



Proposal

for carrying out the Validation and 1st periodic
Verification of the Verified Carbon Standard(VCS)
combined with Climate Community and Biodiversity
Standard(CCBS) of Project Activity:

“Puzhen afforestation project in Guizhou Province”

Shanghai Libra Investment & Management Co., Ltd.
Room H 20/F, Aibang Mansion, 585 Lingling Road,
Xuhui District, Shanghai, P.R. China

No.: 18VCSCN110824

QT-SHD11009/18

Date: 2018-11-20

TÜV NORD CERT GmbH
JI/CDM Certification Program
Langemarckstraße, 20
45141 Essen, Germany

Phone: +49-201-825-3335

Fax: +49-201-825-3290

www.tuev-nord.de

www.global-warming.de



Part 1:

Service Proposal

Proposal No.: S-18VCSCN110824

TÜV NORD CERT GmbH (hereinafter referred to as "TUV" or "the verifier") is pleased to present this Service proposal to

Shanghai Libra Investment & Management Co., Ltd. (hereinafter referred to as "the client"),

to carry out the validation and 1st periodic verification of the VCS and CCBS of the project entitled

"Puzhen afforestation project in Guizhou Province"

(hereafter referred to as "the project").

This proposal is in response to the request for quote based on message from 2018-11-20, received from Mr. Zhong.

TUV's understanding of the VCS and CCBS project, scope of work, methodology, time schedule, composition of the validation and verification team, credentials of TUV and fee proposal are contained in the following sections.

1. TÜV's Understanding

Based on the information provided in the request for proposal by the client, TÜV understands that the periodic verification shall be carried out according to the requirements of the VCS and CCBS.

TÜV understands that the project proponents aim to the voluntary reduction of anthropogenic GHG emissions by carrying out an afforestation project activity applying the CDM methodology AR-ACM0003 ver. 2.0.

The purpose of the project is to generate Voluntary Emission Reductions (VER) for selling in the voluntary offset market using the VCS and CCBS.

2. Scope Of Work

Validation

The validation is based on the information made available to TÜV NORD JI/CDM CP and on the contract conditions. TÜV NORD JI/CDM CP cannot be held liable by any entity for making its validation opinion based on any false or misleading information supplied to it during the course of validation.

TÜV's services will not include any consulting services. Nevertheless, TÜV's possible requests for clarifications and/or corrective actions to the Client may certainly be perceived by the client as indicators of possible potential for improvement in the project design.

In carrying out the validation work, TÜV will apply the following standards and criteria:

- the requirements set forth in the most recent versions of the VCS and CCBS including project specific requirements
- Specific requirements:
 - VCS Program Guide
 - VCS AFOLU Requirements,
 - CDM Methodologies
 - VCS Standard
 - CCB Standard

the host country criteria as applicable under the VCS and CCBS-related laws and regulations of the country in which the project are physically located, namely those of Qinghai Province, P. R. China.

Verification

The verification of the project activity will be performed based on the validated and registered project documentation, especially including the VCS and CCBS, the requirements of the VCS secretariat, Climate Community & Biodiversity Alliance (CCBA), local stakeholder commenting process, biodiversity impacts, community impacts and the monitoring plan, the validation report, the monitored emissions and emission reductions of GHGs during specified time period. TÜV employs a risk-based approach in the verification, focusing on the identification of significant risks for project implementation and the generation of emission reductions.

The verification is based on the information made available to TÜV NORD JI/CDM CP and on the contract conditions. TÜV NORD JI/CDM CP cannot be held liable by any entity for making its validation opinion based on any false or misleading information supplied to it during the course of validation.

The verification will be carried out as follows:

Verification - items to be covered:

- Verification whether the actual monitoring systems and procedures are in compliance with the monitoring systems and procedures described in the monitoring plan as a part of validated project documentation.
- Evaluation, whether the reported GHG emission reduction data, biodiversity impacts data, community impacts data are accurate, complete, consistent, transparent and free of material error or omission.

Submission of Verification Statement/ Report to the client

The verification is not meant to provide any consulting to the client. However, stated requests for forward actions, clarification actions and/or corrective actions may provide input for improvement of the monitoring system.

