The statement in question along with the absence of a CCIR support the conclusion around the project's area uncertainties.</p> |                                                                                                                       |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Organization shall implement corrective actions to demonstrate                                                        |

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|                                      | <p>conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | <ul style="list-style-type: none"> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 42: Letter to INCRA re Russas CCIR</li> <li>- Ref. 53: Email confirmation of CCIR application receipt (Russas)</li> <li>- Ref. 87: Letter to INCRA re Valparaiso CCIR</li> <li>- Ref. 88: Letter to INCRA re Valparaiso CCIR</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Findings for Evaluation of Evidence: | <p>The project proponent presented the land documentation used to prove ownership over the project area during the project validation steps to address this NCR. The audit team, however, did not identify the lack of land titles but rather the lack of CCIR or Rural Property Registration Certificate. Established by Federal Law No. 5,868, dated December 12, 1972 and regulated by Federal Decrees No. 72,106 of April 18, 1973 and No. 7,620 of November 21, 2011, the audit team understands that the certificate in question is necessary to prove the regularity of the limits the property and attests that the georeferenced polygon informed does not overlap with any other in the INCRA database. The referenced laws make the certificate mandatory for all rural properties in Brazil. Its proof must be carried out on an annual basis for tax purposes. The audit team conducted a consultation with the responsible environmental agency (INCRA), based on the documentation submitted by the project proponent and found that both properties are with the certificate suspended due to irregularity. Thus, because there is no certificate for project boundaries, the audit team understands that the project boundaries may be subject to change, pending the project obtaining valid CCIRs. Thus, the projection of deforestation within the project area may change and, therefore, the GHG emission reduction estimates in the project area may change as well. It is worth noting that the irregular condition of rural properties also violates the requirements of the CCB standard, which determines that the legislation in force in the country should be</p> |

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|                             | <p>followed. Finally, considering that the project seeks to confer land titles to communities living in the project area and that the CCIR is indispensable for this, it is also understood that undertaking this project activity without a CCIR would violate the requirements of the VCS standard, which determines that the project activities cannot lead to any legal violation, regardless of whether or not the law is enforced.</p> <p>Regarding the overlapping areas of the Valparaiso project, this is discussed further under NCR#08/17.</p> <p>In response to these findings, the project has provided evidence to the audit team demonstrating their initiation of the process to obtain a CCIR for the project through INCRA (Refs. 42, 53, 87 and 88). The evidence received includes letters from INCRA personnel acknowledging the initiation of the process and issuance of a protocol number for their application. Given that the process for obtaining a CCIR involves entities outside the project proponent's sphere of influence, the audit team considers that corrective action has been taken, and raises FAR#07/17, to be closed by the following verification.</p> |
| <b>NCR Status:</b>          | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Comments (optional):</b> | FAR#07/17 has been raised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 05/17                              |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | CCBS, 2a ed. (2008), G3.8 and G3.9 |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 4.3.5                              |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                    |
| <p>Indicators G3.8 and G3.9 have not been met by the proponent. On page 18 from MIR 2014-2016 (ref.1), the proponent lists the visits to the interested parties and to the communities done in May and August 2014. It was also declared by the proponent that consultation visits were performed in January 2014, July 2014 and March 2016. However, there is no registry of these visits. Neither there is a registry of any visit performed in the year of 2015. On page 51 from the MIR 2014-2016 (ref. 1) the proponent presents a list of the interested parties, which did not include any social movement, nor community representation (Rural</p> |                                    |

Worker's Union or others such as CPT, etc.).

In interviews, the proponent has informed that a folder was distributed over the communities and that the complete project description was distributed over the 10 schools within the two project's areas (Valparaiso and Russas). Additionally, that the project's headquarters keeps a copy of the PDD to further clarify community questions. There is no registry of the execution of other activities. At the communities, it has been verified that the community members who know about the project have many questions on its conception, execution details, and information over rights and duties. The audit team visited two out of the ten schools, where teachers were interviewed and denied having received copies of the project description as well as other key documents, though the audit team concedes it is possible that community members and faculty that were aware of these documents were not the same as those interviewed by the audit team. The audit team received a release from two community representatives, which was distributed to locals to disseminate the CCB public consultation period that would occur from June 6<sup>th</sup> to July 6<sup>th</sup> of 2017. The release asks for the contribution with suggestions, comments or grievances from the interested community and society. The release presents two hyperlinks over the internet for the same, which, although required by the CCB to be included in notifications, in this case cannot be considered as a culturally appropriate method for communication, considering that the local population does not have computers at home nor access to the internet, and that a significant portion of the local population cannot read, either. However, as previously indicated, community members demonstrated that they were aware of how to contact project representatives. During the interview, a community member that received the notification reported not knowing what the release was about, and he also stated that nobody had explained the document contents to him. Interviews with the community members suggested that they did not have an intimate understanding of the project's purpose or details, despite having demonstrated some awareness of project activities and evidently provided consent for the project to undertake its planned activities.

Based on the interviews, it has been concluded that to continue the communication, the actual distribution of key documents and actions to subsidize the project's adaptive management were not as effective as the project intended.

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.

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| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Evidence Provided by Organization:   | <ul style="list-style-type: none"> <li>- Ref. 31: Photos_Community engagement</li> <li>- Ref. 32: Atas_CarbonCO_2011_2013</li> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 44: Radio Announcement Receipt 1</li> <li>- Ref. 45: Radio Announcement Receipt 2</li> <li>- Ref. 46: Radio Announcement Receipt 3</li> <li>- Ref. 47: Radio Announcement Receipt 4</li> <li>- Ref. 81: Catch Up Plan for Russas and Valparaiso Projects</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Findings for Evaluation of Evidence: | <p>During the audit process, through the analysis of minutes and interviews with project staff, the audit team evidenced that the proponents visited the project area and met with local communities in June 2012, March-April 2013, June 2013, August 2013, May 2014, August 2014 and May 2017. Also included in the monitoring report are listed the visits by Ilderlei Cordeiro to the communities in January 2014, July 2014 and March 2016. However, the photographic records and attendance lists presented by the proponent did not show how the consultation processes were effective, that is, how they allowed the communities to influence the development and implementation of the project during the monitoring period, following an adaptive management plan (G3.8). The project asserts that the communities consulted during these visits effected the project design in that certain requests made by them, such as for the project to place a focus on health when developing and implementing the project's community activities (i.e. social programs), were considered and eventually adopted by the project, and that the communities are already benefitting from the implementation of these activities, thereby demonstrating effective consultation and participation. Interviews with community members suggest this to be true, though, on the other hand, the interviews conducted during the fieldwork also show that the project proposal is not fully understood by those potentially affected by its actions.</p> <p>In relation to G3.9, the same is observed. In the response given to the audit team, the proponent reiterates the actions taken previously and without regard to the fact that 1) in any of the points where the audit team passed copies of the project documents were</p> |

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|                      | <p>found, and 2) the invitation made to participate in the public comment period on the CCB website has been inadequate. The proponent informs the realization of an invitation made by radio, without evidence of its occurrence.</p> <p>Due to the above, the audit team understands that the proponent has not demonstrated how the communities have been consulted effectively or promoted their effective participation within an adaptive management plan during the monitoring period.</p> <p>The project proponents, recognizing the interconnectedness between community awareness of the project, effective consultation and participation and how each can be improved, has a) hired Willyan Dene Sarah as the full-time project manager for the Valparaíso and Russas projects, who, in his duties, will be engaging with the communities for ensuring effective consultation and participation and b) included in the project's 'Catch Up Plan' several community engagement tasks to the same effect. The audit team considers corrective action to have been taken, and issues FAR#08/17 to be closed by the next verification.</p> |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Comments (optional): | FAR#08/17 has been raised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 06/17                                        |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CCBS, 2a ed. (2008), G4.3, G4.4, G4.5 e G4.6 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 4.3.7                                        |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                              |
| <p>Through analysis of the project documentation, field observations and also interviews with project staff, the audit team understood at the time of the field audit that 1) there was initially no orientation plan nor a complete training regime for project's employees or relevant community stakeholders with the aim to build skills and increase local participation over the project's implementation; 2) it had not been demonstrated how equal opportunities were given to the communities to fill in the positions that were offered by the project (including management) during the monitoring period in question; 3) the compliance to labor legislation in the country was not characterized and 4) an evaluation of situations in which occupational</p> |                                              |

risks exists was not characterized, nor the existence of a plan, to inform workers over these risks, along with recommendations on how to minimize them.

The 2014-2016 monitoring report (page 25, ref. 1) mentions the hiring of a “local project manager” and two “local coordinators”. The professionals that were chosen by the proponent, and who occupied the positions, did not have the specific and necessary technical skills needed for the project implementation at the outset of their collaboration with the project. Within the period covered by the verification, specifically from September 2014 to December 2016, when there was a management change, the project started counting with a team formed by a general services assistant in the position of local project manager, a clinical analysis professional and an agricultural technician as volunteer local coordinators. During interviews, they informed that, despite having participated in a range of relevant trainings and held experiences both in and outside connection to the project, they had not yet received formal capacitation training to fully qualify them to properly exercise all of the functions that are requested by the management and volunteer local coordinator positions. The three “collaborators” had not yet been formally hired by the project through the provision of services formalized by worker’s legislation (CLT), going against what was stated in the MIR 2014-2016 (page 28, ref. 1). Two of the three ‘collaborators’ alledged that they were volunteers and the third, at the time of the field audit, held the 45-day ‘experience contract’, being hired at a later time by the project as the full-time project manager. A security plan was not presented to the “volunteers” so they could exercise their activities in full safety.

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| Corrective Action Request:         | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                               |
| <b>Timeline for Conformance:</b>   | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Evidence Provided by Organization: | <ul style="list-style-type: none"> <li>- Ref.33: Updated MIR</li> <li>- Ref.34: Temporary and Volunteer Agreements</li> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 48: Terms and Conditions for Volunteers of the Valparaíso and Russas Projects (Fatima)</li> <li>- Ref. 49: Terms and Conditions for Volunteers of the Valparaíso and Russas Projects (Nagila)</li> <li>- Ref. 58: Description of Occupational Risks and Mitigation</li> <li>- Ref. 81: Catch Up Plan for Russas and Valparaíso Projects</li> <li>- Ref. 82: Ilderlei Cordeiro Letter Attesting to Monthly Meetings</li> <li>- Ref. 83: Letter and work permit evidencing hiring of Project</li> </ul> |

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|                                      | <p>Manager Willyan Dene Sarah</p> <ul style="list-style-type: none"> <li>- Ref. 85: Willyan Dene Sarah Administrative Assistant Training Certificate</li> <li>- Ref. 86: REDD Project Training Declaration</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Findings for Evaluation of Evidence: | <p>In interviews with the project proponent after the field audit and in response to the NCR in question, the proponent claimed that, in addition to relevant experiences the project manager and two volunteers already held, the project staff was informally trained. In interviews conducted by the audit team during fieldwork, respondents Nagila, Willyan and Fatima said they had not received specific training for the full range of their purported duties. The trainings offered by TECMAN, Sebastião, SOS Amazônia and Genildo, also referenced by the proponent to close this NCR, show that the new project manager and the two volunteers did receive training and have some preparation for the fulfillment of their duties (Refs. 85 and 86), though these largely occurred outside the monitoring period covered by this audit. As part of the 'Catch Up Plan' (Ref. 81), the project proponent is first arranging monthly meetings (Ref. 82) during which informal training will be provided to project staff and volunteers (Willyan, Fatima and Nagila). This will also allow the project proponent to assess the extent to which additional and other formal trainings for project staff and volunteers are necessary. Further, the project proponent is in the process of arranging for trainings from the Secretary of Environmental Affairs for the Municipality of Cruzeiro do Sul, and for NGO SOS Amazonia will continue to carry out community agriculture trainings, for which project staff and volunteers are expected to be present, which will also benefit them for the delivery of consistent positive community livelihood impacts.</p> <p>The proponent affirmed that the project staff—Nagila, Willyan, and Fatima—was informed about occupational risk situations and associated mitigation measures (TECMAN) or that this is not necessary due to the employees' familiarity with the site and their intrinsic knowledge about occupational hazards. To evidence this, the project has provided a list of occupational risks and mitigation</p> |

