

VALDIVIAN COASTAL RESERVE VCS VERIF 15



Document Prepared By Rainforest Alliance

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Summary:

This report represents the Final Verification Audit Report for the Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile Project, for which The Nature Conservancy is the Project Proponent. The audit team, after extensive desk review, stakeholder interviews, field visit and observation, has identified six nonconformances communicated in this report through Nonconformity Reports (NCRs) in Appendix 1. Corrective actions and updated project documentation has been submitted to the audit team to demonstrate full conformance and closure of all NCRs.

The audit process commenced on August 1, 2015 with review of the project documentation by the audit team. The proponent provided the audit team with complete and well justified documentation including the VCS Monitoring and Implementation Report (MIR), and several supporting documents. Following the pre-field audit document review and sampling plan development, the audit team held a web-based meeting with the project's technical consultant (TerraCarbon) that conducted the land use change/remote sensing analysis, the carbon quantification work, and the baseline update. Following this meeting the audit team conducted the field audit from September 22-25. Field audit activities included direct on-site observations, document review, and stakeholder interviews with local government officials and participating NGO partners. The audit team leader was a Rainforest Alliance Senior Carbon Auditor.

The audit team has determined positive verification decision and the project's full conformance to the VCS Version 3 Standard, using the VCS VM0007 v1.4 methodology, and the VCS VM0007 v 1.5 methodology for the second baseline update. The final verified project documentation includes the *Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve, Chile, VCS Monitoring Report, Version 2*, dated from 14 November 2015, the *Non-Permanence Risk Report for Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile, Version 2*, dated from 14 November 2015, and the updated PD *Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve, Chile, Version 3* dated from 14 November 2015. The verification audit team has confirmed that the project has generated a total of 72,252 VCUs during the monitoring period from 4 November 2011 to 3 November 2014.

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1 INTRODUCTION

1.1 Objective

The purpose of this verification audit is to confirm the conformance of the Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile Project with the VCS Standards, Version 3, associated guidance, and VCS VM0007 methodology during the monitoring period from 4 November 2011 to 3 November 2014. The project was developed by The Nature Conservancy, hereafter referred to as “Project Proponent”. This report represents the findings of qualified Rainforest Alliance auditors who have evaluated the project’s systems and performance against the applicable standards.

1.2 Scope and Criteria

Scope: The scope of the audit is to assess the conformance of the Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile Project against the Verified Carbon Standard, version 3. The project area covers 1,273 hectares. The Nature Conservancy holds title to the land which is protected by a conservation easement (“Servidumbre”) held by FORECOS, a Chilean non-profit organization. The project crediting period is twenty years in length, from 4 November 2003 through 3 November 2023. A net GHG reduction of 72,252 VCUs has been calculated over the course of the VCS monitoring period from 4 November 2011 through 3 November 2014. The proponent has also submitted an updated baseline for the second baseline period from 4 November 2013 through 3 November 2023, which is evaluated for conformance as part of the scope of this audit.

Standard criteria: Criteria from the following documents were used in the process of this verification audit.

- Verified Carbon Standard Program Guide Version 3.5;
- Verified Carbon Standard Version 3.5;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements Version 3.4;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool Version 3.2;
- Verified Carbon Standard Program Updates
- VCS VM0007, V1.4
- VCS VM0007, v1.5 was used for assessing the second baseline update, per VCS rules and clarification by the VCSA.

Materiality: The project has calculated annual emissions reductions less than 300,000tCO₂e during this monitoring period, hence it is a VCS Project and subject to a 5% materiality threshold.

1.3 Level of Assurance

This project is evaluated to a reasonable degree of assurance.

1.4 Summary Description of the Project

The Valdivian Coastal Reserve (VCR) is located approximately 40 km southwest of Valdivia in Region XIV of Chile. The VCR is situated in the Coastal Range of south-central Chile, in a section known as the Cordillera Pelada. It is located at the northern extension of the temperate rainforest ecoregion, and represents one of the last large fragments of Valdivian Temperate Forest. The area is of significant ecological value, home to numerous endemic species, and globally-significant ecosystems and vegetation, such as Olivillo coastal forest (*Aextoxicon punctatum*) and Alerce (*Fitzroya cupressoides*), the latter one of the world's largest and longest-lived tree species. Significant stores of carbon are sequestered in the VCR's native forests, with stocking levels estimated at over 800 metric tons of CO₂ equivalent per ha.

Prior to 2003, the property was owned and managed by an industrial timber company, Bosques S.A., that had been steadily converting native forest on the property to Eucalyptus plantations and coordinating with the Ministry of Public Works (MOP) and its agent the Chilean Army Corps of Engineers (CMT) on the construction of a coastal highway (Carretera Costera) traversing the property. When Bosques S.A. went bankrupt in 2003 due to financial mismanagement, the property became available for purchase, and in November 2003, The Nature Conservancy (TNC), recognizing its significant conservation value and imminent threats, acquired the property. In February 2012, TNC donated a portion of the property, consisting of approximately 9,453 ha, to the Government of Chile, to form part of Chile's new Alerce Costera National Park; as a result, the VCR is currently approximately 50,251 ha in size.

TNC's decision to purchase the property was made after extensive analysis of conservation threats and priorities in the region and also after identification of the potential of carbon credits generated through forest conservation activities in the region that could be explored as a revenue source to finance the acquisition and management of the property. Even after purchase of the VCR, carbon revenue remains critical to help finance the establishment of an endowment for long-term operations, and to help pay off the original acquisition costs, which were paid for through a loan from TNC's internal Land Purchase Fund, with no other immediate sources of finance to repay the entirety of the loan identified as of the project start date. Generous philanthropic donations from TNC donors, WWF and Conservation International, helped to partially offset but did not fully fund the original acquisition costs.

The acquisition of the property by TNC effectively stopped the ongoing conversion of native forest to Eucalyptus plantations, activities authorized through permits that conveyed to the new owner, and that were expected to be exercised by the most likely alternate buyer (i.e. another industrial timber company with management objectives similar to Bosques S.A.). The acquisition further leveraged the position of TNC to advocate against and ultimately contribute to stopping the construction of the coastal highway. The acquisition of the VCR and subsequent conservation actions by TNC, including ongoing protection and management activities, constitute two VCS-eligible Reducing Emissions from Deforestation and Degradation (REDD) activities:

1. Avoiding Planned Deforestation (APD) by stopping construction of the coastal highway
2. Avoiding Planned Degradation (APD) by stopping conversion of native forest to Eucalyptus plantations

The two activities are combined under one project, the Avoiding Planned Deforestation in the Valdivian Coastal Reserve Project. The total eligible project area is 1,273 ha, which is a subset of the larger VCR. The fundamental objectives of the project are:

1. Protect threatened biodiversity by avoiding the planned deforestation of native temperate rainforest.
2. Help to sustain and improve the well-being of rural and indigenous human communities surrounding the Reserve.
3. Protect forest carbon stocks over the long term.
4. Achieve sustainable long-term financing for the Reserve (and its potential future expansion through creation of a marine protected area) through carbon credit transactions. (Funds from any transaction will be used to help establish an endowment to fund long-term operational costs, which primarily consist of salaries for park guards and other staff, and to fund additional conservation activities within the Reserve.)
5. Demonstrate a successful private sector funding strategy for climate change mitigation.
6. Widely share lessons learned during project development, in order to build climate change mitigation capacity within the Chilean government and other institutions (i.e., Universidad Austral).
7. Test scientific methodologies for quantifying emissions avoided and other impacts.
8. Improve voluntary carbon market accounting standards.
9. Influence future climate change mitigation policies and laws through the development and use of rigorous standards in the voluntary carbon market.