3. Validation Process

The validation and subsequent registration process of the proposed VCS&CCBS activity shall follow the sequence of steps presented below:

3.1 Pre-Validation Process

It consists of following steps:

- *Review of Documents:* The project documentation submitted by the client and supporting background documents related to the project design and baseline study as well as monitoring plan will be reviewed. Furthermore, the validation team may use additional documentation or checklist by third parties like host-party legislation, technical reports referring to the project design or to the basic conditions and technical data. The document review shall establish to what degree the presented documents meet the established validation criteria. The findings of initial document review will be presented to the client.
- *On site visit and follow-up interviews:* A site visit prove useful for this type of project. Follow-up interviews with project stakeholders prove useful or even necessary in order to discuss and validate issues related to project baseline and additionality and to resolve issues identified in the document review. For discussions related to the technical implementation or financing of the project, follow-up interviews with the project developer may also be beneficial.
- *Pre-Validation reporting:* The draft validation report will facilitate the joint effort between the client and TÜV to develop and document answer(s) and conclusions to requirements which are considered applicable. The independent validation exercise and subsequent discussions given in the report shall enable the project proponent to address any concerns the validator may have raised related to the project, and how these may be clarified.

In order to remedy any mistakes, problems or any other outstanding issues which needed to be clarified for positive conclusion on the project design, Corrective Action Requests (CAR) or Clarification Requests (CL) may be raised. All CLs & CARs are reported and elaborated in terms of implication of CLs & CARs issued in the draft validation report. In the event of issuance of CARs / CLs the client will have to close CARs and respond to CLs before the validation could be completed.

3.2 Final Validation Reporting & Validation Opinion

The final validation report will reflect the results any adjustments made to the project after the submission of draft validation report. This final validation report will now reflect the responses to corrective action and clarification requests, discussions and

revisions of project documents. Thus, the final validation report should give the final conclusions regarding the projects conformance with relevant requirements. The validation report may raise issues that need to be subsequently addressed during project implementation like the implications of any remaining corrective action requests not resolved during the validation.

The final validation report shall include a validation statement in accordance with applied VCS and CCBS, which either forms the basis for positive validation of the project or which explains the reason for non-acceptance if the project is judged not to fulfil validation requirements.

4. Verification Process

Verification Process

Verification is designed to verify:

- The **Compliance** with the validated project documentation esp. the **monitoring plan**; and
- whether the reported data is accurate, transparent and free of material error.

To achieve these purposes the verification consists of following steps:

- **Desk Review:** The client should forward the latest version of the monitoring report to the verifier.

At least the following documents shall be reviewed off-site in this step:

- the last revision of the project documentation, including the most recent monitoring plan,
- the last revision of the monitoring report, including the claimed emission reductions for the project,

- **On-site Assessment:** During the verification, TUV investigates on-site, using a risk-based approach. TUV will typically follow the audit trails and data sets on site for the specific indicators, and cross check with the existing monitoring plan and records.

Planning the site visit:

TUV shall prepare the site visit by:

- assessing all relevant information and make a draft determination of the on-site audit activities,

- organising the logistical aspects of the visit, including the agenda and whom to interview.

On-site activities:

Keeping in mind the level of assurance, the principles of materiality and quality of evidence, typical activities on-site include at least:

- Introduction meeting, explain objectives of the verification,
- Interviews with data co-ordinators, process engineers and other key personnel at site,
- Review of performance records and collection of measurements,
- Check of monitoring equipment and observations of monitoring practices,
- Specific testing and calculation checks to be done on high risk, material data sources and data management issues,
- Close-out meeting presenting the results and findings.

Key Focus Areas for On-Site Assessments:

An on-site assessment shall focus on the following key areas:

- Information flows for generating, aggregating/collating and reporting the selected monitoring parameters
- Calculations and assumptions made in determining the GHG data
- Controls in place to prevent, or detect and correct any significant errors or omissions in the selected monitoring parameters reported

Reporting of Findings and Resolution of CARs & FARs:

TUV will formally communicate the client the findings in the form of Corrective Action Requests (CARs), Clarification Requests (CLs) and/or Forward Action Requests (FARs) in order to arrive conclusions related to the claimed emission reductions.

A "Corrective Action Request (CAR)" is issued, where:

- there is a risk that emission reductions cannot be verified, and
- immediate actions by the project parties are necessary to ensure verification of generated emission reduction.

The verification team may also use the term Clarification Request (CL), which would be issued if:

- additional information is needed to clarify an issue.

The term "Forward Action Request (FAR)" shall be used in the verification report, when:

- the actual project monitoring and reporting requires attention for the next consecutive verification period, or
- an adjustment of the MP is recommended.