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|  | <p>measures that each signatory could take (Refs. 48, 49, 58). Additionally, the project description provides an assessment of occupational safety risks in section 2.7. It therefore considers this aspect of the non-conformance as a treaty and raises FAR#04/17, to emphasize that a guideline for all workers shall be implemented in accordance with the guidance provided in the monitoring report itself until the next project verification.</p> <p>The project proponent provided clarifications regarding the contracting regime, aspect considered in this NCR. According to the proponent the project hired men and women without distinction as well as people and organizations in the period covered by this verification, to ensure the implementation of the project. The audit team recognizes the proponent's attention to gender, as well as their positive premises for hiring local people and institutions. The project proponent also described measures taken to demonstrate how the job opportunities created by the project were offered equally in all communities as requested by the CCB standard.</p> <p>Finally, the proponent initially presented an "experience contract", providing for the temporary contracting of Willyan Dene Sarah for 45 days to address this aspect of the NCR. The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaiso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring period covered by this verification, that the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the PD validated not only for the conduction of field activities, but also for the promotion of social benefits to the person, the audit team considers the corrective action taken as sufficient for the moment, however, issues a FAR#02/17, to highlight the need to avoid further significant lapses in employing a local project manager throughout the next verification period.</p> |
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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>The proponent initially submitted volunteer contracts to Nagila and Fatima, other collaborators of the project, for which they commit to work during the period of "03 days, for 36 hours, from February 7, 2014 until December 31, 2016", voluntarily, without receiving payments. First, the audit team 1) points out that the existence of such a contract was not characterized during interviews with employees during the field audit and 2) considered that the contract did not make it clear whether the period of "03 days, for 36 hours" is inserted in the space of a week, a month, a year or even 03 years. Having said this, it is finally pointed out that voluntary contracts are illegal outside public power or not-profit organizations in Brazil, according to the provisions of Law No. 9,608 of February 18, 1998, as amended by Law No. 13,297 of 16 June 2016. In response to this, the project proponent voided the volunteer 'contracts', and supplied the audit team with copies of the 'Terms and Conditions for Project Volunteers', sufficing to evidence conformance to relevant laws and the standard requirements (Refs. 48 &amp; 49).</p> <p>This NCR has been closed, and FAR#02/17 has been raised to be closed by the next verification.</p> |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Comments (optional):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | FAR#02/17 has been raised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 07/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | CCBS, 2a ed. (2008), G3.10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4.3.10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>The audit team's findings from the field audit evidenced potentially a serious issue that could arise during the project's future implementation of the project activity related to the demarcation and regularization of community land portions.</p> <p>The interviews with community members and social movement organizations confirm that the communities that live within the project are composed by old rubber collectors and their descendants. Traditionally, these communities lived of rubber collection from the Amazon forest native trees.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

These communities, in addition to extracting the latex from the forests, opened clearings to grow maize, rice, beans, manioc and other important species for their isolated survival in the forest. With the fall in the price of rubber, the rubber tappers lost their main source of income, being forced to increase their planting areas and began to live from the manioc plantations and the manufacture of flour. The planting of cassava without the use of agricultural inputs required the rubber tappers to develop their own cultivation techniques based on the cutting of small "blocks" (approximately 1 ha), burning felled vegetation and fallowing of recently cultivated areas. This traditional technique of cassava cultivation requires periodic rotation of planting sites. This means a cycle between planted areas, fallow areas and regenerated areas that will be overturned. Without this temporal and spatial sequence, the site productivity declines and becomes infeasible, according to the interviewees.

According to the interviewed, the proposal given by the project's proponents is to demarcate 15 to 20 ha per family. However, the PDD (ref. 3) does not mention the amount of land to be offered to these families at the end of the regularization process, nor the dimensions of the plot. It is understood by the community that the amount of land is not enough to maintain their traditional farming ways, which would compromise their way of living and would reduce the land area they work on nowadays. The interviews with the communities reveal that there is not a consensus agreement over the adequacy of the proposed plot size, and that the communities do not agree to the planned restrictions to hunting rights, timber extraction and fishing, once the family's main income generation and way of life. It was observed, during interviews with the community, a notable degree of ignorance with respect to the project's goals and wariness over certain planned project activities, particularly the land demarcation described above. Community members are readily familiar with some aspects of the project and its activities, but many of these stakeholders do not consciously connect them with the project. Community members allege that much of what was promised in the first meetings in 2011 and 2013 has not been fulfilled, though, importantly, these same community members did not report any failed attempts to engage with the project proponent to discuss and seek resolution to any grievances. Beyond the dissatisfaction of most of sampled interviews, a feeling of potential future loss of rights and damage to the community's way of living is conveyed.

The project, on the other hand, questions the communities' understanding of the amount of land offered through the land tenure activity, arguing that 15-20ha is in fact 2 to 4 times the size of the parcels currently occupied and cultivated by the community stakeholders for their subsistence agriculture lifestyle. As the activity has so far been planned and discussed, the action is recognized by the the audit team, the communities and the project proponents as having the potential to negatively impact the communities when it is implemented over subsequent monitoring periods. It is the audit team's understanding that community members would withdraw their consent from the project if the land demarcation project activity

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| is carried out as currently planned. Thus, the audit team understands that such action is initiating implementation in accordance with the project description, but doing so has revealed the grievance mechanism to be not wholly effective. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Corrective Action Request:                                                                                                                                                                                                                    | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Timeline for Conformance:                                                                                                                                                                                                                     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Evidence Provided by Organization:                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 81: Catch Up Plan for Russas and Valparaíso</li> <li>- Ref. 84: Saymo Justiniano da Silva (CAR Technician) Contract</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Findings for Evaluation of Evidence:                                                                                                                                                                                                          | <p>In interactions with the audit team after the fieldwork, the project proponent pointed to meetings with the Union of Rural Workers and ITERACRE, attesting, from these meetings, the approval of these instances on the titling process. The project proponent also argued that the rights of communities on land are limited to areas open for clearing (without forest cover), that the area of 15 to 20 ha per family is higher than required by law and finally that the project activity is beneficial to the communities, taking into account an alternative scenario of conflict with the landowner, common in the Brazilian Amazon as a whole. Although the audit team understands that the project proponent has received positive reactions from the Union of Rural Workers and ITERACRE, the audit team also takes the opportunity to point out that FPIC is not demonstrated if the project seeks to resolve the underlying issue with associations that do not, at least accurately, represent communities or even state government agencies, rather than with communities themselves. If this were the sole means of 'engaging' with the affected stakeholders, it is understood that the proponent would be imposing the activity of titling and not obtaining the consent on the activity of those who will be rightly impacted by it. Further, it should be noted that the community members were unanimous in opposing the idea of the titling activity as it is</p> |

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|  | <p>currently planned during the interviews conducted in the audit, believing that a fixed lot of 15 to 20 ha is not enough to feed their families. As such, it was characterized that there would be a feeling of opposition to the project as a whole, in the majority of interviewees if the titling activity were undertaken without a readjustment by the project based on additional community consultation and effective participation by the affected stakeholders in order to resolve these foreshadowed grievances. The audit team understands that communities have the right to manage their clearing areas and forest in sufficient area to provide for their families and that this right is ensured by the laws of the country (in Portuguese: Estatuto da Terra, Lei n. 4.504 de 30 de novembro de 1964). Finally, the audit team understands that the fiscal module in the state of Acre is equal to 100ha. The fiscal module is defined by INCRA according to the average of the rural modules in the region. The rural module, in turn, is defined based on the minimum area required for family support, having been clearly influenced in the case by the size of the properties in the state, its demographic density and its productive potential.</p> <p>In response to these findings, the proponent has taken corrective actions to demonstrate investment of time and resources in addressing community concerns and to ensure the proper functioning of the grievance mechanism. The project presented a 'Catch Up Plan', within which is described the plan to re-engage with community stakeholders to increase their awareness of the project, ensure their effective consultation, and ensure their effective participation, which, as a result will facilitate the grievance mechanism's effectiveness as well as the project's maintenance of FPIC among affected communities. Part of this community engagement process will involve consultant Saymo Justiniano da Silva, a technician who will be going from door-to-door to explain all aspects of land demarcation process, including discussions around the shape and size of the plots, the CCIR and CAR, land tenure laws and about what communities are able to do with their titles, as</p> |
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|                      | well as a discussion about REDD+ projects. As the community grievances are latent in nature and would become realized if the land titling activity were to proceed as planned, the audit team considers the corrective actions taken by the project proponent to be sufficient to close the NCR, and raise FAR#09/17 in its place, to be closed by the next verification. |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                    |
| Comments (optional): | FAR#09/17 raised                                                                                                                                                                                                                                                                                                                                                          |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 08/17                                   |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | VCS AFOLU_Non-Permanence_Risk_Tool_v3.3 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4.4.3                                   |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                         |
| <p>The proponent presents a financial report (ref. 20) highlighting inputs and outputs, respectively originating from carbon credits and the implementation of the project's activities. The referred report serves as basis to the risk analysis (ref. 21) presented, where is observed the determination of a score Zero for its component "financial viability", specifically on items d) and H) from the table 2. The risk score attributed to these items characterizes the existence of enough financial volume for the implementation of the project's activities in up to 4 years, meaning, up to the moment covered by the verification audit. The audit team considers the risk as underestimated, considering the activities described on the project have not been implemented as planned (see FAR#06/17). Moreover, proof of expenses that support the value shown at the financial spreadsheet (see NCR#12/17) is missing among the provided documentation.</p> <p>In its risk analysis, the proponent underestimates the risks associated to the "project's longevity" when considering Zero score regarding item b) from table 4 (ref. 21). The existence of a legal agreement between the project's proponent for the areas conservation for over 60 years is not enough to mark score zero for this item, according to the referred tool requisites.</p> <p>The proponent assures that the properties of both proponents and land owners of the seringal Valparaíso is officially registered on CAR, in a way to support the unquestionable rights over the project's area, and therefore, the choice to mark score Zero to risk associated to "resources and right over land", specifically item a) from table 6 (ref. 21). The audit team understands that the risk in question was underestimated. From cross checking CAR baseline at the state of Acre (ref.23, fig. 3), the audit team has noted that 1) the seringal Valparaíso is not correctly registered on CAR and 2) there is an overlapping among the project's area limits of the Valparaíso project and another property limit from a third-party property.</p> |                                         |

Moreover, the presence of a large and uncertain number of families living at the project's area for generations, suggests the existence of disputes over access rights to natural resources at the area and also overlapped rights (see item d), table 6, fact also corroborated by interviews with the communities in question that, in a general way, show a negative perception and militant posture relating to the project's implementation, mainly related to its areas of use demarcation.

The proponent considers as Zero the risk associated to "community engagement", specifically item b) from the table 7 (ref. 21). However, data from the Municipal Department of Health suggests the existence of approximately 200 families living at both "seringais". It was characterized during interviews done at field with the project's staff and also community representatives, a high degree of uncertainty over the real number of families living in the project's area. Statements gathered from the stakeholders suggest a number that varies between 200 and 800 families. Either way, the proponent affirms having involved 50 families of both "seringais" over the project's documentation. The audit team understands there are enough motives to determine the risk, associated to community engagement as underestimated.