10. Create a reference center at a partner institution (Universidad Austral) as part of a global REDD network. The reference center will serve both as a physical repository of information and as the host of an electronic web portal for relevant documentation. The center would connect Chilean REDD+ initiatives with those in Brazil, Indonesia and Mexico.

TNC granted a conservation easement on the Valdivian Coastal Reserve to FORECOS, recorded on 23 May 2014, in order to protect the ecological values at the Reserve for future generations, even if the property title were to change in the future.

Table 1.1. Project activities implemented during the current monitoring period

Project activity	Date	Notes
VCS validation and first verification of the project	2013	Verification interval 2003-2011
VCS registration of the project	2013	
Servidumbre established	23 May 2014	

During the monitoring period, no new deforestation, degradation or natural disturbances took place in the project area, confirmed through classification of Landsat imagery and from close surveillance of the reserve by park guards and CONAF. Total GHG emission reductions or removals generated in this monitoring period were 80,288 t CO₂e (72,252 t CO₂e after VCS AFOLU risk buffer contribution).

2 VERIFICATION PROCESS

2.1 Method and Criteria

The method of the audit was desk and field based. A desk based review of project documentation including the VCS monitoring report, VCS validated PD, and VCS AFOLU Non-Permanence Risk Report was conducted in order to develop an audit and sampling plan for the field audit. The sampling plan included a risk based sample of key stakeholder interviews with government officials and NGO partners as well as proponent staff, and direct observation and confirmation of attributes of the project area including evaluation of remote sensing monitoring methods and results, and project boundaries.

The criteria used for the VCS audit are the VCS Version 3 program and requirements and the VCS VM0007. The v1.4 methodology was used for the verification of the project activities, while the v1.5 was used for the validation of the second baseline update per VCS AFOLU requirement 3.1.10 and direct communications with the VCSA.

Audit team:

<i>Auditor team names and positions</i>	<i>Auditor qualifications</i>
Campbell Moore Associate Manager, Rainforest Alliance Carbon Services Lead Auditor cmoore@ra.org	Campbell is a forester and senior carbon auditor with professional experience in Africa and Southeast Asia, and Latin America. In his role as Carbon Technical Specialist with Rainforest Alliance he conducts audits against six forest carbon standards, supervises methodology assessments, manages RA accreditation, and acts as technical expert on carbon for RA-Cert globally. Campbell has participated in more than 40 AFOLU carbon audits, and has been lead auditor of more VCS REDD audits than all but one individual, globally. Previous professional experience includes consulting work for GIZ Philippines performing carbon stock assessments of different forest types including agroforestry and plantation systems, as well as work centered on reforestation in Sri Lanka for the Environmental Leadership and Training Initiative, and working with Climate Focus on LULUCF policy issues. Campbell received his Master of Forestry from the Yale University School of Forestry and Environmental Studies. Prior to his time at Yale, Campbell worked in The Gambia for over two years as a Peace Corps Volunteer designing and implementing a wide variety of forestry, agroforestry, and agricultural projects. In addition to his Master of Forestry degree, he holds a B.A. in Environmental Studies from St. Mary's College. Campbell is fluent in Pulaar and Wolof and has experience with Spanish.
Klaus Geiger Staff Auditor I, Rainforest Alliance Carbon Services kgeiger@ra.org	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 3.3 years with the Peace Corps in Panama within the Comarca Ngäbe-Buglé and on the national level. Among other experiences, cruised timber for the U.S. Forest Service in Tahoe National Park. Klaus received his Masters of Forestry degree 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.
Lawson Henderson, Carbon Coordinator, Rainforest Alliance Carbon Services	Carbon Coordinator with Rainforest Alliance (2012 – current). Education: B.S.F. in forest management from University of New Hampshire, 2005. Experience, Forest Management Associate with Rainforest Alliance, US Region (2008 to 2012). Chain of Custody Associate with Rainforest Alliance, US Region (2007-2008). Forest Land Surveyor for a private forest/civil engineering firm in Western Oregon for two years. Auditor on more than 20 FSC forest management and chain of custody audits and assessments. Lead auditor or auditor on 18 forest carbon projects, including 14 IFM projects. Performed VCS audits of ARR, IFM, & REDD forest carbon projects, and CCB & Gold Standard audits of ARR projects. Project manager on over 250 FSC forest management and chain-of-custody projects. Completed Rainforest Alliance CoC Auditor Training in April 2008, Rainforest Alliance Carbon Verification and Validation Audit Training in March 2009, and Rainforest Alliance Lead Forest Management Auditor Training in June 2009. Successfully completed the Climate Action Reserve Lead Verifier Training for the Forest Project, and Urban Forest Project Protocol in September 2010, CAR Lead Verifier credentials renewed in June 2014. Successfully completed the ISO Quality Management Systems Lead Auditor Training Course (ISO 9001) in December 2010. ARB Lead Verifier

	credentials obtained in October 2012. Approved as a VCS AFOLU IFM Expert in November 2015. Member of the Society of American Foresters and the Forest Guild.
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2.2 Document Review

The audit team reviewed a great variety of documentation in the implementation of this verification audit including the original VCS and CCB PD/PDD, the current VCS and CCB monitoring report, and several supporting annexes, as described below. The proponent provided a comprehensive and internally coherent system of documents capable of accurately describing the on the ground conditions leading to the generation of emissions reductions, community benefits, and biodiversity benefits over the course of the monitoring period.

Document #	Title, Author(s), Version, Date	Electronic Filename
1	Avoiding Planned Deforestation and Degradation in the Valdivian Coasta Reserve, Chile, VCS Monitoring Report, Version 1 (no date), The Nature Conservancy and TerraCarbon	VCR REDD Monitoring Report 2011 to 2014 vfinal.docx
2	Non-Permanence Risk Report for Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile, First Validation Version, 6 June 2013	Non permanence risk report Sept2015.docx
3	Risk Assessment Supporting Documentation	new governance indicators for AFOLU risk assessment.xlsx
4	Carbon Calculation Spreadsheets	VCR APD summing tables 2011_2014 monitoring.xlsx
5	VCR Baseline 2014_2023 carbon modelling	VCR baseline 2014_2023.xlsx
6	Accuracy Assessment documentation including KML files demonstrating validation dataset and supporting image files	VCR_AA_722.kml AApoints.xlsx CLASSIFICATIONWAAPTS.BMP Points_mapGE.jpg

2.3 Interviews

The following stakeholders and VCR personnel were interviewed as part of the Verification audit.