In the context of FARs, risks have been identified, which may endanger the delivery of high quality emission reductions in the future, e.g. by deviations from standard procedures as defined by the monitoring plan.

As a consequence such aspects shall receive a special focus during the next consecutive verification.

A FAR may originate from lack of data sustaining claimed emission reductions.

It is the responsibility of the project proponent to respond to the CARs, CLs and FARs reported by TÜV in a timely manner. CARs and CLs are usually "closed out" by desk review and by another site visit as a special case. If necessary, additional costs may be charged for the closure of findings.

Verification Report:

Following the completion of the verification assessment, the verification report shall give an overview of the verification process deployed by the verifier in order to arrive at the verification conclusions. All verification findings shall be clearly identified and justified. The verification report containing Lead Assessor's recommendation will undergo a technical review by TÜV. After approval from technical review, the verification report shall be provided to the Project Participants.

The final verification report shall include a verification statement in accordance with applied VCS and CCBS, which either forms the basis for positive verification of the emission reductions or explains the reasons for non-acceptance if the project is judged not to fulfil verification requirements.

5. Schedule of Events

Validation:

TÜV is prepared to begin the work on the validation of this project upon receipt of all necessary project-related documents.

The Client shall submit all necessary project-related documents at least two (2) weeks before TÜV's (first) site visit. If the client fails to meet the aforementioned

timeline or fails to submit any project related documents that it should reasonably have submitted to TUV, TUV may, at its sole discretion, postpone its site visit(s).

TUV will use reasonable efforts to forward the DVR including the CARs and CLs to the Client within one (1) week of its (final) site visit.

Upon the Client's submission of its response to CARs and CLs, TUV will use reasonable efforts to finalise the FVR and conduct the Technical Review within two (2) weeks of TUV's receipt of the final documents submitted by the Client.

Verification:

TUV is prepared to begin the work on the verification of this project upon receipt of all necessary documents.

The Client shall submit all necessary project-related documents at least two (2) weeks before TUV's (first) site visit. If the client fails to meet the aforementioned timeline or fails to submit any project related documents that it should reasonably have submitted to TUV, TUV may, at its sole discretion, postpone its site visit(s).

TUV will use reasonable efforts to forward the DVR including the CARs and CLs to the Client within one (1) week of its (final) site visit.

Upon the Client's submission of its response to CARs and CLs, TUV will use reasonable efforts to finalise the FVR and conduct the Technical Review within two (2) weeks of TUV's receipt of the final documents submitted by the Client.

6. Team Composition

An experienced team will carry out the verification of the project. TUV is presently having a pool of around 100 GHG validators in Germany and other countries.

The verification team will consist of experienced (lead) assessors and experts covering technical, methodological, environmental and socio-economic competence.

The preliminarily proposed validation team is as follows:

Team leader:

- **Ms. Xuejiao Zhao_TL**

Other involved personnel:

- **Ms. Li Guifang_ETE**

The final team composition will be announced after the conclusion of contract and in the course of the audit planning.

7. Confidentiality

As used herein, "confidential information" shall include any and all oral and written information provided by one party to the other. Confidential information shall not include any information which (i) is, or hereafter becomes (but not in violation of this contract), generally known to the public, (ii) was available to the receiving party on a non-confidential basis prior to the time it was disclosed by the other party, or (iii) is disclosed by an independent third party with a right to make such disclosure. Unless required by law, the receiving party shall not disclose the confidential information to any person or entity except for its directors, employees or outside consultants retained by it in connection with this proposal.

The parties agree that confidential information will not be used for any purpose other than in connection with the performance of their duties and obligations under this proposal. The parties shall use reasonable efforts to prevent access by any unauthorized persons to the confidential information, such efforts to reflect at least the same degree of security that the parties accord their own confidential information. The parties shall ensure that any outside consultant assigned by one of the parties is made aware of, and is bound by, the same degree of confidentiality as set out in this Clause.

The documentation produced by TUV as a result of its services to the client will be presented to the client and to any government or other duly constituted authority having jurisdiction with respect to the scheme and/or the project, accompanied by any additional information required under the scheme. If the scheme requires, the deliverables and additional information will also be made publicly available. Such disclosures are not deemed to be a violation of this Clause.

The documentation produced by TUV as a result of its services to the Client may be included by the Client in its annual report or may be issued by Client in any separate report that the Client may publish or be provided to any other interested parties or entities.