The proponent relies on scientific studies (ref. 24) done in the Amazon to determine the risk of carbon stock losses due to fire events. The audit team understands that a fire incidence at the region is bigger than the one found by the proponent's risk evaluation, in function of an independent analysis done based on INPE data (Space Research Institute), which demonstrates the occurrence of heat spots in the project areas. This analysis revealed the occurrence at 187 heat spots over the project areas during the period covered by this audit, being 112 points only in 2016 (ref. 23, fig 4).

The analysis of heat spots is corroborated through interviews with the community and direct observations made at the field, where it stayed characterized the use of fire for plot clearing and land management. The audit team understands the risks associated with carbon stock losses in function of "natural events" such as "fire" (table 10), specifically in what relates to the event's probability or frequency, as underestimated by the project's proponent.

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| Corrective Action Request:       | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b> | Prior to project verification                                                                                                                                                                                                                                                                                                        |
| Evidence Provided by             | - Ref.33: Updated MIR                                                                                                                                                                                                                                                                                                                |

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| <p>Organization:</p>                        | <ul style="list-style-type: none"> <li>- Ref.35: Updated Nonpermanence risk report</li> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 81: Catch Up Plan for Russas and Valparaiso Projects</li> <li>- Ref. 84: Saymo Justiniano da Silva (CAR Technician) Contract</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>Findings for Evaluation of Evidence:</p> | <p>The project proponent presented documents to prove sales of carbon credits and, therefore, the sufficiency, in terms of financial resources, for the implementation of the project activities, justifying the score zero attributed to the category of risk "Financial Viability" and specifically in its items d) and h), table 2. The audit team evaluated the documentation and believes that the financial health of the institution and its financial capacity to implement the project has been demonstrated.</p> <p>The project proponent presented a contractual addendum that provides for the maintenance of the project for a period of 60 years, justifying therefore the score zero assigned to the category of risk "Project Longevity" and specifically in its items b), table 4.</p> <p>The proponent has updated the project documents to show that the project is aiming to be registered on CAR database. The audit team recognizes that, by force of law, the dead line to register properties on CAR was postponed. Thus, considering that property rights were not part of this specific verification scope and also the previous validation results, the audit team agrees with the current risk score for this risk category, specifically, item a), table 06. The project proponent has recognized the risk related to land title overlapping in the Northeast section of the Valparaiso Project and that disputes over rights exist, attributing the correct and highest risk score to the category. As such, the project proponent has provided documented evidences that prove that the dispute is being resolved, as is required by the VCS tool (Refs. 81 and 84). Considering that the resolution of the overlapping boundary could potentially affect the carbon modelling of the project, FAR#10/17 is being raised, to be closed by the next verification.</p> <p>The proponent updated his risk analysis to consider the highest possible score in the category "Community Engagement",</p> |

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|                      | <p>specifically in item a), table 7, being therefore conservative in this regard. The proponent also considered the applicable mitigation measure related to the previous validation and verification of the project against CCB standard, which was considered acceptable by the audit team.</p> <p>The proponent adjusted his risk analysis regarding the occurrence of fires, considering a greater frequency of events and the real degree of significance of the events. The audit team considers the adjustments made as pertinent, since they respect the data published by INPE (regarding hot spots, frequency of events) and PRODES (regarding area conversion, intensity of events - checked by the audit team). The adjustments made maintain the score assigned to the "Natural" risk category and specifically in relation to "fire", table 10.</p> |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Comments (optional): | FAR#10/17 raised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 09/17                                                               |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | VMD0010 LK-ASU v1.1, step 4<br>VCS standard v3.7, requirement 3.5.1 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3.2                                                                 |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                     |
| <p>The project's proponent has adopted a methodological deviation for the AVFOR calculus, using TOTFOR as main data for the same.</p> <p>The audit team, however, could verify that despite citing a reliable source of information (ref. 13), project proponent presented outdated studies, taking in consideration the project start date and the monitoring frequency stated for this specific parameter by the referred methodology module. For example, the PROBIO data from 2002 was used as a basis for TOTFOR.</p> <p>This way, adopting this approach, the proponent contradicts orientations presented in the referenced module (ref. 12); as well as the existent guidelines in section 3.5.1 of the VCS standard (ref. 4).</p> |                                                                     |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Organization shall implement corrective actions to demonstrate      |

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|                                      | <p>conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                            |
| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Evidence Provided by Organization:   | <ul style="list-style-type: none"> <li>- Ref.33: Updated MIR</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Findings for Evaluation of Evidence: | <p>The project proponent provided the source of information used to calculate the parameter in question. The FAO Forestry Department report shows the forest cover for Brazil in its different biomes, referring to data from the PROBIO project carried out by the Brazilian Ministry of the Environment in different periods from 1990 to 2010. The audit team understands that the FAO report and the data from the PROBIO project are reliable sources of information and that its use has not violated the conservativeness of the reduction estimates.</p> |
| <b>NCR Status:</b>                   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 10/17                     |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | CCBS, 2a ed. (2008), G3.5 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 4.3.2                     |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |
| <p>The project's proponent identifies the occurrence of illegal hunting at the project area as a potential—but not actual—risk to the project's objectives linked to biodiversity conservation. The proponent points to monitoring actions around the project's objectives as a mitigation measure to the identified risk.</p> <p>The audit team identified, during field incursion alongside the community, evidences of ongoing illegal hunting (ref. 19) and it has drawn many statements that support evidence of significant hunting activity in the region. Moreover, through interview with the consultant responsible for the biodiversity monitoring and also through the analysis of the monitoring report presented (ref. 25), the audit team understood being characterized the absence of large sized mammal species, such as the tapir (<i>Tapirus terrestris</i>) and the spotted jaguar (<i>Panthera onca</i>) within the project areas. According to the presented report and the hired consultant, the absence of these species expresses the hunting activity in the region. Due to the exposed,</p> |                           |

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| the audit team understands the mitigation measures for the identified risk, listed at the project documentation, as insufficient. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Corrective Action Request:                                                                                                        | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Timeline for Conformance:</b>                                                                                                  | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Evidence Provided by Organization:                                                                                                | <ul style="list-style-type: none"> <li>- Ref.33: Updated MIR</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Findings for Evaluation of Evidence:                                                                                              | <p>In interactions with the audit team after the field work the project proponent discusses the issue of illegal hunting in the territory, focusing on the inherent complexity of the subject, stressing that it is difficult to distinguish between illegal activity and traditional activity and pointing to the lack of evidence that qualifies hunting in the territory as illegal. The proponent also points out that large mammals may have simply been missed because it is a first monitoring event, thus attributing their apparent absence to the uncertainty associated with any sampling method. The proponent also discusses what would be the applicable mitigation measures, pointing to continuous monitoring, focused on endangered species, raising awareness of communities on the issue and implementing agreements with a focus on delineating areas free of hunting.</p> <p>The audit team agrees with the proponent about the inherent complexity of the topic and its considerations. The audit team also agrees with the proponent on the proposed risk mitigation measures, but stresses that 1) considering the lack of regular systematic terrestrial patrolling activities in the project area during the 2014-2016 monitoring period, such measures would plausibly reduce the risk of hunting of endangered species only in cases where hunting activity was carried out by communities living within the project area and not by persons outside the boundaries of the project area and 2) the mitigation measures presented and their</p> |

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|                      | <p>stepwise logic have not been recorded in the updated version of the monitoring report.</p> <p>However, although the associated mitigation measures have not been clearly reported in the project implementation and monitoring report, the audit team understands that the necessary and possible actions to mitigate the problem are placed in one form or another in the project activities. That is, the proponent foresees monitoring of biodiversity, interaction with communities and surveillance actions. Based on the above, the audit team considers the NCR to be closed and points to an observation as an opportunity for improvement in project description OBS#04/17.</p> |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Comments (optional): | Evidence of hunting by people outside the project area was identified during the fieldwork, in the form of interviews with community members. Evidence of hunting activity was evidenced during field work by direct observation (guns and traps were found).                                                                                                                                                                                                                                                                                                                                                                                                                               |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                         | 11/17                                                                                                                                                                                                                                                                                                                                |
| Standard & Requirement:                                                                                                                                                                                                                                                                              | CCBS, 2a ed. (2008), G4.7                                                                                                                                                                                                                                                                                                            |
| Report Section:                                                                                                                                                                                                                                                                                      | 4.3.2                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                      |
| <p>The organization did not document the financial condition of the proponent entity. Documents to validate the accuracy of the financial assets and liabilities were not presented to attest the organizations capacity to guarantee continuity of the activities described in the PD (ref. 3).</p> |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                                           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                     | Prior to project verification                                                                                                                                                                                                                                                                                                        |
| Evidence Provided by                                                                                                                                                                                                                                                                                 | - Ref.36: Financial Sensitive Documents                                                                                                                                                                                                                                                                                              |

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| Organization:                        | <ul style="list-style-type: none"> <li>- Ref. 37: Select Expenses for Valparaiso and Russas</li> <li>- Ref. 38: Financial Spreadsheet</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                                                                                                                                                                                                                       |
| Findings for Evaluation of Evidence: | The project proponent presented documents to prove sales of carbon credits and, from there, their financial health and the ability to ensure the continuity of the project activities. In addition, it submitted the income tax return receipt, which shows the total income, for the year 2016. The audit team evaluated the documentation and believes that the financial health of the institution and its financial capacity to implement the project has been demonstrated. |
| NCR Status:                          | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| NCR#:                                                                                                                                                                                                                                                                          | 12/17                                                                                                                                                                                                                                                                                                                                |
| Standard & Requirement:                                                                                                                                                                                                                                                        | CCBS, 2a ed. (2008), G2.2, G3.2, G3.4, G3.11.                                                                                                                                                                                                                                                                                        |
| Report Section:                                                                                                                                                                                                                                                                | 4.3.2                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                      |
| The organization did not present registry or analysis that would allow the project practicability evaluation along the period covered by this verification. Revenues or costs from developed activities during this monitoring period were not presented (see comments below). |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                     | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:                                                                                                                                                                                                                                                      | Prior to project verification                                                                                                                                                                                                                                                                                                        |
| Evidence Provided by Organization:                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>- Ref. 36: Financial Sensitive Documents</li> <li>- Ref. 37: Select Expenses for Valparaiso and Russas</li> <li>- Ref. 38: Financial Spreadsheet</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                         |
| Findings for Evaluation of Evidence:                                                                                                                                                                                                                                           | The project proponent presented documents to prove costs related to service provider contracts as an example of expenses related to                                                                                                                                                                                                  |

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|                      | <p>the monitoring period. The proponent stresses that it deals with the most representative costs. The audit team evaluated the documentation and concluded that 1) some of the expenses presented were not executed during the monitoring period evaluated (2014 to 2016), 2) the expenses executed and evidenced by vouchers in the period from 2014 to 2016 do not correspond to the expenses reported in the project financial worksheet, and in this period a higher amount was budgeted than the one executed for the same parameters considered as inputs for the analysis (based on receipts presented) and 3) expenses executed and evidenced by vouchers since 2013 (all receipts presented) do not correspond to the expenses reported in the financial worksheet of the project, and the expenses executed are higher than those budgeted for the same parameters considered as inputs for the analysis (due to the receipts presented). The audit team understands that the project proponent has demonstrated its financial capacity to implement the project (see NCR#11/17), however, it has failed to present a financial spreadsheet that matches the actual costs incurred. The audit team issued an observation to point out the review of the project financial sheet as an opportunity for improvement (OBS# 07/17)</p> |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Comments (optional): | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                      | 13/17                                |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                           | VMD0015 v2.1, part 5, Step 3, Step 6 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                   | 4.4.2                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                       |                                      |
| <p>According to Step 3 (page 24) of the used methodology, remote sensing data should be used and its information documented/registered. The project's proponent did not provide data and information to the audit team on: a) satellite/sensor name, b) image date acquisition, c) percentage of area covered by clouds, d) GIS data for the classification evaluation process, e) geometrical and radiometrical corrections applied results.</p> |                                      |