Name	Title
Juan Harries Muñoz	Profesional de la división de fiscalización de la Superintendencia de Medio Ambiente Macro Zona Sur.
Hamilton Hardman	Sr. Business Advisor, Forests & Climate
Liliana Pezoa	Coordinadora de Conservación
Alfredo Almonacid	Administrador
Erwin Ovando	Guardaparque
Marcelo Antillanca	Guardaparque
Omar Ponce	Guardaparque
Patricia Poveda	Guardaparque, Encargada Programa participación Social y Desarrollo Comunitario
Gerardo Ponce	Guardaparque
Solange Zamorano	Coordinadora de los Guardaparques
Mauricio Gomez	Jefe de Operaciones del Departamento de Manejo del Fuego de CONAF
Esteban Salinas	Fiscalización de CONAF
Enrique Cruz	Director de Ejecutivo de Fundación FORECOS
Inao Vásquez	Coordinador Land Trust FORECOS
David Shoch	Director, Forestry and Technical Services de TerraCarbon
Daniel Bifani	Director Regional de Planeamiento, Ministerio de Obras Públicas (MOP)

2.4 Site Inspections

Location	Date
Valdivia, Chile. Opening meeting; interview with Superintendencia de Medio Ambiente del Macro Zona Sur.	21 September 2015
Chaihuín, Chile. Meeting with park guards. Visitation of VCR project area. Meeting with Park Guard Coordinator.	22 September 2015
Chaihuín, Chile. Visitation of VCR Sendero de los Alerces and VCR native forest natural regeneration restoration area.	23 September 2015
Valdivia, Chile. Meeting with CONAF's Chief of Operations for the Department of Fire Management. Meeting with FORECOS.	
Valdivia, Chile. Meeting with TNC VCR staff and TerraCarbon.	24 September 2015
Valdivia, Chile. Meeting with la Fiscalización de CONAF. Meeting with MOP. Closing meeting.	25 September 2015

2.5 Resolution of Findings

The audit team, after extensive desk review, stakeholder interviews, field visit and observation, identified six nonconformances communicated in this report through Nonconformity Reports (NCRs) in Appendix 1. The proponent submitted a full package of corrective action evidence and updated documentation on 14 November 2015. The audit team then reviewed this documentation and corrective actions and determined it sufficient to demonstrate full conformance with the VCS Standards.

	Title, Author(s), Version, Date	Electronic Filename
1	Avoiding Planned Deforestation and Degradation in the Valdivian Coasta Reserve, Chile, VCS Monitoring Report, Version 2, 14 November 2015, The Nature Conservancy and TerraCarbon	VCR REDD Monitoring Report 2011 to 2014 v2 CLEAN.docx
2	Non-Permanence Risk Report for Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile, Version 2, 14 November 2015	VCS NPR Template v3.1 2Nov2015 CLEAN.doc
3	Nonconformance response form	NCR Response Form VCR 2014 verif.docx
4	VCR P&L through FY24	VCR P&L through FY24.xlsx
5	Articles supporting natural risk rating for Non-permanence risk report	Farias 2012b.pdf Articulo Veblen.PDF Farias 2012a.pdf Valdivia letter GCF.pdf Neira et al 2002.pdf Pliscoff et al 2005.pdf
6	Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve, Chile, Version 3, 14 November 2015	VCR REDD APD Nov2015.docx

2.5.1 Forward Action Requests

No forward action requests (FARs) are generated through this verification audit and no open FARs were issued by the previous validation/verification audit.

2.6 Eligibility for Validation Activities

Rainforest Alliance has over twenty-five years of experience with forest certification, which has given us familiarity with land management practices globally and has provided us with a solid professional platform for auditing forestry carbon projects. Rainforest Alliance is accredited by the American National Standards Institute (ANSI) to ISO 14065:2013 and therefore accredited to perform validation & verification audits to the Verified Carbon Standard.

3 VALIDATION FINDINGS

3.1 Participation under Other GHG Programs

The project has not been registered with any other GHG program. The project is currently seeking validation & verification under the Climate, Community, and Biodiversity (CCB) Standards, which does not issue credits independently of the VCS or similar carbons standards and hence is valid under the VCS rules. Conformance has been demonstrated and the project is eligible to participate under the VCS Program.

3.2 Methodology Deviations

The proponent has not applied for any new methodology deviations in the course of this verification audit. Of the two validated methodology deviations in the PD only one of them pertains to monitoring. The proponent requested and received approval during validation to alter the VM0007 M-Mon requirements for monitoring forest degradation to use interviews with CONAF (Chilean Forestry Department) officials to assess the risk of degradation rather than interviews with local communities through a PRA. This deviation was applied successfully in the course of the monitoring period as independently verified by the audit team via interviews with CONAF. No degradation has occurred. As Chile is a developed country with strong governmental institutions and low corruption, as evidenced by World Bank Governance Indicators, the audit team reaffirms the appropriateness of this deviation under the assumption that inaccurate reporting of degradation in Chile is more likely to come from communities than from CONAF.

3.3 Project Description Deviations

The proponent has submitted an updated PD in order to include information regarding the second baseline period update.

The project's original 10 year baseline period terminated on 3 November 2013. As a result, the proponent has submitted an updated second baseline for assessment of conformance as part of the process of this verification audit. As required by VCS AFOLU 3.1.10, the proponent has generated an updated PD with an Appendix (Appendix 1, Baseline Revision 2013-2023) attached which details the baseline scenario and emissions during the second baseline period from 4 November 2013-3 November 2023 (described as project years 2014-2023).

This updated baseline includes a qualitative assessment of the ongoing validity of the originally selected baseline scenario for the first 10 year baseline period. As the entire project area is deforested in the first 10 year baseline scenario there is no longer any forest area in the 2014-2023 baseline period to subject to changing deforestation pressures. Hence, the assertion that the original baseline scenario of conversion to eucalyptus and road building, remains valid.

The proponent has confirmed that they have used the most recent version of the applicable methodology for the baseline update (VM007 v 1.5 and BL-PL v1.2) and the audit team has been able to authenticate this. The updates that have been made to the methodology and module are not relevant to this specific project and are primarily clarifications of terminology.

Overall, the audit team has reviewed the updated baseline for 2014-2023 and found this to be in conformance with the AFOLU 3.1.10 requirements, as well as mathematically correct. The audit team has reviewed the excel spreadsheet calculations upon which the actual baseline update is based and confirmed that the output matches that reported in the PD and that no errors or discrepancies are observed.