In the event that one of the parties become legally compelled to disclose any of the confidential information, it shall provide the other party with prompt notice so that the other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this section. The party being compelled to disclose confidential information will furnish only that portion of the confidential information which it is legally required to disclose, and will seek to obtain reasonable assurance that confidential treatment will be accorded.

The parties acknowledge and agree that the undertakings set forth in this Clause shall survive the termination of this Proposal.

8. Miscellaneous

The client's acceptance of this Proposal does neither automatically entail the issuance

of a Positive Verification Opinion by TÜV nor the registration of the project by the VCS and CCBA.

TÜV shall be entitled to consult with attorneys, engineers, analysts, accountants, or any other parties that TÜV deems to have the qualifications necessary to assist in the performance of TÜV's services without any extra fees/charge payable on this account by the client. TÜV may select and engage such persons without the client's prior approval except if the client proves the existence of a conflict of interest; if the client has proved the existence of a conflict of interest, TÜV will take all necessary measures to engage alternate advisors. TÜV has the right to subcontract other companies that are part of TÜV NORD Group.

A party's failure to enforce at any time any of the provisions of this Proposal or to exercise any right or option which provided herein shall in no way be construed to be a waiver of such provisions nor in any way affect the validity of this proposal or any part thereof or the right of any party to enforce thereafter each and every such right or option. No waiver of any breach of the work order shall be considered or held to be a waiver of any other or subsequent breach. Nothing shall constitute, or have the effect of, a waiver, except an instrument in writing signed by a duly authorized officer or representative of the party against whom such waiver is sought to be enforced which expressly, and not impliedly, waives a right or rights or an option or options under this proposal.

The terms and conditions as set out in this Proposal shall constitute the entire contract between the parties with respect to its subject matter and shall supersede all prior contracts, proposals, representations, negotiations and understandings, either orally or in writing. Any amendment or modification hereof shall only be binding if it is made in writing and signed on behalf of each party by its duly authorized representative(s).

If any term or condition of this proposal is null and void or will become null and void, then all other terms and conditions shall remain in full force and effect. The parties shall replace such invalid provision by a valid provision which approximates as closely as possible purpose pursued by such invalid provision.

This proposal shall be governed by and construed in all respects exclusively in accordance with substantive German law.

All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules. The place of arbitration shall be Paris. The language of the arbitral proceedings is English.

The general terms and conditions of TÜV (available at http://www.tuev-nord.de/cps/rde/xbcr/SID-ECDB28CB-CA510269/tng_en/AGB_English.pdf) are part and parcel of this Proposal. In case of any inconsistency of the general terms and conditions of TÜV with this Proposal the provisions of this Proposal shall prevail.

9. Term and Termination

The contractual relationship between the client and TUV becomes effective with the signature of representatives of both parties on this Proposal. The contract will be concluded until 2019-12-31. The contract will be extended for an additional period of three years unless it is terminated in writing at least three months before its expiration as per this Clause.

Each party who may terminate this contract for any reason shall be confirmed by both parties upon a signed supplemental agreement at least thirty (30) days prior to the proposed effective date of such termination.

The right to terminate the contract for important reasons shall remain unaffected. An important reason in this sense shall exist in particular if the client falls behind the agreed payment time.

Upon termination of this contract on whichever grounds, all fees for the services rendered until the time of termination shall be paid to TUV. The Client acknowledges that, should any party terminate the contract prior to TUV's delivery of the services set out in Clauses 2 and 3 above, no portion of those services which may be in the possession of the Client may be used in any publication or as a basis for any work performed by any substitute service provider, and the Client shall indemnify and hold TUV harmless from any claims that may be brought against TUV by any such misuse.

Placement of service order

The service order becomes effective when **signed by both parties** and upon **conclusion of the financial contract**.

The annex is part of this offer.

Essen, 2018-11-20

(place and date)

TÜV NORD Cert GmbH
JI / CDM Certification Program
P.O.Box. 10 32 61, D-45032 Essen
Langemarckstraße 20, D-45141 Essen; Germany

We hereby place the service order on the basis of the below (Part 2: Financial proposal)
quoted conditions.

Shanghai 2018-11-23
(place and date)

Chief Executive Officer
Shanghai Libra Investment & Management Co., Ltd
Room H 20/F, Aibang Mansion, 585 Lingling Road, Xuhui District,
Shanghai, P.R. China

Telefax: +49 201 825 2139