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| <p>Evidences that allow the independent cross checking have not been made available to the audit team for the following monitoring parameters: a) Project Forest Cover Monitoring Map, b) Leakage Belt Forest Cover Monitoring Map, c) Degradation PRA Results, d) Result of Limited Degradation Survey, e) ADegW,i, f) ADECKS,I,t, g) ARRL,forest,t.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>Corrective Action Request:</b></p>                                                                                                                                                                                                                                                                                                                  | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Timeline for Conformance:</b></p>                                                                                                                                                                                                                                                                                                                   | <p>Prior to project verification</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Evidence Provided by Organization:</b></p>                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>- Ref.33: Updated MIR</li> <li>- Ref. 39: Responses to Findings</li> <li>- Ref. 57; Letter on satellite imagery date of acquisition, Antonio Willian Flores de Melo</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Findings for Evaluation of Evidence:</b></p>                                                                                                                                                                                                                                                                                                        | <p>The proponent responded to this NCR by providing additional information or clarifying specific aspects of calculation to the audit team regarding:</p> <ul style="list-style-type: none"> <li>- Satellite/sensor name</li> <li>- Project Forest Cover Monitoring Map</li> <li>- Leakage Belt Forest Cover Monitoring Map</li> <li>- Degradation PRA Results</li> <li>- ADegW,i</li> <li>- ADECKS,I,t</li> <li>- ARRL,forest,t.</li> </ul> <p>The audit team considered the responses presented and concludes that the proponent has submitted information regarding the date of acquisition of the Landsat images used by UCGEO (Ref. 57).</p> <p>Finally, the proponent has submitted, among the GIS data, a file representative of the data f) ARR, forest (Remaining area of forest in RRL). This data was necessary to confirm the reported value of</p> |

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|                      | 4,272,043 ha.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>NCR Status:</b>   | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Comments (optional): | <p>The proponent did not present "Project Forest Cover Monitoring Map" and "Leakage Belt Forest Cover Monitoring Map" in GIS format for independent checking. The proponent made available to the audit team the data in shapefile format with polygons of deforested areas and not the spatial limit of the project area and the leakage belt updated with the exclusion of deforestation detected in the period. Although information on monitored deforestation can be used to independently check the information about the project's ex-post estimates in the monitoring period, the audit team understands as an opportunity for improvement to the project that a complete collection of GIS files may be provided to the audit team, considering "Project Forest Cover Monitoring Map" and "Leakage Belt Forest Cover Monitoring Map".</p> |

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| <b>NCR#:</b>                                                | 14/17                           |
| Standard & Requirement:                                     | CCBS, 2a ed. (2008), GL2, CM1.1 |
| Report Section:                                             | 4.5.1 e 4.5.2                   |
| <b>Description of Non-conformance and Related Evidence:</b> |                                 |

The project proponent constructs the reasoning (Ref. 33) that the BNS was used to identify the poorest quartile among the communities in the project area. The audit team stresses that the uncertainties associated with the number of families are impeditive for the determination of the lowest quartile of the population in terms of poverty.

Data from the Municipal Department of Health suggests the existence of approximately 200 families at both “seringais”. It was characterized during interviews done at field with the project’s staff and also community representatives, a high degree of uncertainty over the real number of families living in the project’s area. Statements gathered from the stakeholders suggest a number that varies between 200 and 800 families. Either way, the proponent affirms having involved 50 families of both “seringais” in the project, through PRA and BNS.

Moreover, the documents on the resident population number on the project area are confusing. The project description mentions 20 families living within its area (pg. 19 and 80, ref.#29), while the project monitoring and implementation report mentions 46 families living within its limits (pg. 31, ref.#1). Beyond these discrepancies, no document mentions community names, as well as the lack of information on the number of families on each community.

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| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>                                                                                                                       |
| <b>Timeline for Conformance:</b>     | Prior to project verification                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Evidence Provided by Organization:   | <p>- Ref.33: Updated MIR</p> <p>- Ref. 39: Responses to Findings</p>                                                                                                                                                                                                                                                                                                                                                                                       |
| Findings for Evaluation of Evidence: | <p>The project proponents presented the following arguments and evidence in order close this finding:</p> <ul style="list-style-type: none"> <li>First and foremost, project owner Ilderlei Cordeiro does not discriminate based off one’s income.</li> <li>All Project activities – from land titling, to agricultural extension courses, to being able to visit the health clinic – will be open to everyone. Being ‘open’ to everyone is one</li> </ul> |

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|  | <p>important piece, the other being accessibility—the project is going to make all reasonable efforts to continue to ensure that the project activities (e.g. agricultural extension courses) are accessible to all, including the poorest quartile. Some activities – such as agricultural extension courses and building toilets – will occur throughout the communities. The location of the toilets, for instance, was prioritized based off being installed first at the poorer communities. Some activities – such as granting official land titles – will be done on a house-by-house basis. Some activities – such as renovating the headquarters and renovating the health clinic – will be done in one specific location. To ensure, for instance, the headquarters and health clinic are accessible to all, Ilderlei provides gas for their canoes, food while at staying at the headquarters and for their return canoe ride, and lodging at the headquarters (e.g., there are spare mattresses and hammocks) to anyone who needs such assistance, especially for poorer communities.</p> <ul style="list-style-type: none"> <li>• The way the Projects specifically target the poorest quartiles at the communities is by providing gas and food for the poorest communities in order for them to visit the Project's headquarters to be seen by doctors. The project proponents believe the local census conducted by Ilderlei and Marmude in May 2013 was reliable and that the Basic Necessity Surveys provide reliable socioeconomic data. The original census, was a high-level census that included included communities outside of the project and leakage areas by the Municipality. Furthermore, as every community will be granted title and during the process of taking the measurements for the CAR, the project proponents will have an even better idea of the number of families living at the Russas and Valparaiso Projects.</li> <li>• The project proponents are able to determine the lowest</li> </ul> |
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|  | <p>quartiles based off a Basic Necessity Survey that was first conducted in March to May 2013, and then later in May 2017, and use this to direct their support accordingly. Ilderlei and Marmude did a local census and Basic Necessity Survey of the Russas and Valparaiso Projects in May 2013, which was provided to the initial verification auditor and to the current audit team. The Basic Necessity Survey from May 2017 was originally not provided to the next verification audit team (i.e. IMAFLORA) because it was outside of the MRV period, but it has since been provided because it does provide insight in to the local populations that are relevant to the monitoring period undergoing verification. Further, the differences between the population estimates are a result of a) The Ministry of Health included communities outside of the Project Area (i.e., along parts of the Jurua River, along the entire Jurua Mirim River, and areas such as P.A. Santa Luzia); b) additional population growth and in-migration; c) overestimates by the Ministry of Health (i.e., every community is assumed to have 5 people per household). Finally, as previously mentioned, every community will be granted title and during the process of taking the measurements for the CAR in 2017, allowing the project proponents to gain an even better idea of the number of families living at the Russas and Valparaiso Projects and continue to ensure positive net impacts for the poorest quartile of local community members.</p> <p>Given the above, and the fact that the audit team recognizes that the project is being carried out in a poor region and that the effective implementation of the project can bring exceptional benefits to communities, the audit team stresses that the optional gold status for communities in the period covered by this verification is demonstrated, yet reliant on successful demonstration of continued conformance by the project to related</p> |
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|                      | 'open' Forward Action Requests issued in this report. |
| <b>NCR Status:</b>   | CLOSED                                                |
| Comments (optional): | None                                                  |

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| <b>NCR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 15/17                                                                                                                                                                                                                                                                                                                                |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CCBS, 2a ed. (2008), CM1.1 CM3.1, CM3.2                                                                                                                                                                                                                                                                                              |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 4.5.5                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                      |
| <p>The project description (Ref.03) states that Rural Participatory Assessment (PRA) and Basic Necessity Survey (BNS) will be used to as instruments of the community impact monitoring plan and, thus applied periodically to verify the reported impacts of the project activities on each identified community group. The audit team understands that these tools represent the methodologies used to estimate and assess the impacts on communities resulting from planned project activities. The documentation submitted in function of these monitoring instruments application was limited to the year of 2013. No documents or records of the monitoring carried out after 2013 were presented. The project monitoring and implementation report 2014-2016 (ref. 1) affirms that the Impact assessment will be carried out every 2 years. The proposed frequency in the community monitoring plan was not followed. The Participatory Rural Assessment (PRA) and the Basic Necessity Survey (BNS) were implemented in March and April 2013. The second PRA was administered in May 2014 and the third PRA was administered in March 2017. The second BNS was applied in May 2017, according to the MIR 2014-2016 (page 36, ref. 1).</p> <p>The communities interviewed report that they have not received feedback on the monitoring applied.</p> |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Prior to project verification                                                                                                                                                                                                                                                                                                        |
| Evidence Provided by Organization:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>- Ref.33: Updated MIR</li> <li>- Ref. 39: Responses to Findings</li> </ul>                                                                                                                                                                                                                    |
| Findings for Evaluation of Evidence:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | The proponent states that due to the insufficient flow of resources caused by the low carbon market, social monitoring actions were postponed to 2017 and will be reported in the next monitoring                                                                                                                                    |

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|                             | <p>report. The proponent also provides some quantitative data regarding the number of mosquito nets distributed, number of contracts carried out (see NCR#06/17), number of people attending rural extension courses, among others, to prove some level monitoring of project actions. Regardless of whether the figures presented are appropriate for purposes of reporting the project impacts and that the statement made contrasts to the proponent's argument that there is sufficient and established financial flow for the implementation of project actions, the audit team considers the argument to be plausible in view of the downward trend in the average value of the tonne of carbon in the voluntary market over the last few years. In addition, the monitoring efforts carried out in 2017 were characterized during the present audit. Thus, the audit team considers this NCR to be closed and raises a FAR#05/17, to emphasize the need to report the results of social monitoring during the next verification using the methods determined in the validated project description.</p> |
| <b>NCR Status:</b>          | CLOSED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Comments (optional):</b> | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## Forward Action Requests

*Note: FARs (Forward Action Request) indicate critical points in the project that must be observed and addressed by the proponent to the next project verification or at a given specified date. The failure to solve a problem or potential discrepancy of the project in relation to the reference standards result in the issuance of an NCR at the next verification event or at the specified date.*

*FARs identified in the Draft Report does not need to 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.*

|                                                             |                                                                           |
|-------------------------------------------------------------|---------------------------------------------------------------------------|
| <b>FAR#:</b>                                                | 01/17                                                                     |
| <b>Standard &amp; Requirement:</b>                          | VMD0007 BL-UP v3.2, section 1.1.1<br>VCS standard v3.7, requirement 3.5.1 |
| <b>Report Section:</b>                                      | 4.4.1                                                                     |
| <b>Description of Non-conformance and Related Evidence:</b> |                                                                           |

The audit team has identified inconsistencies between the agents and deforestation drivers, observed at the project's area (family agriculture and manual deforestation with the "coivara" techniques), and the agents and drivers assumed for the baseline's reference region (large deforestation polygons, with access by paved roads and with probable use of track tractors).

The validated PD and MIR define the following: "The main deforestation agents in the RRD are small scale farmers who intend on establishing or expanding pasture and croplands through conversion of forest...". However, by the deforestation dynamics over the reference region in the analyzed period (from 1999 to 2010), mainly along the BR 364 highway and the surrounding areas of Rio Branco, it can be noted a prevalence of large polygons cleared in a year-interval very unlikely to be cleared by the same agents and drivers that happen at the project area (ref. 23, figs.5 & 7). The speed and size of the areas opening at the reference region, suggests the use of track-type tractors, driven by cattle activities, which is very different from the deforestation drivers existent at the project's area (cassava plantations for means of living, besides slow forest conversion to grassland from pre-existent pasture areas).