Conformance has been demonstrated.

3.4 Grouped Project

The Avoiding Planned Deforestation in the Valdivian Coastal Reserve, Chile project is not a grouped project.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

Status of Project Implementation and Consistency with PD

Implementation of the VCR avoiding planned deforestation REDD project is in conformance both with the relevant VCS requirements as well as the description of project implementation in the current monitoring report.

No material discrepancies were observed in the field, through stakeholder interviews, or in supporting documentation regarding project implementation status. The project is avoiding planned deforestation of 1,273 hectares for conversion of a national highway as well as forest conversion. As such, project implementation relies upon protection of the areas of forest which were avoided deforestation in the project scenario from deforestation and degradation threats such as legal and illegal logging, conversion, and road building.

The audit team has confirmed full successful project implementation in terms of protecting the forest area. Based on remote sensing imagery and analyses provided to the audit team by the proponent, the entire project area remains forested with no deforestation reported during the monitoring period. Section 4.3 below discusses the remote sensing analysis in greater detail. The audit team independently cross checked the assertion that no deforestation has occurred through direct observation in the field and analysis of Google Earth imagery. The audit team reviewed the project area on Google Earth, for which high resolution imagery was freely available, and confirmed no visible areas of deforestation. During the field audit, the audit team visited a sample of four parcels comprising part of the project area and using handheld GPS units tracked the boundaries of the project area as well as traversed parcels to detect evidence of deforestation. No evidence of deforestation was present during this field visit. The project area is surrounded primarily by intact native forest which is also managed by TNC as part of the Valdivian Coastal Reserve. These non-VCS REDD project parts of the VCR were not slated for planned deforestation and hence are not part of the project area or eligible for crediting. However, as TNC works to protect these areas as well, this provides additional protection for the project area as it is enclosed within a much large block (approx. 51,000 hectares) of protected native forest.

The proponent also seeks to protect carbon stocks in the project area from forest degradation, which would not be easily detectable by the remote sensing approach used, which relies upon medium spatial resolution Landsat imagery. Carbon stocks are protected via the efforts of six full time forest guards that patrol the entire VCR project area and broader conservation area to detect evidence of illegal activities, forest degradation/deforestation, and conservation threats. The audit team held a focal group interview with four of six forest guards, reviewed documentation related to forest patrols, and toured part of the forest with forest guards and was able to confirm that this aspect of the project is implemented fully and is effective in protecting the forest carbon stocks.

As road building was one of two primary threats to forest carbon stocks in the project area, successful project implementation relies as well upon avoiding the highway that would have been constructed in the baseline. The audit team confirmed that this highway had not been built via remote sensing imagery, a visit to the proposed road construction site, and interviews with the Ministry of Public Works (MOP). The audit team met with Daniel Bifani of the MOP, who confirmed that the originally planned coastal highway plan has been cancelled for the VCR area and that the MOP has developed an alternate plan of refocusing road traffic onto existing minor roads (often unpaved), in and near the VCR. The long-term plan may include some widening or straightening of these existing minor roads, however the earliest that this construction could begin would be 2020, and any leakage from this would be quantified through the VCR project's very large activity shifting leakage belt which includes new road construction due to road displacement from the project area.

In conclusion the audit team was able to confirm that project activities including prevention of road construction and forest conversion, as well as protection of project area carbon stocks, are implemented and have been successful during the monitoring period in preventing the baseline scenario from occurring and protecting the forest carbon stocks on which the GHG credits are based.

Monitoring Methods and Accuracy

As described above, the audit team independently verified the accuracy of the monitoring through analysis of high resolution Google Earth imagery as well as transecting and confirming boundaries of project area parcels. The proponent reported no deforestation during the monitoring period and the audit team detected no deforestation over the course of the verification audit. The proponent also reported no measurable forest degradation during the monitoring period. The audit team confirmed no evidence of degradation in the parcels visited, as well as with interviews with CONAF (Chilean Forestry Service) officials responsible for detecting and prosecuting illegal degradation, and interviews with the Superintendencia del Medioambiente (Regional Environmental Supervisor) responsible for public reporting of illegal activities such as degradation. Both confirmed that some small scale illegal firewood harvesting exists in the region, but none has been detected in the VCR or project area and that the impact is negligible in other areas where it does occur. The monitoring methodology is both appropriate for detection of changes in carbon stocks and sources of GHGs, and there are no material discrepancies between the validated monitoring plan and implementation.

Participation in other GHG Trading Programs

The proponent is only participating in the Verified Carbon Standard carbon program, generating voluntary carbon credits. The proponent is applying for validation and verification under the Climate, Community, and Biodiversity Standards (CCB Standards) before the end of 2015, yet this program does not issue carbon credits and is rather intended to demonstrate net positive climate, community and biodiversity benefits. Chile does not have a national, legally binding limit on GHG emissions nor any compliance emission trading program which accepts REDD credits. There is currently no international emissions trading program which would accept REDD credits as well. Finally, the audit team checked the websites of alternative voluntary carbon standards which accept REDD projects (Plan Vivo) to confirm the project is not participating in these standards, and found no evidence to suggest they were. The project has confirmed in their Monitoring Report that they have not and are not seeking recognition for other forms of environmental credits including biodiversity credits, species banking, water certificates, etc. The audit team finds no information in the field audit or via review of relevant internet sites to contradict this. Conformance is demonstrated. The project also confirms that it has not participated in or been rejected by any other GHG program. As mentioned above the project is seeking validation & verification under the CCB Standards.

4.2 Accuracy of GHG Emission Reduction and Removal Calculations

Baseline Update

The project's original 10 year baseline period terminated on 3 November 2013. As a result, the proponent has submitted an updated second baseline for assessment of conformance as part of the process of this verification audit. As required by VCS AFOLU 3.1.10, the proponent has generated an updated PD with an Appendix (Appendix 1, Baseline Revision 2013-2023) attached which details the baseline scenario and emissions during the second baseline period from 4 November 2013-3 November 2023 (described as project years 2014-2023).

This updated baseline includes a qualitative assessment of the ongoing validity of the originally selected baseline scenario for the first baseline period. As the entire project area is deforested in the first 10 year baseline scenario there is no longer any forest area in the 2014-2023 baseline period to subject to changing deforestation pressures. Hence, the assertion that the original baseline scenario of conversion to eucalyptus and road building, remains valid.

The proponent has confirmed that they have used the most recent version of the applicable methodology for the baseline update (VM007 v 1.5 and BL-PL v1.2) and the audit team has been able to authenticate this. The updates that have been made to the methodology and module are not relevant to this specific project and are primarily clarifications of terminology.