Moreover, with evidence obtained during interviews with the community members and direct observations at the projects sites, the deforestation trend for cassava plantations was mainly noted (the main deforestation driver in the project's area) at dry and higher lands, which remain dry all year long, suggesting that the flood lands are not subjected to the same deforestation pressure from those specific deforestation agents.

Based on the previously exposed, the audit team understand the need to revise, during the baseline revalidation, the deforestation rate (RRD) as well as deforestation location (RRL) established as baseline for the period of 2011 to 2021.

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| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>     | Prior to project baseline revalidation                                                                                                                                                                                                                                                                                               |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |

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| <b>FAR Status:</b>   | OPEN |
| Comments (optional): | None |

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| <b>FAR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 02/17                                                                                                                                                                                                                                                                                                                                |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | VCS Standard v3.7, requirement 3.1.3<br>VM0007 v1.4, section 9.3.1<br>CCBS, 2a ed. (2008) G.3.4, CM 3.1                                                                                                                                                                                                                              |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4.3.7                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                      |
| <p>The proponent presented an "experience contract," providing for the temporary hiring of Willyan Dene Sarah for 45 days to address provide evidences of a particular project activity (Hiring of a project manager). The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaíso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring period covered by this verification, that the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the validated project description and that this action was planned not only for field activities coordination but also for the promotion of social benefits to the person, the audit team considers the corrective action taken as sufficient for the moment. However, issues this FAR, to highlight the need to avoid further significant lapses in employing a local manager over the next verification period.</p> |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Prior to next project verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | PENDING                                                                                                                                                                                                                                                                                                                              |
| <b>FAR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | OPEN                                                                                                                                                                                                                                                                                                                                 |

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| Comments (optional): | None |
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| <b>FAR#:</b>                                                                                                                                                                                                                                                                                                                                                                                              | 03/17                                                                                                                                                                                                                                                                                                                                |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                        | VCS Standard v3.7, requirement 3.1.3<br>VM0007 v1.4, section 9.3.1<br>CCBS, 2a ed. (2008) G.3.4, CM 3.1                                                                                                                                                                                                                              |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                    | 3.4                                                                                                                                                                                                                                                                                                                                  |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                      |
| The proponent did not implement such “Profit sharing on the commercialization of carbon credits”, as a project activity, during the monitoring period covered by this verification, stressing if it is a long-term action and pointing to the year 2017 as the focus for its accomplishment. The audit team issued this FAR to highlight the need to verify this specific action at the next audit event. |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                                                                                                                                                                                                                                                                                                                                | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                          | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:                                                                                                                                                                                                                                                                                                                                                                        | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence:                                                                                                                                                                                                                                                                                                                                                                      | PENDING                                                                                                                                                                                                                                                                                                                              |
| <b>FAR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                        | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                                                                                                                                                                                                                                                                                                                                                                                      | None                                                                                                                                                                                                                                                                                                                                 |

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| <b>FAR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                   | 04/17                     |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                             | CCBS, 2a ed. (2008), G4.6 |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                         | 4.3.7                     |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                    |                           |
| <p>The proponent affirmed that the project staff—Nagila, Willyan, and Fatima—was informed about occupational risk situations and associated mitigation measures (TECMAN) or that this is not necessary due to the employees' familiarity with the site and their intrinsic knowledge about occupational hazards. To evidence this, the project has provided a list of occupational risks and mitigation measures that each</p> |                           |

signatory could take (Refs. 48, 49, 58). Additionally, the project description provides an assessment of occupational safety risks in section 2.7. It raises this FAR, to emphasize that a guideline for all workers should be implemented in accordance with the guidance provided in the monitoring report itself until the next project verification.

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| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:            | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |
| FAR Status:                          | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                 |

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| FAR#:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 05/17                             |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | CCBS, 2a ed. (2008), CM3.1, CM3.2 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 4.5.1, 4.5.5                      |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                   |
| <p>The proponent states that due to the insufficient flow of resources caused by the low carbon market, social monitoring actions were postponed to 2017 and will be reported in the next monitoring report. The proponent does provide some quantitative data regarding the number of mosquito nets distributed, number of contracts carried out (see NCR#06/17), number of people attending rural extension courses, among others, to prove some level monitoring of project actions. Regardless of whether or not the figures presented are appropriate for purposes of reporting the project impacts, and that the statement made contrasts to the proponent's argument that there is sufficient and established financial flow for the implementation of project actions, the audit team considers the argument to be plausible in view of the downward trend in the average value of the tonne of carbon in the voluntary market over the last few years. In addition, the monitoring efforts carried out in 2017 were characterized during the present audit. Thus, the audit team raises this FAR, to emphasize the need to report the results of social monitoring</p> |                                   |

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| during the next verification using the methods determined in the validated project description. |                                                                                                                                                                                                                                                                                                                                      |
| Corrective Action Request:                                                                      | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:                                                                       | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:                                                              | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence:                                                            | PENDING                                                                                                                                                                                                                                                                                                                              |
| FAR Status:                                                                                     | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                                                                            | None                                                                                                                                                                                                                                                                                                                                 |

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| FAR#:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 06/17                                                                                                                                 |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>VCS Standard v3.7, requirement 3.1.3</p> <p>VM0007 v1.4, section 9.3.1</p> <p>CCBS, 2a ed. (2008) G.3.4, CL 3.1, CM 3.1, B.3.1</p> |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 4.3.1 and 4.5.2                                                                                                                       |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                       |
| <p>The project proponent recognizes that the project has not implemented its planned activities to the extent outlined and anticipated in the validated and verified PDD. The proponent presented 1) clarifications to justify that the implementation of some of the project activities as satisfactory, i.e. in a way that caused positive impacts to communities and biodiversity in the project area during the monitoring period and 2) evidence of actions taken since the field audit to demonstrate progress and that the project is 'on track' to fully implement planned activities, and 3) measures to be taken as corrective actions in the future, as outlined in the "Catch Up Plan for Russas and Valparaiso Projects" (Ref. 81). The justifications presented and the evaluation of the audit team are presented below:</p> <p><b>Increase of community awareness relating to the project:</b> the proponent highlights the work carried out by project collaborators such as Marmude (through September 2014) and Willyan (beginning in 2017) to raise awareness of the communities around the project and presents photos, meeting minutes and results of social assessments carried out with communities to corroborate the implementation of this activity from the project. The audit team evaluated these documents and concluded that most of the</p> |                                                                                                                                       |

documents refer to events prior to the monitoring period in question. The meeting minutes presented date from 2011, the results of the social diagnoses (PRA and BNS) date from 2013. However, there are also activities related to raising community awareness of the project that occurred within the monitoring period. On page 18 of MIR 2014-2016 (Ref. 1), the proponent lists the visits with relevant stakeholders and with the communities made in May and August 2014. The proponent also stated that consultation visits occurred in January 2014, July 2014 and March 2016. Nevertheless, the effectiveness of these visits is not well recorded, and audit team interactions with community stakeholders show a need for continued community engagement. The audit team visited the project areas and interviewed 52 people in 12 different communities. During the interviews in the communities, it was verified that community members who know about the project still have many questions related to the project's planned activities, as well as details of the execution and information about their rights and duties in relation to the project. Two of the ten schools in the project area were visited by the audit team, their teachers were interviewed and denied receiving copies of the project description or other key documents, however it is possible that faculty that was aware of these documents were not interviewed by the audit team. The audit team considers the interaction of Willyan Dene Sarah, who in 2017 replaced the original project manager Marmude in his assignments after his death in 2014, regarding the interlocution with the communities. However, given the delay in hiring a replacement project manager, the audit team considers the incomplete degree of implementation of this project activity as demonstrative of the need for continued community engagement in 2017 and going forward.

**Hiring of a project manager:** the proponent first presented an "experience contract," providing for the temporary hiring of Willyan Dene Sarah for 45 days to address this aspect of the NCR. The project then presented evidence that Willyan had been hired as the full-time project manager for the Valparaíso and Russas projects (Ref. 83). The audit team understands that although the hiring of a local manager for the project did not occur during the monitoring period covered by this verification, the presented contract is allowed by Brazilian legislation and therefore, legitimate. Understanding that the hiring of a local manager for the project is among the actions planned in the validated project description and that this action was planned not only for coordinating field activities but also for promoting social benefits to the local communities, the audit team considers the corrective action taken as sufficient for the moment. However, FAR#02/17 is raised, to highlight the need to avoid further significant lapses in employing a local project manager over the next verification period.

**Patrolling:** according to the project monitoring and implementation report (ref. 01), terrestrial patrol activities were operated by Marmude since 2011 through most of the year 2014. No records of terrestrial patrol activity carried out beyond 2014 were submitted. The audit team understands that there were were patrol activities conducted by boat along the rivers running between the communities, but that these are

not completely effective for the purpose of monitoring deforestation agents' activity and mitigating against it. The project team also interviewed Willyan, the project's current local manager, who stated that he had not received specific training or guidance in this regard and, in the last resort, had not done any coordinated or systematized action to verify the occurrence of deforestation in the project area during the monitoring period covered by the audit. The project has included in its "Catch Up Plan" (Ref. 81) tasks related to this, such as a patrol monitoring template that project manager Willyan Dene Sarah will complete, along with an assessment for the identification of areas in greatest need of patrol beyond the river banks to monitor the deforestation agents' activity.

**Social programs implementation:** To demonstrate the implementation of social programs, the proponent presents photos and attests the expenses related to the construction/improvement of a health clinic, distribution of "dental kits", construction of public toilets and "facilitation" of the public health boat visits by Ilderlei, project proponent and mayor of the municipality of Cruzeiro do Sul to the communities in the project area. The photos presented were indexed to the process as evidenced by the proponent. The expenses reported for the health center construction/improvement were close to \$10,000 and were executed by the proponent in the years 2016 and 2017, according to the project financial plan. The health clinic observed by the audit team was only beginning to stockpile equipment and supplies, accounting for the reported investment, and thus slowly increasing the health center's effectiveness at providing the intended services. The audit team understands the actions reported as beneficial and demonstrates a positive net impact, but one which shows room for greater potential impact than has yet been realized. During the field visit, the audit team witnessed public restrooms in the communities that were still under construction..

**Agriculture extension services implementation:** the proponent presented the organization of five courses conducted in 2013 as a project action aimed at rural extension, to prove the implementation of this specific action in the monitoring period covered by this verification. The courses were on the cultivation of banana, graviola, passion fruit, cassava, corn and crop rotation. The majority of these courses were not carried out during the 2014-2016 monitoring period, though it is plausible that the recipients of the training did benefit from them during the monitoring period. The proponent also mentions future actions in partnership with a local NGO, SOS Amazonia, to increase rural extension actions, and presents a training summary to date along with an open-ended agreement (Ref. 56) to demonstrate continued collaboration up to 2016 and beyond. The audit team considers that the impact of specific training may manifest itself over time in the implementation of the techniques taught, but was not able to verify the use of the techniques in question, such as graviola, corn, and passion fruit, or the use of crop rotation techniques that transcend traditional practice. Similar reasoning can be considered in relation to banana and cassava crops, which are part of the local culture and cannot be attributed to the

project in a simplistic way, except for the use of advanced techniques, which the audit team did not witness. Finally, the audit team concludes that continued agricultural extension services are needed to prove the effectiveness of such actions taken in the year 2013 and beyond, as planned in the SOS Amazonia document and 'Catch Up Plan'.

**Support to local farm associations:** the proponent did not report support actions to the local association of cassava flour producers during the period covered by this verification. The audit team interviewed one of the association's representatives in the field, who claimed that they had not been contacted by the project proponent to build a plan for supporting association actions. The audit team understands that the proponent has failed to implement this specific aspect. As a result, the project has included this activity as one that will take place beginning in December 2017, as stated in the 'Catch Up Plan'.