Overall, the audit team has reviewed the updated baseline for 2014-2023 and found this to be in conformance with the AFOLU 3.1.10 requirements, as well as mathematically correct. The audit team has reviewed the excel spreadsheet calculations upon which the actual baseline update is based and confirmed that the output matches that reported in the PD and that no errors or discrepancies are observed.

Conformance has been demonstrated.

Accuracy of GHG Emission Reduction Calculations used for Verification

The proponent has correctly used the required Data and Parameters tables in Section 3.1 of the monitoring report to transparently report data inputs for emissions reduction calculations. The requisite fields of the tables are completed. The audit team has compared data and parameters to those in the validated PD and validated monitoring plan and confirmed consistency with no material errors. The proponent has chosen conservative values when presented with the option, for example selecting a carbon fraction of 0.47tC/tdm for native forest (preserved in project scenario) and a carbon fraction of 0.5tC/tdm for eucalyptus plantations (baseline scenario). Default values are derived either from VM0007 default values, from IPCC values, or from relevant Chilean national statistics and publications.

Monitoring procedures have been provided in the monitoring report to ensure full transparency. The audit team has been able to confirm that these procedures were followed as described throughout this report.

The audit team reviewed the excel files submitted by the proponent used for quantification of emissions reductions in the original validated baseline as well as the files used for quantification of emissions reductions in this monitoring period. Files were reviewed in a webinar with TerraCarbon the technical consultancy hired by TNC for this purpose. TerraCarbon staff provided clear comprehensive responses and clarifications to all questions raised by the audit team. The audit team independently tested the spreadsheets to detect transposition and formulae errors and found none. Data was able to be traced through the calculations to the final VCU generation. Conformance has been demonstrated.

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

Section 3.2 of the monitoring report describes the evidence used to determine GHG emission reductions.

Forest Carbon Stocks

The project assumes appropriately that forest carbon stocks are static over time based on the assumption that the project area is made up of primarily mature temperate rainforest which is known to have very slowly accruing carbon stocks over time as dead wood and soil carbon pools accumulate. The forest carbon stock values were assessed as part of the original validation audit, based on an inventory completed in 2011, which is valid for 10 years per Section 5 of VM0007 module CP-AB. The audit team has reviewed the validated PD and finds the carbon stock value of 610.5tCO₂e/ha credible based on extensive experience globally assessing forest carbon stocks and observations on the ground, noting that there is also no need to reassess them as they have already been validated.

Activity Data and Land Use Change

The proponent has justified the GHG emission reductions based on remote sensing imagery demonstrating no deforestation in the project area during the monitoring period. Section 3.2 of the monitoring report describes the remote sensing processes which are in conformance with best practice as well as VM0007 M-Mon requirements.

The monitoring report transparently provides the forest cover benchmark from 2011 representing the beginning of the monitoring period, in Figure 3.1. Specific details on the remote sensing analysis are included in Section 5 of the monitoring report. Landsat scene ID LC82330882014297LGN00, which was collected 1.5 weeks (24 Oct 2014) before the end of the monitoring period was used for the 2014 forest cover map for LULC change detection. The image was 100% cloud free over the project area. All image processing was completed using Idrisi TerrSet. LandSat 8 data comes with multiple pre-processing steps completed, which are described appropriately in the monitoring report, follow best practice, and as they are conducted by NASA are assumed to be completed by qualified technicians. Image classification was conducted by experienced TerraCarbon personnel using a three class classification (Forest, Water, Non-forest).

Quality Assurance/Quality Control procedures were appropriately used to confirm the classified imagery. 100 forest and 100 non-forest points were randomly selected using Quickbird and Astrium high resolution imagery available through Google Earth to conduct the accuracy assessment. These points were provided to the audit team via KML files and the audit team reconfirmed the accuracy of the classification of these points via a sample. Overall classification accuracy was 93.2%, exceeding the requirements of the VM0007 M-Mon module. The accuracy assessment results are presented in Table 5.2 of the monitoring report.

The lack of degradation during the monitoring period has also been justified, based on input from relevant government agencies, specifically CONAF (Chilean Forest Service), as well as the project area forest guards. The audit team independently met with CONAF and was able to confirm that CONAF was aware of no incidences of forest degradation/logging in the project area and considered it a very low probability area for this to occur. Additionally, the audit team observed no evidence of degradation in the field and confirmed the forest guards had no incidences of this occurring in the project area. The proponent has applied a methodology deviation such that degradation is monitored based on input from CONAF, under the assumption that local communities will not self-incriminate by reporting illegal logging in a participatory rural appraisal (PRA) as M-Mon suggests. This deviation was validated previously and was applied appropriately in this monitoring period. The audit team also confirmed that no instances of degradation from fire occurred in the project area. The project area is covered in wet temperate rainforest and does not have natural ignition sources. Interviews with park guards and CONAF indicate that on average perhaps 5-10 hectares of the Valdivian Coastal Reserve is subject to fire. The VCR includes the project area, but the VCR is nearly 30 times larger.

As described above in Section 4.1, the audit team verified the remote sensing imagery and analysis by visiting a subset of project area parcels and looking for evidence of deforestation to suggest the remote sensing analysis was inaccurate and evidence of degradation that would not be picked up by the medium resolution Landsat analysis. The audit team found no such evidence.

Leakage

The VCR REDD project appropriately accounts for leakage both from activity shifting and from market effects. Section 3.3.3 of the monitoring report summarizes the methods used for leakage monitoring, which the audit team has confirmed are in accord with the validated methods.

A large area for monitoring of displaced road construction has been designated in the PD and is presented in the monitoring report as well. In this area the proponent will account for new road construction confirmed by the MOP to be a result of displacement of the originally planned coastal highway. No leakage of this type occurred during the monitoring period. The audit team independently confirmed this via interview with Danial Bifani, Regional Director of Planning for the Ministry of Public Works (MOP).

The proponent also accounts for any leakage from activity displacement of eucalyptus plantations, however as no conversion to eucalyptus plantations occurs in the baseline during the present monitoring period this is not and should not be accounted for at this time.

The proponent accounts for market leakage appropriately. As no new road construction or eucalyptus conversion exists in the baseline after 2012, the only source of leakage during the monitoring period is market leakage from the timber production displacement within the road construction area. This leakage is correctly and transparently reported in Table 4.8 of the monitoring report.

Quantification of GHG Emissions Reductions

The proponent has provided the audit team with excel spreadsheets used to quantify the emissions reductions during the current monitoring period as well as those used to calculate the baseline emissions. The audit team has reviewed these spreadsheets with the proponent technical partner (TerraCarbon), as well as independently and i) found these spreadsheets to be consistent with the information reported in the monitoring report and PD, and ii) found no evidence of material, or immaterial errors in the spreadsheets. Spreadsheets are appropriately labelled with formulae transparently presented.

Conclusion

The audit team is able to conclude that the assertions of GHG emissions reductions made in the monitoring report are materially accurate to a reasonable level of assurance. This conclusion is based upon transparent and complete information provided by the proponent as well as independent observations, information collection, and stakeholder interviews conducted by the audit team.

4.4 Non-Permanence Risk Analysis

The proponent has provided a transparent and complete analysis in the AFOLU Non-Permanence Risk Report that demonstrates full conformance.

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-4	a) 0, justified. The proponent has justified that the GHG credits are not based on non-native species. The credits come from protection of native forest. b) 0, justified. Proponent asserts that ongoing enforcement to prevent encroachment by outside actors is not needed as there are no indications of illegal activities in the project area. Interviews by the audit team with the forest patrol guards, reviews of their records, and interviews with local government officials from CONAF indicated no evidence of risk from illegal extraction or damage to carbon stocks in the project area. The patrol guards guard the entire VCR, of which the project area is approximately 4% of this area. Even for the entire VCR there are very limited examples of any damage to forest carbon stocks, limited to approximately 1-2 instances of illegal firewood cutting per year. Further, the	

		project areas are physically insulated by the thick vegetation surrounding them, which effectively isolates the project areas from potential agents of deforestation and forest degradation such as illegal loggers or livestock that is not penned. c) 0, justified. Proponent acknowledges the current management team has this entire skills set. Several individuals in the local project management team have relevant University degrees (e.g. B.S. Forest Science; B.S. Forestry; among others), and other team members such as the park guards not only have valuable local knowledge, but individually have approximately 10 years professional working experience in the VCR and surrounding communities, and with TNC—the PP. d) 0, justified. The management team maintains a presence in the project area both via park guards that reside in communities within the VCR and the closest project office in Chaihuin, which is less than a half-day's travel to the project area. e) -2, justified. The management team has significant experience in AFOLU project design and implementation, carbon accounting and reporting. This is achieved via TNC's involvement in forest carbon project development since 1995 and their professional partnership with TerraCarbon. f) -2, justified. The PP, in their NPR, identify the purpose of adaptive management plans and conclude that their 2010 VCR Management Plan and the 2005 Conservation Action Plan together comprise sufficient evidence of an adaptive management plan and justify their score of negative two. This in itself does not explain how management may change based on newly identified threats or changing circumstances. However, the PP further explained during the 2015 verification audit that their use of camera traps has aided their protection of the park by identifying local dogs and livestock (which are normally tagged) and the areas where they frequent, which leads to conversations with stakeholders to corral their animals and ensure their proper care,	
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		thus preventing them from roaming in search of food.	
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	0	a-c) not relevant as the proponent has selected d) below. d) 0, justified. The project has provided a detailed accounting and profits and loss model for the current year and projected into the future. This model demonstrates that the financial resources from the endowment recently established by BHP Billiton provides far in excess of the annual operating costs of the project. e-f) not relevant as the proponent has selected h) below. h) 0, justified. The proponent has secured more than 80% of total funding needed before breakeven. The proponent has secured 100% of funding needed before breakeven based on the recent establishment of an endowment by BHP Billiton.	
Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	a-c) not relevant as the project has selected risk factor d) d) 0 justified. The proponent's assertion that the project activity is expected to be between +/- 20% of the most profitable alternative without-project scenario (continuation of native forest conversion to eucalyptus plantation, and construction of the coastal highway) is appropriate. Upon purchase of the project area, TNC cancelled all permits allowing conversion of forest in the project area from 2003 onward, hence there is no longer any feasible revenue associated with the baseline scenario in which the project area is converted to plantations. In essence the baseline scenario is no longer legally possible given actions taken by the proponent after the project start date. e-f) not relevant as the proponent has selected risk factor g) g) -2, justified. The proponent (TNC) is a non-profit organization.	.

		i) -8, justified. Proponent asserts that the project area is protected by contractual agreement with both the aforementioned philanthropic donor as well as a conservation easement, both of which require continuation of conservation activities as the primary management activity in the project area for 100 years or more should the project area change ownership from TNC. Though the VVB has not seen evidence of the agreement with the philanthropic donor, the auditors met with two representatives of FORECOS—the land trust that holds that conservation easement—including the director, whom confirmed the veracity of the easement's conservation purposes. Additionally, the proponent provided a copy of the easement to the auditors as further confirmation and justification of the score selected for this section of the NPR.	
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	0	The proponent has correctly calculated the project longevity as a score of 0, using the lifetime as the project (100) as the project longevity. $30 - (100/2) = -20$. Score may not be less than zero.	
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	0	The proponent has correctly calculated the total internal risk score as 0, provided the supporting documentation demonstrating the project's financial viability is given to the auditors before the finalization of this report.	
External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk Tool.	0	a) 0, justified. The proponent has appropriately selected this risk score as the proponent holds right of use and resource access rights as described at length in the VCS PD. Supporting documentation such as the title to the property were not shown to the auditors, but interviews with various government officials during the field audit confirmed that TNC was the lawful owner of the VCR, with resources access/use rights to the property. c) 0, justified. The TNC right to own the project area is not disputed. There are no land tenure conflicts. Meetings with the Superintendencia del Medioambiente and with the CONAF during the field audit	

		confirmed this assertion. d) 0, justified. The proponent has circumvented disputes over access/use rights by donating land and granting titles to families that had historically lived within the VCR, where previous owners of the land such as timber companies had allowed them to live in a usufruct arrangement but with no basis for legal recourse should challenges to historical access/use arise. e) N/A. justified. this risk score is only relevant to WRC projects. f) -2, justified. TNC has a contractual commitment to a philanthropic donor requiring that in the event that ownership is transferred from TNC to another entity that this entity shall hold the land for conservation purposes in perpetuity. In addition, TNC has placed a conservation easement on the property requiring conservation of the forest carbon stocks in perpetuity, which is held by and enforceable by the Chilean land trust FORECOS. The audit team met with FORECOS to confirm this.	
Community engagement: Shall be assessed using Table 7 of the VCS Risk Tool.	-5	a) 0, justified. There are no communities living within the project area. b) 0, justified. The project area lies distributed in small patches throughout the larger Valdivian Coastal Reserve. As such, there is a significant buffer of reserve land, managed by the proponent, between most of the project area parcels and the nearest communities. Given the dispersed nature of the project area parcels, the proponent has conservatively assessed community reliance within 20km of the boundary of the VCR as a whole. Within this boundary there are 28 communities and the proponent asserts that only three of these communities have a direct relationship with the project area. The audit team accepts this assertion based on community interviews that the audit team has recently conducted for the CCBA audit with these very communities. Community interviews indicated that they did not consider themselves to be dependent on the project area. They did consider access	