**Support to regularization of land tenure:** Throughout the monitoring period covered by this verification, the proponent began community engagement efforts to demarcate an area of 15 to 20ha per family, which would in the future be titled on behalf of its representatives. During the audit team's interviews with the communities in the field, the communities expressed concerns over the adequacy of the planned plot sizes offered by the proponent. The communities carry out a type of land management that involves the periodic rotation of the planting sites, where the cropping cycle involves felling and burning of small plots, planting, harvesting, followed by a fallow period, and so on. The interviewees were unanimous in stating that they believed the area offered by the proponent would not be sufficient to provide food for their families, since, along with the offer of titling, there is also a need to stop the use of these management techniques outside the polygon offered. The audit team understands that the project activities have been designed in a way that recognizes the traditional right to occupy the land and also to reduce GHG emissions from the activity. The project also questions the communities' understanding of the amount of land offered, arguing that 15-20ha is in fact 2 to 4 times the size of the parcels currently occupied and cultivated by the community stakeholders for their subsistence agriculture lifestyle. In any case, as the activity has so far been planned and discussed, the action is recognized by the communities and the audit team as having the potential to negatively impact the communities when it is implemented over subsequent monitoring periods. Thus, the audit team understands that such action is being implemented in accordance with the project description, but doing so has revealed the grievance mechanism to be not wholly effective (see NCR#07/17).

**Profit sharing on the commercialization of carbon credits:** the proponent did not implement such action during the monitoring period covered by this verification, stressing that it is a long-term action and pointing to the year 2017 as the focus for its accomplishment. The audit team issued a FAR#03/17 to

highlight the need to verify this specific action at the next audit event.

The audit team recognizes the extenuating circumstances presented by the unexpected death of the original project manager, and the challenges posed by a period of deficient revenue from the sale of carbon credits, owing to the downturn in the market price for a tonne of CO<sub>2</sub>e. Specific actions have been taken by the project to demonstrate progress for fulfilling planned project activities and to close the NCR, while others have been planned for the project to keep on track for delivering the intended benefits. The audit team therefore considers the NCR closed, and raises FAR#06/17, to be closed by the following verification.

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| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>     | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |
| <b>FAR Status:</b>                   | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                 |

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| <b>FAR#:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 07/17                                                                                                                                    |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>VM0007 v1.4, section 5.1</p> <p>VCS standard v3.7, requirement 3.11.1</p> <p>CCBS, 2a ed. (2008) G1.3</p> <p>VMD0015 v2.1, step 2</p> |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4.3.10 & 4.4.2                                                                                                                           |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                          |
| <p>The project proponent presented the land documentation used to prove ownership over the project area during the project validation steps to address this NCR. The audit team, however, did not identify the lack of land titles but rather the lack of CCIR or Rural Property Registration Certificate. Established by Federal Law No. 5,868, dated December 12, 1972 and regulated by Federal Decrees No. 72,106 of April 18, 1973 and No. 7,620 of November 21, 2011, the audit team understands that the certificate in question is</p> |                                                                                                                                          |

necessary to prove the regularity of the limits the property and attests that the georeferenced polygon informed does not overlap with any other in the INCRA database. The referenced laws make the certificate mandatory for all rural properties in Brazil. Its proof must be carried out on an annual basis for tax purposes. The audit team conducted a consultation with the responsible environmental agency (INCRA), based on the documentation submitted by the project proponent and found that both properties are with the certificate suspended due to irregularity. Thus, because there is no certificate for project boundaries, the audit team understands that the project boundaries may be subject to change, pending the project obtaining valid CCIRs. Thus, the projection of deforestation within the project area may change and, therefore, the GHG emission reduction estimates in the project area may change as well. It is worth noting that the irregular condition of rural properties also violates the requirements of the CCB standard, which determines that the legislation in force in the country should be followed. Finally, considering that the project seeks to confer land titles to communities living in the project area and that the CCIR is indispensable for this, it is also understood that undertaking this project activity without a CCIR would violate the requirements of the VCS standard, which determines that the project activities cannot lead to any legal violation, regardless of whether or not the law is enforced.

Regarding the overlapping areas of the Valparaíso project, this is discussed further under NCR#08/17.

In response to these findings, the project has provided evidence to the audit team demonstrating their initiation of the process to obtain a CCIR for the project through INCRA (Refs. 42, 53, 87 and 88). The evidence received includes letters from INCRA personnel acknowledging the initiation of the process and issuance of a protocol number for their application. Given that the process for obtaining a CCIR involves entities outside the project proponent's sphere of influence, the audit team considers that corrective action has been taken, and raises FAR#07/17, to be closed by the following verification.

|                                    |                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corrective Action Request:         | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>   | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization: | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of         | PENDING                                                                                                                                                                                                                                                                                                                              |

|                      |      |
|----------------------|------|
| Evidence:            |      |
| <b>FAR Status:</b>   | OPEN |
| Comments (optional): | None |

|                                    |                                    |
|------------------------------------|------------------------------------|
| <b>FAR#:</b>                       | 08/17                              |
| <b>Standard &amp; Requirement:</b> | CCBS, 2a ed. (2008), G3.8 and G3.9 |
| <b>Report Section:</b>             | 4.3.5                              |

**Description of Non-conformance and Related Evidence:**

During the audit process, through the analysis of minutes and interviews with project staff, the audit team evidenced that the proponents visited the project area and met with local communities in June 2012, March-April 2013, June 2013, August 2013, May 2014, August 2014 and May 2017. Also included in the monitoring report are listed the visits by Ilderlei Cordeiro to the communities in January 2014, July 2014 and March 2016. However, the photographic records and attendance lists presented by the proponent did not show how the consultation processes were effective, that is, how they allowed the communities to influence the development and implementation of the project during the monitoring period, following an adaptive management plan (G3.8). The project asserts that the communities consulted during these visits effected the project design in that certain requests made by them, such as for the project to place a focus on health when developing and implementing the project's community activities (i.e. social programs), were considered and eventually adopted by the project, and that the communities are already benefitting from the implementation of these activities, thereby demonstrating effective consultation and participation. Interviews with community members suggest this to be true, though, on the other hand, the interviews conducted during the fieldwork also show that the project proposal is not fully understood by those potentially affected by its actions.

In relation to G3.9, the same is observed. In the response given to the audit team, the proponent reiterates the actions taken previously and without regard to the fact that 1) in any of the points where the audit team passed copies of the project documents were found, and 2) the invitation made to participate in the public comment period on the CCB website has been inadequate. The proponent informs the realization of an invitation made by radio, without evidence of its occurrence.

Due to the above, the audit team understands that the proponent has not demonstrated how the communities have been consulted effectively or promoted their effective participation within an adaptive management plan during the monitoring period.

The project proponents, recognizing the interconnectedness between community awareness of the project, effective consultation and participation and how each can be improved, has a) hired Willyan Dene

Sarah as the full-time project manager for the Valparaíso and Russas projects, who, in his duties, will be engaging with the communities for ensuring effective consultation and participation and b) included in the project's 'Catch Up Plan' several community engagement tasks to the same effect. The audit team considers corrective action to have been taken, and issues FAR#08/17 to be closed by the next verification.

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| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:            | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |
| FAR Status:                          | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                 |

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| FAR#:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 09/17                      |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | CCBS, 2a ed. (2008), G3.10 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 4.3.10                     |
| Description of Non-conformance and Related Evidence:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                            |
| <p>In interactions with the audit team after the fieldwork, the project proponent pointed to meetings with the Union of Rural Workers and ITERACRE, attesting, from these meetings, the approval of these instances on the titling process. The project proponent also argued that the rights of communities on land are limited to areas open for clearing (without forest cover), that the area of 15 to 20 ha per family is higher than required by law and finally that the project activity is beneficial to the communities, taking into account an alternative scenario of conflict with the landowner, common in the Brazilian Amazon as a whole. Although the audit team understands that the project proponent has received positive reactions from the Union of Rural Workers and ITERACRE, the audit team also takes the opportunity to point out that FPIC is not demonstrated if the project seeks to resolve the underlying issue solely with associations that do not, at least accurately, represent communities or even state government agencies, rather than</p> |                            |

with communities themselves. If this were the sole means of 'engaging' with the affected stakeholders, it is understood that the proponent would be imposing the activity of titling and not obtaining the consent on the activity of those who will be rightly impacted by it. Further, it should be noted that the community members were unanimous in opposing the idea of the titling activity as it is currently planned during the interviews conducted in the audit, believing that a fixed lot of 15 to 20 ha is not enough to feed their families. As such, it was characterized that there would be a feeling of opposition to the project as a whole, in the majority of interviewees if the titling activity were undertaken without a readjustment by the project based on additional community consultation and effective participation by the affected stakeholders in order to resolve these foreshadowed grievances. The audit team understands that communities have the right to manage their clearing areas and forest in sufficient area to provide for their families and that this right is ensured by the laws of the country. Finally, the audit team understands that the fiscal module in the state of Acre is equal to 100ha. The fiscal module is defined by INCRA according to the average of the rural modules in the region. The rural module, in turn, is defined based on the minimum area required for family support, having been clearly influenced in the case by the size of the properties in the state, its demographic density and its productive potential.

In response to these findings, the proponent has taken corrective actions to demonstrate investment of time and resources in addressing community concerns and to ensure the proper functioning of the grievance mechanism. The project presented a 'Catch Up Plan', within which is described the plan to re-engage with community stakeholders to increase their awareness of the project, ensure their effective consultation, and ensure their effective participation, which, as a result will facilitate the grievance mechanism's effectiveness as well as the project's maintenance of FPIC among affected communities. Part of this community engagement process will involve consultant Saymo Justiniano da Silva, a technician who will be going from door-to-door to explain all aspects of land demarcation process, including discussions around the shape and size of the plots, the CCIR and CAR, land tenure laws and about what communities are able to do with their titles, as well as a discussion about REDD+ projects. As the community grievances are latent in nature and would become realized if the land titling activity were to proceed as planned, the audit team considers the corrective actions taken by the project proponent to be sufficient to close the NCR, and raise FAR#09/17 in its place, to be closed by the next verification.

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|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| Timeline for Conformance:            | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |
| FAR Status:                          | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                 |

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| FAR#:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 10/17                                   |
| Standard & Requirement:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | VCS AFOLU_Non-Permanence_Risk_Tool_v3.3 |
| Report Section:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4.4.3                                   |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                         |
| <p>The proponent has updated the project documents to show that the project is aiming to be registered on CAR database. The audit team recognizes that, by force of law, the dead line to register properties on CAR was postponed. Thus, considering that property rights were not part of this specific verification scope and also the previous validation results, the audit team agrees with the current risk score for this risk category, specifically, item a), table 06. The project proponent has recognized the risk related to land title overlapping in the Northeast section of the Valparaiso Project and that disputes over rights exist, attributing the correct and highest risk score to the category. As such, the project proponent has provided documented evidences that prove that the dispute is being resolved, as is determined required by the VCS tool (Refs. 81 and 84). Considering that the resolution of the overlapping boundary could potentially affect the carbon modelling of the project, FAR#10/17 is being raised, to be closed by the next verification.</p> |                                         |

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|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corrective Action Request:           | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p> |
| <b>Timeline for Conformance:</b>     | Prior to project next verification                                                                                                                                                                                                                                                                                                   |
| Evidence Provided by Organization:   | PENDING                                                                                                                                                                                                                                                                                                                              |
| Findings for Evaluation of Evidence: | PENDING                                                                                                                                                                                                                                                                                                                              |
| <b>FAR Status:</b>                   | OPEN                                                                                                                                                                                                                                                                                                                                 |
| Comments (optional):                 | None                                                                                                                                                                                                                                                                                                                                 |