		to the VCR in general to be important for collection of non-timber forest products (NTFP), but did not specifically consider the project area, which makes up less than 4% of the project VCR to be important. Additionally, as TNC has formalized access to the VCR for NTFP extraction, TNC has actually increased secure access for the surrounding communities. It is noted that prior to TNC purchasing the reserve, Bosques S.A., the timber company that owned the land neither permitted nor prevented access to NTFPs, however community members asserted that access is more secure now also given that Bosques S.A. was converting the forest that generated the NTFPs to eucalyptus plantations. The proponent in addition provides a rich history of interaction with the communities over the past 10 years and how this leads to the conclusion that more than 20% of communities within 20km of the project area have been consulted. The audit team confirmed via community interviews in the three communities near the reserve who do utilize the project area, that they have been consulted. c) -5, justified. The proponent adequately describes net positive impacts on the social and economic well-being of the local communities. These impacts being principally the improved freshwater quality (resulting from stopping native forest conversion to eucalyptus plantation), ecotourism generated by the Reserve, improved land tenure of local communities, and employment with the VCR, both permanent and sporadic. Additionally, the project is seeking simultaneous validation & verification under the CCB Standards which demonstrate net positive community benefits.	
Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.	-2	e) 0, justified. The proponent has correctly calculated the governance score as 1.18 for the period of 2010 to 2014, which is the most recent data. f) -2 justified. Chile has a Designated National Authority (CONAMA) under the CDM and has at least one registered CDM A/R project.	
Total external	0	The proponent has correctly calculated the	

risks: Shall be calculated using Table 9 of the VCS Risk Tool.		total external risk score as 0.	
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	1	<u>Fire</u>: 0, justified. The proponent has selected a minor risk rating for fire with likelihood of more than 100 years. The selection is justified based on the characterization of the temperate rainforests in Chile as having abundant rainfall throughout the year, lack of natural fires, and lists scientific studies to support these assertions. One of these studies found that over a 24 year period only about 41 hectares of land within the VCR were affected by fire, suggesting that .0029% of the VCR is burned each year. Fire is thus unlikely to affect more than 25% of the carbon stocks in the project area. Fire mitigation is an explicit part of VCR project staff duties, including regular communication with local fire fighters and seasonal contracting with a local fire brigade spearheaded by the CONAF. <u>Pest and Disease Outbreaks</u>: 0, justified. The proponent has selected an insignificant risk rating for pests and disease outbreaks with likelihood between 50 and 100 years. The selection is justified based on studies, and these studies have been provided to the audit team and support the assertion made by the proponent. <u>Extreme Weather</u>: 0, justified. Proponent selects a minor risk rating at every 100 years or more. The proponent again references a study regarding the dynamic of disturbance and regeneration in the Andean forests of Chile and Argentina and has provided this study to the audit team, which supports this assertion. <u>Geologic Events</u>: 1, justified. The proponent selects minor impacts with likelihood every 50 to less than 100 years. Proponent describes that though large earthquakes occur, the project area is relatively level and has excluded areas with slopes equal to or exceeding 30%. Also, the halting of road construction will assist in runoff prevention and help	

		decrease the incidence of landslides. Finally, the project areas are dispersed enough that no single event is likely to affect more than 10-20% of carbon stocks. <u>Other Natural Risks:</u> The proponent asserts that no other natural risk is relevant to the project area carbon stocks. The audit team accepts this assertion based on the field audit and review of high resolution Google Earth imagery. During the field audit the audit team visited several project parcels and found no systematic evidence of forest mortality. Additionally review of Google Earth imagery indicates a uniformly green and robust forest canopy in the project area with no evidence of significant damage to forest carbon stocks.	
Total Score	1 (10)	The proponent has demonstrated conformance with all VCS Non-Permanence Risk Tool requirements, sufficient to demonstrate a total risk score of 1. However, given that the VCS requires a minimum risk score of 10, this value is applied by the proponent.	

5 VERIFICATION CONCLUSION

The proponent has demonstrated full conformance with the VCS Version 3 requirements of this verification audit without qualification or limitation. The audit team has been able to confirm via field based observations, stakeholder and key informant interviews, and document review that the project has been implemented in accord with the validated project description, that monitoring has been conducted in accord with the validated monitoring plan and, that project monitoring has justified the generation of the below described VCUs.

Verification period: From 4 November 2011 to 3 November 2014

Verified GHG emission reductions and removals in the above verification period:

Years	Estimated baseline emissions or removals (tCO ₂ e)	Estimated project emissions or removals (tCO ₂ e)	Estimated leakage emissions (tCO ₂ e)	Risk buffer (%)	Deductions for AFOLU pooled buffer account (tCO ₂ e)	GHG credits eligible for issuance as VCUs (tCO ₂ e)
4 Nov,	30,309	0	67	10.0%	3,031	27,211

2011 – 3 Nov, 2012						
4 Nov, 2012 – 3 Nov, 2013	31,463	0	0	10.0%	3,146	28,317
4 Nov, 2013 – 3 Nov, 2014	18,583	0	0	10.0%	1,858	16,724
Total	80,354	0	67		8,035	72,252

APPENDIX 1: NONCONFORMANCES AND OBSERVATIONS

Note: Nonconformity Reports (NCRs) identify material errors, omissions or misrepresentations that shall be corrected and substantiated with objective evidence prior to the finalization of this audit report. Observations (OBS) represent areas for potential improvement or areas of potential future nonconformance, and are optionally addressed by the proponent.

NCR#:	01/15
Standard & Requirement:	VCS AFOLU Requirements 3.1.10
Report Section:	Section 4.2
Description of Non-conformance and Related Evidence:	
The proponent is submitting a second baseline period to be validated as part of the verification process, in line with VCS rules and requirements. However, the proponent has not fully complied with the requirements of AFOL 3.1.10 as follows: 1. The proponent has not updated the original PD to include the new baseline period. 2. The proponent has not provided a qualitative assessment of the ongoing validity of the baseline scenario selected for the first baseline period. 3. The proponent has not demonstrated that they have used the most recent version of the methodology for updating the baseline.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	PD--Avoiding Planned Deforestation and Degradation in the Valdivian Coastal Reserve, Chile, VCS Monitoring Report, Version 2, dated from 14 November 2015
Findings for Evaluation of Evidence:	The proponent has taken sufficient corrective actions to close the nonconformance. The proponent has generated an updated PD with an Appendix (Appendix 1, Baseline Revision 2013-2023) attached which details the baseline scenario and emissions during the second baseline period from 4 November 2013-3 November 2023 (described as project years 2014-2023). This updated baseline includes a qualitative assessment of the ongoing validity of the originally selected baseline scenario for the first baseline period. As the entire project area is deforested in the first 10 year