## 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.*

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |                                                             |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------|
| <b>OBS#:</b>                                    | 01/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Reference Standard & Requirement: | VMD0001 CP-AB, v1.1<br>VCS standard v3.7, requirement 3.5.1 |
| Description of findings leading to observation: | <p>Based on the GHG emission reduction estimates spreadsheet (ref.9), under the tab "calculation parameters", the audit team has calculated the ratio between biomass above and below ground for all the strata and for all of the existent vegetation at the project's area. The value reached was greater than 0.22.</p> <p>In the case of alluvial FAP, the average ratio of below-ground biomass to above-ground biomass was 0.231, while the average ratio of below-ground biomass to above-ground biomass for all vegetation types was equal to 0.228.</p> |                                   |                                                             |
| Observation:                                    | <p>The CP-AB module, v1.1, part 2 and section 6 (ref.6), guide the adoption of IPCC indicators for the below ground biomass ratio. The audit team understands the parameter review in question as an opportunity for improvement for the project.</p>                                                                                                                                                                                                                                                                                                            |                                   |                                                             |

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|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------|
| <b>OBS#:</b>                                    | 02/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Reference Standard & Requirement: | VMD0002 CP-D v1.0, parte 2<br>VCS standard v3.7, requirement 3.5.1 |
| Description of findings leading to observation: | <p>The project's proponent adopted a methodological deviation in relation to VMD0002 module, v1.1 (ref.8), which establishes that: "Lying dead wood must be sampled using the intersect line method (Harmon and Sexton 1996). Two 50-meter lines (164 ft) are established bisecting each sample plot and the diameters of the lying dead wood (<math>\geq 10</math> cm diameter <math>\geq 3.9</math> inches+) intersecting the lines are measured. The first line is oriented along a random bearing, the second line is oriented perpendicular to the first."</p> <p>A justification to the methodological deviation was not presented nor mentioned any study, research or article in where the same method had been employed, by the proponent, for the definition of a new transect size.</p> |                                   |                                                                    |
| Observation:                                    | <p>Re-measurements of carbon stocks were not part of this verification scope. The audit team raises this note as an observation, to indicate the risk of potential impacts over the GHG reduction estimates</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                   |                                                                    |

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| <b>OBS#:</b>                                    | 03/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Reference Standard & Requirement: | CCBS, 2a ed. (2008), G3.10 |
| Description of findings leading to observation: | <p>The proponent complies with the indicator. The project documentation (page 60 of MIR, ref.1) explains the procedure for receiving and handling complaints, which is based on two points: 1) direct contact with the project proponent by telephone, e-mail and / or (contact details are found in the project description) and 2) through the SISA Ombudsman, who, through SEMA, has the competence to receive complaints about, in a broad sense, REDD + projects (ref. 27). In the interviews with the community members it is evidenced that they know the means to communicate with the project proponent. The audit team understands that the SISA ombudsman serves as part of a complaint protocol for other stakeholders, not necessarily the communities that live within the Project area.</p> |                                   |                            |

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|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Observation: | The auditors pointed to an observation to highlight an opportunity for improvement on the project's documentation, which indicates the SISA ombudsman, as an IMC competence and not SEMA, as it highlights the official state diary on July 31st, 2014. |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------|
| <b>OBS#:</b>                                           | 04/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Reference Standard &amp; Requirement:</b> | CCBS, 2a ed. (2008), G3.5 |
| <b>Description of findings leading to observation:</b> | <p>In interactions with the audit team after the field work the project proponent discusses the issue of illegal hunting in the territory, focusing on the inherent complexity of the subject, stressing that it is difficult to distinguish between illegal activity and traditional activity and pointing to the lack of evidence that qualifies hunting in the territory as illegal. The proponent also points out that large mammals may have simply been missed because it is a first monitoring event, thus attributing their apparent absence to the uncertainty associated with any sampling method. The proponent also discusses what would be the applicable mitigation measures, pointing to continuous monitoring, focused on endangered species, raising awareness of communities on the issue and implementing agreements with a focus on delineating areas free of hunting. The audit team agrees with the proponent about the inherent complexity of the topic and its considerations. The audit team also agrees with the proponent on the proposed risk mitigation measures, but stresses that 1) considering the lack of regular systematic terrestrial patrolling activities in the project area during the 2014-2016 monitoring period, such measures would plausibly reduce the risk of hunting of endangered species only in cases where hunting activity was carried out by communities living within the project area and not by persons outside the boundaries of the project area and 2) the mitigation measures presented and their stepwise logic have not been recorded in the updated version of the monitoring report. However, although the associated mitigation measures have not been clearly reported in the project implementation and monitoring report, the audit team understands that the necessary and possible actions to mitigate the problem are placed in one form or another in the project activities. That is, the proponent foresees monitoring of biodiversity, interaction with communities and surveillance actions.</p> |                                              |                           |
| <b>Observation:</b>                                    | <p>Based on the above, the audit team considers an opportunity for improvement in project description to include the mitigation measures described by the project proponent.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                              |                           |

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|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------|
| <b>OBS#:</b>                                    | 05/17                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Reference Standard &amp; Requirement:</b> | CCBS, 2a ed. (2008), G2.2, G3.2, G3.4, G3.11. |
| Description of findings leading to observation: | <p>The project proponent presented documents to prove costs related to service provider contracts as an example of expenses related to the monitoring period. The proponent stresses that it deals with the most representative costs. The audit team evaluated the documentation and concluded that 1) some of the expenses presented were not executed during the monitoring period evaluated (2014 to 2016), 2) the expenses executed and evidenced by vouchers in the period from 2014 to 2016 do not correspond to the expenses reported in the project financial worksheet, and in this period a higher amount was budgeted than the one executed for the same parameters considered as inputs for the analysis (based on receipts presented) and 3) expenses executed and evidenced by vouchers since 2013 (all receipts presented) do not correspond to the expenses reported in the financial worksheet of the project, and the expenses executed are higher than those budgeted for the same parameters considered as inputs for the analysis (due to the receipts presented). The audit team understands that the project proponent has demonstrated its financial capacity to implement the project (see NCR#11/17), however, that it has failed to present a financial spreadsheet that matches the actual costs incurred</p> |                                              |                                               |
| Observation:                                    | <p>The audit team issued an observation to point out the review of the project financial sheet as an opportunity for improvement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                              |                                               |

## Figures

*Note: The list of figures presented below were prepared by the audit team in independent analyses and related to proof of project compliance with applicable requirements.*

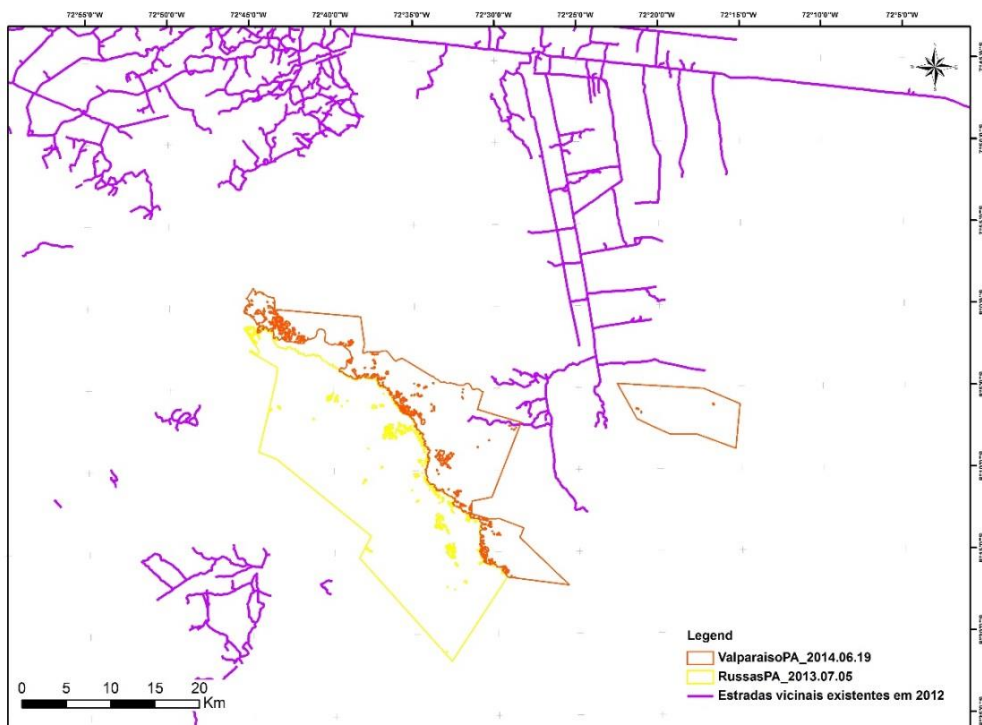


Fig.1 - Secondary roads existing in the year 2012 in Valparaíso and Valparaíso PA and surroundings.

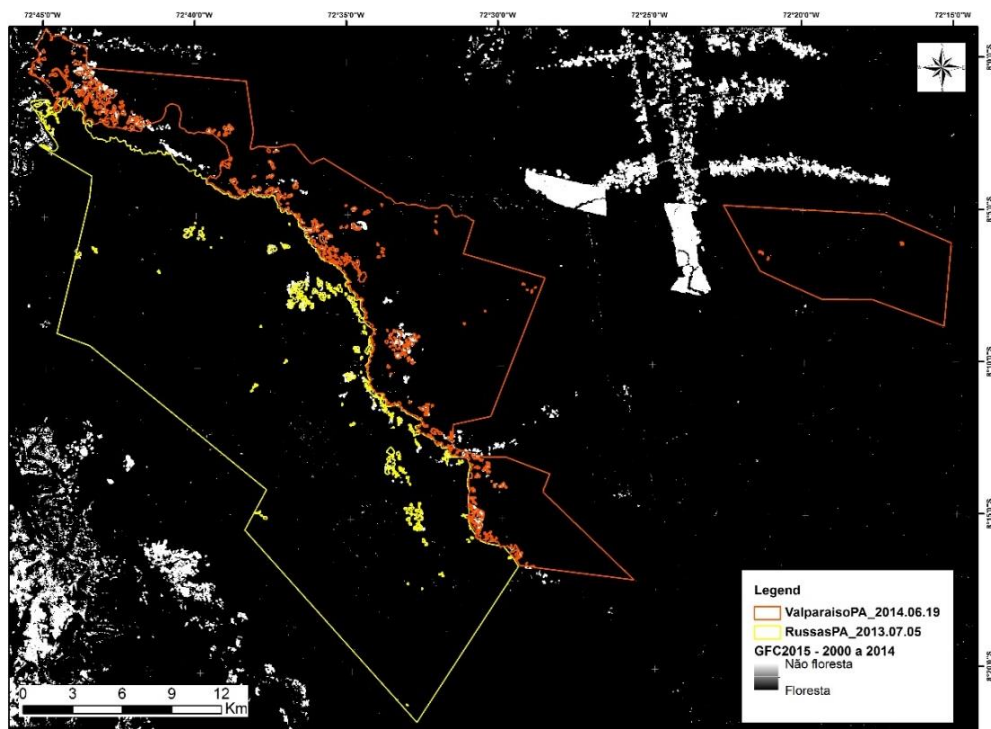


Fig. 2 - Historical series 2000-2014 of forest loss in the Valparaíso and Valparaíso PA and surroundings. Source: Global Forest Watch

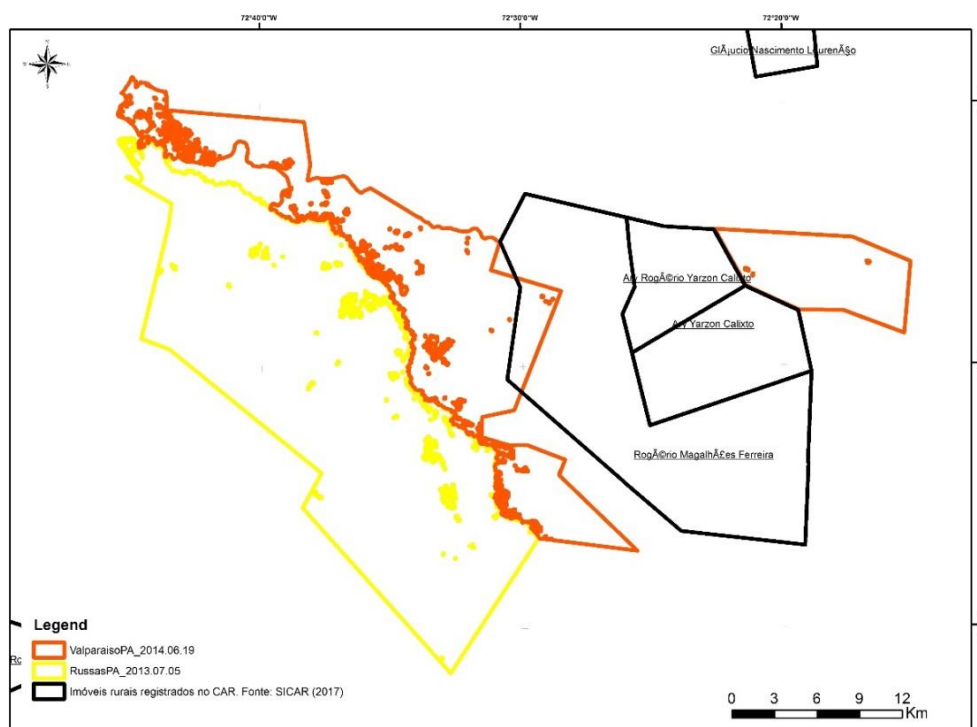


Fig. 3 - Overlap of geographic limits with third party CAR. Source: SICAR

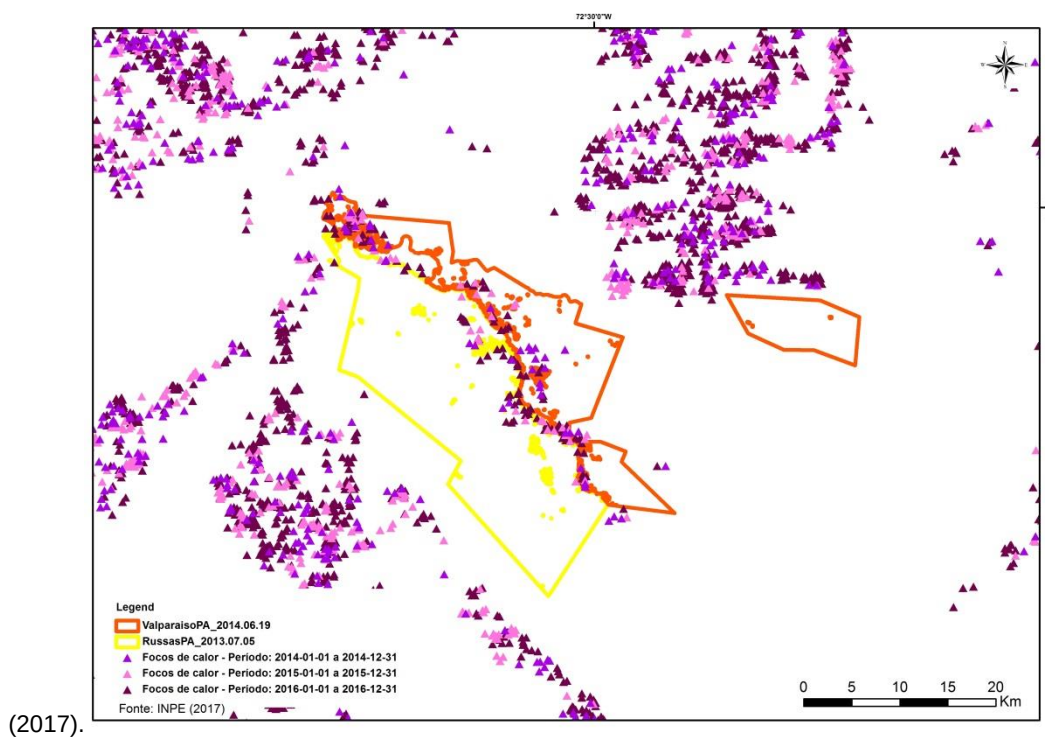


Fig. 4 - Heat sources in the project areas. Source: INPE

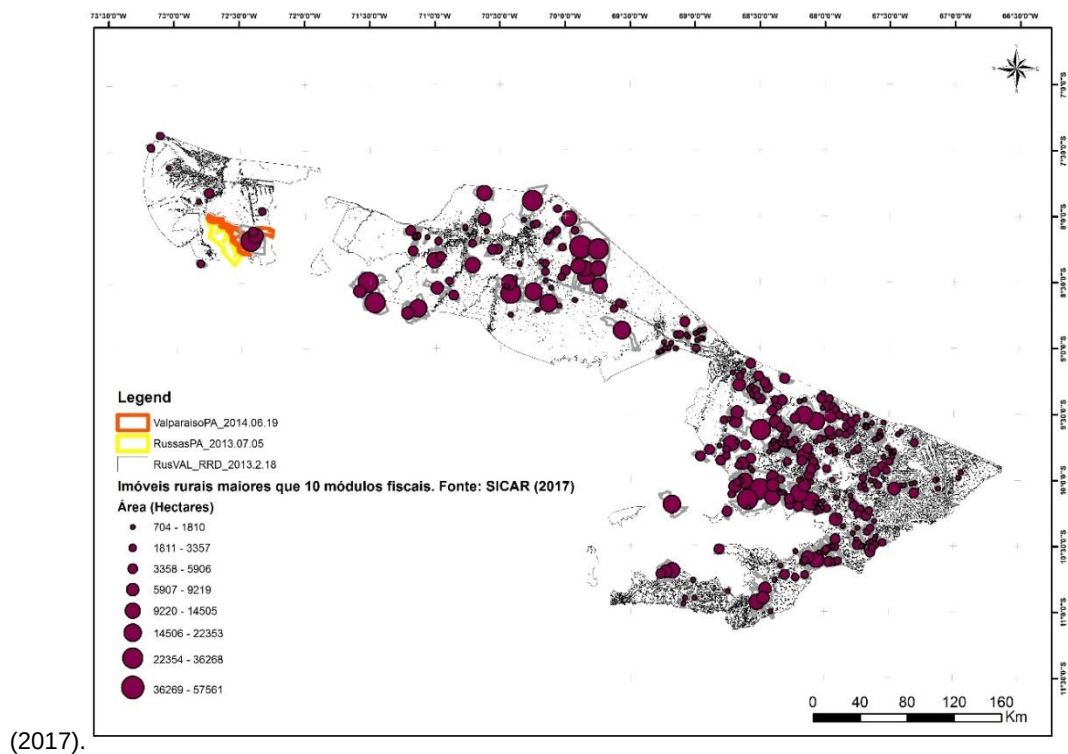
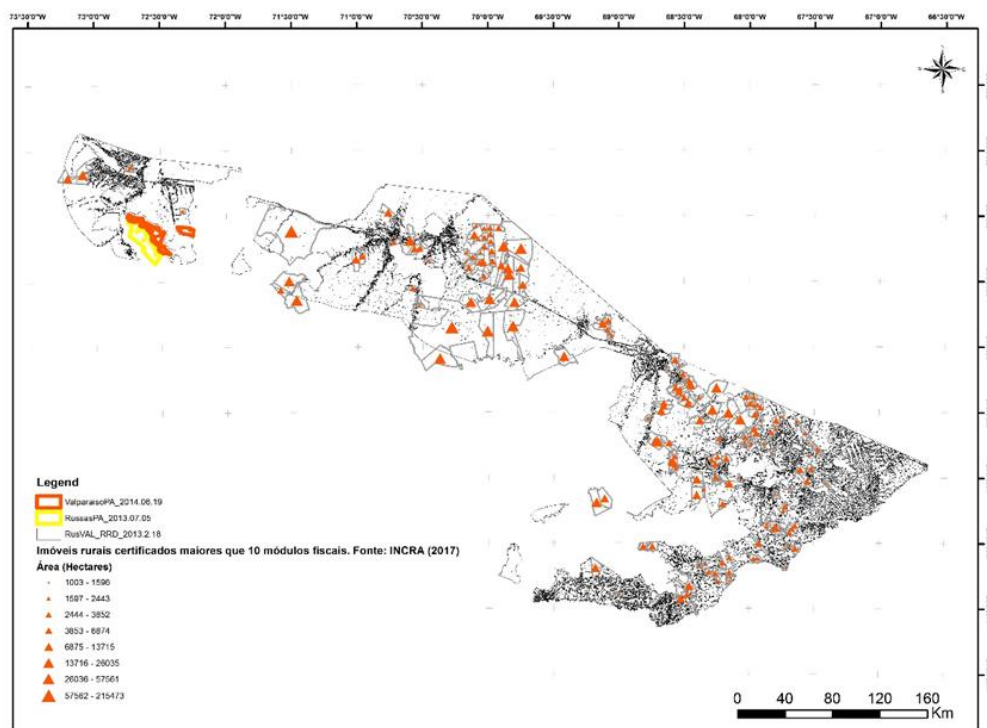


Fig. 5 - Rural properties greater than ten fiscal modules in the process of environmental regularization in the RRD Valparaíso and Russas. Source: SICAR



(2017).

Fig. 6 - Rural estates greater than ten fiscal modules with land regularity in the RRD Valparaíso and Russas. Source: INCRA (2017).

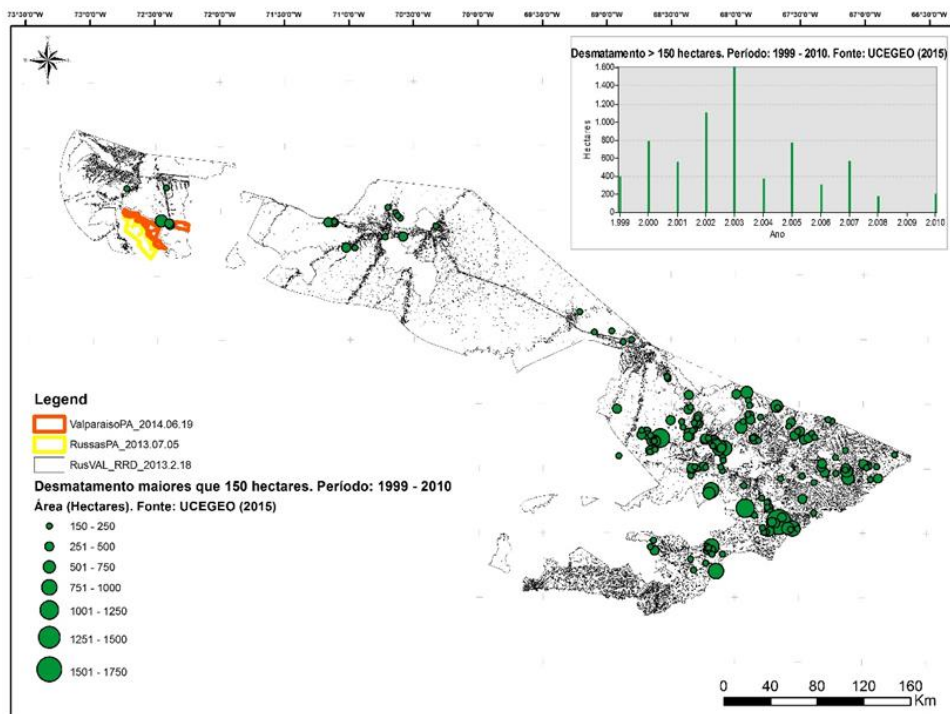


Fig. 7 - Historical series of deforestation greater than 150 hectares in the RRD Valparaíso and Russas, during the reference period of the baseline (1999-2000). Source: UCEGEO (2015).