	baseline scenario there is no longer any forest area in the 2014-2023 baseline period to subject to changing deforestation pressures. Hence, the assertion that the original baseline scenario of conversion to eucalyptus and road building, remains valid. The proponent has confirmed that they have used the most recent version of the applicable methodology for the baseline update (VM007 v 1.5 and BL-PL v1.2). The updates that have been made to the methodology and module are not relevant to this specific project and are primarily clarifications of terminology. As such, the proponent has demonstrated corrective actions with this aspect of the nonconformance. Overall, the audit team has reviewed the updated baseline for 2014-2023 and found this to be in conformance with the AFOLU 3.1.10 requirements, as well as mathematically correct. The audit team has reviewed the excel spreadsheet calculations upon which the actual methodology update is based and confirmed that the output matches that reported in the PD and that no errors or discrepancies are observed. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	02/15
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v3.2, Section 1; VCS Principle of Completeness
Report Section:	Section 4.4
Description of Non-conformance and Related Evidence:	
Section 1 of the VCS AFOLU Non-Permanence Risk Tool requires that proponents shall use the most recent version of the AFOLU Non-Permanence Risk Tool and hence the most recent version of the AFOLU Non-Permanence Risk Report. The proponent has incorrectly used the v3.0 report template rather than the correct v3.1 report template, and has used an earlier version of the risk tool rather than the correct v3.2 tool. The VCS principle of completeness also requires that projects shall provide full and transparent relevant information including fully completing all report templates. The VCS AFOLU Non-Permanence Risk Report contains errors and omissions including, i) the dates of the monitoring period are incorrect, the date of issue is incorrect, the contact person identification is missing, and the project ID is missing.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	VCS AFOLU Non-Permanence Risk Report V2, 14 November 2015 NCR Response Form VCR 2014 verif.docx
Findings for Evaluation of Evidence:	The proponent has taken sufficient actions to close the NCR. The proponent has updated the AFOLU Non-Permanence Risk Report template to v3.1 of the template, and has updated the contents of the template itself to correspond to the v3.2 tool. Additionally, the proponent has complied with the VCS principle of completeness by updating the information on the cover page of the report including the missing date of issue, contact person, and project ID, as well as articles referenced to substantiate Natural Risk ratings. The audit team has reviewed these articles and confirmed that they support the assertions made by the proponent regarding natural risks. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	03/15
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v3.2, Section 2.2.2, 2 and 2.2.2, 4
Report Section:	Section 4.4
Description of Non-conformance and Related Evidence:	
The proponent claims in the Financial Viability section of the risk report that the project has already reached cash flow breakeven, based on a large donation. However, the proponent has not provided any documentation of either the revenues and expenses of the project, nor the large donation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.

Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	NCR Response Form VCR 2014 verif.docx VCS AFOLU Non-Permanence Risk Report V2, 14 November 2015 Financial Model VCR P&L through FY24.xlsx
Findings for Evaluation of Evidence:	The proponent has provided sufficient evidence to close the NCR. The project is well funded via a recent donation from BHP Billiton, forming an endowment for the long term maintenance and management of the Valdivian Coastal Reserve, of which the project area is a part. The project also anticipates carbon sales revenues which will supplement the endowment established to protect the reserve. The proponent has provided evidence of this endowment as well as an accounting model with both present and projected expenses and revenues. The financial model relies on market rate assumptions for inflation, return on investment, etc. The model demonstrates that the endowment is sufficiently large to cover the annual operating costs of the project beyond the end of the project lifetime. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	04/15
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Report Community Engagement, Section 2.3.2
Report Section:	
Description of Non-conformance and Related Evidence:	
The proponent has not responded directly to the requirement of the VCS AFOLU Non-Permanence Risk Tool, which requires the proponent to evaluate and justify whether people are reliant on the project area, and whether of this population of reliant peoples, more or less than 20 percent of households within 20 km of the project area have been consulted.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification

Evidence Provided by Organization:	NCR Response Form VCR 2014 verif.docx VCS AFOLU Non-Permanence Risk Report V2, 14 November 2015
Findings for Evaluation of Evidence:	The proponent has provided an updated VCS AFOLU Non-Permanence Risk Report which directly addresses the requirement of this section to assess whether less than or greater than 20 percent of households within 20 km of the project area has been consulted. The project area lies distributed in small patches throughout the larger Valdivian Coastal Reserve. As such, there is a significant buffer of reserve land, managed by the proponent, between most of the project area parcels and the nearest communities. Given the dispersed nature of the project area parcels, the proponent has conservatively assessed community reliance within 20km of the boundary of the VCR as a whole. Within this boundary there are 28 communities and the proponent asserts that only three of these communities have a direct relationship with the project area. The audit team accepts this assertion based on community interviews that the audit team has recently conducted for the CCBA audit with these very communities. Community interviews indicated that they did not consider themselves to be dependent on the project area. They did consider access to the VCR in general to be important for collection of non-timber forest products (NTFP), but did not specifically consider the project area, which makes up less than 4% of the project VCR to be important. Additionally, as TNC has formalized access to the VCR for NTFP extraction, TNC has actually increased secure access for the surrounding communities. It is noted that prior to TNC purchasing the reserve, Bosques S.A., the timber company that owned the land neither permitted nor prevented access to NTFPs, however community members asserted that access is more secure now also given that Bosques S.A. was converting the forest that generated the NTFPs to eucalyptus plantations. The proponent in addition provides a rich history of interaction with the communities over the past 10 years and how this leads to the conclusion that more than 20% of communities within 20km of the project area have been consulted. The audit team confirmed via community interviews in the three communities near the reserve who do utilize the project area, that they have been consulted. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	05/15
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Report Community Engagement, Section 2.3.3
Report Section:	Section 4.4
Description of Non-conformance and Related Evidence:	

The proponent has calculated the governance score as 1.17 for the period of 2009 to 2013. This time period does not represent the most recent World Bank Governance Indicator data.

The proponent must calculate the average host-country governance score based on the most recent five years of available data (2010-2014) governance indicators data is available for Chile.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	NCR Response Form VCR 2014 verif.docx VCS AFOLU Non-Permanence Risk Report V2, 14 November 2015
Findings for Evaluation of Evidence:	The proponent has recalculated the governance score based on the most recent five years of data (2010-2014). This has not caused a material change in the governance score which has changed from 1.17 to 1.18. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	06/15
Standard & Requirement:	VCS Principle of Accuracy
Report Section:	Section 4.4
Description of Non-conformance and Related Evidence:	
The proponent has made an error in the final quantification of the risk rating of the project for the AFOLU Non-Permanence Risk Report. The proponent has claimed and justified a total natural risk rating of 1 for the project yet in the summary of all risk ratings the proponent has used 0.5, rather than 1 as the rating.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	NCR Response Form VCR 2014 verif.docx VCS AFOLU Non-Permanence Risk Report V2, 14 November 2015
Findings for Evaluation of Evidence:	The proponent has corrected the error in the AFOLU Non-Permanence Risk Report such that the summary of all risk ratings now records the total natural risk rating as 1 rather than 0.5. Conformance has been demonstrated and this NCR is closed.
NCR Status:	CLOSED
Comments (optional):	None